



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON ENVIRONMENT,
COMMUNICATIONS AND THE ARTS

ESTIMATES

(Budget Estimates)

MONDAY, 26 MAY 2008

CANBERRA

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**SENATE STANDING COMMITTEE ON
ENVIRONMENT, COMMUNICATIONS AND THE ARTS**

Monday, 26 May 2008

Members: Senator McEwen (*Chair*), Senator Bartlett (*Deputy Chair*), Senators Birmingham, Kemp, Lundy, Parry, Webber and Wortley

Participating members: Senators Abetz, Adams, Allison, Barnett, Bernardi, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, George Campbell, Chapman, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Heffernan, Hogg, Humphries, Hurley, Hutchins, Johnston, Joyce, Kirk, Lightfoot, Ian Macdonald, Sandy Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, Nettle, O'Brien, Patterson, Payne, Polley, Ronaldson, Scullion, Siewert, Stephens, Sterle, Stott Despoja, Troeth, Trood and Watson

Senators in attendance: Senators Abetz, Bernardi, Birmingham, Bushby, Fifield, Kemp, Lundy, Ian Macdonald, McEwen, Parry, Ronaldson, Webber and Wortley

Committee met at 9.03 am

BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY PORTFOLIO

In Attendance

Senator Conroy, Minister for Broadband, Communications and the Digital Economy

Department of Broadband, Communications and the Digital Economy

Executive

Ms Patricia Scott, Secretary

Mr Col Lyons, Deputy Secretary, Communications

Mr Andy Townend, Deputy Secretary, Digital Switchover Taskforce

Mr Abul Rizvi, Deputy Secretary, Broadcasting, ICT, Regional Strategy and Corporate

Corporate and Business

Ms Carrie Kilpin, Media Monitoring Officer, Corporate Communications

Mr Frank Nicholas, First Assistant Secretary, Corporate and Business Division

Legal

Mr Don Markus, General Counsel, Legal Group

Finance and Budgets

Mr Simon Ash, Acting Chief Financial Officer

Ms Phillippa Mitton, Acting Assistant Secretary Budgets

Mr Robert Davey, Assistant Secretary Finance

Mr Jason Dickie, Budgets Manager

Broadband

Mr Simon Bryant, Acting First Assistant Secretary, Broadband Division

Mr Lindsay Barton, Assistant Secretary, Broadband Development Branch

Mr Rohan Buettel, Assistant Secretary, Networks Competition Branch

National Broadband Network

Mr Philip Mason, Assistant Secretary, Regulatory Branch

Ms Marianne King, Assistant Secretary, Commercial Branch

Telecommunications, Network Regulation And Australia Post

Mr Keith Besgrove, First Assistant Secretary, Telecommunications, Network Regulation and Australia Post Division

Ms Sabeena Oberoi, Assistant Secretary, Communications Security Branch

Mr Brenton Thomas, Assistant Secretary, Networks Operations and Spectrum Branch

Mr Richard Desmond, Acting Assistant Secretary, Consumer Protection and Australia Post Branch

Mr Colin Oliver, Assistant Secretary, International Branch

Regional Strategy, ICT and Research

Mr Ashley Cross, Acting First Assistant Secretary, Regional Strategy, ICT and Research

Ms Liz Forman, Assistant Secretary, Regional Strategy Branch

Mr Tom Dale, Assistant Secretary, ICT Strategy Branch

Mr Ben Utting, Assistant Secretary, Indigenous Telecommunications and Regional Telecommunications Review Branch

Dr Judith Winternitz, Assistant Secretary, Research, Statistics and Technology Branch

Broadcasting and Content

Dr Simon Pelling, First Assistant Secretary, Broadcasting and Content Division

Mr Lachlann Paterson, Acting Assistant Secretary, Content Programs Branch

Ms Ann Campton, Acting Assistant Secretary, Broadcasting Industries Branch

Ms Jacqueline Daly, Acting Assistant Secretary, Content Regulation Branch

Digital Switchover Taskforce

Mr Robert McMahon, Assistant Secretary, Digital Switchover Policy and Regulation Branch

Mr Paul Vincent, Assistant Secretary, Project Management and Technical Planning

Ms Barbara Grundy, Assistant Secretary, Taskforce Communications

Australia Post

Mr Michael McCloskey, Corporate Secretary

Mr Michael Tenace, Group Financial Controller

Mr Don Newman, Acting Group Manager, National Logistics

Ms Elizabeth Button, Group Manager, Retail Channels and Infrastructure

Mr Allan Robinson, Group Manager, Letters

Mr Stephen Walter, Group Manager, Corporate Public Affairs

Ms Catherine Walsh, Acting Group Manager, Corporate Human Resources

Australian Communications and Media Authority

Mr Chris Chapman, Chairman

Mr Chris Cheah, Member and Acting Deputy Chair

Mr James Shaw, General Manager, Strategy, Analysis and Coordination Division

Ms Nerida O'Loughlin, General Manager, Industry Outputs Division

Mr Marcus Bezzi, General Manager, Legal Services Division

Ms Dianne Carlos, General Manager, Corporate Services Division

Ms Maureen Cahill, Acting General Manager, Inputs to Industry Division
Mr Paul White, Executive Manager, Industry Outputs Division
Ms Kath Silleri, Executive Manager, Industry Outputs Division
Mr Grant Symons, Executive Manager, Industry Outputs Division
Mr Vince Humphries, Section Manager, Industry Outputs Division
Mr Richard Fraser, Acting Executive Manager, Industry Outputs Division
Mr Mark Loney, Executive Manager, Inputs to Industry Division
Mr Allan Major, Executive Manager, Inputs to Industry Division
Ms Jonquil Ritter, Executive Manager, Inputs to Industry Division
Mr Andrew Kerans, Executive Manager, Inputs to Industry Division
Mr Derek Ambrose, Executive Manager, Corporate Services Division

Australian Broadcasting Corporation

Mr Mark Scott, Managing Director
Mr David Pendleton, Chief Operating Officer
Mr Murray Green, Director, Corporate Strategy and Communications

Special Broadcasting Service Corporation

Mr Shaun Brown, Managing Director
Mr Tim Blackie, Acting Chief Financial Officer
Mr Bruce Meagher, Director, Strategy and Communications
Mr Paul Broderick, Director, Technology and Distribution

CHAIR (Senator McEwen)—I declare open this meeting of the Senate Standing Committee on the Environment, Communications and the Arts. The Senate has referred to the committee particulars of proposed expenditure in respect of the year ending 30 June 2009, particulars of certain proposed expenditure in respect of the year ending 30 June 2009, particulars of proposed supplementary expenditure in respect of the year ending 30 June 2008, particulars of certain proposed supplementary expenditure in respect of the year ending 30 June 2008 for the portfolios of Broadband, Communications and the Digital Economy and Environment, Water, Heritage and the Arts and certain other documents. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed Thursday, 31 July 2008 as the date for the return of answers to questions taken on notice. Senators are reminded that written questions on notice should be provided to the secretariat by close of business next Monday.

The committee's proceedings will begin with its examination of the Broadband, Communications and the Digital Economy portfolio commencing with Australia Post. Agencies will be called in accordance with the agenda. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance for questions at estimate hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearings. I remind officers that the Senate has resolved that there are

no areas in the connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies are adopted. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim. An officer called to answer a question for the first time should state their full name and the capacity in which they appear. Witnesses should speak clearly and into the microphones to assist *Hansard* to record proceedings. Mobile phones should be switched off and laptop computers should be muted.

I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, and portfolio officers. Minister, did you wish to make an opening statement?

Senator Conroy—No.

[9.07 am]

Australia Post

CHAIR—I welcome officers from Australia Post and I invite questions.

Senator RONALDSON—Who should I address questions to in relation to post office closures? Who would be the most appropriate person to answer those questions? Mr McCloskey, would that be you?

Mr McCloskey—Yes, Senator, in the first instance.

Senator Conroy—As you know, all questions go through me, but I am happy to defer to the officials.

Senator RONALDSON—I assumed that you probably were not aware of this, Minister; maybe you are. Perhaps I will ask you a question about it later on. Mr McCloskey, there has been some speculation about the possible closure of the Traralgon Post Office. Are you aware of that matter?

Mr McCloskey—Yes Senator, I am aware of the speculation.

Senator RONALDSON—The speculation surrounds which particular site?

Mr McCloskey—The speculation that has been in the media surrounds the historic post office in Franklin Street, Traralgon. There is, I should add, no basis to the speculation. What is happening is that Australia Post is reviewing its retail operations in Traralgon. We regularly

assess the options to finetune our retail network to ensure that we can provide the best possible service to our customers and, indeed, return to the corporation.

In the case of Traralgon, additional space became available to the Church Street outlet earlier this year with the transfer of the delivery function from that outlet to a new purpose-built dedicated delivery centre. In that context, the decision was taken to review how we deliver our retail operations in the town. The review, which is designed to optimise the delivery of retail services in Traralgon, will involve full and detailed consultation with the community. I would add that it is about enhancing, not reducing, services. If anything, Traralgon, on the face of it, is underdone in terms of the number of outlets for a town of its size.

Senator RONALDSON—So you were looking to possibly move the Traralgon operations to that new space in Church Street?

Mr McCloskey—What we are doing is reviewing our operations in Traralgon. It will be done in full consultation with the community. No decisions whatsoever have been taken at this stage.

Senator RONALDSON—Was that one of the options?

Mr McCloskey—Senator, no decisions have been taken.

Senator RONALDSON—You said before that the space has become available, so I would presume that one of the options with that available space is to close the Traralgon Franklin Street operation and put it into the available space in Church Street.

Mr McCloskey—No decisions have been taken. The full way that we deliver our postal operations right across the town of Traralgon will be reviewed in the best interests of the community and, by extension, also of Australia Post.

Senator RONALDSON—Are there guidelines associated with this sort of decision?

Mr McCloskey—There are guidelines associated with the consultative process and we will be consulting fully with the community in that regard.

Senator RONALDSON—Has that consultation commenced yet?

Mr McCloskey—Some preliminary contacts have taken place. I believe they took place in late April with the chamber of commerce, the local historical society and I think also from memory the ratepayers association.

Senator RONALDSON—So do I take it that the concerns raised followed that community consultation in a timing sense?

Mr McCloskey—The concerns?

Senator RONALDSON—The concerns that were raised about the closure followed that community consultation process?

Mr McCloskey—I think that, unfortunately, out of those particular meetings some misconceptions arose. We subsequently issued a media release saying that no decision had been taken and that we would be consulting fully with the community at large and taking their views into account.

Senator RONALDSON—So could this so-called ‘misconception’ possibly have arisen from the fact that you said at the community meeting, as you have said today, that there is now space available in Church Street and one of the options is to close Franklin Street and move the operations into that available space in Church Street?

Mr McCloskey—I do not think anyone has ever said that Franklin Street will close. What we will be doing is to review the full nature of how we deliver operations in Traralgon. That could, for example, include the establishment of additional outlets. As I said earlier, Traralgon is slightly underdone if anything. For a town of around 22,000 people I think there are only two outlets in the town. Other comparable regional centres in Australia have more outlets and also, in fact, from an Australia Post perspective have higher customer numbers on a daily basis.

Senator RONALDSON—I am just looking at your media release and I will ask you some more questions about it. In the media release and again today you said that it is ‘timely to look at the opportunities created by additional space now available at the Church Street premises’, which relates to the delivery staff. I again ask you: you have put in your press release that there was available space at Church Street and you have said it again this morning, did you or your officers raise during the community consultation that there were now opportunities created by the additional space?

Mr McCloskey—As I indicated earlier, that is what has caused us to look at it. No doubt in the meetings that took place reference was made to that particular point and it is reflected of course in our media release as well.

Senator RONALDSON—What else could go into that available space at Church Street if it were not for the operations of the Franklin Street post office?

Mr McCloskey—It could just be expanded as it is and Franklin Street left as it is. There are any number of options, I am sure. I am not directly involved in what the options might be ultimately but, as I said, we are consulting with the community across the whole gamut of the delivery of retail services to best suit the community in Traralgon and we will be taking their views into account in any decision that is finally taken. Certainly, there is no decision that has been taken so far.

Senator RONALDSON—What would you do in the Church Street operations to expand? What sort of expansion could take place there?

Mr McCloskey—I suppose the space that is available could be turned into retail space as opposed to back-office delivery.

Senator RONALDSON—Do you mean the sort of retail space that you have at the Franklin Street operation? If you are going to extend the retail operations of Church Street, could that incorporate the sorts of operations you are currently operating out of Franklin Street?

Mr McCloskey—Or replicate them.

Senator RONALDSON—Have you, through contractors or anyone else, sought other real estate opportunities for purchase or lease in the Traralgon area?

Mr McCloskey—Not that I am aware of, but I would have to take that on notice.

Senator RONALDSON—Please, take that on notice. Post is a big organisation. Big organisations move at their own momentum. I notice that on 21 May, Dr Nelson, the Leader of the Opposition, called for the retention of the Traralgon post office as a result of concerns that obviously came out of the community consultation. Clearly one of the options was to close Franklin Street. By mid afternoon a statement had been issued. Can you explain the process for the issuing of that media statement?

Mr McCloskey—Certainly. We were keen to correct any misconceptions there might have been in the community as to what our actual plans were and what was taking place. We had issued an earlier media release a week or so prior to that, which was a brief one reassuring the community that no decisions had been taken, but as the topic seemed to be gaining increasing momentum between media coverage and petitions, we wanted to put the record straight. Therefore, we put out the media release on 21 May.

Senator RONALDSON—Were you contacted by the department on 21 May following Dr Nelson's comments?

Mr McCloskey—No, Senator, I do not believe we were.

Senator RONALDSON—Are you absolutely sure?

Mr McCloskey—I am trying to get the actual timing. The only contact we had from the department was a request for a brief in response to earlier media reports in relation to it. I do not believe we were contacted on 21 May.

Senator RONALDSON—You were not contacted by the department following Dr Nelson's comments?

Mr McCloskey—No, Senator, we were not. From memory, the media release was at least in preparation before we heard anything about Dr Nelson's comments. The media release was not issued as a result of Dr Nelson's comments.

Senator RONALDSON—And you were not contacted by anyone from the department on that day?

Mr McCloskey—We have contact on a regular basis.

Senator RONALDSON—You seemed very sure about it before. I want to double check.

Mr McCloskey—I was a little unsure.

Senator RONALDSON—You said no, you were not. So are you unsure?

Mr McCloskey—Certainly not in terms of issuing a media release or anything of that sort. We provided a copy of the media release once it was issued to the department because we had previously provided them with an outline brief on the situation at Traralgon.

Senator RONALDSON—Who contacted the media section at Post to put out this statement?

Mr McCloskey—It was a decision taken internally that we needed to put—

Senator RONALDSON—Following Dr Nelson's comments?

Mr McCloskey—No, not following Dr Nelson's statement. The drafting of the media release was already underway prior to us becoming aware of any statement by Dr Nelson,

because there had been a lot in the media, as you would be aware. I think there were petitions and fliers and our position, we believed, was being misrepresented. So we drafted and issued this particular release on 21 May.

Senator RONALDSON—If I said to you that this statement was put out on the afternoon of 21 May, would you agree with that?

Mr McCloskey—From memory, it was put out around lunchtime on 21 May.

Senator RONALDSON—Certainly after Dr Nelson's comments.

Mr McCloskey—It was after Dr Nelson's comments, yes, but it was not related to Dr Nelson's comments.

Senator RONALDSON—So you are telling the committee that it was pure coincidence—I will withdraw that for a second. You had put out a press release the week before; is that right?

Mr McCloskey—A week or so earlier. The first media release was dated 9 May. I am being reminded by my colleague that there was an article in the paper on 20 May and also we were aware that it was becoming a highly politicised issue locally. We felt our position was being misconstrued and in some respects misrepresented. Therefore, we worked on a media release which was issued on 21 May around lunchtime.

Senator RONALDSON—Can you provide the committee with some correspondence or a minute which would indicate that there were directions and discussions on 20 May, that prior to Dr Nelson's comments on radio, there had already been discussions commenced in relation to the issuing of another media statement? Can you provide the committee with that information?

Mr McCloskey—Senator, there will not be any minutes, because this is something that just happens through normal exchanges internally between people involved.

Senator RONALDSON—There will be some detailed minutes, surely, of when these phone conversations took place to generate this?

Mr McCloskey—Senator, I can recall a number of meetings and conversations. I certainly had conversation with our general manager in Victoria earlier in the week. We spoke about this and about the need to put out a media release. Subsequently, our media people became involved. The media release that was issued on 21 May is the result of all of that.

Senator RONALDSON—You told the committee before that this was generated after the newspaper article of the day before.

Mr McCloskey—No, I—

Senator RONALDSON—Yes, you did. What discussions did you have on 20 May with any officers from Traralgon or any officers from the state which generated this media release on the 21st?

Mr McCloskey—What I was indicating earlier was that there had been a media report on 20 May but, ahead of that and at the same time, there were other things going on. We had had meetings earlier in the week and we decided that we needed to clarify the situation and we should put out a media release. There were subsequent articles in the media and then there

were Dr Nelson's comments as well, but the media release was well underway prior to that, and it was issued on 21 May.

Senator RONALDSON—So when was it underway?

Mr McCloskey—From earlier in the week.

Senator RONALDSON—When earlier in the week? What day were the instructions given, or the decision made, to issue a press release in relation to this matter?

Mr McCloskey—20 May, I think.

Senator RONALDSON—Yes, 20 May; after the newspaper article and a day before Dr Nelson. So it was not earlier in the week.

Mr McCloskey—21 May, from memory, Senator, was a Wednesday. So Monday and Tuesday there were discussions going on.

Senator RONALDSON—Was it Monday or was it Tuesday?

Mr McCloskey—It was both days, Senator.

Senator RONALDSON—Both days?

Mr McCloskey—Meetings took place on the Monday. I was involved in a meeting myself on the Monday.

Senator RONALDSON—Where was the meeting on Monday that discussed the issuing of another press statement?

Mr McCloskey—The meeting was at our national headquarters and involved me, the group manager of corporate public affairs and the commercial manager for the state of Victoria.

Senator RONALDSON—What time was that meeting?

Mr McCloskey—I think it was late in the afternoon.

Senator RONALDSON—Of the 19th?

Mr McCloskey—On the Monday, yes, the 19th. That is correct.

Senator RONALDSON—There was a decision taken at that time, was there, that there would be a press release issued?

Mr McCloskey—It was one of the things that was discussed at that stage, yes.

Senator RONALDSON—Are you prepared to provide this committee with the minutes of the meeting which would confirm that?

Mr McCloskey—There will not be any minutes of that meeting. That was an informal meeting over about 10 or 15 minutes discussing the issue in general.

Senator RONALDSON—By phone, or was that in the office?

Mr McCloskey—No. It was in person.

Senator RONALDSON—And who else was at that meeting?

Mr McCloskey—The group manager of corporate public affairs.

Senator RONALDSON—Who is that?

Mr McCloskey—Mr Stephen Walter, and the commercial manager for Victoria.

Senator RONALDSON—Who is?

Mr McCloskey—Mr Peter Lavis.

Senator RONALDSON—Who subsequently issued the—

Mr McCloskey—He is quoted in the media release, that is correct.

Senator RONALDSON—So the decision had been made on the 19th to issue another press statement on the 21st?

Mr McCloskey—It was one of the options considered as a part of a wider discussion about Traralgon and the sorts of things that were bubbling to the surface in Traralgon—that the initial consultative process that we had initiated had been misconstrued, unfortunately, and that people were becoming alarmed because no decisions had been taken. It was only the very start of the consultative process that was going to take a considerable period or a number of months at least to work its way through. So we thought—

Senator RONALDSON—But, Mr McCloskey, you had already put out a press release, you said, in April?

Mr McCloskey—No. It was not in April, Senator. It was 9 May.

Senator RONALDSON—9 May. And that was to address community concerns?

Mr McCloskey—That is correct—to reassure the community that no decisions had been taken.

Senator RONALDSON—There was nothing in the paper again until 20 May?

Mr McCloskey—I am not sure that that is necessarily the case, but I cannot be absolutely certain.

Senator RONALDSON—You seemed very sure there was something on the 20th.

Mr McCloskey—Yes.

Senator RONALDSON—I am asking: was there anything else before that?

Mr McCloskey—I suspect there was. There was a lot of noise around on the issue. I am pretty sure that there were other articles.

Senator RONALDSON—Why did you specifically mention the 20 May press and not other press?

Mr McCloskey—Because you were querying the timing of the issue of the media release on 21 May.

Senator RONALDSON—That is right, which reinforces my point that this press release followed the media on 20 May and it was not discussed on the 19th at all; it was generated at least after the 20th.

Mr McCloskey—It was discussed on the 19th. The need for a media release was one of a number of options discussed on the 19th.

Senator RONALDSON—You had already put something out to reassure residents?

Mr McCloskey—Yes.

Senator RONALDSON—Do you remember the opening lines of this press release? It reads:

Australia Post has today reassured Traralgon residents that no decision has been made to relocate its retail services from the historic Traralgon Post Office in Franklin Street.

You had already put one of those out, hadn't you?

Mr McCloskey—We had put one out on 9 May but it had not had the desired impact.

Senator RONALDSON—What press was there on 9 May and 20 May that led you, on 19 May, to have this discussion about putting something else up?

Mr McCloskey—I am afraid I cannot recall precisely. I would need to go and check that, or have it checked.

Senator RONALDSON—Mr McCloskey, with the greatest respect to you, I think you are fudging on this. I will put a scenario to you. This scenario I am going to put to you, because I do not think you are going to give me a realistic assessment, is that this was generated by Dr Nelson's comments on the 21st. I will put it to you that there had been no press between 9 May and 20 May and that is why you specifically mentioned 20 May. I will put it to you that someone from the department contacted Australia Post and said, 'Fix this up.' I will put it to you that someone from the department had contacted you because they had been contacted by the minister's office, which had said, 'Fix this up.'

Mr McCloskey—Senator, I can assure you that there was no contact from the department saying, 'Fix this up.' I can also assure you that the media release was not as a result of Dr Nelson's comments.

Senator RONALDSON—Can you give the people of Traralgon a categorical assurance that this historic post office will not close?

Mr McCloskey—There is a review underway and I cannot rule anything in or anything out.

Senator RONALDSON—So you cannot give a categorical assurance that it will not close?

Mr McCloskey—There is a review underway which is looking at the way in which Australia Post delivers all of its retail services in the town of Traralgon. Obviously, everything will be looked at in that regard. We will consult with the community, we will listen to the community and we will take their views into account but I cannot give you any indication as to what the outcome of that review might ultimately be.

Senator RONALDSON—You cannot give me a categorical assurance that the Traralgon post office will not close, can you?

Mr McCloskey—I cannot give you an indication as to what the outcome of the review is going to be, because that would defeat the purpose of having a review.

Senator RONALDSON—The answer to my question is either a three-letter word or a two-letter word: it is either yes or no. It is not a word starting with ‘p’ which is ‘prevarication’, which is what I am getting at the moment; it is either yes or it is no. Can you not give me a categorical assurance that this Traralgon post office will not close?

Mr McCloskey—No decision has been taken in relation to the Traralgon post office, no decision has been taken in relation to Traralgon. What is being looked at is how we can—

Senator RONALDSON—So the Traralgon post office in Franklin Street may close?

Senator Conroy—Stop trying to put words into the witness’s mouth, Senator Ronaldson.

Senator RONALDSON—My humble apologies. So what is the answer?

Mr McCloskey—As I have indicated previously, we have a review underway in Traralgon. An outcome of that review will be no doubt a better delivery of retail services to the people of Traralgon. But what exact form that will take, we do not know at this stage. That will be for the review to determine.

Senator RONALDSON—There is no regulation or community service obligation that precludes you from closing that post office, is there?

Mr McCloskey—There are prescribed regulatory standards that require Australia Post to have a minimum number of postal outlets nationally and also a minimum number in regional and rural areas.

Senator RONALDSON—So again I will ask the question which I think I know I am going to get the answer to: you cannot guarantee the people of Traralgon that this post office will not close?

Mr McCloskey—We can assure the people of Traralgon that no decision has been taken. We have a review underway. We cannot pre-empt the outcome of that review. But the aim will be to enhance services to Traralgon, not to reduce them.

Senator RONALDSON—Sure. Thank you.

Senator BIRMINGHAM—Australia Post lodged an application with the ACCC earlier this year to increase the unit price for a basic postage item. Where is that application at, please?

Mr McCloskey—The ACCC issued an issues paper in late February. It invited public comment on that paper. Comments were due by 5 April, from memory. A number of public comments were received. They have been posted on the ACCC website. Some of them were received a number of weeks after that date. I think there are eight submissions in total. Australia Post has responded to the ACCC on the points that have been raised in those particular submissions and the ACCC process will see it issue a preliminary view on our draft notification some time next month—by the middle of June I think is the date they have indicated.

Senator BIRMINGHAM—When does Australia Post hope to have the increase from 50c to 55c in place?

Mr McCloskey—That depends on the outcome of the ACCC process and the ACCC view. We then have to go through a subsequent formal process where, having considered the

ACCC's preliminary view, Australia Post would make a formal notification to the ACCC on its final application, on which the ACCC would have three weeks to give its view. Subsequent to that, if the ACCC says it has no objection—for example, to the proposed rise in the basic postage rate—there is a requirement for the board to notify the minister of its intention to raise the basic postage rate. The minister has 30 days within which he can disallow such a proposed increase. Then after that, presuming there is no disallowance, we would be required obviously to give customers and staff notification. Our best estimate at this stage is that, if everything goes to plan, we are probably looking at a date of implementation some time in early October.

Senator BIRMINGHAM—Early October this year?

Mr McCloskey—That is what it looks like, given the process that has to be gone through.

Senator BIRMINGHAM—Is that factored into Australia Post's budget this year?

Mr McCloskey—It is factored into Australia Post's budget for next year, that is correct.

Senator BIRMINGHAM—How much is the rise from 50c to 55c budgeted to generate?

Mr McCloskey—In the next financial year?

Senator BIRMINGHAM—Yes, please.

Mr Tenace—The impact forecast for next year from the basic postage rate is around \$66 million.

Senator BIRMINGHAM—And for a full financial year?

Mr Tenace—For a full financial year, with all the associated services, it is around \$155 million.

Senator BIRMINGHAM—Has Australia Post undertaken any modelling on who that is likely to impact on the greatest in terms of consumers?

Mr Tenace—In terms of the product types, the small full rate, around \$70 million in a full year, small pre-sort letters \$49 million, large full-rate letters \$22 million and large pre-sort \$6 million, and there is that \$8 million in other movements.

Senator BIRMINGHAM—I missed the first figure you stated.

Mr Tenace—About \$70 million for the small full rate letters.

Senator BIRMINGHAM—So primarily that would encompass all of your domestic usage, plus some other commercial usage of that small rate category?

Mr Tenace—That is correct.

Senator BIRMINGHAM—That is, what, about 40 per cent of the total from the increased rate?

Mr Tenace—It is probably slightly more.

Senator BIRMINGHAM—What is the impact of the special dividend Australia Post is providing to the budget this year?

Mr Tenace—The impact is around \$150 million for the 2008-09 year. Out of the profits earned, \$98 million will be from retained earnings in the 2007-08 year and \$52 million from the 2008-09 year.

Senator BIRMINGHAM—When was the decision made to make this special dividend of \$150 million?

Mr Tenace—There was discussion over the past three to four weeks in regard to a special dividend payment.

Mr McCloskey—The GBE governance arrangements provide that a GBE's level of estimated dividends for a particular year is to be agreed annually between directors and shareholder ministers through the corporate planning process. Consistent with those arrangements, discussions took place in the prebudget period between the finance minister and the chairman of Australia Post about the dividends that could be provided for in the 2008-09 financial year.

Senator BIRMINGHAM—When was the final decision taken?

Mr McCloskey—The final decision was made when the chairman was able to confirm to the minister that Australia Post would have the capacity to pay a special dividend of \$150 million in 2008-09 subject, of course, to actual outcomes; in particular, any unforeseen events that might adversely affect the corporation's profit in that period.

Senator BIRMINGHAM—These were direct discussions between the chairman and the finance minister?

Mr McCloskey—That is correct, Senator—as part of the normal process, and it has taken place similarly on occasion in the past along similar lines as well.

Senator BIRMINGHAM—When was the last time a special dividend was paid?

Mr McCloskey—The last special dividend was paid in 2002-03. There were also 2001-02, 2000-01 and, prior to that, 1996-97 and 1997-98.

Senator BIRMINGHAM—I will defer to Senator Abetz for the time being, please.

Senator ABETZ—Mr McCloskey, thank you for the letter that you forwarded to the chair of the committee dated 12 March 2008 indicating that there was some substance to the question that I had asked at the last lot of estimates in relation to the Licensee Advisory Council, and ASIC requesting a formal audit. That was dealt with in your letter by saying that the LAC does not trade or hold assets. So, in effect, what was requested was the audit of a nil return. Can we have a copy of that?

Mr McCloskey—A copy of the return?

Senator ABETZ—Yes.

Mr McCloskey—I am sure that would be possible.

Senator ABETZ—If you can take that on notice, and ASIC's request has now been attended to?

Mr McCloskey—That is correct. I think it was indicated in that letter, Senator.

Senator ABETZ—In relation to the Licensee Advisory Council, given that you say it does not trade or hold assets, how is it funded?

Ms Button—The activities of the LAC—so the meetings, elections and so on—are funded by the Australia Post budget within in my area.

Senator ABETZ—So is it accounted for as a separate item in the Australia Post annual report? Take that on notice if you do not know. My hunch is, having had a look, it is not but I may well have missed it. If it does not spring to mind readily with the officers then I do not feel as bad if I have may have missed it. You could advise us on that. Does the running of the LAC come out of the budget for LPO payments?

Ms Button—No, Senator.

Senator ABETZ—It does not?

Ms Button—No, it does not.

Senator ABETZ—Petrol prices have gone up in recent times and, Minister, I am glad to see that the government is now considering the Nelson option of reducing the tax on petrol. But, having said that, can I ask Australia Post how many contractors have resigned their mail contract because of rising petrol prices?

Mr Newman—I have not been made aware of any.

Senator ABETZ—Take that on notice then. If you are not aware of any, that is fine. Can Australia Post give contractors an assurance that all requests for fuel price reviews will be processed without delay?

Mr Newman—Yes, I can give that assurance. As I have discussed here in the past, in the last couple of years, because of the rising prices we have reduced the 10 per cent down to seven per cent and the six months down to three months to get qualification for a price rise. We recently put in a new support system to help manage that. The whole outcome of that would be to give timely and rapid responses.

Senator ABETZ—What in general terms is the length of time if a contractor says, ‘Fuel prices are starting to bite me and I need a review’? All things being equal, how quickly can you turn that around?

Mr Newman—It should be paid at the end of the month following. Once again, that is a little bit dependent upon when the request comes through relative to the month before. In a normal cycle with a request for a fuel review it should be given at the end of the month following.

Senator ABETZ—In the event that fuel prices keep going up, as they are at the moment, how often can a contractor seek a review?

Mr Newman—Every three months. As I said, that has recently been reduced from six months down to three months. There is a small proportion of contractors who, by way of their contract, do not have access to a price rise for fuel. They are called ‘non-specified contracts’. We have only 74 of those nationally but we regularly also make payments to them to keep them on top of the rise in petrol prices. We recently made another payment to that small group of contractors.

Senator ABETZ—I welcome that. Thank you for that additional information. Is the delivery standard for post office box mail the same at corporate post offices and LPOs in the same region—for example, the Greater Melbourne area or the Greater Sydney area?

Mr Newman—The private box standard is the same at LPOs and corporates within metropolitan areas, which is 9 o'clock. That is the standard on which we judge our service performance. With corporate offices, we have applied an additional standard, which is really just an imposition on ourselves to try to give a better service. We make that 8 o'clock and we judge ourselves internally at 8 o'clock, but our external monitoring is based on 9 o'clock.

Senator ABETZ—Are there instances in metropolitan, suburban and large regional centres where the delivery standard for PO box mail is after 9 am?

Mr Newman—I would have to take that on notice. It is possible that that could occur in outlying suburbs but that is always dependent on the way the transport evolves.

Senator ABETZ—If that occurs, could you name the centres where that does occur, rather than telling me on notice, 'Yes, it does occur'? If you provide me with the extra information as to where it occurs, that would be helpful. Is preference given to the delivery of mail to corporate post offices for the PO boxes over mail for LPOs?

Mr Newman—It is a different arrangement. I can only generalise but, firstly, corporate offices are on standard transport internal delivery runs. We service our corporate offices with our corporate fleet. To some degree, that also applies to licensees. I understand there are some licensees who require earlier access to the mail and make their own arrangements. However, the extent of that and where that occurs I would have to take on notice because I do not have that information with me.

Senator ABETZ—Does Australia Post review the LPO rental subsidies when circumstances change and rent increases? What about LPOs not receiving rental subsidies where they are located in areas of escalating rent?

Ms Button—We tend to do these on a case-by-case basis. We do not necessarily have a general way that we would deal with them.

Senator ABETZ—So if I were an LPO not receiving a rental subsidy—let us say I was in a mining town where traditionally the rentals had been very low—and there was nothing in my contract and now rents have shot through the roof, I would be able to apply to Australia Post and have that application considered favourably. Is that what you are telling us?

Ms Button—Certainly, Senator. Especially in those areas, we do work with our licensees very closely.

Senator ABETZ—I understand that Australia Post's parcel business is doing exceptionally well. No smiles at the table? Nobody willing to admit to that? I have been told that at some of the post offices the available storage space has been exhausted and packages are now stored in the public area. Is Australia Post aware of that?

Ms Button—The growth in the parcels business has put a little bit of strain on storage in retail outlets. We, in the channels area, are working very closely with the product group and with the delivery area of Australia Post to find alternative arrangements to ensure that we alleviate those problems because they are real issues for our staff and our customers.

Senator ABETZ—So you are aware of the problem. Take it on notice and provide me with a detailed answer as to what procedures Australia Post has put in place to make secure the parcels which are being stored in the public space of a post office. Does Australia Post reward its staff managers for seeking out new business?

Ms Button—To clarify, are you talking about managers who manage retail outlets?

Senator ABETZ—Yes.

Ms Button—Every state has got a variation on the theme of ‘lead legends’. They have competitions where if a lead is provided and it is fulfilled then people go into a draw for various things. Other than that there is no national process in place to do that.

Senator ABETZ—What happens when business is transferred from a licensed post office to a corporate outlet without the knowledge or concurrence of the licensee? Do Australia Post compensate the licensee for this loss of business or do they reward the corporate staff member or manager who proposed the transfer of business?

Ms Button—Generally speaking, if a customer was to move from a licensed post office to a corporate post office, it would be a decision made by the customer. I am happy to take specific cases and come back to you with more detail if you have them, but, generally speaking, it is not something that Australia Post would dictate to a customer.

Senator ABETZ—Of course not, but a customer might be enticed to make the change for whatever commercial benefit which then is for the benefit of the corporate and to the detriment of the LPO.

Ms Button—We do not encourage it.

Senator ABETZ—You do not encourage it at all?

Ms Button—No, we don’t.

Senator ABETZ—Will Australia Post ensure that all security checks for mail contractors and their subcontractors and employees are performed within 10 working days? I understand that this is, in particular, an issue in outlying areas where people apply for a job and they then have to wait for the security clearance and after 10 days or more they go on and get another job?

Mr Newman—We have been recently informed that the length of time for the checks has been long in some areas. We have done a recent review. It looked to us like, where that was occurring, it was due to some administrative and localised issues. What we have done is made an arrangement where, if there looked like being an undue delay, we would allow that person to commence on the understanding that if the outcome was not suitable then there would be some activity taken after that. That is very similar to our corporate post office processes. We reconfirmed that around Australia a couple of weeks ago. I would expect to see an improvement. We have it under review and are monitoring at the moment to make sure that we reach those standards.

Senator ABETZ—Can I ask about FUELtrac? Can Australia Post confirm that upon request they will provide contractors with relevant FUELtrac data?

Mr Newman—Yes, I will confirm that. I just might add a bit more information. Australia Post gets provided information from FUELtrac on a commercial basis. We had to seek agreement and concurrence from FUELtrac to make that information available because obviously there is some intellectual property surrounding that. They have agreed and now that is in place across Australia, yes.

Senator ABETZ—Have you given thought to automating the fuel price review system for contractors?

Mr Newman—Yes, we have. That in itself, though, brings a whole set of additional problems. In fact, I think we spent some time in this committee a couple of years ago on this very issue, so I might review the issues that impact on this. Australia Post does not reduce on a fuel review the price of fuel for a contractor. That only occurs once a year on the annual review for specified contracts, where if fuel did drop that could occur. So, in these out-of-annual-review price rises, we only assess whether the price goes up. As it turned out, that was a very good system, particularly earlier on—around two years ago—when prices did go up and reduce, and we found that on the whole contractors were in front because of that process. An automated process by definition would need to also adjust downwards, and we would also have to increase the frequency. The modelling that we have done says that the outcome is pretty much the same thing and, in some cases, people could actually be hurt by it.

We have a look at that every year to see whether it is worthwhile doing that but, as it stands at the moment we are not satisfied that that would actually help, because of this downward calculation that we do at the moment. As it stands today, we are reasonably satisfied with how it works. The process we use is industry standard, and we match industry standard wherever we can, but once again I will say that we will continue to review that to see whether it is worthwhile.

Senator ABETZ—Can I move on to the issue of public liability insurance for community mail and postal agencies. When does the current provision of that insurance expire and will it be going to public tender?

Ms Button—As provided in the questions during last estimates, the tenders are not called for this insurance due to the low cost involved. It is about \$14,000 for this current financial year, so we do not go for tender.

Senator ABETZ—For all of them?

Ms Button—That is right. This is for community mail agents and community postal agents.

Senator ABETZ—Thank you for that. I might finish off on a bracket that might get the minister's attention: dog attacks on posties. You undoubtedly have a procedure following a dog attack?

Mr Newman—Yes, we do.

Senator ABETZ—Could you table that for us? I do not need to know the details of that now, but if that could be tabled it would be useful. Also, please provide to us on notice a list of the sorts of injuries posties or contractors have suffered as a result of dog attacks. Have there been incidents where a dog has been destroyed after an attack? What support, if any, is

offered by Australia Post to delivery contractors who may be attacked by a dog—that is, those who are not direct employees of Australia Post but contractors? Finally, is a contractor obliged to enter a property for delivery purposes if the property is known to be the home of a dog? I do not know if you have those answers now, but I would be happy if you were take them on notice, given the time constraints.

Mr Newman—We will take them on notice. I have parts of some of the questions, but generally speaking I will take that that detailed level on notice.

Senator ABETZ—Let's take them all on notice. Thank you.

Senator PARRY—I would like to follow up with Ms Button on a response to Senator Abetz in relation to corporate managers and their knowledge of licensed post offices and their customer base. Do corporate managers within the vicinity have a list of customers attached to an LPO?

Ms Button—Not attached to an LPO. In some states and in some corporate outlets, they may have a list of customers they are expected to manage, but certainly they would not have a list of—

Senator PARRY—What about further up the scale? Would there be line managers or supervisors who would have lists of all the LPO customers? Where would LPO customer lists be based or housed apart from the actual LPO?

Ms Button—I will confirm this, but we would know which account customers lodged at the LPOs. We would not know about consumers. Business customers have a choice as to where they can lodge their mail and conduct their business and often they choose to do that across a range of outlets. We would know that range of outlets because that would be within their contract.

Senator PARRY—So would there be any collective database at headquarters? Would there be something that would indicate who the corporate customers or who the account customers are at LPOs?

Ms Button—May I take that on notice, please?

Senator PARRY—Please do and when you do take that on notice, could you provide details as to who has access to that information and whether it would be breaching any corporate guidelines or would be an offence to pass that information on to any corporate manager?

Ms Button—Certainly.

Senator BIRMINGHAM—Returning to the application of the special dividend to government—will this affect Australia Post's financial position in any way and how was it funded?

Mr Tenace—The dividend will clearly impact our cash position over the course of the next 14 months in particular. However, it will be funded purely by our current cash reserves, so it will not impose any undue difficulty on the corporation.

Senator BIRMINGHAM—Obviously, this comes at a time of some cost pressures from petrol and fuel issues, which Senator Abetz was pursuing, and cost pressures that are

necessitating an increase in the basic postal rate from 50c to 55c that you have applied for. How does Australia Post rationalise taking another \$150 million from increasing the basic postal rate and at the same time paying \$150 million in special dividend to the government?

Mr Tenace—The governance arrangements that are agreed with the shareholder ministers in the corporate plan process do allow for that capability. At the present stage the dividend is paid out of retained earnings, so they are profits that have been earned in the last 12 months in the main, which is \$98 million from this financial year. As I mentioned earlier, there are \$52 million coming out of the forecast retained earnings from the following financial year. We do have detailed cash flow financials that have been worked up and we still anticipate having a reasonable cash position at the end of 2009.

Senator BIRMINGHAM—Australia Post considered the increase in the basic postal rate early this year and that is deriving essentially the same amount of funds in a full financial year as you have been asked to provide to the government in special dividends—is that correct?

Mr Tenace—That is over the course of two financial years, 2007-08 and 2008-09. That would not all be earned in the one financial year next year. As mentioned earlier, the full year impact is about \$155 million but because the price increase is timed to occur from October the full year impact of that is less than \$155 million.

Senator BIRMINGHAM—So the extra slug on consumers in the stamps that they are having to pay for essentially goes only part way to making up the extra funds that government has asked for to prop up their bottom line.

Mr Tenace—I think it is important to understand that the retained earnings would be there regardless. The price increase is not based around dividend payments, it is based around the profitability of the letters segment and the letters business itself. Whilst there is a connection in terms of the cash payments at the end of that cycle, the ACCC increase has got nothing to do with paying dividends to the government at this stage.

Senator BIRMINGHAM—Is Australia Post required to undertake or has Australia Post undertaken any actual research or modelling into the impact of this price rise on your consumers?

Mr Tenace—Do you mean the price rise for the dividends lost at the end of the next year? These payments are due to be paid towards the end of June 2009, so it will not have any impact at all in the course of the next 12 to 14 months. Any impact would be after that time.

Senator BIRMINGHAM—Sorry—I am talking about the price rise in postage rates.

Mr McCloskey—The impact on the average household of the proposed price rise has been estimated at \$2.70 over a full year.

Senator BIRMINGHAM—That is an estimate that Australia Post undertakes?

Mr McCloskey—That is correct, yes.

Senator BIRMINGHAM—Is any of that process evaluated by the ACCC?

Mr McCloskey—That is an internal estimate. I am not sure that that is actually part of the case that has been made technically to the ACCC, but on the average patterns of usage of the mail by households the impact of the increase over a 12-month period is estimated at \$2.70.

Senator BIRMINGHAM—What are the current arrangements or agreements with Australia Post and licensed post offices regarding the stocking and retailing of Australia Post supplied merchandise or products?

Ms Button—Under the LPO agreement, licensees are authorised to sell Australia Post products and services in what is nominated to be the post office portion of their premises. In the case of what we would call a stand-alone licensed post office, that is the entire premises, and where it is an in-conjunction licensed post office they do have a quite specifically nominated post office part of their premises.

Senator BIRMINGHAM—Is that a standard agreement that is applied on a national basis, or does it vary state by state or venue by venue?

Ms Button—It is a standard agreement. However, we have over time come to an agreement that, if licensees would like to stock something that is not part of the Australia Post offer, there is a process by which they can talk to Australia Post about that and get us to consider it and we may actually then agree that they can do that. But there are certain conditions and criteria around that and we deal with that on a case-by-case basis.

Senator BIRMINGHAM—So licensees who are essentially 100 per cent post offices could still negotiate to possibly sell additional items?

Ms Button—Correct.

Senator BIRMINGHAM—Are you aware of reports that Australia Post in New South Wales commenced a campaign where stand-alone outlets must dedicate 100 per cent of their floor space to Australia Post sourced or supplied products?

Ms Button—It was not so much a campaign but about looking at making sure that the agreement is being implemented correctly. So we have had some instances where a number of licensees have introduced products without necessarily going through the process of getting approval. So it is just about, if you like, cleaning it all up to ensure that both we and the licensee are aware of what was approved and what was not. In the process, we have had a number of licensees actually come to us to say, 'We would now like to sell this product,' and we are going through a process of agreeing how that will be done.

Senator BIRMINGHAM—Do you have an estimate as to how many stand-alone outlets are approved to sell non-Australia Post merchandise or products?

Ms Button—I would have to take that on notice. Do you mean nationally?

Senator Conroy—I have asked all these questions before, so I am sure you will be able to find that on notice.

Senator BIRMINGHAM—Thank you, Minister.

Senator PARRY—Could I ask: is that for every single product that they would have to seek approval for?

Ms Button—If it is within the post office part of the premises.

Senator PARRY—Not just a range of products but every individual product?

Ms Button—The reason is we are very conscious of the brand and conscious that the brand is what people are buying across the network. We have a lot of licensees that we need to look after, so we need to make sure that it is consistently used across the nation, and that is generally why we try and do this.

Senator BIRMINGHAM—In those that are not stand-alone outlets—those that share their space—how is the proportion of space determined in the arrangements or negotiations?

Senator Conroy—Floor plan.

Ms Button—If an LPO is—

Senator KEMP—Are you feeling bad tempered, Senator Conroy?

Senator Conroy—I am not. I am just seeking to help.

CHAIR—Let the witness answer the question, please.

Senator Conroy—To save time, Simon: not all of them were attached to the actual document, so there has been an ongoing dispute between Post and some of the outlets on the basis that the floor plans were not attached or were attached.

Senator BIRMINGHAM—Thank you, Minister. Perhaps you could update us on how those ongoing disputes are being negotiated.

Senator Conroy—I am sure I can defer to the official.

Ms Button—Senator, you were asking about in-conjunction outlets. Generally if an outlet is in conjunction on assignment, it would probably be assigned as an in-conjunction outlet. However, we do have a process—and, again, it is on a case-by-case basis—where, if a licensee who is stand-alone feels that they are financially not viable, we will certainly look at their request to become an in-conjunction. But we do that on a case-by-case basis.

Senator BIRMINGHAM—In regard to lost mail, what procedures are in place to locate and find mail that has become lost or misplaced?

Mr McCloskey—I think it would depend on the type of mail. Obviously, most mail is not directly trackable. It is posted anonymously and just delivered and processed as part of a huge volume of mail and then delivered at the other end. We will search for mail if we get some idea as to what may have gone missing and where it might be. We will check in the outlets it may have transited or the facilities it may have transited. We have what were traditionally known as dead letter offices, where mail that cannot be delivered is returned, and they will be checked as well to see if these items happen to be in store there.

Senator BIRMINGHAM—How many inquiries per year does Australia Post receive through its centralised complaint hotline number?

Mr McCloskey—I think we would have to take that on notice.

Senator BIRMINGHAM—Could you perhaps break those down into categories that you may use internally for your own self-assessment of complaints, particularly relating to lost mail or other factors?

Mr McCloskey—I am happy to do that.

Senator BIRMINGHAM—Thank you. Are the complaints process and the location of lost mail coordinated between the states? Are you aware of complaints that seem to suggest that there seems to be a lack of coordination between the state offices in that regard?

Mr McCloskey—We have a call centre in each of the states, and the call centres have the ability to communicate with each other if the particular item or complaint happens to cross state boundaries.

Senator BIRMINGHAM—How many passport applications does Australia Post process annually?

Mr McCloskey—We check in excess of one million applications before forwarding them on to the Department of Foreign Affairs and Trade. For a precise number, I would have to take that on notice, but I know it is in excess of one million per year.

Senator BIRMINGHAM—If you could provide those numbers for each of the last three financial years please, that would be helpful.

Mr McCloskey—I am happy to do that.

Senator BIRMINGHAM—How many passports have gone missing through Australia Post this financial year?

Mr McCloskey—I would have to take that on notice.

Senator PARRY—With that on notice, do you advise Australian Federal Police each time a passport goes missing?

Mr McCloskey—My understanding is that the passports are returned by registered mail from the Department of Foreign Affairs and Trade to the applicant, and there is a process in place. If one went missing, I think we would in the first instance inform the Department of Foreign Affairs and Trade of the particular item that has not been delivered.

Senator PARRY—Could you place that in the answer to the question of Senator Birmingham—just what the process of reporting each missing passport is?

Mr McCloskey—Yes, I am very happy to do that.

Senator BIRMINGHAM—Could you also provide us with the turnaround time for each passport application.

Mr McCloskey—Yes, Australia Post vets the application to ensure that it meets all of the criteria set out by the Department of Foreign Affairs and Trade and we then forward the application to the Department of Foreign Affairs and Trade, so that is the process that we undertake. We do not actually issue the passports; we just ensure that the application meets all the criteria that Foreign Affairs and Trade have set out for passport applications and check the identity of the individual and whatever else needs to be done.

Senator BIRMINGHAM—Do you monitor the turnaround time for the Australia Post component of those applications?

Mr McCloskey—I am sure that we do in terms of how quickly we then forward it on to the Department of Foreign Affairs and Trade.

Senator BIRMINGHAM—If you could provide any data you have on those average turnaround times that would be appreciated please.

Mr McCloskey—Yes, I am happy to do that.

Senator BIRMINGHAM—Thank you. Are other post offices earmarked for review in the same manner as Traralgon?

Mr McCloskey—We constantly look at the network across the country and for any opportunities to finetune each to optimise the way in which we deliver retail services to particular communities. It is something that we would do generally but I am not aware of any particular instances that are underway at the moment. As a general principle we need to constantly review our network. It is not a static network.

Senator BIRMINGHAM—We have the Traralgon post office under review at present as was discussed at some length earlier.

Mr McCloskey—We have the delivery of retail services in Traralgon under review, yes.

Senator BIRMINGHAM—Okay, which encompasses the Traralgon post office as we discussed earlier and obviously you are well aware of that because you have been in meetings about that and there have been media releases issued on that. Are there other post offices or other delivery services within a region subject to a similar review process?

Mr McCloskey—Not that I am aware of at the moment. I can certainly check that.

Senator BIRMINGHAM—So far as you are aware, Traralgon is the only region in which such delivery services are currently under review?

Mr McCloskey—You said within that region and generally I am not aware of any others nationally either but I would not necessarily be because these are undertaken generally at the local state level.

Senator BIRMINGHAM—How many, if any, post offices or licensed outlets have closed over the last financial year?

Mr McCloskey—You can track that in our annual report. There is a statistical section at the back that gives you year-on-year movements. So for the last financial year—that is, to 30 June 2007 in terms of changes during the 2006-07 financial year—two corporate outlets were opened, 11 were converted to LPOs, so they went from being a corporate to a licensed outfit, and two closed. So far as licensed post offices or franchises are concerned, in the same period there were the 11 that were converted from corporate outlets. There were four that were converted or upgraded from being previously community postal agencies. There were nine that changed to be a community postal agency instead of a licensed post office and a total of 12 closed. The total number of outlets in the Australia Post retail network at 30 June last year was 4,449.

Senator BIRMINGHAM—Can you identify which were those 12 that closed?

Mr McCloskey—No I cannot. I would need to take that one on notice.

Senator BIRMINGHAM—And whether replacement facilities were opened in nearby areas?

Mr McCloskey—In most cases, if they closed, it indicates that there was not a replacement facility or a replacement option there. Often what happens—and most of these will turn out to be very small licensed outlets in communities often say in conjunction with a general store—is that they will be places where the general store is on the market, but can find no purchaser, so the licensee or the owner of the business actually just closes up the business and leaves. In those cases, Australia Post will look to find whether there is anyone else within the community that is prepared to take on the retail function in terms of postal services either at a licensed level—often there are not—or at a lower community postal agent level. In some cases, there will be people who will take it on at that level, but equally if there is nobody or no alternative then we will put in place alternative arrangements, which will be street delivery or to the property delivery, and other options for the community to actually post their mail. We will not have a presence in that particular community because there is no-one in that community in a position to or willing to take on that role.

Senator BIRMINGHAM—Where you have your 12 closures, that is it for those communities is the summary of that statement?

Mr McCloskey—Yes, I think that is the case. If we look at it, we will find that most of those will be of the sort that I have described—very small communities. There may be a town nearby where they still have ready access, but in all cases I am pretty sure that the decision not to proceed will have been taken by the licensee themselves. They will have handed back their licence to Australia Post, we will have looked at what alternatives there might be and, in the absence of any such alternatives, it ends up being a closure, in statistical terms.

Senator BIRMINGHAM—When you identify those 12 closures, could you identify the nearest services available to them, please?

Mr McCloskey—Yes.

Senator BIRMINGHAM—Over the next year you have indicated there are no areas other than the Traralgon region under review in terms of delivery services. Are there sites where you anticipate the closure or downgrading of services? Similarly, are there sites where you anticipate new services being open?

Mr McCloskey—There have been changes. As I indicated earlier, it is not a static network. Most of these are generated by local circumstances. I do have some information here for the first nine months of the current financial year which indicates that we have had a number of closures, as is to be expected. There were 13 in total. Two of those were business centres, so they were corporate outlets—one in Sydney city and one in Morley in Western Australia. They were no longer viable due to other changes. There have been three licensed post office closures. Two of those were terminated by the licensee and the third one was closed following a fire.

Senator BIRMINGHAM—Are these sites that have already closed?

Mr McCloskey—Yes, these are changes since 30 June last year to the end of March. There have been eight community postal agents who have closed. At the same time we have had 11 openings: four new licensees and seven new community postal agents. So we have had a net decline of two in the national network in the nine months to 31 March.

Senator BIRMINGHAM—Similarly, could you identify those sites and the nearest available services to those sites?

Mr McCloskey—Yes.

Senator BIRMINGHAM—In terms of looking forward into the next financial year, do you have indications of sites that are likely to close or new sites that are likely to open?

Mr McCloskey—No, I do not think so, not at this stage. Often with ones that close the notice comes very late to Australia Post. We would expect in the nature of things, given declining populations in certain rural areas, the impact of the drought and things like that, there will continue to be instances where the local operators hand back their licence.

We have a strategy and framework in place to ensure that such closures are kept to a minimum. We do make minimum payment levels to licensees no matter how small their business is. We guarantee them an income of at least \$12,000 a year for that portion of their business that might be Australia Post related. In terms of community postal agents, we have increased their mail delivery fees recently. We have given them the right to have private boxes and to get the payments for sorting into private boxes and have them for lease to the local community. So there are a range of initiatives that we have underway to underpin and sustain our footprint in the community on a national basis.

Senator BIRMINGHAM—You say that the length of notice for the closure of an LPO is often very short and late—

Mr McCloskey—It is often short, yes.

Senator BIRMINGHAM—What steps do you take to try to keep those sites open or least prolong the period of time for which notice is provided and for Australia Post to find alternative services for those regions?

Mr McCloskey—Technically, under the licensee's agreement the licensee is required to give Australia Post three months notice of their intent to hand back the licence. Unfortunately, that does not always happen. Circumstances sometime mean that a place that is open on the Friday might end up being closed on the Monday, and that is the first we hear of it. We have to put emergency procedures into action as best we can in all the circumstances.

Senator LUNDY—I have some questions about job-splitting and out-working arrangements being introduced at the proposed Western Delivery Centre in West Sunshine, Victoria. I have been told that Australia Post is closing their West Footscray, Newport and Sunshine delivery centres and intends amalgamating these operations in a newly built centre in West Sunshine and that Australia Post has redeployed two existing full-time posties to other workplaces and intends replacing these jobs with four people on four-hour shifts on 15 per cent less pay per hour, referencing something called 'outstationing'. My question is: does Australia Post intend to create more of these types of position at this facility and, if so, how many?

Ms Walsh—Thank you for the question regarding the amalgamation of the Sunshine, West Footscray and Newport delivery centres into a new purpose-built facility called the Western Delivery Centre. The new facility, as I said, will be purpose built and will provide a better workplace for the people who will be working there. As part of that amalgamation, there has

been a review of the delivery services that will be undertaken at that workplace. What we can say is that there will, in fact, be new jobs created. There will be four full-time positions created at the new facility over and above the existing positions and there will be four part-time positions created over and above the existing establishment at that facility. On that basis, we see it as having a very positive impact.

With respect to the use of outstationing, it has been used across a number of Australia Post facilities. The Western Delivery Centre is just the latest, if you like, in reviewing the use of that form of work. It cuts down the dead riding time that posties have to get to their delivery around. So from safety and efficiency perspectives it is quite useful. No existing postie will be required to undertake that work. No-one will have their job changed to either go into that part-time or have different hours of work or arrangements. The people in outstationing will work different hours to many of the existing postal delivery staff. That is what attracts the different penalty rate. Like all shiftwork operations, different wages and penalties apply to people who work different hours. That happens around the clock in our 24-hour operations. There are a range of people, depending on the hours they work, who get different shift penalties and these people will be working different hours. If they commence after 6.30 in the morning, which they will, then they do not attract the 15 per cent penalty rate.

Senator LUNDY—With respect to existing employees, will their employment not be changed to these new arrangements?

Ms Walsh—That is correct.

Senator LUNDY—So no-one will suffer a disadvantage?

Ms Walsh—Absolutely.

Senator LUNDY—With this outstationing, are you saying that you are already doing that in other places?

Ms Walsh—We are.

Senator LUNDY—Is this the first time it has been introduced in this area?

Ms Walsh—I understand that it is occurring with two positions in Kensington, which is another suburb near to the Western Delivery Centre for those who are not aware of the area. For these particular delivery centres that are being consolidated—Newport, West Footscray and Sunshine—no, there has not been any outstationing to date.

Senator LUNDY—You mentioned four new full-time positions and four part-time positions. Are the four new part-time positions the ones I referenced with respect to the four people on the four-hour shifts?

Ms Walsh—I understand that three of them relate to those outstationing positions, but I can take that on notice.

Senator LUNDY—Okay. We would like you to provide the details of that. Has the local community been consulted about these changes, including the new employment pattern for their posties?

Ms Walsh—My understanding is that community consultation has taken place, but I can take that on notice and provide you with more details of when that took place. Certainly, the

local members' offices have been fully briefed on what is to occur and on the impact on their constituents. The consultation with staff has been extensive over this period in ensuring that the transfer for them is a positive experience, and we certainly think that the new facility will provide a much better workplace for the employees involved.

Senator LUNDY—I understand that some of these changes mean that a postie will not be sorting the mail for their own run. How can you guarantee that there will not be any diminution of quality of service to your customers where you are separating these tasks? This is in areas where there is a strong relationship built up, the postie knows their patch really well and that sort of thing.

Ms Walsh—Absolutely, Senator. One of the things that makes our service such a good one is that the posties often do know their rounds very well. In the scheme of things of the entire consolidation process, we are hopeful—in fact, it is projected—that it will improve the delivery standard and, in some cases, mean the earlier delivery of mail to our customers.

With respect to those posties whose rounds will change, we have worked closely with those individual posties to ensure that they get a say in the rounds they do start to deliver or will be delivering from now on. We have one postie who had been delivering a round for nearly 40 years and we have worked very closely with him to ensure that he gets the best outcome from this and to ensure that he is delivering a round that he is comfortable delivering; but it will be slightly different. There certainly has been a one-on-one consultation process around that. We are hopeful that the outcome will be positive. There is an ongoing process to say that things will settle down, and people will have the opportunity, once they have started, to see how it is working and to come back and continue to refine it and ensure that it is working for the employees but that it is also working our customers. We are hopeful that will happen.

Senator LUNDY—What is the feedback system for customers with the new rounds? You have described quite a comprehensive internal consultation, but how would customers provide you with feedback after a while?

Ms Walsh—I guess through several channels. Obviously, we have our customer contact centre where there is a central line that people can contact. In those local communities, often the feedback can come through either the posties directly or to the actual post office or LPOs that operate in those areas, as well as the local members having constituents write to them. They come through to us for representations and we respond to those appropriately. In other consolidations that we have done, we have found that, in fact, the number of customer complaints in those areas has come down just because of the streamlining of the service. We are hopeful that will happen in this case.

Senator LUNDY—Thank you. I will place further questions on notice.

Senator IAN MACDONALD—Could you explain the special dividend to me? Why is it special and what is the ordinary dividend?

Mr McCloskey—Normally the practice has been for Australia Post to pay the dividend based on 75 per cent of its after-tax earnings in a particular year. A special dividend would be where we pay over and above that.

Senator IAN MACDONALD—What was the 75 per cent of after-tax earnings in the period we are talking about, the period of \$150 million?

Mr McCloskey—It is not finally known yet because that \$150 million will be paid in part out of this year's earnings and in part out of next year's earnings.

Senator IAN MACDONALD—What would your estimate be of the ordinary dividend this financial year and next financial year? What are your forward estimates?

Mr McCloskey—The total ordinary dividend expected for this financial year will be in the order of just under \$300 million.

Senator IAN MACDONALD—And so the special dividend will be 50 per cent of that again?

Mr McCloskey—The projection for the special dividend is that the part of the special dividend that will be paid out of this year's earnings as part of the final dividend recommendation process will be, at this stage, based on projections, \$98 million.

Senator IAN MACDONALD—So 75 per cent equals \$300 million; is that right?

Mr McCloskey—Seventy-five per cent of our projected after-tax profit for the current financial year will be in the order of just under \$300 million.

Senator IAN MACDONALD—Help me with the arithmetic: what is \$100 million on top of that in percentage terms? What will your total dividend be this year as a percentage of your after-tax earnings? It sounds like it will be over 100 per cent.

Mr McCloskey—It will not be over 100 per cent. The legislation precludes us paying—

Senator IAN MACDONALD—You tell me what it is.

Mr McCloskey—It will be close to 100 per cent.

Senator IAN MACDONALD—Close to 100 per cent?

Mr McCloskey—That is correct.

Senator IAN MACDONALD—What do you normally do with the 25 per cent that you do not pay?

Mr McCloskey—It goes into retained earnings and for investment in the business going forward.

Senator IAN MACDONALD—What sort of investment? Can you broadly tell me what that is?

Mr Tenace—In terms of the retained earnings, that would sit in our equity, and that would build up in cash, so that would go into our cash accounts until we had a need to spend that either reinvesting through capital or other investments in the business.

Senator IAN MACDONALD—You would spend it on capital?

Mr Tenace—If necessary.

Senator IAN MACDONALD—So that means you will not be able to do that this year and I suspect next year from the figures you have given me.

Mr Tenace—No, our capital expenditure is well and truly covered this year. We have cash reserves that we expect at the end of this financial year to be in excess of \$500 million, so we do have—

Senator IAN MACDONALD—So your capital reserves are previous years' 25 per cents?

Mr Tenace—Correct.

Senator IAN MACDONALD—Which you will not have this year, and so you are downgrading your capital ability over the years ahead by paying the special dividend?

Mr Tenace—This is something that we discuss and manage on an ongoing basis. As mentioned by Mr McCloskey earlier, we have had special dividend payments in the past, and we do not foresee that it will impact on our investments for the period of the outlook, and we anticipate that our cash reserves will be adequate.

Senator IAN MACDONALD—What sorts of things would you invest in of a capital nature in a normal year?

Mr Tenace—In terms of the dollars?

Senator IAN MACDONALD—No, in the items you would invest in: new buildings, more staff—I do not suppose staff is a capital—more vehicles, or are they current expenditure?

Mr Tenace—No, certainly it would be in a number of assets: delivery assets, our IT assets, across-the-board buildings—assets to run and continue to grow the business.

Senator IAN MACDONALD—So IT would be a big part of your capital?

Mr Tenace—It is.

Senator IAN MACDONALD—Can we find out what your capital expenditure has been in this current year out of reserves? Where would I see that?

Mr Tenace—The forecast is around the \$280 million to \$300 million mark for this year.

Senator IAN MACDONALD—Out of the \$500 million reserve that you have got, you tell me?

Mr Tenace—Some of that expenditure was made earlier in the year.

Senator IAN MACDONALD—You can refer me, perhaps on notice, to the particular parts of your budget where I would see all this, but in round terms you have told me you had \$500 million in reserves, and you just said you would spend \$250 million in capital this year—projected.

Mr Tenace—About \$280 million this year.

Senator IAN MACDONALD—Broadly speaking, what was the \$280 million spent on?

Mr Tenace—Delivery centres, IT assets, motor vehicles, quite a broad range of investment.

Senator IAN MACDONALD—Do you have any debt?

Mr Tenace—Yes, we do have debt.

Senator IAN MACDONALD—What, in round figures, is your debt?

Mr Tenace—We refinanced \$230 million in May last year, and we have got about another \$300 million in debt on finance.

Senator IAN MACDONALD—Why wouldn't you pay that off out of your capital reserves?

Mr Tenace—Our gearing levels are very low as they are, so it is probably not the most ideal position to be in in terms of having extremely low gearing, and most corporates—

Senator IAN MACDONALD—But you just leave it sit in a bank and earn interest then.

Mr Tenace—We do invest it in short-term and mid-term investments. We do not just let it sit in the bank.

Senator IAN MACDONALD—You will tell me on notice where I can check these things out, but of the \$280 million in capital expenditure drawn down from previous savings, what would be the largest area of financing; would it be IT?

Mr Tenace—If you broke it into segments, IT would probably be the most significant and growing area of the business at the moment.

Senator IAN MACDONALD—What are your borrowings normally for? Obviously, for capital expenditure?

Mr Tenace—Correct.

Senator IAN MACDONALD—That is correct? You suddenly hesitate on that.

Mr Tenace—We do not specifically say that we are going to borrow directly for any piece of capital equipment. We would undertake that in assessment of the whole corporate plan.

Senator IAN MACDONALD—So might you be borrowing for recurrent expenses?

Mr Tenace—No, we would not be doing that. We have enough cash reserves.

Senator IAN MACDONALD—Then you would not be borrowing for capital expenses?

Mr Tenace—Predominantly for capital, and obviously to maintain adequate levels of gearing in the business to ensure that we have the right blend of debt and equity.

Senator IAN MACDONALD—If you refer me to the pages of your report, I can pursue this. There seems to be something a little odd about all that. Are you able to tell me the rationale for the special dividend? And do not tell me it is because you have a lot saved up. Of your \$500 million you have now only got \$220 million left, which is not much when you have given away \$150 million in extra special dividend.

Mr McCloskey—As I indicated earlier—and I am not sure if you were in the room at the time—it came out of discussions between the finance minister and the Chairman of Australia Post.

Senator IAN MACDONALD—I have not left the room, and I did hear that.

Mr McCloskey—I am sorry; I beg your pardon. It did come out of discussions between the finance minister and the Chairman of Australia Post as part of the normal prebudget consultations on dividend payments.

Senator IAN MACDONALD—Are you able to indicate why it was in recent years a relatively large amount—almost 100 per cent of your dividends and contrary to the practice which you have largely adopted in the last several years?

Mr McCloskey—As I indicated, there have been previous special dividend payments—

Senator IAN MACDONALD—Yes, I did hear that too.

Mr McCloskey—They have also been at or around 100 per cent from time to time.

Senator IAN MACDONALD—Are you able to tell me what the special reason was this time? Do not give me the answer that you had plenty in reserve, because you have not got plenty in reserve.

Mr McCloskey—The consultation was initiated by the finance minister with the chairman and it was to see whether Australia Post would have the capacity to pay a special dividend. Following those consultations, then the chairman confirmed to the finance minister that we would have the capacity to pay the special dividend.

Senator IAN MACDONALD—You would not have the capacity in the next financial year I assume.

Mr McCloskey—Clearly, the capacity would be less if the situation were to recur in a future financial year; that is correct.

Senator IAN MACDONALD—Do you have any idea what the government has forward estimated in the out years for revenue from Australia Post?

Mr McCloskey—No, I do not; I am sorry.

Senator IAN MACDONALD—That would be in the budget documents obviously, but you are not aware of those?

Mr McCloskey—I am not aware of how much is—

Senator IAN MACDONALD—I suggest it might be of concern to you if you looked to the forward four or five years and find that the government is wanting to get \$150 billion extra from you for the next five years.

Mr McCloskey—I am aware though that the budget payments do not show any special dividend in the out years of 2009-10 or 2010-11. They just show a single one for 2008-09.

Senator IAN MACDONALD—That was the question I asked which you said you did not have any idea about.

Mr McCloskey—I am sorry. There would be something somewhere about normal dividend payments and I am not sure what those provisions—

Senator IAN MACDONALD—So there is a projection of normal dividend payments over the out years but you are not aware of it?

Mr McCloskey—I am not aware of how much has been included for those.

Senator IAN MACDONALD—You do not think it would be of interest to your board to find out what they are expected to make in the out years that the government is relying on to meet its budget?

Mr McCloskey—Whatever has been included I imagine will be based on what our corporate plan projections show, so it is not just a figure that is—

Senator IAN MACDONALD—Because your resources are better than mine, could you on notice give me quick advice of what those out-year ordinary dividends are anticipated in the budget?

Mr McCloskey—Yes, on notice, I can do that.

Senator IAN MACDONALD—On a completely different track, do you have employees in the Torres Strait Islands?

Ms Walsh—I will have to take that on notice; I am sorry.

Senator IAN MACDONALD—Take what on notice?

Ms Walsh—Whether we have employees in the Torres Strait Islands.

Mr McCloskey—We would have contractors certainly and possibly licensed outlets, but we may not have corporate employees. I am not sure. That is why we would need to take it on notice.

Senator IAN MACDONALD—Can anyone tell me where you do your central mail sorting for the Torres Strait Islands? Is it out of Thursday Island or out of Cairns, Brisbane or Canberra?

Mr Newman—The distributing mail centre for that part of the country is the Cairns mail centre. Unfortunately, I do not know whether they make up a direct dispatch on Thursday Island or the outlying islands. I think that would be unlikely. It is likely that it would be redistributed either from one of those coastal communities on the Australian mainland or Thursday Island itself. I would need to take that on notice.

Senator IAN MACDONALD—Where I was leading—perhaps you would know this because you would be aware that it had happened—was whether or not you are aware of any safety issues for any employees or contractors in the Torres Strait Islands.

Mr Newman—I am not aware of any at all.

Senator IAN MACDONALD—I only ask this because a number of state government employees such as nurses and teachers are in real fear of their lives in some of those Torres Strait and, perhaps more significantly, Cape York communities. You are telling me that has not come onto your radar screen in relation to your employees or contractors.

Mr Newman—None whatsoever.

Senator IAN MACDONALD—Thanks for that. The third series of questions I had related to something we discussed at some length, rather enviously I might say, at the last estimates hearings and that was the wage restraint on your senior executive positions. You might recall that at the last hearings we were asking you if the Prime Minister's call for wage restraint, which he then allocated to opposition parliamentarians only, was going to be followed by Australia Post in the way it dealt with its wages. I am wondering whether, a few months on, you could indicate to me, or refer me to them in your reports if you can, the salaries of your executives. Let me put it this way. Last time you gave us details of the annual salaries of, I think it is what you would call, the SES service. There are about nine or 10 of them.

Mr McCloskey—We have, in our annual report certainly, details of the top six people with the greatest accountability and responsibility within the organisation. They are detailed in the annual report in the financial section.

Senator IAN MACDONALD—I recall that they ranged from \$490,000. I know this because I am very envious—and so should Senator Conroy be; he is only getting half of the lowest pay of your people and Senator Conroy is on a pretty good wage too, compared to the rest of us that is.

Senator Conroy—It is the same as you used to get once.

Senator IAN MACDONALD—Not by Australia Post standards I might say, Senator Conroy, but good by the rest of us.

Senator KEMP—They pay on talent.

Senator IAN MACDONALD—Don't go there! Our salary has just been cut back.

Senator Conroy—I think Senator Kemp speaks the truth. Your salaries have been cut, based on talent.

Senator KEMP—Senator Macdonald, could you just cut to the chase. What is the projected rise in salary for the senior executives at Australia Post?

Senator IAN MACDONALD—Has it changed, first of all, from when you spoke to us in February?

Mr McCloskey—No, there has not been any change. I think I indicated in February that this was something that will be looked at and reviewed around the middle of the year and that is still the case. It will be looked at by the board next month in the first instance. I also indicated at the time that the Prime Minister's statement would certainly be taken into account in any consideration that the board gave it and that remains the case.

Senator IAN MACDONALD—I think you said it would be considered.

Mr McCloskey—It would be taken into account, yes, considered.

Senator IAN MACDONALD—But not necessarily adopted.

Mr McCloskey—I cannot pre-empt what decisions the board might take.

Senator IAN MACDONALD—What is projected? You have forward estimates too, I assume.

Mr McCloskey—We have a financial operating plan for the coming financial year.

Senator IAN MACDONALD—What does it show? What are you anticipating you might have to pay these top people? Is there an increase?

Mr McCloskey—I am not sure what is included in relation to executive remuneration.

Senator IAN MACDONALD—You could easily find out, couldn't you? It is in your—what do you call it—financial operating plan.

Mr McCloskey—We have a financial operating plan which is our budget for the coming year.

Senator IAN MACDONALD—Okay, and you would be able to have a look and see what rise or, hopefully, what fall you are anticipating in the next 12 months.

Mr McCloskey—I am not sure what would be in there at this stage.

Senator IAN MACDONALD—But you would be able to find out for me.

Mr McCloskey—I could take it on notice.

Senator IAN MACDONALD—I appreciate you doing that. When the decisions are made, are they made by the board?

Mr McCloskey—Yes. As I think I explained last time, it is the board that determines the managing director's remuneration and it is within parameters and a framework that have been agreed upon in consultation with the Remuneration Tribunal.

Senator KEMP—What is he paid?

Mr McCloskey—The annual report shows that, for the year ending June 2007, the managing director received a cash salary of \$1.286 million and a cash bonus of \$955,000.

Senator KEMP—Do you think he would be able to hold himself at that salary with inflation? Is it possible, do you think, that he could he afford to do that?

CHAIR—Excuse me, Senator Kemp and Senator Macdonald, could I just have an indication of how much longer you are going to be asking these questions because we are scheduled to be in a tea break at the moment.

Senator IAN MACDONALD—I just have one last question and Senator Kemp might follow this up after the tea break. Perhaps this is a question to the minister. When are new board appointments anticipated?

Senator Conroy—Shortly.

Senator IAN MACDONALD—What does that mean?

Senator Conroy—Shortly.

Senator IAN MACDONALD—Next month? In the next six months? In the next six weeks? In the next six days?

Senator Conroy—Shortly.

Senator IAN MACDONALD—‘Shortly’ can mean different things. Let us go the other way. When do the contracts of the current board members terminate?

Senator Conroy—I think, from recollection, there is one vacancy at the moment and there is one due to terminate shortly.

Mr McCloskey—That is correct.

Senator IAN MACDONALD—Can we be a bit more precise on the one due shortly at least?

Senator Conroy—The exact date?

Mr McCloskey—There is one term that expires on 31 May—

Senator Conroy—Shortly!

Mr McCloskey—and there is one existing vacancy that goes back almost two years.

Senator IAN MACDONALD—What is the process for appointment of board members?

Mr McCloskey—It is a ministerial appointment technically by the Governor-General on the recommendation of the minister, and the minister is obliged under the legislation to consult with the chairman on any proposed appointments.

Senator IAN MACDONALD—Is there no other criterion for appointments?

Mr McCloskey—Not specific criteria, no.

Senator IAN MACDONALD—Any criteria?

Senator Conroy—They are the same criteria as were applied under your government.

Senator IAN MACDONALD—I am absolutely sure of that, but I am—

Senator Conroy—It is a merit based selection process.

Senator IAN MACDONALD—Minister, you are obliged to consult the chairman, but will you be consulting with others?

Senator Conroy—I think that I am actually joint decision maker in this regard with the Minister for Finance and Deregulation.

Senator IAN MACDONALD—Okay, but will you be consulting with others besides the chairman and your colleague?

Senator Conroy—I will be chatting with the chairman.

Senator IAN MACDONALD—And will have a chat to the Prime Minister, no doubt.

Senator Conroy—I will have to double-check. I will have to come back to you on whether it falls within the cabinet appointments process. As you would be aware, cabinet deals with appointments before they get forwarded on. I will come back to you as to whether or not that proposed one is included in that category. We are still learning all of the new processes ourselves.

Senator IAN MACDONALD—But you will have a chat with the Prime Minister, no doubt?

Senator Conroy—I will comply with the law.

Senator KEMP—Well, that is a relief! Thanks for that assurance!

Senator Conroy—I am that sort of guy.

Senator IAN MACDONALD—Will you have a chat with the ACTU?

Senator Conroy—I do not think they are encompassed in the legislation.

Senator IAN MACDONALD—No. Will you be discussing this with any of the senior members of the ACTU before the appointments are made?

Senator Conroy—I am pretty confident the answer is no.

Senator KEMP—But you cannot entirely rule it out?

Senator Conroy—I am confident that I will comply with the legal processes as set out.

Senator KEMP—We are mightily relieved to hear that. I must say, this has been a very good question.

CHAIR—We will now go to a tea break and we will resume at 11 o'clock. Thank you.

Proceedings suspended from 10.49 am to 11.02 am

Senator Conroy—I would like to add some information for Senator Macdonald. As I think was indicated, there is an existing vacancy which has no consultation requirements at all. There is Mr McLaughlin's term, which expires on 31 May, so that is an upcoming vacancy. That is referred to as 'a section 73'. In selecting a candidate under this particular position of director who meets requirements of section 73, you are required to consult with representatives of individual organisations representing employees about the appointments—this is for the forthcoming vacancy as opposed to the existing vacancy.

Senator KEMP—Run that past us again.

Senator Conroy—Representatives of individual organisations representing employees about the appointments and your former government—

Senator KEMP—Why do you not just say 'unions'?

Senator Conroy—I am quoting to you the exact words in the act. This is the same requirement that applied under your government. My understanding from the department is that you did consult the ACTU for this particular appointment.

Senator IAN MACDONALD—We were a very consultative government.

Senator KEMP—The practice was to consult but not to take orders from them. There is a bit of a difference.

Senator Conroy—Just to clarify: the existing vacancy does not fall within this—

Senator IAN MACDONALD—Who is the existing vacancy?

Senator Conroy—It has been there for over two years. You actually did not fill it yourselves for a year and a half.

Senator IAN MACDONALD—How foolish. You say the other vacancy is Mr Ian McLachlan, is it?

Senator Conroy—No. Mr Peter McLaughlin's term as a director expires on 31 May. He is the section 73, which has this extra qualification.

Senator IAN MACDONALD—For such a distinguished Australian, I would have thought he would have been reappointed. Is there an ability to reappoint existing directors?

Senator Conroy—I am not sure how long he served, but we would certainly be considering a range of qualified individuals.

Mr McCloskey—Mr McLaughlin has been on the board for 10½ years.

Senator IAN MACDONALD—Is he eligible for reappointment?

Mr McCloskey—Directors are always eligible for reappointment.

Senator IAN MACDONALD—He is a very distinguished Australian—a good cricketer, a very distinguished businessman.

Senator Conroy—Is it the same Mr McLaughlin?

Mr McCloskey—I am not aware that he is a cricketer.

Senator IAN MACDONALD—I am talking about a different—

Senator Conroy—I am not sure it is the former minister to whom you might be referring.

Senator IAN MACDONALD—I am. I apologise for calling Mr McLaughlin a good cricketer! He may well be.

Senator Conroy—Backyard cricket centuries, we understand.

Senator IAN MACDONALD—Can I suggest you look at the other Ian McLachlan, who is a distinguished Australian, a very good businessman and a very good cricketer.

Senator KEMP—After consultation with the unions though.

Senator Conroy—That is the act which you followed also. How did you escape getting named? Everybody else got named.

CHAIR—Senator Fifield, do you have any questions?

Senator FIFIELD—Senator Conroy, as a Victorian senator, I am sure you recall the storms in Melbourne on 2 April 2008, which included high winds which, unfortunately, resulted in the partial collapse of a brick wall adjacent to the Mentone post office, which tragically resulted in the death of a resident. The wall was Australia Post property and unfortunately the top few layers of bricks fell as a result of the wind and killed a resident. As a consequence of that, the laneway which is adjacent to that wall was temporarily fenced off, as is appropriate, to enable the initial police and coronial inquiries and also to ensure that the remaining wall was safe and would not be subject to further collapse.

It was about seven weeks ago that the incident occurred. While the local traders are obviously very understanding of the need to conduct the relevant inquiries, it has been seven weeks since the initial collapse of the wall. The laneway itself—I am very familiar with because it is directly opposite my office in Mentone—links two halves of the Mentone shopping district. Minister, given the concern of local traders, I contracted your office and spoke to one of your staff members, who endeavoured to expedite the opening of the laneway.

My understanding is that the local council put it to Australia Post—over whom the council have no formal authority, as it is a Commonwealth site—to get an engineer's report to satisfy council that the remaining brick wall was indeed secure. My understanding is that Australia Post provided that engineer's report to council, which says that the wall is indeed secure and that there is now no reason why that laneway cannot be reopened. I checked with my office this morning and the laneway is still closed. On behalf of the traders of Mentone, I am asking if the laneway can be opened up immediately so that the two halves of the Mentone shopping centre can be linked again. Is there any reason why that cannot happen?

Senator Conroy—Mr McCloskey has a comprehensive brief.

Mr McCloskey—We are awaiting the go-ahead from council. We are still under council orders to keep the laneway closed and we are awaiting the go-ahead from council to be able to open it. As soon as we get that go-ahead, we will be happy to open it. We are as anxious as anyone else to open it, and you are absolutely right. We in fact commissioned a structural

engineer's report as soon as the tragic accident happened and looked at everything to do with the post office, not just the free-standing walls. They have gone back through files and through building specifications and confirmed that everything was built in accordance with the specifications of the time and that it is in fact structurally sound. We submitted those reports to council a couple of weeks ago, but we are still under council orders in terms of the actual walkway itself.

Senator FIFIELD—My understanding from talking to council is that they do not see any impediment to opening it up. They are just waiting for Australia Post to take the fencing down.

Mr McCloskey—I would need to check on that, but my understanding is that in fact we are still awaiting a council order to be lifted to allow us to take the fencing down. We would certainly be very happy to do that and I will ensure that we follow up on that to make sure there is no breakdown in communications between us. We will do that straight after this meeting.

Senator FIFIELD—Often you will have two parties sitting back and waiting for one to make some sort of contact. If Australia Post could pick up the phone and call council and say, 'What do we need to do to get this going?' that would be great. We would appreciate that.

Mr McCloskey—We will certainly do that. We will do that today, absolutely.

Senator FIFIELD—Thank you for that. Senator Conroy will direct me to the appropriate officer, I am sure, but who currently supplies Australia Post with its plastic mail trays? The mail trays are very familiar to most members and senators, particularly before election campaigns, but who currently provides those mail trays?

Mr Newman—That would be a question that I would answer. I do not have the supplier's name with me here today, but I would be happy to take that on notice.

Senator Conroy—Are you planning on tendering for it?

Senator FIFIELD—No, not at this stage. In that case, are you able to say when the last tender took place for the provision of those mail trays?

Mr Newman—I will take that on notice as well. We normally operate that on a yearly cycle. Estimates are prepared through the normal course of a year. It goes to open tender. I just do not have the detail of that cycle and where it is at at the moment.

Senator FIFIELD—My understanding is that the tender was won by a Malaysian company and this resulted in the loss of a dozen jobs at a firm called Corex, a medium-sized manufacturing outfit based in Dandenong. That was the company that previously held the contract to supply the trays. As I say, it resulted in the loss of something in the order of a dozen jobs. As you say, you are not aware of who won the tender or when the tender was last called. Does Australia Post have tendering guidelines that require that Australian companies not be favoured in awarding contracts, that there is not an Australian preference?

Mr McCloskey—Our policy would be at all times to obtain the best value for money and operational benefits. All things being equal, we would certainly have a preference to provide a contract to an Australian company, but sometimes the economics of it will be such that that will not be practical.

Senator FIFIELD—Was there previously a tendering guideline which did give a preference to Australian companies?

Mr McCloskey—Certainly not in recent years.

Senator Conroy—Is that possible now under the US free trade agreement signed by the previous government?

Mr McCloskey—I must say, I am not sure of the specific implications of that.

Senator Conroy—I thought there were guidelines about tendering processes that were introduced following the former government signing the US free trade agreement.

Senator FIFIELD—I am not suggesting necessarily that there should be a preference for Australian companies. I agree with you that, all other things being equal, maybe then you opt for an Australian company.

Senator Conroy—So you are not advocating there be a preference—is that what you said?

Senator FIFIELD—What I said is what I said.

Senator Conroy—Which is that you were not advocating it.

Senator FIFIELD—I am merely doing as you would do—making inquiries on behalf of a good Victorian business based in Dandenong who are keen to employ as many people as possible. One of the concerns of the company in question is that departmental officials, in not being seen to give preference to Australian companies, may have gone the other way in order to demonstrate that they were not giving preference to Australian companies.

Mr McCloskey—I do not think that would have been the case. I am certainly happy to look into the circumstances of the tender and provide relevant information on notice.

Senator FIFIELD—If you could, that would be helpful. It is interesting to note that the previous supplier, Corex Plastics, hold the contract to supply the New Zealand postal service with their mail trays. It is just curious that they are adequate to provide New Zealand postal service requirements but not Australia's. Yes, I would appreciate it being taken on notice as to when the last tender was called, how many tenderers there were for that contract and if there were any non-price or non-quality criteria in the awarding of the contract to the Malaysian firm; that would be very helpful.

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

Senator FIFIELD—Also, you may know—if you do not, take it on notice—when the next tender is going to be called for Australia Post mail trays.

Senator Conroy—You are not advocating that there be a preference clause for Australian firms?

Senator IAN MACDONALD—Minister, it is for us to ask you and the officials questions, not for you to—

Senator Conroy—I am confused because your government signed the US free trade agreement, which banned those sorts of things.

Senator IAN MACDONALD—Madam Chair, this is not a time for Senator Conroy to be asking Senator Fifield questions.

Senator FIFIELD—Senator Conroy, I am merely seeking to take an interest in—

Senator Conroy—Play both sides of the street.

Senator FIFIELD—I am merely endeavouring to take an interest in a Victorian business, which I would have thought, as a Victorian senator, you would also have some concerns about.

Senator Conroy—As long as you are not misleading them on the basis on which you are seeking information on their behalf.

Senator FIFIELD—The firm know my views because I have met with them. I know their views well. I acknowledge that, in the Australian Labor Party, you are a relatively lone voice when it comes to issues such as free trade. I know you are often on your own on a range of issues in your own party and I wish you well.

Senator KEMP—If I could go back to the very interesting question of senators Birmingham and Macdonald about the special dividend, \$150 million takes up the dividend payment to almost 100 per cent of profit, as defined by Australia Post. We are told that it is a result of consultation between the finance minister and the chairman. Could you tell us what arguments were put forward by the finance minister as to why this additional money should be paid?

Mr McCloskey—My understanding is that the consultation was in the form of an inquiry as to the levels of dividend that Australia Post might be in a position to pay in the course of the 2008-09 financial year.

Senator KEMP—That is, in a sense, restating the question another way. I am interested in the arguments for a very special dividend at this time. The government has a surplus of only about \$21 billion, so they are desperate for money. The committee would like to know what the arguments were for this special dividend.

Mr McCloskey—That is not something I am in a position to know or to comment on. It is probably a question that should be put to the finance minister or his representative.

Senator KEMP—Hold on. Australia Post is one side of the argument and the finance minister is the other side of the argument. I think you have done exceptionally well, by the way, at the estimates this morning, but you cannot duck and weave on that one. Australia Post is half of the argument.

Senator Conroy—You are asking what arguments were put by the minister for finance, and I think the correct point Mr McCloskey is making is: perhaps if you wandered up to the finance estimates hearing you might be able to put that to Mr Tanner's representative.

Senator KEMP—In that case, let me rephrase it. To the arguments that were put forward by the minister for finance, what were the responses by the chairman of Australia Post?

Mr McCloskey—The chairman, as I think I indicated earlier, confirmed that Australia Post would be in a position to pay a special dividend of \$150 million.

Senator KEMP—Yes, we understand that. What we want to know is why additional money has been taken from the balance sheet of Australia Post and transferred to the government. It is a lot of money.

Senator Conroy—I think if you wander up a couple of doors, you will find the finance estimates and you can ask Mr Tanner's representative.

Senator KEMP—Too clever by half, Senator Conroy. The fact is that the minister for finance would presumably have put a case to your chairman and your chairman would have responded. What I am interested in is: what were the arguments that were discussed? I think we are—

Senator Conroy—I am sure you would not expect a private conversation—

Senator KEMP—entitled to know those arguments. A hundred and fifty million dollars is a very considerable sum of money. I think that this committee is entitled to know why this money should have been removed from the balance sheet of Australia Post and transferred to the government.

Senator Conroy—That is a question to put to Mr Tanner; it is not a question to put to Australia Post officials.

Senator KEMP—No. You are the minister, Senator Conroy, who has responsibilities for Australia Post. Presumably you would be aware what the case was that was put to—

Senator Conroy—I would not want to speak on behalf of Mr Tanner when his estimates committee is just a few doors up.

Senator KEMP—So what happens is that the chairman of Australia Post gets a phone call from Mr Tanner, who says, 'I want \$150 million,' and your chairman says, 'Yes.' Is that right? It is a bizarre way to conduct business, but that is the impression you are giving.

Mr McCloskey—As I understand it, the inquiry was whether Australia Post would be in a position to pay a special dividend of that amount in the course of the 2008-09 financial year. Subsequently the chairman confirmed back to the finance minister that the corporation would be in a position to do that.

Senator KEMP—So, in effect, Australia Post was ordered to pay the money.

Mr McCloskey—No, we were not ordered. In fact, there is a process: in due course the board itself will make a formal recommendation to the minister for a final dividend out of this year's earnings and an interim dividend subsequently out of next year's earnings. In making those recommendations the board will take into consideration a number of obligations it is required to under the act and it will make its considered recommendation at the time in the light of the circumstances of the time.

Senator KEMP—Let me just take half a step back. How much does Australia Post borrow each year?

Mr Tenace—We do not necessarily borrow any particular amounts every year. We have roughly \$530 million in current borrowings and we do not have any plans to increase those borrowings at this stage. That is sufficient to run the business.

Senator KEMP—All other things being equal, with your forecast capital expenditure over the next period of time and looking at your cash reserves, obviously you have to make a judgement on how you are going to finance that capital expenditure. So, as a result of this

payment of \$150 million to the government, presumably it puts pressure to lift your borrowings. Is that right?

Mr Tenace—No, it does not at this stage. Our borrowings will remain consistent at \$530 million in the course of the plan. We currently are AAA rated and we do not anticipate that we will need to go to the market for additional borrowings. Our cap ex is forecast to be fully funded in that period of time as well, and we still remain—

Senator KEMP—Over the next 12 months you have lost \$150 million from your balance sheet. What is the income lost to Australia Post as a result of that? Apart from the \$150 million itself, if this were in your balance sheet you would be earning interest on that, so how much would you lose as a result?

Mr Tenace—After-tax you are probably looking at \$9 million.

Senator KEMP—How much?

Mr Tenace—The sum of \$9 million.

Senator KEMP—So you say that this will not force any additional borrowings on behalf of Australia Post?

Mr Tenace—Not at this stage; it is not forecast, Senator.

Senator WORTLEY—In regard to mail contractors, what procedure has Australia Post followed where a tenderer for a mail contract includes a below minimum wage labour rate in their tender cost statement?

Mr Newman—There are several levels to that question. In the normal course of a normal contract, the process we follow is that we prepare, at the time of going to tender, what is called a reasonable assessed price. In that, we use standard labour rates—I think we use the TWU award as a guide—and obviously vehicle operating costs including fuel, and we arrive at a rate that we think is fair and reasonable. As a general rule, we do not like to go below that rate unless the lowest tenderer at interview can convince us that they can undertake that service without the potential of failure. In some cases, they can do that because they are piggybacking on the top of some other contract they might have or some other business they may have. So it can occur where the labour rate does not necessarily reflect what the normal hourly rate would be. An example of that would be someone carrying mail to rural areas that have a lot of goods and fuel cartage as well so the cost of both fuel and labour is shared across that.

I think the purpose of your question is in respect of a normal contract which represents the normal employment of that contractor, and we certainly do address that with great caution especially if it is well below the labour rate. It can occur where we do not accept that tender—in fact, there are several cases each tender period where we do not accept the lowest tender for that very reason. It is one of assessing circumstance, the tender itself and any other matters that might help us to work out whether or not that person can undertake the tender at the price they quoted.

Senator WORTLEY—Given your response, is it fair to say that Australia Post has accepted tenders where the tenderer has included a labourer rate that was below the minimum wage?

Mr Newman—I want to be a little bit careful how I answer this. As a general rule, that would not occur that often. But on those other types of contracts that I described where there are other businesses or other opportunities or other endeavours that the contractor is doing, it is theoretically possible to do that. I used the example of somebody taking the mail with their rural cartage service for example, where that would be the case. Yes, that could occur and it may not just be labour, it could be that the total cost of the contract does not appear to be at the same level as what the reasonable assessed cost was but, as a general rule, in contracts that represent a full job of work for a full person, we are very cautious about doing that unless there are extraordinary circumstances of which I cannot think of any of the moment.

Senator WORTLEY—Are you able to provide us with details where that has occurred?

Mr Newman—It is possible that we could do that, yes.

Senator WORTLEY—Would you take that on notice?

Mr Newman—Yes, I will. I just want to be a little bit cautious about that too because there is obviously document retention in terms of unsuccessful tenderers, but we should be able to determine where a—

Senator WORTLEY—We are specifically referring to where Australia Post accepted a tender.

Mr Newman—Where there is a successful tenderer that is less than the labour rate or less than the reasonable assessed cost whatever that might be?

Senator WORTLEY—Yes. Still on the issue of mail contractors, how many successful tenderers for mail contracts have taken part in the familiarisation process described in the mail contract tender?

Mr Newman—From the information I have here today, I would say I hope all of them, but I am not aware where that does not occur. That is my immediate response, but if there are cases where that is not occurring—

Senator WORTLEY—The familiarisation process is an option, isn't it? They do not have to participate.

Mr Newman—It is more than just familiarisation; it is also training. I guess if a person were to refuse to do that, there is not a lot we could do about it. Our process is to encourage the person to participate, to become familiar, to learn the run and to be able to do it. I am not sure whether I have records where people have chosen not to do that or do it in part. There is an expectation that people learn the job.

Senator WORTLEY—I understand that under clause 15 of conditions of tender for mail contract a successful tenderer may undergo a familiarisation process which is entirely optional and the tenderer receives no payment from Australia Post during that familiarisation period. Is that correct?

Mr Newman—That would be correct.

Senator WORTLEY—So it is optional?

Mr Newman—It is highly recommended is what I was trying to say.

Senator WORTLEY—It is either optional or it is not.

Mr Newman—Yes.

Senator WORTLEY—Can you explain briefly what is covered during that familiarisation process?

Mr Newman—I would have to take that on notice. I do not have that information with me today.

Senator WORTLEY—It is fair to say that in performing work for Australia Post as part of this process Australia Post does not pay the tenderer, or does it?

Mr Newman—As far as I know, we do not. We do not pay for training either. It is up to the tenderer. These people have a contract with us to undertake a service. The assumption is made that they are skilled, knowledgeable and able to undertake that and it is their responsibility to prepare themselves for that. Whether it be learning how the run is performed or learning the sorting, the expectation would be that they prepare themselves for those duties.

Senator WORTLEY—So in this optional familiarisation process, are the tenderers operating costs or labour costs met or is it basically up to the tenderer?

Mr Newman—As far as I know, no, but I would need to confirm that. Normally, the experience a contractor has with Post prior to the start of the contract is more to do with training and familiarisation would be included in that. As I said, contractors are expected to prepare themselves to do the run at their own cost.

Senator WORTLEY—If there are any costs to the outgoing contractor during the familiarisation period for the new contractor, does Australia Post reimburse the outgoing contractor?

Mr Newman—Not as far as I know. I would like to confirm that on notice, but I cannot recall any payments being made for—

Senator WORTLEY—So is the outgoing contractor part of the familiarisation process for the incoming contractor?

Mr Newman—It depends on the circumstances. Sometimes that is not possible because there would be some form of relationship issue between the two.

Senator WORTLEY—Specifically regarding the outgoing contractor, would you be able to look into that and provide it on notice as to whether or not outgoing contractors are reimbursed for any—

Mr Newman—I will confirm that. As I said, my initial response to that is no, they are not, but I will confirm that.

Senator WORTLEY—How many staff at Australia Post headquarters are dedicated solely to LPOs?

Ms Button—In Australia Post headquarters, we have three people solely dedicated to LPOs and one person of whose job it is a major part. However, the state administrations do have people also devoted to managing the state LPO networks.

Senator WORTLEY—Can you provide the details in a state by state breakdown?

Ms Button—Certainly.

Senator WORTLEY—We spoke briefly about post office conversions. Can you provide a list of the corporate post offices that have been converted to LPOs and the corporate post offices that have been converted to franchise post office shops, and the licensed post offices converted to franchise post shop operations? We got the figures from you earlier—thank you for that.

Ms Button—For this last financial year?

Senator WORTLEY—Yes, 2006-07. How far back does it go? How easy would it be to access?

Ms Button—I do not know. If I can give you the previous year, would you like that as well?

Senator WORTLEY—Yes, if you can get the previous year as well. Also, on the issue of the post offices that were closed, I think you said there were 12? There are some issues as to whether there were 12 or 13?

Mr McCloskey—I think, in the evidence I gave earlier, for the current financial year up until the end of March, there were a total of 13 closures spread across business centres, licensed post offices and, in the main, community postal agents. That was balanced by 11 openings in the same period.

Senator WORTLEY—So an increase of two?

Mr McCloskey—A net decrease of two.

Senator WORTLEY—A decrease of two. Can you provide a metro-rural breakdown for that? If you could provide us with a list of them, then we would be able to work that out.

Mr McCloskey—I am happy to do that on notice.

Senator PARRY—In the absence of the minister for a moment, I will direct the questions to Mr McCloskey. Regarding the executive team, I noticed that you have an executive committee listed in the annual report and then there is the senior management team. I gather that the senior management team is here but the executive committee is not, leaving you out of the equation, Mr McCloskey. Is that correct?

Mr McCloskey—We have two members on the executive committee here today.

Senator PARRY—At the table?

Mr McCloskey—Mr Walter, who is behind us here at the moment.

Senator PARRY—From a hierarchical sense, you have a managing director, the executive committee and then the senior management team. Is that the correct order of things?

Mr McCloskey—The executive committee is a particular group of executives. There are other senior executives who are not members of that particular committee. The executive committee has a number of divisional heads in terms of operations, commercial, infrastructure services, corporate secretary, human resources, business development and corporate public affairs.

Senator PARRY—Present at the table today, we do not have the managing director. I did raise this at the last estimates and one of the responses was that it is practice for the managing director not to turn up. Other agencies normally do provide the managing director and the key executives of the organisation.

Senator Conroy—I raised that a number of times when I was sitting where you are, Senator Parry, and your government informed me that he was never required.

Senator PARRY—It is my understanding that this committee has not asked for the managing director particularly to come. We leave it up to each agency to choose the people to attend estimates who would have the greatest corporate knowledge. One would assume that there would be executive members sitting at the table. Is there a particular rationale as to why—and I do not want to discriminate as I think that all the officers here have been answering the questions exceptionally well—we do not have the executive team here? I do not quite understand the executive committee role, as you were saying they have some other divisional roles. I would have thought that would have been your key group to be here to be questioned by us as a committee.

Mr McCloskey—We have been doing this over many, many years without change or without any questioning coming from the committee as to how we have done it. We endeavoured to bring a team of experts from different areas of the business, who we believe are best placed to respond to the issues that the committee is likely to raise. Hopefully, we have been able to do that.

Senator PARRY—The executives listed in the annual report, are they still current? There are six names listed in the annual report for 2006-07. Are they still the current executive?

Mr McCloskey—Yes, they are still current.

Senator PARRY—They would have the key responsibilities within the organisation—working with the managing director—and this senior management team would report to those executives. Is that how it works?

Mr McCloskey—Yes, in some instances that would be the case. I just need to check the ones named here. We would also normally have here our group manager of human resources, who is also on the executive committee and who is one of the those listed on the annual report. He is actually overseas on business at the moment, but he has been a regular attendee over the years as well.

Senator PARRY—Has the managing director or any of the six executives expressed a desire not to attend estimates?

Mr McCloskey—No, the situation has never arisen. Our level of representation has never been queried and there have never been any specific requests for the managing director to attend.

Senator PARRY—Do any of the team members who are here report directly to the managing director, or do they report through executives on the executive team?

Mr McCloskey—I report directly to the managing director; Mr Robinson reports directly to the managing director; Mr Walter reports directly to the managing director; and Ms Walsh, in her present position, which is an acting role, also reports directly to the managing director.

Senator PARRY—Thank you. It is a subject we may wish to discuss as a committee in private at some later stage but thank you for the explanation. It is good for us to have that on record. I will just move to the issue of mail contractors and postal delivery by corporate—I presume you would call them corporate—postal deliverers. What is the correct title for what I would call the postmen?

Ms Walsh—They are postal delivery officers.

Senator PARRY—A postal delivery officer—thank you very much. I do not know who to direct this question to, but what are the parameters for the engagement of a postal delivery officer—is it demographic, is it based on square kilometres or is it by the number of letters perceived? I would like to know what the parameters are for the establishment of a permanent postal delivery officer.

Mr Newman—I will take that question. There is no firm policy or guidelines on that. How an area evolves over time is a better way of looking at it. For example, we tend to deal with high-growth and new areas with contractors, particularly in suburban fringe areas. We find that much more flexible and it has worked well for us for a long time. Over time as the density of a suburb grows and fills out we tend to convert some of those contractors—and in the fullness of time, all of them—to corporate staff. As a general rule, corporate staff usually operate in high-density metropolitan stable areas. You tend to find contractors more often in fringe, high-growth and rapidly-developing areas. That is a general definition.

Senator PARRY—Does the value of sealed or unsealed roads come into the equation?

Mr Newman—It does not directly affect the equation. If you say unsealed roads, that tends to be an area where there is low density and it would tend to be a contractor. I do not think it is actually the road that causes that; it would only occur in a lower-density area.

Senator PARRY—Moving into the area of home delivery versus collection at a licensed post office, is the licensed post office the lower category? Is a local milk bar in a remote community a licensed post office, if it has a post office section? Is that correct? Do I have the correct terminology?

Mr McCloskey—There can be a community postal agent as well, which is slightly lower level than a licensed post office.

Mr Newman—As a general rule for it to be a community postal agent it would be a very small community normally.

Senator PARRY—What are the parameters then that kick in as to whether that is going to be a postal delivery service or an area where a community will attend to a central point, being either an agent or an LPO?

Mr Newman—Do you mean the smaller communities where they have a licensee and whether they have a street delivery or not a street delivery?

Senator PARRY—Yes.

Mr Newman—There are policies guiding that and it has to do with population and distance, which I will probably have a little bit of difficulty reciting verbatim today but I could provide that for you. There are also secondary issues there too. For example, if a

community has traditionally not had a street letter delivery and they have private boxes—which is a very common thing—those boxes are provided on discount. Over time we have found that the community itself—not in all communities but in some—has resisted putting in a street letter delivery. The reason for this is that by volunteering for a street letter delivery that would cause an increase in value for the people who wish to retain their boxes.

Senator PARRY—What is the dollar difference? What are we talking about?

Mr McCloskey—The full rate for a private box is \$75 a year or \$70 a year if you pay on time. The concessional rate is \$21 or \$16 if you pay on time.

Senator PARRY—About a \$50 differential in round figures?

Mr McCloskey—Yes, that is correct, for a small box.

Mr Newman—We find that there are some communities that keep the status quo on that basis. Smaller communities tend to keep the status quo even though that is not a hard and fast rule. There have been changes over time in many communities. People going to the post office every day in a small town gives a sense of community, I suppose. Getting back to the original question, it is a function of size, population, distance and local circumstance where those decisions are made.

Senator PARRY—Do you take into account environmental issues such as, if we just use a hypothetical case of a community of 100 residences, a hundred cars driving to the LPO or the agent every day instead of one deliverer going to each home. Is that taken into account; is there any consideration of that?

Mr Newman—I do not think that the environmental issue is on the tick box per se, but in terms of the local community convenience, traffic flow and parking, it is definitely taken into account. Like I said, if they do not have a delivery and they are going to the post office and do enjoy that private box reduction, we have found that some communities are a little bit reluctant to change that. We poll the communities in those circumstances and, in the end, we are guided by those. That is not saying that we are not having an environmental concern of a hundred cars going to the post office every day. But I think you will find in those communities that most of those people operate and circulate within that community every day as a matter of process. With the little communities that I have been in, I have found that they probably go to the post office at any rate, even if the mail was delivered, because they choose to enter the centre parts of town.

Senator PARRY—From a cost perspective, is it cheaper for Australia Post to have commuters coming to the agency or the LPO rather than Australia Post travel to each home? I imagine it would be.

Mr Newman—Once again, in the smaller communities, it probably would be regarded as being cheaper, yes. That is a fair comment. That is not the only determinant though. Obviously, size plays an importance there because, after a certain period of time, that becomes not able to be managed because there are so many people in the town and so many boxes that it creates its own problem. It is very situational, what I am trying to describe here.

Senator PARRY—Does Australia Post have many submissions or applications for consideration of a full-time delivery service?

Mr Newman—As I said here today, I am not aware of any but I would like to confirm that on notice to you.

Mr McCloskey—We do receive requests from time to time. In those cases, we will survey or poll the local residences to see what the wish of the community is. We follow a principle that to change the existing arrangements, we need to ensure that it has the active support of a majority within the community because any change will have implications in terms the loss of concessional box rates. So if you wanted to maintain a box you would have to pay \$70 a year instead of \$16, you would have to pay the cost of putting in a letterbox to receive the mail and another important consideration in small communities is the ongoing viability of the local licensed post office. The licensee will be paid a fee for every box that he or she sorts into on an annual basis and also for any mail that he delivers over the counter to people when they come in. Those fees will vary from circumstances but certainly they can be \$80 plus a year for each box that they sort mail into. So it could be a considerable amount of that licensee's income and could go to the very viability of the business itself.

Senator PARRY—Basically the licensee would receive virtually the total income for the cost of a box. In fact it would be subsidised by Australia Post.

Mr McCloskey—It is subsidised in the sense that Australia Post actually takes the revenue for the box but pays the licensee a much higher sum to sort the mail into any box that is let in his office. We also pay the licensee to deliver mail across the counter, for which there is no obvious charge to the recipient.

Senator PARRY—Is there ever a case where you would determine that a community is big enough that you would automatically put in place a mail delivery service on a daily basis?

Mr McCloskey—I do not think so, Senator. If we want to change longstanding delivery arrangements with the community we do not do it unilaterally. We survey the community and for the reasons I have outlined we feel we need to ensure that any change has the active support of a majority within the community.

Senator PARRY—Is the majority a simple majority of 51 per cent?

Mr McCloskey—Yes, of the residences.

Senator PARRY—Is the licensee's view weighted or taken into account in a large proportion?

Mr McCloskey—The view of the licensee would not be taken into account by Australia Post but may be taken into account by the people within the community in terms of their preferences.

Senator PARRY—So for the implementation of a delivery there are no parameters concerning the number of residences or no parameters concerning square mileage. It is purely on community initiation and community majority acceptance?

Mr McCloskey—No, there are parameters Senator. I think what Mr Newman was saying earlier was that he was not in a position to define them here exactly. For example, from memory, generally for a local community to be eligible for a street delivery there needs to be 150 residences within 1.2 kilometres of the local licensed outlet, or local outlet—I think in virtually every case it will be a licensed one. As well, the mail volume needs to be around

225 items a day. They are the basic requirements. If the community meets those requirements it is eligible to have a street delivery. If it has longstanding alternative arrangements in place, we will not implement that street delivery unless a majority within the community actively support a change.

Senator PARRY—When was the last time a new street delivery service was implemented by Australia Post?

Mr McCloskey—I would have to take that on notice, Senator. Certainly over the years there have quite a few implemented but it is with the support of an active majority of the people within the community.

Senator PARRY—With the answer on notice could you also provide those who have applied and been granted compared to those who have been rejected?

Mr McCloskey—Those where an active majority have not supported it and therefore we have not changed the—

Senator PARRY—Earlier you indicated there are some other parameters required for communities to be eligible. There might be communities asking but you are saying ‘No, you can’t because you don’t meet this other criteria’.

Mr McCloskey—I understand, Senator.

Senator PARRY—Could we have a list of those applications?

Mr McCloskey—For what sort of period?

Senator PARRY—Could we have the last five years?

Mr McCloskey—I will endeavour to do that.

Senator PARRY—Thank you very much.

Senator WEBBER—It will come as no great surprise that I have some questions about a part of the remote north west of Western Australia. Can I first thank you for solving some of the issues I raised last time. I gather Tom Price now has a regular postie so that issue has been resolved and the contractors are happy there. There are issues about transport but there is nothing we can do about that up there. My questions this time are about Marble Bar. I realise it is quite specific so you will probably have to take them on notice. Apparently at the moment the community of Marble Bar only gets the mail delivered three days a week – Monday, Wednesday and Friday. Of course obviously when there are floods that impacts on them. They can wait for up to three weeks. However, they are having a significant problem getting their mail delivered on a Monday due to lack of drivers. The normal mail run is from Newman to Nullagine and then on to Marble Bar and it has been suggested that perhaps a more efficient way of organising this would be for their mail service to come through Port Hedland. This would therefore avoid the issue of flooding out at Nullagine and their mail not getting to them for up to three weeks at a time. There is a regular transport run from Port Hedland to Marble Bar anyway, Could you have a look at that – unless you know now?

Mr Newman—I do not have that level of detail but, yes, we will have a look at that and get back to you on notice.

Senator WEBBER—The other issues I have raised to do with the north west I gather have been fixed. So thank you very much.

Senator BIRMINGHAM—What steps does Australia Post take to monitor its carbon emissions?

Mr Walter—There are a number of things we do. We obviously comply with all government legislation. For the last 10 years, we have been participating in the Greenhouse Challenge Plus and so we have been looking very closely at greenhouse emissions over that time and have achieved substantial savings in that period.

Senator BIRMINGHAM—Do you have measures that you believe are reasonably accurate in terms of measuring the carbon footprint of Australia Post?

Mr Walter—Yes we do. We are going through a process right now of developing a corporate social responsibility and sustainability strategy. We expect to have that coming forward in the next month or so to the board of Australia Post. We do have an established track record of community investment and environmental management but we understand that the expectations of stakeholders are evolving and we are very keen to make sure that we keep up and in step, as all corporations are trying to do, with the way this is going. We are looking at it very closely. We do have very strong data and we will be setting targets over the coming months after we present the strategy to the board.

Senator BIRMINGHAM—What is the volume of Australia Post carbon emissions?

Mr Walter—It is in the order of 377,000 tonnes.

Senator BIRMINGHAM—How has that changed over the last few years?

Mr Walter—We have saved something similar to that over the last 10 years. We have got quite a complex situation at Australia Post.

Senator BIRMINGHAM—When you say saved, you mean you have reduced that volume?

Mr Walter—Reduced. Our carbon emissions are over energy, fuel and waste and we have been looking at that very closely. Of course we are subject to the government legislation on energy efficiency opportunities and we are working through that right now. We are finding quite a lot of ability to make substantial savings there but we do have a very big network of retail outlets and facilities, some of which we own and some of which we do not. There are a lot of factors in there in terms of what the targets should be. If you are a retail outlet at the shopping centre as a tenant, it can restrict what you can do, where as if you completely own a facility, you can probably achieve greater targets.

With places like the Perth GPO, even though it is a heritage building, it will have a high green star rating. The new Australia Post corporate headquarters due to open late next year will have a five-star green rating. We are going through all our facilities to achieve the maximum savings that we possibly can. We will have specific targets over the next six to 12 months, but, as I say, we have a record of achieving on the Greenhouse Challenge Plus but realise that there are other challenges facing corporations like ours. We really need an absolutely thoroughgoing strategy, we need to have targets and we are engaging with our

external stakeholders of every nature to ensure that the targets that we do set will meet their expectations in line with our status as one of Australia's major corporations.

Senator BIRMINGHAM—Is Australia Post required to report or will Australia Post be required to report its emissions under the new National Greenhouse and Energy Reporting Act 2007?

Mr Walter—We will be doing that but it is the lead-up, as you are aware, Senator, to the emissions trading scheme. It is not totally clear there, but of course we are complying with that legislation and in fact with about 60 other pieces of legislation both federal and state. We will be in a very good position to know exactly what our footprint is. We are very clear on most areas now but a lot of work has been going on over the first six months on this and, as I say, we will be putting forward a strategy to the board of Australia Post in the next few months.

Senator BIRMINGHAM—So, if you are required, you are confident that you will be able to comply with the provisions of the reporting framework?

Mr Walter—Absolutely. That is the minimum standard for Australia Post is to comply in those areas and I am confident. We are working internationally too with other postal administrations, the International Post Corporation, so that we look at like organisations as well to make sure that we are actually achieving at the industry best practice as well.

Senator BIRMINGHAM—Can I shift on to media monitoring by Australia Post please. Does Australia Post undertake media monitoring?

Mr Walter—Yes, we do.

Senator BIRMINGHAM—How much has been spent on media monitoring to date this year?

Mr Walter—I would have to take that on notice but, clearly, as a national organisation we monitor all national media and state media, but I have not got that figure with me.

Senator BIRMINGHAM—You may also need to take this on notice: how many employees are engaged in positions responsible for public affairs, media management, liaison with the media and media monitoring?

Mr Walter—I can work that out. In headquarters, we would have one person specifically in that task, but we do have state offices with sometimes one or two people having that as part of their duties, and we also have a national manager that works out of our New South Wales office. So we are talking at least one in each state and probably two to three with national responsibilities. It is not just about media, it is about other activities as well, but the major part of their activities would be media.

Senator BIRMINGHAM—Could you provide some clarity as to exactly how many you have in those sections and their APS equivalent classifications, please.

Mr Walter—I can certainly take that on notice.

Senator BIRMINGHAM—Thank you—also the operating budget for the media related sections of the agency, please.

Mr Walter—Yes.

Senator BIRMINGHAM—Is any media information provided back to the minister's office?

Mr Walter—No, we monitor our media ourselves. We do not have a contact of that nature.

Senator BIRMINGHAM—Has Australia Post received any advice on how to respond to freedom of information requests from the government?

Mr McCloskey—No, I do not think that we have. We do have a freedom of information officer, a national one, and other freedom of information officers in each of the states, though not necessarily full-time freedom of information naturally. But, no, we have not received any indication as to how we should respond.

Senator BIRMINGHAM—How many FOI requests has Australia Post received?

Mr McCloskey—In the year to 30 June 2007, we had a total of 61 freedom of information requests.

Senator BIRMINGHAM—To date this year?

Mr McCloskey—I would have to take that on notice.

Senator BIRMINGHAM—How many of those 61 were granted or denied?

Mr McCloskey—Granted in full, 19; granted in part, 17; access refused, 15, and withdrawn, 10.

Senator BIRMINGHAM—Could you provide that same breakdown for those to date this financial year, please.

Mr McCloskey—Certainly.

Senator BIRMINGHAM—How many conclusive certificates have been issued in relation to FOI requests?

Mr McCloskey—I do not think there have been any, but I am not an expert in this area. For my sake, could you explain what a conclusive certificate is?

Senator BIRMINGHAM—That is fine. Thank you.

CHAIR—There being no further questions for Australia Post, thank you very much to the officers for attending.

Proceedings suspended from 12.05 pm to 12.09 pm

Australian Broadcasting Corporation

CHAIR—I welcome the officers from the Australian Broadcasting Corporation.

Senator ABETZ—I start by asking about the ABC *7.30 Report* on 5 June 2007 titled 'Pulp mill could taint catch: fishing industry'. I understand there was a review of that particular *7.30 Report*, is that correct?

Mr Scott—I believe that right.

Senator ABETZ—What did that review find?

Mr Scott—I do not have the details in front of me. I will be able to find them and forward them to you if you would like. I believe we may have clarified some factual matters in that in our online reference to that report.

Senator ABETZ—But not on the TV program itself.

Mr Scott—No, I believe that is correct, but I can check the details.

Senator ABETZ—Why not, when the ABC itself says ‘The correct information was known to the reporter before the story was broadcast’.

Mr Scott—I do not have the precise details in front of me but, as I recall, there was some debate around that program as to whether, in fact, the mussel industry had been suspended or had been effectively stopped. As I recall, we did clarify those matters in the online report on that program, so anyone who is factually checking that or reviewing that will be able to find that detail in our online version of the report.

Senator ABETZ—Yes, but when you publicly broadcast something which the journalist knew to be wrong, does the ABC not have an obligation to also broadcast its finding that the ‘correct information was known to the reporter before the story was broadcast; the report should not have gone to air in the form that it did and it breached the ABC code of practice.’ They are all things, are they not, that the ABC has now admitted to concerning this report?

Mr Scott—I do not have that detail in front of me, but I am happy to review it and come back to you on it.

Senator ABETZ—How quickly can you get this information? I would have thought something like this would have been at the forefront of your mind for Senate Estimates.

Mr Scott—I would simply point out to you that that report went to air a year ago. It was not raised at the last Senate Estimates hearing, and so I do not have that detail in front of me, but I am happy to get that material and to respond to any questions you want to raise on it.

Senator ABETZ—When will you get that material for us?

Mr Scott—I will try and get it as soon as we can, and if there are any questions you want to raise on that matter, you can.

Senator ABETZ—What does that mean? After lunch we can review this?

Mr Scott—I will take advice on it and I can come back to you on that. If I get material today, I will be able to speak on it today; otherwise I will be able to respond to you in writing as soon as possible.

Senator ABETZ—There is a problem with getting these things responded to in writing. As I understand it, complaints were made about this ABC program. You hide behind the fact that it was a year ago. Can you tell us at what date the ABC finalised its internal review in relation to this and came up with the final decision?

Mr Scott—I will get that detail for you, Senator.

Senator Conroy—I can make the point—given you are picking on individual circumstances, and I have no difficulty at all with that—that it might have helped if you had

advised Mr Scott in advance that you were going to pursue this particular line of questioning and he might have been able to bring that information with him.

Senator KEMP—Oh!

Senator Conroy—No, the attacks on the ABC were almost—

Senator ABETZ—Senator Conroy, that is great cheek coming from you! The simple fact is that it breached the ABC code of practice. Can you confirm that to me?

Mr Scott—Senator, you have material there; I do not have material on this specific incident in front of me. If you have documents there that you are referring to, of course, I accept your word on that. I would say to you though, Senator, speaking broadly, that we have the most detailed audience and consumer affairs service of any media outlet in the country by far. It is very detailed, very systematic, and so if you are saying to me that an incidence has been found where an error was identified then, yes, we do have processes to alert errors. We often correct those errors on the online site, so anyone going back and checking on that story, drawing up that information can review the correction that takes place, so this does happen.

Senator ABETZ—There is a very big difference, Mr Scott, between an error and a journalist deliberately not using information available to them so as to slant a particular story, which then leads to the ABC itself saying that it breached the ABC code of practice. I can understand that a journalist may accidentally say 10 instead of 20 or make an error, but this is a breach of your code of practice, so please do not try to dismiss it as a little error. This was a deliberate breach.

Mr Scott—I was not attempting to dismiss it at all. I want to refresh myself with the details around it. The issue I do recall was that there was some debate whether the mussel industry had been suspended for a period of time to allow it to foster and redevelop or had permanently been abandoned. There was some debate and ambiguity around that and I think the story went to that matter.

Senator ABETZ—I think we might be talking scallops.

Mr Scott—Scallops, thank you. That is why I need to check the details and come back to you on it, if I may.

Senator ABETZ—It was a matter of particular concern to me and I will lay my cards on the table—at the time I was minister for both fisheries and forestry. There was a lot of concern expressed on whether I was looking after fisheries or forestry and, given this report, a lot of people who were relying on the misinformation of that report occasioned a lot of extra work and unnecessary angst. What I am trying to get at is: has the journalist been named who was responsible for this?

Mr Scott—Let me check the detail on that.

Senator ABETZ—Would you please name the journalist who was involved in that story? Can you then tell us whether she or he has been counselled?

Mr Scott—Again, I will have to check the details.

Senator ABETZ—And then who they have been counselled by? And please do not tell me it was David Marr or Peter Garrett.

Mr Scott—Without even checking my notes, I can assure you that neither of those gentlemen were involved.

Senator ABETZ—Good. That was somewhat tongue-in-cheek, but at least we have a definite answer on something, which I do appreciate, because we do not seem to be getting any definite answers in relation to other very, very serious matters. Can you tell us what the counselling actually involves?

Mr Scott—We have quite a detailed process that takes place when there has been a breach of our editorial policies and there is a range of responses that can take place.

Senator ABETZ—For this particular journalist and in this particular case, what counselling did he or she receive?

Mr Scott—I will need to check on the specifics of that matter, but if you are asking me what counselling involves generally I can speak to you about that. If you question specifically about that matter I will need to check the file.

Senator ABETZ—All right, if you can get for me details of the specific counselling that took place. Over what period of time? How many sessions? Who with? Were any warnings administered verbally or in writing? I want the full gamut of the ABC's response in relation to the matter. When a journalist has behaved in such a way, are they then taken off reporting on that general area in the future, at least for a period of, let us say, six months?

Mr Scott—I do not want to speak about that specific matter. Can I speak broadly about performance management issues in relation to breaches of editorial policies because that is what I can speak to.

Senator ABETZ—No, sorry. I want to know the specifics because often with these cases we get drowned with the generalities, and on this occasion I want to know the specifics about whether this particular journalist was taken off reporting on forestry issues as a result of the gross bias that was displayed in the particular report.

Mr Scott—I will have to take that on notice.

Senator ABETZ—Are you aware of the response of the ABC to the 'Lords of the Forest' report?

Mr Scott—I am aware of that. It went to air early in 1994 and, shortly after I was appointed to my current role, a judgement came down from ACMA on the 'Lords of the Forest' report. I am aware that the ABC responded to that and the response included putting a slide up at the end of the *Four Corners* program alerting people to the online site where the ACMA report was.

Senator ABETZ—Could I encourage the ABC to do exactly the same in relation to this *7.30 Report*, and that is to put up a slide alerting people that that segment they had watched had breached the ABC code of ethics and that correct information was known to the reporter before the story was broadcast.

Mr Scott—I want to check on this for you, but I believe the community group may have actually put in a formal appeal, so that matter is currently being reviewed by our executive

complaints review process. When we have reached a judgement, I will be able to brief you on that.

Senator ABETZ—We have had *The 7.30 Report* segment and we have had the *Four Corners* segment—have there been any ABC programs that have run into trouble because they went the pro-forestry line?

Mr Scott—I do not have any detail to hand but I can check that and come back to you.

Senator ABETZ—I think you know that the answer is that there have been none. The point I want to put to you very seriously is that this is indicative to me of a huge cultural deficiency within the ABC that time and time again we have these very slanted reports on forestry in Tasmania. You started off by talking about errors, but surprisingly if they are genuine errors, I would have thought the errors might occur on both sides of the ledger. But when it comes to reporting forestry in Tasmania, it is always on the one side until the ABC is literally brought dragging and screaming to a point where they finally make some very soft acknowledgment of gross bias. I think the people of Australia deserve a better return on their taxpayer funded public broadcaster.

Mr Scott—Let me make a few comments in response to that. You have identified two programs where there have been concerns. There were serious complaints made about ‘Lords of the Forest’ but when it was independently reviewed by ACMA the actual difficult problems that they identified were far smaller. You have identified another story in *The 7.30 Report*. I would simply point out to you that every year ABC news and current affairs produces 15,000 hours of unduplicated broadcasts. You can pinpoint two programs over four years that you may have difficulty with. I would not draw from that the kind of conclusion that you are drawing from it.

I would also point out that through our audience and consumer affairs program, through our complaints review executive, through ACMA and through the independent complaints review panel, the ABC has the most detailed and systematic process of evaluation of performance, including assessing perceptions of fairness, balance and impartiality, of any media outlet in the country. We currently have completed two reviews of our editorial performance, one of which was reported on in the *Age* this morning. We have three further reviews under way on impartiality at the ABC. I would simply say that to be so broad brushed in your comments, Senator, does not present a fair and realistic assessment of the seriousness with which the ABC is attending to matters to do with its reputation, fairness, balance and impartiality.

Senator ABETZ—Mr Scott, some of us have had to live with the bias on forestry issues now for over a decade with the ABC, and your broadbrush approach is not acknowledged in any way, shape or form. There is a cultural issue of concern within the ABC. The problem is that you are not apologising for the ‘Lords of the Forest’ or for this *7.30 Report* segment. You dismiss it as an error and then you say that out of 15,000 hours it is just a small little glitch. I would have expected there to be a genuine apology. I would have expected from you, Mr Scott, for there to have been a suggestion that the ABC was very concerned that this impinged on its wonderful reputation of being unbiased, et cetera. We have heard none of that from you.

We have heard a very defensive approach to what the ABC has reluctantly had to find was a breach of its own standards.

Mr Scott—I am concerned that that is your view of what I said, because what I outlined to you—

Senator ABETZ—People can read the *Hansard*.

Mr Scott—The ABC takes its reputation so seriously that we have a detailed and systematic process to identify complaints pertaining to our editorial performance and fairness, balance and impartiality. We not only have a process to review complaints but also have a process to audit our performance over time. So that shows how seriously we do take our reputation. I am saying that you have identified problems with two programs, which have been acknowledged by the ABC. The ABC has acknowledged the ACMA finding on the ‘Lords of the Forest’ segment and the ABC has corrected material errors that appeared in *The 7.30 Report* story. So we do take errors seriously when they come to mind—

Senator ABETZ—But they are not errors, and you are using that language again. They are not errors. This is deliberate conduct by a journalist to slant a particular story. Even after this discourse—

Senator Conroy—Are you hunting for a question in there, Senator Abetz, or are you engaging in debate?

Senator ABETZ—Even after this discourse you are unable to bring yourself to admit that this was bias as opposed to an error, and that is the disappointing feature about your responses.

Senator Conroy—That is not a question, Senator Abetz.

Mr Scott—I do want to check the record on *The 7.30 Report* story because I think one of the issues you raised is still under the review processes that we have. When we have that detail, I can come back to you on that.

Senator ABETZ—Thank you for that. I would have thought that, seeing they were such rare occurrences, you would have been across the detail but clearly not. That is fine. Moving on to another area—

Senator IAN MACDONALD—Just on that particular issue, Mr Scott: I acknowledge that over the years you have manfully attempted to achieve balance but I agree with Senator Abetz that there does seem to be a culture of anti-forestry in the ABC. I cannot name more than the two programs you named. However, I think the first one was 2004 and not 1994.

Mr Scott—Yes, 2004, I am sorry.

Senator IAN MACDONALD—When I was the minister before Senator Abetz, I observed a general culture there. I will not go into the political thing—I turn off every ABC current affairs TV program because I just cannot bear to see your presenters putting their own biased political views on issues.

Senator Conroy—Are you aiming for a question any time soon?

Senator IAN MACDONALD—Yes, I am. I wonder whether, in a broader way than you have undertaken to do for Senator Abetz, you could check on what seems to me clearly to be

an anti-forestry view of the reporters who reported particularly on TV news. Your radio—as always—is not quite so bad. I am wondering whether as a broader issue you could somehow check to see whether there is an anti-forestry viewpoint in the ABC which pervades their normal independent journalism.

Mr Scott—If I can speak broadly on the forestry issues—we of course do many stories on forestry as an issue. I met representatives of forest industries when I was in Tasmania for a board meeting a few weeks ago and the last complaint that they had raised with us—it is not a group that I think is reluctant to complain if they feel they have a grievance—was *The 7.30 Report* story. So in all the stories we had run over the last year, they had not felt there was an issue that they needed to complain about. That is my recollection of the conversation. But I am happy for us to do a review of complaints that have come in to see whether there is a trend and pattern and come back to you on that.

Senator IAN MACDONALD—Mr Scott, as we have been through before, and again I acknowledge you personally have done a fabulous job in trying to look through these, it is the wording of the news items. I do not need to go through the examples. It is just the language used on what could be a straight report such as: ‘People demonstrated against forestry’. But it is not that. The language used in the report is: ‘Again thousands of people showed their disgust at forestry.’

Mr Scott—There are two things. Firstly, as I was saying, if the community concerned have a grievance or a problem with the programs, they are not reluctant to point that out to us. So that will give some indication as to levels of complaints and concerns and the investigations that have taken place on the back of that. And, secondly, we have now set up a mechanism for the first time in the ABC to do arms-length audits of our programs. They can be around programs and they can be around issues. I can take on board your desire that forests be addressed as part of that audit program at some point.

Senator IAN MACDONALD—I do not care if they have a bad report but it has to be a balanced factual report. Anyhow, you know what I am talking about. Sorry, Senator Abetz.

Senator ABETZ—Senator Macdonald makes some very good points. Could you take on notice for me how many former ALP staffers and members of parliament are employed by the ABC and how many former coalition staffers and MPs are employed by the ABC. I would not expect you to have the figures—

Senator Conroy—We did candidates.

Mr Scott—The minister rightly points out that at a previous discussion—Senator, I do not think you were here—we talked about the number of people who had gone from the ABC to be candidates. We had a running tally—

Senator Conroy—We were winning 10-9.

Mr Scott—It was 10-9. I am not quite sure which way around it was.

Senator Conroy—I think the coalition were leading—

Mr Scott—We had kept that detail, but you are asking back the other way. We will take that on notice.

Senator ABETZ—Yes, that is what I asked.

Senator IAN MACDONALD—But on that point we did not have the head of every news bulletin saying, ‘Star candidate Maxine McKew is today doing this, that and the other’ with the 10; we certainly had it with one of the nine at least. It led every news bulletin where it was relevant. Don’t you laugh, Senator Conroy, you would know better than I do.

Mr Scott—We will take that on notice.

Senator ABETZ—Yes, thank you. Talking about Labor staffers, can the ABC advise us as to what happened in the press gallery when I understand the Prime Minister sought to do a radio interview and a staffer denied access—the staffer I understand was Lachlan Harris—to the TV camera in the ABC’s studios on the basis of ‘when we do radio, we do radio; when we do TV, we do TV’. His telling the ABC who was and was not allowed into their own studios was breathtaking arrogance as though the Prime Minister now treats the ABC as his own personal fiefdom and he can determine who can and cannot enter the ABC studios.

Mr Scott—I can get detail on that for you. I understand that events have moved on a bit since and I have indicated that the ABC is going down the path of putting permanent TV cameras in our radio studios.

Senator ABETZ—That will make him up, won’t it?

Mr Scott—We anticipate the opportunity coming down the track where we will be able to broadcast radio interviews live on television, certainly stream them online. It is part of what we want to do at the ABC.

Senator ABETZ—Mr Scott, this is a wonderful sidestepping of the issue by saying ‘we have moved down the track by putting in permanent cameras’—that is great, well done—but the issue is: does the ABC acknowledge that Mr Lachlan Harris blocked the path of an ABC cameraperson from being allowed into the ABC radio studio?

Mr Scott—We will check on the detail on that and come back to you.

Senator Conroy—Could I get you to check whether or not the former Prime Minister on the eve of the 2004 election also refused to be interviewed in the traditional AM radio interview by the then chief of bureau at the ABC?

Mr Scott—Yes, I will check that too.

Senator KEMP—Senator Conroy can have a conversation with Mr Scott at any particular time and to be quite frank I do not think Senator Conroy should be attempting to pose questions. This is a time for the opposition to pose questions, not a time for the minister. If Senator Conroy was genuinely interested in that, I have a great idea: he should take Mark Scott to lunch and ask him. Why don’t you do that? Don’t waste our time.

Senator WEBBER—Senator Kemp, it is actually an opportunity for all senators to ask questions, not just the opposition.

Senator KEMP—Hold on, we can have a debate about that.

Senator WEBBER—We will have a very interesting debate.

Senator ABETZ—If it was agreed beforehand then the circumstances may be different, albeit I would have thought that, rather than a staff member trying to block somebody who was legally entitled to be in the studio, the Prime Minister should have left rather than Lachlan Harris trying to play bovver boy. We know the stunts he got up to at the apology by getting people to turn their back. This is another example of this man's behaviour, and a clear pattern is developing. I wanted to have the ABC's perspective on what is apparently another very distasteful episode. If I can move on—

Senator KEMP—Just before you move on, was a protest made by the ABC to the Prime Minister's office?

Mr Scott—I will need to check the detail as to whether it was an ABC camera or a commercial network camera. I am not 100 per cent sure on that. But I understand that subsequent discussions have taken place between representatives of the gallery—I am not sure it is an ABC negotiation—and the Prime Minister's office. As you would be well aware because you have been in there many times, the AM studio here at Parliament House is pretty small. But we will be putting permanent cameras in there. So if it has been an issue, it will not be an issue in the future.

Senator KEMP—But hold on, I just want to get to the point: the ABC would be outraged that a member of a political staff was determining who has access to a studio or not—obviously you would be outraged at that.

Mr Scott—Let me check the details of this matter. We are going for a solution so this will no longer be an issue—

Senator KEMP—Mr Scott, while it is great that you are going to have a solution, I want you to tell the Senate estimates committee when you heard of this particular incident where Lachlan Harris was trying to determine who gets access to an ABC studio or not, what did you do or what did—

Mr Scott—I was not briefed on the matter, but we have had far more discussion—

Senator KEMP—What did the senior person do? That is what we want to know.

Mr Scott—I will have to find out but, as I understand it, discussions ensued and this matter has moved on. Let me get more granularity into that.

Senator KEMP—The moving on argument is a nice one, but we want to find out about this massive affront to the ABC where Lachlan Harris is deciding who comes into an ABC studio. If it had been Tony O'Leary trying to do that, you can imagine the world would have come to an end.

Senator ABETZ—It would have led the news.

Senator Conroy—Tony O'Leary banned an interviewer—

CHAIR—Order!

Senator KEMP—You are taking Mark to lunch so just hold on. We would like an answer to that question.

Mr Scott—I will take that on notice.

Senator KEMP—Thank you.

Senator ABETZ—Mr Scott, when were you first briefed about this incident?

Mr Scott—I think I may have read about it, but again I was not sure it was an ABC cameraman or a commercial network cameraman. Often there are pooling issues. But I was well aware we were down the path to an effective solution to this.

Senator ABETZ—The question was: when were you first briefed?

Mr Scott—I cannot recall that.

Senator ABETZ—Can you please take that on notice for us. Once you were briefed on it—

Mr Scott—I am not sure I have ever received a formal briefing on it, I think it was just discussions.

Senator ABETZ—All right. In that case, when were you first advised formally or informally about this incident; and then what action did you take? I would have thought, as Senator Kemp has so articulately put it, that other people trying to determine who is or is not allowed into ABC studios might be something that would tickle the interest of the person who is in charge of the ABC. I would have thought that might have been something you would have been looking at as soon as you heard about it.

But if I can move on to the ABC's *Q&A* program. I understand that as part of the process to determine who gets on, the ABC asks people not necessarily for their political affiliation but how they voted. Is that correct?

Mr Scott—I understand that if you go to the *Q&A* website, which is part of abc.net.au, you will find details there about becoming a member of the studio audience. Of course, the whole thesis around *Q&A* is for the ABC not to be broadcasting at the audience but allowing the audience to pose the questions themselves—in a sense an unmediated discussion. The idea is to get an audience that represents the plurality of views that exists in the community and then to allow people to email or SMS questions in as well. There is a detailed questionnaire and, as I understand it, part of the questionnaire might be views across a range of issues and voting intention. This is all to do with ensuring that the audience represents a breadth and plurality of views so that we can have a robust discussion, which I think is a very positive thing.

Senator ABETZ—That was a very long answer—a very defensive answer as well, might I say—to a very simple question which was: are people's voting intentions asked for? I think the answer is yes. That is all that we would have needed, but thank you for the rest of the very expansive answer.

Mr Scott—Detail.

Senator ABETZ—Given that participants have to register their voting intention and—I might not have the correct phrase—how they voted at the last election, or whatever question that you and I agreed on is asked, can you advise us what the percentages were of the audience? Of course we do not need to know the names, but it would be very interesting to know what percentage of the audience had indicated they were coalition supporters and what percentage indicated they were Labor supporters.

Mr Scott—I do not have that detail on me.

Senator ABETZ—Of course not. I would not have expected you to. In fact, Senator Parry, the Opposition Whip in the Senate has ably assisted me, being very Internet savvy, and has found the question: ‘If a federal election for the House of Representatives was held today, which party would you vote for?’ They start with the ALP, then the coalition, the Greens and other—Senator Fielding might be interested that Family First is not there and nor are the Democrats.

Mr Scott—It sounds like it is in alphabetical order.

Senator ABETZ—Then the next question is: ‘Are you a member of a political party?’ which is also an interesting question. I would be interested to know, given that you asked that—

Senator IAN MACDONALD—The next question should be: ‘Do you tell the truth when you answer these?’—

Senator Conroy—Do you have a question?

Senator ABETZ—Yes.

Senator Conroy—Can you get to the question. We know you like the sound of your own voice, Senator Abetz, but can you come to the question?

Senator KEMP—Senator Conroy, coming from you.

Senator ABETZ—Have you finished, minister?

Senator Conroy—I am just waiting for you to ask a question.

Senator ABETZ—Have you finished so that I can ask my question?

CHAIR—Senator Abetz.

Senator ABETZ—I think the silence indicates that he has been shamed into it. Can I ask you, Mr Scott: given that this information is on the database, are you able to draw from that database and tell us the percentage of the audience’s voting intention for each program—I think there has been one with the Prime Minister thus far—so that we can get an indication of how many people registered as voting Labor in the audience, how many coalition, how many Green and how many other. I would also like to know how many people self-identified as belonging to a political party—and of course an important thing is whether the self-identification is correct or not. But on face value if you can let us know what the percentages were, that would be very interesting.

Mr Scott—Senator, we can certainly investigate that. The aim is not to come up with a precise demographic map of the country but to ensure that the principal relevant viewpoints that exist in the community are represented in that audience, so that is why we do the questioning. But I have not seen the results of that sample.

Senator ABETZ—Whether the reason that you do it is genuine, good, bad or indifferent—we will judge, but all I am interested in is the raw data that might be available so that we can say: out of the audience of 100 there were 40 coalition supporters with three of them Liberal Party members and one National Party member, 40 were Labor with three or four Labor Party

members; and a few Greens and Democrats were thrown in the middle. If that is what comes out of that, that is all well and good. But if we get an indication that those who actually participated were slanted one way or the other, then that would not be a good look, I would suggest, for the ABC. But let us have a look at the figures.

Mr Scott—We would encourage people to sign up and join the audience.

Senator ABETZ—That is in fact what Mr McEvoy said. *Q&A* supervising executive producer Peter McEvoy allegedly told *The Weekend Australian*:

... anyone could register on the program's website to be chosen to join the audience.

“We want more Liberal supporters and National supporters and Labor supporters—the more registrants we have the more representative Q&A will be,” McEvoy said.

“We ask all registrants about their political views because we want to have as diverse a range of views in the audience as possible.”

That is all good, I would have thought. But I am wondering if in those that actually register you get a preponderance of minor groupings, and that is why Mr McEvoy asked for the major parties, both Labor and coalition, to be encouraged because they do not seem to be necessarily providing sufficient ‘feedstock’—if I can use the term—for the *Q&A* session. As a result there is a preponderance of a whole lot of other people, not necessarily reflective of the demographic breadth of our society. Anyway, let us see what the statistics come up with.

Senator KEMP—Just on that point, I can understand the argument that you want to have a broad, representative cross-section of questions there. If you followed the voting patterns, of course you would have a preponderance of Liberal, National and Labor people there and minority groups would not be a large part of that audience. My understanding of the first program with Mr Rudd was that minority groups, however you define them, seemed—at least from the press reports I have seen; I did not have the pleasure of watching the program—

Mr Scott—I can send you a tape.

Senator KEMP—but those groups are quite entitled to push their views but these were perhaps at the expense of more mainstream questioning. It has to be asked how many Labor people are going to cross-examine Mr Rudd; obviously they will not be aggressive in their questioning. That is why I wonder whether the whole basis on which the program has been formed, or at least being marketed under, that it is a representative program from the community is in fact valid.

Mr Scott—There are a number of issues here. Firstly, we are trying to construct a studio audience that represents plurality of views. Then there is the opportunity for anyone to SMS or email a question in. I would have thought, having watched the program closely last week, there was a good discussion around a range of issues, including issues that I would describe as mainstream issues—the state of the economy, petrol prices and the like. But we should not draw too much from a case study of one program. We were very happy with the show and we have many episodes still to run.

Senator KEMP—All right, that covers that one. You were at the 2020 Summit?

Mr Scott—I was, yes.

Senator KEMP—Do you think that was a wise move?

Mr Scott—The ABC is the largest media organisation in the country and the most important cultural organisation in the country. If you are going to plan the future or to discuss ideas related to Australia's future—the ABC has played a vital role in Australian life for 75 years and hopefully for many more years to go—and of course planning the future of the ABC is very much central to my role. So to the extent to which there were conversations taking place around that, yes, I thought it was a profitable place for me to be representing the ABC.

Senator KEMP—So what did you actually achieve there?

Mr Scott—Numbers of things. I was greatly heartened by the support given to the role and the operation of the ABC, not just in the group that I was in but across a range of the streams. There was strong support for the proposition that we took around a future of multichannelling and cross platform content delivery as well as strong support for policy propositions that we put up around increased children's content, increased news and increased drama content. I think there was a clear shared view that the ABC has a vital and vibrant role to play in Australia going through to 2020.

Senator KEMP—So in the proposals which came up, what specific proposals related to the ABC?

Mr Scott—There were a number. In the governance stream there was a specific reference to increased news provision, and news and public affairs channel and service. In the creative stream there were a whole series of further recommendations that are being worked on and set to be released.

Senator KEMP—Which ones actually apply specifically to the ABC?

Mr Scott—In the ones that are about to come out from the creative stream there are content recommendations on increased levels of Australian drama and documentary on the ABC; support around the children's channel proposition; some discussion about moving the ABC to a quota level of Australian content as currently exists in the commercial channels; and strong support for the kinds of initiatives that we have just undertaken to take cultural events and breathe life to the country—

Senator KEMP—Are these going to be specific recommendations from the 2020 conference or were these part of the general discussion?

Mr Scott—These were ideas that were—

Senator KEMP—So if you gave me a piece of paper that said, 'These are the recommendations that were given to the Prime Minister'—

Mr Scott—I am not quite sure of the terminology. That would be an issue for the minister who was responsible for that stream. What happened at the 2020—

Senator KEMP—I am not asking—

Mr Scott—No, but the minister was responsible for the creative stream. What actually happened at the summit was that three headline ideas came out on the Sunday, but there were many more ideas that were discussed and supported and which are going to be released in subsequent documentation. There are many references there. We were delighted by the level

of public support we had for the coverage of the 2020 Summit which appeared on ABC2. We did 15 hours live coverage that weekend and had very strong support for that.

Senator KEMP—It is true that some of your journalists were extremely enthusiastic about the 2020 Summit, weren't they?

Mr Scott—In what respect, Senator?

Senator KEMP—Let me just quote one journalist from a totally random sample.

Mr Scott—Yes, do you have it at your fingertips?

Senator KEMP—This was actually brought to my attention by the *Insiders* program who I think were fairly claiming that this was a little bit over the top:

Ms Doogue: I do hope, as a participant at the summit, that that is exactly what a lot of us will do and, in effect, be a proxy for millions of other Australians. But I do hope that you enjoy your time as Prime Minister and enjoy bringing us along with you, and may I thank you in that eloquent way you immortalised recently: Prime Minister, we salute you.

Mr Scott—I was there when Geraldine Doogue said that. That was a vote of thanks that she gave at the Sydney Institute forum—the Sydney Institute, as you know, is run by Gerard Henderson—which is one of the major dinners of the year in Sydney at which the keynote speaker was the Prime Minister. I imagine Ms Doogue was invited by Gerard Henderson to deliver that vote of thanks to the Prime Minister. What she did was pay tribute to the speech of the Prime Minister. That function was held three days before the 2020 Summit where the Prime Minister spoke in detail about his plans for the 2020 Summit, so I think in context Ms Doogue's comments were wishing him well for the weekend.

Senator KEMP—'I hope that you enjoy bringing us along with you'—this was an independent ABC journalist, of course.

Mr Scott—I would encourage you to read those comments in context.

Senator KEMP—I actually have read them in context. But I would say this: your *Insiders* program brought it to the public's attention.

Mr Scott—They are frank and fearless, as we know.

Senator KEMP—They are frank and fearless and, if I remember rightly, they thought it was 'completely over the top'. I am just interested to know whether the managing director supports the *Insiders* people in also agreeing that it was completely over the top, and the answer is you have not.

Mr Scott—I just wanted to point out to you the context of that speech. Those comments by Ms Doogue were providing a vote of thanks to the Prime Minister after he had delivered a major speech in Sydney at the Sydney Institute dinner to a thousand people. There was a very broad spectrum of people in that audience. The Prime Minister had spoken about the summit, and my reading of her comments was that she was wishing him success for the weekend.

Senator KEMP—My reading of her comments are exactly what she says, 'I hope you enjoy bringing us along with you.' Why an ABC journalist is encouraging people to go along with the Prime Minister eludes me, and on the grovel scale I would have to say 'we salute you' rates fairly highly—

Mr Scott—But can I say there is a context in that. This was after the report that the Prime Minister had saluted George Bush. So the ‘we salute you’ line was a joke.

Senator KEMP—All right. I can see that at last there is some diversity in the ABC where some of your people think it was a terrible performance by her but the managing director gives it a tick off. That is interesting. What does Deborah Cameron do at the ABC? I am a Victorian.

Mr Scott—Deborah Cameron is the morning announcer on 702 Sydney.

Senator KEMP—She is a full-time morning announcer, is she?

Mr Scott—She is.

Senator KEMP—Let me try you on this one. This is Deborah Cameron speaking about the Maxine McKew show, which we will come to after lunch. They were asking who should be playing separate roles in this particular program: ‘John Howard should play himself. Who else could pull off the smug, self-righteous old man who only showed contempt for the electorate?’—Deborah Cameron, ABC announcer. Is that all right too?

Mr Scott—What was the context of that conversation?

Senator KEMP—The context was that there was a discussion about who was going to play roles in the film on the achievement of Maxine McKew in Bennelong, and we will come to that later—

Mr Scott—Did you hear the interview, Senator, because I got the impression you did not know who she was?

Senator KEMP—Even more importantly I have the wording here. This is one of your announcers, Deborah Cameron. I am sure I am quoting it correctly: ‘John Howard should play himself. Who else could pull off the smug, self-righteous old man who only showed contempt for the electorate?’ What is your view of that?

Mr Scott—I would want to look at it in further context and detail. But that is the first I have heard of it.

Senator KEMP—It has been brought to my attention by a constituent. There was some amusing discussion at the time on who was going to play who.

Senator Conroy—You are a Victorian, Senator.

Senator KEMP—I am a Victorian senator. I know that you have been a fearless supporter of attacking bias in the ABC, Senator Conroy, when you were in a previous manifestation. We have comments by one Geraldine Doogue which even ABC people—and I stress ‘even’—felt was completely over the top, whereas you as the managing director think it was just fine—well, everyone will draw their own conclusions. And now we have Deborah Cameron spewing this stuff.

Mr Scott—I want to look at the context of whether in fact this was light-hearted banter that was going on.

Senator KEMP—I think it could probably be characterised as a degree of light-hearted banter. That is what the excuse will undoubtedly be. I can predict that the answer will be: ‘Senator Kemp, where is your sense of humour?’ I can understand all that.

Senator Conroy interjecting—

Senator KEMP—Senator, you are going to be taking Mark Scott and his staff to lunch so just wait on. It is almost one o’clock. After lunch I will be asking some questions on the ABC board and on how the Nolan principles are going. I will be asking Senator Conroy: have you chosen the committee to choose the board yet? I will continue that after lunch.

CHAIR—You do not want to ask that question now?

Senator KEMP—All right. Senator Conroy, you promised some action on this last time. I am sorry, I thought you were efficient and you could deliver.

Senator Conroy—I was perhaps an optimist. We were hoping to have publicly commenced the process. A lot of work is taking place behind the scenes that I was hoping to have completed. I plead guilty to being an optimist on our ability to progress that to the level at which I said at the last estimates.

Senator KEMP—So where is it at?

Senator Conroy—It is near completion internally.

Senator KEMP—You have been taking lessons from Mr Scott, I think. Can I press you on this—

Senator Conroy—I always defer to your ability in this role and I have modelled myself, as you know, on your performances.

Senator KEMP—I know you have and I think you have a long way to go. Minister, when can we expect to have an announcement on this?

Senator Conroy—We were hoping to have had an ad in the paper calling for nominations—

Senator KEMP—Are these nominations for the Nolan/Conroy type committee?

Senator Conroy—For the selection panel. We were hoping to have had ads in the paper very recently but we are just working through the fine points.

Senator KEMP—I know this is a probing question—

Senator Conroy—Hopefully you will get up and in between reading about Carlton being in the eight you will find there is an ad in the newspaper calling for—

Senator KEMP—What date was that?

Senator Conroy—Hopefully very shortly. I was an optimist last time and I would not want to be accused of being a serial optimist, Senator Kemp.

Senator KEMP—You were seriously burnt last time and made to look a bit of a goose. Is this in a week’s time, two weeks time or three weeks time?

Senator Conroy—Hopefully the sort of timeframe you have outlined. We are just finetuning—

Senator KEMP—One, two or three weeks?

Senator Conroy—Hopefully but, as I said, I do not want to be accused of being an optimist again.

Senator KEMP—What is the delay in the drafting of an ad?

Senator Conroy—No, it is not the drafting of the ad; it is the policy detail underneath the ad.

Senator KEMP—Has that gone to cabinet yet?

Senator Conroy—I am not sure that it is a cabinet—

Senator KEMP—You are the minister; you should know.

Senator Conroy—I do not think it is a cabinet deliberation; it is a policy commitment.

Senator KEMP—What is the hold-up then? It is just you and the department working it out.

Senator Conroy—No, but this is a new process that is about ensuring the integrity of the board, unlike the processes that your government engaged in with John Howard's Christmas card list. We have moved on from that process. As I said, I was an optimist. I accept that.

Senator KEMP—Are the rumours true that you are not doing your paperwork efficiently?

Senator Conroy—We are working our way through the process. We would have hoped to have had an ad in the paper recently but we are just finetuning the process to ensure that we get the best possible outcome.

CHAIR—Thank you.

Proceedings suspended from 1.00 pm to 2.03 pm

CHAIR—We will resume. Mr Scott?

Mr Scott—I would like to clarify further or provide further information on two matters raised prior to the lunch adjournment. The first one is to do with the issue in the ABC studios here at Parliament House and whether cameras were allowed. I have subsequently been advised that the matter was raised at the time by our senior representatives in the Parliament House studio here with the Prime Minister's office and agreement was reached on how events like this would be dealt with in the future. So it was addressed by the ABC appropriately by our senior representatives here at Parliament House at the time.

Senator Kemp also read out a statement that he indicated were the words and views of Deborah Cameron, our morning announcer on 702. I do not have the full details, the full transcript of that, but I am advised that those were not Ms Cameron's comments. She was in fact reading an SMS message that had been sent through and then she indicated the name of the person who had provided that SMS. What the segment actually was on was inviting the audience to contribute ideas on who could be cast in what role.

Any suggestion that Ms Cameron was doing anything but relaying the view of a member of her audience on this matter I think would be most unfortunate. I think your comments do not reflect well on Ms Cameron. As I indicated at the time, context is often very important in these things. She did go on to indicate that it was a message from a member of her audience.

Senator KEMP—Can I say that from my point of view I am pleased to hear that, to be quite frank. As I said, it was brought to my attention and I read a transcript, but you are saying there was another context.

Mr Scott—Yes, there was, and the transcript goes on to suggest that this is a text message that has come through from a member of the audience.

Senator KEMP—Okay, so the Geraldine Doogue quote was correct?

Mr Scott—Again, context there; I was keen to point out—

Senator KEMP—It was a nine on the grovel scale, so that was correct, but this one was not correct. Okay, I accept that. One quick question: I am glad an agreement was reached with Lachlan Harris about what will happen in the future. What was the agreement?

Mr Scott—I think an understanding is that there will be cameras in the studio, but, as I have indicated, we are setting up that infrastructure anyway.

Senator KEMP—So Lachlan Harris was told that in future he would not have the right to determine who enters an ABC studio; is that right?

Mr Scott—My understanding simply on it is that when the Prime Minister is appearing in the ABC studio, the ABC is entitled to put a camera in that studio. That is the understanding from the Prime Minister's office.

Senator KEMP—So the Prime Minister's office has been told that the behaviour that was manifest by—

Mr Scott—Well, I was not privy to the precise conversation. I am outcome driven, Senator.

Senator KEMP—I am just trying to give it a bit of context.

Mr Scott—Thank you.

Senator FIFIELD—Mr Scott, I congratulate you on the work you are doing as managing director to encourage a plurality of opinion at the ABC. I think a number of us admire what you are doing at the organisation, and part of that diversity and plurality is reflected in the ABC's online content. I thought I might bring to your attention something which I hope causes you concern—that is, the ABC's website called 'Planet Slayer', which is accessed through the ABC's science section. On the face of it, it looks as though it is geared to children. It has animated cartoon-style graphics and depictions of individuals and animals. This site includes several features, such as a greenhouse frequently asked questions, a cartoon series called 'The adventures of Greena' and a tool called 'Professor Schpinkee's greenhouse calculator'.

Senator Conroy—Can I seek some clarification: is this an ABC website or is it just a link to an ABC website?

Senator FIFIELD—It is an ABC website. Professor Schpinkee's greenhouse calculator calculates how much carbon you can emit and, based on that, at what age you should die before you use your fair share of the earth's resources. There is also a function called 'This is your lifestyle', where you can find out 'how much you suck'. This is very concerning content. Senator Conroy, in response to your question, if this is an ABC website I hesitate to give out

the website details in case there are students watching these proceedings; however, to assist those at the table it is www.abc.net.au/science/planetslayer.

The website is sold as one that tells the shocking truth. I would like to take you through a little bit of it and then ask you for your comments, Mr Scott. The calculator of Professor Schpinkee, as I said before, says 'find out when you should die'. I am sure there is a bit of the inner goth in all of us, but this might be taking it just a little too far. The calculator asks a series of questions. The instructions tell us: 'with each answer, see how your CO₂ production compares to the average Aussie greenhouse pig and to an environmentally sustainable green pig in contrast'. My question is: do you think it appropriate that the ABC portray the average Australian as a pig? Is it appropriate for a website obviously geared to kids to depict people who are average Australians as massive overweight ugly pigs oozing slime from their mouths and then to have these pigs blow up in a mass of blood and guts? And that is what happens: you plug in your particulars and, if you are not environmentally friendly, the pig gets bigger and bigger until it explodes and there is a sea of blood and guts left in its wake. Mr Scott, do you think it appropriate that Australians are portrayed as pigs who ooze slime from their mouths and blow up?

Mr Scott—I think the site clearly has been developed to appeal to children—

Senator FIFIELD—Please keep a straight face, Mr Scott.

Mr Scott—I certainly am; I am very experienced. It has been designed to appeal to children, and it has been done in an irreverent way in an attempt to make it engaging. I have not followed through on the absolute details you outlined—even though in a conference of science journalists in Melbourne last year my own carbon footprint was displayed in front of the entire audience using a device that appears on this site. So it is meant to be irreverent, it is meant to be engaging, it is meant to be humorous. I think it is important that you approach a site like this with a sense of humour—it is designed to engage teenage students and is meant to be irreverent. Do you have any concerns about the underlying science of the site?

Senator FIFIELD—I will come to that. Mr Scott, going to the science: one aspect of the calculator assigns CO₂ emissions to individuals according to their spending. The website says:

On average, every \$1 you spend produces 1.6 kg of CO₂! The average Australian spends about \$15,000 per year and produces 24.6 tonnes of CO₂ per year. The average world citizen produces seven tonnes. The ecological sustainable level is three tonnes. D'oh!

Presumably the average world citizen, from reading this, produces much less than that because they live in situations of poverty where they do not have the capacity to spend as much. But what I am concerned about is what is being suggested here: that if the average Australian spends \$15,000 per year producing 24.6 tonnes of CO₂ then, for the average Australian to achieve the ecologically sustainable level of three tonnes, they would need to reduce their annual spending from \$15,000 down to \$1,830—or just under 88 per cent. So, while I am not necessarily questioning the science here, I am questioning the feasibility of what this site is suggesting—that to get to an ecologically sustainable level, Australians would have to cut their spending by 88 per cent.

Mr Scott—It is not an attempt to write public policy; it is an attempt to educate school students on the impact of the modern Western lifestyle, on carbon emissions and the whole issue that we are dealing with. So it is an attempt to break that down. As I recall the site, part of it is that if you drive a car this is the footprint. If you catch a plane flight, this is; you live in a house with this size, this is the impact.

Senator Conroy—How many people in your house?

Mr Scott—So it is an educational process. I would not overread it or overanalyse it but part of the gap is that if you are living in a Western environment, in a country like Australia, then clearly the carbon footprint of the lifestyles of individuals here is significantly above the world average and significantly above what many scientists would believe to be sustainable in the long term. So that is the idea of it; it is education. Part of what we are doing on this is linked to sites like this. The ABC has really been quite open on the policies that we are undertaking to lower our levels of energy consumption to do the things that we can to be responsible citizens.

Senator FIFIELD—Mr Scott, you do not want to be an exploding fat pig, do you?

Mr Scott—I have been called worse.

Senator Conroy—Is your electricity from a renewable source, hydro or a greenscreen, Senator Fifield? Yes, no, partly? I am just trying to help; this pig is going to explode.

Mr Scott—This is an educational program for high school students, and I think it appears to have had a good response and to achieve a good impact with students. But it is done in a lively, compelling and engaging way as the reference to the exploding pig demonstrates.

Senator FIFIELD—Mr Scott, I will just turn to the next section of the site, which is the Adventures of Greena, which is a cartoon. Episode 2 of the Greena adventures—

Senator Conroy—A fistful of woodchips.

Senator FIFIELD—Correct, Senator Conroy. ‘A fistful of woodchips’ portrays a logger—as you will see there, Senator Conroy—as rough and evil, with the heroine, Greena, chaining herself to a tree. I do not think that that is a particularly helpful way of depicting hardworking Australians who are trying to go about making an honest living— as rough, evil dudes out to do bad. I am particularly certain, Senator Conroy, that the citizens in the area of Gippsland would not appreciate being depicted that way. So, Senator Conroy, for the people of Gippsland you can state here now whether you think that is an appropriate way for loggers to be depicted. Yes or no, Senator Conroy?

Senator Conroy—As you well know, I have been a supporter of the forest industry for a long time through my previous employment with the Transport Workers Union, which transports logs.

Senator FIFIELD—So you would not approve of the Adventures of Greena?

Senator Conroy—Unfortunately, my broadband is so slow I cannot get this to run. I am desperately trying to have a look at episode 2, A fistful of woodchips. If I had decent broadband, I might be able to.

Senator FIFIELD—Your last chance: the Adventures of Greena, good or bad?

Senator Kemp interjecting—

Senator Conroy—I am right here now. I have it here.

Senator FIFIELD—Senator Conroy, do you—

Senator Conroy—You can email this page to a friend if you would like to, to Senator Bernardi.

Senator FIFIELD—Senator Kemp is certainly a friend of yours.

Senator Conroy—He is, that is true.

Senator FIFIELD—The Adventures of Greena, good or bad?

Senator Conroy—I cannot get it to run. I am desperately keen.

Senator FIFIELD—I will pass to Senator Conroy, through the secretariat. The pictures of Greena chained to a tree and also the logger—

Senator Conroy—I have it.

Senator FIFIELD—Well done. Do you think that the depiction of the logger there is an appropriate one?

Senator Conroy—I am looking at the depiction now.

Senator FIFIELD—There is a hard copy there in Mr Scott's hands as well.

Senator Conroy—You have to see the full moving animation to be able to form a judgement. I do not have your lack of sense of humour and I am going to struggle to completely match your perspective on this.

Senator FIFIELD—Senator Conroy, we will let the people of Gippsland know that you think this is an appropriate—

Senator Conroy—There is a log on the back of a truck, and I am a supporter of the logging industry.

Senator FIFIELD—Let the record show that Senator Conroy has refused to condemn the depiction of loggers there on that site.

Mr Scott—It does appear to be a logger with a chainsaw, a hard hat, some earmuffs and significant upper body strength.

Senator Conroy—Possibly the cigar would appear to be environmentally—

Senator FIFIELD—I was going to draw attention to the cigar.

Senator PARRY—Have you got to the bit where he chops the tree down?

Senator Conroy—I have to confess that it looks like a fair few loggers that I have met. I do not know whether you have ever met any—apart from the cigar chomping aspect.

Senator ABETZ—You would not have met a logger—

Senator FIFIELD—Mr Scott, we might move on to episode 8, 'When vegetables go bad'. This episode portrays genetically modified food as some sort of Frankenstein-esque creation. Do you think it is appropriate for the site to portray GM crops as 'an evil menace'?

Mr Scott—I have not been through the site. This is the first time that I have been able to catch up with these details. I would like to have a look at it in context, in detail, and give you a considered response. So let me take a look at it, Senator, and come back to you.

Senator FIFIELD—That would be appreciated, because I am not sure that it is helpful to portray struggling farmers who are looking at GM technology to help them improve their yields in a period of drought as evil promoters of Frankenstein products.

Mr Scott—I understand your view, Senator. I would say, though, that, even on the material you have given me, the whole thing does seem to have been done with an eye to caricature—even the protestor tied up to the tree with a somewhat unusual hairstyle, multiple piercings and the like. The whole thing has been done with a cartoonist caricature eye, I would think. I suspect the whole site might be done in that way.

Senator FIFIELD—That is right. And I guess we are having a bit of a community debate at the moment as to what is appropriate in different forms or art and the like. I might just take you to episode 10, 'Leg o Schpinkee lamb', which portrays meat eaters—in particular lamb eaters—as evil criminals. I would not want to be in the same place as Sam Kekovich any time soon if I were the ABC. He would be particularly unhappy about this sort of demonising of meat eaters.

Senator Conroy—There's a balanced perspective on the world!

Senator ABETZ—But he does not claim to be, unlike the ABC—and that is the difference.

Senator FIFIELD—I do not know how the meat and livestock industry would feel about this sort of portrayal, given that the ABC is about telling Australian stories and reflecting Australia to itself. I do not think the Australians in question who work in these areas would be grateful for some of these reflections.

Episode 11 of the *Adventures of Greena*, is 'Make pies not war'. I guess that sounds a pretty reasonable thing to do, but in this episode a group of people in the nuclear industry are made to look evil and the heroine is glorified when she throws a pie at the main speaker. I do not think a sector such as the nuclear industry should be demonised or that we should be encouraging throwing projectiles at people who are speaking. So, if could you take a look at episode 11, I would be grateful.

Senator Conroy—I have it on here right now showing him as we speak.

Senator FIELDING—It concerns me that a number of things in these various episodes and examples are not factually correct and lead people to wrong conclusions. It is particularly disturbing given it is clearly aimed at kids. I certainly take your point that you want sites aimed at kids to be engaging, entertaining and colourful, but it does cause me real concern.

Mr Scott—I would say that the information can be presented in a compelling way. We need to ensure that it is accurate—

Senator Conroy—And ensure that it has no humour in the future.

Mr Scott—We will try to keep the humour, if we can. I am happy to view the sites in the context of reviewing the accuracy of the content.

Senator FIELDING—Thank you for that. In conclusion, the Greenhouse frequently asked questions section of the site has a component headed ‘What are the five most important things we can all do to reduce our greenhouse impact?’ That is fair enough—to look to identify those things. The fifth suggestion is:

5. REDUCE LANDFILL

Buy less crap.

I do not think any of us would find that sort of language offensive in this day and age. The site then lists a bunch of ways to reduce your greenhouse impact and at the end of that section, it says:

There’ll be heaps of people out there who’ll disagree with this list, but they’d be wrong.

Again, a fairly strong statement, because the site is basically leading people to think that, if you do not agree with everything there, you are some sort of climate criminal.

Mr Scott—Let me look at it, Senator.

Senator Conroy—It does go on to say:

(Ok, they might be a bit right, but I’m only considering things from a greenhouse perspective.)

So it does say that.

Senator FIFIELD—So that is your killer point for this section? Well done, Senator Conroy.

Senator Conroy—No, I think your sense of humour has been the killer point for this section.

Senator FIFIELD—I note that Bernie Hobbs, the ABC science reporter, came up with the idea of Planet Slayer. I very much enjoyed listening to Bernie Hobbs on Red Symons and—

Mr Scott—She is a great communicator.

Senator FIFIELD—On *The New Inventors* program she is terrific.

Mr Scott—She has been a great help to us in making sure that organisationally the ABC is focusing on these issues and communicating them well. I am a great supporter of her work. But, on the specifics you have raised on these sites, we will certainly take a look at them.

Senator FIFIELD—I would appreciate that. I think the creativity which she shows could perhaps be a bit better and more accurately targeted. Unless Stephen Conroy wants to explode now—

Senator Conroy—I do not know why anyone wrote that you have the least sense of humour of any senator in the parliament. I do not know why anyone wrote that!

Senator FIFIELD—Senator Conroy, I must say that maybe I do not have a sense of humour when loggers are portrayed as some sort of evil individuals ruining and raping the environment. I actually think that loggers have an important role to play. And I think the people of Gippsland would be particularly interested, Senator Conroy, that you do not really care about their portrayal.

Senator Conroy—My support of the logging industry in Gippsland is well known.

CHAIR—Senator Fifield, have you finished your questions?

Senator FIFIELD—Yes. I have done rather well, Chair.

CHAIR—That is a matter of judgement, but—

Senator Conroy—Now you are believing your own press releases.

CHAIR—Which one of the six opposition senators would like to go next?

Senator ABETZ—If I may, I have a very brief bracket of questions. Mr Scott, earlier today you were somewhat dismissive when I pointed out two examples of anti-forestry bias in the ABC. I think you have now been shown some more. I would just ask you to reconsider your response to my expression of concern about the cultural bias within the ABC. I would ask you to take on notice whether there are any examples of the program that Senator Fifield put to us where there is something in support of the meat and livestock industry and where there is something in support of the logging industry, which the Australian Greenhouse Office itself tells us is carbon positive. In other words, the forestry sector in this country takes out more carbon dioxide than it puts in—for example, when we harvest wood. This table that you are leaning on is in fact a carbon sink. Therefore the forestry industry is in fact the only industry in Australia that is carbon positive in the good sense. It is interesting that I cannot see any cartoon depiction of the good things about forestry in that regard. It always seems to be one-way traffic. No matter if you look at cartoons, documentaries or radio news, it is always a one-way street. I would just invite you, Mr Scott, to treat these concerns with a great degree of seriousness because I think this impacts on the reputation of the ABC.

Senator Conroy—That wasn't a question, was it?

Senator ABETZ—It was, and I am inviting Mr Scott to reconsider his dismissive responses earlier today.

Mr Scott—I am concerned that you believe my responsive was dismissive. I did indicate that we would review our performance around forestry issues as has been identified through audience and consumer feedback and our review of programs that have come to light like that. I also indicated to Senator Macdonald, I think, that we have now set up an internal audit process around editorial issues and it could well be the case that issues relating to forestry are covered by that review. So we do have a process that is now in place that enables us to do that.

I did point out to you, though, the breadth and the sweep of programming that we do, and I would say to you that we have 70 reporters who are reporting on regional and rural areas through the ABC rural department. We have extensive coverage of these issues on the *Country Hour* on local radio stations around the country every day. I appreciate the concerns that you have raised around a number of programs today, and I take those concerns on board and I take them seriously, but I would simply point out to you that I think there is a sweep of programming that we do and I believe in that sweep of programming that, yes, there will certainly be programs that indicate the important contribution that the forestry industry makes to Australian society and the complexity of dealing around the environmental issues that invariably occur on the back of an industry such as that. A plurality of views is expressed

through our programming. But, as I indicated to you this morning, Senator, I will take your questions this morning on notice and come back to you in more detail.

Senator ABETZ—Finally, can you tell us how many of those 70 reporters who deal with rural and regional matters around Australia have been on the pro-forestry side reporting to the extent that an apology has had to be put up on the ABC website for breaching the ABC code of ethics?

Mr Scott—I do not have any detail on that. I will certainly let you know in my response.

Senator BIRMINGHAM—Returning to the Melbourne principles—

Senator BERNARDI—The Nolan-Conroy principles.

Senator BIRMINGHAM—Yes, the Nolan-Conroy principles. Thank you, Senator Bernardi. We see that we can expect to see ads placed in one to three weeks. How many vacancies currently exist on the ABC board?

Senator Conroy—Two. One is quite recent and one has been for a while.

Senator BIRMINGHAM—Are there any others coming up in the near future?

Senator Conroy—No, I think that is it for the year.

Senator BIRMINGHAM—Minister, you will recall that we went through a few issues around the Nolan-Conroy principles at additional estimates this year. If we are one to three weeks away from ads being placed, presumably we have a fairly clear policy position now. Can you advise us if possible appointees to the panel to select the board could be political appointees, former politicians, former political staffers or the like—the people you have ruled out from serving on the ABC board?

Senator Conroy—The one to three weeks was Senator Kemp trying to put words in my mouth, and I was happy to say optimistically that would be the case. I would not want to be accused of being a serial optimist, as I said before—given that I had hoped to have made more progress than at the last estimates. As I said, they are not finalised and I am not anticipating that the people making the selections will be any different to the criteria for those actually chosen to be on the board. But it is not absolutely finalised.

Senator KEMP—That's an improvement.

Senator Conroy—I never suggested that they would have been.

Senator KEMP—I think a review of the *Hansard* would show that there has been a slight tweaking.

Senator BIRMINGHAM—I think Senator Kemp is correct. You were certainly at pains not to rule that out last time. You are now at least hedging the bets a little more, Minister.

Senator Conroy—We are just finalising the detail, and I know you are very keen to assist in that process.

Senator BIRMINGHAM—We are very keen, Minister. So you are unable to give me a clear answer at present on whether former politicians, former political staff—

Senator Conroy—We will have all of the details available shortly.

Senator KEMP—That is what you said last time.

Senator Conroy—No, I did not say it last time.

Senator KEMP—You said four to eight weeks.

Senator Conroy—No, I said I was an optimist. I plead guilty.

Senator BIRMINGHAM—We are very, very close to having the media guys placing the ad. Surely I would have thought we might have the guidelines behind that.

Senator Conroy—As I think Senator Kemp said beforehand—and you might have been watching but were not in the room—it does not take that long to place an ad. That is an astute observation from Senator Kemp. Clearly the policy detail behind it is being finetuned and then the ads will be placed.

Senator BIRMINGHAM—So we are still awaiting whether we will have former politicians or former political staff sitting on the panel to appoint the board. Minister, have you determined yet whether or not that panel will be presenting a short list to you of candidates for you to choose from, or will it simply be making a recommendation to fill the vacancies?

Senator Conroy—Sorry, can you clarify your question?

Senator BIRMINGHAM—Will the Nolan-Conroy panel—the actual panel itself, the committee or whatever we are going to call it—to appoint the ABC board be presenting you with a short list of names, or will it will be presenting you with a recommended appointment?

Senator Conroy—A short list.

Senator BIRMINGHAM—So it is definitely going to be a short list?

Senator Conroy—It will be a short list.

Senator BIRMINGHAM—Will you be able to reject that short list?

Senator Conroy—If you are familiar with the Nolan principles, as you keep referring to, you would be aware that that is the process by which the minister in the UK can reject the recommendations. As I said, all will be revealed shortly on this.

Senator BIRMINGHAM—Minister, you might recall at additional estimates I read out a quote from a review into the Nolan principles by the House of Lords communications committee which stated that ministers appointed the selection panel, ministers were allowed to change the short list of candidates and, ultimately, ministers were able to choose between the four candidates who passed the interview process. What is clear is that this process gives ministers considerable opportunity to influence the selection. At the time when I raised that point you indicated that you would take that range of criticisms under consideration. I am looking to see today whether you have considered those issues and—

Senator Conroy—I appreciate your enthusiasm. As I have said, all will be revealed shortly on the make-up and the consideration of those criticisms. I think some of them are fair criticisms.

Senator BIRMINGHAM—On the one hand you are saying that all will be revealed shortly; on the other hand, you have said ‘Yes, it will be a short list. Yes, I will have the power to reject that short list. Yes—’

Senator Conroy—I am giving you the broadest brush but you are now asking more detailed questions. As I have said, this is still subject to some ongoing tweaking and we are going to make sure we get it right. I appreciate it was always hard sifting through the PM’s Christmas card list.

Senator KEMP—It is taking an eternity.

Senator Conroy—‘No, they’re on the SBS board. No, they’re on the Australian Museum board.’ I know that was a difficult sifting process but we actually want to make sure we get it right. We are not going to be rushed into it, despite my optimism.

Senator ABETZ—Who is going to make it right—you or the Prime Minister’s office? Who is going to have the final say—Lachlan Harris and David Epstein?

Senator Conroy—I am confident that Mr Harris’s job description does not stretch to covering these matters.

Senator PARRY—So you will not knock Senator Kemp off the list?

Senator Conroy—Senator Kemp unfortunately has ruled himself out. I know he is hankering for a quota for the Institute of Public Affairs, but, as I have said to him, this ugly faction fight between *Quadrant* and the IPA has to stop some time and I am prepared to ban them all.

Senator KEMP—Senator Conroy, you do not think it will be worthwhile setting up a panel to appoint the panel that is going to appoint the board?

Senator Conroy—Did you want to be on that one? You are hankering to get involved in this, Senator Kemp.

Senator KEMP—We are very careful to make sure there is no perception of bias.

Senator Conroy—You are hankering to be involved in the selection process.

Senator KEMP—Senator Conroy, will the short list be available publicly? Will we be able to see the names?

Senator Conroy—As I said, now you are descending into some of the detail which is still a part of consideration.

Senator KEMP—How long have you been in this government?

Senator ABETZ—Transparency was going to be the hallmark of this government.

Senator KEMP—This is not one of your better performances.

Senator Conroy—I am simply making the point that all of the details which you are now asking about will be revealed very shortly.

Senator KEMP—That is what you said last time.

Senator Conroy—I was an optimist last time. I told you, I plead guilty to being an optimist.

Senator BIRMINGHAM—Senator Kemp’s quip about a panel to appoint the panel is actually a valid one, Minister. Will you be the sole arbiter of who sits on the panel to appoint the board?

Senator ABETZ—No, Mr Rudd will be determining that.

Senator KEMP—This is a ridiculous policy. You know it is a ridiculous policy and that is why you—

Senator Conroy—It is working very well in the UK and it will lead to a greater transparency and independence. I appreciate this faction fight between the IPA and *Quadrant*, but you have got to get over it, Senator Kemp. You have just got to get over it. Senator Birmingham, did you want to ask any further questions at this stage?

Senator BIRMINGHAM—Senator Conroy, I think there was a question outstanding there.

Senator Conroy—It was among Senator Kemp’s interjections.

Senator BIRMINGHAM—Indeed. The question was whether you will be the sole arbiter as to who sits on this panel when the applications roll in. When Senator Kemp puts in his application to sit on the panel—

Senator Conroy—The answer to that is yes. I think I said that last time as well.

Senator KEMP—We at last have got a decision.

Senator Conroy—No, I think I said that last time. I do not think that is a shock.

Senator KEMP—I do not think you were so definitive last time. I am glad you have been able to make your mind up.

Senator BIRMINGHAM—We are just very clear that in terms of the criticism of the British model the minister will be appointing the selection panel as was identified.

Senator Conroy—What would be your alternative—the Prime Minister’s Christmas card list?

Senator BIRMINGHAM—No, Minister, I think you are out to find the perfect model—the creative approach. You have held this up as being beyond reproach—

Senator Conroy—Ultimately, someone needs to make a decision and that person is the minister.

Senator BIRMINGHAM—It is a very good highlight to the fact that we are not going to progress terribly far in this brave new world of ABC board reform that you have presented when in the end the minister will make the decision on the appointments panel and the minister will make the decision on the ABC board appointment ultimately and there is just a bit of extra process thrown in the middle.

Senator Conroy—No, I think what you have is that a number of categories of people who tended to get appointments have been ruled out. I think you have a public selection process whereby there will be advertisements in newspapers, not just who is on the PM’s Christmas card list. I think there is a whole variety of transparent measures being put in place which

have been well articulated and are well known. John Howard did not run out of names on that Christmas card list, as is seen by the fact that people kept doubling up on some committees.

Senator BERNARDI—Do you get a card from the Prime Minister?

Senator Conroy—Never. I never get a card from the former Prime Minister.

Senator BERNARDI—He doesn't like you, the Prime Minister; is that what you are saying?

Senator Conroy—No, the former Prime Minister never sent me a Christmas card.

Senator BIRMINGHAM—Minister, can you tell us if you have made any further progress on the appointment of staff-elected directors?

Senator Conroy—We will be proceeding in the second half of the year with legislation. Given the opposition's stated position, there was not much point in putting a bill before the parliament in the first half of the year to be voted down. We have a number of matters in our reform—some broadband bills that are of a higher priority which we progressed with in the first half of the year—but we will be looking to bring that forward in the second half of the year.

Senator BIRMINGHAM—At the additional estimates earlier this year you indicated you were shortly to meet with the ABC chairman, Mr Maurice Newman, and that you had not at that stage met with him. Has that meeting taken place?

Senator Conroy—I think we met. I think Mr Scott might have been present.

Senator BIRMINGHAM—Did the proposal to appoint a staff-elected director feature in those discussions?

Mr Scott—I do not think it featured—

Senator Conroy—I appreciate that. I do not think it did but I am certainly not going to be sitting here retelling private conversations that I had with either Mr Scott or Mr Newman and the contents. I am sure you would not tell me what discussions you had with Mr Scott or Mr Newman, but just to take up a point Mr Scott made, no, I do not think a lot of time was spent on it.

Senator BIRMINGHAM—You do not think a lot of time was spent on it? Mr Newman has previously, as we have explored previously—

Senator Conroy—Yes, at length.

Senator BIRMINGHAM—He has previously expressed his concerns about the appointment of staff-elected directors to the ABC. He has not reiterated those concerns to you, Minister?

Senator Conroy—Let me just check. No, Mr Newman is still the chairman of the ABC.

Senator BIRMINGHAM—He has not reiterated those concerns to you?

Senator Conroy—He is still the chairman of the ABC.

Senator KEMP—Answer the question.

Senator BIRMINGHAM—He has not reiterated those concerns to you, Minister?

Senator Conroy—As I said, I am not going to retell to you private conversations.

Senator BIRMINGHAM—I do not think discussions between the ABC chairman and the minister about the composition of the ABC board in terms of whether it has a staff-appointed director or not are necessarily private conversations. They strike at the public policy and the structure of the ABC.

Senator Conroy—If you want to know Mr Newman's views then I suggest you either give him a phone call or write to him making it clear that you intend to publish them before you seek those views, and I invite you to speak to Mr Newman about them. But Mr Newman is the chairman of the ABC. We have many discussions about many, many different issues, and we will continue to do so.

Senator PARRY—Mr Scott, page 175 of the 2006-07 annual report under 'Directors' Remuneration' highlights that in 2006 one director received remuneration in excess of \$1,005,000. This year that category is blank and it drops down significantly. Could you explain the reason?

Mr Scott—Yes. I understand that was to do with the final payment made to Mr Balding, the previous managing director of the ABC, under an arrangement previously made with the board. That all predates my time here and that is all the detail I know.

Senator PARRY—Thank you. So the current directors' remuneration would be for ordinary payments for the 2006-07 year?

Mr Scott—Yes, that would be right.

Senator PARRY—Thank you. Has there been any direction from the minister at all to look at suspending or curbing payments of directors' fees, and who sets directors' fees?

Mr Scott—Directors' fees are set by the Remuneration Tribunal, as is my salary. So we are in their hands on that. The guidelines for my salary are set by the Remuneration Tribunal; my salary is set by the board. But I believe that directors' salaries are set by the Remuneration Tribunal.

Senator PARRY—Has there been any direction received by you to reduce or suspend or increase payments to senior executives of the ABC?

Mr Scott—It was broadly discussed here at estimates last time; I remember this discussion. But we have not done any reviews of remuneration since that last estimates hearing.

Senator PARRY—Who would set the salaries of senior executives? You?

Mr Scott—I set them. In consultation with the board, we have an internal review process.

Senator PARRY—When do you anticipate doing the next review?

Mr Scott—That will be in the new financial year.

Senator PARRY—So there has not been one for a complete financial year?

Mr Scott—That is right.

Senator PARRY—Is there any reason for that?

Mr Scott—Yes, we review salaries annually.

Senator PARRY—But there has not been one in the previous financial year, is that correct?

Mr Scott—Sorry. We adjusted salaries in I think July 2007 for the executive.

Senator PARRY—So will it be early in the new financial year?

Mr Scott—Yes, probably; I would expect so. We do it linked with performance reviews.

Senator PARRY—Just reiterating, has there been any direction from the minister on which way you should—

Mr Scott—No. These are matters that are determined by the ABC senior executive team, by me. That is not the kind of issue that we have had consultation and discussion on.

Senator PARRY—Minister, do you intend to give any direction at all to the ABC management about salaries?

Senator Conroy—We did have a very lengthy discussion about these issues at the last estimates.

Senator PARRY—So that precludes us raising it at these estimates?

Senator Conroy—No, not at all. I was just going to make the point that I am happy to read out to you again what the Prime Minister actually said. If you have forgotten, I am only too happy to refresh your memory, Senator Parry.

Senator PARRY—No, it is impregnated. But just a simple no or a yes would be fine.

Senator Conroy—As I said to you, I will happily read out the Prime Minister's comments. I am sure they will be available to me very shortly.

Senator PARRY—So you still have no clear position, Minister? That is what you are saying?

Senator Conroy—We have exactly the same position as we articulated last time.

Senator PARRY—Which was not very clear last time.

Senator Conroy—The Prime Minister was very specific last time and I am sure in a moment or two I will be able to read it out to you.

Senator PARRY—Because you cannot find it. You are still looking. You cannot find it.

Senator Conroy—No, I am just waiting for it to be forwarded to me.

Senator PARRY—Thank you, Chair. I will hand over to one of my colleagues.

Senator BERNARDI—Mr Scott, ABC2 goes out to most of regional Australia, is that correct?

Mr Scott—Yes, that is true. ABC2, our digital channel, I think can now be seen by 97 per cent of the Australian population.

Senator BERNARDI—My office has been contacted—

Mr Scott—Sorry. It is available in 97 per cent of homes, but it is only available if in fact you have a set-top box or a digital television set.

Senator BERNARDI—Thank you for that. I have been contacted by a number of people concerned about the decision not to broadcast state level Rugby League, Rugby Union and SANFL on ABC2. Do you have a comment on that?

Mr Scott—Yes. When ABC2 was established there were a number of genre restrictions that restricted what we could show on it in terms of drama, news, current affairs and the like and those genre restrictions were lifted last year which gave us new programming opportunities around ABC2. We are not showing sport on ABC2 at the moment, but we are strongly showing regional sport. We are showing the Western Australian regional football competition in Western Australia on ABC1. We are using ABC1 to show local rugby in New South Wales. So those local sporting competitions are being delivered locally on the ABC1 channel. But you are right: we are no longer filling up our schedule on ABC2 by showing sport that is not from that state across the country. ABC2 is a national feed. It is not a local state-by-state feed. So any program we have on ABC2 is seen all around the nation. We are showing the sport on ABC1 at the moment.

Senator BERNARDI—So people, for example, in South Australia can still watch the SANFL?

Mr Scott—Yes, they can see that on ABC1.

Senator BERNARDI—It is a live broadcast?

Mr Scott—Yes. It is just not being broadcast around the country.

Senator BERNARDI—So why would people be concerned then that they cannot access it?

Mr Scott—My understanding would be that if you were living in Queensland and you wanted to watch the South Australian competition you would have been able to do so on ABC2. But the reality is the audience for that was really quite small. We were using that sporting coverage to fill our ABC2 schedule. We do not need to do that as much now. So we are showing the South Australian competition in South Australia and the Western Australian in Western Australia. These are codes that have a strong local following, but they are not national competitions.

Senator BERNARDI—So the replacement shows are what sort of shows?

Mr Scott—We are showing increasing news, current affairs, a suite of drama and children's programming on ABC2. So it is more of a general channel. But when ABC2 was created there were a number of genre restrictions that restricted the amount of programming and the kinds of programming we could show on ABC2.

Senator BERNARDI—Whereas now those restrictions have been lifted?

Mr Scott—They have gone, yes.

Senator BERNARDI—So it is more domestic content or imported content?

Mr Scott—It would be both. It is about 50 per cent Australian content on ABC2 at the moment. I am not quite sure about that figure; I will have to check that figure. What we have done this year clearly is that we have increased the profile of ABC2. We have done that through our promotional activity. It has been announced today that ratings for ABC2 will be

available for the first time from the beginning of June, and we have made this a general alternative option for viewing for Australians who have a digital set-top box or a digital television set. So it is broad general programming and we have a full array now. There are no restrictions on what we can show on that channel now.

Senator LUNDY—Can I come in there and just ask a question specifically about sport. I understand your arguments with respect to state based Aussie Rules and Rugby League and Rugby and all the rest of it. What about the Women's National Basketball League—the national competition? You were screening it on ABC2 and that is going to go as well. Why?

Mr Scott—Let me just check on that, Senator.

Senator LUNDY—Is it going to be placed on ABC1?

Mr Scott—I will just have to check on the basketball. I am not sure I have that. As you know, we lost the right to the trans-Tasman netball competition.

Senator LUNDY—Yes. I am not talking about the netball; I am talking about basketball.

Mr Scott—Let me find out about the women's basketball competition and come back to you on that, Senator.

Senator LUNDY—I can tell you that I have been approached by someone involved in that competition who tells me that it is not going to be broadcast by the ABC.

Mr Scott—I have advice that this year we have already broadcast the Women's National Basketball League, so let me find out if there are further plans—

Senator LUNDY—You will be?

Mr Scott—No, that we have already broadcast that this year.

Senator LUNDY—Yes, I know, but next time.

Mr Scott—Let me check on whether there is any change to that.

Senator LUNDY—Could you do it while you are still here?

Mr Scott—We were showing that competition on ABC1 though, some of that competition.

Senator LUNDY—You were and I think some of them were shown on ABC2. I think you were able to get a live one out on ABC2. I think that was the strategy, if I remember.

Mr Scott—Let me check and if I can get detail back to you this afternoon I will. We are not doing as much sport on ABC2, but there are things we are doing. With regard to the Paralympics, we are doing—

Senator LUNDY—Why would you not do sport at all? Why is that the general gist of the direction with ABC2? Why is it such a blanket approach?

Mr Scott—One of the issues that we are dealing with at the moment is that the sports the senator was referring to are local specific competitions.

Senator LUNDY—Yes, I understand that argument and how you have presented it.

Mr Scott—I will have to check what the argument is around basketball. But we are showing sport on ABC2. The ABC is going to be showing I think 100 hours of content of the

Paralympics this year. Most of that content will be going live out on ABC2. So we are using ABC2 for sport.

Senator LUNDY—But that is not what we are talking about though. We are talking about regular national leagues, in particular women's basketball. We have had a conversation before about how seriously the ABC takes its charter responsibilities in broadcasting women's sport. We all know that it is less than five per cent of men's sport, and I want to know why, if it is in fact the case, you are not going to be showing it on ABC2 or in fact ABC1.

Mr Scott—No. There are a couple of issues here. One is that I will check specifically on the basketball. I know we have shown it this year. I will check if there is any change to the plans with that. The second thing is that we are showing sport on ABC2, and the Paralympics are an example of that.

Senator LUNDY—Are you showing regular sport outside of the Paralympics, though, as a policy?

Mr Scott—The third thing is the national sporting competitions to which the ABC has the rights, which we can broadcast. As you will be aware, we have lost the rights to the netball. We have shown women's golf. We show lawn bowls on ABC television. But I am not aware—

Senator LUNDY—Lawn bowls is on ABC1.

Mr Scott—Yes, but I am not aware of other national sporting competitions that are available that we believe there would be a viable audience for at this point.

Senator LUNDY—But I am also interested in the policy question as to how actively you would be seeking to bid for coverage—

Mr Scott—For what kind of sport, Senator? What are we talking about?

Senator LUNDY—Well, take basketball for one.

Mr Scott—Yes, but we have shown that, and I said that we are checking out whether in fact that is continuing. There are other examples of sports.

Senator BERNARDI—Mr Scott—sorry to cut across here—but what about the case of the SANFL? You could show that on delayed broadcast, as has been done historically. People come to rely on it.

Mr Scott—We will continue to monitor our audience response to ABC2. We are going to get the data through for the first time. But I would say to you that the overwhelming audience for the South Australian National Football League is in South Australia, and that is where we are showing it on the ABC main channel which is seen in every South Australian home.

Senator BERNARDI—But you previously showed it on delayed broadcast.

Mr Scott—We showed it on delayed broadcast around the country, and one of the things we were trying to do was fill the ABC2 schedule given the limitations we had and the kinds of programs we could put to air. We are no longer restricted in that way. So as a consequence we think there are better programming options. I would appreciate why there would be great distress if we were not showing the South Australian National Football League in South Australia, but we are. The question is: what audience is there really for that in Queensland?

Senator BERNARDI—Do you know the answer to that?

Mr Scott—We will have greater detail around some of that when we get the OzTAM ratings coming through.

Senator BERNARDI—So you have made that decision but you do not know what the ratings are.

Mr Scott—We make programming decisions every day, Senator, on where we think the audience is. One of the things we cannot do with ABC2 at the moment is narrowcast that sport into one state where there might be a big audience without broadcasting to every other state where there might be a very small audience. I appreciate that we have had some correspondence on this. There will be some expats from South Australia and elsewhere who would like to be able to see that. We appreciate that. There might be an opportunity to do more of that down the track when we can more narrowly broadcast ABC2. But at the moment we have to pull together a schedule for ABC2 that reflects the needs and interests of the country as a whole at any one time. That is why the decision was made about not rebroadcasting South Australian football all around the country but targeting South Australia.

Senator BERNARDI—Mr Scott, is it a technology issue? Does the technology not exist for you to narrowcast?

Mr Scott—At the moment we do not have the capability to do a specific South Australian feed of ABC2 or a Queensland feed.

Senator BERNARDI—Is the technology available?

Mr Scott—We would need to make some significant changes to our infrastructure to be able to deliver that, but that is something we anticipate we will be able to do in the future and that may give us more programming opportunities.

Senator BERNARDI—You just need some additional resources now?

Mr Scott—It is something we would look to in the broad sweep of our capital works priorities.

Senator KEMP—So the answer is no.

Senator BERNARDI—I am not sure what the answer is. I asked about whether they want more resources.

Mr Scott—I would expect that just as we can now deliver local programming of ABC1 into all of the states and territories we will look down the track to be able to do that with ABC2. We have a range of capital priorities. That is one. But at the moment we think our first priority is to grow the national audience for ABC2, and we are trying to do that with the programming choices that we make.

Senator BERNARDI—How much correspondence have you received on this issue?

Mr Scott—It was fairly small, I must say.

Senator BERNARDI—What about you, Minister? Have you received much correspondence on this issue? Here is one more for your file though. So you have not received much?

Senator Conroy—No.

Senator BERNARDI—Have you received any from concerned parliamentarians?

Senator Conroy—I will double-check with my office, but I do not believe we have.

Senator BERNARDI—Could you get back to us. Perhaps you could get someone in your office to let us know.

Senator Conroy—I am sure someone is watching at the moment. They can get back to us on that question, Senator Bernardi.

Senator BERNARDI—That would be great.

Senator KEMP—On the point that Senator Lundy has raised which I have much sympathy for—

Senator LUNDY—I was continuing to raise it, Senator Kemp. I have a few points I would like to follow through with Mr Scott myself.

Senator KEMP—You are now in government. Is there anything that you are able to say to this committee which would indicate that the government is concerned about this issue and to give some comfort to those many people who are concerned about precisely the same issues that Senator Lundy has raised with us?

Senator Conroy—I think that is probably more a question for—

Senator LUNDY—I think—in your defence, Minister—that is a question for the board, Senator Kemp.

Senator KEMP—No, it is not actually, Senator Lundy. That is not true.

Senator Conroy—I will take that on notice and come back to you. I need to consult some of my colleagues on that.

Senator KEMP—Senator Lundy and I are well aware of a report that was done on this issue that I think we worked together on. We were concerned to see what we could do to increase the level of women's sport on TV. There were specific proposals made in that report which I support at the moment and which I am sure Senator Lundy still supports, but it will require some additional funding from the government. At the end of the day, if the ABC has not got the money then it falls back onto the government and it falls back onto you, Senator Conroy.

Senator Conroy—The ABC's triennial funding is up for renewal in the next budget. I am sure that there will be many issues raised with us as part of that funding bid.

Senator KEMP—We would get a lot of comfort if you could indicate your support for it, Senator Conroy.

Senator Conroy—But we are not going to be speculating, and I am sure Mr Scott is not going to be speculating. I am certainly not going to be speculating.

Senator KEMP—No, it is not Mr Scott; it is you, Senator Conroy. You are the minister. You have the levers.

Senator LUNDY—When you are ready.

Senator KEMP—I am just trying to help you, Senator Lundy.

Senator LUNDY—Well you are not helping, because I am trying to make a serious point about ABC policy—

Senator KEMP—And that is not serious!

Senator LUNDY—and you are trying to trivialise it by scoring a cheap political point. It is actually not very helpful.

Senator KEMP—That is absurd.

Senator LUNDY—Can I ask the ABC this: have you made a policy decision to no longer carry sport on ABC2?

Mr Scott—What I can say is that at the moment we are not running ABC sport in our schedule on ABC2, but if the right sporting opportunity opened up for us then we would run sport on ABC2. We have had some preliminary discussions with the Football Federation of Australia regarding the coverage of a national women's football, soccer, competition which would start in October. There would be no impediment, if it worked with our schedule and with our audience, to running perhaps some of that on ABC2 as well as on ABC1. I understand that we have broadcast the basketball this year. There is no contract yet in place for the basketball for this coming year starting in October.

Senator LUNDY—So you are saying that you are not ruling that out.

Mr Scott—No, we are not ruling that out. I understand that there is no contract in place. Also, there is no contract in place around the soccer yet, but that is something that we are pursuing. We will be covering the women's golf in February next year again as part of our ongoing contract.

Senator LUNDY—And, as you mentioned, the Paralympics.

Mr Scott—We will have very extensive coverage of the Paralympics. So there is no hard and fast decision. It is: what is the sport that we can get the rights to that we think works in our schedule? At the moment we do not have that on ABC2, but circumstances could change around that.

Senator LUNDY—One of the great strengths of ABC2 coverage, particularly going back to the previous netball arrangement, was ABC2 being able to show games live. I believe that was the case also with basketball. But, when the opportunity presented itself, the flexibility you had in programming on ABC2 that did not exist on ABC1 lent itself to more live sport in that regard. Aren't you tying your hands behind your back and again limiting yourselves by taking this approach because of the programming constraints that exist for live sport on ABC1?

Mr Scott—Yes, I think it is a factor. There is no doubt that we have less flexibility in the scheduling on ABC1 of sport that, say, may run into the news, *The 7.30 Report* or some anchors on our schedule. It is a series of different things we are trying to balance here. One of the things we are trying to do is to grow the audience of ABC2. One of the ways we know you do that through scheduling is by having a consistency of programming but also having keynote programming that people want to watch. We are trying to balance all that. So we are

trying to build some consistency into the schedule around ABC2. I think we are fortunate that, when we get the OzTAM numbers, that will give us some good insight into the kind of audience that different kinds of programming can attract and we can taper our schedule accordingly.

But I think, increasingly, given the reality—and no-one I think disputes this or necessarily says it is a bad thing—the ABC has now for many years been priced out of the high-priced sporting contests for rights. We have identified women's sport as an area that we would like to cover, and we believe there are good public arguments for running that kind of sport. That is what we are keen to do, and we will continue to look for opportunities as we can.

Senator LUNDY—What is the most you have ever paid for the sporting rights to a national league competition?

Mr Scott—I do not know off the top of my head.

Senator LUNDY—What is the ballpark figure?

Mr Scott—Do you have a sense of that?

Mr Pendleton—I would not have any idea. I would have to check.

Mr Scott—For some of the rights to competitions that we have run, we have been paid to run that programming rather than paying, I must say, to help the promotion of that activity.

Senator LUNDY—No, I appreciate that. That was my next question. What is the most you have ever been paid to run a sporting competition?

Mr Scott—I will have to take that on notice as well.

Senator LUNDY—What was the arrangement with women's basketball the last time around?

Mr Scott—I do not have that detail here. I will have to get that.

Senator LUNDY—Yes, if you could take that on notice.

Mr Scott—Yes, I will.

Senator LUNDY—In fact, if you could give me a whole history of what the ABC was paid, or not—

Senator Conroy—Over what time period?

Senator LUNDY—The last five years for netball and women's basketball.

Mr Scott—Okay. I will take that on notice.

Senator BERNARDI—Mr Scott, in your response to Senator Lundy you said you were actively pursuing Football Federation Australia.

Mr Scott—We have been talking with them.

Senator BERNARDI—Talking with them.

Mr Scott—Yes.

Senator BERNARDI—Are you actively pursuing women's basketball as well?

Mr Scott—I will have to check on that. I do not know. I do not have a brief on that, but I know about the soccer because it is new. I am not quite sure where we are with the basketball this year.

Senator BERNARDI—Okay.

Senator LUNDY—The information I received is that certainly there is an impression within at least some teams in the WMBL that the ABC is just not going to broadcast it anymore. They have got the message generally that you are not going to put sport on ABC2. Representations have been made to me that they are very concerned that the ABC is not interested in continuing coverage of the WMBL.

Mr Scott—Okay. Let me take that on notice.

Senator LUNDY—You have allayed some of these fears today, I think, but I am keen on the detail.

Mr Scott—I am not sure whether that is an ABC2 issue or an ABC1 issue. I really do not know. I will have to find out.

Senator LUNDY—Thank you.

Senator BERNARDI—Can I go back to ABC2 for a moment. What time does programming cease to be broadcast of a night-time?

Mr Scott—It is about midnight or one o'clock in the morning; something like that.

Senator BERNARDI—What time does it resume?

Mr Scott—I think 6 am.

Senator BERNARDI—Would it be that onerous to screen sport on delayed telecast, if that is what people may or may not want to watch, during those hours if you have nothing else on?

Mr Scott—I am not sure what the cost implications of that would be. But I can look into that.

Senator BERNARDI—I would appreciate that. Would you be also able to perhaps ascertain what it would cost to implement the technology to be able to narrowcast?

Mr Scott—Okay.

Senator BIRMINGHAM—Just on the point you made during Senator Lundy's questioning, were additional appropriations provided specifically to fund the extra time given to the Paralympics?

Mr Scott—No, it is all under our allocation.

Senator KEMP—I would check on that.

Mr Scott—It is a different portfolio, perhaps.

Senator KEMP—Will you have a check?

Mr Scott—I will check on that. Thank you.

Senator Conroy—I now have that information Senator Parry was seeking. I am happy to read it out to you, if you like, Senator Parry. I offer the opportunity to hear the Prime

Minister's wise words. Unfortunately, as I said, the broadband in this country is still not up to scratch after 11½ years of your government.

CHAIR—Perhaps we will go to Senator Wortley's questioning.

Senator WORTLEY—Could you tell us a bit more about the review into fairness, balance and impartiality at the ABC?

Mr Scott—Are you talking about the review that has been done by our editorial policy division?

Senator WORTLEY—You have spoken about two.

Mr Scott—Yes.

Senator WORTLEY—The editorial policy division, I think, would be the one that applies in the instance I am referring to.

Mr Scott—Yes. Paul Chadwick is our director of editorial policies and part of his role is to help develop the editorial policies in consultation with the board and also to provide an internal audit function as to the ability of the ABC and our capacity to deliver to those editorial standards. Mr Chadwick has been involved now in the completion of two reviews—one on corrections and the other one on accuracy—and there are three further reviews that are currently underway. We expect them to be completed at the end of the financial year.

Senator WORTLEY—You expect them to be completed at the end of this financial year?

Mr Scott—Yes.

Senator WORTLEY—How does the issue of fairness, balance and impartiality apply to the Monday morning program timeslot 10 am to 10.30 am in Adelaide, ABC 891? I think it would be classified as a news, politics, commentary segment.

Mr Scott—Yes.

Senator WORTLEY—Can I just go on. This segment features a current federal Liberal member of parliament—

Senator KEMP—Gosh!

Senator WORTLEY—in a marginal seat who is also a shadow minister and up until the election was a minister in the Howard government and a former Labor senator who left the Senate in 2002—six years ago. It would appear that the advantages to the sitting member are significant. On a commercial radio station it would equate to thousands of dollars of airtime. It is also fair to say that on a number of occasions the member has used considerable airtime telling the ABC audience about his role in his marginal seat electorate. That was particularly noticeable last year prior to the election. Obviously, the former senator did not have this significant political advantage. I do acknowledge, however, that the segment was suspended immediately prior to the election but that it resumed following the election.

Mr Scott—Yes. Let me speak to that. Under the editorial policies, that element of the program would be classified as topical and factual.

Senator WORTLEY—Sorry; topical?

Mr Scott—Topical and factual programming. The test we have under topical and factual is that principal relevant viewpoints around public matters are aired. It is not done with a stopwatch; it is not done with one person up from one side and the other person up from the other side. It is not an equal time arrangement; it is from the audience's perspective around contentious issues. Have the principal relevant viewpoints been aired? Under that test I think it is reasonable to assume that someone who has been a representative in this place from the Liberal Party in a debate against someone who has been a representative in this place from the Labor Party demonstrates a plurality of the principal relevant viewpoints around the matters that are aired. As far as editorial policies are concerned and the distinction that you are drawing that someone is a current MP and someone is a former MP, the way we classify it that does not apply.

Now, that is different during an election campaign where we do look and monitor as to the time that is given to candidates from different sides. That is why during the election campaign that session was actually suspended. But, now the election campaign is over, we do not run the ABC with a stopwatch in hand; we look to ensure that in a relevant period of time on a topical and factual program the range of viewpoints around an issue is aired. I would think on that program, within that very timeslot that you identified, you are having an airing of the plurality of views around the issues that are discussed.

Senator WORTLEY—You do not think there is a particular advantage to a sitting member in a marginal seat as opposed to someone who is no longer up for re-election?

Mr Scott—It is not a case of: is there advantage or is there disadvantage? It is a case as to whether, in fact, as far as our audience is concerned, a range of viewpoints around a contentious issue is raised. I think the set-up and the format of that program do allow a range of issues to be discussed.

Senator WORTLEY—Would it not be more fair, balanced or impartial if it were either two former members or senators or, alternatively, two current members or senators presenting particular viewpoints from their party?

Mr Scott—No, Senator. I understand the perspective that you are drawing, but I think from an audience perspective, if they are looking to get an appreciation of where alternative views are on this matter, it is not particularly relevant as to whether, in fact, someone is a current member or someone is a previous member. It is the perspective that they are bringing around a particular matter.

I suspect one of the reasons that it is good radio and it is an enduring slot and they have wanted to keep it going is that it is good radio because they do not agree. If they did agree and they just lined up the same way, that would not be compelling radio. It is compelling radio because they have this plurality of viewpoints. You might achieve the same thing if you have two current senators. You might achieve the same thing if you have two former members of parliament. But it does not necessarily follow that you have to have that matching up, if you like, for the range of viewpoints to be expressed.

Senator WORTLEY—No-one is questioning, in this instance, the talent of the two people we are talking about. My concern and the concern of the constituents who have raised this

with me is that it is about the ABC being seen as being impartial and balanced and that we have one sitting member—

Mr Scott—Is this right-wing bias, you are saying.

Senator WORTLEY—And Senator Kemp is nodding his head there.

Senator KEMP—I congratulate you, Senator. I have never heard of this before. It is a remarkable moment in the history of this committee.

Mr Scott—I understand your view, Senator, but if you are asking me to explain it from the context of our editorial policies, our editorial policies do not look for that matching up. Our editorial policies view this in terms of what the audience hears and whether the audience hears the plurality of viewpoints.

Senator WORTLEY—So are we saying then that the ABC is putting aside or sacrificing impartiality, balance, fairness—

Mr Scott—No, emphatically not, Senator. That is exactly what I am not saying. I am saying we are going out of our way to be fair, balanced and impartial, but our test on that is: ‘Has the full range of views around an issue been heard?’ not ‘Has there been a stopwatch running to make sure that representatives, current members of parliament from either side, are getting equal time?’ We are not running an equal time regime; we are running an editorial environment that says, ‘Are all the views being heard?’ That is what we are trying to do.

Senator WORTLEY—How do you assess—

Mr Scott—Let me give you another example.

Senator WORTLEY—Can I just go back: how do you assess whether the views are being heard?

Mr Scott—We assess that. Our audience consumer affairs group views that. This is the kind of thing that can be picked up by our editorial audits. My expectation is that it would not be difficult around this kind of program to really be able to demonstrate on a whole range of contentious issues that Mr Pyne and former Senator Chris Schacht have divergent views.

Senator WORTLEY—We are not talking about—

Mr Scott—Can I give you another example, Senator? You could have a situation under our editorial policies on a topical and factual program where the Minister for Foreign Affairs makes a statement and states a view, but the other point of view does not necessarily have to come from the shadow minister. It could come from an academic at the ANU, it could come from a former minister, it could come from a business leader. The important thing is not who is saying it but whether in fact the plurality of views have been heard.

Senator WORTLEY—It could be from a former managing director of the ABC.

Mr Scott—Absolutely right, and there are many of them out there, Senator.

Senator WORTLEY—So has this particular segment been audited?

Mr Scott—I am not aware of that.

Senator WORTLEY—Could you take that on notice and look into it?

Mr Scott—I can take that on notice, yes. I will look into it.

Senator WORTLEY—And provide the results of the audit as well.

Mr Scott—Yes, if it has been, but it will be the responsibility of those people putting together that program in that station to ensure that it is adhering to the editorial guidelines.

Senator WORTLEY—It is not about one being a member. The point is that if both were current members or both were former members then that would seem to be a more balanced position. That is my point.

Mr Scott—Thank you, Senator.

Senator LUNDY—I was going to make the point that I know Senator Chris Schacht—I spent quite a few years in this place with him—does not always present the view of the Labor Party, and Chris Pyne always represents the view of the Liberal Party. I have never heard this show, but it strikes me as being a little farcical that you are running this up all the time.

Mr Scott—It is not necessarily around that program, per se. It is whether over time on that radio network in Adelaide the range of views are being heard. That is the test.

Senator LUNDY—Sure, but I think the question, ‘Has it been audited and what were the results of the audit?’ is an important one. I look forward to hearing the answer to that too.

Senator WORTLEY—We are talking about a program that appears regularly on a Monday for half an hour, so one would assume—

Mr Scott—Yes, that is true. I will come back to you and give you the context for the editorial policies on that program.

Senator PARRY—I would not be worried; it is down to 19.1 per cent now so it did not work.

Senator BUSHBY—Mr Scott, I apologise if we have already discussed this; I have not heard all of the discussions today. How does the coverage of digital ABC TV broadcasts compare with that of analog across the nation at the moment?

Mr Scott—It is getting very close now. It is at 97.28 per cent and analog television is at about 98 per cent. It is closing in. It is one of those things where getting that final per cent will be a very expensive effort over the next couple of years.

Senator BUSHBY—And it is the intention of the ABC to match the coverage?

Mr Scott—Yes, that would be our aspiration.

Senator BUSHBY—Do you have any figures which show how that might break up by state?

Mr Scott—Yes, we have a state-by-state breakdown here. Mr Pendleton has those.

Senator BUSHBY—Would you mind going through that for each of the states?

Mr Pendleton—For Victoria we have 99.09 per cent, for ACT and New South Wales 98.46 per cent, South Australia at 97.85 per cent, Queensland at 96.21 per cent, Tasmania at 94.43 per cent, WA at 93.52 per cent and the Northern Territory at 72.56 per cent.

Senator BUSHBY—I am a senator from Tasmania so I am interested in the fact that Tasmania is a bit lower than most of those. How does that compare with the analog coverage in Tasmania? Do you have that figure?

Mr Pendleton—I do not have the analog figures here.

Senator BUSHBY—Would you mind taking that on notice?

Mr Pendleton—That is fine.

Senator BUSHBY—I note, for example, that Burnie in Tasmania only received digital TV broadcasts sometime in the last year, is that correct?

Mr Scott—That might well be right, Senator. We do not have the chronology rollout here, I am afraid.

Senator BUSHBY—I am interested in that because Burnie is a major regional Tasmanian city and at least five years ago digital TV was being rolled out in Tasmania and it has taken some five years for Burnie to enjoy the benefits of digital TV.

Mr Scott—Yes.

Mr Pendleton—With the overall rollout in terms of the number of transmitters we are still at only about 60 per cent of the way through the program.

Mr Scott—So that final 40 per cent is to get that last per cent or per cent and a half.

Senator BUSHBY—Do you anticipate that Tasmania's coverage will improve more than the one per cent that you mentioned for the nation, from the 94 per cent that you mentioned it currently has?

Mr Pendleton—The plan will be to replicate the analog television coverage.

Mr Scott—We have statistics that indicate to us that the highest take-up of digital television in the country is in Tasmania, compared to any other state, and that 64 per cent of Tasmanians are using digital television now.

Senator BUSHBY—All the more reason to extend the coverage. What about FM radio? You have gone to FM radio in the northern part of the state but not yet in the south. Are there plans to extend that to the south?

Mr Scott—I do not have a rollout plan as far as that is concerned. As you know, we moved from the AM to the FM band in March 2006. There were some transition challenges there, but we believe that there have been some significant improvements in the last 12 months. I do not have details of plans to do further in southern Tasmania.

Senator BUSHBY—Take it on notice and if you do come across anything, you will let us know?

Mr Scott—Certainly.

Senator BUSHBY—Just changing the subject slightly, is the ABC committed to continue free access for its online content, especially video and audio now and into the future, or are you considering potential subscription services for podcasts or videocasts?

Mr Scott—We do not have plans for podcasting and vodcasting subscription services. We are delighted with the service we have now. We are very pleased that, I think, 35 million programs were downloaded last year. We do have a plan in place now in beta testing which will allow the download of some of our content for charge that is currently available in ABC shops. So for programs where previously you were able to purchase the DVD, you will be able to download that program to rent or buy. There is additional cost involved for the ABC in procuring the rights for the downloads in that way. But that is more of a transition of our stores into the digital environment, rather than taking existing services that are available free of charge and charging for them.

Senator BUSHBY—So essentially what you are saying is that there may well be some content which people will be able to access through the internet that they will have to pay for, but it will be limited to the—

Mr Scott—To the content from the stores.

Senator BUSHBY—It is limited only to that which they would be paying for now, anyway.

Mr Scott—Yes. But we are not planning to move to a subscription service for our podcasts and vodcasts, no.

Senator BUSHBY—The final question for you is: has the ABC considered entering into internet peering or mirroring arrangements with internet service providers so as to ensure that you can get your content out there the fastest and in the best way but at no cost to you?

Mr Scott—We are continuing to look at a range of options that allow us to deliver as much of our content as quickly as we can at the lowest possible cost to the audience. There is significant change in our distribution model here. Whereas previously we have had transmission towers it has not mattered if a thousand people or a million people were watching or listening to that program, as there was no additional cost. There is additional cost in delivering this content online. There is cost to the consumer as well and there are ISP costs. A full range of options are being considered by us to identify ways that we can make it as easy and as cheap as possible for consumers to access this content.

Senator BUSHBY—So peering arrangements are something you would look at in context?

Mr Scott—It would be one of many options we would look at.

Senator BUSHBY—Thank you.

Senator KEMP—Normally I do not defend Senator Schacht, I have to say, but I thought it was an amazing attack on a former Labor senator by his colleagues. My question to the managing director is: do you think Senator Wortley would be a better performer than Senator Schacht?

Senator Conroy—I think what Senator Wortley was arguing for was a greater diversity of views.

Senator KEMP—That is what Senator Schacht did, apparently.

Senator Conroy—I know Mr Pyne provides a wide range of diversity between Alexander Downer's views, Nick Minchin's views, Malcolm Turnbull's views and Brendan Nelson's views, so you do get some diversity there.

Senator KEMP—And Kim Carr's views on you and Simon Crean's views on you.

Senator Conroy—I think Senator Wortley was suggesting that perhaps a greater diversity of views might be available than a marginal seat member from the Liberal Party—

Senator KEMP—You have been amazingly quiet all day, Senator Conroy, and now I ask a question to the managing director and you are butting in.

Senator Conroy—I think you are being a bit cheeky and unfair in asking him to comment on Senator Wortley's inherent ability.

Senator KEMP—Anyway, she did raise a good question in relation to fairness, balance, impartiality and the general principles. Perhaps the same constituents who have written to me and who are so concerned about this have written to her. I did see a press report and I do not know whether the ABC is picking this up, but is there going to be a program shown on the ABC *The Battle for Bennelong*?

Mr Scott—I have seen reference to that. The ABC has entered into no deal around that program. As I understand it, it is an embryonic proposal by an independent producer. The ABC makes a lot of its programs working in concert with the independent production sector. There are many proposals that come around and there is no final proposal and no decision being made around that at all.

Senator KEMP—Are there continuing discussions?

Mr Scott—I understand a proposal has been developed, but there are many proposals in development and many more proposals in development than ever get approval and go to air.

Senator KEMP—Sure, but I am just trying to get a bit of—

Mr Scott—All I know is what I have read about it.

Senator KEMP—I notice in the terms of Senator Wortley's fairness, balance and impartiality—

Senator Conroy—Senator Kemp—

Senator KEMP—We all looked with great interest at *Bastard Boys* and saw the fairness, impartiality and balance with which they portrayed Greg Combet, who was then a candidate for office. I think that was probably noted by a few people.

Senator Conroy—I detect a sense of—

Senator KEMP—Nicole Cornes on *Australian Story*—again, I thought it was a good program. I thought that was an interesting program but, again, we were concerned about it being another Labor member of parliament. I do not dispute that it did attract some interest because, to be quite frank, I did find it interesting. But the general thrust in this debate we are having today is that they always seem to be from one perspective.

Mr Scott—Senator, I do not say that—

Senator KEMP—Can I ask you this: the biggest issue in the election to me and I think to many people was the \$30 million that the ACTU put into the election campaign. It was more money than the Liberal Party had and more money than the Labor Party had. It is a remarkable feature of the last election. Are we going to see a *Four Corners* expose on that by any chance?

Senator Conroy—I think if you would like to be on the editorial board of the ABC, that is possibly a job you might want to apply for.

Mr Scott—The only thing I would say is the single biggest documentary undertaken this year by the ABC is a four-part documentary being done on the Howard years.

Senator Conroy—And I suspect there is a bit of bitterness that you have not been interviewed for this, isn't there, Senator Kemp?

Senator KEMP—Well, I actually have been.

Senator Conroy—No. Clearly you already know that you were a dud and you have hit the cutting floor. You are just trying to shamelessly boost your profile. It is shameless. This is a shameless effort.

Senator KEMP—It was an interesting point that was made by Senator Wortley on how people promote themselves. *Bastard Boys* for Greg Combet was like a dream come true. It bagged his colleagues, I must admit—

CHAIR—Have you got a question, Senator Kemp?

Senator KEMP—and people like Bill Kelty, but it was very successful in promoting him.

Senator Conroy—I think that bitterness is coming through. If he does not get half an episode himself, I think you will be in for another monsterring.

Senator KEMP—I was just making the point that there are plenty of stories out there which are not necessarily from an ALP perspective.

Senator Conroy—Are you pitching an idea now?

Senator KEMP—Yes. I just made a suggestion that a unique feature of the last election was the vast amounts of money that the ACTU spent.

Senator Conroy—This is shameless.

Senator KEMP—Let me get on to the ABC and—

Senator Conroy—You do not think the Prime Minister losing his own seat is a unique feature?

Senator KEMP—Yes. No, that is interesting, too. It is interesting.

Senator Conroy—It is only the second time in history. Are you aware of that?

Senator KEMP—Of course it is interesting—and Simon Crean managed to hold his seat despite your efforts.

Senator Conroy—He did. He got a swing to him.

Senator KEMP—So why did you try to chuck him out? Can I refer to some statements that Senator Conroy made a number of years ago about how he was very concerned about the

funding for the ABC under the previous government. I think he made many press statements on that. Could you let us know, now that Senator Conroy has been in government for over six months—

Senator Conroy—Over five months.

Senator KEMP—what has he done to boost the funding of the ABC?

Mr Scott—Senator, as you would be aware, the ABC is funded on a triennial basis. The triennial funding for the ABC runs through to the end of this current financial year and the next budget will be the real focus for the ABC's funding through 2009-12. The minister and I have already commenced discussions around the funding priorities of the ABC in the lead-up to the next triennial funding. That is where the focus of the ABC is and that is where the attention will now lie.

Senator KEMP—So there was nothing in this budget—

Mr Scott—We were not expecting anything in this budget because our funding had already been identified under the triennial funding agreement.

Senator KEMP—But of course you would be aware, as I am, that from time to time additional sums are given on top of the triennial funding. Are they not?

Mr Scott—Well, our focus has been on the triennial funding—

Senator KEMP—From memory I think the previous government did that. I do not think the mere fact that there is triennial funding means no additional funds can be supplied to the ABC.

Mr Scott—I think at the ABC we were well aware of the parameters for the framing of the budget this time and our focus has certainly been on the triennial funding. We think there are strong arguments that we will be making to government at that time, and the minister and I are already in discussions.

Senator KEMP—You will be proposing that there should be an ABC children's channel?

Mr Scott—Our comments on the children's channel are well on the record, but we are still in the process of consulting internally and with key stakeholders on the basis of our triennial funding bid. It will be some months before that is finalised and I am really not in a position to identify our internal priorities around that, but our views on the children's channel have been well documented.

Senator KEMP—Just for the record in case people make a mistake and start to read the *Hansard*, what is the attitude of the ABC to a children's channel?

Mr Scott—As we have said, we think there are strong arguments around the ABC delivering a commercial free children's channel into every Australian home on digital television. We think that there are strong arguments in favour of that and that would be made up in the main of Australian content that would be broadcast between 6 am and 9 pm each day. We would need significant levels of additional content to be able to deliver that, but we believe it would be a compelling driver of the take-up of digital television in this country as we look towards the switch-off of analogue in—

Senator KEMP—What would be the approximate budget to establish a children's channel?

Mr Scott—It would be about \$23 million a year.

Senator KEMP—All up?

Mr Scott—Yes.

Senator KEMP—You will recall in the last Senate estimates we had an interesting discussion on the ABC style manual.

Mr Scott—Yes. I sent you a copy as well, Senator.

Senator KEMP—Thank you for sending me a copy. I did read that. Thank you for that. Since that style manual was released, I wonder whether you could tell me whether there has been any movement on a couple of vexatious issues that have been—

Mr Scott—What are the issues in particular, Senator?

Senator KEMP—They have been raised regularly at Senate estimates.

Mr Scott—There are no specifics you want to raise on that? No, I think the style guide is pretty much as I sent it to you. Of course, it is a living and organic document as we know.

Senator KEMP—I know. You keep on saying that.

Mr Scott—But I am not aware of any—

Senator KEMP—Has it organically changed, to use your expression, since it was last sent to me?

Mr Scott—I am not aware of any change.

Senator KEMP—Is the ABC still excessively nervous about describing someone as a terrorist?

Mr Scott—No, we are not nervous at all, Senator.

Senator KEMP—That is a relief to hear.

Mr Scott—We say in the guide that organisations may be referred to as terrorist organisations—

Senator Conroy—That is what Ted Baillieu calls you.

Mr Scott—when they commit acts of terrorism.

Senator KEMP—If you are not careful I will speak about your candidate in Gippsland.

Mr Scott—So organisations may be referred to as terrorist organisations when they commit acts of terrorism—no concerns about that at all. It is spelt out in the style guide.

Senator KEMP—With regard to al-Qaeda, for example, the ABC would always refer to that as a terrorist organisation?

Senator Conroy—So a blog site titled 'Ted Baillieu—You Stand for Nothing' would not be a terrorist blog site?

Senator KEMP—No, that is not on—

Mr Scott—No, we will not resile from using the word ‘terrorism’ or ‘terrorist’ in appropriate cases.

Senator KEMP—I know, but my question—

Mr Scott—Senator, the question is whether in fact it is an adjective used every time the word ‘al-Qaeda’ is used. I am not sure it is used in every circumstance.

Senator KEMP—But, as a matter of principle, would the ABC see that as a terrorist organisation?

Mr Scott—I think when they are committing acts of terrorism, absolutely, Senator.

Senator KEMP—Good. I am pleased to hear that. I still think you are slightly hedging there, Mr Scott.

Mr Scott—No, I am not hedging at all, Senator. But, as you would understand as a former journalist yourself, we encourage our journalists to report the facts and clear descriptions of events. When these events transpire to be terrorist acts, we call them accordingly.

Senator KEMP—Let me just see whether we can get to the crunch issue which—

Mr Scott—I would be disappointed if we could not, Senator.

Senator KEMP—Can the ABC refer to the Australian Army as ‘our Army’, or is that still banned?

Mr Scott—Let us talk about that. I know it is a matter of concern for you.

Senator KEMP—Just give a simple answer and allay my concerns.

Mr Scott—Senator, we want there to be no confusion at all with our audience. We want to use appropriate language. We want to be unattached and dispassionate, and that is why we do not use phrases like ‘our cities’, ‘our swimmers’, ‘our weather’, ‘our dollar’. We talk about Australian cities, Olympic swimmers, the Adelaide weather, the Australian dollar, the Australian Army, the Australian armed forces.

Senator KEMP—But on the other hand—

Mr Scott—We are not frightened of the word ‘Australian’, Senator.

Senator KEMP—But on the other hand have you sent around memos saying, ‘You are not to speak about our dollar and you are not to speak about our sporting or Olympic team’?

Mr Scott—We do not need to because it is all in our style guide, which all of our journalists have. They can access it from their desktop. We encourage our people to use phrases like ‘Australian dollar’, ‘Olympic swimmers’, the ‘Adelaide weather’, ‘Australian dollar’.

Senator KEMP—But on the other hand you know how you take strong action against journalists who breach codes and all of the rest of it. Someone made the mistake in referring to ‘our Army’. Is that not a question that—

Mr Scott—I do not think it is a court-martialling offence, Senator.

Senator KEMP—I am relieved to hear that.

Mr Scott—But this is a style guide. As we discussed previously, style guides are provided to a journalist to provide a standardisation in our approach to the language, and we encourage our journalists to follow the style guide and to be consistent in following the style guide. I do not think it is a matter of the high principle of this. It is a consistent application, though, around the use of that term. The way of sometimes—

Senator BIRMINGHAM—How does the style guide require referral to the ABC?

Mr Scott—That is a very good question. We certainly do not use the expression ‘our ABC’.

Senator KEMP—Oh, no!

Mr Scott—No, we do not.

Senator BIRMINGHAM—Very good.

Senator KEMP—I am amazed.

Mr Scott—In our news reports.

Senator KEMP—Where did I hear that phrase before then?

Mr Scott—It is our ABC, and I can understand why citizens and the community may have that sense of ownership. But, when we are doing news reports, there are different ways that language is used to present the news.

Senator KEMP—Of course there are. We all understand that. I am intrigued that you can use the phrase ‘our ABC’ but you cannot use the phrase ‘our Army’. I am just intrigued about it.

Mr Scott—We are just saying that in our news bulletins we do not want to sound overly familiar. We want to remain unattached and dispassionate in the language that we use.

Senator KEMP—I know that, but do you think using the phrase ‘our Army’ causes a problem with anyone but some PC person who is running the style guide within the ABC?

Mr Scott—It is to do with standardisation and consistency like ‘Australian cities’, ‘Olympic swimmers’, ‘the Adelaide weather’ and ‘the Australian dollar’.

Senator KEMP—You do not think it has anything to do with any broader culture or broad—

Mr Scott—I would not have thought so, Senator.

Senator KEMP—No, I bet you would not.

Senator BIRMINGHAM—Mr Scott, I refer to the document ‘The ABC in the Digital Age—Towards 2020’ which was prepared for the 2020 Summit, which Senator Kemp canvassed with you earlier. Is that a board endorsed document?

Mr Scott—I briefed the board on it, yes.

Senator BIRMINGHAM—It is fair to say that it provides the best and brightest wish list for the ABC?

Mr Scott—The 2020 Summit was an encouragement for us to think towards 2020, and it was an attempt to identify the kinds of opportunities that could open up for an organisation

like the ABC in an environment where the media is rapidly changing, audience expectations are changing and the kinds of things you can do utilising digital technology are changing. So it was almost a 'what if' piece that was suggesting that, if the audience and technology move in this direction, these are the kinds of things that the ABC will be able to do, particularly around the presentation of televised audiovisual material. It is not our blueprint for 2020. It is not our triennial funding submission, but it was an attempt to articulate where technology is changing and the role that the ABC is uniquely positioned to play in that changing media environment.

Senator BIRMINGHAM—I would expect your triennial funding submission, though, to attempt to take you on steps towards this type of vision.

Mr Scott—I think it is fair to say that a lot of the focus of our activities is about multichannelling opportunities for the ABC and digital radio and digital television and multiplatform opportunities delivering our content across radio, TV, online, mobile phones and a range of outlets.

Senator BIRMINGHAM—This proposal is quite extensive and contains proposals for possibly six digital television channels and eight or so—maybe even more than that—radio stations and at least 15 different radio services. ABC1 and ABC2 in the television arena currently exist, although we have suggestions of 80 per cent Australian content for ABC1 and 50 per cent Australian content for ABC2, which I assume would be a reasonable—

Mr Scott—A significant increase, yes.

Senator BIRMINGHAM—That would be a vast increase. ABC3 is cited as being the children's channel. Is that fair to determine as the corporation's next priority?

Mr Scott—I do not want to get into details around our triennial funding submission at this point, but I think it is fair to say that our commitment to the arguments around a children's channel are well known.

Senator BIRMINGHAM—We know that you strongly support a children's channel, and that is certainly something that you have the coalition's full support for, as our election policies indicate.

Senator Conroy—Only time ever.

Senator KEMP—What is your view of that, Senator Conroy?

Senator Conroy—I am sure the ABC will be putting forward a number of very interesting proposals as part of their triennial funding. As I think I said earlier in the day, I am sure you would not expect us to speculate on what will be contained—

Senator KEMP—The man who spoke so boldly when he was a shadow minister has become a wimp as a minister.

CHAIR—We are scheduled to go to a tea break shortly. Are you nearly finished, Senator Birmingham?

Senator BIRMINGHAM—I am not nearly finished, but I can keep going until the tea break if you like, Chair.

CHAIR—That is fine.

Senator BIRMINGHAM—Thank you. I refer to a table in budget related paper 1.3 of the portfolio budget statements regarding the agency's 2008-09 budget measures. Table 1.2 details expense measures for the ABC NewsRadio rollout and the digital radio introduction extension. Why are those expense measures not detailed?

Mr Scott—Because we have to undertake contractual relationships for that transmission to be rolled out and therefore confidentiality is important, given the competitive environment in which we would be operating. So it is a standard procedure not to put those dollar figures in the budget at that point.

Senator BIRMINGHAM—The same approach is taken with the broadband network elsewhere which—

Mr Scott—Yes, exactly. These figures are significantly smaller.

Senator BIRMINGHAM—I would hope so. You would expect them to be delivered or at least contracts to be let for all of those activities in the course of this upcoming financial year?

Mr Scott—We are continuing the rollout of news radio, and our anticipation is that we will be on air this year with the first elements of our digital radio programming.

Senator BIRMINGHAM—How many additional transmitters are you looking to have constructed?

Mr Scott—The digital radio will roll out in the capital cities.

Senator BIRMINGHAM—So it is capital cities only at this stage?

Mr Scott—At this point, yes.

Senator BIRMINGHAM—Thank you. While we still have the time, can I just deal quickly with the Toowong station complex, please.

Mr Scott—Yes.

Senator BIRMINGHAM—Can you give us an update in terms of the management of the cases there of employees and former employees and the relocation work?

Mr Scott—We continue to be in touch with the women who developed breast cancer who have worked at the Toowong site. Their claims have been, as we have indicated previously, favourably considered under workers compensation arrangements. The ABC are currently operating off multiple sites in Brisbane whilst our new home is being developed at Newstead. We have identified the site where that home will be. We think it is a terrific facility. That will enable us to bring all the ABC back together. The planning work involving the movement of the ABC to that new purpose-built site is continuing on time at this point, and we are anticipating project completion in 2010.

Senator BIRMINGHAM—In 2010 you would expect all staff to relocate into the new site?

Mr Scott—That is right. I want to pay tribute to our staff in Brisbane. Really, they have been through a lot over a number of years and now they are working under circumstances where ideally they would be together. Increasingly in this media environment you have close cooperation between radio and television online. It is unfortunate that they are all in different

locations at the moment, but we look forward to bringing them all together again soon. They are doing very well under the circumstances.

Senator BIRMINGHAM—Thank you. It might be easiest to take the break now, if that is on time.

CHAIR—Yes, we will.

Proceedings suspended from 3.45 pm to 4.00 pm

CHAIR—We will resume.

Senator KEMP—Mr Scott, I refer you to an article that appeared on 26 March, which may have slipped your mind. Graeme Thomson, Secretary of the ABC Section of the CPSU, has warned that secret reports may provide the ABC with grounds to lay off production staff. Are there any secret reports around that you are able to bring to our attention?

Mr Scott—No secret reports, Senator.

Senator KEMP—So what was he talking about?

Mr Scott—We have been doing work over the last year on our television production processes. We did receive some external advice on that too, but that was material for me and for the board. This is looking at how we make television. We have announced a series of initiatives we have underway to ensure that we make television efficiently and effectively and in a way that enables us to make TV internally and not waste taxpayers' money or more efficiently use of taxpayers' money. We have a series of processes in place that will improve the efficiency and effectiveness of the way we make television, some on working processes and some taking advantage of new technology that is now available in the marketplace.

Senator KEMP—So he is now warning about job losses and laying off production staff. Is that—

Mr Scott—I indicated at that time that we do expect that there will be job losses.

Senator KEMP—What—

Mr Scott—We have not identified a number, because actually there are a number of different projects that we are now working on in areas that we have identified such as how we make graphics, how we internally price the production of television, how we plan our making of television, how to take advantage of new technology to automate our television news studios and how we can syndicate files in a tapeless environment. There are a range of projects like that. On each of those projects we are involved in extensive consultation with the unions, and job losses arising out of any of those projects will be communicated with the union. Of course, we will be taking money that is saved and reinvesting that money in the creation of new content or content that meets the organisation's needs. Subsequent to that article, I am pleased to be able to tell you that I have had two meetings with Mr Thomson myself to discuss with him the broad strategy of the ABC to improve the efficiency and effectiveness of our television-making process.

Senator KEMP—My advice to you, not that you need my advice, is I would not worry too much about Mr Thomson. The government has announced huge cuts in Canberra and he seems to be incapable of making any case at all on behalf of his members.

Senator Conroy—Is that a question?

Senator KEMP—No. I am just making a comment and providing some advice that this is the way that the CPSU effectively goes about its business. It just will not defend its members properly. There we are. I make the point.

Senator BIRMINGHAM—It would greatly disappoint a certain scribe if I did not ask some questions in relation to the new ABC logos. Overall has the reaction to the new logos for ABC1 and ABC2 been positive or negative?

Mr Scott—Let me talk to that. The new logos are part of a new marketing campaign that we developed around ABC1 and ABC2. The main thing about that was to give each channel its own distinct identity. There is not just one ABC channel now; if you have a digital set-top box you can get both. What we were trying to do through the promotion is to bring ABC2 up to the status and level of ABC1. Part of that was the watermarks—but only part of that. We appreciated at the time the watermarks were launched that some of our audience found them too big and too obtrusive. We actually shrunk their size and repositioned them on the screen. Now we have had virtually no audience feedback on that in recent months. There was some reaction when we first launched it. We took that on board. We listened carefully to our audience around that. I believe we have now got it right. One of the things I would say is that as we move into a multichannel environment, on free-to-air television you may have 15 channels and virtually every channel will have a logo or a watermark of some description to allow the audience to identify which channel they are watching. It is a very different environment from when you had three, four or five free-to-air television channels, as has been the case in Australia up until now.

I must say that we are absolutely delighted with the overall impact of our television marketing campaign. I think the team in our television division did a wonderful job on the level of attention and awareness of digital television as a result of our ABC2 initiative and some of the programming we are doing around that. When we broadcast *Swan Lake* live from the Sydney Opera House around Australia on ABC2, we had many, many calls from people in the lead-up to that wanting to know how they could watch ABC2. I think that is a tribute to this marketing campaign. It was a little controversial to start with—

Senator Conroy—A stunning tactic.

Mr Scott—but a good success all up.

Senator BIRMINGHAM—It is amazing how a little bit of controversy can help from time to time. Mr Scott, what was the overall cost of the design, development and introduction of the new logos?

Mr Scott—I will take that on notice, Senator. It was several hundred thousand dollars, with art direction companies working in concert with the ABC in-house team. Believe me, it will be the cheapest launch or relaunch of television networks ever seen in the country because, of course, we purchased no external media outlets to broadcast this. We were promoting it all using the ABC's internal network. It was money well spent, I think.

Senator BIRMINGHAM—Were they market tested prior to their launch?

Mr Scott—I would have to check on that and let you know.

Senator BIRMINGHAM—Are you assessing their awareness or the awareness of ABC2 or are you simply relying on—

Mr Scott—We will be getting our audience figures around ABC2 now, but anecdotally and through word of mouth we are very pleased. We are also very pleased at the number of calls we are getting from audience members asking us how they can get ABC2. I think that is a very positive sign.

Senator Conroy—Stunning. Brilliant marketing.

Senator BIRMINGHAM—We all love a bit of controversy to get a headline occasionally. Senator Conroy would know all about that, I am sure. Anecdotally, Mr Scott, I think the awareness of ABC2 has been very impressive to date. Was the logo design undertaken in-house?

Mr Scott—No. We had an external company work with us on that, but I need to get the details of that for you.

Senator BIRMINGHAM—But all of the promotion was done internally?

Mr Scott—What I am saying is that the airtime is our airtime, so we have not purchased media space outside the ABC to promote the network. We do debate this from time to time. It means largely promoting the ABC to the ABC audience. We are conscious that we deliver the ABC to the entire nation and there are times we do purchase advertising space elsewhere to promote the ABC, but we have not done that as far as these channels are concerned.

Senator BIRMINGHAM—Whilst talking about the promotion of the ABC internally, can I turn to some correspondence that we have had regarding the promotion of the Logies. We will move from logos to Logies.

Senator Conroy—How many Logies did you win, by the way?

Mr Scott—We won eight, Minister, which was an all-time record number of Logies won by the ABC.

Senator Conroy—Congratulations.

Senator BIRMINGHAM—How many Logies are awarded?

Mr Scott—It is a very long night, Senator, I can tell you. There are about 22 or 23 awards.

Senator BIRMINGHAM—Minister, did you go?

Senator Conroy—Not this year. I went last year and I can attest that it is a long night.

Senator BIRMINGHAM—Eight; congratulations, Mr Scott. I am sure that each of them is very worthy. I have no qualms with the ABC winning as many Logies as they possibly can. The question, of course, that was raised was whether or not the ABC should be dedicating airtime to promoting advertising of voting in the Logies.

Mr Scott—Yes. Thanks for your correspondence on this, Senator. We did have some audience feedback both on whether we should be doing this and the form that the promotion took. The ABC is allowed to run promotions consistent with our editorial policies and act, which allows us to show announcements that relate to any activities of the corporation. What is significant is that this year the voting rules around the Logies changed. The Logies have

been running for 50 years and it is the first time that voting took place in a way that meant you did not have to clip a coupon out of a magazine and send it in. You could vote online and you could vote by SMS. One reason the ABC did well at the Logies this year was not simply the fact that 2007 had been an outstanding year on ABC television but also that change in the voting rules. Part of what we were doing in our promotional campaign was alerting our audience to the fact that these rules had changed and they did not actually have to purchase a magazine and clip out a coupon in order to vote. That was one of the things, and I think that is a very reasonable thing for us to do. The Logies have a very high profile. There is a lot of publicity off the back of it. We thought that was a worthwhile thing to do so that is why we undertook the campaign that we did. But we did check in advance and we did have advice that it was an entirely appropriate thing for us to do under the editorial policies in the act. It was not as though we gave a lot of airtime to it. These were short, sharp promotions.

Senator BIRMINGHAM—Nonetheless the website is, I assume, a *TV Week* website, a commercial website, where the voting takes place?

Mr Scott—Yes. That would be right. There is SMS voting as well, I think.

Senator BIRMINGHAM—Which I assume is probably, as most SMS voting exercises are, a profit-making exercise for the proponent. The ABC was very quick to withdraw the advertisements, as indicated by *Media Watch* in the story that they ran the following week I think after the advertisements were first aired. Indeed, I see the Manager of TV Publicity, Lesna Thomas, described the Logies as ‘peripheral’, which was a strange use of words given that she was trying to justify the placement of the ads on television. If the Logies are relatively peripheral, I am not quite sure why you would be dedicating airtime to placing those ads. What prompted such a quick withdrawal of those advertisements?

Mr Scott—One of the ads was an attempt at satire. It was an attempt to juxtapose serious, grave and important issues with the relatively ephemeral nature of the Logie awards. This was a campaign written for us by a member of the Chaser team, I understand. It was an attempt at satire. Not all of our audiences saw the humour in it. In any event, there was only a short window for this voting, so we increased our audience awareness of the opportunities for voting and then we moved on. But we were, as we said, delighted with the results of what the ABC won at the Logies.

Senator BIRMINGHAM—Once again, in the realm of controversy, maybe a little bit of extra press coverage for the campaign helped in that voting exercise too. My qualms of course were not necessarily with the satire. Satire has its place. Indeed, if somebody were to, to use the proverbial, take the piss out of the Logies in a satire television program, I would not have a concern. It was the use of advertising space in a sense that was the primary concern.

Senator Conroy—You do have a sense of humour, unlike some of your colleagues.

Senator BIRMINGHAM—I would like to think so, Senator Conroy, anyway.

Senator Conroy—No question.

Senator BIRMINGHAM—Mr Scott, would it be the intention to replicate that campaign in future years?

Mr Scott—I think we will review it and ascertain its value over time. I suppose the only argument is that I think many people who watch the ABC are very loyal to the ABC. They watch a lot of the ABC. They may not be aware, because they are not broader media consumers, of the Logie voting being open and how they can vote. So there was an information element to it. As to whether that is as important next year, we will make a call in March next year, I suspect, on that in the television division.

Senator BIRMINGHAM—Turning to the introduction of digital radio broadcasting, if I may, does the delay in the introduction of digital radio broadcasting impact on the ABC's plans, budgeting activities or anything?

Mr Scott—No, not particularly. We will be on air in the second half of this financial year. The precise arrangements around that still have to be ascertained. I think it will be a fairly minimal programming suite that we put up, but we have yet to finally determine that. But we expect to be on air this financial year.

Senator BIRMINGHAM—I understand there are some changes with ABC marketing in relation to your retail outlets. What has brought those changes about?

Mr Scott—What changes are they, Senator?

Senator BIRMINGHAM—I gather they are changes in relation to greater use of non-exclusive ABC stores.

Mr Scott—No. What I think you are referring to is the extension of ABC centres. We have increased the number of ABC centres in the last 12 months. We have over 40 stores and over 80, maybe even over 90, centres. Centres are branded within another store that this is an ABC centre and this is where you will find merchandise. You will find an ABC store in that centre. Our business evaluation is that that is a good initiative to get ABC content out in as many places as we can to educate audiences that they can find that ABC content not just in our shops but in our centres as well. So we have had a process of expansion of those centres, and that is what we are pursuing at the moment.

Senator BIRMINGHAM—So ABC stores are remaining relatively static in numbers?

Mr Scott—Yes. Every now and again we will close one; every now and again we will open one. But they are relatively static. It would not have varied more than one or two net over the last two years that I have been at the ABC. Our stores continue to do well and we believe they have a good future.

Senator BIRMINGHAM—Is there a systematic plan in terms of the target number of ABC centres you wish to open?

Mr Scott—No. We have been looking at opportunities for growth in partnership as we see fit, but we do it largely on a case-by-case basis. We have trialled some in Australia Post stores. We are increasing the numbers that we have in Dymocks stores. But they are found in a number of different centres.

Senator BIRMINGHAM—Is this providing a projected increase in external marketing revenue or external cash flow sources?

Mr Scott—No, not particularly. We would not be opening more unless we believed that there was a net benefit to the bottom line, but it is not significant. I would say that retailing is a particularly competitive and difficult industry to be operating in at the moment. It is a highly competitive battle for the retail dollar. So we need to be careful and assiduous in how we operate to ensure that we are generating the return that we need. The vast majority of our revenue—97½ per cent of our operating expenses—comes directly from the Commonwealth government. Only about 2½ per cent comes from our commercial activities, but it is an important 2½ per cent and we work hard to keep it at that level.

Senator BIRMINGHAM—I return to the upgrading of the ABC websites. How far through the process of upgrading those websites in terms of providing the local based content is the corporation?

Mr Scott—It is a bit like painting the Sydney Harbour Bridge: you are never done. We have created 60 new local websites, linked back to our local radio centres. We are continuing to finetune those sites. We have placed more staff using NII money out in regional centres and local centres who can provide the local content that complements our news work for local content on those websites. There is a lot more we want to be able to do.

One of the things we want to be able to do is provide the kind of environment where our audiences can contribute as well. Increasingly I think we are not just going to be a broadcaster; we are going to be the kind of broadcaster that allows the conversation to be hosted to allow the community's voices to be more heard through our websites. So having that capability—to be able to deliver user generated content and to be able to accept video in—is still work that is underway, but we have made a lot of progress. I think the footprint we have through our 60 ABC local sites is probably the strongest footprint in regional and rural Australia of any media outlet in the country.

Senator BIRMINGHAM—When did the first of the upgraded sites go live?

Mr Scott—We really put them all up on one memorable day in March. We just kind of rolled them all through. The upgrades had taken place over a period of time. At the same time we have just upgraded our ABC news site. We have a range of news sites that are offering more of an opportunity for opinion and other things as well. It is a continuing process over hundreds of websites that we now have under the ABC banner.

Senator BIRMINGHAM—In terms of this major upgrade across the 60 new sites, how much was invested in that upgrade?

Mr Scott—It was mainly done through internal staffing resources. It was not particularly expensive. I do not think there was an additional budget item. I think the radio division really drove that through their own budget. The main costs were staff time.

Senator BIRMINGHAM—Were the new sites consumer or market tested prior to going live?

Mr Scott—I think we did some small group testing but not a lot. I have been involved in numerous website redesigns at the ABC at my previous place. My overwhelming experience is that the instant reaction is always terrible. People never realise how much they loved the previous website until you put a new one up. But then pretty quickly, as they get used to the

functionality of the new one, they come to accept it. So the experience of the ABC local site was that some questions were raised such as 'What happened to that page? What happened to that section? Where is it?' Now people are becoming more familiar with it and that reaction has absolutely died down. But we are learning from that and continuing to tweak and finetune aspects of the sites as well.

Senator BIRMINGHAM—Change can be a challenging thing for all of us, and I will confess to being one of those who found that you could not find quite so easily the things you were used to looking for. So changes have been made in response to consumer feedback about the navigation of the site and so on?

Mr Scott—Yes, and you actually never stop doing that. For example, we did a significant overhaul of our news site a year ago but we have just upgraded it again now. I would say to you that, given what is happening on the online space and the competitive environment there, given what the technology is allowing you to do, and given the implementation of faster broadband speeds, the shelf life of any one iteration of a website is getting shorter and shorter. So you are constantly turning them over and changing them or reviewing them. We have just put up a significant new home page for the ABC. When you go into the ABC at abc.net.au it is quite different now. We are taking advantage of what technology allows us to do but also showcasing the very best of the ABC on one page. Again, I think we have had good responses to that. We are very happy with that change.

Senator BIRMINGHAM—So all up you are pleased with the consumer feedback and user feedback from the sites?

Mr Scott—I think we continue to learn from it. We continue to be actively engaged around it. We get quite a bit of research on traffic. One of the good things about online is that you can follow your audiences through, you know what they are looking at, you know what they are not looking at. You can track them through. One of the things I would say, though, is I think we are holding out for ourselves a significantly different position, particularly around online news, from any other media outlet in the country. I think we are not as desperately pursuing traffic the way that some other websites are. I think the tone and the message of the ABC online site is no different from what you get on ABC news on television and radio, whereas I think there are increasing differences that you can see between the online sites of newspapers and the print editions of those papers. But I think we are very much on message and connecting with our audience in a good way.

Senator BIRMINGHAM—Thank you for now.

Senator PARRY—Mr Scott, just taking you back to the commercial arm of the ABC, you said about 2½ per cent revenue from the commercial arm—

Mr Scott—Yes.

Senator PARRY—Of that I calculated about a \$7 million differential from the previous financial year 2005-06, and the only explanation I can read in the annual report is possibly stock write-offs.

Mr Scott—Yes. There were some stock write-offs about a year ago.

Senator PARRY—To the value of about \$7 million?

Mr Pendleton—It was about \$6½ to \$7 million.

Mr Scott—This came as part of a major rationalisation review that we did into commercial operations. We had some external advice that helped us with that. We have a new leader involved who is doing an outstanding job—Lynley Marshall, who runs our commercial division. I am pleased to say that our operating projections this year have bounced back significantly and that will be reflected in the next annual report.

Senator PARRY—So exceeding about the \$20 million mark or 19 point whatever million it was?

Mr Scott—Yes, around there.

Senator PARRY—So you are on track? So there is no real reduction in that revenue which is that simple one-off extraordinary stock reduction?

Mr Scott—Yes. Putting our stores to one side, we make significant investments in books. We run quite a big book list. We have CDs on anything from children's, country, classical and jazz. We had been in the talking books category. As you may remember, we closed that. We now sell them but we do not make them ourselves. That was an element in that as well, so, yes, we did have to make some business decisions but the underlying performance is strong.

Senator PARRY—Why did it happen in one hit? Do you do annual stock write-offs?

Mr Scott—Yes, we do but we went in and did a review—

Senator PARRY—This is a major overhaul?

Mr Scott—We did a major review and we wanted to make sure that there was not undue optimism about the sales potential of some of the stock. So we did do a major review and now we will be doing our ongoing annual stock assessment.

CHAIR—Are there any further questions for the ABC?

Senator LUNDY—I want to foreshadow that I will be following up those questions about the WNBL before you go.

Mr Scott—We are checking that, Senator.

Senator KEMP—Can I ask the managing director whether he is aware of the case of Matt Brown and Professor Barry Rubin. Is that a case which you are aware of?

Mr Scott—Is there any more detail, Senator?

Senator KEMP—There was an interview with Matt Brown on *The 7.30 Report*. I think this was on 3 January. Rubin was edited to suggest that Israel's blockade of Gaza was setting back the chances for peace for decades to come, which was a position that I am advised he does not hold. Professor Rubin submitted an official complaint and a transcript was given. It states:

*Editor's Note: The ABC advises that Professor Rubin's comments do not refer to the Israeli blockade in Gaza. He was referring to Hamas control of the Gaza Strip.

Rubin, in a 4 April article, said:

I filed an official complaint and in the end they came down on my side, sort of. The decision was that the piece had been carelessly edited or something like that. In the online correction, however, they

didn't even say that but merely that I had asked that an explanation be added to make clear my point was not about Israeli policy.

Of course, it is alleged that the reporter had done this on purpose. Are you aware of that criticism?

Mr Scott—I do not have that detail on me, I am afraid, Senator.

Senator KEMP—Is there anyone in the room who can help me with this? You will have to bring along a few more colleagues.

Mr Scott—Senator, they are all very hard at work. We put far fewer questions on notice than previously.

Senator KEMP—This is a very clever defence on your part: 'No, sorry, I haven't got the people here.'

Mr Scott—All you need to do, Senator, is let me know in advance and I can get the material for you.

Senator KEMP—We will give you all the questions in advance. Why don't we do that? That would solve all the problems—well, it would solve all your problems. Can I put these questions on notice?

Mr Scott—Yes, certainly, Senator.

Senator KEMP—Is the ABC aware of the public criticism that Professor Rubin has made regarding the treatment that he received regarding an interview on *The 7.30 Report* and the subsequent online correction? That is the first question. The second question is: is the ABC aware that Professor Rubin criticised Matt Brown for deliberately misrepresenting his views and misleading the public? Has Mr Brown been questioned over his behaviour? What additional action has been taken in relation to Professor Rubin's treatment? Were *The 7.30 Report* viewers notified of the correction on air or was the correction online only?

Mr Scott—I will take those on notice.

Senator KEMP—Is it the policy where there is obviously a serious error made in a current affairs program to correct it on air or is it—

Mr Scott—We are currently reviewing that policy at the moment. Paul Chadwick, our Director of Editorial Policy, is looking at that for us. I think there are a few matters that have emerged on the back of his editorial policies review on how we have handled recommended corrections in the past. We do sometimes correct on air, but we do not on every occasion. Online is not a bad place to correct. At the moment we correct online on the page link to the story, but we are thinking that it might well be that we need to open up a corrections line as well. So we are looking at all of this, and when we finalise—

Senator KEMP—Of course the person who feels they have been wronged, particularly if they have been found to have had an accurate complaint, or perhaps their reputation was traduced on air, would expect that it would be corrected on air.

Mr Scott—If they have been defamed, of course, they have remedies, Senator. We have talked about this in the past, I know, but what you find is that some newspapers correct and they correct in the same spot every time. One of the questions is whether in fact we need to

create a space online where we put all our corrections up. So it is not as though it is a long search to find if anything has been corrected. But there are occasions where we do correct on air as well.

Senator KEMP—If you would not mind, if you could have that checked for me and if we could have a response so that I can advise people what has in fact happened?

Mr Scott—Yes.

Senator KEMP—The Brissenden case, where are we at with that now?

Mr Scott—Senator, as I pointed out to you at our last meeting—

Senator KEMP—It is an ongoing investigation.

Mr Scott—Precisely. I indicated to you that a complaint had been made about that broadcast and that had been reviewed by our audience consumer affairs division, and looking at our editorial policies as they were then constructed they did not uphold the complaint. But we did indicate to you that we had initiated a review around those editorial policies. That review has now been completed. As of 1 July a new section will be added to the editorial policies dealing with sources. I will be able to provide you with a copy of it, but it does include clarity with sources around the status of information, whether something is on the record, on background or off the record, and we define those terms. I think for the first time in Australian media we are providing a precise definition of those terms.

Before granting anonymity, a careful assessment of the motives of the source needs to be considered and there is mandatory upward referral before unattributed information is disclosed in cases where information forms the basis of the story and the ABC is committed to protecting the identity of the source. So we have quite a detailed new set of policies that are in place. They have been approved by the board and they will be implemented on 1 July. We have conducted—

Senator KEMP—So if the incident had occurred on, say, 1 August and not when it did, what would the finding have been?

Mr Scott—I do not want to retrofit the facts, but let me point a few things out. What certainly would happen now is that there would be no ambiguity around the status of that conversation. Was it on the record? Was it off the record? Was it background?

Senator KEMP—So—

Mr Scott—No—

Senator Conroy—This is on the record.

Mr Scott—Because, as I understand it, as you will remember there was some ambiguity as to the status of the dinner.

Senator KEMP—Not for a long time.

Mr Scott—But originally—

Senator KEMP—The ambiguity only seemed to come up about a year later.

Senator Conroy—I think the phone call came the next day to say, ‘By the way, that was off the record.’

Mr Scott—I suspect, yes. As we said previously, there are almost these two journalistic principles that can on occasion come into conflict. One is the principle about keeping sources confidential. One is about a commitment to tell and reveal the truth. Certainly, if there was a circumstance where a journalist felt there was an argument about revealing a confidential source, it would be mandatory for it to be upwardly referred through the programming into the head of news and possibly all the way through the organisation.

Senator KEMP—We will just get that clear. If Senator Conroy has a dinner with Mr Brissenden, and Senator Conroy—which I am sure would never happen—reveals something about his colleagues or what have you but says, ‘This is off the record’—

Senator Conroy—I would only be saying nice things about you.

Senator KEMP—Only nice things about me. That is right. So that would be of no news value at all. On the basis of those principles, is it then possible, because of subsequent developments which throw this conversation into a new light, to overrule the—

Mr Scott—If you look into it, Paul Chadwick who has done this work for us has been in discussions with the BBC, the *New York Times*, the *Economist*—a range of organisations. In the quite famous case, the Valerie Plame case—where the woman was a CIA agent, that information was released and she reported it—one journalistic organisation, *Time* magazine, revealed the source of that. The other one, the *New York Times*, did not and that journalist went to jail. So circumstances have emerged and do emerge from time to time where news organisations have decided that there is a greater public need to reveal that information. What we are saying through this policy is that it would be very, very rare circumstances—exceptional circumstances—

Senator KEMP—That is an interesting move you have made, I would have to say.

Mr Scott—No, we have actually codified a practice that exists within journalism. But that decision would need to be made, upwardly referred, and taken very, very seriously.

Senator KEMP—I think—my colleagues may correct me if I am wrong—people generally assume that, if a conversation is off the record, it is off the record—

Mr Scott—And that is a safe assumption.

Senator KEMP—And there is no other court of appeal. This is actually quite important so I want to make sure that I am not misquoting you. But, if in the light of subsequent developments and in the light of some subsequent political issue the journalist decides that it is important to reveal the source, he, under these rules, is able to do it?

Mr Scott—No, this journalist is not able to do it.

Senator KEMP—The ABC is able to do it.

Mr Scott—The journalist needs to upwardly refer the matter. We could be in a circumstance where you might reveal something to a journalist, that journalist has no protection under the law, that journalist is dragged before a court, and a judicial court of this land insists that that journalist reveals the source. So what this says is under those circumstances that journalist might then come back to you and seek to make an arrangement with you. There are complexities. There is no protection for journalists on the confidentiality

of sources. You could have a court of this land that asks a journalist to reveal their sources. So what we have attempted to do here is say that there are very rare circumstances where this could be highly complex. Where those circumstances exist we create a structure for evaluating how the organisation deals with it. But the journalists themselves are not in a position to unilaterally take an off-the-record conversation—

Senator KEMP—Let us say these events had occurred when these rules were in and let us say everyone—

Mr Scott—Are you asking me to retrofit the facts again?

Senator KEMP—No. Let us say Senator Conroy says that in no way will he ever challenge Simon Crean's preselection and has a private off-the-record conversation with Brissenden.

Senator Conroy—Or how about, 'I'm behind the Ted Baillieu "You stand for nothing" website.'

Senator KEMP—Okay, something like that.

Senator Conroy—I won't reveal Rod told me that the other day!

Senator KEMP—But in the light of a subsequent development we find that that was not the case. Is the ABC journalist then able to refer such a story up the line to you or to whoever it is?

Mr Scott—I am saying what these—

Senator KEMP—All I can say is—and this is probably not the place to resolve this—I would have to say I think politicians in this place have always assumed that off the record is off the record. It is off the record forever—forever and a day. It seems to me that there may be a compromise of that principle. If there is, it is a very interesting story.

Mr Scott—Let me say that, no, I do not think it is a big story. What we have attempted to do, though, is recognise in those rare and exceptional circumstances where another factor might come into play, like a judge demanding the name of a source—

Senator KEMP—Yes.

Mr Scott—or, say, a matter to do with criminality or people being at risk of harm, there might be some other factors that come into play that need a review being done on weighing up the balance. These would be rare and exceptional circumstances and what we have done—

Senator KEMP—I accept that.

Mr Scott—What we have done for the first time is attempt to provide some guidance and a framework as to how the organisation would attempt to work through those issues. So we have a structure for where the decision making would need to lie, and what we can say for sure is: on an issue of that gravity, it would not lie with the journalist concerned or the program concerned.

Senator KEMP—I understand all of that.

Mr Scott—Then we make an undertaking to publicly explain any such decision that we made. But what we have identified through this work is that clarity around what 'on the

record', 'off the record', 'background' and 'being on background' mean is absolutely important. We have said that journalists need to operate in a management framework around the decision making around these things. This, I think, is an outstanding policy that has come through extensive consultation. I know it is being reviewed by these other major news organisations around the world as the basis for their work also.

Senator KEMP—Let me make sure that I am not misunderstanding this. An issue arises, a politician and an ABC journalist have a dinner together. It is off the record. Everyone understands that. In the light of subsequent developments a year and a half later the journalist then looks at his notes and recalls something that was very germane to a current issue. He then goes through the procedure that you have mentioned and in the end the decision is made that the politician's name can be mentioned, is that right?

Mr Scott—Senator, I would say what we are setting is a very high bar on that.

Senator KEMP—I understand that it is a very high bar. I understand all that, but in the end that process can override what the politician felt was off the record.

Mr Scott—As is the case—

Senator KEMP—I think you had better write a memo to all of those in Parliament House to explain what the new rules are.

Mr Scott—All I would say is that what we have done now is actually provide some clarity and some framework around an area where there has been some ambiguity.

Senator KEMP—I understand that.

Mr Scott—This policy is available for everyone to see. We have held consultations within the ABC with this. We had a session the other week which had Chris Masters, the executive director of *Four Corners*, speaking to it. I do not think I am verballing Chris to say—

Senator KEMP—I am not sure that gives me a huge amount of confidence. But anyway—

Mr Scott—Masters, I would say, has been the leading investigative reporter for *Four Corners* for a quarter of a century, with a remarkable number of off-the-record sources. This is actually codifying how Masters has operated over that period of time.

Senator KEMP—What you have done is actually very interesting and very important. Before, it may have been breached, but there was no ambiguity I think for most people in understanding that off the record was off the record.

Mr Scott—And it is, Senator.

Senator KEMP—Now it seems to me as a result of a procedure in the light of subsequent developments—I will not pursue it, because obviously this is going to be a matter—

Mr Scott—I am concerned though, Senator, that your implication is somehow that off the record is somewhat weaker under this. I do not think it is. Our first presumption—

Senator KEMP—Except that with a very high bar and except with an entirely understood procedure, this can in the end lead to the identifying of the individual. I accept all of your arguments that this is going to be a very high bar in some rare circumstances, but it is those

very rare circumstances which are the huge story of course. But anyway, to be quite frank, I think I would need to see it written to fully absorb it.

Mr Scott—Yes, I will send you a copy of it, Senator.

Senator KEMP—But I do think this is something which is going to be a matter of public debate. I would be surprised if it was not.

Mr Scott—It has been out now for several months and has not been—

Senator KEMP—No-one is worried about it? Oh well, okay.

Mr Scott—It has been discussed on *The Media Report*. It has had some significant coverage.

Senator BIRMINGHAM—Mr Scott, are you aware of correspondence between the chairman, Mr Newman, and Mr Peter Eddy of 6 August 2007 in relation to a complaint Mr Eddy has concerning the Red Symons program that aired on 774 ABC Melbourne on 25 November 2005?

Mr Scott—I am well aware of it, Senator.

Senator Conroy—What did he do?

Mr Scott—Let me say this: I can provide you with the full file if you have the time available to deal with it. We have been in correspondence with Mr Eddy for some years around this matter—three years now. We are aware of Mr Eddy's concerns and have corresponded with him at length for a period of three years. The chairman personally took an interest in the matter and has corresponded with Mr Eddy conveying his apologies for the way the corporation at first responded to Mr Eddy's concerns. But we understand that Mr Eddy, despite the apology of the chairman and the chairman's involvement in it, has still remained dissatisfied over the resolution of this issue that happened around his lost dog three years ago and we have advised him of the review mechanisms that are available to him that include the Commonwealth Ombudsman. But we do believe on this matter we have done all that we can do for Mr Eddy.

Senator BIRMINGHAM—The chairman said in his correspondence that he sought to have policies introduced which will prevent a recurrence of this event.

Mr Scott—Yes.

Senator BIRMINGHAM—What policies have been introduced in this regard?

Mr Scott—We are continuing to review the operations of our audience consumer affairs division over time. I think there were some issues around, as I recall, direct correspondence between the broadcast team and Mr Eddy not using Audience and Consumer Affairs processes at the time that were of concern. I think there were delays in responding to him in terms of appropriate deadlines. We are putting in place new deadlines to ensure closer adherence to the deadlines that are set out in Audience and Consumer Affairs. I think the chairman just did not feel that assiduous attention had been given at an early enough stage to Mr Eddy's complaints. I would say though that, certainly in the lead-up to that correspondence and since, this organisation has worked very hard to deal with Mr Eddy's concerns and to give him

satisfaction over his dissatisfaction of the broadcast some three years and subsequent follow-up events. But we do feel now that we have done all we can do for him.

Senator BIRMINGHAM—Minister, regarding Mr Eddy's complaints, in a letter of 19 November 2007 you indicated that you would raise his concerns with the ABC. Have you done so?

Senator Conroy—I think Mr Scott has outlined where it is up to. I will have to check with my office to see what the date of the correspondence was, but Mr Scott has outlined the ABC's position.

Senator BIRMINGHAM—Your correspondence was 19 November last year. If you could check as to whether you have raised the matters with the ABC subsequent to that correspondence with Mr Eddy, that would be appreciated.

Senator Conroy—I am happy to come back to you. I will take that on notice.

Senator BIRMINGHAM—Thank you, Minister. I have one other venue related question. What is the future of the old ABC studios on Adelaide Terrace in Perth?

Mr Scott—Those studios are up for sale. They are currently owned by the ABC but under a financing deal previously with the Commonwealth around digital television rollout. I think the first \$8 million of proceeds from the sale will go to the ABC; the rest of it is returned to the Commonwealth. We have an obligation to ensure that we maximise the return of the sale of an asset under guidelines set out by the Commonwealth. We wrote to the previous minister about this and were advised the usual sale procedure should take place. So now that building is up for sale, and of course the ABC itself moved some years ago from Adelaide Terrace to our new premises in East Perth.

Senator BIRMINGHAM—I return briefly to the Logies, if I may, as a quick segue. Has there been any reaction from the ABC in terms of Chris Lilley's performance at the actual Logies ceremony?

Mr Scott—Not that I am aware of, Senator.

Senator BIRMINGHAM—Are you aware of any complaints with regard to his performance, particularly the satirical approach he took to sending up people with disabilities and drug use?

Mr Scott—I am not aware of complaints that came into the ABC. The music, the characters, the performance of Chris Lilley at the Logies—a high point of the evening I think the audience would suggest—were a direct take out of his program *Summer Heights High*. So issues and concerns that were raised about the Logies are really a reflection or an amplification of the concerns that some audience members may have had around the nature of *Summer Heights High*. *Summer Heights High* was shown at 9.30 at night with appropriate audience warnings. We had some audience complaints, but as I am sure you are aware it was a remarkably successful and popular program.

Senator BIRMINGHAM—It certainly was. I have not seen the performance at the Logies. As you and the minister indicated, it is a long night when you are there and it is an even longer television program to watch. But I would be interested if you could ascertain if there have been any formal complaints that have been made.

Mr Scott—Of course, we did not broadcast it, so if there were complaints they probably went to the host broadcaster and not to the ABC. But the content was a direct lift of the performance that appeared in *Summer Heights High*.

Senator BIRMINGHAM—Thanks, Mr Scott.

Senator WORTLEY—Over the last couple of years I have asked questions at budget estimates regarding staffing levels of the ABC. Specifically what I am interested in today is on-the-road reporters in metropolitan and regional centres. I am just wondering what arrangements are in place for ABC staff—either journalists or camera crews—to access file footage and/or notes from journalists and camera crews in the commercial media. I am specifically talking about when, through a shortage or unavailability of journalists, they then contact local media and access information or file footage that is then used by the ABC.

Mr Scott—I think there has been a long history of pooling film footage around fairly generic press conferences and the like—and I think it happens here in this building as well—where a crew will take footage of a press conference and then make that footage available to everyone else. Pooling is really quite a common phenomenon I think in newsrooms across the country. I am not aware of increased levels of it, but is that what you are referring to?

Senator WORTLEY—In relation to journalists accessing notes from reporters—

Mr Scott—No, I am not sure about journalists accessing notes.

Senator WORTLEY—Because if a journalist does not make it to a particular press conference—

Mr Scott—That is true. I am not sure of formal arrangements on that. Amongst journalists there is often a collegiate sharing if someone missed something or missed the beginning of a press conference allowing them to catch up. It is a competitive environment, but it is also a collegiate environment.

Senator WORTLEY—I am talking specifically, Mr Scott, about understaffing and therefore people not being able to get to a particular press conference or a particular incident that occurs in a metropolitan or regional area.

Mr Scott—There have been no effective changes to current levels in our newsroom over recent times. There has been no reduction in staff.

Senator WORTLEY—So in your view there is not an increased practice of accessing commercial media?

Mr Scott—Not that I am aware of. You may have mentioned this to me once in passing or may have mentioned it to one of our people, but no-one else has mentioned this to me, I must say. There are issues. Many of our journalists are bimedia. Some of them are trimedia. They are fighting for online; they are fighting for radio; they are fighting for television. But there has been no significant reduction in our newsroom staffing that I am aware of that would give rise to a fundamental change in the working practices in the way you have outlined.

Senator WORTLEY—Do you survey your staff or question staff as to practices in the newsroom—if they feel that they are adequately staffed and how things are going? Is there a

possibility that we could actually get access to information as to whether there has been an increase?

Mr Scott—We do not have a staff survey per se at this point, even though it is something that we do consider. Staff do have opportunities to provide feedback on the newsroom and the operations as part of their regular performance review. The performance review is meant to provide staff with an opportunity of feedback and discussion.

Senator WORTLEY—Mr Scott, people are often very careful of what they say in performance reviews.

Mr Scott—I would say to you that the newsrooms that I visit always seem to be fairly frank and free spirited. Nobody seems to hold back when they see me coming in from providing advice and guidance on the things that they feel we could do to improve the organisation. My reading of it would be our journalists have lots to do and, yes, they are busy and in this increasingly cross-platform world there is lots of work they want to do and lots of work we need for them to do. I am not aware of there being, say, staff shortages that have triggered a fundamental change in our working relationships with our competitors.

Senator WORTLEY—I would be talking about prior even perhaps to you going there; an increase since that time.

Mr Scott—Okay. I am not aware of anything.

Senator WORTLEY—Are you able to look into that and get back to us on that?

Mr Scott—We will come back to you on that and take the question on notice.

Senator WORTLEY—Specifically accessing file footage and/or interview information from commercial stations.

Mr Scott—Okay, we will see what we can find out. Thank you, Senator.

CHAIR—Are there any further questions for the ABC?

Senator KEMP—The blog site Unleashed—would you like to tell us a little bit about that blog site, the sort of controversies that it is generating and your reflections on it?

Senator Conroy—Have they generated as much copy as the website What do you stand for? That website has received huge coverage in Victoria.

Mr Scott—Yes. We started Unleashed in October 2007. I think it has been a good contributor to the ABC's provision of services. What we said we wanted to do was create virtually our own online version of the opinion page of newspapers, but take that further to have a full range of voices, a full range of views and allow opportunities for the audience to have feedback. So we have had 450 stories since October, 180 different authors, 40,000 public comments posted.

Senator KEMP—Are the authors chosen by the ABC or—

Mr Scott—Yes, they would be chosen by the ABC. You get a full range across the political spectrum. It is quite a significant array of writers on a full range of views. I think it more reflects the internet space, the blog space if you like, rather than our news provision. I suspect

that there are stories and issues that get a run on Unleashed that are very comfortable in that blogging environment but, say, we do not run on the *7.30 Report*.

Senator KEMP—If, for example, Senator Conroy submitted a story for Unleashed and you judged it to be of poor quality, salacious and whatever, would you say no to that?

Mr Scott—Yes.

Senator KEMP—So there is an editorial—

Mr Scott—There is an editing process, yes.

Senator KEMP—There is a vetting process?

Mr Scott—There is a vetting process.

Senator KEMP—So all of the material which has appeared on there has been given the ABC tick of approval. I do not say you agree with it.

Mr Scott—No, the ABC has no point of view, as I have told you in the past.

Senator KEMP—Yes, I have noted that.

Mr Scott—I think a decision has been made in the editorial side that looks after Unleashed that that item can be put up there for public comment and debate. That is not to say that we are flawless on every occasion about this. This is a new space for the ABC. I think the blogosphere is new for lots of traditional media outlets. We are still working out how we deal with the whole environment of user generated content.

Senator KEMP—What guidelines would you have for something? You know the one I am referring to, particularly.

Mr Scott—I would be interested specifically in which one—

Senator KEMP—Have a guess.

Mr Scott—There are 450 stories.

Senator KEMP—I think you know exactly the one I am referring to.

Mr Scott—Just a few more details would be useful at this point, Senator.

Senator KEMP—It starts with ‘E’.

Mr Scott—That one, yes. Bob Ellis.

Senator KEMP—Yes, congratulations.

Mr Scott—Thank you.

Senator KEMP—Do not frown, Stephen, or shake your head.

Mr Scott—Bob Ellis has written for the opinion pages of Fairfax, I think News Limited, has appeared on the ABC, has published books, has made films, has written scripts and is well broadcast.

Senator KEMP—That is right.

Mr Scott—My understanding, although I need to check on this, is that some submissions he has made for Unleashed have been put up but not all submissions he has made for Unleashed have been put up. That is my recollection, although I may need to be checked.

Senator KEMP—It is an interesting issue when the editorial discretion is exercised, is it not? Do you feel in relation to the blog site on Hillary Clinton that that was appropriate for the ABC website, on reflection?

Mr Scott—A personal view was that I did not think all of it was tasteful and I understand why it generated the furious response that it generated. Unleashed will have statements put up that our audience absolutely disagrees with and some might disagree in terms of language or in terms of tone or in terms of the thrust of the argument. The advantage of the Unleashed site compared to a lot of other broadcasting, and certainly compared to a lot of other opinion pages, is that we immediately open up that piece for comment. If you read through the commentary on the Bob Ellis piece on Hillary Clinton, the thoughts and the views of our audience around elements of his piece were very widely known and absolutely transparent. I think that is a pretty good way for the media to operate.

Senator KEMP—Yes, it is in a sense; however, it was a very demeaning article. It demeaned her.

Mr Scott—I understand that view.

Senator KEMP—I should just say that I am not part of the Clinton fan club. In fact, it is quite the reverse. To be quite frank, for a national broadcaster, I do not think that was a political argument.

Mr Scott—I understand that view, but the thing that pleases me is that view was shared by many in our audience and our audience made that view absolutely clear and it was immediately clear once the site went up. In all these things we are working and reviewing as we go along. With 20/20 hindsight I am not saying that every one of those 450 stories would have gone up, but I think we have good processes in place and certainly our audience's voice and view can be heard on these matters.

Senator KEMP—But, at the end of the day, I will not pursue this. A political judgement has to be made—

Mr Scott—I understand.

Senator KEMP—as to what is worth publishing and what is not, and it is something that the ABC has to do. Another one that has been brought to my attention is the Fenton Unleashed one. It is one of those so-called 'truthers', as he believes that the World Trade Centre was an inside job.

Mr Scott—If you looked last week we ran three pieces around September 11. That piece reflects absolutely the heated activity in the online space around some conspiracy theories around September 11. We have run another piece saying why the arguments made in that piece are emphatically and demonstrably untrue and we have run another piece on the nature of conspiracy theories so the debate is run. We do monitor it. We actually shut down the chat room around that first one because we were moderating it. We are learning as we go along on

the Unleashed site. I do think all in all it has been a strong asset to the ABC to have it up there.

Senator KEMP—How do you measure its success—the number of hits?

Mr Scott—No, by a number of things. I think you do measure the extent that the audience gets engaged in it and are willing to respond. I also think it provides us with a platform that allows a full range of views to be heard. There is a place in the ABC's editorial policies for opinion. It is one of our categories. Our news programs cannot have opinion in them. To create a space where there can be robust debate and argument, we think that has been a positive and we think it is a positive given also the calibre of people who are willing to write for it and the level of response. The day of the stolen generation apology here we had 1,000 responses. I think Peter Jensen, the Archbishop of Sydney, wrote a piece for us around Christmas. We had 500 or 600 responses to that. We are generating significant response and engagement—a good calibre of people are writing for it and we are happy with the site.

Senator KEMP—Okay. Can I now deal with another issue, the Palestinian drug use and David Hardaker. Where are we at with that issue?

Mr Scott—The ABC did uphold a complaint around that November 2007 broadcast. We found that the report contained three factual inaccuracies and did not meet the editorial requirements of balance. So we do review these things and find these things. We added an editor's note to the transcript and I believe we did do a correction on air around that matter linked to the *AM* program where it was broadcast.

Senator KEMP—I think the journalist has left the ABC now.

Mr Scott—That is true. He now works for al-Jazeera.

Senator KEMP—Did he leave because of that particular incident?

Mr Scott—No, he left on personal grounds.

Senator KEMP—In relation to this incident, was he counselled? What did you do in relation to that?

Mr Scott—He was overseas—I am not 100 per cent sure on the chronology but I think he left earlier this year. It did take a long time for us to resolve this matter—too long—and partly this was due to Hardaker being on leave, moving office and then leaving the ABC. So I think Mr Hardaker is aware of the Audience and Consumer Affairs finding. We did run an on-air correction on the local radio *AM*, which is where the original story was broadcast, and we have run an editor's note to the transcript, which is now found when people search for this online.

Senator KEMP—But has he responded at all to these findings by the ABC?

Mr Scott—Mr Hardaker? I am not aware of that, no.

Senator KEMP—He has not responded. There was apparently an issue regarding his driver, is that correct?

Mr Scott—He has made some complaints about an employee in the ABC's Jerusalem bureau. We have run an initial investigation on that and now we are running a subsequent and further detailed investigation.

Senator KEMP—When would you expect that to be completed?

Mr Scott—I think that is taking place at the moment. I would expect that within coming weeks. We take allegations seriously but we also believe due process needs to be followed on those matters.

Senator KEMP—The antisiphoning I suppose comes in the next one, does it? It would not come in this one? Is that right, Minister? I hate to drag you away from your website.

Senator Conroy—It is probably not ABC specific, unless you wanted to refer to something that the ABC wanted to do.

Senator KEMP—No.

Senator Conroy—So probably it is the case that we can release the ABC.

Senator KEMP—Yes.

CHAIR—We can release them. Thank you very much for attending.

[5.04 pm]

Special Broadcasting Service Corporation

CHAIR—Next we will have SBS. I welcome officers from the Special Broadcasting Service. Are there any questions, Senators?

Senator BIRMINGHAM—Mr Brown and others, thank you for joining us today. Can I start firstly with an issue with regard to allegations of a peeping tom in the SBS Sydney headquarters. I understand that allegations have been made. The SBS was warned by a female employee two years ago that she heard someone in the roof of the women's change rooms in the SBS headquarters in Sydney and believed she was being watched. What actions were taken by SBS management at the time of this report?

Mr Brown—At the time it was reported?

Senator BIRMINGHAM—Yes.

Mr Brown—Therein lies the problem. It really was not reported up the command chain. So it had very little visibility. This came to light as a consequence of the police investigation into the security breach whereby somebody had taken photographs of female employees through the changing room ceiling. At the time this came to light a female employee alerted us to the fact that she had raised with our security an incident that she believed occurred two years ago. It subsequently emerged it took place last year. That matter was then investigated in the last two weeks. As to why this matter had not been elevated to an appropriate level or received an appropriate response, I think it is a slightly complex story but at the end of the day my view and the view of the people investigating it was that the response from SBS was inadequate; that it justified a higher referral, so that it did have greater visibility and would have commanded greater attention; and that it justified an inspection of the ceiling, which did not take place.

Consequently, a number of recommendations have been made, all of which have been accepted and communicated to staff, including security measures to make sure that ceilings in those sensitive areas are solid ceilings and not ones with detachable tiles, that there is a clear

reporting procedure so that when something suspicious occurs employees know what to do and who to report it to, and that a process of logging that complaint and acting upon it in a resolute fashion is followed through.

Senator BIRMINGHAM—So this initial incident was reported to a security person at the time? Was it an SBS employee or a contracted employee?

Mr Brown—I believe the security firm is a contracted service, but the security personnel are regulars and are always the same people on duty—or this particular one, anyhow. I think it is important to know that when we first heard of this additional complaint the view was that it was probably contemporaneous with the police investigation into the complaint about an incident in 2006. It subsequently emerged that it took place in 2007—a year later than the one that the police had been investigating. That does not absolve anyone from taking it more seriously. There is absolute clarity on everybody involved in this that that should have been the case. It is impossible to be certain, but it does not look as though it was the same sort of offence as the police were investigating.

Senator BIRMINGHAM—Okay. So you became aware of this issue at senior levels of SBS management subsequent to becoming aware of the police investigation into another similar incident?

Mr Brown—No, it was a rather more serious incident in that it was demonstrated that the matter the police were investigating took place between February and July 2006 and involved somebody taking photographs through a hole or holes in the ceiling of a women's changing room and storing those images on his computer at home. At the time that we became aware of that from the police, in discussions with the security staff about that matter it was revealed that they had had a complaint at the same location a year after that offence. That complaint—the one that we concluded was not properly investigated, not the police investigation—involved a female employee hearing noises and seeing a light through the ceiling. It is important to understand that the ceiling that we are talking about is not a small crawl space; it is a substantial lofted area with walkways and permanent lighting because it is an area used for the inspection of air conditioning, power and other things. It would not be unreasonable to have somebody in the ceiling cavity. It is quite often used by tradespeople. But, clearly, the concerns expressed by the woman at the time deserved a fuller investigation.

Senator BIRMINGHAM—So senior management first became aware of both incidents at the same time when police advised you of the incident of the photographs and also advised you that they had become aware of the other unreported—or reported but reported only to security—incident?

Mr Brown—No. Let me get the sequence absolutely clear for you. On 24 April, the day before Anzac Day, the Australian Federal Police arrived at our premises, having that day seen images on somebody's computer which they suspected had been taken through the ceiling of a changing room at SBS. They inspected the changing room and were able to identify the changing room from those prints and determined that, yes, it was the scene of the offence. That all took place in the space of a day. It subsequently emerged from discussions in the following days, in my discussions and management's discussions with security at SBS, that another incident had taken place at around that time, we thought. It subsequently transpired

that that incident occurred a year later, but at that time we thought that it, too, was a 2006 incident. So, simultaneously with the police investigation into the offence, we had an internal investigation into our handling of a complaint by the woman concerned.

Senator BIRMINGHAM—So 24 April this year is when you first became aware of either incident at the senior management level?

Mr Brown—Yes.

Senator BIRMINGHAM—When were staff alerted to these incidents?

Mr Brown—Staff were alerted about 10 days later, on the Monday, at the request of police. At that stage they asked us not to reveal that this incident had taken place because they did not want to alert their then suspect as to the fact that this had been discovered. Neither would they reveal the identity of their suspect to us. We had hoped to tell staff a little earlier than that, but we were not able to. However, in the meantime, we made sure that the changing room in question was regularly inspected and was secure, and eventually, to be absolutely certain of it, we closed it down.

Senator BIRMINGHAM—And you have now taken the policy step that all change rooms are to have solid ceilings.

Mr Brown—And that changing room, the one that has been affected, has now got a temporary solid ceiling in place.

Senator BIRMINGHAM—Have charges been laid in relation to this incident?

Mr Brown—No. The police advise us that they do not intend to place a prosecution. Having completed their inquiries, they advised us of that about a week or a week and a half ago, and we have passed that information on to staff as well. The file is still open but, based upon the legal advice that there is a statute of limitations applying to the summary offences involved, they will not be proceeding with this.

Senator BIRMINGHAM—It surprises me that the statute of limitations is that short in that instance but, obviously, that is not a matter for you or I necessarily, Mr Brown. What assistance or support has been provided, if necessary, to the staff member involved in the photograph incident and, indeed, the other staff member?

Mr Brown—We do not know the identity of the two or three women who are the victims of this particular offence—that is, the one that the police investigated. I say two or three women because that is the police advice from looking at the photographs. The photographs are pretty indistinct, but they concluded that probably two or three females were featured in them. Because of the inability to specifically identify them, we are not able to specifically support them. So, instead, we introduced a wide range of support for all female employees at SBS, particularly those who could recall that in 2006 they may or may not have used these changing rooms. We initiated that at the time of informing staff on the Monday in question. We did that with a series of simultaneous meetings throughout the building with female employees being briefed by female managers with female counsellors present at every meeting, so that there was an immediate connection between those who felt that they may have been the victims of this and the support. That has been ongoing and is to this day. The individual who then was the subject of our own internal inquiry or whose complaint triggered

the inquiry has also received counselling support and other support. My understanding is, to the best of my knowledge, that she and the other female employees are satisfied with the efforts made by SBS to give support in this case.

Senator BIRMINGHAM—So the feedback from staff in terms of the action taken by management is positive? Your staff believe you acted swiftly enough and are happy with the steps that have been taken to protect their privacy from here on in?

Mr Brown—Yes, I would have to say that the feedback from staff has been very understanding. I think they appreciated the fact that SBS did take this very seriously as soon as it became aware of it and has taken every reasonable step to ensure that no such thing can ever happen again. When we have developed a clearer set of processes for the reporting and lodging of complaints and for other security aspects, we have undertaken to take that to an OS&H committee which comprises staff and management representatives so that there can be across-the-board approval of and satisfaction with the steps that are finally taken.

Senator BIRMINGHAM—With regard to the person of interest to police, is that person known by you to be an SBS employee or are you unaware of their identity in that regard?

Mr Brown—No, the police advised me of the identity of their suspect on the day that we briefed staff. So it became the trigger. Once we knew and he knew that we knew, that is when we told staff. At the same time we suspended that employee. He is no longer an employee of SBS and has no reason to return to the premises on any occasion.

Senator BIRMINGHAM—Thanks, Mr Brown. I will shift to other matters. How is SBS progressing in relation to its aim to increase local content?

Mr Brown—We are very much on track for the increase that we have budgeted for. I think we have made no secret over the years that SBS seeks to lift local content levels considerably—probably in the region of doubling what we currently do. But at the same time just in the last year we have had an unprecedented level of Australian drama on air. There have been some significant documentaries and documentary series like *Who Do You Think You Are?* For the first time in SBS history we are able to renew two drama series—*East West 101* and *The Circuit*—as well as commission an entirely new drama. We have also been able to renew, again for the first time ever, the substantial documentary series *Who Do You Think You Are?* Then later this year we will broadcast our landmark series on the history of Indigenous Australia, *First Australians*. So I think these are significant events underpinned by an uplift in volume of local content, but we are not satisfied that we have gone far enough.

Senator BIRMINGHAM—There has been some criticism recently of the programming approach taken by SBS, not so much specifically related to local content but related to the increasing proportion of programs that are English language programs appearing on SBS. Is that criticism factual? Is there an increasing proportion of English language programs airing? If so, how does SBS justify that shift?

Mr Brown—I do not believe there is any significant criticism. From time to time there are comments made by various individuals. Frankly, that has been the case for as long as I have been at the SBS—that things have changed. The facts are that under our own codes—the codes that we identify and establish—we set a benchmark of approximately a 50-50 split between English language and languages other than English on the main channel. It is my

experience that that is usually met and will be met this year—48-52 or 50-50, somewhere around there. It has also been raised, I think at the last Senate estimates committee meeting, that the 50-50 split is not achieved in prime time. It never has been and it was probably never intended to be. That runs probably more in the region of one-third to two-thirds. I think that is perfectly understandable. Prime time is the home of our news and current affairs stable and they are always in the common language, so obviously that tends to skew the level of English language between 6 pm and midnight. On the other hand, we have introduced a range of dramas in languages other than English which have been successful and will continue to identify content of that type to put into the prime time schedule.

Senator BIRMINGHAM—Has there been a shift in the balance in that prime time schedule?

Mr Brown—No, there has not been a shift. We looked back over the last two or three years. I think this question was asked previously in the context maybe of a commercial activity and whether that commercial activity was driving us towards a higher level of English. In fact, a year-on-year comparison shows we had slightly more in languages other than English last year than we had the year before, but generally it is a pretty consistent line.

Senator BIRMINGHAM—Has SBS done any work on possible mergers between SBS and the ABC in terms of production activities or operational activities?

Mr Brown—The issue of a merger between SBS and ABC has, I guess, hung over this organisation for the last 10 years or so, and it gets raised every now and then as a prospect. It is usually raised on the ground that there are operational efficiencies to be gained. This year, as a consequence of that debate, we took a position to say that SBS would support and encourage backroom collaboration, particularly in the areas of transmission and distribution, to see if there are ways in which that can be run collectively for the benefit of greater efficiency and therefore more money going into content. However, we remain absolutely of the view that such backroom collaboration should never silence the diverse voices of public broadcasting. There is a value in plurality of public broadcasting.

Senator BIRMINGHAM—Has the government asked you to undertake any specific work with regard to either those backroom cooperation activities or possibly a merger on a larger scale?

Mr Brown—No. I should say that the expression of how transmission and distribution might be an area for greater collaboration or even unified systems was one that was publicly taken to the 2020 Summit and, in the creative stream that I was on, was positively received. I should say as well that there is in existence a model for this because of digital radio where the digital radio transmission contracting is to be done through a single entity jointly owned by SBS and the ABC. So a model has been accomplished. What we have said is that that may be worth building on in the future, particularly when we approach analog switch-off and shut down the analog capacity, and maybe look for a more uniform and efficient method of transmitting and distributing those signals.

Senator BIRMINGHAM—In that area of distribution you see some possible savings and benefits for the organisation potentially, and that has been, I assume, discussed by the board in

terms of production and programming. There are no obvious benefits that the board has considered or indeed possible negatives the board has considered?

Mr Brown—The board has discussed the transmission and distribution issue and recognises that there may be advantages there. I think they have to be demonstrated. What we have said is that that is worth looking at. It is probably quite a long project. Contracts are already established for a number of years, but if one is to proceed with this the sooner one does the sooner you can start tackling contracts as they expire or as the additional rollout takes place.

With regard to production, you may not be aware that SBS is a major supporter of the independent production community and does no production in-house except for its news, current affairs and sport. So all of the content dollars in television outside of those production areas is given to the independent production community to make programs for SBS. We have never really considered the ABC as an independent production house. We do occasionally hire facilities like OB trucks and things like that in an open, competitive fashion.

Senator BIRMINGHAM—In relation to advertising over the next financial year, what is SBS's estimates in terms of potential advertising revenue? And how does that relate to the current financial year?

Mr Brown—I can tell you that the current financial year is on target. We are in the last six weeks now, so I cannot be entirely sure how it is going to end up, but at around \$47 million from television airtime gross advertising revenue. Next year we would expect to be ahead of \$60 million, and possibly as much as \$65 million. I cannot be any more precise than that because the budget for the year has not yet been set and has not been approved by the board.

Senator BIRMINGHAM—Where is that growth primarily coming from?

Mr Brown—The decision to place ads in programs has had a positive effect in a number of areas. Obviously it has allowed us to charge a higher price for advertising, remembering the five minutes of advertising per hour is unchanged. More significantly, though, the model that previously existed where ads were chunked between programs meant that the only way we could persuade advertisers to place their ads on SBS was to offer them very significant discounts, and we have been able to substantially reduce that discounting. So we are getting a higher yield for the spots.

The other area is that we have had audience growth during this period and we are budgeting for further audience growth. While you cannot exactly connect all of these dots, the fact is that some of those programs that I have told you about are local programs. They are the beneficiary of commercial revenues, so being able to bring back successful programs is part of the story. And being able to promote programs to a larger audience in the middle of a show rather than at the end of a show is helpful as well.

Senator BIRMINGHAM—You have previously given commitments, and the corporation has previously given commitments, that advertising revenue would flow back into local drama in terms of budgeting intentions for the next financial year. Is it the case that these are planned to be new and additional dollars for local drama production or local content production?

Mr Brown—I do not think we have narrowed it to just drama—drama, documentary, news, current affairs and sport. Sport is clearly and always has been substantially funded by commercial revenue. Without commercial revenue, the rights to the World Cup in 2010 and 2014, which SBS has now secured exclusively, would not have been available. So I think commercial revenue has always played an important part, and in sport, in particular, it allows us to go into a territory that you can see the ABC cannot find any way of offsetting its costs through commercial revenue. So we maintain a fringe competitiveness in that market—not as substantial as the broadcasters who have 13 or 15 minutes of advertising per hour. We are not seeking that, but we are getting positive results from it. And, yes, all of the additional revenue goes into content on television.

Senator BIRMINGHAM—And there has been no reduction in terms of other revenue sources flowing into local content production? So the advertising revenue is not being used to offset any reduction or cuts elsewhere?

Mr Brown—No, the advertising revenue is an effective addition to the funds that flow in from government appropriation. Over the last five years SBS television has significantly reduced its overheads and restructured to cut more overhead costs out, and all of that is going into content as well. I should add that we should always factor into this online, because online increasingly makes a demand on our content dollars and we have to find ways of expanding that as well.

Senator BIRMINGHAM—Has SBS provided its legal advice, as has been discussed on previous occasions, to the minister about the validity of interprogram advertising on the network?

Mr Brown—I think I reported at the last committee meeting that that was the case.

Senator BIRMINGHAM—I am assuming by the fact that you are continuing to budget for an increase in advertising in the next financial year that there have been no indications from the minister that SBS should cease that advertising activity?

Mr Brown—We have had no directive of that type.

Senator BIRMINGHAM—Minister, does that mean that you have ended the fight against such advertising?

Senator Conroy—We have, as has been indicated, received I think a summary rather than the actual—

Mr Brown—A report of the legal advice.

Senator Conroy—Yes, a report of the legal advice and we are now considering that in the context of the SBS triennial funding round that is coming up.

Senator BIRMINGHAM—So you are not ruling out axing such advertising?

Senator Conroy—We will be considering issues around this in the broader context of the SBS triennial funding.

Senator BIRMINGHAM—I assume, however, given that the advertising is continuing that your concerns that it may have been a breach of the act or SBS's legal obligations were completely unwarranted?

Senator Conroy—The recently released budget funded all of Labor's election commitments. Those were our priorities. A whole range of issues—and you have already mentioned one of them, for instance the ABC kids channel—that were promised by your former government were not election commitments of the Labor Party. So our first opportunity to address a whole range of issues, including the issue you have raised on in-program advertising, will be considered as part of the overall budget triennial review. I am sure SBS has been working on it for a little while now that the budget is out of the way. So it will be considered in that overall context of the triennial budget funding round.

Senator BIRMINGHAM—Minister, you will recall in your time as a shadow minister in this portfolio being not only highly critical of this advertising but, in particular, suggesting that it breached the act in some way. Whilst I take your point that you may choose to provide SBS with additional dollars to offset the loss of any advertising revenue and that that is a budgetary matter for discussion in the triennial funding agreement, I am looking to get to the heart of the legal matter that you raised as shadow minister and to see whether you now accept that SBS's advice that they can legitimately place these ads is correct or not.

Senator Conroy—As I said, the SBS board have always argued that they believed that what they were doing was consistent with their legal advice. I can confirm that they still believe that they are acting in accordance with their legal advice. The issue of triennial funding is coming up so the first opportunity for us to address these issues is within the context of the review of SBS's triennial funding.

Senator BIRMINGHAM—Minister, in the additional estimates earlier this year I think your words were that you were considering the legal advice. You have received a summary of that or a report of that—I am not sure of the words you used—but you have seen it. You have had several months to consider it. It is not in itself a budgetary matter; it is a matter of the legal implications—

Senator Conroy—As I say, I can confirm to you that the SBS legal advice is consistent with what Mr Brown has stated here and anywhere else he has been asked about it. They believe that legally they are able to do it.

Senator BIRMINGHAM—Minister, are you satisfied with that legal advice or have you asked your department to seek alternative legal advice?

Senator Conroy—The only opportunity to test that ultimately is in a court. I am trusting you are not suggesting that the Commonwealth should spend taxpayers' dollars taking SBS to court to test the validity of their legal advice.

Senator BIRMINGHAM—I am not suggesting that, but you were clearly not satisfied with the word of the SBS board as shadow minister that the legal advice was satisfactory. Having reviewed it yourself now are you satisfied that it is satisfactory?

Senator Conroy—I repeat that the SBS board believe that they are acting consistent with their obligations. Their legal advice is consistent with that and the first opportunity for us to review these matters is now the triennial funding round. But as to the issue of whether or not the SBS legal advice is contestable, ultimately you can find many opportunities to have an argument about this. But short of taking it to court to test it, which is not something I think

even you are suggesting, the first opportunity to address this matter now is in the SBS triennial funding review, which is where we are now considering this matter.

Senator BIRMINGHAM—I am sure the SBS board has always been satisfied that its legal advice was correct.

Senator Conroy—I can confirm to you they are still satisfied.

Senator BIRMINGHAM—I am pleased to hear they are still satisfied. My concern is that you previously were dissatisfied. Are you now satisfied that that advice is correct?

Senator Conroy—They have provided me with a summary of their advice. They believe they are acting on legal advice within the law, and that is their position. We are now looking at this within the triennial funding review. So that is the context in which we are now dealing with this matter.

Senator BIRMINGHAM—Have you asked your department to review that legal advice?

Senator Conroy—Are you suggesting that we should go external and spend taxpayers' dollars getting an opinion from different lawyers?

Senator BIRMINGHAM—I am suggesting that you had grave concerns about this but seven months or so ago and I am wondering what action you have actually taken to see whether your grave concerns—

Senator Conroy—We have now received a summary of the SBS legal advice. As I said to you—

Senator BIRMINGHAM—And you are not willing to say whether or not you are satisfied by that summary.

Senator Conroy—Your government did not have a practice of revealing legal advice. It did not have a practice of revealing summaries of the legal advice, and it did not have a practice of—

Senator PARRY—Are you satisfied?

Senator Conroy—I am satisfied that the SBS board believe they are acting in accordance with the law and their legal advice.

Senator BIRMINGHAM—Are you as the minister satisfied that SBS is acting in accordance with the law and their obligations?

Senator Conroy—I can confirm to you that their legal advice provides in their view—the board's view—sufficient strength to proceed down the path that they have proceeded down. To address this matter next, we would have to consider it within the SBS funding triennium, and that is the context with which we will be considering the policy matters into the future.

Senator BIRMINGHAM—Minister, you are going to great pains here. It is an easy way out for you today. You can simply say, 'Yes, I accept that it is legal and lawful for SBS to have this advertising, but we reserve the right to buy SBS off and get the advertising taken off air in the triennial funding agreement.' You can reserve that right in the triennial funding agreement, as you say, and you can resolve it there. What we are trying to resolve here is the fact that there is a gulf that exists between the comments on the record as shadow minister that you are

not willing to overturn those comments and the comments the SBS board have in terms of the legal advice that satisfies them. It has always quite clearly satisfied the SBS board. Does it satisfy you now or have you sought some—

Senator Conroy—We requested from the SBS board their legal advice. They have given us a summary and I can confirm to you that the SBS board believe they are acting consistent with their legal advice and consistent with their obligations. For this matter to proceed anywhere else it will have to be considered within the triennial review and that will be a policy discussion we have with SBS as part of that triennial review. I am not, as I would not—and I think I said this earlier—going to engage in ongoing speculation about what I think is appropriate to be within the triennial funding review for the ABC and I am not going to engage in speculation about what is appropriate and should be included in the SBS triennial funding review.

Senator BIRMINGHAM—And I understand that you will not—regrettable from my perspective, but I understand entirely why you will not—engage in that speculation but I can only take it from your position today that, whilst not willing to actually utter the words, you accept SBS's legal advice in relation to its ability to place those adverts in between its programs, that the lack of action on your part and the fact that you do not indicate that you have had your department review that advice, you have not had the Attorney- General's department review that advice, you have read it, you have ticked it off and you thought, 'I am not going to pursue this matter any further' means that you do, in fact, accept that advice.

Senator Conroy—I accept that the SBS board believe they are acting within their legal advice and their view of their obligations. The matter now falls within a triennial funding review scope and that is my focus.

Senator BIRMINGHAM—Do you believe that your past comments with regard to the legality of this are correct?

Senator Conroy—You would need to be quite specific about what comments you are referring to because I think you are possibly verballing me at some stage here, Senator Birmingham.

Senator BIRMINGHAM—That is impossible.

Senator Conroy—I am not for a moment suggesting that you are doing it in any way maliciously, but I have been quite specific about what I have said about this matter over a long period.

Senator BIRMINGHAM—And you certainly brought into question the legality of the placing of ads by SBS into programs. You agreed with that, Minister? Yes? Is that correct?

Senator Conroy—You need to get Bruce's office to email you up exactly which comments you are now referring to because you cannot just make a sweeping statement like you have made and expect me to respond.

Senator BIRMINGHAM—Your continued actions as shadow minister calling for the release of the board's legal advice—

Senator Conroy—Yes.

Senator BIRMINGHAM—And then your actions as minister in seeking that legal advice from the board certainly—

Senator Conroy—They are different from what you have described or were intimating previously.

Senator BIRMINGHAM—suggest a level of dissatisfaction. Your failure to act would state that you are now satisfied personally by the advice.

Senator Conroy—I have now received a summary of the report and I can confirm to you that the SBS board believe that they are acting in accordance with their legal advice and their obligations. We are now considering the matter within the context of the triennial funding review so that the national broadcasters can operate with confidence and plan for their futures.

Senator PARRY—So you have no opinion?

Senator Conroy—I have read the opinion, or the summary of the opinion—

Senator PARRY—But you do not have one of your own as minister?

Senator Conroy—Of the SBS board and its legal advice and—

Senator PARRY—So you are just accepting blindly what the SBS board says and not exercising ministerial jurisdiction?

Senator Conroy—I have read the advice or the summary of the advice and I am now considering the matter within the context of the SBS triennial review.

Senator BIRMINGHAM—Are you considering any amendments to the governing legislation to tighten up this matter?

Senator Conroy—That is not something that I have considered at this stage but I appreciate your contribution and I will get some advice on that.

Senator BIRMINGHAM—Obviously, with your uncertainty as to whether you are satisfied or dissatisfied it may be useful to have clarity in the act and then nobody need seek legal advice at any expense in the future.

Senator Conroy—Look, now you are attempting to verbal me again, Senator Birmingham, which you are perfectly entitled to do. It does not mean I am going to respond to your attempts to put words in my mouth.

Senator BIRMINGHAM—Do you personally support the continuation of in-program advertising?

Senator Conroy—Look, personal likes and dislikes, as you would understand when you are in a cabinet or a ministry, revolve around support for policy. I am in a position where I am considering this matter as part of a review and I am not going to start expressing my likes and dislikes given the new role that I have. You have some luxury when you are in opposition, as you are able to, on one day run a Telstra line over a national broadcasting network bill and then the next day you run the Optus line. You do not have to worry about them being consistent. Normally, you would wait until the next day. You have managed to put both arguments in the same day in the same speech.

Senator BIRMINGHAM—You can certainly represent a plurality of views in this place.

Senator Conroy—You certainly have been representing a plurality of views, even when they are mutually inconsistent. But you have represented them well, can I say, Senator Birmingham. So likes and dislikes—

Senator BIRMINGHAM—Even backhanded compliments are welcome in opposition.

Senator Conroy—The minister's likes and dislikes are not really relevant to the policy-making role that they seek to discharge.

Senator BIRMINGHAM—Clearly, we are not going to extract a clear-cut opinion from you on this, Minister, so we shall look forward to the triennial funding agreement—

Senator PARRY—We shall.

Senator BIRMINGHAM—or the amendments to the relevant legislation.

Senator Conroy—I still have the Prime Minister's quotes, Senator Parry, if you would like me to read them out to you—any time, just ask.

Senator BIRMINGHAM—We all have the quote etched on our minds from the last time. That is why we are making good time today, I am sure, compared to last time. We have not heard—

Senator Conroy—You have not even heard it once. Any time, Senator Parry, you need your memory refreshed, it is right here.

Senator PARRY—Do not worry, at about five to 11 I might just ask you for a recitation.

Senator BIRMINGHAM—Mr Brown, is there any continuing fallout or unrest in news and current affairs as a result of the departure of long-time news presenter Mary Kostakidis?

Mr Brown—No.

Senator BIRMINGHAM—Has there been public feedback to SBS in relation to her departure?

Mr Brown—Mary left in August last year. So while there was a fair amount of comment at the time and it was a rather protracted process, there has been no comment in the intervening months.

Senator BIRMINGHAM—And in terms of the staff working on the world news and in those areas, there are no ongoing issues as a result of concerns that were aired publicly surrounding Ms Kostakidis's departure?

Mr Brown—No, I think to the contrary. I think the newsroom is enjoying a more stable environment away from that sense of controversy.

Senator BIRMINGHAM—Is the format for *World News Australia* at one hour being well received? Is that having an impact on advertising, on viewer numbers or the like?

Mr Brown—I could not tell you what the impact was on advertising. That was not an objective of that move. In terms of audience, the audiences are, as we speak, very much lineball with what they were last year. We still have aspirations that we can grow this audience. I think when you introduce a new format, particularly one that requires a stronger audience engagement, it will take time to build that. But across both our news programs

audience numbers are up. So we are satisfied with that and we will continue to build on that very strong base.

Senator BIRMINGHAM—In the additional estimates hearings I asked some questions about the monitoring of quality, content and appropriateness of SBS radio programs. You took us through a regime of random testing that was being introduced. Can you update us on where that testing regime is at, please?

Mr Brown—I would have to take that on notice. I can tell you that more random assessments have taken place in recent weeks, and I understand that there are more evaluations scheduled. I think I have made the point that we acknowledge that it is not at a very high level. The costs are reasonably prohibitive to take it to that level. But we are trying to increase the scale of that. It will be an important part of next year's budget, which we are in the process of determining. It is not solely a random checking process as much as being an evaluation system to allow us to give advice and support to the broadcasters to help them improve performance.

Senator BIRMINGHAM—Have there been any problems identified from those assessments undertaken to date?

Mr Brown—No, not that I can recall—not of any significance. I am sure that in any evaluation process advice has been given on how to improve things, but nothing of any significance has been brought to my attention.

Senator BIRMINGHAM—Are you able to provide us with the details of how many have been undertaken to date, how many are budgeted for for the remainder of this financial year, which language groups they may be in and any issues that may have arisen with regard to that, please?

Mr Brown—Yes, we can do that.

Senator BIRMINGHAM—Is the targeting of those assessments or the determination of the selection of those assessments based on complaints or viewer feedback in any way? How do you select which language programs or which programs to conduct assessments on?

Mr Brown—I do not believe it is linked in any way to complaints received. When we do receive a complaint about a particular program it is translated anyhow. So in a way that becomes a de facto evaluation process in any case. Let me deal with that on notice as well. Let me find the criteria that we use specifically to select the programs that we have done up to date. But there is a degree of randomness about it deliberately.

Senator BIRMINGHAM—Thank you, Mr Brown.

CHAIR—If there are no further questions for SBS, we thank you very much for attending.

Proceedings suspended from 5.53 pm to 7.00 pm

Australian Communications and Media Authority

CHAIR—I welcome the officers from the Australian Communications and Media Authority. Thank you for joining us tonight. Are there any questions of ACMA?

Senator BIRMINGHAM—Minister, I just have a point I want clarified. Obviously, in relation to the closure of the CDMA network, ACMA was involved in the initial area of

assessment and so on. Should my CDMA questions be dealt with by the ACMA officers at the table?

Senator Conroy—It depends on which aspect of the CDMA closure. The majority would be for the department. If there are questions around the footprint or their ACMA report, then fire them in, but, if you wanted to go to the more general questions, I would say wait for the department. They would appreciate the opportunity.

Senator BIRMINGHAM—Sure.

Senator Conroy—Anything that you think is specifically related to ACMA, go for it now. If you want to jump into some stuff because it directly comes out of that, then you should.

Senator BIRMINGHAM—Yes, no worries. We will come back to CDMA, I am sure. There will be some for ACMA and some directed elsewhere, and I have no doubt there will be plenty to be dealt with. I want to start with the black-listing of websites and ACMA's work in that regard. In February, I understand the ACMA black list contained around 800 illegal gambling websites—is that correct?

Ms O'Loughlin—It had about 800 black-listed sites. They were not necessarily all gambling. They were illegal content.

Senator BIRMINGHAM—There were 800 illegal content in total?

Ms O'Loughlin—URLs, yes.

Senator BIRMINGHAM—800 hundred illegal URLs in total. Are you able to break that number down in to sites that may be related to gambling versus other illegal content?

Ms O'Loughlin—I do not have that material with me and I would have to have a look at whether we can do that. I would expect that we can, given that it is complaint based, so they are things that have come to us and that we have found to be illegal. I could take that on notice.

Senator BIRMINGHAM—If you could, that would be helpful. Is ACMA playing a role in the testing of the cybersafety initiatives that have been taking place in Tasmania?

Ms O'Loughlin—We are conducting an ISP filter trial in Tasmania at the moment.

Senator BIRMINGHAM—That is ACMA?

Ms O'Loughlin—Yes.

Senator BIRMINGHAM—Can you give us an update on progress with that testing, please?

Ms O'Loughlin—Yes. That is on track. We are to deliver that to the minister by 30 June this year and it is on track to deliver on that date.

Senator BIRMINGHAM—How many URLs are contained in that ISP filtering test that you are doing at present?

Ms O'Loughlin—It is quite a complex and different sort of testing environment. It is a mixture of testing both URLs and what is called dynamic filtering, which is not based on a black list of just URLs. It is testing whether or not filters can pick up things that dynamically it identifies on the web in terms of content rather than just URLs.

Senator BIRMINGHAM—So it is not URL based at all; it is the entire test?

Ms O'Loughlin—There is some testing around URLs, but there is also different testing around different ways of filtering.

Senator BIRMINGHAM—So is it to be taken that there are simultaneous tests being undertaken of different options for how you would undertake ISP filtering?

Ms O'Loughlin—There are different ways that ISP filtering can be conducted and we are testing as many of those as we can.

Senator BIRMINGHAM—In terms of those that are URL based, is there a range of sites that are being listed for blockage in those attempts?

Ms O'Loughlin—At the very basic level, it needs to block the ACMA black list.

Senator BIRMINGHAM—Is there an upper level to that, if we take the 800 on the black list as a minimum?

Ms O'Loughlin—That would be a minimum.

Senator BIRMINGHAM—Yes. Is there an upper level that you are working on in that regard?

Ms O'Loughlin—I would have to take that on notice because the way that the filter trial is being undertaken, as I said, is not just around URLs. It is about a whole different range of testing different filters and the way that they dynamically, or through different URLs, actually block, so it is not an easy question to answer.

Senator BIRMINGHAM—In terms of the content based filters that you are using, what types of content are you attempting to block in those tests?

Ms O'Loughlin—I think it is fair to say that the direction itself and the way we are approaching the trial is to try and test a broad range of content; not only content that is illegal but also content that may be of concern to people. We are testing a broad range of different types of content.

Senator BIRMINGHAM—You are testing, obviously, the gambling sites, for example. You are testing the illegal sites relating to child porn and so on. Are you also testing a broader scope of pornography? Is that to be expected?

Ms O'Loughlin—A broader scope of content, yes.

Senator BIRMINGHAM—A broader scope of content across all of those types of genres of internet sites?

Ms O'Loughlin—Yes, things that might be of concern to people in accessing sites on the net, not necessarily just things that are prohibited under the current law.

Senator BIRMINGHAM—How many ISPs are involved in the test?

Ms O'Loughlin—I do not have that detail with me at the moment. It is really about testing ISP filters rather than ISPs' involvement.

Senator BIRMINGHAM—How is the test working, then, if it is not working through operational ISPs?

Ms O'Loughlin—It is a laboratory test.

Senator BIRMINGHAM—It is all in a lab setting?

Ms O'Loughlin—Yes, that is right.

Senator BIRMINGHAM—The time line you are expecting for reporting to the minister is the end of June—is that correct?

Ms O'Loughlin—Yes.

Senator BIRMINGHAM—Are there other tests planned, aside from the current ones in Tasmania or will all future work depend on the outcome of this program?

Ms O'Loughlin—That is a matter for the minister. I think the minister has indicated previously some potential for a live trial, but that would be a matter for the minister and the department.

Senator BIRMINGHAM—Minister, the potential for a live trial depends entirely, at this stage, on the outcome of this testing. Is that a fair assessment?

Senator Conroy—We are certainly planning on conducting live trials at the end of this laboratory test, yes.

Senator BIRMINGHAM—Sorry?

Senator Conroy—We are certainly intending to conduct a live test at the end of this trial process. That is the intent, absolutely.

Senator BIRMINGHAM—Before we get to a blanket introduction of ISP filtering, you are committed to—

Senator Conroy—No, we are committed to work with the sector to go through a process of laboratory trial and then a live trial after that. We have been working well with the IAA and a number of other organisations and they are giving us valuable input.

Senator BIRMINGHAM—Is the industry assisting in some manner with the current testing, being the laboratory testing, being undertaken in Tasmania?

Ms O'Loughlin—The industry has assisted by providing ISP filters to be tested.

Senator BIRMINGHAM—So the industry has identified the potential filtering mechanisms in conjunction with ACMA?

Ms O'Loughlin—The industry generally puts forward a range of different types of filters that we could test and we have chosen a number from those.

Senator BIRMINGHAM—Is industry involved in observing the trials?

Ms O'Loughlin—No. As it is a laboratory trial, it is not.

Senator BIRMINGHAM—Will the outcome of the trial be made public and made known to industry? I mean in terms of the findings more generally, not just whether it was successful or not.

Ms O'Loughlin—The findings will be provided to the minister under the direction.

Senator BIRMINGHAM—Minister, will it be your intention to make those findings available publicly?

Senator Conroy—We had not considered that. I will take that on notice.

Senator BIRMINGHAM—If you could. There is certainly an expectation though, I am sure, from industry to know if it is providing different types of filtering methodologies to understand which of those methodologies are more successful than others.

Senator Conroy—The purpose of the trial is to establish these things. I just have not considered that at this stage, but I am happy to take that on notice and get back to you.

Senator BIRMINGHAM—Thank you. Are a range of gambling sites being tested in this regard?

Ms O'Loughlin—I would have to take that on notice. As I said, there would be gambling sites on the black list, and that is certainly part of the trial. I do not have with me the detail of other matters.

Senator BIRMINGHAM—If you could, please. I might defer to my colleague Senator Macdonald, if he is hot to trot.

Senator IAN MACDONALD—Senator Conroy, how are we going on the A and B channels?

Senator Conroy—You have probably seen some commentary in the media recently. I have to confess, as you would well understand, you cannot always believe everything you read in the media, especially when they start commenting on their own reporting. It snowballs. My comments are fairly straightforward. We have taken a step back on the basis that, despite the promises that both you and I were made last year many times across these very tables about where we were at and that we were ready to go on the auctions, to my surprise I discovered that there were a range of technical issues and policy decisions that the previous government had failed to address and neither A nor B was anywhere near ready to go to auction. As you would know, we were assured that, if it were not for the intervening election, the auctions would have taken place.

Senator IAN MACDONALD—You and I have had a lot of fun with this over the years!

Senator Conroy—We have.

Senator IAN MACDONALD—But the difference is, Minister, you are now in charge.

Senator Conroy—I am.

Senator IAN MACDONALD—What are you doing about it?

Senator Conroy—As I say, I have taken a step back because, despite the claims by the former government, the technical issues had not been solved. We are taking advice from the sector, from ACMA and from my department about addressing those challenges. The future of community television is obviously a key policy decision: where it is sited; how we provide it; what you do to provide the necessary spectrum if you want genuine coverage of channel B in Sydney. The same applies in Queensland, north and south of Brisbane. There are genuine technical issues that need to be addressed.

Senator LUNDY—Wasn't there a report in late 2006 which laid out a time line or something?

Senator Conroy—There was and, despite all those promises by the previous government, upon discovering that—

Senator LUNDY—My recollection is that that had a time frame which had them going to auction—

Senator Conroy—Early in 2007, I think it was, from my recollection.

Senator LUNDY—Yes.

Senator Conroy—I am sure, Senator Macdonald, you would remember the same.

Senator IAN MACDONALD—Minister, you have been there six months now. What have you been doing for six months?

Senator LUNDY—Before you go into that, I want to know why the auctions did not go ahead. Tell me why they did not go ahead in October of 2007?

Senator IAN MACDONALD—Please feel free to interrupt my questioning! I never stand on ceremony.

Senator LUNDY—It is the same issue. I just want to get some detail about why it did not go ahead.

Senator IAN MACDONALD—I had not even started, Senator Lundy. I might have been getting around to it, but go ahead.

Senator Conroy—He was just softening me up!

Senator LUNDY—It was supposed to go ahead in—when was it, Senator Macdonald?—August 2007.

Senator IAN MACDONALD—We have all the experts here. Ask them.

Senator LUNDY—I will. Why didn't they go ahead?

Mr Chapman—In the same room at this time last year I indicated that there were a number of policy issues that were awaiting government consideration from the ACMA perspective. We had done as much work as we could to that point, and the subsequent ultimate timetables were dependent on the direction we got from government with respect to roll-out obligations, for example, on channel A; a digital pathway for community television; potential optimisation propositions for channel B. They are matters that are for the prerogative of government.

Senator LUNDY—Are you saying that you never got the answers to those questions from the previous government?

Mr Chapman—That is correct, yes.

Senator LUNDY—So it was their fault.

Senator IAN MACDONALD—We are not allowed to have the blame game, remember, Senator Lundy. You will be in trouble with Mr Rudd! No more blame games.

Senator LUNDY—I am just stating a fact.

Senator IAN MACDONALD—Mr Rudd will be onto you!

Senator LUNDY—In its report, ACMA stated a preference for an English style of auctions. Was that the advice given to the previous minister? Did you ever give any advice to the previous government about a reserve price for the spectrum, given your preference for that style of auction?

Mr Chapman—I cannot recall. I think the correct answer is that we did not, no, because I do not think we were specifically asked for advice on that.

Senator LUNDY—You were not asked for advice?

Mr Chapman—I do not think we were specifically asked for it.

Senator LUNDY—Were you told not to give that information?

Mr Chapman—No, we were not.

Senator LUNDY—You mentioned before some technical issues with optimisation of channel B. Can you go through what those are?

Senator IAN MACDONALD—Just before we get off the subject, Mr Chapman, the last time we spoke about this was not this time last year; it was about three months ago.

Mr Chapman—We probably did, but—

Senator IAN MACDONALD—Why didn't Senator Conroy know three months ago that these were not going ahead? Senator Conroy indicated three months ago that they were going ahead and he kindly offered—and actually met his commitment—to send staff around to brief me. The briefing did not include advice that it was all going to be put back.

Senator Conroy—That is probably a question for me rather than for Mr Chapman.

Senator IAN MACDONALD—It is to both of you. It was to Mr Chapman because he said we spoke about it a year ago, when it was really only a couple of months ago. You take it, Senator Conroy, and thank you for sending those people around to brief me. I found it very useful.

Senator Conroy—That was probably the most comprehensive briefing you have had in the last 12 months!

Senator IAN MACDONALD—It is a pity they did not tell me you were dragging the chain a fraction.

Senator Conroy—I would not describe wanting to ensure that taxpayers' money is not wasted or squandered as 'dragging the chain'. As we said, there are a number of technical issues and there are a number of policy decisions that we are working our way through. On top of that, we are also engaged in a spectrum review, and some of these issues intrude into the spectrum review. We are taking a step back because we want to look at this in an holistic sense, not as a bribe to the National Party. We are more interested in actually getting some good policy, not in what Barnaby thought was a good idea to get his vote.

Senator IAN MACDONALD—I will get around to the detail later—

Senator Conroy—You went cheap!

Senator IAN MACDONALD—but why weren't you aware of this in February? You had been in the seat for three months then. Surely, if there were problems, someone would have alerted you to them in that first three months.

Senator Conroy—I was aware of the issues long before Senate estimates, but, in terms of formulating my position on them, I had not reached a decision in February, I think it was.

Senator IAN MACDONALD—You are not suggesting you misled the Senate estimates committee in February, are you?

Senator Conroy—I am more suggesting you might be verballing what I said in February.

Senator IAN MACDONALD—Not at all.

Senator Conroy—I had made no decision whatsoever at that stage. We were examining the information that was available to us. Over the past few months, after more detailed examination, we have been looking at a range of options to try and solve this. We have not reached a final conclusion, but it is fair to say that we want to make sure we get this right. Some of the conditions that were imposed by the previous minister on the licences, if they had been auctioned, would probably have made even you blush.

Senator IAN MACDONALD—Let us get down to the specifics. What were those conditions that had been imposed which you now do not find acceptable?

Senator Conroy—No, it is not what I find acceptable; it is that the business case that is left after you impose these conditions makes the projects more marginal, as an example.

Senator IAN MACDONALD—Explain it to me, please.

Senator Conroy—The channel A transmitters—and this was never previously indicated publicly by the minister, and you will probably quickly understand why, because you generally had an interest in these issues—are to provide coverage to six per cent of the population within three years of allocation and to 80 per cent of the population within seven years. That is something that you promised to the National Party to get them to vote for your cross-media laws.

Senator IAN MACDONALD—No. I think you are confusing the channel A and channel B issue. This had nothing to do with my colleague to whom you refer.

Senator Conroy—These were the new services that were promised to the National Party. I know you did not get the same offers, but these were the bribes put in place to try and encourage Barnaby and the National Party to vote for the cross-media laws.

Senator IAN MACDONALD—Can I caution you, Minister. I think it is a different issue. I concede there were some things that were negotiated, but I do not think it was the A and B channels.

Senator Conroy—I do not think they told you the whole story, Senator Macdonald.

Senator IAN MACDONALD—I am delighted to learn now—either from you, Minister, as you are very technical on this, or if you would rather some of your more technical experts explain it to me, that would be acceptable—so that we can all understand the dilemmas that you are going through.

Senator Conroy—There is also the question, as I said to you, of freeing up the spectrum necessary to ensure that B had a sufficient market. I think you, along with me, sought this information at great length and found that it was like pulling teeth along the way.

Senator IAN MACDONALD—I am not doing much better at the moment, Minister, I can assure you.

Senator Conroy—The question of spectrum availability for channel B in Sydney is a challenge. It is not insurmountable, but it requires a number of other policy decisions to be made that the previous government did not make.

Senator IAN MACDONALD—Can you let me into the secret? What are all these things?

Senator Conroy—It is to do with the community television stations. One option is to move the community television stations to allow more spectrum, but then where are you moving them to? It is not a completely straightforward decision. The previous government, after 11½ years, had not made a decision about that, so perhaps you are being a little unkind—I know you have a charitable nature—in suggesting that after five months I should have been able to solve something that the previous government could not solve in 11½ years.

Senator IAN MACDONALD—I do not want to put the officials who are not part of the game in an embarrassing situation, but I do note, of course, that they advised the previous minister as they advise you; but it is all new to me that there are now problems.

Senator Conroy—I am glad you said that. You have now had a more thorough briefing from my office than you have had in many months.

Senator LUNDY—That says it all: ‘former minister kept in the dark’.

Senator IAN MACDONALD—The briefing did not suggest there were any real problems. It seems to be a later—

Senator Conroy—The briefing from my office or the briefing from Senator Coonan’s office?

Senator IAN MACDONALD—From your office.

Senator Conroy—Did you get a briefing from Senator Coonan’s office?

Senator IAN MACDONALD—I probably did, actually.

Senator LUNDY—I want to go back and ask what we knew about at that time. Can I ask ACMA if they got a ministerial direction from the previous minister with respect to the rollout conditions of channel A?

Mr Chapman—We did.

Senator LUNDY—What was that direction?

Mr Chapman—We got a rollout condition in about April 2007—I may be out by a month; the minister has already alluded to it—in the sense of a rollout with respect to 60 per cent of the population within three years of the allocation and 80 per cent of the population within seven years. That was a condition we received. It was never registered on the Federal Register of Legislative Instruments.

Senator Conroy—Did they not tell you, Macca?

Mr Chapman—As a consequence—

Senator IAN MACDONALD—You did not in February, Minister.

Senator LUNDY—Just let him finish.

Mr Chapman—It was not registered.

Senator IAN MACDONALD—Senator Conroy interjected and I am simply answering his interjection.

Senator LUNDY—Sorry, Mr Chapman.

Senator IAN MACDONALD—Maybe the previous minister did not tell me, but neither did Senator Conroy.

Senator LUNDY—You do not want to hear it, do you?

Senator Conroy—I just assumed you knew.

Senator LUNDY—Mr Chapman?

Mr Chapman—It was never registered on the Federal Register of Legislative Instruments and, as a consequence of that, it never took effect. We, the ACMA, have an obligation to put it on our website as and when it is registered on the federal register. As I said, that did not happen and for all intents and purposes that rollout obligation is not yet enforceable.

Senator LUNDY—Can you tell the committee what the effect of the rollout direction was on the time line for the channel A?

Senator IAN MACDONALD—Can we just go back a step. Just remind me what the channel A is.

Mr Chapman—Channel A is the utilisation of seven meg of spectrum for in-home digital reception.

Senator IAN MACDONALD—In-home digital?

Senator Conroy—Narrowcast.

Mr Chapman—In a narrowcast mode. It could be used for narrowcasting community television.

Senator IAN MACDONALD—Or something to do with mobile phones?

Mr Chapman—No, that is—

Senator IAN MACDONALD—Is that channel B? Okay.

Mr Chapman—The assumption is that channel B could well be used for that. There was a potentially broader scope for the application.

Senator IAN MACDONALD—What else could you use channel A for?

Senator Conroy—Government services.

Mr Chapman—Any form of narrowcasting services.

Senator IAN MACDONALD—By ‘narrowcasting’ you mean telecasting to a confined area of Australia?

Mr Chapman—That is one potential interpretation of narrowcasting. Narrowcasting is an interesting concept embedded in the Broadcasting Services Act. By way of distinction from commercial services, narrowcasting is limited in some way, whether it be by geography, audience or potential audience appeal. There are a number of layers of that interpretation or definition in the act. That it is intended to have limited appeal is the essence of narrowcasting.

Senator LUNDY—You were halfway through telling us what the effect of the rollout direction would have been.

Mr Chapman—In terms of the timetable?

Senator LUNDY—Yes.

Mr Chapman—You cannot pluck one component of the various issues and say that that is contributing to X number of months from a certain date. There were a number of outstanding policy issues. All of those needed to be settled to allow an integrated series of work programs to come together to reach the timetable. In splendid isolation you cannot just pluck the rollout obligation. There were other aspects and it was an interrelated picture.

Senator LUNDY—What other effects did this rollout direction have? Were there any other effects that you observed?

Mr Chapman—I am not entirely sure what you are driving at—observed on?

Senator LUNDY—In terms of the capacity to move forward, to perhaps get the appropriate agreement from the National Party, that sort of thing. Are you able to comment on that?

Senator IAN MACDONALD—Wrong issue. Do not follow the minister. This has nothing to do with the National Party. There were other things where the National Party—

Senator Conroy—The condition existed, Macca. So you have no idea why it is there?

Senator IAN MACDONALD—Yes, I did.

Senator LUNDY—Were other levels considered?

Senator IAN MACDONALD—All I would say is that the National Party became involved in some of the issues around that time, but not this one.

Senator LUNDY—That is just an indictment of you, Senator.

Senator IAN MACDONALD—I am just calling up the *Hansard*, so we will—

Senator LUNDY—Can I ask you if other levels of coverage contained within the direction were considered?

Senator Conroy—You are not using your computer, are you, Macca?

Senator IAN MACDONALD—I do it all the time.

Senator Conroy—This is a Senate hearing, you know!

Mr Chapman—The three-year 60 per cent and the seven-year 80 per cent contained in the condition was as advised to us by the minister. We are not privy to her thinking on that, nor would we speculate upon that.

Senator LUNDY—You mentioned that the direction was never publicised. Who would that information have been available to with respect to the market?

Mr Chapman—What I said was that it was never registered on the Federal Register of Legislative Instruments.

Senator LUNDY—What does that mean? Does that mean people knew about it or not?

Mr Chapman—It was not in the public domain.

Senator LUNDY—But Senator Macdonald said he knew, so it must have been in at least something that the National Party knew about.

Mr Chapman—I do not know what Senator Macdonald said he knew.

Senator IAN MACDONALD—I do not know what the National Party knows. I am not a member of that party.

Senator Conroy—You will be soon, we understand. Are you voting for or against? I thought you were taking a vote?

Senator LUNDY—You just said before that you were across all of this.

Senator IAN MACDONALD—We are.

Senator LUNDY—And now you are saying you were not?

Senator Conroy—Are you going to be a LibNat or a NatLib? What are you going to be, Macca? A pineapple?

Senator LUNDY—But we are left with the assumption that the National Party—thanks to Senator Macdonald's confirmation—knew about this condition, but nobody else did. So it was just an exercise to try and smooth the way. Can I ask ACMA whether potential bidders or representatives of industry were consulted in any way prior to these rollout conditions being set?

Mr Chapman—I cannot indicate that. It was a direction from the minister.

Senator LUNDY—Did ACMA consult or communicate these conditions with industry or bidders prior to them being set?

Mr Chapman—Not that I am aware of, no.

Senator LUNDY—So you cannot confirm that the industry or potential bidders were advised specifically of these conditions?

Mr Chapman—I do not believe they were, no. I would not dare speculate on what the minister—

Senator LUNDY—No, I am not asking you to. I am asking if ACMA did anything or knew of anything or was aware of anything.

Mr Cheah—We certainly did not do a consultation process about the specific direction. We did in fact, though, put out a very broad discussion paper around the general issue about potential conditions and there were certainly some submissions—

Senator LUNDY—Before or after the direction was set?

Mr Cheah—Quite a long time before, and that report was made available to the minister, so the minister would have had an ability to make some use of it.

Senator LUNDY—Would it be reasonable to say that there was an industry expectation that, if conditions were subsequently set after putting out the discussion paper, they would have at least been advised?

Mr Cheah—I cannot comment. The way the legislation works is that ACMA have an ability to impose conditions and the minister also has an ability to give directions.

Senator LUNDY—Can I ask Mr Chapman, in his professional opinion: would the rollout direction, if left in place, affect the level of interest in channel A bidders, and why?

Mr Chapman—My professional opinion is that it would have had some infrastructure and cost impacts on the business model.

Senator LUNDY—So it would have imposed additional costs. Is that what you are saying?

Mr Chapman—It depends on what people's assumptions were about their original business case. You cannot make a blanket statement about that because some people in their business cases may have factored that in. I am just making the self-evident statement that, from a professional perspective, the infrastructure costs associated with rollout conditions have a cost impact.

Senator LUNDY—In your professional opinion, for the bids to be legitimate and fair bids, then—

Senator IAN MACDONALD—As you know, these officers are not to be asked their opinions.

Senator LUNDY—It is a reasonable question and it relates to the—

Senator IAN MACDONALD—It is contrary to the rules of the Senate estimates hearing.

Senator LUNDY—If Mr Chapman knows that potential bidders were not privy to all of the information relating to the conditions for the auction of channel A, then I think he is certainly in a position to reflect on that in his professional opinion at this committee.

Mr Chapman—I should point out that, in the final analysis, all of the conditions applying to the proposed channel A, whether it be rollout conditions or indeed any other circumstances that affect the channel A, would have been contained in the formal marketing documents.

Senator LUNDY—If they had gone out.

Mr Chapman—If they had gone out, and of course then people would have had all the information upon which to reformulate or reassess their business cases and make bids accordingly.

Senator LUNDY—I have a few questions about channel B as well. It was reported that there were technical problems with channel B, and I note that you went through some of those issues before. At present, if channel B was auctioned, would there be black spots?

Ms Cahill—There are some technical issues associated with channel B, as we have noted, primarily in relation to its ability to deliver on mobile TV. We have looked at what we can do,

and there are some replanning exercises that could be taken. I am afraid I would have to take on notice the question about particular black spots in that process.

Senator LUNDY—Can you also take on notice, if there are black spots, where they would be—for example, in regional areas, in rural areas, in metropolitan areas—and what is the technical reason for the black spots?

Senator IAN MACDONALD—Is that a sensible question? Do you get black spots which—

Senator LUNDY—Yes. That is a reasonable point.

Mr Cheah—Firstly, both of the channels are suitable for providing services to domestic television in-home receivers, so there is no question about that side of things. With channel B, the only issue arises potentially with mobile television in the sense that channel B possibly is not optimal for mobile television, that particular application, in some areas. In terms of the primary issue, in terms of in-home reception, in fact they have both been planned to be done in that way.

Senator LUNDY—It was talked up as mobile TV, so what is the associated issue with the coverage that creates black spots? Is it mobile phone towers that would be the infrastructure used to pipe the channel out there, for want of a better expression?

Mr Cheah—I am not an engineer but my understanding is that the channels were planned for this in-home kind of reception. When you get a mobile network, things tend to work a bit differently and you can often optimise reception by having a different sort of network, and there is work that could have been done to help improve the channel to enable that to happen.

Senator LUNDY—Going back a step, when mobile TV was first promoted as to what channel B could deliver, that same issue was a problem all along?

Mr Cheah—It was in our discussion paper.

Mr Chapman—It was set out in our original discussion paper, yes.

Senator LUNDY—Do you think the details of that particular problem affect the viability of what channel B is supposed to be all about, which includes mobile TV, and how does that impact on the potential interest from bidders if it is just not possible because of those technical issues to have ubiquitous mobile TV as promoted in the original policy?

Mr Cheah—ACMA's view has always been that some limited channel replanning could have improved the quality of the channels for mobile TV. The other issue we get is a potential for interference to adjacent analog or digital television channels with the particular channel on which the channel B has been planned for in some areas.

Senator LUNDY—Can it be resolved by channel reallocation in certain areas? Sorry, I do not know if I am using the right terminology.

Mr Chapman—There are a number of competing policy issues that the minister has alluded to. Our advice is that, depending on policy choices, aspects of channel B can be better optimised.

Senator LUNDY—Does that mean the problem could be fixed or does it mean it can be improved, or what?

Mr Chapman—We think we can make material improvements.

Senator LUNDY—Is the channel B concept of mobile TV still a viable concept and will it still attract potential bidders?

Mr Chapman—Ultimately, that will be a matter for the minister to consider as part of what he said was his step back and ongoing consideration of the whole of the matters.

Mr Cheah—It will depend on market circumstances at the time and a range of other factors as well.

Senator LUNDY—Is it the plan of ACMA to work on optimising how channel B will function? Is that the work you are doing at the moment?

Mr Chapman—The work we are doing at the moment, as requested by the minister, is to provide him advice and insights on various aspects of the policy matters that he has under consideration and will have under consideration.

Senator LUNDY—So including this issue of improving coverage? Yes, you are not supposed to tell me about advice you are providing to the minister.

Mr Chapman—That is correct.

Senator LUNDY—How long will that take?

Mr Chapman—Once again, the ultimate timetable for A and/or B, if indeed the minister chooses to go down that route, will be dependent on the sum of the integrated parts. I do not wish to be frustrating in my response. I just cannot give you an answer in splendid isolation on one aspect.

Senator LUNDY—Are there any other glaring aspects that you can share with the committee that you are factoring into your considerations, apart from fixing up technical problems and optimising the coverage of the channel B?

Mr Chapman—I think the minister has already referenced the transition path for community television as another consideration.

Senator LUNDY—Thank you.

Senator IAN MACDONALD—We ask this at every estimates, but I want to make sure that I am absolutely right and not burdening anyone. ACMA gives advice on technical issues and things that the government of the day asks them to look at—that is correct? The implementation agency is the department. Is that right?

Mr Chapman—No. I would say the process is that ultimately the minister is advised by the department, which makes the policy decisions. We are the operative to do the digital planning and to prepare the spectrum auction documentation et cetera, as a result of the policy decisions.

Senator IAN MACDONALD—Would it be ACMA or the department who would advise the minister to register the legislative instrument that I understood—

Mr Chapman—It would not be the ACMA. I do not know whose role that is.

Senator IAN MACDONALD—That narrows down who it might have been. It suggests that it might be the department. So I take it that the department was remiss in not advising the

former minister. I am reluctant to go into this area because it does put public servants in a difficult area. But, Minister, you started the ball rolling by being a bit blase in your criticism of the previous minister and, while I do not think she always got it absolutely right, I think some of your blame-shifting earlier puts us into a situation where we really have to dig down and say—

Senator Conroy—I guess it is a historical issue of whether or not a decision was made by the previous government, and the answer is, ‘No.’ If you now want to try and blame the department for that, rather than the minister or the government, you can feel free.

Senator IAN MACDONALD—I thought the evidence was that the minister—what was the terminology?—had not registered the legislative instrument or something. I did not quite understand it but, as with many things in estimates, we are not meant to understand all of these things. Mr Chapman, could you repeat what went wrong? You said that the minister did not register the what? What is the terminology?

Mr Chapman—The roll-out condition was not registered on the Federal Register of Legislative Instruments.

Senator IAN MACDONALD—Okay. Would that be your duty, or someone else’s duty, to advise the minister in relation to that?

Mr Chapman—I do not believe it is an ACMA responsibility.

Senator IAN MACDONALD—So as good as Senator Coonan was—indeed, a very capable minister—I would assume that she might have got advice that she would have followed if it had been relevant. You mentioned that there was a competition of policy ideas or something like that—an option. Could you tell us what the options might have been? I do not want you to tell us which one was recommended. Could you help the committee by indicating what the policy alternatives were for a decision by the previous minister, or the current minister, because I think a bit of it had to do with Foxtel and pay TV—those sorts of issues—didn’t it?

Mr Chapman—I do not think it is appropriate for me to go into advice to the previous government.

Senator IAN MACDONALD—No. I accept that, Mr Chapman, which is why I chastised the minister for putting you in a difficult position.

Mr Chapman—But what I did say—and what the minister himself has confirmed—is that there are some policy issues to be decided and then advised to the ACMA so that we can make appropriate planning as a result of the policy decision. Those policy decisions, as best we knew it, were the roll-out obligations, the digital path for community broadcasting and the degree to which the channel B could be improved or better optimised—whatever expression you want to put around it—for the channel B services. They were three broad agenda items that I quoted.

Of course, there is a limited amount of spectrum. You need to come to a landing on the balance between those three policy issues and, depending on where the final balance is and the minister’s advice to the ACMA, we could get on and complete our planning exercises and the issue of marketing documents, conduct the auctions and allocate the spectrum et cetera.

Senator IAN MACDONALD—Where is that process at the moment?

Mr Chapman—I think it is with the minister at the moment. He has sought some further technical advice from us and I think you have decided to take that on board.

Senator Conroy—As I indicated when we started this lengthy string of questions from both you and Senator Lundy, we are considering it. We are considering, in the light of our spectrum review, whether we want to proceed or not; whether we want to roll it into the spectrum review issues; whether we can find a suitable outcome for community television; and whether or not we will insist on the coverage areas that the previous minister wanted to impose.

Senator IAN MACDONALD—I think we have clarified that, Minister.

Senator Conroy—There are others, but those are the main issues.

Senator IAN MACDONALD—They go right around Australia, so do not talk about the coverage issues. We had that clarified earlier.

Senator Conroy—And whether or not there is a financial case anymore is a serious consideration for consultation with industry. You might not care if no-one wants to buy it.

Senator IAN MACDONALD—Now we are getting somewhere. You said ‘whether or not we should go ahead’ and you just mentioned ‘whether there is a financial case’. Are you now saying, Minister, that there is a possibility that we may not proceed with channel A and channel B?

Senator Conroy—No. I have just said that that is why we have taken a step back: to consider all of those issues.

Senator IAN MACDONALD—We got some interesting comments from you at the last estimates, but we will not go that way. You did say, Minister, ‘whether or not it should go ahead’. I am not asking you whether you made a decision, but I am saying that one of your options is that it may not go ahead.

Senator Conroy—That would be why we have taken a step back to consider all of the relevant issues. We have not made any decisions about whether we are going to cancel it or not. At the moment, the intention is to proceed with an auction, but we are considering a whole range of technical and policy decisions. Unlike the previous government, we are also engaged in the beginnings of a spectrum review, which also impacts on this issue. That then leads us to take the step back and consider whether we want to proceed.

Senator IAN MACDONALD—How many individual groups have expressed interest in participating in the A or B channel?

Senator Conroy—I am not in a position to reveal conversations that industry have had with me.

Senator IAN MACDONALD—No, I am not asking you to. I am asking, in broad terms, is it one group that has expressed interest; is it 10; is it 1,000?

Senator Conroy—Over 18 months, a number of groups have indicated that they have an interest in A and/or B. In recent times, since I became the minister, I am not really in a position to reveal those conversations. I have a different role.

Senator IAN MACDONALD—I am not asking you to do that.

Senator Conroy—You are asking me to tell you whether they said they would bid or not and I am saying to you that I cannot do that because they are private conversations.

Senator IAN MACDONALD—No, ‘expressed interest’ in it. I am wanting to know whether it is lots of different entities or one or two entities. I will not ask you for individual names, but one might wonder: is it a lot; more than a dozen; less than a dozen? It is not a trick question.

Senator Conroy—It was interest from a number of parties. It is fair to say that we consider that that interest has probably diminished. Market circumstances have changed. That is not to say there is nobody interested. I am not trying to suggest that. The point that I was making earlier was that, when people realise some of the conditions, particularly for, say, channel A that were being talked about by the previous government, there is certainly less interest from those who were expressing an interest when they realise the coverage conditions that were being championed by the previous minister that were never actually explained publicly or privately to them by the previous minister—

Senator LUNDY—Only to the National Party.

Senator Conroy—or you, as it turns out, Senator Macdonald.

Senator LUNDY—No, he changed his story on that. He said he did know.

Senator Conroy—No, he did not know. Come on, Senator Lundy!

Senator IAN MACDONALD—Senator Lundy, with respect, I think you are well out of your depth here.

Senator LUNDY—Did you know? Can you clarify for me whether you knew or not?

Senator IAN MACDONALD—The extent of your questioning demonstrates that, and it is an embarrassment to the officials to have to try and find a polite answer for what you have asked.

Senator LUNDY—Did you know or not, Senator Macdonald?

Senator IAN MACDONALD—I have sat through these estimates for a couple of years—

Senator LUNDY—Did you know or not? Were you in the loop?

Senator IAN MACDONALD—Did I know what?

Senator LUNDY—Did you know whether those conditions were set? Think carefully.

Senator Conroy—You did not, Senator.

Senator IAN MACDONALD—Senator Coonan indicated that the conditions had been set.

Senator LUNDY—To who?

Senator IAN MACDONALD—I do not know. Goodness, stick to something you might know something about. I am not quite sure what that is, but it is clearly not this.

Senator LUNDY—I am enjoying this discussion!

Senator IAN MACDONALD—What are you saying to the community TV people, Minister, who were very keen to take part in the action on the channel? Perhaps another way to ask that is: what are you doing about the—

Senator Conroy—That is one of the key policy issues. Some have suggested there should be a ‘must carry’ on A or B. Others have suggested, no, they should be told to go to potential channel A bidders and seek to negotiate a commercial situation. There are a range of options to solve the community television issue, and those are complex.

Senator IAN MACDONALD—Without channels A and B, can anyone do anything for community TV?

Senator Conroy—That is one of the issues that we are considering, which is why we are not proceeding with the auction at the moment.

Senator IAN MACDONALD—Can I ask one of your officials: is there any way you can expand community TV without using a channel A or a channel B?

Senator Conroy—That is a policy matter for the government.

Senator IAN MACDONALD—No, that is a technical matter.

Senator Conroy—No, it is actually not. Your question goes to a government policy decision about whether or not you want to use the spectrum involved in A or B or you want to use an alternative spectrum.

Senator IAN MACDONALD—That was the question. Is there an alternative to channels A and B for community TV? You are saying, yes, there is.

Senator Conroy—Is there spectrum available?

Senator IAN MACDONALD—No.

Senator Conroy—That is what you were asking.

Senator IAN MACDONALD—I am asking you: is there an alternative to the use of channels A or B?

Senator Conroy—That is one of the issues that we are considering at the moment.

Senator IAN MACDONALD—Surely that is a technical issue, and could I have one of your technicians give me an answer. It is not a policy decision. I just want to know.

Senator Conroy—That is a complex issue that requires policy decisions before you can proceed with it.

Senator IAN MACDONALD—Minister, with great respect to you, I give you the benefit of the doubt. I know you are very technical, the way you read all your answers at question time off computers.

Senator Conroy—Like you are reading your questions at estimates?

Senator IAN MACDONALD—I am reading the *Hansard*, which you are welcome to come and have a look at. I am asking a technical question of your technical team here. Is it possible to have expansion of the community TV coverage or system without channels A and B? The answer is either yes or no. Is it possible?

Senator Conroy—There are a range of spectrum issues which the government will make some policy decisions about over coming months.

Senator IAN MACDONALD—But I am not asking you for your decision. I am not even asking you for your policy process. I am simply asking, as a matter of technicality, if you do not have channels A and B to deal with, is it possible to expand the current community TV system?

Senator Conroy—What do you mean by ‘expand the current community TV system’?

Senator IAN MACDONALD—Increase it from what it currently is.

Senator Conroy—I am not quite sure what you mean by ‘increase it from what it is’.

Senator IAN MACDONALD—Have new stations in different parts of the country, as an example.

Senator Conroy—From what to what?

Senator IAN MACDONALD—From what it is now to something bigger.

Senator Conroy—Something bigger? Could you clarify what you mean by ‘bigger’?

Senator IAN MACDONALD—Another community TV station somewhere.

Senator Conroy—An analog one? A digital one? An HD one? An SD one?

Senator LUNDY—He does not know.

Senator IAN MACDONALD—All of those.

Senator Conroy—The answer is not necessarily the same for all of them, which is why I need you to narrow it down.

Senator IAN MACDONALD—Answer the question for all of them.

Senator LUNDY—He is making up as he goes along!

Senator IAN MACDONALD—Give us four yes or no answers.

Senator Conroy—There are other technical solutions that would require public policy decisions.

Senator IAN MACDONALD—So you can have an expanded community service without the A and B channels? Okay, that is very interesting.

Senator Conroy—Were you not told that by the previous government?

Senator LUNDY—You’re a genius, Senator Macdonald!

Senator IAN MACDONALD—I am not sure that I ever asked the question, Minister, but you were there. You would remember.

Senator Conroy—I do.

Senator IAN MACDONALD—I think I first alerted you to the A and B channels. If you remember correctly, neither you nor I knew much about it.

Senator Conroy—I followed your line of questioning with interest.

Senator IAN MACDONALD—Indeed you did.

Senator Conroy—And I continue to.

Senator IAN MACDONALD—Indeed, and you have learnt very well, but you have not learnt how to answer a question.

Senator Conroy—I told you: I have modelled myself on Senator Kemp for years!

Senator IAN MACDONALD—Senator Kemp is big enough to take you on on that issue. So we have established that there is an alternative to the A and B channels for community TV. Is there an alternative to the A and B channels for mobile television?

Senator Conroy—That would probably depend on the time frame.

Senator IAN MACDONALD—I just need someone to tell me whether it is possible.

Senator Conroy—Potentially, yes. Whether or not the other spectrum available is optimum is probably a different issue. Is there spectrum out there? Yes, but it might not be optimum. You would have to ask me, ‘Which individual bit of spectrum?’ and then ask, ‘Is that optimum for this?’

Senator IAN MACDONALD—I do not want to go back into the previous government’s decisions, but—

Senator Conroy—We understand that.

Senator IAN MACDONALD—Don’t push me, Minister. You make it very difficult for public servants when you do this. I will not be verbally and I will not have Senator Coonan verbally unless you really want to get stuck into it, and then we can make it very difficult for the public servants, which I do not want to do. But if you push me, we will go there. Is there an estimate of what the A and B channels might bring in a dollar sense if they were activated?

Senator Conroy—As you would know, even in budget papers, when you have a confirmed asset sale, the government never speculates on the amount of dollars available. You cannot expect officials to speculate on what A and B might have been worth. If I can help your thinking a little bit—genuinely—there are other potential options that could be considered as part of the spectrum review, where you have a consolidated piece of spectrum rather than an individual piece of A here and B there. If you put them together, perhaps you could get more for the total than from the individual.

Senator IAN MACDONALD—Yes, we learnt that from previous estimates.

Senator Conroy—We did. So those are the policy issues that we are grappling with, which are complex.

Senator IAN MACDONALD—I appreciate that they are complex. I am sure Senator Coonan used exactly the same words as you have just used. Do you have an idea, Minister, on when you might come to a conclusion?

Senator Conroy—We are working through these issues and the second half of the year is a reasonable time frame.

Senator BIRMINGHAM—When you say ‘second half of the year’, Minister, you are saying that in relation to your consideration of stepping back from channels A and B, or is that for your full review of spectrum?

Senator Conroy—The spectrum review itself will go through to 2009. I am referring to decisions around A and B.

Senator BIRMINGHAM—That decision could be to roll them into the spectrum review as one of the options?

Senator Conroy—That could be a decision. It is one that some media have suggested I have already made, but if you read my comments you would see that I did not say that we had cancelled it.

Senator BIRMINGHAM—What time frame in 2009 would you expect the spectrum review to be completed by?

Senator Conroy—At this stage we are planning to be engaged in quite substantial industry consultation, so we have only indicated some time during 2009 because there is quite divergent perspectives on what you should do with the spectrum. We have indicated, at this stage, during the course of 2009, without giving an indication.

Senator BIRMINGHAM—What process do you expect the review to be undertaken by?

Ms Scott—At the moment, we are looking at the technical implications of the digital dividend and have some work under way on that process. We expect to be undertaking some consumer and industry consultations, as the minister indicated, in 2009. We also are looking at the consequences of the digital switch-over and have an interdepartmental committee looking at that, and that will also examine some of these issues. I am not able to tell you exactly when all of that will finish. In some ways it will depend upon the technical issues thrown up by our technical study, and we expect to have that in the second half of this year.

Senator BIRMINGHAM—Have technical studies been undertaken internally by the department?

Ms Scott—No, we have engaged consultants for that purpose, and that work is expected to be completed towards the middle of this year, maybe going into July. It is likely to raise issues that we will then need to explore with ACMA, with the minister, and also possibly with industry and consumer groups.

Senator BIRMINGHAM—Where is the spectrum review being managed? Is it managed in the department or managed in ACMA?

Ms Scott—This particular consultancy is being managed by the department, because clearly some policy issues will emerge from their work.

Senator BIRMINGHAM—That is this particular technical consultancy. When did the department engage these consultants?

Ms Scott—In April 2008.

Senator BIRMINGHAM—That, I assume, is just one piece of work within the overall spectrum review that the minister has talked about. Is that overall review being managed by the department or ACMA?

Ms Scott—By the department.

Senator BIRMINGHAM—How does that relate to ACMA's five-year spectrum outlook that is referred to in the budget papers in relation to their strategic direction?

Mr Besgrove—There are a series of components to the spectrum review. There is work going on at the moment, as the secretary indicated, which relates to the technical aspects of the so-called digital dividend. The department is also embarking on a series of economic studies looking at the potential value of alternative uses of spectrum. We are also in the early stages of some additional work within the department and in collaboration with ACMA. That work, as the minister indicated, will culminate with the likelihood of government consideration of issues towards the end of 2009.

In the meantime it is probable that we will be developing discussion papers in collaboration with ACMA, which would then form the basis for fairly extensive public consultation, as the minister indicated, and we think that that is likely to take place within the first half of next year.

Senator BIRMINGHAM—Isn't the management of spectrum resources something that is fairly core to ACMA's role normally?

Mr Besgrove—It is, but there are a number of significant decisions that the government will have to take over the next couple of years. Some of them relate to the aforementioned digital dividend, but there are also a series of what we refer to as the 15-year licences, and there are a whole series of those. The first of them falls due, I believe, around May or June of 2013, and then there are a series of them over the next three or four years.

The government will need to give some consideration to how it treats rollover, renewal or otherwise of those licences and, because ACMA needs a number of years to actually go through a process, there are legislative constraints on the minimum time that ACMA can take, for example, to run an auction. It is also important for existing licence holders to have advance warning of what the direction of the government's decision might be.

All of that suggests that, although 2013 is some distance away, the work needs to start now, looking at those longer term issues. Earlier the minister has been referring to the review of spectrum. It actually encompasses quite a wide range of elements.

Mr Cheah—If I could also make an observation, too. Under the Radiocommunications Act, while most of the responsibilities are with the ACMA, as you said before, a number of the key decisions—the big decisions—are specifically reserved to the minister. For example, anything around the broadcasting services bands, the minister has got very powerful roles; anything to do with spectrum licences, the minister formally gets strongly involved. Obviously we would be working closely with the department on that, but most of those issues are properly ones that rest with the minister.

Senator BIRMINGHAM—The 15-year licences that you referred to, they are the licences for news broadcasting. Is that correct?

Mr Besgrove—No, they are predominantly mobile telephone licences. There are a range of them and they cover different elements of spectrum. But, broadly speaking, we are talking about mobile telephony licences.

Mr Chapman—I think you are talking about what they call the ENG, electronic news gathering.

Senator BIRMINGHAM—That is it.

Mr Chapman—Which predominantly sits on the 2.5 band.

Senator BIRMINGHAM—Yes. Obviously all are under review as part of the spectrum review, but they also fall due for renewal some time soon. Is that correct?

Mr Chapman—They are not covered by spectrum licences; they are covered by apparatus licences. I think they are on an annual basis.

Senator BIRMINGHAM—It is just that spectrum is, I gather, useful for the delivery of mobile services as well.

Ms Scott—We would not want to create a misconception. It is not as though all elements of the spectrum are being reviewed. I think you, in your preface to that question, said that all the licences are being reviewed. Mr Besgrove referred to the 15-year licences and said that they were predominantly the mobile licences that are coming up for renewal from 2013 onwards, and because of the time frame involved they are particularly the focus of our attention.

Senator BIRMINGHAM—Perhaps given that, Ms Scott, you could tell us the terms of the spectrum review—what is in and out in that regard, please.

Ms Scott—We will take it on notice, because we are referring to a number of elements of work and I would like to have clarity on that topic for you.

Senator BIRMINGHAM—ACMA have been consulted in regard to the technical work that is being undertaken and the other plans for the different aspects of the spectrum review. Is that correct?

Mr Besgrove—We have a standing arrangement with ACMA where we have senior officials meeting on about a monthly basis to discuss quite a range of spectrum issues, both shorter term and medium to longer term, so it is certainly the case that ACMA is being consulted on all of the issues that we have discussed. ACMA has also been consulted, for example, in relation to the technical consultancies of which we spoke a moment ago. They were involved in the terms of reference and the selection of the consultant.

Senator BIRMINGHAM—It is just the usual processes that are being used at present? There is not a formal review panel comprising the department and ACMA that has been established, or a particular structure for the agency and the department to work together in this regard?

Mr Besgrove—We have effective working relationships. The minister has not formally established a review panel per se. We are still pulling some of this work together so, in some respects, those are issues that the minister still has to consider.

Senator BIRMINGHAM—If I can turn back to ACMA: how does the five-year spectrum outlook discussed in the budget papers relate to the minister's spectrum review, Mr Chapman, or others?

Mr Chapman—If I could perhaps paint a picture this way: there is increasing demand for spectrum right across the board. The five-year outlook is our best attempt to analyse that on the demand side—the demand for spectrum. We are working within existing policy parameters. For example, Mr Cheah just mentioned that within the BSB, the broadcasting services bands, for all intents and purposes the minister has the ultimate policy responsibility and directions. We work within the existing frameworks to consistently work through the various bands to seek to optimise them in the national interest. The five-year outlook is our best ability, on current information and current frameworks, to match an increasing demand side with our work program and, at any time, that work program on a five-year basis will be altered, depending on the outcomes from the department's spectrum review and the minister's decision.

Senator IAN MACDONALD—Madam Chair, I might have to go to another committee. But before I go, has anything changed with the C channel, which you kindly arranged a briefing about, Minister, a couple of months ago? The briefing was 17 March. Has the situation that was explained to me then in any way altered?

Mr Kerans—We are the guys that do the engineering. The C band is part of the wireless access services paper that we are currently considering. C band is quite complex. It has got a number of important services in it, but it is also capable of providing wireless broadband to rural and regional people who are beyond the reach of normal cables. So we have to consider the needs of the incumbents and we have to consider the needs of new services, and we have been doing that. There is also quite a lot of technical work that would have to be done before any final decision was made. Our chairman recently promised industry that we would be making our recommendations or findings in the second half of this year.

Senator IAN MACDONALD—Will you be discussing that with industry? Do you issue a white paper?

Mr Kerans—We have discussed this with industry. We have put out two papers on the wireless access services, which included the C band, and we have also held one RadComms conference, not this year but last year, where the issue of C band was widely discussed with industry. We are having ongoing discussions and negotiations with incumbents and, particularly, the satellite operators.

Senator IAN MACDONALD—I am delighted to hear about the consultation. Is the industry likely to know where you are going before a final decision is made? Will they have a chance of a final appeal to the minister?

Mr Chapman—The short answer is yes.

Senator IAN MACDONALD—Thank you.

CHAIR—I might make an announcement about whether we need the departmental officers or not. Following discussions, because we are not scheduled to start departmental questions until tomorrow morning, it will be acceptable to senators if the department officers go home, save those who are involved in ACMA and the items for discussion within ACMA.

Senator BIRMINGHAM—We wish those who are departing a good night. We will see them tomorrow.

CHAIR—We thank the witnesses.

Senator BIRMINGHAM—Finishing off on spectrum matters, Minister, in terms of the time lines for the review and decisions on channels A and B, you have been vocal in the past about the need for a digital dividend as such. Obviously, these delays potentially delay the provision of further incentives for Australians to take up digital television and such opportunities.

Senator Conroy—I do not think they necessarily interact in the way you are describing.

Senator BIRMINGHAM—Do you recognise that the potential of channel A was part of a digital dividend as such?

Senator Conroy—By definition, mobile TV means it is not in your house, and what we are trying to do is convert analog TVs in the house, so a mobile channel is probably not something that helps drive the uptake of digital TVs in your house. Channel A can have an impact. The coverage of six per cent of the population within three years indicates that it is not going to be a huge driver, given that they do not have to roll it out in the shortish term of year 5.

Senator BIRMINGHAM—Nevertheless, you are committed to the time line you have outlined tonight as a fixed time line to try to provide the industry with some certainty and ensure that the maximum use of spectrum opportunities is engaged.

Senator Conroy—I appreciate that. As I said, I did read with some interest the interpretation placed on my comments. As I have said to anyone who has spoken to me subsequent to that, we have not made a decision to cancel A and B, but we are having a look at it—not only in its individual components of both policy decisions still to be made and technical decisions to be solved but also in terms of the overall spectrum management issue. As I think I indicated, there is a potential opportunity cost by going down the path of A and B as opposed to if A and B were amalgamated into the broader digital dividend issue. Those are the policy issues that we are looking at. Whether or not we will be proceeding with A and B, we will be making a decision and announcing it. If we are going down that path, we will certainly be letting people know in the second half of this year.

Senator BIRMINGHAM—Can I turn to the Do Not Call Register, Mr Chapman—or others, if that necessitates a swap at the table. How many registrants are now on the Do Not Call Register?

Ms O'Loughlin—Over two million.

Senator BIRMINGHAM—Are new registrants continuing at a steady rate or has that number plateaued or dropped off?

Ms O'Loughlin—They are continuing to register. It is probably the case that they have plateaued a bit over the last few months, but we had a very significant uptake in the first few months. We are continuing to get new registrants on the register.

Senator BIRMINGHAM—What ongoing promotion or encouragement exists to direct people to the Do Not Call Register?

Ms O'Loughlin—At this stage we are having another look at that in terms of what sort of promotion we want to do in the next six to 12 months around the register. We have done some online surveying that tells us that there is quite a strong awareness of the register generally, but it is something that we are looking at currently to see whether there are particular groups in the community who are not as aware of the register as they could be and we are focusing our attention in the next 12 months on what sort of information we can get out to those groups.

Senator BIRMINGHAM—People can register both over the phone and online.

Ms O'Loughlin—That is correct.

Senator BIRMINGHAM—They are the only two methods?

Ms O'Loughlin—And in writing.

Senator BIRMINGHAM—Do you have any idea of the proportion who choose which method to register?

Ms O'Loughlin—Online registration has been the most popular, with 80-odd per cent of registrations being online.

Senator BIRMINGHAM—Wow! Are you keeping data in terms of the profile of people who register? If 80-odd per cent of the two million registrants have registered online, I am guessing it is probably not mainly older people.

Ms O'Loughlin—I do not think we have kept much detail on it. We are also very aware of the privacy implications of gathering too much information. We have provided online, phone and in-writing registration, trying to appeal to the broadest community we can. In terms of the in-writing registration, people can nominate somebody else to register on their behalf. We have inbuilt that process as well, because we were very well aware that the register needed to cater for the broadest possible community.

Senator BIRMINGHAM—What type of feedback is ACMA receiving about the register? What concerns are being identified, or otherwise?

Ms O'Loughlin—Generally, the feedback we receive is quite positive. We do, of course, have complaints going to the register operator, and those complaints over time have decreased. There are complaints going to the register operator about people still receiving calls for numbers that are on the register. That is obviously something that comes to us for us to investigate, so we have a broad range of investigations being undertaken at the moment. As we complete those and as they are reconciled, we are seeing the number of complaints to us falling over time. We think that that is a good sign of increased compliance by the industry with the Do Not Call Register scheme.

Senator BIRMINGHAM—Of those cases that are currently under review, have you taken action or initiated penalties against any companies?

Ms O'Loughlin—We have commenced 18 formal investigations into breaches, and we expect to finalise those over the coming months.

Senator BIRMINGHAM—How long does it take you to undertake those investigations?

Ms O'Loughlin—For most of our investigations, a maximum of six months.

Senator BIRMINGHAM—Is that a legislative maximum?

Ms O’Loughlin—No.

Senator BIRMINGHAM—The maximum of those currently is six months old or it will take a maximum of six months to resolve them?

Ms O’Loughlin—Our internal time frame is that we would like to resolve the complaints within six months.

Senator BIRMINGHAM—How old, in terms of complaints, is the oldest of those actions you were speaking of?

Ms O’Loughlin—I do not have that in my briefing note. I can take that on notice. We are trying to move through these things quite quickly.

Senator BIRMINGHAM—Are there particular areas that are coming through in terms of complaints from consumers that indicate a potential to strengthen the Do Not Call Register or the system that has been put in place?

Ms O’Loughlin—As I mentioned, since the beginning of the register there has been a fall on a monthly basis in the number of complaints coming to us. I think that says to us that there is increasing compliance in the industry, and that, we believe, is a strong encouragement of the efficacy of the scheme. I do not believe at this stage that we have turned our mind to any additional strengthening of the scheme, because we still need to complete our investigation and use the powers that have been given to us under the act in continuing to increase compliance and any enforcement action that we might take.

Senator BIRMINGHAM—The scheme is intended to operate on a cost recovery basis. Is that correct?

Ms O’Loughlin—That is correct.

Senator BIRMINGHAM—Are those cost recovery principles working at present in terms of the cost of administering the scheme versus the revenue being raised by ACMA?

Ms O’Loughlin—The cost recovery principles apply to the scheme at the current moment.

Senator BIRMINGHAM—And, in terms of the cost of the scheme, you are recovering all of those costs?

Ms O’Loughlin—The operation costs of the register are those that are eligible for cost recovery.

Senator BIRMINGHAM—The promotional costs would be a separate cost?

Ms O’Loughlin—That is correct, yes. There are quite clear guidelines in terms of what is able to be cost recovered from the sector and we are proceeding in line with those guidelines, which come from the Department of Finance and Deregulation.

Ms Scott—The operational costs include call centres, the cost of processing telemarketing call lists. The industry funding will not cover indirect costs such as the regulatory costs for investigation and enforcement and it does not cover the policy costs for deriving the policy.

Senator BIRMINGHAM—Thank you, Ms Scott. Does ACMA have any funds earmarked to support the promotion of the register over the next year?

Ms O'Loughlin—That is currently something that we are discussing in the development of our budget for next year.

Senator BIRMINGHAM—But nothing in the budget handed down overall indicates particular funds. These would have to be derived out of general ACMA funds somehow?

Ms O'Loughlin—They would be derived out of the funds that we have available to run the Do Not Call Register scheme.

Senator BIRMINGHAM—How much was invested in promoting the Do Not Call Register over the course of this financial year?

Ms O'Loughlin—I do not actually think I have it in my notes. I think it was about \$100,000.

Senator BIRMINGHAM—Not a great deal of funds for this year. The bulk of funds, I assume, was at the launch of the register a couple of years ago.

Ms O'Loughlin—Certainly, but we have also found with the Do Not Call Register that it has always had very strong community awareness because it has been reported on a great deal. It was something that consumers were very interested in at the beginning. It was something we got, and have continued to get, a great deal of publicity for over the last 12 months.

Senator BIRMINGHAM—The budget papers suggest, in discussion of the cost recovery measures, that there may be some changes to those over the year ahead, and I gather there have been some concerns about increased fees for marketing businesses to wash their databases. Has ACMA received feedback from industry about increased costs?

Ms O'Loughlin—We issued a discussion paper last week, following the budget being presented and the government's intention to move to full cost recovery from 1 July this year. We have issued a discussion paper for industry to talk about what the effect of that would be and we expect to have some feedback from the sector in the next three weeks.

Senator BIRMINGHAM—How much extra is required by ACMA to make that shift to full cost recovery from 1 July?

Ms O'Loughlin—The budget papers specify the additional revenue targets that we need to achieve. It is \$4 million over the next four years.

Senator BIRMINGHAM—\$4.2 million over four years?

Ms O'Loughlin—That is right.

Senator BIRMINGHAM—A little over \$1 million per annum.

Ms Scott—That is right. You will find the profile on page 87 of our portfolio budget statements No. 13.

Senator BIRMINGHAM—I note that it declines in the out years. Is there a reason why the cost of the registry is expected to decline in those out years?

Ms O'Loughlin—I might need to take that on notice. Certainly in the first year of the register costs were higher.

Senator BIRMINGHAM—Which makes sense.

Ms O'Loughlin—Which makes sense. But I would have to take it on notice in terms of the out year issues.

Senator BIRMINGHAM—Has ACMA received any feedback about the inclusion of faxes and fax streaming in the register?

Ms O'Loughlin—I think the issue of faxes and fax spam is a matter that the department is looking at at the moment.

Ms Scott—I might just call to the table Brenton Thomas. We have been doing some work on this and there has been a discussion paper.

Mr Thomas—We issued a discussion paper on fax spam issues last year. We received a number of responses to that. We have been looking at that issue since then and we have been providing advice to the minister. The minister still has that under consideration and we are in discussions with some of the industry players about how we might respond to that.

Senator BIRMINGHAM—When was the discussion paper released?

Mr Thomas—I think the discussion paper was released in around August last year.

Senator BIRMINGHAM—And when was the advice provided to the minister?

Mr Thomas—The advice would have been provided to the minister after we assessed it earlier this year. I cannot remember the exact date. I could take that on notice.

Senator BIRMINGHAM—Thank you. Minister, have you had an opportunity to consider the department's advice in relation to fax spamming?

Senator Conroy—As was indicated, we are in discussions with industry, and as soon as we have finished those consultations we will be looking to make a decision.

Senator BIRMINGHAM—Do you have a time line you expect to make that decision in?

Mr Thomas—We are quite close to a finalisation of discussions with the major industry players. You would appreciate there are a number of different alternatives that could come up from this process, including some that might involve legislation. There are other options, such as industry self-regulation. We are investigating the consequences of those in discussions with the industry players. We expect to conclude the discussions fairly soon. The minister has in fact written to one of the major industry players. We are awaiting a response from that and we would expect that the response would occur within the next few weeks.

Senator BIRMINGHAM—Is that seeking opinion on a particular reform or are you still canvassing a range of options?

Mr Thomas—We are probably getting into the realm of policy advice. I do not want to go too much further, but we are looking at a specific range of options that we would then present to the minister to respond to this issue.

Senator BIRMINGHAM—Minister, if you are at the stage of sending letters out to people, I would have thought we might be able to get a little bit more detail on it.

Senator Conroy—No. I appreciate your enthusiasm, Senator Birmingham.

Senator BIRMINGHAM—If we are going to stonewall there, I might defer to Senator Parry for a moment or two.

Senator PARRY—Minister, the portfolio budget statements have been presented slightly differently this year and there is a brief explanation at the commencement. Would you, or maybe the secretary, like to indicate why the change?

Ms Scott—I cannot claim to be an expert, but it is about increasing the transparency in the process, so certainly there is a greater focus on explaining the strategic direction of each of the organisations in the portfolio overview.

Senator PARRY—I have read page 11.

Senator Conroy—We promise you this is an improvement on what we used to get served up, Senator Parry.

Senator PARRY—I was used to the other way, and it is slightly disorientating.

Senator Conroy—Stop it. You will go blind!

Senator PARRY—But what was the thrust and where did the direction come from?

Ms Scott—This is a general direction.

Senator PARRY—Across all agencies, yes.

Ms Scott—My colleagues in the Department of Finance and Deregulation may be able to assist you better. I am on the receiving end of this. But I do know it is about increased transparency. We were asked to come up with clearer text on the strategic direction for each organisation. I sent home my acting CFO, so it may be the case that I would ask your indulgence to see whether you would like to ask the same questions tomorrow at nine o'clock.

Senator PARRY—It is good to see I am not the only one having a little bit of difficulty. There were new measures referred to and I think \$7.5 million were allocated for them. What are they? I will find you the page reference number.

Ms Scott—Could you could help me with the page you are on.

Senator PARRY—I will have to go back to the screen. I have been moving between screen and book. I am looking at page 97, under 'Budgeted financial statements', under the departmental income statement, the second dot point, 'The decrease in expenses', and also in the first dot point. But it says 'offset by an increase in new measures of \$7.858 million'. What are the new measures?

Ms Carlos—The new measures are those listed at page 87 for ACMA. They include the Cyber-safety Plan, the digital television switch-over—

Senator PARRY—Thank you. The Cyber-safety Plan, yes. As for the digital television switch-over, though, just bear with me as I get those figures. Keep going and I will come back to that. Are they the only two items?

Ms Carlos—There is also the national security critical infrastructure protection.

Senator PARRY—And yet there are no outputs for that on page 87.

Ms Carlos—Yes, you are right. It goes across both output 1.1 and 1.2. It is a very small amount—I think \$89,000. It is a measure that is part of the Attorney-General's portfolio.

Ms Scott—It is at the bottom of the page.

Senator PARRY—Thank you, yes.

Ms Carlos—The table that is listed there includes all of the measures—both additional funding that the organisation has received and any other savings that have come from the organisation.

Senator PARRY—The digital television switch-over is in two parts: there is a capital measure and there is also the expense measure?

Ms Carlos—Yes. That is correct. Those two components are broken down in terms of the measures: the operating expenditure for the organisation and then any capital components are listed separately.

Senator PARRY—Are the capital measures coming out of recurrent expenditure or is that out of a reserve?

Ms Carlos—The funding will be provided as part of an appropriation, Appropriation Bill (No. 2).

Senator PARRY—Which I have over here. Thank you. So that is all: Cyber-safety Plan, the digital television switch-over and the national security infrastructure protection?

Ms Carlos—Yes.

Senator PARRY—Are they the only items in the new measures?

Ms Carlos—They are the measures that we have been provided with additional funding for this year.

Senator PARRY—But, by and large, about \$94 million is the revenue for ACMA again? It is about on par with the previous financial year?

Ms Carlos—It is, I think, \$4 million less. We had \$98 million allocated in the 2007-08 year.

Senator PARRY—I would like you to just talk me through the statement on page 97: ‘The decrease in revenue is primarily due to’. It has that \$12.074 million and then the decrease in expenses of \$12.074 million associated with those measures we have just discussed. Where are the different aspects of operation that are going to marry in with the \$4.263 million decrease in revenue? What is the adjustment? What is happening? What is ACMA doing? It is getting \$4.26 million less.

Ms Carlos—It is a combination of all of those factors. There are a range of things that occur from year to year. Some of our previous new policy proposals will have a reduction in funding. The measures that are listed here in 2008-09 are just the measures that are provided for the organisation from this budget process. There are effects from other budget processes as well. For example, the Do Not Call Register has a lower amount of funding.

Senator PARRY—We have just gone through that.

Ms Carlos—It is a combination effect, all of which is not visible here in these figures.

Senator PARRY—So, Mr Chapman, ACMA can function quite satisfactorily with the amount of revenue allocated and the forward estimates?

Mr Chapman—Any chairman would say he would like more funds, but the reality is that that is the allocation and the short answer to your question is yes. We are an organisation still young in our years. At the time of the merger of the Australian Broadcasting Authority and the Australian Communications Authority we had a number of legacy systems. We are working through those to transform the organisation. Part of that is a massive technology shift in the organisation, ironically. If anybody should be at the forefront of e-delivery of government services, to be an e-facing organisation, ACMA should be. As we work those old legacy systems out of the organisation, we will start to do more with less. There are multiple examples of that across the organisation, so it is tough, but we have delivered against tough budgets and timetables since ACMA came into being. We are in the middle of a transformation exercise. We are re-engineering and on a mantra of continuous improvement. I have absolute confidence that we will continue to deliver quality outputs for the budget appropriations we have been provided.

Senator PARRY—What about things like some of the regulatory functions, like the monitoring and complaints aspect for free-to-air television and radio? There has been no effect at all on that. Is that still business as usual and you are adequately resourced?

Mr Chapman—I have to be honest and say that calendar 2007 was a massive year for ACMA. There was a lot going on. Apart from our day job, there were a number of new initiatives. In addition to that, we had embarked on some work below the radar to transform the organisation. In calendar 2008, this organisation is starting to get some breathing space. It is starting to make some momentum right across the board. Sorry, what did you ask me?

Senator PARRY—Even in relation to, let us say, inspectorate services?

Mr Chapman—There was constant reprioritisation of spending last year to meet a number of deadlines. We met every one of those deadlines. We started off with significant improvements in the completion rates on investigations. Our own internal tracking of those showed that. But there were some aspects of the internal reprioritisation of funds in the second half of last year that caused me to have to put on hold the progress we were making on some of those completion close-out rates.

We have to do that better. I am on the record as having said that and I intend to deliver on that. We have completed our consultancy on investigations right across the organisation. We are implementing that now. We have a series of recommendations that we are working on. We have set up an internal committee. We are active in the implementation of that committee and we are discussing with free TV, for example, better and new ways to put real time savings into the process, so I am pretty optimistic about it.

Senator PARRY—That is without compromising the regulatory stance that ACMA must perform?

Mr Chapman—Absolutely, yes.

Senator PARRY—The resourcing there is adequate? You do not feel as though the inspectorate services are warranting more resources?

Mr Chapman—I am confident that we can make the gains that I have just outlined with the resources we have.

Senator PARRY—You were indicating the e-efficiencies. Will they happen, without being at the expense of other aspects of the organisation.

Mr Chapman—I think so. It is a very diverse organisation. It is a complex organisation. Right across the organisation we have an enormous variety of responsibilities and this organisation is starting to grow into its responsibilities very well. From my observations, the organisation is growing in confidence, and with confidence comes greater effectiveness, and with greater effectiveness comes greater efficiency. That is what I am seeing right across the organisation.

Senator PARRY—What about complaint turnaround, if a consumer is not satisfied with the free-to-air television handling of the complaint and it is referred to ACMA? Do you know what the average turnaround time for that complaint is at the moment and what it has been over the last few years?

Mr Chapman—Ms O'Loughlin will correct me if I am wrong, but for content related classification matters it is about four months, on average.

Senator PARRY—Given the nature of how television programs come and go very quickly, do you feel as though that is a good response time?

Mr Chapman—I am not saying that is where we want to be, but I am not saying it is unsatisfactory. We can do better than that. Stakeholders need to bear in mind that there are certain carve-outs of time within that four months that relate to natural justice and administration of law processes and they cannot be foreshortened in any material way in the absence of legislative change. The second thing I would say is that, having made an authoritative decision or a delegated decision on some investigation matters, we have seen very strong evidence that, whether it is three months later or four months later, broadcasters are taking those things into account in a very meaningful way in the way in which they are going about their business. So it is having an impact on behaviour within the free-to-air commercial broadcasting industry.

Senator PARRY—Has that four-month period been an average maintained over a number of years or has that increased or shortened in length?

Mr Chapman—I do not know pre the ACMA, but I did indicate to you earlier that we were on track to make some improvements on that but, for the reasons I explained last year, I had to reprioritise some of the resources. We hope to regain the momentum on that once some of the lessons learnt from our cross-organisational enforcement committee start to bear fruit. We are hopeful that we will make some impressive progress with free TV in terms of hitting upon some new approaches that streamline and cut to the chase on a number of these issues at an earlier point in time.

Senator PARRY—Is the time frame of approximately four months that largely due to the quality of the investigation or is it just the quantity of complaints that are sitting with ACMA?

Mr Chapman—I might ask Ms O'Loughlin, who has day-to-day responsibility for that, to give her perspective on it.

Ms O'Loughlin—It is probably a bit of both. It really depends on what the matter in front of you is. Some investigations are much more complex than others. Some require us to seek

additional advice from broadcasters, for example, once we go through the investigation. I would have to say each investigation is unique but obviously the larger the quantity the more difficult it is to get through it in those types of time frames.

Senator PARRY—Any idea of how many complaints are sitting with you at the moment?

Ms O'Loughlin—We have 22 classification investigations with us at the moment.

Senator PARRY—Is that a typical average for any given point in time or is that high or low?

Ms O'Loughlin—It is a little higher than normal at the moment.

Senator PARRY—Do you get a satisfactory response when you get back to the complainants or are you having a dissatisfied response from the complainants in relation to the result but, more importantly, to the time frame?

Ms O'Loughlin—That varies. I would probably need to take that on notice. We do try to keep complainants informed along the way so that they understand why things might be taking longer than perhaps they expected. We try also, at the outset, to give them a realistic idea of how long things will take. So we do try to keep complainants, as much as we can, in the loop. It always varies in outcome. Some people will be happy with the approach that we have taken and the decisions we have come to and some will not.

Senator PARRY—Is there a unit within ACMA that handles the complaint side or is it across the agency for different reasons?

Ms O'Loughlin—The investigations review that we did throughout last year found that there were 15 discrete areas across ACMA as an organisation that does various sorts of investigations.

Mr Chapman—With respect to classification—

Ms O'Loughlin—The classification there is 1.

Senator PARRY—What are the typical nonclassification type complaints? Are they complaints about ACMA itself?

Ms O'Loughlin—No. The other area of my division that does investigations deals with other complaints under the code of practice for broadcasting, so that can be anything from—

Senator PARRY—That excludes advertising, doesn't it?

Ms O'Loughlin—That is correct. That can be the other parts of the code which may relate to things like accuracy, representation and viewpoints, electoral and political advertising and those types of things.

Senator PARRY—That would be an interesting one.

Ms O'Loughlin—That is the distinction that we draw in terms of talking about classification and nonclassification. It is sort of an internal thing.

Senator PARRY—But the bulk would be classification type complaints?

Ms O'Loughlin—It is a mixture of both.

Senator PARRY—You have one investigative unit for classifications?

Ms O'Loughlin—That is right.

Senator PARRY—How many staff are involved in that, full-time equivalents?

Ms O'Loughlin—We have an ASL of 10.

Senator PARRY—That is full-time equivalents?

Ms O'Loughlin—Yes, ASL.

Senator PARRY—What about the nonclassification? Is that more problematic to work out how many staff would be involved there?

Ms O'Loughlin—I do not have it with me at the moment. It is probably about the same.

Senator BIRMINGHAM—It was quoted in the *Financial Review* on 19 May that the cost to business of protecting consumers from unwanted marketing calls is set to almost double next financial year because of a surprise decision in the budget to raise access fees to the do not call register. Is that doubling an accurate estimate of the potential increase in cost to business?

Ms O'Loughlin—We do not believe it is an accurate estimate of the cost to business.

Senator Conroy—It was an election commitment.

Senator BIRMINGHAM—Yes, certainly. I am trying to ascertain the—

Senator Conroy—You were saying it was a surprise.

Senator BIRMINGHAM—No. I was quoting the *Financial Review*, primarily focusing on the alleged doubling of the cost to business. You stated the increase in costs would be \$1.105 million in the next financial year, to be precise. What is the base that that increase is coming off from?

Ms O'Loughlin—I might need to take that on notice. I apologise for that. I will come back to you as quickly as possible on it.

Senator BIRMINGHAM—Thanks, Ms O'Loughlin. I would like to return to black-listing and the Protecting Australian Families Online types of programs. In response to questions on notice from the additional estimates, ACMA indicated that they were close to finalising an agreement with the United Kingdom hotline operated by the Internet Watch Foundation to obtain access to its lists of URLs. Has ACMA finalised those negotiations?

Ms O'Loughlin—We are finalising those at the moment. I expect that to be concluded very soon. We have in-principle agreement. It is just a matter of signing protocols.

Senator BIRMINGHAM—You indicated that you thought that list contained between 1,000 and 1,500 URLs.

Ms O'Loughlin—At any time.

Senator BIRMINGHAM—At any time?

Ms O'Loughlin—Yes.

Senator BIRMINGHAM—But you were uncertain at that stage how many of those may overlap with URLs on your existing black list. You remain uncertain, I assume, given that you have not had access yourselves—

Ms O'Loughlin—Once we acquire the black list, we will have a better idea of whether there is any duplication.

Senator BIRMINGHAM—Is this simply going to be a cooperative agreement that you are trying to strike between yourselves and the Internet Watch Foundation or will ACMA be paying for access to these lists?

Ms O'Loughlin—It is a cooperative agreement.

Senator BIRMINGHAM—So there would be a reciprocal agreement, I assume, where you would provide ACMA lists in return?

Ms O'Loughlin—Yes.

Senator BIRMINGHAM—Does the same apply to the United States National Center for Missing and Exploited Children?

Ms O'Loughlin—We are still in discussion with the United States.

Senator BIRMINGHAM—Do you have any idea as to how many URLs may be on that list?

Ms O'Loughlin—No, not at this stage.

Senator BIRMINGHAM—Once again, that would be a reciprocal agreement?

Ms O'Loughlin—We expect it would be. Each of these hotlines and each of these organisations are very much focused on doing black lists around child abuse images and we are very keen to explain our black list. We have linkages with these organisations already. We have worked with them previously. Now we are asking them to provide their lists so that they can supplement our black list.

Senator BIRMINGHAM—Do you have a time line for completion of these negotiations?

Ms O'Loughlin—I hope in the next couple of months.

Senator BIRMINGHAM—This is obviously a global problem and we would be surprised, to an extent, if there were not a reasonable portion of overlap between the three lists—the US, the UK and ACMA. Is there any negotiation taking place towards an international code on such matters or an agreement to share such information between like-minded countries?

Senator Conroy—I recently attended the APAC telecommunications ministers conference in Bangkok where I raised this in the full forum and in a string of bilaterals. We are pursuing expansion of the list through dialogue with ministers of other governments and I will be raising it and discussing it at an upcoming OECD meeting in a few weeks time. So we are progressing this through international forums, seeking the support of other jurisdictions, and getting a reasonably positive response.

Senator BIRMINGHAM—Is there an obvious coordinating global agency to take up such a challenge, Minister?

Senator Conroy—An organisation called INHOPE is an international organisation that has a fair focus on these issues.

Senator BIRMINGHAM—Is that a not-for-profit organisation based somewhere?

Ms O'Loughlin—That is right. It also operates hotlines in a number of countries which are really focused on the reporting of child abuse images.

Senator BIRMINGHAM—Do they keep their own black list of some sort?

Ms O'Loughlin—I am advised that the European Commission is going to be funding INHOPE to develop a combined database of URLs over the coming 12 to 18 months.

Senator BIRMINGHAM—Thank you. I want to move briefly to CDMA matters as they might relate to ACMA. I understand that, as quoted at previous additional estimates, there were 230 cells that were tested in regard to the Next G coverage to assess the standard as against the standard of service of the then existing CDMA network.

Senator Conroy—Could I indicate that the resident expert, who took most of the questions last time, is not with us. You may be quoting evidence from one of the other officers who could not be here today; I think he is on leave. I just wanted to indicate that.

Senator BIRMINGHAM—Thank you, Minister. I do not have a lot of questions that I think fall within ACMA's purview with this one anyway. You provided some maps subsequent to those estimates and I thank you for those. It is not surprising, from the type of coverage that was undertaken, that there are some significant areas that appear not to have been tested in that transfer, and I look at the south-eastern corner of South Australia, from my perspective. Mount Gambier and significant towns surrounding there appear not to have been within range of the maps. Has ACMA been receiving the feedback from the minister, prior to the switch-off or after, in relation to where problems are perceived by customers to exist, and may exist? And has any work been done to overlay that against the testing that was done to see if there are in fact holes in any of the nontested areas?

Senator Conroy—The previous minister did not mandate that testing take place in that specific region, but I am sure the officers can help.

Ms Cahill—We did not get advice on any previous areas of concern. To date, though, ACMA has received some 21 inquiries to its new inquiries line. Of those, only six actually go to issues of coverage that we are investigating now.

Senator BIRMINGHAM—Those six are in what regions or areas?

Ms Cahill—The areas were around Broken Hill and Cobar, Bega, Wagga Wagga and Narrandera. I am sorry, I do not have the locations of the other two.

Senator BIRMINGHAM—That is okay. What work is ACMA doing to assess the validity or otherwise of those concerns?

Ms Cahill—We have a quite comprehensive complaints and inquiries process which involves seeking information from the complainant in terms of details associated with handsets that used the previous coverage and the coverage they are experiencing now. We then do an assessment within ACMA and, should there be an expectation of a valid claim, we take that up with Telstra.

Senator BIRMINGHAM—Have you taken any valid claims up with Telstra at this stage?

Ms Cahill—As I say, we have only to date received six and we have only got one formal completed complaint form. One of the issues for ACMA, in order to be able to take up the

complaint directly with Telstra, is the approval of the individual who complains to us to release their data to Telstra. We have got one complaint so far that we are progressing.

Senator BIRMINGHAM—One complaint that you have progressed to the stage of taking it up with Telstra?

Ms Cahill—Where we will be taking it to Telstra, yes.

Senator BIRMINGHAM—In terms of those that relate to coverage, will you expect Telstra purely to provide testing in those areas or provide evidence of the strength of signal in those areas, or will you be looking to make contact with former users of the CDMA network to see if there are more problems in those areas than appear to exist?

Mr Kerans—There are a number of things that Telstra could provide us with. They could provide us with information as to why the particular customer could not receive a signal—and that may be handset related—they could provide us with signal strength measurements or they could provide us with reasons why there is no coverage and evidence that there was previously no coverage. They have a number of options open to them once we approach them and ask them why there is no coverage in a certain area.

Senator BIRMINGHAM—What are the other areas, aside from coverage, that have been raised in the complaints?

Ms Cahill—The majority of complaints have gone to people being unhappy with Telstra, having made the decision, but also perhaps to handsets—that they have not had the correct handset.

Senator BIRMINGHAM—Again, you are working with Telstra to resolve those issues?

Ms Cahill—We are working with the department and Telstra, yes.

Senator KEMP—What particular role does ACMA play in antisiphoning? Senator Conroy has been a ferocious critic of the antisiphoning regime, and of course we are all looking forward to great progress under him. What is happening?

Mr Chapman—We got a direction from the previous minister in 2005 to monitor the operation of the antisiphoning list, and we have been reporting diligently.

Senator KEMP—Are you on the ‘use it or lose it’ bandwagon? Is that your role?

Mr Chapman—This is a report we provide half-yearly to the minister. So far we have had five interim reports—our first biannual report and an annual report—and they have been provided to the minister consistent with the original brief.

Senator KEMP—These reports are public?

Mr Chapman—The first five are, and I stand to be corrected but I think the last two are still with the minister.

Senator KEMP—Just take us through and summarise your most recent findings in the operation of the antisiphoning list.

Mr Chapman—Our most recent findings are in the report that is currently with the minister and are not yet public. It is a report to the minister, and I would not indicate in this forum what is in that report.

Senator KEMP—Senator, have you had a chance to read the report yet?

Senator Conroy—We have been considering the report, yes.

Senator KEMP—You refer to yourself in the third person.

Senator Conroy—Well, the government. Yes, I have been considering the report.

Senator KEMP—‘We’ over here would like to know whether you have had a chance to read the report. Could you perhaps summarise to the committee the broad conclusions.

Senator Conroy—Thanks for the opportunity, but I am still considering it at this stage.

Senator KEMP—When did you receive the report?

Senator Conroy—20 February, I am informed.

Senator KEMP—You received the report on 20 February. Can you confirm that you have actually read it?

Senator Conroy—Yes, the government has received a briefing on it, we have spoken with it and I have considered all of the documentation.

Senator KEMP—Do you think this is a bit slow to release this?

Senator Conroy—I am still considering—

Senator KEMP—A lot of things seem to be getting held up at the moment, Senator Conroy.

Senator Conroy—I appreciate your opinion. As you know, I have always valued your opinion.

Senator KEMP—I have always tried to help you.

Senator Conroy—You have always been there to give it to me, Senator Kemp.

Senator KEMP—That is right.

Senator Conroy—We will miss you!

Senator KEMP—That is exactly right.

Senator Conroy—We will miss you when you—

Senator KEMP—I don’t think you’ll miss me too much!

Senator Conroy—move on to writing your own blog on the Victorian Liberal Party.

Senator KEMP—I won’t be attacking Simon Crean, though, in that blog. I can assure you about that! I will not be challenging him.

Senator Conroy—Just Ted Baillieu. At this stage, no, I decline your kind invitation to outline to you the advice from ACMA.

Senator KEMP—You have had three months to look at this.

Senator Conroy—We are just checking dates. We have a slight discrepancy—only a few days. At the end of February, beginning of March, just to clarify that. I am sure it is not material to the point you are making, though.

Senator KEMP—No. It seems to me you have still been incredibly tardy.

Senator Conroy—I appreciate your opinion, as always, and will miss it.

Senator KEMP—I know it is difficult—new boy on the block doing all this work—but it is taking a bit of time. When do you think you will come to a conclusion on the report that we can then be in a position to share with the wider Australian public?

Senator Conroy—I will take that on notice.

Senator KEMP—Can't you be bold and say, 'As soon as possible,' or, 'Two or three weeks'? Can we tempt you out a bit further?

Senator Conroy—We will take that on notice.

Senator KEMP—You will take on notice when you will decide to release it to the public? That is not the sort of thing you take on notice.

Senator Conroy—It is a weighty piece of work, and I want to give you an accurate answer when I have considered the matter.

Senator KEMP—This is an incisive question, but how many pages is this report?

Ms O'Loughlin—It is substantial.

Mr Chapman—It is massive.

Senator Conroy—'Massive' is the—

Senator KEMP—Did you say 'substantial' or 'massive'?

Mr Chapman—Ms O'Loughlin said 'substantial'; I said 'massive'. It contains an extraordinary—

Senator KEMP—Does that mean it is, like, 100 pages?

Senator Conroy—Far more than that.

Senator KEMP—I assume that someone has given an executive summary to Senator Conroy. No?

Senator Conroy—I am not sure if that was a rhetorical question, Senator Kemp.

Senator KEMP—This is exceedingly unsatisfactory. Of course, I had a chance to look at your press releases in yesteryear, and it came to my attention—it fell off the back of the proverbial truck; you cannot move anywhere in Canberra without things falling off it. Senator Conroy, just fill me in: the 2010 World Cup.

Senator Conroy—It is a football tournament.

Senator KEMP—That is right.

Senator Conroy—Australia is trying to qualify for it at the moment. Your previous government was not interested in it.

Senator KEMP—Yes.

Senator Conroy—'The Socceroos are of as much interest as the World Swimming Championships and the Tour de France,' I think was how the previous minister categorised it.

Senator KEMP—That now is on the antisiphoning list. Is that right?

Senator Conroy—We said we will put the Socceros back on the antisiphoning list at the completion of their existing contract, which is in 2013.

Senator KEMP—That is not quite what you promised. Sorry to have raised these sensitive issues with you, but—

Senator Conroy—You have my press releases there, and if you look at my *Hansard* you will find that what I said then is entirely consistent with what I am saying now.

Senator KEMP—What have you actually delivered on antisiphoning? Can someone give me a summary of what the minister has delivered?

Senator Conroy—We have delivered on our election commitments, and we will announce that the Socceros' matches after 2013 will be on free-to-air.

Senator KEMP—What other changes are you proposing to make to the antisiphoning list?

Senator Conroy—We are currently involved in some discussions at a very early stage—there are very entrenched and strong and passionate views on this—between the free-to-air networks and the pay TV industry.

Senator KEMP—That was not apparent from your earlier interventions on this issue.

Senator Conroy—As I have said a number of times, technology has moved on. Even Liberal Party members can run blog sites now.

Senator KEMP—Yes, they can.

Senator Conroy—They can. So technology is moving on. We have multichannelling.

Senator LUNDY—I think Senator Kemp—

Senator Conroy—I do not want to name names, Senator Lundy, but those close to Senator Kemp have been implicated.

Senator KEMP—Senator Lundy, Senator Alston had good reason to discuss with you the poor performance of your website, so I do not think we should raise that.

Senator Conroy—Those close to Senator Kemp have been implicated. In fact Ted Baillieu even suggested that it reached into some federal MPs' and senators' offices.

Senator KEMP—Not according to my—

Senator Conroy—And Senator Kemp is leaving parliament soon. I think there could be a connection there myself.

Senator KEMP—Simon Crean said to me that it was very fortunate you could not use a website because the spleen which would come out on it would cause great embarrassment to the Labor Party.

Senator Conroy—You need to check more widely. You will find there is plenty of spleen.

Senator KEMP—Have you made up, have you?

CHAIR—Senator Kemp, we are about to go to a tea break. Have you got any useful questions?

Senator Conroy—Thank you, Senator McEwen.

Senator KEMP—I thought it was useful. I thought this was all getting rather tedious. This is a serious issue: Senator Conroy made a huge song and dance about this in opposition. He was up in question time in Senate estimates. So it is not an unreasonable question.

Senator Conroy—You had 11½ years.

Senator KEMP—What have you actually done?

Senator Conroy—You had 11½ years.

Senator KEMP—You have not read the report which has been given to you.

Senator Conroy—You had 11½ years and you did nothing.

Senator KEMP—You have had that for five months and have not read the report.

Senator Conroy—11½ years.

Senator KEMP—But what have you done?

Senator Conroy—11½ years and you did nothing.

Senator KEMP—I do not know whether it was me personally, or are you using the third person again?

Senator Conroy—I think you and your government did nothing in anti-siphoning list reforms.

Senator KEMP—Okay.

Senator Conroy—Nothing. Zero.

Senator KEMP—But you have had such a poor start. We cannot even get the report that you have had in your hands.

Senator Conroy—It will take me another 11 years to match your record, Senator Kemp.

Senator KEMP—What have you done?

Senator Conroy—It will take me another 11 years to match you.

Senator KEMP—Shine some light on us and tell us what you, as the new dynamic minister, have done?

Senator Conroy—What have we done about what?

Senator KEMP—On anti-siphoning.

Senator Conroy—On anti-siphoning?

Senator KEMP—Come on, give us a quick summary of six months of Stephen Conroy. What have you actually done?

Senator Conroy—We have begun to engage in discussions with the free-to-air networks and the—

Senator PARRY—You do not have to read that, surely.

Senator Conroy—What?

Senator LUNDY—You did nothing for 11 years.

Senator Conroy—You are welcome to see that I am not reading it, Senator Parry. I am making sure that I give you an absolutely accurate answer, if you are really worried about it. We have begun discussions with the pay TV industry and the free-to-air networks about where to move the anti-siphoning list debate, because technology has now moved on. We now have multichannelling in place of a high-definition variety. At the beginning of next year we will have standard definition.

Your government introduced a restriction on the types of sporting events that could be shown on the multichannels. You actually banned anything on the anti-siphoning list.

Senator PARRY—But what have you done?

Senator Conroy—I am just explaining to you the issues that we are dealing with after 11½ years of inaction.

Senator KEMP—Senator Parry, this is so exciting that we are learning that Senator Conroy has begun discussions after six months as a minister.

Senator PARRY—Yes, that is right.

Senator Conroy—After 11½ years you achieved nothing.

Senator KEMP—And he has almost read a report.

Senator Conroy—Welcome back, Senator Macdonald.

Senator LUNDY—You guys did not even bother doing that. You did not do anything at all.

Senator KEMP—I think I got a few scores on the board, I can tell you.

Senator Conroy—You are the Geoff Boycott of parliamentary performance.

Senator KEMP—This is gripping. Come on, what have you done, Stephen? What have you done?

Senator Conroy—I have told you: I am modelling myself on you.

Senator KEMP—A lot of people are saying that you have got a long way to go.

Senator Conroy—I repeat: it will take me 11½ years of doing nothing to match you.

CHAIR—Senator Kemp, we are scheduled to have a tea break now.

Senator KEMP—We will have the tea break and could Senator Conroy think over the tea break just what he has done on anti-siphoning in the first six months.

Proceedings suspended from 9.29 pm to 9.45 pm

Senator Conroy—I am reminded of a number of achievements that I achieved before we won government. It was pressure from the opposition that led to the World Cup being relisted on the antisiphoning list after your government delisted the World Cup.

Senator KEMP—Senator Coonan said that you were a very late starter on that. That is the advice that I have received.

Senator Conroy—Please! Senator Coonan still thinks the World Cup is equivalent to the Tour de France, so let us not go there.

Senator KEMP—You are just putting words in—

Senator Conroy—It was 11½ years in which your government achieved absolutely nothing on antisiphoning and did not even promulgate its ‘use it or lose it’ guidelines. They were never enforced. So we are in the process of tackling a number of challenges around the antisiphoning list, which runs out at 31 December 2010, and the new multichannelling, which is high definition and soon to be standard definition and which your government banned from showing anything that is on the antisiphoning list unless it was being shown at the same time on the main channel. So there are a number of policy challenges that we have inherited from your government’s inaction, Senator Kemp.

As I did mention earlier, there is an entrenched set of views about which I am seeking to engage the stakeholders, which I have already commenced over the last couple of months. So in our five months we have begun facing up to those challenges that your government failed to deal with.

Senator KEMP—That is not the version I get from the esteemed Senator Coonan.

Senator Conroy—She is still trying to work out what the World Cup is. She did not even know how the Socceroos qualified.

Senator KEMP—Let me just make the point that—

Senator Conroy—She was unable to explain the qualification process for the Socceroos in the World Cup.

Senator KEMP—After all those words—

Senator BIRMINGHAM—Many people have struggled with that over the years, Senator Conroy. FIFA has changed the rules numerous times.

Senator Conroy—Nobody that follows it struggles with it, Senator Birmingham.

Senator KEMP—Madam Chair, what we have learnt in the last 20 minutes is that Senator Conroy has not even bothered to read the report which has been given to him by ACMA and, furthermore, that he has done absolutely nothing on antisiphoning. It is a very poor performance.

CHAIR—And your question is?

Senator KEMP—I just want to state that it is an exceedingly poor performance by this minister.

Senator LUNDY—Enough mucking around!

Senator Conroy—You have run interference long enough now, Senator Kemp. Senator Birmingham is fired and awaiting the call.

Senator KEMP—Can I just ask you this, Senator Conroy: you have received a charter letter from the Prime Minister, haven’t you?

Senator Conroy—Yes, I think—sorry, no. I am informed we have not received it yet.

Senator KEMP—Have not received a charter letter from the Prime Minister? No wonder you have not got a clue what you are meant to be doing!

Senator Conroy—We have had a lengthy discussion with the Prime Minister on this but at this stage we have not received—

Senator KEMP—What, a lengthy discussion on his charter letter?

Senator Conroy—Yes.

Senator KEMP—Have you got any idea when you will receive a charter letter?

Senator Conroy—These things are in the hands of the Prime Minister.

Senator KEMP—Do you know specifically what your duties are?

Senator Conroy—Not really. I seem to be wandering around—

Senator KEMP—That is right. You seem to be wandering around.

Senator Conroy—I am pretty confident I know what I am doing, Senator Kemp.

Senator KEMP—And I know what I am doing, too. So you have not got your charter letter, you do not know what you are doing and you have not read the report from ACMA. And, hello, the exciting thing that you have done in six months is that you have commenced discussions. I would have to say, if I report to Senator Coonan what you have done, she will be absolutely outraged.

Senator Conroy—I still have 11 years to match your record of inaction in this portfolio area. Senator Birmingham?

Senator BIRMINGHAM—Minister.

Senator PARRY—What, are you chairing it as well?

Senator Conroy—Sorry, Senator McEwen.

CHAIR—Senator Birmingham.

Senator BIRMINGHAM—Thank you, Chair. Minister, just finishing on the anti-siphoning issues, you are quoted as indicating that any shift for soccer will not occur until 2014 because of existing FFA—

Senator Conroy—I have indicated that it is not possible, without breaking contracts, to list them earlier than that. We will list them well prior to the 2013 date to ensure that the next round of rights negotiations is covered.

Senator BIRMINGHAM—They will be listed to take effect from 2013?

Senator Conroy—I am not waiting till 2014 to do it. I am indicating that the effect of the decision will be to ensure that the World Cup qualifiers after 2013 are on free-to-air.

Senator BIRMINGHAM—Has the Football Federation of Australia expressed concerns about the listing beyond 2013?

Senator Conroy—I have had a discussion with the Football Federation about this matter.

Senator BIRMINGHAM—Obviously their concern is that they would be forced to break contracts and there would be financial implications for them if you listed earlier.

Senator Conroy—Yes, that is correct.

Senator BIRMINGHAM—Surely there is the potential that there would be financial implications for them from the listing beyond that as well, would there not?

Senator Conroy—I think that what you are seeing in this country, notwithstanding Senator Kemp and Senator Macdonald's interest in it, is that the football community has very much responded to the Socceroos' recent successes. There is enormous support at matches around the country. I have been to Melbourne Victory matches and crowds at some of their home matches have exceeded 25,000 or 30,000. At the final of the A league between Melbourne Victory and Adelaide—which both Senator Wortley and I were at, and unfortunately her son, being an Adelaide supporter—there was, from recollection, a crowd of 55,000. It was a full house.

So the interest of the broader Australian community in the success of the Socceroos has now reached a level where there would be, I suspect, significant bidding from free-to-air networks for Socceroos matches. If you want to speculate on what might happen to the rights in the year 2014, you are welcome to, but there is much more interest than the previous government ever understood around the Socceroos matches. I regularly get emails from people saying, 'Why can't we watch the Socceroos matches now?' I have always said, 'Because we won't break existing contracts,' and I am sure you are not encouraging us to break existing contracts, but the football revolution is well and truly under way in this country, Senator Birmingham.

Senator BIRMINGHAM—Thank you for all of that, Minister. I certainly take on board that there is great passion for football around Australia.

Senator Conroy—Certainly more than the Tour de France.

Senator BIRMINGHAM—Certainly more than the Tour de France!

Senator Conroy—Or the World Swimming Championships.

Senator BIRMINGHAM—Well, there are moments in Adelaide where cycling peaks, but I recognise there are a lot of Australians interested in football and very passionate about it. Was that a long-winded answer telling us that FFA have not expressed any concerns about the ongoing financial implications of listing?

Senator Conroy—As you said, they have expressed concerns about the potential penalties they would incur if we listed the matches prior to 2013 and we have undertaken to have some further discussions about the implications of listing them. But let me be clear about this: this is an election commitment and we will deliver on it. The Socceroos are as iconic as the Wallabies, as the Kangaroos, as the Australian women's netball team. Kate, help me out here. Do they have a tag?

Senator LUNDY—What was that? The tests are international but the team does not have a name.

Senator Conroy—That would explain why I cannot remember it. But the Kookaburras or any of those—

Senator LUNDY—They have a competition going to see if they can find the best name for the Australian netball team, so if you have any ideas, send them to Netball Australia.

Senator Conroy—I thought I had not heard it.

Senator BIRMINGHAM—We will have to get all the ACMA officials and everybody else present to join in the competition.

Senator Conroy—So the Socceroos are of an iconic status, as I think I explained to you at some length at the last estimates. Despite advice from what was then the ABA to list them, the previous government chose for five years to ignore that advice. That subsequently led to the contract that exists now, signed by FFA and Fox Sports. As I said, we have undertaken to have some discussions with the FFA about that, but this is an election commitment. That is clear, simple and straightforward.

Senator BIRMINGHAM—I understand that you are intending to meet it, and that is excellent to hear. Have discussions been had with FFA about possible compensation as a result of listing if they are financially disadvantaged in the long run?

Senator Conroy—This is an election commitment, and we intend to keep our election commitments.

Senator BIRMINGHAM—That in no way related to the question, Minister. That answer works for you sometimes.

Senator Conroy—You are the first person to ever raise such a suggestion.

Senator BIRMINGHAM—In that case, if FFA have not suggested—

Senator Conroy—As I said, you are the first person to raise such a suggestion.

Senator BIRMINGHAM—But discussions are ongoing with FFA as to the implications of their listing and any concerns that they may have in that regard.

Senator Conroy—As I said, we will be having some further ongoing discussions on that matter.

Senator BIRMINGHAM—Can I turn to issues of SMS subscription services. Has ACMA received complaints on these matters and are there an escalating number of complaints related to such services?

Ms O'Loughlin—The initial complaints for people wanting to complain about SMS would go directly to the TIO, the Telecommunications Industry Ombudsman, so we do not have records of first-line complaints, if that is what you are looking for.

Senator BIRMINGHAM—Has ACMA looked at community concerns that may exist around such subscription services?

Ms O'Loughlin—ACMA currently is involved with the Communications Alliance with the development of the code around industry practice in this area. In that context, some of the issues that have been of concern to consumers will be drawn out, and that will be something that we will be looking at in the registration of the code.

Senator BIRMINGHAM—Will this be a self-regulatory code?

Ms O'Loughlin—A co-regulatory code, so it will be a code that the authority will need to tick off.

Senator BIRMINGHAM—Will the authority have some role in the enforcement or assessment of that code in an ongoing manner?

Ms O'Loughlin—Part of the authority's test under the act will be whether or not there are appropriate community safeguards in it and also whether or not consumer groups have had an opportunity to comment through the code process.

Senator BIRMINGHAM—How far advanced is the development of the code?

Ms O'Loughlin—We expect that the Comms Alliance will put it out for consultation in the next couple of months.

Senator BIRMINGHAM—Is there a time line that you hope to have the development completed by?

Ms O'Loughlin—I do not have that with me at the moment. Usually with industry codes they allow a month or two so that consumers and other interested parties have an opportunity to comment on the code and then it would come back to the authority for registration once that consultation process is completed.

Senator BIRMINGHAM—Does the scope of this code development relate exclusively to SMS subscription services or does it go broader or narrower than that?

Ms O'Loughlin—I might ask my colleague, Vince Humphries, to join me at the table.

Mr Humphries—The code primarily deals with internet services but also with mobile portal services.

Senator BIRMINGHAM—Can you explain that to me in terms of mobile portal services?

Mr Humphries—These would be content services that would be accessed via mobile portals such as Vodafone Live and Planet 3, so it would be the carrier-specific services.

Senator BIRMINGHAM—So the code will deal with things such as ringtone downloads? Are they likely to be featured in there?

Mr Humphries—I would expect that the code will deal with matters relating to the transparency of the costs and the terms and conditions of those types of services.

Senator BIRMINGHAM—Does the code draw any boundaries around what types of such services might be reasonable? It has been put to me by a constituent recently that premium SMS services have most recently been advertising cheat-meter services which purport to tell, presumably, the young people the service is marketed at whether their partner is cheating on them. It seems to be an interesting extension of the nature of an SMS subscription service.

Ms O'Loughlin—I am not sure the code would go to the types of services that you are describing in terms of whether they are appropriate under the code or not. It really focuses on issues—which is one of the main concerns of consumers—as to costs that they are charged for SMS and the transparency of those costs.

Senator BIRMINGHAM—Are you receiving any feedback from consumers or elsewhere that perhaps there is a need to be a little tighter about what is reasonable in regards to these services? They appear to be marketed very aggressively towards young people in particular.

Ms O'Loughlin—If there are concerns, it would be very useful for us to know through the code development process what consumers' concerns are.

Senator BIRMINGHAM—The consultation process that the code will be going to is a public process, not just an industry consultation process?

Ms O'Loughlin—It is required to be a public consultation process.

Senator BIRMINGHAM—You will be directly seeking the views of consumer groups or the like, as well as industry groups?

Ms O'Loughlin—The Communications Alliance, in the development of the code, will seek consumer views and the general public's views as well, so we would expect that they would advertise it.

Senator BIRMINGHAM—Are there any consumer groups represented on the working party developing the code?

Ms O'Loughlin—I am not aware of that at the moment.

Senator Conroy—Can I also indicate to Senator Birmingham that we recently held a stakeholders meeting and raised at this consumer stakeholder forum that was held in Canberra on 1 May our concerns around SMS and, more importantly, how long it was taking for this matter to be finalised. So we are very conscious of this issue. It is ongoing; it is very frustrating and we are keen for it to be resolved.

Senator BIRMINGHAM—Minister, do you have a view as to whether this code should try to draw some boundaries around what are reasonable services or whether it should stick primarily to issues of pricing and transparency?

Senator Conroy—We are awaiting the final advice on those sorts of matters at this stage.

Senator BIRMINGHAM—How long do you expect the consultation period on the draft to take?

Ms O'Loughlin—As I indicated, normal practice is it is usually a minimum of around 30 days. I am not sure that we have been advised specifically on the exact time frame at this stage, but we are very keen to make sure that when codes go out to consultation there is a sufficient amount of time for consumers, the general public and industry to comment on them.

Senator BIRMINGHAM—I suspect this is an issue that other members and senators have received information on as well, so we would encourage you to do your best to bring it to our attention at the time that the code is ready for discussion, thank you.

Ms O'Loughlin—Certainly.

Senator BIRMINGHAM—In terms of community radio licences, Senator Johnston asked some questions in the additional estimates about a particular community radio licence in Western Australia. Are there other licences currently under review?

Ms Ritter—When you say review, licences come up every five years for renewal and under the legislation ACMA is required to look at the same criteria that were applied when the licences were first allocated to see if they should have their licences renewed or not.

Senator BIRMINGHAM—How many community radio licences are there around Australia?

Ms Ritter—Something like 284. I will get the exact number for you—274.

Mr Chapman—Community radio?

Senator BIRMINGHAM—Yes.

Mr Chapman—Three hundred and fifty-eight.

Senator BIRMINGHAM—A five-yearly licence rotation means there are quite a number that are being reassessed at any one time.

Ms Ritter—That is correct.

Senator BIRMINGHAM—Do you have data on how many have been renewed over the course of this financial year versus how many have not been renewed?

Mr Chapman—Since July 2004 when the new renewal process was introduced we have renewed 271 licences and only five licences have not been renewed. So that gives you an order of magnitude of the number that are renewed, and only five have not been. That is since July 2004 when the new process was introduced.

Senator BIRMINGHAM—What are the grounds usually for those nonrenewals?

Ms Ritter—Normally there were some serious problems with the services to do with meeting the community needs, targeting the community that they were licensed to serve; sometimes some quite serious governance issues. Whenever we had services which had problems but showed they were able and willing to fix them, we did renew the licences but we looked at undertakings or other measures to help them get back on track.

Senator BIRMINGHAM—Was there much community feedback from any of those cancellations?

Ms Ritter—It would be fair to say we have been surprised by the small negative response to those nonrenewals.

Senator BIRMINGHAM—Does that mean that new licences are being issued in those—

Ms Ritter—Normally, where they are still able to provide a service, we have given a temporary service so that they can have some time to rectify the problems. It also allows for new services who might want to try temporary services to come on board and compete for that spectrum, and they share the spectrum for a period. Then after a period of time we will look at ongoing allocation again.

Senator BIRMINGHAM—How many new licences would have been given in that same time period?

Ms Ritter—We had the two new community licences for Perth. They were the main ones that happened during that period. Where there is spectrum in remote parts of Australia, we quite regularly make it available for new temporary licences. When they feel ready to go for an ongoing licence, we look at allocating those. Quite frequently they are uncontested. More often—say in Perth—there is a contest and the one who has the greatest merit under the legislation will get the licence.

Senator BIRMINGHAM—How many temporary licences are currently outstanding?

Mr Chapman—By ‘outstanding’, you mean ‘are in operation’?

Senator BIRMINGHAM—Are currently in operation, yes.

Ms Ritter—There are currently 38, but it is hard to say because at any given time there will be some coming and going and they will be sharing spectrum in different parts of Australia. It is really the opportunity for new services to trial what they can do.

Senator BIRMINGHAM—Has ACMA been asked to consider the issue of pay TV gambling in any way or has ACMA considered that issue in any way?

Ms O’Loughlin—No, that is a matter for the department.

Senator BIRMINGHAM—We will take that up with the department tomorrow. Can I ask one final question out of curiosity. ACMA seems to base a great deal of its work on that of Ofcom, the UK equivalent. Is there a reason for that? Do you think Ofcom is particularly comparable to Australia’s markets and the UK market is particularly comparable?

Mr Chapman—I am not sure why you said what you did with respect to us basing a lot of our work on it, but I will put that to one side for a moment. The only reason I am a little sensitive to that is that we tried to forge our own way. Having said that, there are not that many converged communication regulators in the world. They would be in single figures.

So, in us seeking to benchmark ourselves, Ofcom are a logical organisation against which we benchmark and they are extremely well resourced. They were up and running about three years before us and they have a demonstrated, impressive track record. We aspire to be recognised as the world’s leading converged communications regulator, and it is fair to say that we set Ofcom up as a benchmark because they do a lot of things very well.

We in the ACMA and we in the communications industry generally in Australia, including the department’s work, do things exceptionally well, and we in our own way in some areas are international best practice. We do not need to go through that tonight, but I would be happy to supply you with a list at another stage as to why I say that. So we are on a transformation of this organisation. We aspire to be recognised as the world’s best and we are logically reaching out and looking at other organisations against whom we can benchmark. In that sense, Ofcom is an obvious one to benchmark against because they have done some exceptionally good work.

Senator BIRMINGHAM—Thank you, Mr Chapman. Chair, that is all, although just for the interest of the minister as we close down, my office minister has just emailed me something suggesting that the Socceroos’ two World Cup qualifiers against Iraq may be in some jeopardy.

Senator Conroy—No, Sepp Blatter and the FIFA Congress taking place in Sydney at the moment have suspended Iraq, which means that we get the six points from that and almost certainly qualify for the next stage of the qualifiers.

Senator BIRMINGHAM—I think AAP only filed this story at 20 to eight, so it is good to see you are on the ball, Minister.

CHAIR—Thank you, Senator Birmingham.

Senator Conroy—I have recently been appointed as an ambassador for the football federation.

Senator BIRMINGHAM—Congratulations!

Senator Conroy—Thank you.

CHAIR—If there are no further questions, I would like to thank the officers of ACMA and the department for being with us tonight. There are no further questions, so the committee has now concluded today's program and will continue its examination of this portfolio tomorrow morning at 9 am with the department. ACMA are excused.

Committee adjourned at 10.12 pm