



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATIONS AND THE ARTS
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

MONDAY, 24 MAY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE ENVIRONMENT, COMMUNICATIONS AND THE ARTS**LEGISLATION COMMITTEE****Monday, 24 May 2010**

Members: Senator McEwen (*Chair*), Senator Fisher (*Deputy Chair*), and Senators Ludlam, Lundy, Troeth and Wortley

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Macdonald, Marshall, Mason, McGauran, McLucas, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Trood, Williams and Xenophon

Senators in attendance: Senators Abetz, Bilyk, Birmingham, Mark Bishop, Cormann, Farrell, Fisher, Heffernan, Joyce, Ludlam, Macdonald, Marshall, McEwen, Minchin, Trood, Wortley and Xenophon

Committee met at 9.02 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**Management and Accountability**

Mr Peter Harris, Secretary

Mr Daryl Quinlivan Deputy Secretary, Infrastructure Group

Mr Andy Townend, Deputy Secretary, Broadcasting and Digital Switchover Group

Mr Abul Rizvi, Deputy Secretary, Digital Economy and Services Group

Outcome 1—Develop a vibrant, sustainable and internationally competitive broadband, broadcasting and communications sector, through policy development, advice and program delivery, which promotes the digital economy for all Australians.

Program 1.1 Broadband and Communications Infrastructure

Mr Daryl Quinlivan, Deputy Secretary, Infrastructure Group

Ms Marianne Cullen, First Assistant Secretary, National Broadband Network Implementation Division

Ms Pip Spence, First Assistant Secretary, Networks Policy and Regulation Division

Mr Brian Kelleher, Assistant Secretary, Regional Backbone Blackspots Branch, National Broadband Network Implementation Division

Mr Mark Heazlett, Assistant Secretary, Implementation Study Branch, National Broadband Network Implementation Division

Mr Rohan Buettel, Assistant Secretary, Networks Regulation Branch, Networks Policy and Regulation Division

Mr Philip Mason, Assistant Secretary, NBN and Fibre Rollout Regulation Branch, Networks Policy and Regulation Division

Mr Brenton Thomas, Assistant Secretary, Spectrum and Wireless Services Branch, National Broadband Network Implementation Division

Program 1.2 Telecommunications, Online and Postal Services

Mr Abul Rizvi, Deputy Secretary, Digital Economy and Services Group

Mr Keith Besgrove, First Assistant Secretary, Digital Economy Services

Mr Simon Bryant, First Assistant Secretary, Australian Broadband Guarantee Branch

Mr Richard Windeyer, First Assistant Secretary, Digital Economy Strategy

Mr Andrew Maurer, Assistant Secretary, Regional and Indigenous Communications Branch

Mr Simon Cordina, Assistant Secretary, Cyber-Safety and Trade Branch

Mr Lachlann Paterson, Assistant Secretary, Content Programs Branch

Ms Mia Garlick, Assistant Secretary, Digital Economy and Convergence Strategy

Mr Duncan McIntyre, Assistant Secretary, Consumer Policy and Post Branch

Program 1.3 Broadcasting and Digital Television

Mr Andy Townend, Deputy Secretary, Broadcasting and Digital Switchover Group

Dr Simon Pelling, First Assistant Secretary, Broadcasting and Digital Switchover

Ms Karen McCormick, Assistant Secretary, Communications and Media

Mr Robert McMahon Assistant Secretary, Household Assistance

Ms Ann Campton, Assistant Secretary, Broadcasting and Switchover Policy

Mr Greg Cox, Assistant Secretary, National Community and Radio Broadcasting

Corporate and Business

Mr Richard Oliver, First Assistant Secretary, Corporate and Business Division

Legal Services

Mr Don Markus, General Counsel, Legal Services Group

Finance

Mr Simon Ash, Chief Financial Officer, CFO Group

Australian Broadcasting Corporation

Mr Mark Scott, Managing Director

Mr David Pendleton, Chief Operating Operator

Mr Michael Millett, Director Communications

Australian Communications and Media Authority

Mr Chris Chapman, Chair, Australian Communications and Media Authority

Mr Chris Cheah, Member and Acting Deputy Chair, Australian Communications and Media Authority

Ms Nerida O'Loughlin, General Manager, Digital Economy Division

Mr Giles Tanner, General Manager, Digital Transmission Division

Mr Brendan Byrne, General Manager, Legal Services Division

Ms Maureen Cahill, General Manager, Communications Infrastructure Division

Ms Dianne Carlos, General Manager, Corporate Services and Coordination Division

Ms Clare O'Reilly, Executive Manager, Legal Services Division

Mr Andrew Kerans, Executive Manager, Spectrum Infrastructure Branch

Ms Jonquil Ritter, Executive Manager, Citizen and Community Branch

Ms Kathleen Sillieri, Executive Manager, Content and Consumer Branch

Mr Paul White, Executive Manager, Industry Monitoring Branch
Ms Andree Wright, Executive Manager, Security, Safety and e-Education Branch
Ms Linda Caruso, Executive Manager, Regulatory Future Branch
Mr Vince Humphries, Manager, New Communications Issues and Safeguards
Mr Grant Symons, Executive Manager, Unsolicited Communications Branch
Mr Mark Loney, Executive Manager, Operations Branch
Ms Olya Booyar, General Manager, Content Consumer and Citizen
Mr Mark McGregor, Acting Executive Manager, Infrastructure Regulation Branch
Mr Derek Ambrose, Executive Manager, Finance and Facilities Branch
Mr David Brumfield, Executive Manager, Allocation, Coordination and Policy
Mr Christopher Hose, Executive Manager, Technical Planning and Evaluation Branch
Mr Stuart Wise, Manager, Budget, Cost Recovery and Procurement
Mr Patrick Emery, Manager, Licence and Numbering Development
Mr Alistair Gellatly, Manager, Television Planning
Mr Mark Bidwell, Manager, Implementation and Evaluation
Ms Deborah Johnson, Parliamentary and Coordination
Ms Kylie Trengrove, Parliamentary and Coordination

Australian Postal Corporation

Mr Jim Marshall, Acting Managing Director
Mr Paul Burke, Corporate Secretary
Mr Rod McDonald, Group Manager, Corporate Human Resources
Mr Michael Tenace, Group Financial Controller
Mr Stephen Walter, Group Manager, Corporate Public Affairs
Mr Don Newman, Group Manager, National Logistics
Ms Catherine Walsh, Manager, Employee Relations
Ms Christine Corbett, Manager, Strategy, Governance and Major Change
Mr Mark Pollock, Manager, Regulatory Affairs

NBN Co. Limited

Mr Mike Quigley, Chief Executive Officer

Special Broadcasting Service Corporation

Mr Shaun Brown, Managing Director
Mr Jon Torpy, Chief Financial Officer
Mr Bruce Meagher, Director, Strategy and Communication

CHAIR (Senator McEwen)—I declare open this public hearing of the Senate Environment, Communications and the Arts Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2010-11 for the portfolios of Broadband, Communications and the Digital Economy, the Environment, Water, Heritage and the Arts and Climate Change and Energy Efficiency and other related documents. The committee must report to the Senate on 22 June 2010. The committee has set Friday 30 July 2010 as the date by which questions on notice are to be returned.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance in that regard please see the secretariat, who have copies of the rules. I particularly draw the attention of witnesses to an

order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, and which I now incorporate in *Hansard*.

The document read as follows—

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
 - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
 - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
 - (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
 - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
 - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
 - (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that

conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

The committee will begin proceedings with the examination of the Broadband Communications and the Digital Economy portfolio, commencing with the Special Broadcasting Service, SBS. It will then follow the order as set out in the program. I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, and later I will welcome departmental secretary, Mr Harris, and portfolio officers. Minister, did you wish to make any opening statement?

Senator Conroy—No opening statement from me, thank you.

CHAIR—We will commence with officers of the Special Broadcasting Service. Mr Brown, do you have an opening statement?

Mr Brown—I do have an opening statement. I thought it would be appropriate to make a few comments today about developments, issues and some challenges facing SBS and some successes as well. The first point I make is perhaps an overarching one that SBS is becoming an even more relevant and an even more important part of the media landscape. That is obviously because Australia is becoming increasingly culturally diverse but also I suggest it is becoming more relevant because access to foreign sources of media through either satellite or the internet means that some groups, some communities, are no longer engaging with Australian media services. This I believe is posing a significant risk to social cohesion. Research that we have been involved in recently would indicate that communities such as the Hindi and Arabic speaking communities are sourcing their media extensively from that which is provided from their home countries rather than from accessing Australian media. In particular, research that we have done with regard to the Hindi community showed that at times of stress when the attacks on Indian students were being reported, that kind of retreat to the media emanating from India became even more pronounced. Many of the communications that related to that series of events that were in the Australian media were not reaching those particular communities. Our research shows that SBS is regarded as a notable exception in regards to its balanced approach and its willingness to report on those issues in a fair and balanced manner.

SBS responds to the challenges it faces in delivering its charter in two distinct ways. Let me deal with the first, which is providing services for specific language communities, those multilingual services that reach out and connect with distinct ethnic communities. In that regard, we have recently updated 68 in-language websites so that basic information at this stage, but likely to expand, is available in-language on the SBS2 website. We have also launched SBS2 a year ago with a focus on programming in LOTE, Languages Other Than English. We expect further increases to come. We have been conducting consultations, as I said earlier, with senior members of a number of ethnic communities.

As a result, we are now working on some initiatives to satisfy community demand for linguistically and culturally relevant services across all platforms, both for the largest language groups—the top 10 language groups in Australia comprise about 60 per cent of those communities that are speaking languages other than English—and for the very small groups who have high need. This second group may be recently arrived refugees, traumatised

communities or communities who would struggle to qualify for time on SBS on size alone but, on the basis of need, certainly need to be considered. We are doing that so that those communities can participate effectively in the Australian media. We hope to pilot some of those initiatives in the next financial year.

Our other distinct activity is to reach out to all Australians and reflect Australia's multicultural society to contribute to cohesiveness and inclusiveness. Our programs that do that, that seek to reach out to the broader community, have been receiving critical acclaim lately. At the recent Logies, four of the nine peer-reviewed, peer-awarded Logies went to SBS. That is a record haul for SBS; Most Outstanding Drama Series, both Outstanding Actors in the male and female categories and Most Outstanding Factual Program all received Logies. We received a gold medal for *East West 101* for the best mini-series at the New York Festivals International Television and Film Awards and a Silver Hugo for the best mini-series for *The Circuit* at the Chicago International Film Festival. These are powerful stories that tell the real story of multicultural Australia and that only SBS is choosing to do.

Further background, of course, is that the media environment is changing rapidly. SBS has to change with it so that it can continue to deliver its charter across all platforms. We need to find a way to offset the hits to our commercial revenue that have occurred firstly as a consequence of the global financial crisis and secondly because of the explosion of multichannels from commercial broadcasters which has doubled the amount of commercial inventory in the market and is having an impact on the revenue that SBS can derive.

We must find a way to resource new and emerging platforms so that SBS remains a vital part of that expanded landscape. In particular that relates to online and SBS2. We must effectively use these new platforms to connect to all Australians and those Australians of particular language communities.

We would agree with our minister, who indicated in a speech at SPAA last year that the time is right for a review of convergence as it affects the media and communications sector. You may have read today of the announcement of Google TV over the weekend, which really is an indication that convergence is here. An holistic view of the changes in the sector and the future structure, regulation and funding would seem to be appropriate. SBS's long-term funding needs to be viewed through that prism.

Let me conclude on the positive note that the excitement is building at SBS ahead of the FIFA World Cup in South Africa. We will show all games live and exclusive on TV, have all games on radio with commentary in 13 languages and have games live or on-demand with the option of accessing either English or other languages. Fifteen games will be shown in 3D and we are grateful to the minister for making an exception to the antisiphoning list so that we can show all these games live, particularly when it applies to games which are occurring simultaneously and which now can be shown on SBS1 and SBS2 at the same time. Thank you.

CHAIR—Thank you very much, Mr Brown.

Senator CORMANN—According to the budget papers, SBS will get \$3 million in additional funding next year, including an equity injection of \$5.58 million. The budget papers also state that SBS will fully exploit commercial opportunities such as advertising and

cut costs by increasing efficiencies through outsourcing and investing in a fully digital newsroom. Can you please explain for us how this strategy will affect programming at SBS?

Mr Brown—Are we are talking about efficiencies?

Senator CORMANN—The efficiencies, the advertising and cutting costs by increasing efficiencies through outsourcing and investing in a fully digital newsroom.

Mr Brown—There are two discrete parts to that. The first is to take the best possible advantage of our commercial licence, as granted under our legislation. We continue to do that. But, as I said in my opening comments, that is under some considerable pressure from the tail end of the global financial crisis and because there are now a number of multichannels operated by the commercial broadcasters, which has released a lot of additional inventory into the market. That is certainly impacting SBS's ability to raise commercial revenue, but we will continue to work hard to do that. I do not believe that has any effect on our programming.

The second part is the need to seek out and find efficiencies within the organisation so that we can continue to provide the very programming services you are talking about. That is a journey that never ends and one that we have been engaged in for as long as I have been at SBS. In part that relates to improvements and changes in technology. The one you quoted there about the digital newsroom is a process whereby newsroom content and news content from the field is gathered and stored on servers rather than on tape and therefore is capable of being handled effectively at a desktop level for editing rather than having a number of tapes being ferried around the place.

Senator CORMANN—Is there going to be more advertising, for example, during your programs now? Is there going to be an increase in the amount of advertising in SBS programs?

Senator Conroy—There is a legislative limit.

Mr Brown—There is a legislative limit of five minutes per hour. That is in the act.

Senator CORMANN—So there is no proposition for that to be changed?

Senator Conroy—No.

Mr Brown—SBS has not sought that change. We simply try to derive the best value we can from the available five minutes.

Senator CORMANN—Where it says we will fully exploit commercial opportunities such as advertising, presumably you are already reaching that limit now.

Mr Brown—It is not relating specifically to minutage; it is relating to having the best possible system so that we can drive the best value for that minutage.

Senator CORMANN—When you say we will exploit commercial opportunities such as advertising, there is not going to be any change in the amount, is what you are saying?

Mr Brown—Absolutely. It is not possible to have any change in the amount.

Senator Conroy—There is a legislative limit.

Senator CORMANN—It is always important to clarify what is meant by things that are said in your budget, Minister. Will there be job losses and, if so, how many?

Mr Brown—SBS every year has a number of redundancies. I think last year there were five as a consequence probably of technology change. This coming financial year we do expect more because of further technology changes, some of which have been flagged both to staff and unions for a considerable period of time. We have a high level of station automation now just being completed.

Senator CORMANN—How many roughly?

Mr Brown—I could not put a number on it. One particular area that we are looking at is subtitling and that is mid-review at the moment.

Senator CORMANN—It is good that you mention subtitling because there have already been some job losses announced in your subtitling unit, have there not?

Mr Brown—Not specifically. What I said at a meeting of subtitlers last Wednesday was that a review of subtitling conducted by Deloittes had been completed. I shared with them the results of that review and the recommendations of Deloittes, and told them that while management was not accepting all of the recommendations there would be a reduction in the staff numbers.

Senator CORMANN—How many people are in that unit at the moment? Is it 60? Is that right?

Mr Brown—More like 50 I think really. Subtitling covers a number of functions including subtitling, closed captioning work, re-narration work, some technical and management functions and some subtitling editing functions.

Senator CORMANN—Over the last two years, have there been any changes to the number of programs that are subtitled? Are there now foreign language programs that are broadcast without subtitling?

Mr Brown—There has always been what we call WorldWatch, the morning schedule of news programs, which have never been subtitled. But apart from that we do not carry any programs without subtitles.

Senator CORMANN—Has there been any increase in the number of programs—

Mr Brown—There has been an increase in the number of programs for subtitling and there will be a further increase—

Senator CORMANN—Which will be without subtitles?

Mr Brown—No, there are no programs without subtitling outside of news and current affairs.

Senator CORMANN—Is a proposition that at least 10 staff from the SBS television subtitling unit will be made redundant? You would refute that, would you? No such decision has been made, has it?

Mr Brown—No, maybe if I just complete my original answer.

Senator CORMANN—Okay.

Mr Brown—On Wednesday when I addressed the staff I did flag that there will be a reduction in staff numbers of more than ten in their unit and that we will be talking with them

to determine which languages were affected. Further, we would be going through the consultative process that our certified agreement requires of us. The reason for those redundancies firstly is that the act requires us to operate SBS in the most efficient manner possible. When we carry out an external review and it points out that we have surplus capacity for the number of subtitle programs that are required then obviously SBS is obliged to address that. It is a complex area in which a number of factors are in play. Firstly, technology has changed and consequently there are more efficient ways of subtitling and there are further technology changes due in SBS. Secondly, we anticipate on SBS2 in particular an increased level of subtitling that comes with the program from overseas. The quality of those subtitles has improved markedly. Broadcasters like the BBC are making use of those subtitles. It is appropriate for us at least to explore that opportunity. Thirdly, because we only carry subtitling in-house for certain languages, the match between those languages that we have capacity for and those language programs that we want to put to air is never going to be perfect. Obviously that gap is opening up because more of our content now needs to come from Asian based sources rather than the traditional Eurocentric approach that SBS obviously had.

Senator CORMANN—You used to have 60 staff in your subtitling unit. It is now around about 50 and you expect more than 10 redundancies. Presumably those less than 50 that will remain will not be across all languages? Are you prioritising the languages that you now consider to be redundant? Which ones are the first languages to be dropped off a subtitling list?

Mr Brown—I cannot answer that because we are yet to make that final decision. I would re-emphasise the point that we do not carry in-house the capacity to service all the languages that we currently do anyhow.

Senator CORMANN—You have not yet made a decision as to which languages would be the first to be removed from your subtitling unit?

Mr Brown—That is correct. We are in mid-process.

Senator CORMANN—On what basis will you make that decision? What will guide you?

Mr Brown—On an assessment done by the management of subtitling, on the match—

Senator CORMANN—What are going to be the criteria? I am sure that management will make the decision but what will be the criteria by which you—

Mr Brown—I am trying to distinguish between the Deloitte's work, which has now been completed and has certain recommendations it, and the management response, which requires them to assess more closely the fit between languages and the likely demand for those languages across SBS1 and SBS2. For instance, strictly speaking we do not carry in-house the capacity or a dedicated subtitler for Mandarin. We have some capacity there because one of our chief subtitlers does Mandarin.

Senator MINCHIN—There might be one available after the election.

Mr Brown—Clearly there is a disconnect in the range of languages that we currently have and the range of programs that we are going to require to put to air and should be putting to air now and in the future.

Senator CORMANN—The number of channels has increased. When you were a single TV channel, you had 60 staff doing your subtitling work. Even though there is broader coverage now, you can do it with significantly less people. Is what you are telling us?

Mr Brown—No—significantly fewer fixed resource people.

Senator CORMANN—Without impacting the amount of subtitling that is done.

Mr Brown—There are significantly fewer fixed resourced people. We will still make use of subtitlers from overseas. We will make use of freelance staff coming in. We already have extensive services on that basis using our equipment for those languages we do not have on staff. We will consider using other suppliers of subtitle services as well. I can say with confidence that later this year we will be putting more subtitled content to air than ever in the history of SBS. We are really only talking about the means of securing that.

Senator CORMANN—Those more than 10 people that are going to be sacked—what are they doing at present?

Mr Brown—At present they are doing some closed captioning work, which is not efficient use of them—and they would say that as well. These are trained, highly qualified, very capable subtitlers. They are recognised worldwide for the quality of their work. To have them doing closed caption work is neither in the productive interests of SBS, nor in the personal interests of the subtitler.

Senator CORMANN—I am conscious of time, so I will just move along. SBS and Bruce Meagher, Director of Strategy and Communication, made a submission to the committee in relation to the inquiry into the provisions of the Broadcasting Legislation Amendment (Digital Television) Bill 2010. I note from your submission—and I know that Senator Fisher will ask some questions in relation to this as well—that there are 44 locations around Australia where SBS is transmitted by analog terrestrial self-help transmitters but where there are no plans to upgrade such facilities to digital. A staggering 19 of those locations are from the great state of Western Australia. That is nearly half.

Senator FISHER—And two from regional South Australia, Senator Minchin.

Senator CORMANN—Is it true that, whenever this occurs, after analog transmissions are switched off, your viewers in those locations will need to install direct-to-home satellite reception facilities in order to watch SBS TV, while being required to have digital terrestrial reception systems and facilities to watch the companion commercial TV services?

Mr Meagher—We are in discussions with the government at the moment about that range of services. We are concerned that that is potentially an outcome, that, whereas there may be analog reception today, there might not be digital reception. Those things have not been resolved. The government has agreed to upgrade, I think, seven sites. Two of those sites, Senator Fisher, are in South Australia.

Senator FISHER—That is right.

Senator CORMANN—Have you got a list of those seven sites?

Mr Meagher—I could certainly provide it to you on notice. I do not have it with me today.

Senator CORMANN—Are any of them in Western Australia?

Mr Meagher—Again, I would have to check that.

Senator CORMANN—Are the discussions that you are having with the government around funding or around other matters?

Mr Meagher—They are around funding and then of course the arrangements. The thing about the self-help sites is that there is a necessity to think both about the funding mechanism and also about relationships with local councils and communities and the like. Working out the optimum arrangement for those sites is something that we are—

Senator CORMANN—I am quite stunned about some of the towns that are on that list. Bridgetown, Pemberton and Kojonup are hardly remote locations. They might seem remote for people in Sydney, but in Western Australia these are big towns in our south-west. Even Dampier is on the list, which is a fast-growing area with—

Mr Brown—We have flagged this as an issue and I think the department has recognised this. What we are seeing is those issues being progressively addressed in line with the analog switch-off. The first focus has gone to rural South Australia because that is due for switch-off by December. We have not had a response to the other requests. We would expect to have a response as that progressively happens.

Senator CORMANN—But it is not a very satisfactory consumer proposition from your viewers' point of view, is it?

Mr Brown—That is our position, that we would like to be on the same basis as the other broadcasters terrestrially delivered in those areas where—

Senator CORMANN—Minister, did you hear the conversation that just took place in relation to SBS not being available in 19 towns across Western Australia after the digital switch-over? Apparently SBS is in discussions with the government around some more funding. Is the government entertaining additional funding for SBS to address this?

Senator Conroy—We entertain a lot of discussions with the SBS but I do not propose to canvass them here.

Senator CORMANN—You think it is okay that there are 19 towns across Western Australia, including Bridgetown, Dampier, Pemberton, Kojonup, Morawa—hardly remote towns—which will no longer have access to SBS?

Mr Brown—They would have access to SBS on the satellite solution.

Senator CORMANN—As long as they go to the direct-to-home satellite reception facilities, yes.

Mr Brown—The difference is whether or not they are required to receive it by satellite or whether or not, in common with the other service, it will be terrestrially delivered.

Senator Conroy—The thing you need to get your head around, Senator Cormann, is that there is a change in delivery mechanism.

Senator CORMANN—Understood, but SBS just told us that they thought the situation was unsatisfactory, that they are in discussions with the government—

Senator Conroy—Clearly you do not understand—

Senator CORMANN—I am keen to know from you whether the government is planning to do anything about it.

Senator Conroy—Clearly you are struggling to keep up with the change that the government has made.

Senator CORMANN—Given that you were not in the room, you are clearly struggling to listen to what is going on.

CHAIR—Senator Cormann, can I just ask you to get to the question and answer—

Senator Conroy—I am admiring a man who is, on his first day in his portfolio responsibilities, demonstrating such faith in his own ability.

Senator FISHER—You might wish you were on your first day, Minister.

CHAIR—Order, Senators!

Senator Conroy—If Senator Cormann would let me finish, he would get an understanding that we are actually introducing a satellite system, called VAST, and that we have funded the conversion of the SBS sites in the first switch-over areas. We are introducing a satellite system which will deliver all of the terrestrial services, including local news. That is exactly what residents in Western Australia and other remote parts of Australia—

Senator CORMANN—So Western Australia is remote, is it? I guess from Melbourne it looks remote, yes.

Senator Conroy—I guess if you interrupt before a sentence is finished you can have any fun you want. The towns you were quoting are not Perth. The point that you need to come to terms with is that there is a new satellite service providing all of the services, including all of the SBS services. If somebody is in a situation where their self-help tower is not being upgraded to digital, they will then receive the signal from the satellite. It is a very simple proposition. In a few weeks time in Mildura, when the satellite services goes live, you will see exactly what is being described and then maybe you will have a better understanding. Many people are not yet fully across this, so it is perfectly reasonable for you not to be.

Senator CORMANN—It sounds to me as if SBS was not fully across it, because they shared my concern.

Senator Conroy—No. SBS are fully aware of the satellite service that is being proposed.

Senator CORMANN—So are you now saying—

Senator Conroy—Just in case you were really worried, Western Australia is not switching off until 2013.

Senator CORMANN—Yes, described as remote too.

Senator FISHER—But South Australia is switching off before then. I just want to confirm that as far as SBS is concerned, those two South Australian sites are in the process of being looked after; is that right?

Mr Meagher—That is right.

Mr Brown—Of the 44 sites that we originally flagged as saying our preference would be for a terrestrial service, in common with the other broadcasters, since that submission, seven have now been addressed by government and there will be now a terrestrial service.

Senator CORMANN—But you cannot tell us which ones?

Mr Brown—That is in tandem with the analog switch-off. As I understand it, the department is looking at these as they progressively come. Western Australia is some way away. The priority right now is South Australia, and those have been addressed.

Senator FISHER—In respect of the two South Australian ones, who is footing the bill?

Mr Brown—The government.

Mr Meagher—The government.

Senator FISHER—Thank you.

Senator MINCHIN—Can I just ask about funding of this digital switch-over. The budget measures under Digital Television Switchover Regional Blackspot Solution refer to a provision for SBS for the switch-over but it says that it is not for publication as contracts with satellite service providers are commercial-in-confidence, which is understandable. But, in the PBS, you referred to your revenues for 2010-11 as including \$5.003 million funding for Digital Television Switchover Regional Blackspot Solution. Is that an inadvertent revelation of the not-for-publication figure or is that something entirely different?

Mr Brown—Possibly inadvertent. We will take that on notice.

Senator MINCHIN—I would like to know whether that \$5 million is the figure that is not for publication. If that is in error, could that be clarified?

Mr Brown—We will look at that.

Senator MINCHIN—I was surprised to see it there. Thank you for that.

Senator CORMANN—To conclude, in the second part of your submission there are also 45 locations around Australia, four of which are in Western Australia, where SBS is not transmitted at all terrestrially but where ABC and companion commercial TV services will be available in digital terrestrial form. Is it true that in those locations, in order to watch SBS TV and the companion commercial terrestrial digital services, viewers will need to install the direct-to-home satellite reception facilities while still being required to have digital terrestrial reception systems and facilities to watch those companion commercial terrestrial digital services?

Mr Meagher—I believe so, although, to be clear, those are areas which have never received any SBS service, analog or digital.

Senator CORMANN—Which includes a town like Kalbarri—

Senator Conroy—Which never received a signal before under your government.

Senator CORMANN—and which includes Nannup. You are the government, Minister, and you are going through this significant—

Senator Conroy—And we are providing all channels to every single Australian, something your government never did.

Senator CORMANN—Are you having discussions with the government around all of this?

Senator Conroy—Every single Australian.

Senator CORMANN—Are you having discussions with the government around those 45 towns as well?

Senator Conroy—I am glad you have recently discovered those 45 towns.; they were all receiving nothing under your previous government.

Senator CORMANN—They are part of this—

Senator FISHER—Given that we are now going digital, are you having discussions with the government about expanding SBS's footprint in the conversion to digital?

Senator Conroy—I guess you would understand that a satellite covers the entire landmass of Australia, so the entire landmass of Australia is now going to receive the SBS footprint.

Senator CORMANN—So the answer is no then? Just say no, Minister. Why don't you just say no?

Senator Conroy—The answer is that all SBS channels will be available on a satellite to every Australian, across the entire landmass of Australia. That is what a satellite does. It is a remarkable invention. They have been around a few years.

Senator CORMANN—Who is going to carry the cost of installing those satellites, those direct-to-home satellite reception facilities?

Senator Conroy—The dish.

Senator CORMANN—Who is going to carry that cost? It is going to be the viewer themselves, isn't it?

Senator Conroy—You will probably need to get a little bit more information before you can actually ask that question, but I will happily take that on notice to attempt to give you an answer. I am not sure you have actually supplied—

Senator CORMANN—So you cannot answer it?

Senator Conroy—I am not sure you have supplied enough information in your question.

Senator CORMANN—Who funds the installation of the direct-to-home satellite reception facilities?

Senator Conroy—It depends whether they are receiving the existing satellite service from Imparja or not. As I said, it will depend on the situation, which you have not explained. You have asked a blanket question. I am happy to take that on notice and see if we can get some more information from you that will allow us to assist in answering that question,.

Senator CORMANN—Helpful as always, Minister. I am conscious of the time.

CHAIR—Senator Cormann, some of the questions you have might better be directed at the department rather than SBS. Have you finished?

Senator CORMANN—Yes.

Senator WORTLEY—Mr Brown, thank you for your opening statement. I was particularly pleased to hear the minister recently announce on SBS's *World Game* program the additional live broadcast of the World Cup, as I am sure many soccer fans in Australia are. How is it that you are going to be able to broadcast every game live?

Mr Brown—The majority of the games will be shown live on SBS1 where there is one game taking place at a time. On eight occasions there are two games which have the same start time in South Africa. The options really were to play one of them live and the other delayed or to seek the approval of the minister to waive some of the anti-syphoning restrictions with regard to those eight games so that one game could be shown live on SBS1 and the other game showed live on SBS2. The proviso was that both those games would then be immediately replayed on the opposite channel. For instance, a viewer who did not have digital capacity and therefore was not receiving SBS2 would in no way miss out on their entitlement as they would still see that game replayed on SBS1 immediately after the live game.

Senator WORTLEY—That was going to be my next question regarding digital television but you have answered that. What coverage is planned in online services?

Mr Brown—We will be making available all of the games for on-demand at any time. We will be live streaming some of it but not all games, as it is quite an expensive undertaking for us to live stream everything. We will be putting together about a 15-minute highlight program on each match because obviously some online consumers do not have the time to go through an entire game but still want to experience it. When you select a match in either full form or in a highlight short form, you will be able to listen to the commentary in either English or up to 13 other languages. For instance, if you are a Portuguese speaker, then you can listen to the Portuguese commentary if that is your preference.

Senator WORTLEY—Is the programming for the games up on the web already?

Mr Brown—The schedule is up on the web, I believe. It should be; if it is not I will find out but it should be on the web.

Senator WORTLEY—You were also talking about 3D, which is something very new. I have been reading quite a bit about it and I know a lot of people are quite keen to get the 3D television especially after the recent *Avatar* movie that was on. Can you tell us a bit about 3D and SBS and the World Cup?

Mr Brown—We will be broadcasting 15 of the 64 matches in 3D. Some of the games in South Africa are being shot in 3D as well as 2D so we will be bringing that signal back. We will be operating that on a separate channel so that it does not disrupt any of the existing SBS1, 2 or HD services. It will be a separate channel and we will publicise how you access that. It is being done in conjunction with Channel 9 and with our commercial partners Harvey Norman and Sony. Those 15 matches can be watched either live in 3D, but on that channel when there is not a live game on there will be replays of other games that have already been shown.

Senator WORTLEY—Have you sought any additional funding from the government to support the 3D broadcasts?

Mr Brown—The 3D broadcast is being supported commercially and does not require any further taxpayer investment.

Senator WORTLEY—What benefits will SBS receive as a result of the broadcast of the World Cup? How do you plan to capitalise on it?

Mr Brown—The principal benefit is ensuring that all Australians get to see every game live without having to pay for it.

Senator WORTLEY—Even those that are on at 4.30 in the morning?

Mr Brown—Even if you miss it at 4.30 in the morning, you will know that at any time of the day you will be able to see 24-hour coverage of the World Cup. If you are not watching it live on SBS1 there will be a replay on SBS2. There will always be a choice between SBS1 and SBS2. Apart from those eight games there will always be a choice between watching our normal programming and watching a World Cup programming.

Senator WORTLEY—Good. Thank you.

Senator LUDLAM—Welcome back. I think you spoke in your opening comments—and I came in a little bit late—about the internal review that you are undertaking at the moment. Did that get a bit of a mention?

Mr Brown—No, it did not. I did not talk about the internal review. Do you mean the strategic review that management and board are currently carrying out?

Senator LUDLAM—I guess it is the same one. You mentioned it last time we were here on 8 February and I think you had only just started. I am just wondering if you can provide us with an update of where that is up to.

Mr Brown—I can tell you that the board and management had a two-day strategic session. We followed that up with a further session earlier this month and we have got more discussions planned for our board meeting in late June. The hope and expectation is that at the end of that we will have determined the strategic plan for SBS, which will lead to a corporate plan with the public document that we submit to government.

Senator LUDLAM—This strategic plan is internal but the corporate plan is submitted to government and to the parliament?

Mr Brown—That is correct.

Senator LUDLAM—When would that document finally be expected to arrive?

Mr Brown—Our hope is that it will be in July. Sign-off of this is obviously very much in the board's hands—appropriately so. If it goes according to plan then we would expect the board to sign-off in late June and for the documentation articulation of this to come through in July and be submitted to the government and parliament some time early in the next financial year.

Senator LUDLAM—Last time I asked you a bit about the SBS equivalent of iView, of your online streaming service. Can you provide us with an update, particularly now ABC has begun captioning its iView service? I am just wondering whether SBS has similar intentions and how broad they are.

Mr Brown—I will take that on notice. I would make the point that while it is highly desirable and we recognise our obligations there, we have been unsuccessful in funding bids for captioning services now for about nine years of successive triennial funding bids. The funds for any expansion of captioning, particularly captioning that has to be specifically done anew, have to come from somewhere else. I will take on notice what our intentions specifically are with online.

Senator LUDLAM—I believe it was at the session of last October when the minister told us that the government was open to suggestions for amendments to the SBS budget before the conclusion of the current triennial period in 2012. Has that been one of your asks to the government over past funding rounds?

Mr Brown—I do not recall that as a specific request of government. Certainly I can recall two or three trienniums ago it was identified as a separate line item.

Senator LUDLAM—What can you tell us about traffic to the SBS website? How important is the streaming service becoming to you? Are there any numbers regarding how large your online audience is relative to your viewing population?

Mr Brown—A good question, and one that we are working on right now, is how do you develop a matrix of viewer and listener access to our services across an expanding range of platforms? There is a temptation to look at SBS and judge us by the number of metropolitan viewers of our services—those five city ratings that are trotted out. Of course we have far greater reach and penetration than that. Across regional Australia we have a bigger share than we do in metropolitan Australia and online there is a whole new audience, and on radio there is a significant audience as well. We currently are getting about a million unique browsers per month. That was a target that we hit in March, maintained through April and which we expect to do again in May. It rises significantly for special events, and it will rise very significantly during the World Cup and again during the Tour De France. Those are big drivers of traffic. Obviously we are as interested though in the more routine accessing of our services through our catch-up services, which is something in the region of about 80 per cent of our commission content.

Programs like the Logie award winning *East West 101* and *The Circuit* are available on catch-up for up to a month. Those are heavily accessed but I do not have specific numbers on each title. The point really is less about our success today than about laying the foundations for a fundamental change in media consumption in the future. Those were the points I was touching upon in my opening comments and the reference to Google TV. The fact that convergence is really here—or about to be here, very close to—would indicate that we have to be capable of making our services connect with audiences on whatever platform they choose.

Senator LUDLAM—I do not know that we are going to get another estimates round this year but I just wondered whether it would be possible to provide for us on notice some sense of audience share, the break-up between your online audience of people who are not browsing but actually watching one of your titles as opposed to those watching on TV. I think it would be interesting to get a sense of what proportion that is. Senator Cormann covered most of the questions that I had on subtitling but I missed whether you identified whether, over the course

of an average week, the amount of subtitle content would be going up, down or staying the same?

Mr Brown—The amount of subtitle content will progressively increase. Already I would suggest that we carry more subtitle content than we ever have in the past because of our second channel. That second channel is currently running at about 70 per cent in languages other than English. That is a level that we would like to maintain. We have earmarked this channel for being demonstrably multilingual. Our intention is—within our resources, which are limited—to invest again in SBS2 next financial year so that there is more original content on that in LOTE. The level of subtitle content will steadily increase.

Senator LUDLAM—I will leave it there. Thank you, Chair.

Senator CORMANN—In terms of your decisions for redundancies will you be focusing on people or on languages? What is going to be driving your decisions as to who has got to go?

Mr Brown—There are two stages to that decision. Tomorrow we are due to meet and discuss identifying the specific languages. Obviously where a subtitle in a particular language is fully utilised—that is, capacity matches demand—then there is not any reason to look at that particular language group. Where there is a clear surplus of capacity over projected demand then that language will be looked at. The second step is to look at the individuals who work within that staffed language to determine which individuals may be made redundant.

Senator CORMANN—How many of your staff are only proficient in one language in terms of subtitling?

Mr Brown—I am not entirely sure of that, but the qualification of subtitler is a very high qualification. Subtitling is not translation; it is a complete understanding of nuance and humour and being able to convert that into an acceptable form in a very small space on screen. In the main I would have thought that people would have been working in one language but I will take it on notice if I can identify any others.

Senator MINCHIN—On that subject, Mr Brown, I thank you for your opening statement and particularly your revelation of your research on this issue of certain ethnic communities. You cited the Hindi community finding itself relying more on essentially external media rather than the Australian media for its information. Do you have that research in a form that is available either for publication or to this committee? You quite rightly point to the risks to social cohesion if this is a trend that develops to any great degree and I think it is quite important in the national interest, the point you make. Is it available?

Mr Brown—I can make it available. This is primarily focus group research with communities that we have identified. The Hindi community was specifically one of interest obviously because of the current stress it is enduring. I think it was earlier this year we launched for the first time a Hindi television news service from overseas, but we do not want that to become the sole contact point with the Hindi community. The phenomenon we were particularly noting there was that communities under stress will be inclined to circle the wagons and relate more within their community. One of the things that I found quite disturbing about that particular issue was that even information and responses about how government and police were responding to the allegations about attacks on students were not

reaching the Hindi community because they were accessing tabloid television services from India which were not reporting those issues. The conclusion that we reach obviously is that this is an area where SBS has an increasingly important role to play.

Senator MINCHIN—I think that is right. If any of that research is available to the committee, I think it would be very valuable.

Senator FISHER—On notice, gentlemen, if you could provide the viewing audiences of essentially the 44 self-help sites that may or may not be on the first bit of the list. You know what I am talking about, but in particular those who are currently receiving SBS by analog and may or may not, depending on what happens, enjoy transition to digital. What is the SBS viewer audience in those areas, please?

Mr Brown—I doubt that it is possible to determine the actual SBS viewership per transmitter. What we could provide is the population that that transmitter covers.

Senator FISHER—Thank you, and that will give us the upper level.

CHAIR—Thank you. If there are no further questions for SBS, thank you very much for appearing before us today.

Mr Brown—Thank you.

[9.56 am]

Australian Broadcasting Corporation

CHAIR—I now call officers from the Australian Broadcasting Corporation. Thank you, Mr Scott and officers. Would you like to make an opening statement?

Mr Scott—Yes, thank you. Previously I have used this opportunity to brief senators on the ABC's coverage of major news events ranging from the Black Saturday bush fires to the floods that ravaged many parts of the nation last year through to the Haiti earthquake on the other side of the globe. In doing so, as in the past, I simply want to emphasise the ABC's commitment to fulfilling its charter obligation to inform the nation, despite the cost and despite the risk. We have witnessed that commitment again in recent weeks with the tumultuous events on the streets of Bangkok.

The ABC's freshly installed Bangkok correspondent, Zoe Daniel, and other members of the bureau have worked tirelessly from their office in the very heart of the red zone and in the surrounding streets to keep Australians abreast of important developments. With the addition of Jakarta correspondent Matt Brown and in recent days foreign affairs editor Peter Cave, the ABC has been able to maintain a continuous flow of reports on radio, television and online about the chaos, the loss of lives and the political intrigue. The dangers in this coverage were manifest. At the height of the conflict between the red shirts and government soldiers the ABC was forced to abandon its office as a rocket propelled grenade exploded on a nearby building. I would like to thank the ABC news division for the professionalism, endurance and bravery shown by those covering the political crisis. Indeed, my admiration extends to all media working on the streets of Bangkok in very difficult circumstances.

The quality of the ABC's work augurs well for the launch of our new ABC News 24 channel within the next few months. In launching the channel, the ABC aims to deliver

Australians a free-to-air service that will provide a quality flow of news, information and analysis across all hours of the day and night. As we move towards the switch-off of analog television and the increased number of channels available in homes on free-to-air digital, it is appropriate that one of the new services on offer be a news channel. All across the ABC, many people are working hard in preparation so that we will be able to deliver that service for the Australian people.

CHAIR—Thank you very much. I call Senator Cormann.

Senator CORMANN—Thank you, Madam Chair. You will be pleased to know I will not be asking you any questions about the Hopman Cup, even though Western Australia is greatly disappointed. We were talking about *Q&A* just before and I note *Q&A* is going to Melbourne tonight, having been to Adelaide twice and of course broadcasting from Sydney generally. Is the ABC truly going to reflect the nation to the nation in accordance with its charter and find its way over to places like Perth and Brisbane at some point? Is there such a thing as a Brisbane line in the ABC?

Mr Scott—We are keen to travel *Q&A*. We have done programs from here. You are right, we are in Melbourne tonight. We would like to travel around the country, we would like to get to some regional areas and we are planning accordingly. There are budget costs involved with that of course, so we are weighing up our priorities. But we would like to be able to travel *Q&A* more extensively around the country. One of the great things though about *Q&A* is the way that our audience members can participate no matter where they are by their ability to solicit questions that can be put to the panel.

Senator CORMANN—Of course, except for people in Western Australia who are two hours behind when the broadcast is telecast. As a national broadcaster committed to reflecting the nation to the nation, I would have thought there would be some serious scope to travel a show like *Q&A* to Western Australia.

Mr Scott—There are challenges to managing the time zone. It is one of the reasons why we stream more of these programs so that people in other time zones apart from the eastern states are not disadvantaged. We are looking at travelling *Q&A* more, including to state and territory capitals but also the regional centres as well.

Senator CORMANN—Do you think there is a chance that places like Brisbane and Perth in Western Australia might see *Q&A* come their way by the end of this year?

Mr Scott—We would like to be able to do so. I am not sure whether we will get everywhere this year. We have got a number of things that we have to weigh up, including coverage of *Q&A* during the election campaign. But it is certainly part of our planning and part of our discussion.

Senator CORMANN—Excellent, great to hear.

Senator Conroy—Senator Cormann, to be fair, I have just toured the ABC construction site in Brisbane recently and they have had some difficulties in the past. They are actually dispersed across 10 or seven sites. The state-of-the-art new facilities which they are constructing in Brisbane I am sure will allow it, but it is probably logistically a bit hard to be in Brisbane at the moment.

Senator CORMANN—Minister, I am well aware that you were in Perth last week too.

Senator Conroy—I was in Brisbane as well. I have toured the country.

Senator CORMANN—Yes and you would be well aware that the ABC facilities in Perth would be well able to provide for *Q&A*.

Senator Conroy—Yes, I can only agree with you.

Senator CORMANN—Very good. Mr Scott, are you aware of any locations across regional Australia where commercial free-to-air services are provided in digital terrestrial form but where the ABC is either not available at all terrestrially or only available through analog self-help terrestrial transmitters that are not going to be upgraded to digital?

Mr Scott—I am not immediately aware. We may have to take that on notice.

Senator CORMANN—Thank you very much. Across Australia, how many planned digital transmitters for the ABC are in abeyance waiting funding approval from the government?

Mr Pendleton—I have not got the exact numbers. There are a number at the tail end of the digital conversion.

Senator CORMANN—Are we talking 10, 20, 50?

Mr Pendleton—In the order of 50.

Senator CORMANN—That is mostly across regional Australia?

Mr Pendleton—They would be the smaller regional—

Senator CORMANN—Are you going to be able to provide a list for us on those?

Mr Pendleton—We can provide you a list, yes.

Senator Conroy—Also, can you provide the dates when the transition is taking place?

Mr Pendleton—Yes.

Senator Conroy—If they are in Western Australia, it would be 2013?

Mr Pendleton—That is right.

Senator CORMANN—This is a new process where the minister asks questions which you put on notice too.

Senator Conroy—I am just trying to help you and enhance the information.

Senator CORMANN—You could always provide the answers to us.

Senator Conroy—I am just enhancing the information that you are seeking.

Senator CORMANN—In your opening statement you talked about the ABC news channel, the proposed 24/7 news channel. Can the ABC guarantee that existing news and current affairs programs such as the seven o'clock news, *The 7.30 Report*, *Four Corners* and others will not face funding and/or resource cuts to help implement the new 24-hour channel?

Mr Scott—We have not taken money from other news budgets to fund the news channel. We have identified a separate source of funding that has come from implementation of new technology and efficiencies that we have gained in our production model which has enabled us to create the 24/7 news channel. Those existing programs will suffer no disadvantage.

Programs like the seven o'clock news, *Four Corners* and *The 7.30 Report* are absolutely pivotal in our offering to the Australian people. We are committed to their quality and we are doing nothing to take away from that. What we are doing, though, is making sure that with the money that we are given we are providing maximum benefit to the Australian people as our charter implores us to do. That allows us to take advantage of great news stories that may only be running in one state at the moment and giving them a national footprint. There may well be stories that are part of the seven o'clock news in Western Australia that do not make the line-up in Sydney or Melbourne or Brisbane for the seven o'clock bulletin.

Senator CORMANN—Their loss of course!

Mr Scott—They will now be able to be seen around the country on the 24/7 news channel. We actually have an enormous reservoir of news that we are generating locally, nationally and internationally and we are going to be able to take that content and deliver it to the Australian people on ABC News 24.

Senator CORMANN—There are a few questions that flow from that. The funding is not going to come from the 7 pm news, 7.30, *Four Corners* and the like, so from where will the funding for the new channel be sourced?

Mr Scott—As I have said previously, the greatest single cost in creating a 24-hour news channel like this is having reporters on the ground. We already have the best part of 1,000 reporters already operating for the ABC, reporting locally, nationally and internationally in our news division, but also news services that are generated from our radio division. We have made savings from a range of changes to our production processes, through the automation of our news studios, through the implementation of things like our desktop editing and through a range of changes to our television production process. That has freed up the money that we have been able to reinvest now in the creation of a news channel. We have underlying infrastructure that was already in place and we have added to that with funding that we have made through efficiencies and reinvesting that money in the news channel.

Senator CORMANN—You are focusing on existing content and saying that you are going to use content from different places through this news channel, but is there going to be any new content and, if so, how much of it is going to be new content?

Mr Scott—We have recruited new staff and we can use staff who are already working in our continuous news centre. When we release our program schedule you will see that we will be creating a range of new programming. Programming will be hosted in our studio and it will take advantage of some new news that we are creating for the channel but also news that we have shown elsewhere.

Senator CORMANN—Are you aiming for a particular ratio of new content versus—

Mr Scott—No, I do not have a breakdown in that respect, but when we release our schedule you will see how we have pulled this together.

Senator CORMANN—How many additional staff were recruited for the news channel?

Mr Scott—We have responded to a question on notice on this to Senator Fisher where we spelt out that material and so that material is now available on the public record. I can take you through it again if you wish.

Senator CORMANN—Quickly, what are we talking about?

Mr Scott—We are saying that the news channel will have 68 positions. Twelve of these staff already work at *ABC News Breakfast*, which will be part of the news channel offering, and 20 staff are from ABC resources. We have recruited around 20 new staff for the continuous news centre and they are now working on the 24-hour channel. This was a centre where we were creating news content for online and now that becomes part of the news.

Senator CORMANN—This is all new staff that we are talking about?

Mr Scott—No, and we have just recruited 17 new staff to work on the channel.

Senator CORMANN—What is going to be the total budget for the news channel?

Mr Scott—We are not providing a public breakdown of that, just as we do not provide a public breakdown of the budget for ABC1 or ABC2.

Senator CORMANN—It is a significant new strategic initiative.

Mr Scott—Yes, it is.

Senator CORMANN—I would have thought it is a good question to—

Mr Scott—Yes, it is, but I have not got the breakdown of the budget here and we have not released those budget figures publicly.

Senator CORMANN—You would be aware of what those figures are?

Mr Scott—Yes.

Senator CORMANN—You would be working to a figure internally within the ABC, I would have thought.

Mr Scott—We have had these discussions previously here about how much detail we should be publicly releasing about some of the operations of the ABC, particularly when none of our competitors are releasing that information. What I am—

Senator CORMANN—Call me naive, but I would have thought that, being publicly funded—

Senator Conroy—Naive!

Senator CORMANN—Call me naive for sure, Minister—I am quite relaxed about you patronising along the way—but I would have thought it is in the public interest. This is a strategic new initiative of the national broadcaster.

Mr Scott—Part of the difficulty in costing it up is that I can give you a figure on where we have readjusted some investment towards this but a lot of the cost of delivering the news channel is cost that is already embedded in the operations of the ABC. I can give you some dollar figures, but that is not taking into account the staffing that we have locally, nationally and internationally that is already in place, the cost of our 12 international bureaus and the cost of our Canberra bureau. None of those figures are broken down on the public record either.

Senator CORMANN—You have to help me here, Mr Scott, because this is a sincere question. This is not being funny or anything.

Senator Conroy—Is it possible?

Senator CORMANN—Let us just look—

Senator Conroy—Is it written down?

Senator CORMANN—Let us just look at this for a moment. You come up with a new initiative which is quite significant both in terms of content and potentially in terms of the financial impact. You are telling us it is going to be funded from within existing resources; it is going to be a mix of existing and new. You are essentially telling us: ‘Trust us. We are not going to tell you how much we are investing in it but just trust us. We are going to be able to afford it from within our existing allocation.’ You have to give us a bit more than that.

Mr Scott—Yes, sure.

Senator Conroy—You are not dealing with Mr Rabbit, who needs it to be written down for you to take it as gospel. Mr Scott has told us on the public record that it is possible.

Senator CORMANN—I am not talking to you, Minister.

Mr Scott—I can give you a dollar figure, but it is not the full cost of the news channel because a lot of the costs of the news channel are embedded in other costs that are being carried in the ABC.

Senator CORMANN—Sure.

Mr Scott—The incremental cost of the money that we have saved and the money that we are reinvesting is less than \$20 million and that has come out of the ABC’s existing appropriation.

Senator CORMANN—Is the \$20 million the additional expense?

Mr Scott—No, that is money that we can identify. It is less than \$20 million.

Senator CORMANN—Less than \$20 million?

Mr Scott—Money that we can identify that we have saved and reinvested in key infrastructure around the 24/7 news channel.

Senator CORMANN—How much have you had to invest in order to get the news channel off the ground?

Mr Scott—No, I am not saying—

Senator CORMANN—I am not talking about the existing—

Mr Scott—It will be less than \$20 million.

Senator CORMANN—When you are talking about money saved, that is the money that you are looking at investing in the news channel?

Mr Scott—Yes, but the total value of the news channel is far, far more than that—

Senator CORMANN—I would expect—

Mr Scott—when you take the staffing costs of staff locally, nationally and internationally who are currently providing content to the ABC or providing content back to the news channel.

Senator CORMANN—I understand that, but I still think it is a legitimate question to ask how much it is going to cost to set it up.

Senator FISHER—Can I ask a question about the money.

Mr Scott—Sure.

Senator FISHER—Mr Scott, you have said that the money to fund it, albeit not substantiated at this stage publicly, is going to come largely from savings?

Mr Scott—Yes.

Senator FISHER—Including automation within the ABC. What came first—the savings or the decision to establish the 24-hour news channel?

Mr Scott—When we started to make the savings we knew that we wanted to be able to make these savings and reinvest them in content. A decision around the 24/7 news channel had not been made at the time we decided to pursue these savings; we just knew that we had more smart, good content ideas than we were going to be able to fund under our existing pattern and organisation. We received some additional funding from the government for a number of important new initiatives like increased drama and the children's channel. So we looked to take advantage of the new technological opportunities that were there with the next generation of studio production. We took advantage of that. We then needed to make sure that those savings were going to be there and those savings were going to be real and then we thought, 'What would be the best way that we can invest those savings?' I had spoken publicly, and some of my predecessors had also spoken, about the value from the ABC taking advantage of the investment that is already made in our news service to be able to deliver a new news channel, particularly taking advantage of the opportunities of digital television. The aspiration had been spoken of. We needed to identify those savings and make those savings real, and then we made the decision to invest in News 24. We think that will be a tremendous benefit to the Australian people because there is currently no 24-hour news channel available on free-to-air television and we are in the best position to deliver that.

Senator FISHER—To use your words, you are saying that the aspiration for the 24-hour news channel predated the realisation of the commencement of the savings?

Mr Scott—We had talked about a public affairs channel; we had talked about a news channel.

Senator Conroy—It goes back many years.

Senator FISHER—And?

Senator Conroy—I can give you a prominent pay TV executive who, when he worked at ABC, once publicly advocated a 24/7, and we are talking about many, many years ago now.

Mr Scott—That was in the early nineties.

Senator FISHER—Indeed. What I am trying to do—

Senator ABETZ—We only started in 2000.

Senator FISHER—What I am trying to drill down into is whether or not we had an aspiration to create a 24-hour news channel and whether there was then squeezing put on the ABC to find the money internally to fund it.

Mr Scott—No, I think that is not already—

Senator FISHER—Or—

Mr Scott—Let me explain the philosophy. We are given a lot of money from the government and we do a lot with it. Currently we have five radio networks and three digital radio networks, three television networks and the largest suite of online services in the country—a remarkable dividend on the money that we are given—but we have a continuing strategy at the ABC to try and be as efficient and as effective in delivering the services as we can—

Senator FISHER—Of course.

Mr Scott—to free up money to drive new content offerings, and that is what we have done in the past. There has not been, up until ABC Open, significant money that has been given to the ABC to drive our online growth, but we have found the money to be able to do it. The philosophy that says, ‘Find the efficiencies in order to create new content,’ has been an ongoing philosophy at the ABC and now we have looked to—

Senator FISHER—Indeed, you said that earlier. Mr Scott, if I may, would you classify the ABC 24-hour news channel as serving that broader content need? Is that why you are creating it—because I hear there are other reasons as well? I do not just hear broader content.

Mr Scott—What reasons do you hear, Senator?

Senator FISHER—Is the only reason for establishing the ABC 24-hour news channel to broaden content or are there other reasons?

Mr Scott—Let me—

Senator FISHER—For example, it is going to broadcast longer than anything else, so I would have thought there would be some other aims that you have in mind—or are they kind of accidental side effects?

Mr Scott—Let me talk about why we are doing it. Under our charter it says that we are to create programming of wide appeal and of a specialist nature. It says we are to take account of broadcasting services that are currently on offer by commercial and community services and we are to provide services that provide maximum benefit to the people of Australia. The ABC—

Senator FISHER—Which of those apply, Mr Scott, in respect of the ABC 24-hour news channel?

Mr Scott—All of them.

Senator FISHER—Okay.

Mr Scott—Let me explain why. News is clearly very important to Australians; it plays an important role. News is part of our charter obligation. Therefore we have, if you look at our history, delivered news as we could using the current broadcasting mechanisms available. We

were on radio; then we were on television; then we were online. Digital television provides us with an opportunity that we have not had in the past to deliver a 24-hour news channel, so we are taking advantage of that to deliver our news charter. We are taking account of what is currently on offer, and there is not a free-to-air news channel that is available. If your argument is that 30 per cent of Australian homes have pay TV, 70 per cent of Australian homes do not, and so we say that with increasing numbers of channels one of them should be a news channel. We have taken account of what is on offer. We have found a very significant absolute gap in what is on offer, and we believe that we are in the best position to deliver it.

Senator FISHER—Okay, thank you.

Mr Scott—Finally, when it comes to maximum benefit to the Australian people, that third element that I discussed, the Australian public has already made a significant investment in ABC news and current affairs with our reporters locally, nationally and internationally. We have an outstanding reputation for our news and current affairs service. Therefore I would argue that, rather than have another organisation starting from scratch, given the investment that has already been made we are in the best position for the least additional funding to be able to deliver this service to the Australian people.

Senator FISHER—That may be so, and I am not necessarily asking questions related to that point, but I hear you saying that the automation and cost savings were done with an eye to broadening content and I also hear you saying that the creation of the 24-hour news channel is for more reasons than broadening content. It is to serve, amongst other things, those three reasons in your charter. So thank you.

Senator CORMANN—Picking up on your list of points that you take into account, including what is available in the commercial world, you would be aware of the article that appeared in the *Australian* on 26 April 2010 under the heading, ‘ABC radio bid to emulate the Beeb’?

Mr Scott—Yes, I was aware of it.

Senator CORMANN—You were aware of it?

Mr Scott—I was aware of the article, but that was the first I was aware of the substance, because—

Senator CORMANN—You are saying the article has got it wrong when it says there is a strategic review of ABC radio which will look at making you more like the BBC? That is not something that is happening?

Mr Scott—There is a strategic review going on, but we are not modelling ABC radio services on the BBC. We were not aware of where that came from and I was aware of no detailed follow-up of that.

Senator CORMANN—You are not aiming for 50 per cent market share?

Mr Scott—No, we are not.

Senator CORMANN—What is your review looking at?

Mr Scott—There is a significant investment that is made in ABC radio services, and we are delighted with the success of ABC radio. There is very significant growth in audience

share and audience reach and a terrific mix of content offerings that is available on analog and digital radio. But it is important to look at changes in the radio market. It is important to look at what audience needs we are meeting and what audience needs are not being met. We are taking a look at our current offerings and our current investments and whether we are spending that money as wisely as we should and whether we are reaching all the audiences that we should. It is not as though we are taking a template from the BBC, which runs a very, very different model in television and in radio. The BBC was largely a monopoly in radio and television; they have vastly larger audience shares; they have dramatically more money per capita than the ABC does. We are not modelling ABC radio around the BBC.

Senator CORMANN—What is the time frame for your review?

Mr Scott—This work will be continuing on through the balance of this calendar year. No decisions have been made on the back of any of this. I have not seen any detailed plans or blueprints, frankly, but our director of radio, Kate Dundas, is working with her senior team to think about and look at what is happening. We do it from a basis of great success. Local radio is very strong around the country. Networks like Radio National continue to a very strong audience but a dramatically increased audience when you take a look at the effect of podcasting and the like. We are going from a position of strength across all our networks but it is important we continue to review as best we can.

Senator CORMANN—Going back to the budget for a moment: the ABC received \$40.5 million in additional funding in 2010-11. Can you talk us through what these extra funds will be spent on?

Mr Scott—There are a number of different elements to that. Most of this funding was foreshadowed in the trifunding arrangements which were put in place in the last budget with three increased areas of funding: increased money for Australian drama; the continuation of ABC3, which has been very, very successful, our new children's channel and ABC Open; but also nearly \$15 million of additional capital money that has been provided by the government. The ABC have very significant additional capital demands as we move to be a public broadcaster in the digital era, and that money is being allocated for this year to help us with our digital demands.

Senator CORMANN—There is \$14.5 million which is a capital grant to assist the ABC to maintain its current asset base. I assume that that is what is being used to replace analog studio and related broadcasting equipment?

Mr Pendleton—Not the transmission gear per se but the actual broadcast equipment, the technology that sits within our facilities and our centres.

Senator CORMANN—Are you confident that you have sufficient funding to do the switch-over appropriately?

Mr Pendleton—Are you talking about the switch-over of transmitters?

Senator CORMANN—Yes.

Mr Pendleton—The transmission sites are different. They are at outcome 3—

Senator CORMANN—Okay.

Mr Pendleton—tied funding, and you will see that that rises by about \$8.6 million in next year's budget. That reflects the continued rollout of the digital terrestrial network. Coming back to that question you asked earlier about the rollout, there are 102 transmission sites to go and that will complete the last one-half of one per cent of the coverage.

Senator CORMANN—When you say '102 transmission sites to go', are you funded to deal with all of those?

Mr Pendleton—For example, the \$8 million that we receive in next year's budget will be for the next tranche of those transmission sites.

Senator CORMANN—Not for all 102?

Mr Pendleton—Sorry?

Senator CORMANN—Not for all 102 of them?

Mr Pendleton—Not for 102 but for those that have been planned.

Senator CORMANN—Have you got a list of those 102?

Mr Pendleton—I have not got the list. I can give you that on notice. There will be—

Senator CORMANN—You have just got the number?

Mr Pendleton—I have got the number and the comparative coverage that we have achieved.

Senator CORMANN—Have you got a breakdown by state and territory of those 102?

Mr Pendleton—I do. Not of the sites; I have got the percentages by state.

Senator CORMANN—Can you give us those?

Mr Pendleton—In total, the digital coverage for Australia is 97.8 per cent compared to the equivalent analog coverage of 98.3 per cent. Do you want me to go state by state?

Senator CORMANN—Yes, please.

Mr Pendleton—The digital coverage for Victoria is 99.2 per cent; ACT and NSW, 98.5 per cent; South Australia, 98.2 per cent; Queensland, 96.1 per cent; Tasmania, 6.4 per cent; WA, 96.6 per cent; and the Northern Territory, 72.6 per cent.

Senator CORMANN—A bit of work to be done in the Northern Territory?

Mr Pendleton—The equivalent analog coverage in the Northern Territory is 79.9 per cent, so it is those smaller communities and the regional reach that are the difficult part.

Senator CORMANN—I might leave it there for the moment.

Senator WORTLEY—Mr Scott, you spoke briefly about ABC Open, which was launched earlier this year following the provision of funding in last year's budget. Would you be able to give the committee a progress report on the program including the regional and rural communities in which it is operating?

Mr Scott—Yes, absolutely; thank you for your question. The minister launched ABC Open in February this year and we began the search for multimedia editors and producers. Through ABC Open, the ABC is going to be working with regional communities to develop skills in

digital and social media so that members of these communities can create, collaborate and share their stories on ABC websites and other platforms around the country.

We began the search in February. We had over 500 applications for state editors and producer positions. I was talking to the ABC Open team last week, and they were delighted with the calibre of entries they have had from around the country. We have already appointed five ABC Open editors in Broome, on the Gold Coast and in Lismore, Alice Springs and Ballarat. We have 15 more Open producers that will be appointed by the end of June—the Illawarra, in New South Wales; Rockhampton, in Queensland; Kununurra, in Western Australia; and Launceston, in Tasmania, are amongst some of the areas. Once these producers are in place they will begin working on producing content and developing a series of projects which the communities will again engage with. In August this year we are going to launch the ABC Open website, which will document the work that has been contributed by communities around the country and the workshops that we are holding and call out for other project ideas. There will be a project space where new projects can be highlighted, providing opportunities for audiences to engage with us in different ways.

We are very, very heartened by the calibre of people who are already engaged in this project, by the talent that is clearly on offer in regional and rural Australia and by the ability of a fast broadband environment to showcase their work in different ways. The project is underway. We have already seen some very significant community engagement. We have some talented people on board and many more to come in coming weeks. By the end of this year I think we will be able to look at the ABC Open website and ABC websites and other websites around the country and really be struck by the array of work that is on display that has been undertaken by communities.

Senator WORTLEY—How many new jobs are expected?

Mr Scott—We are looking at around 50 created media jobs in total over the next three years. We will have about 17 by the middle of this year, another 18 will be filled from July next year, and then there will be further recruitment in 2011.

Senator WORTLEY—What has been the response to ABC Open in the regional and rural communities?

Mr Scott—Great excitement. We really have been struck by the number of applications. Those applications ask of people not only to have the media skills that we need but to demonstrate a connection to regional and rural Australia. We have been struck by the number of applications and the quality of applications that we have received. This does not come as a surprise to us, through projects like *Heywire*, which allows us to reach out to connect with young people in regional and rural Australia and provide opportunities for them to tell their stories. For more than a decade now, we have been struck by the talent that is on offer, and we have been delighted at the opportunity to showcase that. This is a continuation of that journey of discovery for us.

Senator WORTLEY—Moving now to ABC3, can you give us a progress report in relation to the children's channel?

Mr Scott—Yes. The Prime Minister launched ABC3, Australia's only free-to-air children's channel, in December last year. Already the ratings data shows that ABC3 is the No. 1 rated

channel for children aged five to 12 during daytime hours. It has an audience share in that cohort of 12.7 per cent. What we are seeing is strong popularity for ABC3 and strong support for locally produced programs. We are working with the independent production sector in the production of these programs. We created 17 new production positions in the children's television department for the creation of ABC3, but many, many more jobs are going to have been created in the independent production sector through the co-productions that ABC3 is undertaking. We are delighted with that.

We are reaching our Australian content targets. We launched at 40 per cent; we have already moved that up to 42 per cent with an aim of getting to 50 per cent. I am pleased to be able to report several months in that it has been a very strong start. The audience feedback has been terrific. It is an important part of the suite of ABC offerings. It is great that one digital free-to-air channel is a children's channel, and we are delighted that this has been able to be provided by the ABC.

Senator WORTLEY—Are there plans to keep it at that age group, five to 12, or is it going to extend past that to the sort of 13- and 14-year-old age group?

Mr Scott—Tim Brooke-Hunt and his team, who are running this for us, say that if you target it for almost that primary school demographic you will have some younger kids who are watching it, but you will have older kids who watch it as well.

Particularly into the evenings, we have had programming that has been very appropriate for teenage kids, and it has found that audience, too. But the gap we really saw in the market was for primary school children. Our feeling was that, unless you are providing something targeted for them, they would be more likely to watch programming that was not created for them but was really created for adults. At the ABC, this has been a bit of a challenge for us because we clearly are very popular with our content for preschool children. So we have been delivering that content on ABC2, the primary school content on ABC3, and a bit of both on the main channel. Once you get to analog switch-off, you will be able to then calibrate what most appropriately runs on what channel. But our target is primary school kids. It is ending up being broader than that, but that is the opportunity that we see.

Senator ABETZ—I have a number of questions. Was the Lego in the cafe an April Fool's prank, or was it genuine?

Mr Scott—I see you have been reading the *Australian* again.

Senator ABETZ—I have indeed.

Mr Scott—I viewed it as another public holiday Monday *Australian* story, actually.

Senator ABETZ—That is very similar to Senator Carr's answers in question time: 'I understand you have been reading the *Australian* again.' Can you tell us whether it is right or not?

Mr Scott—Let me talk about this a little bit. Innovation is part of the core values of the ABC. One of the good things that has happened in recent years is that the ABC is being recognised now for being an absolute leader in innovation in the media space. One of the things that we did was open a competition for smart bright ideas internally at the ABC—suggestions about things that we should be doing organisationally, things that we should be

doing in a programming sense—to improve our performance. We have thousands of staff, and they have great ideas.

Senator ABETZ—Where does Lego fit into this?

Mr Scott—One of the promotions around the idea of soliciting ideas was at the cafe, where everyone walks by, to put some Lego out for people to play with as they are waiting in the queue.

Senator ABETZ—So the *Australian* was right? Thank you.

Mr Scott—I did not say it was wrong; I simply pointed out that you were reading the *Australian*. Whether it was a page 1 story I think is where I drew the line a little bit, because Lego as an organisation have been working with different companies for a number of years, and they can give you a list of the major corporations that they have worked with trying to create an innovative culture. But it was not a Lego strategy; it was a sideline promotional activity to what was a very important idea, which was promotion, innovation, with staff at the ABC.

Senator ABETZ—Was the Lego provided free of charge?

Mr Scott—I am not aware of that. I will have to check on that for you.

Senator ABETZ—So when you tell us that Lego work cooperatively with certain organisations, can you therefore take on notice—and given that you were so prepared to take a question about the Lego, I would have thought you might have known the answer to that—if there was a cost? Wait a minute; does Mr Millett have some advice?

Mr Millett—No, nothing that—

Senator ABETZ—No, not the cost?

Senator Conroy—Not the cost of the Lego.

Senator ABETZ—What I would be interested in is why Lego was picked on as opposed to plasticine—

Senator Conroy—That is a very good question.

Senator ABETZ—That is how he is building the NBN in his office at the moment, with plasticine.

Senator Conroy—It is rolling out nicely. It rolls well.

Senator ABETZ—How was this decided upon? Did we get a consultant in to determine that Lego would be the best method as opposed to plasticine or something else? What was the cost to the ABC? Can you also tell us—

Senator Conroy—Legogate.

Senator ABETZ—to ensure that every regional office got its fair share, how much Lego went to each regional office?

Mr Scott—It was not like that. Different state branches came up with different ideas to promote the awards. It was a promotion for the awards.

Senator ABETZ—So was it one person in Sydney who had the bright idea to get the Lego?

Senator Conroy—Come on, name names; who was it?

Senator ABETZ—That is what I want to know.

Senator Conroy—I thought I would save you the time.

Senator ABETZ—I would have thought it might be one of your better ideas, Senator Conroy.

Senator Conroy—Let us have all the details on Legogate.

Senator ABETZ—Finger painting could be next for creativity; you never know what might happen in the ABC cafeterias. Can you advise us of the cost, and, if Lego has not been made available to all the various regional offices but only in Sydney, can you tell us what the playing of choice was in Tasmania, Victoria and all the other states to help develop innovation within the ABC? I think the long-suffering taxpayer that funds the ABC might be interested to know what the cost was. Are there any material benefits that you have already noticed, Mr Scott?

Mr Scott—Let me just say that we received more than 400 ideas from our staff around our innovation awards. The best ideas of the ABC come from our staff. An example of that I think is iView, which was developed by the ABC for less than one per cent of the cost that the BBC developed their i-player—

Senator ABETZ—As a result of Lego?

Mr Scott—As a result of the innovation of the ABC staff. I am simply saying to you that I back the innovation and the innovative culture at the ABC.

Senator ABETZ—I am sure we all like the idea of innovation; that is not in question.

Mr Scott—Good, I am glad.

Senator ABETZ—What is in question is—if I might be polite and use the word—bizarre methodology to provide Lego building blocks in the cafeteria for staff members to play with to enhance their creativity. How many people have won the \$100 ABC shop voucher and the \$50 ABC shop voucher as a result of this competition?

Mr Scott—I will take that on notice.

Senator Conroy—I am reliably informed a large box of Lego costs \$49.95.

Senator ABETZ—How many pieces in a large box, Senator Conroy?

Senator Conroy—I will get that information for you very quickly.

Senator ABETZ—You do not know, do you? Be careful. But plasticine might have been cheaper—I do not know—or finger painting, but I must say it does not seem to me to be the brightest idea. Can you provide to the committee any pictures? We were told that the ABC staff should have their picture taken with their creation and send it in. I am just wondering whether that has occurred and what results have come from those. I must say it seems possibly a frivolous issue, but the fact that the ABC has engaged in it—

Senator Conroy—Do you include your photo on your letterhead?

Senator ABETZ—Do you want to change roles, Minister? I am very happy to. It might be happening later this year, but not quite yet, so do not get too excited. Can you tell us, on notice, if Lego was not all around Australia, what was the cost for those states that did it and the methodology? Did we have a consultant advise in relation to this?

Mr Scott—I would not have thought so.

Senator ABETZ—If you can provide us with a detailed brief in relation to that, I would be most interested. That sort of takes us on to the alternate reality program, really, does it not? How is that going for you?

Mr Scott—Which program is that?

Senator ABETZ—I understand it is the department's Project Bluebird alternate reality program.

Mr Scott—Yes, let me talk about that.

Senator ABETZ—Rather than just giving us an overview, when did the project start, and how many people were involved?

Mr Scott—The project has been developed over the last year in the ABC Innovation division. There would be a couple of people involved in it. I do not have the breakdown of that.

Senator ABETZ—You can take that on notice.

Mr Scott—These are the same people who developed Gallipoli: The First Day, the ABC's prize-winning website, and this—

Senator ABETZ—I am only asking about this project. When did it start and how many people were involved? I am not asking what their background was. Time is of a premium here. We know it started about 12 months ago.

Mr Scott—Over the last year they have been working on the project.

Senator ABETZ—Can you give me the exact dates?

Mr Scott—I can tell you that it launched on 18 April this year.

Senator ABETZ—But it had been worked on prior to its launch for how long? Can you take that on notice?

Mr Scott—Yes, sure.

Senator ABETZ—Thank you, and then tell us how many people were involved. What was the budget allocated to the Bluebird project?

Mr Scott—We are spending about \$200,000 on the project.

Senator Conroy—I think you are being a bit unfair. I am not sure if the committee members know what Operation Bluebird is. I am sure the committee would benefit from hearing a bit more about it.

Senator ABETZ—No, there is no need for that, thank you.

Senator Conroy—Can you put it in context?

Senator ABETZ—What is the total budget allocated to the ABC Innovation department?

Mr Scott—I will have to take that on notice. On Project Bluebird, some of the senators have indicated they were after a little more detail.

Senator ABETZ—I am sorry. It was only the minister, and if it is—

Senator Conroy—No, I thought I heard some of the other members asking for information.

Senator ABETZ—All right, when it is their turn to ask questions, they can ask rather than winding down the clock.

Mr Scott—Sure.

Senator Conroy—Do not tease them, Senator.

Senator ABETZ—Are you aware of the *Age* commentary by a Tim Young on 30 April on this program?

Senator Conroy—Perhaps we should know about the program so we could hear about the commentary.

Mr Scott—I may have read it, Senator. What did he say?

Senator ABETZ—He said:

Nicole Brady, editor of *The Age's Green Guide* said she doubted an already fragmented, time-poor audience would be all that interested, adding the show's \$200,000 price tag means it could only be made at the ABC.

Senator Conroy—I think you need to enlighten the committee.

Mr Scott—Project Bluebird is an online game.

Senator ABETZ—All right, when you have finished explaining, answer my question.

Mr Scott—I am answering your question, Senator, because your question from the article goes to the value of the investment. The value of the investment is directly linked to what we are trying to do and what the outcomes are. The fastest growing sector in a sense of online entertainment is around online gaming. Some of the highest websites we have as far as downloading of programs is concerned are programs like *Good Game* which goes to the online gaming industry. So this is the ABC's attempt to develop content that engages the audience in a rather intense way over a period of time so that they can do some problem solving around issues. To an extent it is different, but in the same way that *Gallipoli: The First Day* is different, the same way that other online games that we have created are different. This is a good thing for the ABC to be doing. It is an innovative thing. It is engaging our audiences. We are having significant visits to the sites and visits to the character sites, but we appreciate that it is not for everyone. This is not an example of something of wide appeal. This is an example of something that is of specialist interest. We appreciate that there will be criticism. We will learn from it as we go, but that is not to say it is not a worthwhile thing for the ABC to be doing.

Senator ABETZ—How many hits have we had, or do we know what the audience participation is?

Mr Scott—We have had more than 30,000 hits to the Bluebird site to this time. It is around the same that we get to the best of ABC page. We have had 35,000 visits to different character sites.

CHAIR—Senator Abetz, if you have finished your line of questioning on that, I am just mindful that the committee is going to a morning tea break at 10.45. It is probably not worth starting another topic.

Senator ABETZ—All right, fair enough.

Proceedings suspended from 10.43 am to 11.00 am

Senator IAN MACDONALD—I have a couple of very brief issues. As you know, I am a great fan of ABC rural radio in particular. Is there any prospective reduction in funding towards the rural radio network?

Mr Scott—Yes. I saw a reference to this; I think Senator Joyce put out a statement last week about rural reporters.

Senator Conroy—You were not demanding more spending, were you?

Senator JOYCE—I was demanding continued maintenance of the service.

CHAIR—Can we hear from Mr Scott, please?

Mr Scott—We are firmly committed to strengthening our radio and online services in regional and rural Australia, so there are no plans to cut that or to pull back from that. As I indicated earlier, ABC Open, which is coming from our radio division, working very closely with local radio, will be all about working with regional and rural communities to create content which we will then showcase through our websites and our ABC Open website. Programs like *The Country Hour* are very, very important to us, and we have a great team of regional and rural reporters who are reporting every day on ABC Radio. I think there is more we plan to do with our website to showcase all this content. So, there are no plans to curtail, no plans to cut back. As a usual part of our budgetary processes, we will be reviewing our performance and our effectiveness, but there is no change underway.

Senator IAN MACDONALD—Does rural radio, within your internal budget, get a defined amount of money?

Mr Scott—It would be cut in a number of different ways. There is not like a city-metropolitan or a regional budget carve-up in that way. What you have is local radio, and that is 60 local radio stations; the state and territory capitals and Newcastle being the metropolitan ones, and the other 51 being regional and rural. We also have our regional and rural reporters that are like *The Country Hour* team in providing content, and they are done separately as well. It is not as though there is a discrete bucket which is for regional and rural.

Senator IAN MACDONALD—For those local radio and rural and regional programs, like *The Country Hour*, from wherever their budget comes, is there any cutback in that particular budget?

Mr Scott—No, there is no cutback in funding to regional and rural radio.

Senator IAN MACDONALD—I take it from that that there is the normal indexation adjustments to their budgets?

Mr Scott—We have indexation that comes in. Invariably, as part of the budgetary process, we look at whether we are spending money in the best way. That is within the pool of funds that we have; there is no cut or draining away of money for regional and rural.

Senator IAN MACDONALD—Who would make the decision, if one were to be made—and this is hopefully purely hypothetical—that there was to be a cutback in the rural reporters or the news team in, say, Cairns, Mount Isa, Townsville, Mackay—which has been mentioned—Rockhampton or elsewhere in Australia? They are areas of interest to me.

Mr Scott—In the main, decision making around resource allocation in radio comes from our radio division, so it would be our radio executive that would be looking at that. We do have some news reporters in regional centres that come from our news division as well. So it would be between radio and news, but I am not aware of any cutback of commitment to regional and rural Australia through our news or our radio division. In fact, more people are going out to work there under ABC Open.

Senator IAN MACDONALD—Which is great. But I can assure people in central and north Queensland, and western Queensland, that there will be no diminution in the reports and on-air staff in those areas?

Mr Scott—We continue to look at the most efficient way to utilise our resources, to ensure that our rural and regional audiences are being best served. There has been no decision made to cut back our commitment to regional and rural reporting in any way.

Senator IAN MACDONALD—When do you do your budget rounds?

Mr Scott—I hope to work on it right now. It is that time of year. They are reviewing budgets now, but the final decisions have not been made on any of the areas.

Senator IAN MACDONALD—Far be it for me to put words into your mouth, but I interpret from what you were saying that I can assure people that there will be no cutbacks in that part of the area. I have two other very brief matters. With respect to the HD, high definition, news service, Queensland voters still seem to be getting Sydney news.

Mr Scott—Yes, as the minister has pointed out to me. There are two factors on this. At the moment, with our broadcast facilities as they are, we can do local transmission on ABC1 but we can only do national transmission on ABC2, ABC3 and the high-definition channel. At the moment, the HD news bulletin comes out of Sydney. With the creation of MediaHub, which Mr Pendleton has been involved in, we are creating a facility that will allow us to do local broadcasting around not just ABC1 but on the high-definition channel and ABC2, ABC3 and the like. This will be very significant on the high-definition channel, because that is where we will be starting to broadcast our ABC News 24. So, if we need to go to local coverage around a local news event, we will be able to do so. At the moment what you are seeing on the high-definition channel is the limits of our broadcasting capacity at the moment. That will be changed with MediaHub, but if residents in Queensland want to see the Queensland bulletin, of course at the same time it is shown on the HD channel we are showing the Queensland

bulletin on ABC1, so a simple pressing of the button on the remote control will alleviate the problem.

Senator IAN MACDONALD—But it is being addressed into the future?

Mr Scott—Yes, it is.

Senator IAN MACDONALD—Is it ABC or the national transmission organisation who handles the transmission of media quality clips from places such as Mount Isa, Townsville and Cairns down to your Sydney and Brisbane news centres? You can understand by the way I am asking this question that I do not really understand what they are talking about, but they tell me it is very difficult—

Senator Conroy—That has never stopped you before.

Senator IAN MACDONALD—Indeed. Is that something you do?

Mr Pendelton—It is a mix. Some of our regional radio locations have satellite uplinks where we would bring content from a remote location back into our main networks. From memory, there is one at Townsville, Townsville local radio, but sometimes we may well do it from the Broadcast Australia site.

Senator IAN MACDONALD—I am really talking about TV. I was involved in a very significant cattle drive and there was some media being taken, sent out of Mount Isa, but I heard on the grapevine that the equipment to do that is very antiquated, and they could not send it in bits; it had to be the lot or nothing. Now, that means nothing to me, but it might mean something to you.

Mr Pendelton—I would have to check what gear they have, but it may well be what they have captured it with.

Senator IAN MACDONALD—That is it; check what gear they have. I understand that in some of the regional centres the gear is quite antiquated.

Mr Pendelton—Yes, it would be old.

Senator IAN MACDONALD—That is my point. Is there any suggestion that perhaps if you had good gear in those very significant parts of the country, you might have been able to get Senator Conroy opening the airstrip in Currumbin and the Stephen Conroy memorial airstrip.

Mr Pendelton—I am not aware that we have ever had any issues. The links are purely about bringing video content from whatever location they are at back over the satellite, so it is a really a matter of just up-linking that content. I have never heard of any operational problem with it.

Senator IAN MACDONALD—Okay, I will see if I can generate some for you.

Mr Pendelton—Thank you.

Senator IAN MACDONALD—Finally, Mr Scott, can I just thank you for your offer of a briefing in relation to the salaries of key presenters. I should put on record at these estimates that I particularly made a reference to Kerry O'Brien, but it was only because I was being smart, as it turned out half-smart, by comparing your Kerry O'Brien with Senator Kerry

O'Brien and making the point that everybody knew what Senator Kerry O'Brien received from the public taxpayer but nobody knew what your Kerry O'Brien received. I withdraw all reference to your Kerry O'Brien, but simply relate it to key presenters. I want to thank you for your offer to brief this committee privately. Perhaps I should ask the chair this, rather than you: are we moving towards a date when we might have that briefing?

CHAIR—I understand that we have not set a date, but I understand that the secretariat will be contacting the ABC and senators to organise that.

Mr Scott—I said last time that I was concerned about hearings that were not in-camera, and I look forward to advice from the committee on the protocols and procedures of that in-camera hearing.

Senator IAN MACDONALD—I appreciate that.

Senator Conroy—On behalf of the government, can I also acknowledge your sensitive handling of it, Senator Macdonald?

Senator IAN MACDONALD—We look forward to hearing that for all the reasons that the committee has discussed in the past. That is all I had.

CHAIR—Are there other questions along the same lines, rural funding?

Senator JOYCE—I noted in your response to the cuts to the ABC that Leigh Radford said that the speculation was premature. Are you saying it is not so much premature as non-existent?

Mr Scott—The question was whether we are cutting our commitment to regional and rural reporting in those budgets, and we are not doing that.

Senator JOYCE—Have you been involved in discussions about cutting positions at Mackay and Lismore?

Mr Scott—No, I have not.

Senator JOYCE—Do you know of any discussions regards the cutting of positions at Mackay or Lismore?

Mr Scott—All I know is that the first I became aware of it was when I was alerted to your press release, and I have been told that no decisions have been made at all around the issues that you raised in your release.

Senator JOYCE—So no decisions have been made, or discussions are being held?

Mr Scott—As I indicated to Senator Macdonald, there are ongoing discussions that take place around where we best invest our resources in regional and rural Australia to provide the best possible coverage.

Senator JOYCE—Ongoing discussions means that you possibly are talking about cutting positions in Mackay and Lismore?

Mr Scott—We are not talking about cutting our commitment to regional and rural Australia and coverage at all.

Senator JOYCE—I am talking about Mackay and Lismore.

Mr Scott—I am not aware of any specifics around that at all. All I have been told is that no decisions have been made.

Senator JOYCE—No decisions have been made?

Mr Scott—No decisions have been made.

Senator JOYCE—But that means that discussions can be currently being held?

Mr Scott—But no decisions have been made, and the broader question was whether we are cutting back our commitment to regional and rural Australia—emphatically not. In fact, we are putting additional staff out in regional and rural Australia.

Senator JOYCE—You are holding fervently to the line that no decisions have been made, and that is not leaving me with any confidence that the discussions are not ongoing.

Senator Conroy—He may not have put it in writing, so it may not be gospel, Senator Joyce.

Senator JOYCE—I think this is a reputable source.

Senator Conroy—I am not sure that I can be as reputable as you were.

Senator JOYCE—Are discussions going on about cuts to Mackay and Lismore?

Mr Scott—I am not aware of any of those details at all. What I am told is that no decision has been made and there will be no cuts in our services to regional and rural Australia. But, as is always the case, there will be ongoing discussions about where staff best be deployed to provide the best content.

Senator JOYCE—That is a different answer, Mr Scott.

Mr Scott—No, but I am not aware as to whether in fact they are discussions that relate to the matters that you raise or the regions that you raise. All I can assure you is that no decision has been made on those matters.

Senator JOYCE—No decision has been made? Can you give a commitment that no cuts are going to be made to Mackay or Lismore?

Mr Scott—I am not in a position to give you a commitment on anything apart from our commitment to regional and rural Australia, the fact that we are increasing our staffing levels out there, the fact that we provide an outstanding service to regional and rural Australia and that we will continue to do so. But, with respect, you must allow the ABC to evaluate its current services, to evaluate where its staff are currently located, in order to make the best possible decision on the delivery of these services. Our radio division has been delivering content to regional and rural Australia for the best part of 80 years. We are providing an outstanding service. We are providing a service that is more important now, given the withdrawal of the commitment of some commercial media operations in regional and rural Australia. Our experts will evaluate the needs of the communities, and we will make decisions around deployment of staff as we best see fit. But we are not cutting back.

Senator JOYCE—Now we have the answer being evaluation of decisions, ongoing discussions; we seem to have moved a long way from the discussion that was had just prior with Senator Ian Macdonald.

Mr Scott—No, not at all. I am simply going into the detail that I discussed with the senator. The senator asked me whether in fact we are cutting back. We are not. But we do continue to look across all our divisions about where our investment is and where our investment best be made.

Senator JOYCE—I am asking you for a very straight answer. Can you give a commitment that no positions will be lost from Mackay or Lismore?

Mr Scott—I am not in a position to make any commitment about any staff deployed in any one place, in the same way I cannot make a commitment around any of our services anywhere. Our experts in the area will look at where our staff are deployed and around our programming choices as they do across all our divisions every year in the process. What I can give you is a commitment to service in regional and rural Australia through ABC Radio. But as to the specifics, I have had no conversation with anyone in ABC Radio around Mackay or Lismore. I am not aware of any of those discussions.

Senator JOYCE—Are you considering introducing super regions or mega regions?

Mr Scott—I have not been briefed on any of that. I am not aware of that being a core part of Radio's plans. If they were considering it, that would simply be because there was a belief that that was the best way to provide the quality and depth of regional and rural coverage that we need.

Senator JOYCE—So, in the delivery of these super or mega regions, could that mean the removal of staff from Mackay or Lismore to another area?

Mr Scott—Senator, it is purely a hypothetical question. I have not been briefed on any of this at all. I am not aware of any plans. The one thing I have been told is that—

Senator JOYCE—You are not aware of any plans?

Mr Scott—I am not aware of them. You provided me with a series of questions on this. I have not been briefed on it. I have been told that no decisions have been made that—

Senator JOYCE—No decisions have been made, or you are not aware of any plans?

Mr Scott—Both. Let me be quite clear to you. You have raised a series of questions. I have been told that no decisions have been made. I have not been briefed on any of the specifics that you have raised in your questions.

Senator JOYCE—Is there anyone else that may have been briefed about cuts to Mackay and Lismore?

Mr Scott—I am told that there are no cuts to Mackay and Lismore, that no decision has been made in that respect.

Senator JOYCE—What about Lismore?

Mr Scott—I have been told that no decisions have been made. The ABC has not made any decisions around staffing or content in relation to ABC rural.

Senator JOYCE—'No decision has been made' is a very vague answer, is it not?

Mr Scott—It is a very specific answer. It is a very concrete answer, Senator.

Senator Conroy—But you have not written it down, so it is not necessarily gospel. Look, you may have said it in the heat of passion, Mr Scott. It could have been in the heat of passion, so it might not have been real, either.

Senator JOYCE—When would decisions in your ongoing discussions be made about evaluating decisions about where you are going to place your staff?

Mr Scott—We are in a budgetary process now, as we indicated to the senator. Our divisions are reviewing their budgets, and I suspect by the end of the financial year.

Senator JOYCE—By the end of the financial year?

Mr Scott—Yes, but that is happening in all our divisions at the moment. That is the responsible thing to do. The responsible thing to do is to evaluate your current services, to look at their effectiveness, and to ask the question whether in fact you can do it in other ways.

CHAIR—Before you ask the next question, senators on my right, there are three separate conversations going on over there. It makes it very difficult for other people to hear the answers to questions, and difficult for Hansard. Can you consider having your conversations outside? Sorry, Senator Joyce, back to you.

Senator JOYCE—So, by the end of the financial year, your evaluation of decisions and ongoing discussions about where you move staff to will become finalised—is that correct?

Mr Scott—I am speaking generally around our budget review processes, but on the specifics about Mackay and Lismore, all I know is that no decisions have been made to this point.

Senator JOYCE—No decisions have been made. But decisions could be pending?

Mr Scott—Well, decisions could be pending in all divisions at all times around a range of issues, but I have—

Senator JOYCE—Decisions could be pending before you gave a commitment. Our decision is pending.

Mr Scott—Senator, that is why it is a budgetary process. I expect our radio executive to look at where they currently spend significant amounts of taxpayers' dollars to deliver five national networks, three digital networks, 60 local radio stations and outstanding service to regional and rural Australia. That is what they do.

Senator JOYCE—So, this radio executive will be evaluating the decisions about ongoing discussions about where we sack people?

Mr Scott—No, you have gone a bridge too far there.

Senator JOYCE—With respect to your 24/7 news channel, you said, 'We are not taking resources away from anywhere else in the ABC to deliver that channel.'

Mr Scott—Yes, that is right.

Senator JOYCE—Do you stand by that comment?

Mr Scott—Yes.

Senator Conroy—Would you like your own show?

Senator JOYCE—Just looking at other comments from other people that talk about it, ‘We are making an investment that is necessary for this channel to go to air, and we are not taking resources away from anywhere else to deliver that channel.’ You are not taking it from a sort of backdoor reassessment or anything like that?

Mr Scott—A bit more detail on the backdoor reassessment, Senator? I am not aware of that phrase.

Senator JOYCE—Mr Scott, in additional estimates, you stated:

We have been able to take resources from the back end of our television production and invest them in the new news channel. That is how we are funding it. It will not operate on the budget of some of the big worldwide news channels, but the major cost in delivering a news channel, of course, is having reporters on the ground, which we already have.

Mr Scott—Yes, our television production model, exactly. This is what I explained earlier. We saved money through the implementation of new technology for delivering our television news service. Let me give you an example. If you went into our television news rooms and looked at the production teams necessary to put out a seven o’clock bulletin, you may have found 10 or more people sitting in a control room to put that to air, using the old technology. When we went to a new technology system, you needed three people, maybe even fewer than three people, to deliver that. So, with the savings that we have made in putting the seven o’clock bulletin to air, we have been able to realise the money that is necessary to get the news channel up. As far as the audience is concerned, they are still seeing the seven o’clock news bulletin. There is no difference in the content that is being presented to them, but the efficiency that we have been able to find by using new technology, we have been able to reinvest in creating a 24-hour news channel. That, we think, is a very positive thing for the Australian people.

Senator JOYCE—So is *Stateline* safe?

Mr Scott—I have heard no discussions or no plans to do anything with *Stateline*. My understanding is that *Stateline* will feature on the new 24-hour news channel.

Senator JOYCE—So you have heard no discussions? That is different from your answer about Mackay and Lismore where there are ongoing discussions.

Mr Scott—No. I was aware of Mackay and Lismore because I read your press release, and I was told that no decision has been made about that. You did not put out a press release on *Stateline*, so that is the first I have heard of any discussion or threat to *Stateline*. I am not aware of that. What I am aware of is that *Stateline* will feature on ABC News 24 when it goes to air later in the year.

Senator JOYCE—Finally, can you make a commitment about your ongoing discussions and evaluating your decisions that no decision will be made about axing positions from Mackay and Lismore?

Mr Scott—My commitment with respect to regional and rural Australia is that we have staff located around the country.

Senator JOYCE—When you evade the question, I get very concerned about what the answer is going to be.

Mr Scott—I am trying to be reasonable in explaining to you the decision making processes that need to take place when you are running a division like a radio division. We have staff all around the country delivering services into ABC Radio, ABC News programs like *The Country Hour*. They are all around the country. I am not going to sit here and arbitrarily give you commitments that every staff member who is in every position currently will stay there in perpetuity.

Senator Conroy—I want one that all Melbourne staff are next, and Senator Ludlum will want—

Senator JOYCE—I just want an honest answer about Mackay and Lismore.

Senator Conroy—Would South Australian staff like a guarantee, Senator Farrell? Yes, we all want guarantees.

Mr Scott—I asked the question about Mackay and Lismore, and I was told no decision has been made on Mackay and Lismore.

Senator JOYCE—No decision has been made?

Mr Scott—No decision has been made.

Senator JOYCE—I think that will make *The Chaser* when it comes back out, Mr Scott.

CHAIR—Order! We will go back to Senator Abetz, and then Senator Ludlum.

Senator ABETZ—Thank you, Chair. In recent times I have asked questions about—and I do not think given the passage of time we need to mention the journalist's name publicly—the one that had the unfortunate incident in Singapore. Has he been reemployed by the ABC?

Mr Scott—Yes, he has, on a part-time basis.

Senator ABETZ—You and I have had a discussion previously about this with rehabilitation, et cetera, and that is all good, so no criticism of that. The only question I want to ask in relation to that is whether or not that position was advertised, and did it go through a competitive process?

Mr Scott—Let me just check that.

Senator ABETZ—All right, take that on notice.

Mr Scott—Sure.

Senator ABETZ—That is the only matter that I want to pursue there. In relation to ABC *The Drum*, opinion polls, who decides what is to be polled as the question of the day?

Mr Scott—I imagine that would be the editor of *The Drum*.

Senator ABETZ—The editor of *The Drum*, all right. You can take this on notice, but can I have the audience break-up for *Q&A* for the past six months or so? You have given it to us in the past. I do not want to take time at this stage, but if you can take that on notice please?

Mr Scott—Yes.

CHAIR—Senator Ludlum has a pressing engagement elsewhere. Would you be agreeable to let him interpose his questions?

Senator ABETZ—Yes, of course.

Senator LUDLAM—I have a couple of questions. With respect to the funding for digital broadcasting, I understand that funding of about \$14.5 million was recently announced for infrastructure for this switchover. Can you tell us how far that will go, and give us a breakdown between TV and radio?

Mr Scott—It is not actually funding for the digital switchover. That is additional capital money for the ABC as we move from being an analog broadcaster into a digital broadcaster. We had a review done some years ago now, and our submission back to government reflected the need for approximately \$15 million additional in capital for a five-year period, and then it would need to double on top of that. Digital technology is expensive; it needs to be replaced more quickly. It is harder to repair. The whole of the organisation is moving into a digital environment. Even the matters that Senator Macdonald was talking about earlier in the kind of equipment that our crews need in regional areas is an example of the challenge of the transition to digital technology. This is additional capital money for the ABC as we move from being an analog broadcaster to a digital broadcaster. We will be making further submissions to government on the back of expert advice that we have received, that we will need continuing increases in capital funding in order to provide the kind of services that we need to provide in this digital era.

Senator LUDLAM—Is that just funding in perpetuity?

Mr Scott—No, it was one-year additional capital funding, for which we were grateful to the government and the minister for his support with that submission.

Senator LUDLAM—Do you have any idea of how far the \$14.5 million will go as a proportion of your total spending on new digital equipment? Can you give us some idea within an order of magnitude of how much more you might need?

Mr Pendelton—We model our infrastructure replacement and capital requirements over a 10-year period. Those sorts of investments require that length of thinking in terms of the current capability of the organisation. Our modelling, which we refreshed leading into the last triennial funding submission, had a number in the order of an additional \$32 million that, on average over the next 10 years, the corporation requires to maintain its current capability.

Senator LUDLAM—Okay, so the \$14.5 million is slightly less than half your funding needed to make the transition within that 10-year span?

Mr Scott—The feeling was that we needed around \$15 million for the first five years of that decade, so this is the last instalment of that first five years. We received \$15 million in the prior year from the government in the triennial funding and we received \$15 million from the previous government for the three years prior to that. So, we are five years in now. We are grateful for this money but we can model increased capital demands as we go forward.

Senator LUDLAM—That five-year span will take us probably right through the digital TV rollover, so you will not be broadcasting in analog anymore?

Mr Scott—No, not quite. This will take us through to the end of this next financial year, 2010-11, so there are still two plus years of the analog switch-off to take place. The money that we are receiving around analog switch-off and the transmission required to move to digital is separate funding to this capital funding.

Senator LUDLAM—Is it possible to estimate the total cost of the switchover to digital or is that too difficult? Because, as a result of these questions and answers, I still do not have a clear idea of how much that \$14.5 million is relative to the total cost of the switchover.

Mr Pendelton—They are different numbers. The cost of conversion to digital was funded from about 2000-01 onwards in two programs, digital conversion parts one and two. Digital conversion part one was about \$110 million, this was for the television; and digital conversion part two was \$84 million at the time. Those programs to do the initial conversion have been completed in the last year or so for the residual equipment. There is further capital funding to pick up the last bits of the analog conversion plus the maintenance of this equipment. A lot of this equipment installed in early 2000 is already at the end of its life and requires replenishment. Whereas a whole lot of the analog gear such as cameras were maintained and managed for 10, 15, 20 years, the new digital gear is all black-box, solid state equipment, software based, that actually expires at the five to seven-year window. What we are seeing is the replenishment requirement for all of that digital conversion now starting to hit us.

Senator LUDLAM—We are moving to a bit more of a disposable regime of equipment. Is it possible to model or estimate how much faster your turnover is and how much more it is going to cost to run in the digital environment?

Mr Pendelton—Yes. We have modelled that.

Senator LUDLAM—Could you provide us with that on notice?

Mr Pendelton—Yes.

Senator LUDLAM—Moving now to ABC Radio National, you broadcast almost exclusively in AM, but I am aware that in some regional areas Radio National does broadcast in FM. Given today's mobile audio technology with phone handsets and MP3 players and so on, which receive more I think exclusively on the FM band, are there any proposals to broadcast Radio National in FM across the country?

Mr Scott—Not at this moment. AM still remains a very powerful way of broadcasting and reaching significant portions of our audience. The final availability of FM transmission is more a question of ACMA than it is for us, but we are taking advantage of new technology to get Radio National out there to audiences in new ways. We are currently broadcasting Radio National on digital radio, for example. The ABC application on the iPhone, which I understand is being downloaded by a quarter of iPhone users in the country, including Senator Conroy—

Senator LUDLAM—So just let the *Hansard* record show the minister waves an iPhone at this point.

Mr Scott—That application does stream Radio National. If you want to listen to Radio National through your phone, you can, and we are looking to make that available not just on the iPhone but on a range of smart phones as well. Of course, we are streaming Radio National online. So we are looking to take advantage of the technology that we can to reach audiences where we can, taking advantage of the tools that are available. We think AM radio will be with us for a long period of time. I appreciate that not all radio sets that are now

available have AM. We are conscious of that. But that is where I think we are using digital radio, smart phones, and other online delivery services to try to meet that need.

Senator LUDLAM—So getting Radio National out of FM is partly a spectrum question, which you refer to ACMA, but would there be a substantial cost involved in broadcasting Radio National on FM frequency?

Mr Pendleton—It would have a different characteristic in the market, so whether it would actually get the coverage depending on whether the frequency was available within the market. The cost of FM transmission I think is more expensive, off the top of my head, than the AM.

Mr Scott—Also, as Mr Pendleton suggested, AM is pretty good where it works and where it operates. I appreciate there might be some limits around the audience, but the AM signal booms out a long way, and often you need a number of different FM frequencies to reach the same footprint to which AM delivers. It is complicated. I must say that we are aware of the limits of AM as far as some of our audience members are concerned, but we do not have as a key part of our strategy the migration of all our AM platforms to FM.

Senator LUDLAM—I guess I was not proposing that you knock it off AM; I do not want to be misinterpreted in that way. It sounds like you have evaluated it briefly and decided that that is not a way forward?

Mr Scott—I think we are just taking advantage of the new opportunities as they emerge. ACMA is far more equipped to speak on this than I am, but the FM platform is pretty loaded in many markets and the prospect that all of a sudden a lot more spectrum would be available for us to be able to broadcast Radio National on both AM and FM in some markets, I just do not think that we have thought that that is likely.

Senator LUDLAM—With respect to an Asia Pacific Television Service, which is actually in the DFAT budget portfolio statements, but can you tell us what that contract is worth to the ABC?

Mr Scott—It is about \$19 million a year. There is a review process as it sets into place on the performance of the ABC in delivering that contract. That contract expires in August 2011.

Senator LUDLAM—What is the timeframe of the review process?

Mr Scott—It is taking place at the moment, but it is being run by DFAT, not the ABC.

Senator LUDLAM—Do you know when that wraps up?

Mr Scott—It is a process that is under way at the moment. It is about a 12-week review, I think. They have to report by August. We have to be informed by DFAT in August what their intentions are with the contract.

Senator LUDLAM—I can put some of those questions to them later in the week. I have a couple more, if that is okay, and then I will get out of your way. With respect to the audio description trial which I think was canvassed briefly in the last round, the *Access to electronic media for the hearing and vision impaired: approaches for consideration, discussion report, 2009* said the government was considering conducting a technical trial of audio description on

the ABC before switch-over. Can you tell us the status of that trial? When did it commence, and has it concluded?

Mr Millett—The government is still talking to us about what its plans are regarding a future trial.

Senator LUDLAM—Could I put that one to the minister? Do you have anything you can update us with on that?

Senator Conroy—We have been ongoing discussions about trying to achieve that, but I do not know that we have reached a final resolution at this stage.

Senator LUDLAM—That was pretty much the answer that we got last time I asked. Is it possible to get any more information about where these discussions are at?

Senator Conroy—I am happy to take it on notice and get you some more detail.

Senator LUDLAM—Just a sense of when those discussions might be concluded, because obviously the digital switch-over is about to get under way in a serious way. I would be interested to know whether any funding has been allocated specifically. I expect there would need to be some appropriation for it.

Mr Millett—There certainly has not been any funding allocated for it.

Senator LUDLAM—Is that there if it is needed, if the government decides to go ahead with it, or are we getting into hypothetical territory?

Mr Scott—Let me take it on notice and I will come back to you as soon as we can on that.

Senator LUDLAM—Okay. Since we are taking it on notice, finally, would there be some sort of consultation process? Would you be rolling that out a bit further to advocates for blind and vision impaired people across Australia?

Mr Scott—We will take that on notice.

Senator LUDLAM—Thank you. My last question relates to a documentary called *Hope in a Slingshot* which was accepted by the ABC for broadcast some time ago now. Then a couple of months later, a decision was taken not to put it to air. What is the process for reviewing ABC content against your editorial policies? What happened in the instance of this particular documentary?

Mr Scott—I am not aware of the specifics of that, Senator. Let me take that on notice. The last documentary that was raised at these hearings, with a suggestion that we were not going to show it, did in fact go to air last month.

Senator LUDLAM—Okay. I remember some discussion about that. *Hope in a Slingshot*, just so you know, is a documentary that was prepared taking testimony from Israelis and Palestinians, essentially with their hopes and aspirations for peace in the region. The reason that the producers were given that the ABC would not broadcast it was that they needed to provide content of a similar type and weight. The producers and I are wondering whether that means you would need to screen a pro-war documentary before you would be able to screen something that was advocating for peace because that is the message that seems to have been sent.

Mr Scott—Let me take that on notice and let me find out more details on that.

Senator LUDLAM—You are not aware at all of the background to this?

Mr Scott—I have no details on it. I am not really across the details of it at all. The only thing I would say is that we talk with a lot of people about making and purchasing television programs and I would draw a distinction between when we are having preliminary discussions and when a decision has been made to purchase that documentary and to put it to air. I am not aware in that circumstance whether in fact a documentary had been purchased and then we decided subsequently, taking your advice on it, not to air it, or whether in fact when we had reviewed the documentary there was simply a feeling that we would not go ahead with the acquisition of it. I just draw that distinction, which I think is an important distinction.

Senator LUDLAM—That may be the case in this instance, but you have told the producers—I have got a letter here signed by Kim Dalton, your director of television—that because it expressed a certain point of view you needed to seek an alternate point of view. To me that sets an uncomfortable precedent: that you will not be able to screen a piece that was not taking one particular side in that conflict apart from people's—

Mr Scott—Have you seen the documentary, Senator?

Senator LUDLAM—No, I have not; you have not broadcast it yet.

Mr Scott—Our platforms talk about over time covering principal relevant viewpoints. Without having seen the documentary, I would not want to narrowly judge what viewpoints the ABC felt that it may have been expressing. You have depicted it as being pro-peace and so therefore the alternative side is war. In my experience around covering issues on the Middle East, it is often more complex than that, and the perspectives that people draw from it are sometimes distinct from that. We will find out more details on that specific one.

Senator LUDLAM—I would appreciate that. I have no other questions.

Senator ABETZ—I was talking about *The Drum* program, if I can call it that, or facility. Who runs the online debate on *The Drum*? That is also the editor, is it?

Mr Scott—Yes, that would be run by the editorial team at *The Drum*.

Senator ABETZ—Because I have been advised—and I do not put it any stronger than that—that supposedly Professor Bob Carter was invited to contribute to an online debate on *The Drum* following their publication of a series of five articles by Clive Hamilton. Professor Carter submitted his article but it has since been rejected. I am wondering why, because it seems there is nothing defamatory or problematic about it from a legal sense, because it has since been published in print, as in hard form. I am just wondering why, he having been invited to put an alternate point of view—one response after five—and then having submitted, his article was rejected?

Mr Scott—I do not know the precise advice on Professor Carter, but can I say that there were a number of pieces that were commissioned in response to the Clive Hamilton piece. I think we put a number of them to air. We did not publish Dr Carter's but we did publish a number of others. I do not have specific advice on what it was about.

Senator ABETZ—Could you please get very specific advice. When you say ‘commissioned’, was Professor Carter paid for this—

Mr Scott—Let me check on that.

Senator ABETZ—Please check on that and advise us whose was chosen over his and whether they were paid.

Mr Scott—I have some of the names here: Garth Paltridge of the CSIRO.

Senator ABETZ—A very good man.

Mr Scott—Tom Switzer, former opinion editor of the *Australian*, wrote a piece.

Senator ABETZ—If I may, we have five Clive Hamiltons, and then we only had one Tom Switzer, one Garth Paltridge—

Mr Scott—A range of voices.

Senator ABETZ—No, two responses to five. If we had equity, we might actually have room for Bob Carter as well. I would have thought you might—well not you personally, but *ABC Drum*—have had the opportunity for at least five—

Mr Scott—I think there were five responses.

Senator ABETZ—If you can give me the detail of those on notice—

Mr Scott—There were five responses, and I can tell you that *The Drum* is a place where there is a broad plurality of viewpoints. Bob Carter has written for *The Drum*. Alan Moran from the IPA has written for *The Drum* on climate change. In fact, Senator, we have been happy to welcome your contributions to *The Drum* from time to time.

Senator Conroy—Good grief—you would sink that low?

Mr Scott—It is a broader—

Senator ABETZ—I fully agree with Senator Conroy. I cannot understand, if you accept mine, why you would not accept somebody as eminent—

Senator Conroy—That is a low bar. Seriously, that is such a low bar.

Senator ABETZ—Exactly. If you accept mine, why wouldn't you accept one from Professor Bob Carter?

Mr Scott—I will get to the specifics of—

Senator Conroy—I think he has stumped you. He has got you there, Mark.

Senator ABETZ—You set that up beautifully for me, Minister.

Senator Conroy—He has got you completely, Mark; just plead guilty.

Mr Scott—I will get the specifics of the Carter article, but he has written for us at other times, and he appears widely on our radio and television networks. There are a strong plurality of views around these contentious issues.

Senator ABETZ—Does your science editor, or science broadcaster, Robyn Williams, share that approach?

Mr Scott—I think some of the leading critics of climate science have appeared on *The Science Show*.

Senator ABETZ—I am asking you whether Robyn Williams of *The Science Show* shares that approach. Just because a few people may have appeared does not necessarily mean that Robyn Williams would share that view—

Mr Scott—But let me—

Senator ABETZ—Let me get to the point—

Mr Scott—Oh, go right ahead.

Senator ABETZ—which is that the Commonwealth Day address that has undoubtedly been brought to your attention was introduced as being by the ABC *Science Show* host, et cetera. If I might say so, some very over the top language was being used, such as:

Both health and climate are science based.

Both issues have been bombarded with misinformation—no let's be frank, with lying— ever since one part of politics decided to do whatever it takes to wreck it.

And then:

A bipartisan effort to present a means of dealing with this HARDEST PROBLEM, was ambushed, then destroyed.

It is hardly the language of an inquiring, scientific mind; it sounds more like a propagandist to me. Did the ABC sanction this speech in any way? Do you know whether Robyn Williams was in contact with management to see whether there might be a conflict of interest in giving this speech? Was there any vetting or prior knowledge by the ABC of this speech?

Mr Scott—I am trying to recall now. I think there was a broad awareness that he was giving a speech, but I do not think the detail and the substance of the speech was run by me.

Senator ABETZ—Please take all those questions on notice that I just asked. I do not blame you for not being across it all. In the last paragraph he says:

By all means debate the widest range of credible views, but recognise the cowboys, the misfits ...

Mr Scott—The only thing I would say is that I think you need to draw a distinction here between views. Robyn Williams has been reporting science for the best part of 30 years—more than 30 years, perhaps. He may have some views. What is important here, though, is: what has the ABC put to air? What are our editorial guidelines? What are our editorial policies and what do we put to air? What we put to air around this contentious issue is the principal relevant viewpoints. The ABC has put to air major critics of the current debate around climate science. They have had an extensive run on our platforms—on radio, on television and online. I have received criticism at times for them not getting enough coverage. I have also received criticism for giving them far too much coverage on ABC platforms. I can give you a list of names of critics of climate science who we have put to air, and that is the way it should be: principal, relevant viewpoints are put to air. There is debate, there is contesting of ideas and there is engagement, and that is what we can showcase across ABC radio and television and online on this matter.

Senator ABETZ—Including this speech by Robyn Williams which clearly takes no truck whatsoever with an opposing point of view that he holds, and holds very strongly and sincerely, we make no criticism of that. However, when he announces it so publicly and in such graphic language, it really does beg the question whether people that might appear on the program would be dealt with in a manner appropriate.

Mr Scott—My judgment has got to be on the content that we put to air, the debates that we host, the treatment of our guests, and I think the ABC has appropriately been a platform for vigorous debate around these issues. There are senators here who have been engaged in debates on ABC radio and television and online around these issues. The leading critics of climate science have been given a platform to express those views on the ABC also. When Ian Plimer's book came out, highly critical around climate science, he appeared extensively on ABC radio and television. That is just the facts of how it is.

Senator ABETZ—I accept that, but do you accept, for example, that just appearance of itself does not make for an unbiased program? For example, Tony Jones has had both Mr Hockey, the shadow Treasurer, and the Treasurer Mr Swan, on his programs. It is interesting that Mr Jones did not once, according to what I have been given here, interrupt Mr Swan, but interrupted Mr Hockey 20 times. From a 3,482-word segment with Mr Hockey, 42 per cent of the words were uttered by Mr Jones, whereas with Mr Swan it was only 29 per cent. So there were a lot more interruptions, and a lot more words trying to set the scene for Mr Jones, as opposed to when Mr Swan appears. Just because they were given equal time on a program does not mean equality of the value of time, when one from the coalition has to suffer no less than 20 interruptions, and the Labor guy gets no interruptions. The Labor guy is given 71 per cent of the air time whereas the coalition guy is only given 58 per cent of the air time. Do you see the difference in the value?

Mr Scott—I see you have done a detailed analysis of two interviews. The thing I would say in response to it is that they are only two interviews. As I think we have seen in recent days, not all political interviews are the same. A good reporter will follow through on the answers that are given or the answers that are not given to a particular question, will come in, will follow up, and will ask the person being interviewed to answer the question or get to the point. To take two isolated examples and pull them out and put them side by side and to try and draw a broad principle from it may not be—

Senator ABETZ—Mr Scott, we have had this discussion before about the ABC's bias in other areas where there has been only apologies on one side of the debate; be it Israel, be it forestry. If I have got a complaint that there is a consistency of this sort of behaviour, where would I go to within the ABC to have that aired?

Mr Scott—You would write to me, Senator.

Senator ABETZ—That would be very helpful, given the answers that you provide here at all times. Is there an independent body that I could go to, to have this allegation of systemic bias—be it on Israel, be it on forestry, et cetera—

Mr Scott—As I said to you last time, we are currently reviewing our editorial policies.

Senator ABETZ—I know you are doing that, but where can I go to complain?

Mr Scott—I have pointed out to you that the complaints processes that are set up now deal with specific complaints about specific issues.

Senator ABETZ—That is right.

Mr Scott—We are reviewing our editorial policies, and one of the issues that we need to address is what happens when there are complaints that more cover a body of work rather than a specific issue—

Senator ABETZ—That is right, and where do you go to for that?

Mr Scott—At the moment, our audience and consumer affairs is not set up to deal with that, but that is what we are reviewing at the moment. Also, we have the ability to do independent audits of work, which happens from time to time. The results of those are available. Some of those reports are available on our website. They do look at the pattern of editorial performance over time, over a range of programs looking at some specific issues.

Senator ABETZ—There is no place to go, though, if you have a complaint about bias, systemic bias. After all these hearings at Senate estimates of people making these complaints, the ABC still does not have a provision within its operations to deal with the issue of systemic bias; is that correct?

Mr Scott—No, no, I think—

Senator ABETZ—Where would I go to if that is not correct?

Mr Scott—If a complainant felt that there were a series of issues that had come through specific interviews that were a breach of our editorial policies, then they could make a complaint to audience and consumer affairs, but it needs to be grounded in a level of specificity.

Senator ABETZ—As I did with the 100 examples I gave and never-the-less still dismissed on the Tasmanian forest issue—

CHAIR—Have you got further questions Senator Abetz?

Senator ABETZ—Yes, unfortunately I do, Chair, quite a number. I will try to go through them as quickly as I can. Regarding upheld complaints—and take this on notice—can you tell us the number of complaints that have been upheld, and of those that have been upheld, which ones of those have gone to the board?

Mr Scott—When you say gone to the board, let me speak of that. The board gets a report whenever the board meets around the operations of our audience and consumer affairs team, the number of complaints that we have received, the categories of those complaints, and the percentage of complaints that have been upheld. They also get a report on the operations of our independent complaints review panel, and also if there have been any findings from ACMA, the Australian Communications and Media Authority. The board gets a detailed report at its every meeting on the operations of audience and consumer affairs, including details of complaints that have been upheld.

Senator ABETZ—Because a constituent has received correspondence from the ABC saying, ‘I would like to assure you that significant upheld complaints’—not all upheld complaints, only those deemed to be significant—‘including those relating to the Middle East

are reported to the ABC board as a matter of course.' Are you now saying all of the complaints—

Mr Scott—Yes, because some complaints will be around—

Senator ABETZ—So this is wrong?

Mr Scott—No, no. The board gets a report on the complaints that have been upheld. There is then a further narrative that is provided around significant complaints. You will find that the majority of those complaints will be around factual errors. Much like the newspaper runs a correction, we uphold a complaint around a factual error. That is the majority. Narrative is not provided of them, but the board is provided a detail of a tally of all upheld complaints.

Senator ABETZ—Given the unfortunate elapse of time, in relation to time sheets, is it correct that it is a legal requirement for the hours entered into the time sheet to be a true reflection of actual times worked?

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

Senator ABETZ—If you could, and then if you could find out whether or not—and I have no evidence to assert that this is the case or not—there have been any examples where a, for want of a better term, a fill-in person, who may have been engaged to cover for Kerry O'Brien and Tony Jones when they were on leave, had time sheets filled out indicating work on a Monday when they in fact did not present for work on a Monday? I hope I have sufficiently dealt with the matter without mentioning a name.

Mr Scott—We will take that on notice.

Senator ABETZ—If there is any concern as to who or what I might be talking about, I would be happy to talk with you privately. Are journalists paid to appear on *Insiders*?

Mr Scott—I will have to check that actually. I think there is an appearance fee on *Insiders*.

Senator ABETZ—An appearance fee and travel allowance? The ABC is part of The Right To Know Coalition, is that correct?

Mr Scott—Correct.

Senator ABETZ—And the ABC holds to the view still that FOI should not apply to its news service, news gathering and news bulletins?

Mr Scott—I think we are in a unique position around right to know and I have admitted this upfront from the very beginning. We operate in a highly competitive environment, and we have to make the best use of taxpayers' money that we can. To sometimes inject into the public arena full details around our programming may put us at a financial disadvantage, which does not mean we can make best use of the taxpayers' money. So, we have always been reluctant to provide details related to programming costs, staffing costs and the like under FOI.

Senator ABETZ—I will put a lot of questions on notice, but can I ask about the buyout prevalence? What is the percentage of ABC employees currently in receipt of a buyout for overtime and penalties?

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

Senator ABETZ—Can you confirm that in 2004 over 90 per cent of full-time equivalent Sydney journalists in the ABC were receiving 25 per cent buyouts?

Mr Scott—In 2004?

Senator ABETZ—Then tell us what has been happening since 2004. This is related to Sydney journalists. Can you then provide a state-by-state breakdown of the percentage of the FTE employees that are in receipt of buyouts and how this differs from the historical figures—2003 to 2009? Does this buyout apply to *7.30 Report* reporting staff?

Mr Scott—Yes.

Senator ABETZ—Thank you, Chair.

CHAIR—Thank you, Senator Abetz. Senator Farrell will be rewarded for his patience.

Senator FARRELL—Thank you, Chair.

Senator Conroy—Will you guarantee all South Australian staff?

Senator FARRELL—Thank you, Mr Scott. I have just lost my name tag.

Mr Scott—It is all right.

Senator CORMANN—Should Mr Scott answer the minister's question?

CHAIR—Senator Farrell has a question.

Senator FARRELL—What about letting me ask my question, Senator Cormann? As we know, next week the iPad is going to be launched in Australia. One of the reasons it was delayed—it was expected originally to be launched in April—was that demand turned out to be much higher than expected in the United States and they managed to sell in the first four weeks over a million iPads. Given that Australia tends to follow the United States in the take-up of this sort of technology, the expectation is that a similar rollout in Australia would result in about 40,000 iPads being sold in that first month after release. One of perhaps the few weaknesses in the iPad is that it does not have facility for Flash technology. Of course, it is Flash technology that you use in your iView. Can you tell us what the ABC is doing so that people will continue to be able to access iView with the new iPads?

Senator Conroy—I think you should declare an interest in there, Senator Farrell, at this point. Senator Farrell actually has an iPad already.

Senator FARRELL—And have been unable to access the ABC as a result.

Mr Scott—You are slightly ahead of the curve, there, Senator. A couple of things. Thanks for your question. The ABC has sought to be an innovator in the new media space. We have certainly been an innovator online and with provision of our services to mobile technology. As I said earlier, the application that has been available for download for the iPhone has been very successful here. Also, other applications that we have developed like Unearthed, which allows unsigned artists and bands to have their music uploaded and then available to be played, has also been very successful on the iPhone. Our team in ABC Innovation is currently at work around the development of an ABC iPad application which will allow us to showcase the very best of ABC content and to take advantage of the iPad technology. From what I have seen of it, I think the iPad and similar tablets developed by other manufacturers will be a great

way of consuming media. We would expect that within a week or two of the launch of the iPad at the end of the week there will be an ABC iPad available.

Senator FARRELL—An iPad app, you mean?

Mr Scott—An iPad app, sorry. We do want to be able to develop an iPad app so that iView can be experienced on the iPad. We are currently at work on that. We have had tremendous growth in iView—over two million visitors in April, and very, very significant growth in iView this year—and we think the iPad and similar tablets will be a great way of viewing that. In coming months we will be releasing an iView app for the iPad which overcomes the limitations that exist now around Flash technology, as you indicated earlier.

Senator FARRELL—The app that you are talking about releasing within two weeks of the iPad, what will that enable you to do?

Mr Scott—We have not released all that detail yet, but it will be similar to the app that has been available for the iPhone. It will be enhanced viewing opportunities for ABC content, radio and our online sites as well, but taking advantage of the larger screen. We will be releasing details of that in coming days.

Senator FARRELL—But it will not be exactly the same as iView when it is released?

Mr Scott—No, it will not be iView at this point. There will be two apps: we will have an ABC app that is out first and then we will have an iView app that will be out later in the year.

Senator FARRELL—What is the expected delay period for the iView app?

Mr Scott—We have to recreate it because it has been built in Flash, and that is a technology that does not work on the iPad. That is what we are working on now. In coming months, we will have the iView app ready to go.

Senator FARRELL—So, do you think two months?

Mr Scott—A couple of months, yes.

Senator XENOPHON—Something completely different—something well before your time involved in the ABC. I have been contacted by a number of former ABC journo who worked for the ABC from the 1970s. By way of background, they were classified as temporary permanent employees, and they were not considered to be public servants. They were not told about their eligibility to be part of the Commonwealth Superannuation Scheme during that time. You may wish to take this on notice, but there was subsequently a Commonwealth of Australia v John Griffith Cornwall High Court ruling in 2007. The concern that has been put to me by these former ABC journalists is that apparently a letter was given from the ABC in the mid-1990s correcting the advice these employees were given as to their eligibility to join the Commonwealth fund. For some of these people, it involves a significant amount of money that they are missing out on: had they known, they would have joined up with the ABC super fund. What action has the ABC taken or will take to support these employees in getting compensation for the money that they have lost as a result of the incorrect advice they were given a number of years ago?

Mr Scott—We will have to take that one on notice.

Senator XENOPHON—I understand that. Could you also take on notice whether the ABC will look at an alternative dispute resolution mechanism so that those employees do not have to risk it all in going to the Federal Court to try to seek a remedy in relation to this, given that they acted in good faith but they were not given accurate advice?

Mr Scott—Let me seek advice on that matter and come back to you.

Senator XENOPHON—The final matter on notice is: would the ABC be prepared to have a mechanism so that they could meet with these employees on a without-prejudice basis in a non-adversarial manner to try to sort this out, because I know this is something that has caused them a lot of concern, and some of these people are close to retirement or considering retirement, and they have already been prejudiced as a result of this?

Mr Scott—Okay. We will take that on notice.

Senator FISHER—Are regional radio stations being asked to cut their broadcast services on public holidays?

Mr Scott—I can seek some more details of that. There has been a long tradition at the ABC that on public holidays we do more state based and national programming—in much the same way that we do over summer.

Senator FISHER—After all, that is when the local communities have their things?

Mr Scott—Yes, that is true, but there are other factors as well. We run a lot of sport often on public holidays, which cuts into the national schedule. We have to make the right kind of staff allocation to meet our budgetary requirements. If you look back on it, you will find quite a long history of running state and national programming on public holidays. But I can get some specific details. I am not aware of any recent changes to this.

Senator FISHER—You do not believe that local radio stations have traditionally served their local market on public holidays?

Mr Scott—No, I have not said that. I am saying that if you look at some of the major public holidays, or if you take summer, for example, we have for many years now run state and national programming over summer, and one of the reasons you do that as well is that sport is providing a lot of programming over summer. I am not aware of any broad changes in strategy around this.

Senator FISHER—What about with respect to discrete public holidays? If there were a direction to local radio stations to cut their local broadcasting on discrete public holidays, would you know about it?

Mr Scott—Possibly not. Let me ask specifically on that matter.

Senator FISHER—Thank you. On notice, given that you are not sure of that and you need to take that on notice, can you indicate how many local radio stations in the last 12 months have carried network programs on public holidays?

Mr Scott—I can tell you that all of them will on every public holiday, because they all carry network programs every day of the year.

Senator FISHER—Can you give an indication of the percentage over that period of time for the public holidays that fell, for example, in the last calendar year?

Mr Scott—Yes, sure. I will see what we can dig up for you.

Senator FISHER—Is there such a person as the Manager of Emergency Services and Community Development?

Mr Scott—Yes, there is.

Senator FISHER—Is there only one?

Mr Scott—He is a tower of strength, Senator.

Senator FISHER—Who is he?

Mr Scott—He does the work of many men.

Senator FISHER—Who is he?

Mr Scott—Ian Mannix.

Senator FISHER—How long has Mr Mannix been in that position?

Mr Scott—Several years now. I think all of my time at the ABC he has been in that position.

Senator FISHER—Is his a centralised management position?

Mr Scott—Yes. He has responsibilities in radio management that operates across the divisions. I am not quite sure of the reporting lines there. What he actually does is he works with our local radio stations and our state based radio teams to develop the kinds of protocols that need to operate for the ABC as an emergency broadcaster.

Senator FISHER—Is that aspect of his role new?

Mr Scott—No, I do not think so.

Senator FISHER—When did he get that aspect of his role?

Mr Scott—It is my understanding that that has been his role for several years.

Senator FISHER—Can you confirm that please?

Mr Scott—We can provide details of his role and responsibilities, if you would like.

Senator FISHER—Thank you. In respect of managing a public emergency, what arrangements does the ABC have in place to ensure that a suitably qualified announcer is, say, within 10 minutes of the microphone?

Mr Scott—Again, let me come back to you with the details of the protocols. I can tell you that we have worked in a painstaking way over many years now to develop the protocols and guidelines that are necessary for us to be an emergency services broadcaster, and we have a distinguished track record in helping communities through a series of natural disasters in recent years on the back of that. Mr Mannix's work has been important in working with local broadcasting teams and state based broadcasting teams on the protocols that need to be put in place when such an emergency strikes. I can give you some more of those details if you would like.

Senator FISHER—Can you particularly provide those details in respect of warning systems and, for example, if there were—let us hope not—some sort of disaster unfolding,

say, for example, in Cairns or Port Hedland, would the warning system in respect of those emergencies be broadcast out of Adelaide?

Mr Scott—The service is delivered locally. It is just that the—

Senator FISHER—The man or woman with the mouth, where would they be?

Mr Scott—They invariably are local, and we can give you chapter and verse on heroic broadcasting that has taken place locally during these emergencies.

Senator FISHER—Indeed. As of today, though, if there were a disaster unfolding in Port Hedland, for example, or Cairns, the man or woman with the mouth broadcasting the warning systems in that respect to the people of Port Hedland and to the people of Cairns—

Mr Scott—They would be locals. We would expect them to be locals.

Senator FISHER—Where would they be based?

Mr Scott—They would be locals.

Senator FISHER—So they would be based and broadcasting out of Port Hedland and—

Mr Scott—Invariably that would be the case. The issue that has emerged that we have to be careful with is when we need to shut down that site and evacuate that site.

Senator FISHER—Indeed.

Mr Scott—That is something that we need to factor in and take into account, the safety of our staff being of top priority for us. But our emergency broadcasting system is not based around centralisation of that service; it is about equipping and enabling local broadcasters to deliver to local communities. The strategy is developed nationally.

Senator FISHER—Do you have a formal system that ensures that a local broadcaster is always on hand to handle local emergencies?

Mr Scott—Let me come back and explain to you what the protocols and the guidelines are.

Senator FISHER—And what I want is a reassurance that the ABC does not rely on the chance that a suitably qualified local person or a suitably qualified person will be available. I would like reassurance that you have a formal system and, in particular, some sort of formal retention arrangement for a person of that ilk? That is what I am looking for.

Mr Scott—Yes, let me come back to you, but we really have provided outstanding services at the moments of truth that we have faced around the country, and we take it very seriously. We are very diligent in our pursuit of these protocols that work in practice.

Senator FISHER—Good, and thank you; I look forward to your answers.

Senator CORMANN—Mr Scott, are you on Twitter?

Mr Scott—Indeed.

Senator CORMANN—I think I might be following you on Twitter.

Mr Scott—Thank you, Senator, I appreciate your support.

Senator CORMANN—So you would be familiar with what a ‘hashtag’ is on Twitter?

Mr Scott—Indeed, I do know about hashtags.

Senator CORMANN—You know what it refers to?

Mr Scott—Yes.

Senator CORMANN—You would be aware that the ABC News also runs a Twitter stream?

Mr Scott—Yes.

Senator CORMANN—The ABC ran some updates during the Leader of the Opposition's budget-in-reply speech, and used the hashtag '#budgies'.

Mr Scott—Did the ABC News use that hashtag?

Senator CORMANN—Yes, the ABC News stream—I am sort of looking at it now. If you want the dates, I will give you some examples. 'Abbott plans to return budget to surplus at least as quickly as government but not the lazy way. #budgies.' That was at 7.50 pm on 13 May.

Senator Conroy—Was that 'budget' or 'budgies'?

Senator CORMANN—I think you know: 'budgies'. I understand I have an accent, Minister, but being the minister responsible for SBS, I think you should get used to understanding accents. The question is a serious question.

Mr Scott—It is a serious question. I was not aware of that, Senator.

Senator Conroy—Just because you have an accent is no excuse for not having a sense of humour.

Mr Scott—What happens on Twitter is that the hashtag is used as a way of identifying Tweets that are linked to a certain topic.

Senator CORMANN—Sure.

Mr Scott—We had an interesting example of this at the ABC with *Q&A*. Before it was ever promoted on air, members of the Twitter community identified '#QandA' as the method that they wanted to use, in a sense, to organise the conversation they were having around the program. At the ABC, we discovered that there were hundreds and then thousands of messages that were being sent.

The way you could find them was by using #QandA, so you would put #QandA into the search engine and you would see all the messages that were around that *Q&A* program. Sometimes on Twitter a debate emerges as to what the hashtag is going to be to allow you to see all the messages. That week there was debate around whether it would be 'budget10' or 'Swanbudget' —which hashtag was going to be used for the budget. Then somebody on Twitter, or a group of people on Twitter, came up with the hashtag that you came up with as the identifier for the Leader of the Opposition.

Senator CORMANN—Hang on. Are you suggesting that it is appropriate for the ABC—

Mr Scott—No, actually, I have not finished yet, Senator. If you look back more broadly about what happened with Twitter, somebody—and I imagine not at the ABC but some other journalists, I suspect—came up with that identifying tag for the Leader of the Opposition's reply. I appreciate that there may be questions whether that was an appropriate hashtag for

ABC News to use, and we will look at it in that context and see whether we have the right kind of guidelines that are available. However, the argument would have been made that, for people who were using that hashtag to search out the commentary around the budget, unless we used that hashtag, we would not be found in that search engine. So that is the background to it. Whether it is appropriate or not—

Senator CORMANN—So if we start a hashtag to describe Kevin Rudd as ‘#failure’, then the ABC is going to start—

Mr Scott—I appreciate the point you made.

Senator Conroy—You are in no danger from anyone sending a fake Senator Cormann hashtag.

Mr Scott—I appreciate your argument. I had not focused on the fact that ABC News had used that as a hashtag, and whether there is a debate as to whether in fact humorous hashtags should be used in that way, that is something that our people will look at.

Senator CORMANN—Well, it can be seen to be humorous from one point of view and perhaps less humorous from another.

Senator Conroy—Only if you have no sense of humour at all.

Mr Scott—I thought you were going to raise the askABC hashtag that emerged the other day and was written about in the paper this morning, where hundreds and hundreds of questions on every issue known to mankind were bombarding the ABC.

Senator CORMANN—That sounds to me appropriately neutral, but to sort of refer to statements by the Leader of the Opposition as #budgies I would have thought carries a serious question mark.

Mr Scott—I understand the point you are raising.

Senator Conroy—It could have been #lycra. Both would have been appropriate.

Senator CORMANN—Just a final series of questions—I am sure that Senator Conroy will continue to make this as slow as possible. *Four Corners* over the last two years has had four programs about the Liberal Party but not one about Labor. Is there any particular reason for that? They are less interesting, of course—I understand that.

Senator Conroy—I have appeared in many over time, Senator.

Mr Scott—I would say there are a couple of issues in that. In my recollection, at least one of those programs was in the aftermath of the election.

Senator CORMANN—Yes, one of them was ‘Howard’s End’, so I guess we have to wait for ‘Rudd’s End’; you are quite right. I understand that.

Mr Scott—A number of the others were on new leaders. I think that gets us to four.

Senator CORMANN—Well, actually, it was not. You did two of them on Malcolm Turnbull and one of them about ‘The Authentic Mr Abbott’. What about a *Four Corners* program on the growing leadership tension between Kevin Rudd and Julia Gillard or the profile on Julie Gillard as the next female Prime Minister?

Senator Conroy—If you had won that deputy leadership ballot—

Senator CORMANN—Or about the Prime Minister who overpromises and underdelivers?

CHAIR—Order! Order! Senator Cormann, Minister, can we have Mr Scott's answer please?

Senator Conroy—You should not solicit so publicly, Senator Cormann.

Mr Scott—I think there has been continued focus—

Senator ABETZ—Given the branch-stacking in—

Senator Conroy—As I said, I have been in many of *Four Corners* episodes.

Senator CORMANN—Not over the last year.

Mr Scott—I think more broadly, Senator, if you look at the issues that *Four Corners* have covered, there have been a number of issues that have focused absolutely closely on policy initiatives that are being undertaken by—

Senator CORMANN—On government failures, like the insulation program—

Mr Scott—There has been focus on policy initiatives by the government. There has been a focus on the different leaders of the opposition that have been in position during the first term. I am sure that *Four Corners* is open to a range of possibilities on future subject matters, and they will take on board your suggestions.

Senator CORMANN—I would have thought the tension between Julia Gillard and Kevin Rudd is an obvious one, so I look forward to watching it.

Senator Conroy—It depends on your perspective, as I say.

Senator CORMANN—Where is your sense of humour, Senator Conroy?

Senator ABETZ—Or Lindsay Tanner.

Mr Scott—Thank you, Senator.

CHAIR—As there no further questions for the ABC, thank you very much for appearing before us today. We appreciate it. I now welcome the officers from Australia Post. Did anybody wish to make an opening statement?

Mr Walter—If I may, Madam Chair. I would just like to put on the record our managing director's regret that he is unable to be here today. As senators know, Mr Fahour originally outlined the reason for his absence in a letter to you back in March. More recently we were advised that the listed date for this hearing had been changed to Tuesday, 15 June. As discussed with the secretariat, Mr Fahour was readily available to appear and looked forward to attending that budget estimates hearing. Unfortunately from that perspective, the hearing date was then switched back to today. As I said, Mr Fahour regrets that he cannot be here, but as outlined in his original letter, considered it crucial that he attend a series of important meetings with international postal industry leaders occurring in San Francisco over the last few days. He wants the committee members to know that he is looking forward to attending the next estimates hearing. Thank you.

Senator ABETZ—I am sure that Australia Post is into innovation, and I just wonder whether you guys have bought Lego for your staff cafeterias to help develop innovation like the ABC has. That was a flippant question that I will not be asking you to answer. There is a

look of disbelief on the faces of the Australia Post officers; I am just astounded that the look of disbelief was not on the ABC officers' faces when they fronted earlier. I put question on notice No.2 relating to the industrial action just before Christmas. You indicated that the total net cost of that to Australia Post was \$2.3 million. I want to confirm that that is still the figure and you have not had reason to up the cost or decrease the cost in relation to that?

Mr Burke—That is the most recent estimate.

Senator ABETZ—There is nothing that you can think of, Mr Burke, that would change that figure?

Mr Burke—Nothing additional. We believe it is quite a comprehensive response.

Senator ABETZ—Is there any way that Australia Post can make up this \$2.3 million which was lost?

Mr Marshall—The amount of money was either expended or revenue short in that period of time pre-Christmas. Of course, we are endeavouring to manage our business going forward and to meet our financial objectives for the year. In a broader context, we face up to these challenges and endeavour to make sure that we achieve those objectives.

Senator ABETZ—So, as a result, will the dividend to the government be less this financial year? If you would have earned an extra \$2.3 million, would your dividend to the government have been more?

Mr Burke—Our dividend payout for the 2009-10 financial year actually exceeds the corporate plan target.

Senator ABETZ—Sorry, say that again.

Mr Burke—The dividend that Australia Post will pay for the 2009-10 financial year is in excess of what was our corporate plan target.

Senator ABETZ—Yes, but just because you had a planned target of dividend, you were going to be paying more, but the government or the people of Australia will still be receiving the proportion of that \$2.3 million less by way of dividend because of this loss?

Mr Burke—The financial result will be lower this financial year.

Senator ABETZ—As a result, the dividend paid will be lower?

Mr Burke—Correct.

Senator ABETZ—When was the last time Australia Post was confronted with such a substantial loss as a result of industrial action?

Mr Burke—I would have to take that one on notice.

Senator ABETZ—If you could, please. Given the cost of this event, is it planned to put into the forward budgets for Australia Post these sorts of losses that might arise out of the new industrial climate which we are in?

Mr Marshall—No.

Senator Conroy—I think that is asking him to speculate on a hypothetical.

Senator ABETZ—No, I am asking him whether—

Senator Conroy—No, you have asked him to speculate on a hypothetical.

Senator ABETZ—they are going to put it in to the budget in the future—

Senator Conroy—I think there may be some important information—

Senator ABETZ—I can understand it is embarrassing for you, Minister.

Senator Conroy—It is not embarrassing at all. I think—

Senator ABETZ—A \$2.3 million loss is not embarrassing?

Senator Conroy—I think if you will allow the officers at the table to answer the question fully, they will be able to inform you on some recent developments.

Senator ABETZ—You were the one that interrupted them, Minister, not me.

Senator Conroy—No, I did not interrupt them; I took the question, as is my prerogative, and now I am passing it over to them to fill in the rest of the details. I think you will find that there is actually quite a bit of progress in this front that is worth reporting to the Senate.

Senator ABETZ—The question was: have you budgeted for, or will you be budgeting in the future for the possible losses as a result of industrial action?

Mr Marshall—No, Senator, we will not.

Senator ABETZ—In relation to question on notice No. 4, I asked about the CubeCalc. I am still on the case. We were provided a helpful answer in which I was told an evaluation is currently being undertaken by Australia Post. How is that evaluation going? Has it been finalised?

Ms Corbett—The evaluation has been finalised. We met with the company on 25 March and the product prototype that we were shown was actually significantly more expensive than other prototypes that we had been shown by other companies. At this stage it certainly would not be commercially viable to roll out such an item throughout our postal network unless there was a significant increase in cubing inaccuracies.

Senator ABETZ—I do not want to hear about the commercial-in-confidence matters, but the company has been given a debrief on that?

Ms Corbett—My understanding is yes, they have.

Senator ABETZ—In the absence of Senator Humphries, you would be aware of an article that appeared in the *Sunday Telegraph* yesterday, 'It's not in the post.' Are you aware of that article, which stated, 'Australia Post has lost more than 18,000 letters and parcels in the past two years.'

Mr Burke—Yes, we are aware of that article.

Senator ABETZ—Do you know how that compares to the postal services of comparative countries, such as New Zealand, Canada, United States and United Kingdom?

Mr Burke—I do not. We will take that on notice.

Senator ABETZ—If you could. What sort of tracking mechanisms do you have, because just this morning in fact I received a complaint from a person that had sent their sons a bank card by Express Post to the United Kingdom, from Tasmania as it happens, and it was

supposed to have been delivered within five to seven days, and it was not. They then made a complaint. They were asked to wait a bit longer et cetera. It cannot be tracked on your tracking system that supposedly it should have been able to be done, and it found its way into the ordinary mail. So, after having been lodged, paid for, et cetera, it was only as a result of numerous complaints that it was finally discovered that it was not on the internet and it became ordinary mail; in other words, no tracking system was in place. The customer was told that there would be no return of funds et cetera for the service. A new bank card has had to be organised et cetera, to cut a long story short. This seems to be an individual example of the story that Senator Humphries was able to highlight very well. What mechanisms do you have in place to minimise these sorts of situations but, more importantly, to provide compensation to people that pay for the express security service and then do not receive that?

Mr Marshall—The article, as I understand it, was referring to the articles that are in the Australia Post network right across the board, from letters to parcels to every kind of article. There are some five billion of those each year. I think the article refers to a problem with 18,000 of those five billion articles.

Senator ABETZ—You do yourself a disservice; it was 15,000, not 18,000.

Mr Marshall—Fifteen thousand—I stand corrected—which I think is about 0.02 per cent of the total or thereabouts.

Senator ABETZ—We are told 0.06 in this article, but that is only what the article says.

Mr Marshall—Yes, anyway, a very small proportion. The vast majority of that volume is standard mail, standard letters, which are not tracked items in our business and are not paid to be tracked items. We do have, as you pointed out, some products in our system that are tracked, and those tracking systems are extensive. The issue that you have raised about a particular item I would have to take on notice, of course, and follow up and find out why it was that somehow that particular article got out of its stream. I do not know where that would have happened in our system. I would need to find that out.

Senator ABETZ—Do you understand that, whilst 0.06 per cent of total mail that is lost may not seem a lot in percentage terms, I would assume that that would mean that hundreds or thousands of Australians are seriously inconvenienced and, as in the specific example I gave, put at financial loss and gross inconvenience as a result of it. So there is a human face to even those low percentages. What is the percentage loss of the Express Post articles? Are you able to find that out for us?

Mr Marshall—I would have to take that on notice. As the article pointed out, and you have corrected my number, 15,000 people were affected by this, and we do not accept that that is not a problem. We certainly understand that that is an issue, and we endeavour at all times to maintain the quality of our service to ensure that failure is absolutely minimal.

Senator ABETZ—If a person has a complaint of the nature that I have just broadly outlined, who should they be going to to have this resolved?

Mr Marshall—We have a national contact centre, the phone number for which is widely known, and—

Senator ABETZ—Is it that widely known that you have got it on the top of your head or not? No.

Mr Burke—The number is 131318.

Senator ABETZ—Out of interest, I received an email saying, ‘I have been directed to you as the Ombudsman for Australia Post.’ So I seem to have a new status in life.

Mr Walter—I think it is important to point out that, while we never pretend that we are perfect, there is a major issue with incorrect addressing involved here too, and that is just a problem that always occurs with incorrect addressing and other factors as well.

Senator ABETZ—That is a fair point.

Mr Walter—I think that is worth pointing out.

Senator ABETZ—That is a fair point. Turning to question on notice no. 5 from the last estimates, I asked about our new managing director and I was told that he is employed under an indefinite term contract. Is this the first time we have had a Managing Director of Australia Post on an indefinite term contract?

Mr McDonald—No, it is not.

Senator ABETZ—So notice can be given by either side?

Mr McDonald—Yes, there are notice periods within the contract.

Senator ABETZ—How much?

Mr McDonald—I do not have those details.

Senator ABETZ—Could you take that on notice?

Mr McDonald—Yes.

Senator ABETZ—We were told in relation to performance targets in his contract that the specific performance targets will remain confidential, so in other words we will not be able to ascertain whether or not he has been meeting those targets and what Australia Post’s aspirations are for him. We are told, ‘Related targets will be cascaded within the management team as appropriate.’ Does the board give Mr Fahour all the performance requirements and then he cascades them down so he has somebody to kick in the event that the performance target is not met?

Mr McDonald—The performance targets are set between the board and the managing director, and of course the assessment of that is done by the board, led by the chairman. It is proper that the type of targets that are set for the managing director to which the organisation is to perform have a reflection through to the performance targets that flow down through the management ranks. In other words, all managers are operating to meet the overall objectives of the organisation, and part of their at-risk payments should reflect that.

Senator ABETZ—Their at-risk payments?

Mr McDonald—Yes.

Senator ABETZ—So they are on bonuses?

Mr McDonald—Yes, there is an at-risk component of remuneration for senior executives.

Senator ABETZ—How many get that? You can take that on notice if you do not have the specific figure.

Mr McDonald—Yes, I will do that.

Senator ABETZ—With respect to question on notice no. 19, we were told that Australia Post provides a degree of sponsorship, including to the Stawell Gift, the Australian Olympic team, Opera Australia, and the Australian Open. We were told also that 31 sponsorships of over \$10,000 are made available. Can we be provided with a list of those 31? You can take that on notice.

Senator Conroy—I should be very clear that, when I put out a press release welcoming Mr Fahour's appointment, I did make it very clear in that press release that I could assure the Australian public that there would be no funding of the Carlton Football Club from Australia Post at any time during Mr Fahour's term. I am sure you would welcome that, Senator Minchin.

Senator ABETZ—That is interesting, because during the term of one Ms Gillard, Minister for Employment and Workplace Relations, the Footscray Football Club has miraculously been given over \$1 million. I noticed that in figures that were tabled in the Senate on 20 May.

Senator Conroy—I am a Collingwood fan and Mr Fahour is a Carlton fan, so I wanted to put my foot down early on this one.

Senator ABETZ—If you could provide us with that list of 31, that would be very helpful.

Mr Walter—That includes organisations like the Breast Cancer Foundation, Ovarian Cancer Australia and so on.

Senator ABETZ—Yes. That is fine. If you can just take that on notice, thanks. The corporate secretary, Mr Michael McCluskey, is no longer with you?

Mr Walter—He retired.

Senator ABETZ—And Mr Paul Burke is the new corporate secretary?

Mr Walter—Yes.

Senator ABETZ—Was this position filled internally?

Mr Burke—Yes, it was.

Senator ABETZ—Was it widely advertised?

Mr McDonald—Consideration was given to internal candidates only. We have a well-developed talent management process within the organisation, but it is also a position where a knowledge of the operations of the organisation is particularly important. Mr Burke had been an assistant to Mr McCluskey over a number of years, and the decision was that he was the appropriate person to fill that job.

Senator ABETZ—So we did not advertise it?

Mr McDonald—No, we did not.

Senator ABETZ—In relation to question on notice no. 3 for the mail redirection fees for not-for-profit, can I just say a thankyou from the Australian Privacy Foundation that that was

corrected. Errors occur, but it is good to see how you dealt with that. Does Australia Post have a policy in place regarding harassment or bullying of mail contractors, parcel contractors and other delivery contractors? Specifically, what should they do if it is their local manager who is bullying or harassing them?

Mr Newman—Australia Post has the same harassment and bullying policies for corporate staff, and we apply the same rights and entitlements to our contract staff. To specifically answer your question about what happens if the person allegedly bullying or harassing is the local manager, we encourage contractors to approach the state contract manager, who will deal with it.

Senator ABETZ—And be specifically notified of that when they become contractors as part of their induction?

Mr Newman—I would have to take that specifically on notice.

Senator ABETZ—If you could, please.

Mr Newman—But what I could say is that we make them aware of the dispute resolution system and how they escalate that past the local manager. If you take those two things together, the short answer is yes, but I will be more specific on notice.

Senator ABETZ—If you could, that would be helpful. Where an Australia Post employee or a licensee certifies a document for a customer, is the employee or licensee indemnified against failure to spot fake or altered documents when they have to certify that this is a true and correct copy of a drivers licence, for example, and something may have been altered that does not meet the eye?

Mr Burke—We will take that on notice.

Senator ABETZ—If you could, and one would assume that you would indemnify your employees, but it is the licensees that I am interested in. I understand, according to media reports, that there is a modest increase in quarantine funding in the budget which is going to be partly underwritten by a rise in fees paid by Australia Post for the clearance of international mail; is that correct?

Mr Marshall—That is correct.

Senator ABETZ—How much does Australia Post currently pay to AQIS—the Australian Quarantine and Inspection Service—for quarantine checks?

Mr Marshall—A total of \$3.2 million per annum.

Senator ABETZ—How much will you be paying as of next year?

Mr Marshall—As I understand it, it is an increase of \$5 million per annum.

Senator ABETZ—An increase?

Mr Marshall—Yes.

Senator ABETZ—So that will then become \$8.2 million?

Mr Marshall—Correct.

Senator ABETZ—How will Australia Post fund this extra cost—by a lower dividend to the government?

Mr Marshall—We have not made any decisions about how we will deal with that increase in fees at the moment. The inward international mail system, as it is operated under the auspices of the Universal Postal Union, presents us with not a lot of options. We are working through at the moment how we might respond to that increase in fees in terms of the inwards international mail.

Senator ABETZ—Were you consulted about this increase prior to its being announced?

Mr Burke—Nothing formal.

Senator ABETZ—So the first you heard about it was on budget night?

Mr Burke—We had been given an indication that there might have been an increase to the determination.

Senator ABETZ—How much notice were you given of that, just roughly?

Mr Burke—I would say within a couple of weeks before the budget.

Senator ABETZ—A couple of weeks before, but you were told, not asked—or not asked to have some input into the decision as to how it might impact on Australia Post, for example?

Mr Burke—We were given no opportunity to put any input in.

Senator ABETZ—No opportunity for input; thank you for that. I understand there is an organisation or a body called the stakeholder council—is that correct?

Mr Burke—That is correct.

Senator ABETZ—I understand that the stakeholder council in the past was known as the Postal Services Consultative Council?

Mr Burke—That is correct.

Senator ABETZ—Under the PSCC, there were representatives of both POAAL and the CEPU—is that correct?

Mr Burke—That is correct.

Senator ABETZ—Now, in the new stakeholder council, are either the CEPU or POAAL represented?

Mr Burke—The stakeholder council is represented by a number of stakeholders, and it is to do with a person's experience, not necessarily to do with their position in any organisation.

Senator ABETZ—In other words, the answer to my question is that neither POAAL nor the CEPU is represented on this new stakeholder council?

Mr Burke—The stakeholder council, which took over from the PSCC, retained the existing membership, and the CEPU, for want of a better word, is represented by Mr Brian Baulk, who is a past CEPU official. From a licensee perspective, we are represented by Mr Rob Tregoweth, who is a licensee out of Adelaide who has three LPOs.

Senator ABETZ—So that I get this right: the CEPU in the past would choose whom it would recommend for the PSCC, and POAAL also would choose whom they would put forward for the PSCC?

Mr McDonald—No. My understanding is that those organisations do not, per se, have a right to be on it. They have been consulted in the past. There have been members who have been members of the CEPU; there have been people who have been members of the POAAL in the past. That is not a necessity; it is the appointment of a person who might represent interests of particular groups. The current membership does include a former CEPU official. I understand that a vacancy is coming up in the next few months—

Mr Burke—That is correct.

Mr McDonald—where there will be consultation with some associations on who might be an appropriate member.

Senator ABETZ—Does that include POAAL and the CEPU?

Mr McDonald—No. As I said, the representation—

Senator ABETZ—Who are the associations then?

Mr McDonald—It does not say that a particular union or organisation has a member on it, but the practice has been, and will continue to be, to consider who might be the appropriate person to represent those particular interests.

Mr Walter—In other words, only the set positions on the stakeholder council. The stakeholder council was set up following the adoption of the *Corporate responsibility report* by the board of Australia Post in October 2008, and the efforts since then have been to broaden the base of the stakeholder council and reflect all stakeholders of Australia Post. There are no set positions for any organisation per se. The idea is to broaden the base to make sure it is representative of all of our stakeholders, and that has meant the addition more recently of somebody in the environmental area, for example, to help us in our environmental push.

Senator ABETZ—So environmental credentials, in this new politically-correct era, are going to be more important than a representative from the workers, be that a union official or indeed an elected delegate from Australia Post or the 3,500 contractors; it is more important to have somebody that has a specific role in matters environmental.

Mr Walter—I think that is hardly fair, in the sense that Mr Baulk is still a member of the stakeholder council. There is an actual licensee on the council. The attempt was to make sure that all stakeholders of Australia Post in one way or another were represented, and they have been the efforts in the last year or so.

Senator ABETZ—I will put a number of questions on notice about this stakeholder group, but I would have thought it may have made some sense to—

Senator Conroy—I would just like to make a contribution there, Senator Abetz. I think your points are well made.

Senator ABETZ—Can I withdraw all of those questions! With respect to the *Australia Today* magazine, I understand there have been a few editions of that magazine—is that right?

Ms Corbett—Yes, that is correct.

Senator ABETZ—The first one was a giveaway—is that right?

Ms Corbett—It is actually with purchase. If customers come into Australia Post, they can receive a copy of the *Australia Today* magazine—

Senator ABETZ—Free of charge?

Ms Corbett—Free of charge, when they purchase a product or service with us.

Senator ABETZ—Including a 55 cent stamp? If you had bought one stamp, you could have got a copy of *Australia Today*?

Ms Corbett—Yes.

Senator ABETZ—The second edition had a cover price; is that right?

Ms Corbett—Yes.

Senator ABETZ—What was the cover price?

Ms Corbett—I will have to take that on notice. I think it might be \$3.50, but I will have to take it on notice.

Senator ABETZ—Would it be fair to say it was not a commercial success?

Ms Corbett—From a selling of the magazine, because we actually offered it with purchase, there was a small proportion of customers who paid for the magazine versus a large number of customers who read the magazine when they actually had the opportunity.

Senator ABETZ—How do we know they read it?

Ms Corbett—We have done some follow-up market research in terms of market surveys on that.

Senator ABETZ—What is the future of *Australia Today*?

Ms Corbett—We will continue it. It gives an opportunity for our customers, and we have up to one million customers a day who are coming through our retail network. We will continue for the remainder of this year to publish the magazine and then re-evaluate at the end of the year.

Senator ABETZ—Well, good luck.

Ms Corbett—Thank you.

Senator ABETZ—There might be further questions in the future about that. Is Australia Post in negotiations with Centrelink regarding the provision of Centrelink services at post offices?

Ms Corbett—I will take that specific question on notice. We have a number of our sales people who are in regular contact, and certainly Centrelink is a major customer of Australia Post. Our sales people are often talking to Centrelink and a lot of the other government agencies with regard to the provision of services.

Senator ABETZ—So you do not know whether there are negotiations underway?

Ms Corbett—I do not know at the moment whether there are any actual negotiations. I am not aware of that.

Senator ABETZ—Can you take that on notice please.

Ms Corbett—Certainly.

Senator ABETZ—With respect to the customer call centre, what is the waiting time?

Ms Corbett—The average waiting time is 123 seconds.

Senator ABETZ—That is about two minutes?

Ms Corbett—Two minutes, yes.

Senator ABETZ—Good; don't say I'm slow! With respect to sorting tubs, why is Australia Post forcing delivery contractors to pay for sorting tubs—or are they requiring them? Let us not make the allegation; let us ask.

Mr Newman—To be perfectly honest—

Senator ABETZ—Not top of mind?

Mr Newman—I was not really aware of that.

Senator ABETZ—All right; I will put questions in relation to that on notice. With respect to roadside delivery, is it correct that some managers at Australia Post are requiring contractors to deliver parcels to the door in rural and regional Australia, which sometimes means a five- or 10-kilometre trek up somebody's private property to actually get to the farmhouse, as opposed to the roadside delivery box, which of course incurs extra expense and time?

Mr Newman—I do not have any examples of that at the top of my mind, but what I could say is that it is possible that that could be required. Having said that, that would only occur where a review of the additional work would be undertaken and compared with the price of the current contract. It is certainly plausible that we would ask, in certain cases, for contractors to deliver to the door rather than the box on the property alignment.

Senator ABETZ—But that would be catered for in the contract, you are saying?

Mr Newman—If it is a change. Normally that would be a change, because it would not be very often that we would actually put that into a contract on letting, because that is not a common event. If that happened during the course of the contract, there would be a review about its effect on the price of the contract. If we were not following that procedure, we would look at that very seriously.

CHAIR—I understand that there are a few more questions of Australia Post, so we will require you after lunch. The committee will now suspend for lunch until two o'clock. Thank you.

Proceedings suspended from 12.59 pm to 2.01 pm

CHAIR—We will resume with Australia Post.

Senator CORMANN—I have a couple of quick questions. Where is Australia Post at with the request to the ACCC for the right to increase the price of stamps on standard letters by 5c to 60c?

Mr Pollock—As you would be aware, we lodged a price notification with the ACCC to change reserve letter prices on 1 April and under the notification that we lodged the ACCC is due to respond to that notification by 28 May.

Senator CORMANN—When will the increase become effective if everything goes according to plan?

Mr Pollock—The notification proposed the increases take effect from 28 June 2010.

Senator CORMANN—When did the last increase come into effect?

Mr Pollock—On 15 September 2008, for domestic reserve letters.

Senator CORMANN—Is that the usual standard of frequency? It is less than two years since the last increase. Is that consistent with previous periods within which increases were announced?

Mr Pollock—Prior to the 2008 increase for Australia Post the increase was in 2003 and before that it was 1992. That relates to the basic postage rate, but there were some other changes to our bulk letter prices within that period.

Senator CORMANN—So it was 1992 to 2003?

Mr Pollock—Correct.

Senator CORMANN—Then there have been two in this term of government over the last two years. There was one in 2008 and if this is approved, so to speak, we will have another. We have essentially a 10 per cent increase in 2008 and now an eight or nine per cent increase in 2010 if this comes into effect. Is that right?

Mr Pollock—That is what is being proposed, yes.

Senator CORMANN—Have you done any market research on how the public would respond to the proposed increase in the price of stamps?

Mr Pollock—We have not done market research per se, but we do undertake price elasticity monitoring. The basic postage rate, or the small ordinary letter, does show that there is some degree of inelasticity in the price, but it is inelastic, not elastic. We understand that some customers may send less letters with the increase, but in the majority our revenue still lifts up.

Senator CORMANN—By how much do you expect your revenue to go up once that increase comes into effect?

Mr Pollock—The total package of the proposed prices across the suite of domestic reserve letters is about \$132 million.

Senator CORMANN—So that is a \$132 million increase once the total package of proposed increases comes into effect, including the 5c?

Mr Pollock—Correct.

Senator CORMANN—That is \$132 million. What is the base? What is the increase in percentage figures? It is up from how much?

Mr Pollock—It would be around \$1.8 billion.

Senator CORMANN—So presumably you are making an assumption as to how many people no longer write letters as a result of the increase?

Mr Pollock—Yes.

Senator CORMANN—In order to get to the figure of \$132 million, which is less than the pure percentage increase across your various services, what is the assumption that you make in terms of the reduction in letters posted?

Mr Pollock—There is some allowance that there will be some reduction in volumes as part of our forecasting volumes in the out period. I could not give you the precise number at this point, but we are also in a market at the moment that is declining.

Senator CORMANN—So the market is already declining and you have included in the forecast an assumption that there would be an additional decline as a result of this increase?

Mr Pollock—Yes. A minor part of the decline would be attributable to the increase, but the underlying decline in letter volumes is by far the larger impact on the future letter growth.

Senator CORMANN—You are doing all right. If you are going to make \$132 million in additional revenue, in the context of a declining market, then it is not going too badly for you, is it?

Mr Pollock—The price increase certainly helps us to keep funding the letters business and providing the quality, so from that perspective it is appreciated.

Senator CORMANN—Can you give me any specific figure whatsoever? You may not be able to give me an exact figure. In your forecasting you would have made an assumption as to the decline in letters that would be caused by the increase in the cost of stamps. What figure are you looking at?

Mr Pollock—I can take that on notice and give you an exact figure.

Senator CORMANN—What order are we talking about?

Mr Pollock—To give you a context, for next year we believe the total letter volumes will decline by 3½ per cent and a small part of that decline will be attributable to the price increase.

Senator CORMANN—It is 3½ per cent decline. We are getting somewhere now. What is the total number that we started off with?

Mr Pollock—Of total letter volumes?

Senator CORMANN—Yes.

Mr Pollock—This year we expect letter volumes to finish at around 3.9 billion.

Senator CORMANN—So 3½ per cent is a lot of letters.

Mr Pollock—It is.

Senator CORMANN—So that is 3½ per cent of the 3.9 billion?

Mr Pollock—That is correct. That is not an inconsistent figure with what overseas countries are experiencing in decline.

Senator CORMANN—It is about 300 million letters less.

Mr Pollock—I do not think it would be that much. One per cent of the 3.9 billion would be roughly 40 million letters, so three per cent would be 120 million to 140 million or something like that, in total.

Senator CORMANN—What was your last financial year profit?

Mr Pollock—For the domestic reserve letter service?

Senator CORMANN—For Australia Post overall.

Mr Tenace—It was \$380 million.

Senator CORMANN—What was that in percentage terms? What was your return on capital? Can you give me some percentages? I have a figure here of 12.2 per cent return on average operating assets. Does that ring a bell?

Mr Tenace—Yes. It is in that ballpark.

Senator CORMANN—So it is in that ballpark of 12.2 per cent?

Mr Tenace—Yes.

Senator CORMANN—Does that put Australia Post into the category of earning super profits?

Mr Tenace—I would not have thought so.

Senator CORMANN—So you do not think that a return on capital of 12.2 per cent is a super profit?

Mr Tenace—I would not have thought so.

Senator CORMANN—Why not?

Mr Tenace—It is a reasonable return on its assets and equity employed.

Senator CORMANN—So you do not expect that you will be charged with 40 per cent tax on any profit above six per cent?

Senator Conroy—That is a rhetorical question.

Senator CORMANN—Do as I say and not as I do, Minister. I can see that the government owns trading enterprises. Obviously they are not in the same boat as the resources sector across Australia.

Senator Conroy—I admire your persistence. I do not think anyone is going to take any notice.

Senator CORMANN—I note that Australia Post has told us that 12.2 per cent return on capital is a reasonable return.

Senator Conroy—Would you like to ask another question?

Senator CORMANN—I am going to ask a few more questions. You have now gone for a further increase in the cost of stamps, which will increase your revenue by another \$132 million. What is your expected rate of return on capital for the next financial year?

Mr Tenace—The profit for the current financial year is in line with our corporate plan, which is around \$290 million, so it is a significant decline on the prior year.

Senator CORMANN—What is that in percentage terms? Given that 12.2 per cent was reasonable, does that mean that if there is a decline that you will be below reasonable?

Mr Tenace—It is about 8.8 per cent.

Senator CORMANN—That is still 2.8 per cent above what the government describes as a super profit.

Senator Conroy—That is an opinion. Do you have a question?

Senator CORMANN—It is not an opinion. That is an absolute fact. I note for the record that Australia Post has given evidence to this committee that 12.2 per cent return on capital is a reasonable return and is not a super profit. It is a fact that Australia Post expects a return of 8.8 per cent on capital in the next financial year, based in part on an increase in the cost of stamps. I might just leave it at that.

Senator WORTLEY—I would like to ask some questions on the facility nominated doctors. I think Ms Walsh will need to come to the table. In relation to the facility nominated doctors, the return to work practices at Australia Post and the link between this and the management bonus schemes that we have spoken about previously, I am wondering if you can tell us about any changes that have been made in relation to this practice?

Ms Walsh—There have been issues raised previously regarding the payment of bonuses, in particular linked to the lost-time injury frequency rate. It is pleasing to inform the committee that Australia Post and its relevant unions—the CPU and the CPSU—are in the process of negotiating a new Fair Work agreement and have reached a significant milestone in coming to a resolution around that facility nominated doctor process. In particular, we signed a memorandum of understanding in March of this year which specifically dealt with the issue where Australia Post agree to no longer pay bonuses to managers on the basis of their LTIFR results for their particular facility. That is currently in place and will continue into the future.

In addition to that, through the Fair Work agreement negotiations, we are also working with the unions to come up with a new model for how the facility nominated doctor program will work into the future in a way that both benefits Australia Post and its desire to return people to work safely and as quickly as possible after a workplace injury, as well as meeting the needs of our employees to ensure that they recover appropriately and can access their own doctor.

Senator WORTLEY—I have also heard and read about the restructure taking place in Australia Post. What can you tell us about the restructure? I know we touched on it earlier. More specifically, how is Australia Post responding to declining letter volumes caused by email and other new communication tools?

Mr Marshall—In relation to the restructure, we are in the process of establishing four strategic business units for Australia Post. They will cover our postal business, retail business, express distribution business and our e-services business. It is a restructure that does a number

of things. I can point out that those businesses will operate with their own profit and loss and they also signify a transition in the business to emphasise our future in digital services and express, as well as building up our retail business. The restructure is part of a total change in terms of preparing Australia Post for the future requirements of the economy rather than focusing Australia Post on its traditional businesses.

Senator WORTLEY—In relation to the volume of letters going through and the impact of emails, how is Australia Post addressing that issue? I understand that there has been a significant drop in the number of letters with emails and perhaps internet postal requests as well.

Mr Marshall—Yes. Mr Pollock referred to the decline rates that we are experiencing. They are not enormous decline rates, 3½ per cent in percentage terms, but nevertheless they are important in terms of addressing how we go forward in sustaining that part of the business. The first point that I would make is to reiterate the fact that we have before the ACCC a price increase application, which is all part of that strategy, but in addition to that it is very important that we control our costs across the board and that we right-size our costs to the letter volumes that we have both in infrastructure and non-labour costs and of course in our labour cost areas as well.

Senator WORTLEY—Can you assure the committee that the restructure will have no detrimental impact on the frontline services that Australia Post provides?

Mr Marshall—I can certainly assure the committee that it is our focus to make sure that our customers get exactly what they pay for in all of our services. It is a particular emphasis of our new structure and our philosophy that we are customer focused, focusing on ensuring that not only does that service level maintain but, as far as we can, to make sure it is improved.

Senator WORTLEY—Ms Walsh, I received the question on notice response to a question on the Mercedes vans. Can you tell us what stage you are up to with that issue?

Ms Walsh—A decision was handed down by Fair Work Australia in relation to the appeal that had been put in place to the improvement notice issued by Comcare. Australia Post is now considering that decision. The decision confirmed the improvement notice issued by Comcare and Comcare found that Australia Post has complied with the requirements under that improvement notice. We are also in discussions and consultation with the union around some further steps that we are taking, including running a questionnaire or a series of questions for our staff who drive the vans to ensure that they have a further opportunity to express any concern that they have around driving the vehicle. In addition to that we will be continuing to assess the runs that the vans do to ensure that any hazards that may be in place in those particular rounds are considered in individual circumstances and those issues addressed for those individual rounds. It is a continuing process but we are certainly in consultation with the unions around that.

Senator WORTLEY—In relation to the survey, will that be going out in the near future?

Ms Walsh—It will.

Senator WORTLEY—And will every driver who drives one of those vans have the opportunity to complete it?

Ms Walsh—I could take that on notice but I can confirm to the committee that we have been discussing that with the union in recent weeks. I will just need to take on notice if it will indeed go to every driver and the timing of that. But we are looking to finalise the actual basis of the questionnaire in the next fortnight.

Senator WORTLEY—I would appreciate it if you would take that on notice.

Ms Walsh—Certainly.

Senator IAN MACDONALD—Where did the *Sunday Mail* get their information from that Australia Post was intending to establish new mail hubs rather than having the door-to-door letterbox postal service?

Senator Conroy—I am not sure that you can ask that. The information came to a journalist.

Senator IAN MACDONALD—Let me ask it another way. Is it true that in new estates you are going to have mail hubs rather than door-to-door letterbox postal services? I note that in the same article in the *Sunday Mail* Australia Post have denied it. But let us start from the beginning, then.

Mr Newman—Australia Post does not have any plans to introduce mail hubs. Having said that, I believe there have been some discussions with local councils and developers just to get their views on that process. As you know, their views have been strong. I can assure you that there are no plans to install mail hubs.

Senator IAN MACDONALD—The *Sunday Mail* report says:

The investigation has found Australia Post has already earmarked parts of South-East Queensland and Western Sydney, the nation's growth corridors, to install the new mail hubs.

Are you saying that is completely inaccurate?

Mr Newman—I am saying we have no plans to install mail hubs.

Senator IAN MACDONALD—But you say that there was some consideration, some investigation about that?

Mr Newman—Mail hubs are used around the world. There was no doubt that there was a discussion in Queensland with a group of local people last year just to sound out what people felt about it. I think the reaction from our customers and the press has been fairly strong. It has not gone any further past that and we do not have any plans to install them.

Senator IAN MACDONALD—Do you have a statutory obligation to deliver mail to 98 per cent of Australian delivery points daily?

Mr Newman—Yes, we do.

Senator IAN MACDONALD—So that would mean that without a change in the legislation you really could not embark upon any sort of mail hub approach?

Mr Newman—I would probably have to take that on notice in terms of how that was covered by the legislation, but the normal interpretation of what we do is we would deliver to the property alignment where possible, yes.

Senator IAN MACDONALD—It was suggested to me that it is by law a requirement which to me assumes that there is some statutory obligation on you to do that. I do not know. Perhaps I should have had a look at the act myself but I thought you might be aware of it.

Mr Newman—The way we interpret the act is that we are required to deliver to the property alignment where possible. There are some places in the country where that does not occur and there is a variety of reasons for that. But if you are talking about metropolitan areas, yes, we deliver to the property alignment.

Senator IAN MACDONALD—So I can assure pensioner groups and independent retirees who approach me over this—and you can appreciate why they have a particular concern—that it is not on the agenda.

Mr Newman—We do not have any plans at all to install them, no.

Senator IAN MACDONALD—That is good news from their point of view. Also in the *Sunday Mail* there was a report about leaving mail boxes uncleared over the Anzac Day and Labour Day long weekends. According to this report the unions have said that this is a new arrangement and that it has never happened previously. Is it true or is it standard practice?

Mr Newman—My understanding is that we ceased collecting on Sundays when the Monday is a public holiday some time ago. It is certainly our policy not to collect on Sundays where the Monday is a public holiday. That collection is undertaken on the Monday.

Senator IAN MACDONALD—The Queensland secretary of the CEPU—I might add that I am not usually one who takes a lot of notice of industry leaders' assertions—

Senator Conroy—We have had Senator Abetz campaigning earlier for the union and now you. It is just so wonderful. It warms my heart.

Senator IAN MACDONALD—You did not hear me, Minister. I said, 'not that I usually take much notice' but—

Senator Conroy—It warms my heart.

Senator IAN MACDONALD—I will quote them:

Every other year we have had full staff on Sunday and Monday. It is penny-pinching.

You would say that the union guy is inaccurate in saying that. I know that they are inaccurate when they advertise about mining taxes, but is this inaccurate, too?

Mr Newman—I would prefer to take that level of detail on notice but what I am here to assure you is that we have had a longstanding policy of not clearing on Sundays where Monday is a public holiday, so if there are places where that has happened in the recent past that is something I would need to gather that information on. But the way it stands today is that our policy is not to clear boxes on a Sunday when the Monday is a public holiday.

Senator IAN MACDONALD—The president of the Queensland Chamber of Commerce and Industry is quoted as saying, 'Business could reasonably expect to get some notice to

make alternative arrangements', which suggests that the Queensland Chamber of Commerce and Industry was not aware of this change either.

Mr Marshall—There is no change in the service standards that apply and that clearance was not required to achieve those standards.

Senator IAN MACDONALD—I am sorry, I am not sure what you mean by 'service standards' but what does that mean in relation to a holiday Monday?

Mr Marshall—It means that the day by which the mail in that box is required to be delivered does not change as a result of those clearance arrangements. It is exactly the same as though it were cleared on the Sunday.

Senator IAN MACDONALD—If they were cleared on the Sunday one would expect in inner-city areas they would be delivered on Monday.

Mr Marshall—Not if it is a public holiday on the Monday.

Senator IAN MACDONALD—Both the union and the chamber of commerce, a strange combination, were unaware of this?

Mr Marshall—We are only talking about a circumstance where it is a long weekend with a public holiday on the Monday and there are no deliveries on a public holiday.

Senator IAN MACDONALD—Again, the *Sunday Mail* says:

Businesses are bracing for week-long mail delays for documents being sent interstate, with no mail to be collected from Friday night to Monday morning over the long weekends.

Is that not an accurate call?

Mr Marshall—The clearance arrangements on a long weekend differ from those on a normal weekend. All of our clearance arrangements on a long weekend ensure that the mail that is cleared is delivered in accordance with the service standards that are advertised on the box.

Senator IAN MACDONALD—I am quoting again:

Mail truck drivers in Queensland learnt of the unprecedented shift cancellations after receiving their rosters this week.

Would that have been correct, that there were different shift rosters?

Mr Marshall—There may be different shift rosters; I would have to take that detail on notice.

Senator IAN MACDONALD—Could you do that, please, because both those issues that I raised are issues that have been raised with me by any number of constituents and if what you are telling me is that those reports are inaccurate, then I would be happy to pass that on to those who inquired of me. Thank you for that.

Senator TROETH—I would like to bring your attention to a press release that was published on your website on 21 April this year called 'Future Ready—Australia Post's business renewal program'. I understand that in this program you intend to see letter declines offset by the growth in parcels, retail and business-to-business express delivery. You

mentioned four strategic business units with individual profit and loss accountability. I would like to ask you particularly about the e-services. Mr Fahour says at the end of that program:

e-Services business will be a dedicated new business incubator focusing on opportunities such as secure, identity-verified, digital communications, e-commerce initiatives—

and it goes on. Could you give us some details of what those opportunities might be?

Mr Burke—The information you refer to in the reference by our managing director regarding secured digital communications is about a prototype which is apparently being established. It will leverage off our existing capabilities both from a physical perspective in terms of our retail outlets and our delivery capability to provide what we believe is an enhanced service to the Australian community.

Senator TROETH—Is it going to be a retail service delivered to members of the community as a retail service?

Mr Burke—A combination.

Senator TROETH—What is the combination?

Mr Burke—It is to transform what is currently a physical letter across to a digital communication piece using existing capability that we have.

Senator TROETH—Will it be email-to-email correspondence, or something like that or text message.

Mr Burke—In a secure environment.

Senator TROETH—Is there any thought of expanding this perhaps to offer opportunities to sectors such as e-health, opportunities which seem to be envisaged by the present government?

Mr Burke—We obviously believe that we have a good capability to deliver government services across our retail network and across out network as a whole. I cannot comment specifically in relation to e-health but we will look at any opportunity that presents itself for Australia Post to assist and to obviously assist our revenue as well.

Senator TROETH—How far has the infrastructure been organised for that? For instance, are there managers or CEOs at present in the strategic business units? Has the personnel detail been set up?

Mr Marshall—The restructured organisation commences on 1 July.

Mr McDonald—Without going through the process, you mentioned structures. As Mr Marshall said, we have come up with four strategic business units that will be the underpinning functional support areas to support that. We are part way through a recruitment process at the moment for the heads of those particular business units, as Mr Marshall said, and 1 July will be the operating date for the new structure.

Senator TROETH—About how many people would you think would be employed in each of those units?

Mr McDonald—I cannot give you an exact number. I think I would probably have to take that on notice but the postal services support business unit will be a very large one because it

is the bulk of our business. Retail will also be significantly large because it covers all the retail shops. Express distribution services are a smaller entity and e-services are very much the growth opportunity and will develop from an incubator type situation and grow into the future.

Senator TROETH—Would you see those express distribution services as being in competition with, say, other services of that sort that operate at present?

Mr Chapman—Outside of our letter service we operate in competition in every respect. We currently have a presence in the express distribution industry and that presence competes head to head with every other operator in the express industry, as does our parcel business operate in competition with people in the parcel industry.

Senator TROETH—Mr Fahour says in that last sentence that he expects this to be bedded down in 2010-11, so perhaps in another year's time those units would be up and operating?

Mr McDonald—We will go through the appointment process and the detailed structuring of those business units and, progressively from 1 July as the new appointments are made, there will be a great deal of work to meet that time line.

Senator TROETH—Will that recruitment process be from inside Australia Post's internal structures or will you be recruiting far and wide?

Mr McDonald—No, it will be mixed. I think some roles may lend themselves more neatly to an internal candidate. E-service is a very good example of one where we really need to test the market and we are currently working with at least two of the senior executive search firms in that process. My anticipation is that there will be a mix of backgrounds of appointments.

Senator TROETH—Would you be looking to consolidate the whole process in the next 12 months?

Mr McDonald—Yes.

Senator TROETH—Thank you very much.

CHAIR—Thank you. There are no further questions for Australia Post. Thank you very much to officers of Australia Post for appearing before the committee. We will have a short suspension while we arrange for ACMA to come to the table.

[2.37 pm]

Australian Communications and Media Authority

CHAIR—I welcome officers from the Australian Communications and Media Authority. Would anybody like to make an opening statement?

Mr Chapman—We will pass on that opportunity today.

CHAIR—We will go straight to questions and that will be Senator Fisher.

Senator FISHER—With regard to signal coverage checks and surveys for regional Australia and, in particular, regional Victoria and regional South Australia, I understand ACMA has recently carried out some tests and predicted what will happen with digital terrestrial transmitters and the coverage in regional Victoria and South Australia; is that right?

Mr Chapman—I think we have done about 30,000 measurements so far over about 4,000 different locations, so to say it is comprehensive is an understatement. Mr Tanner will specifically address the area that you are interested in—regional Victoria, as I understand it.

Senator FISHER—And regional South Australia.

Mr Tanner—ACMA has prepared reports for the department on all the markets of regional South Australia that are turning off. We may be doing some more field work over the next five or six months as we prepare for closure. We are in the process of finalising reports on all the remaining regional Victorian markets. Obviously, we finished Mildura some time ago as that was the first market to go.

Senator FISHER—Where are the areas of signal strength deficiency?

Mr Tanner—Generally, they lie outside the boundaries of planned analog television coverage.

Senator FISHER—Yes. Can you be more specific?

Mr Tanner—I am afraid I will have to take the question on notice. There is an awful lot of parts of South Australia and Victoria that were never planned to have analog television and, in fact, they do not have digital television either, or do not have it to an adequate degree.

Senator FISHER—Certain reports have been tabled in parliament about the coverage. I do not see in those reports any sort of detailed reporting as to the results of your coverage surveys in regional South Australia and Victoria. Can you explain that?

Mr Tanner—I think you are referring to the section 5H quarterly reports that the minister tabled. Information that we provide from our regional survey program is used in those.

Senator FISHER—Yes, your quarterly reports.

Mr Tanner—We do provide some of the information in those reports but those reports certainly report on a number of matters that are set out in statute and they do not require the minister to publish the results of all our field survey investigations, so there is a great deal of information that we provided the government which is not in those reports.

Senator FISHER—However, you have said that there are extensive areas of deficiency—too many for you to name today.

Mr Tanner—South Australia and Victoria are very large areas and they include a lot of very sparsely settled and remote areas which are within the remote coverage area or that are well distant from any substantial town or even village. In general, analog television has been planned for population centres down to a population of a few hundred. Beyond that threshold you will frequently find that people do not have planned analog television. They may be using tall towers and masthead amplifiers to get some distant signals. If you drive around regional South Australia, at Spencer Gulf, for example, you may notice that some people are pointing very tall VHF aerials at Mount Lofty. They may not still be using those but certainly those would have been put up to try and get out-of-area signals.

There are quite large areas of both states where there just is not planned analog coverage. Digital coverage has been planned to match analog coverage. In a lot of areas it may even

have done somewhat better but wherever there is not planned analog coverage there is very frequently not adequate digital reception either.

Senator FISHER—Where there is not planned analog coverage.

Mr Tanner—Yes. The aim of the television conversion process has been to achieve same coverage with the analog television system.

Senator FISHER—Yes, but surely we are not still planning analog.

Mr Tanner—No, we are not planning analog anymore. That has stopped a few years ago.

Senator FISHER—But you said, ‘Where there is planned analog coverage.’ What did you mean by that?

Mr Tanner—Perhaps I should say where there is actual analog coverage. I think that is a better term.

Senator FISHER—Yes, a potential for planning digital; is that what you meant? I am just trying to understand.

Mr Tanner—Wherever broadcasters provide analog television they are required under the law with a lot of help from us, the planners, to provide digital television. Beyond the edge of broadcast analog coverage there are quite a number of areas that have community self-help black-spot solutions which are analog services not provided by broadcasters. Beyond those areas there are large tracts of both states where there are not adequate analog services. It is those last two categories—the analog black spots and the areas that do not have adequate analog television—that have been the subject of a fair bit of government policy making over the last six or eight months with, for example, the announcement of the VSAT satellite backup scheme.

Senator FISHER—How and when will the results of your survey work be provided to parliament?

Mr Tanner—That is a question for the government rather than the ACMA.

Senator FISHER—Minister.

Senator Conroy—Sorry?

Senator FISHER—How and when will this information be provided to parliament?

Senator Conroy—Sorry?

Senator FISHER—The results of the ACMA survey work. Listen up!

Mr Tanner—The ACMA’s full survey reports on licence areas are provided to the department to help them form—

Senator FISHER—Rural and regional Australia wants to be beamed up.

Senator Conroy—That might be a question to put to Mr Townend when he appears later on.

Senator FISHER—I can do that, but is ACMA able to join any of the dots in the sense that parliament is going to be required by our good minister to make a decision and to be involved in the decision about analog switch-off, in terms of the detail of some of the switch-off dates?

How is parliament going to be furnished with the information it needs to make that decision in any empirical and informed way?

Senator Conroy—I think the switch-off dates have been tabled.

Senator FISHER—Yes, they have, but—

Senator Conroy—Just to come back to something. Despite Mr Tanner's couple of attempts to explain the difference between areas that do not receive terrestrial broadcasts now, you still do seem confused about that.

Senator FISHER—I am not sure you were listening and I am not sure if you are able to judge confusion or not.

Senator Conroy—I could judge that you were confused. Just to reiterate, the areas that do not currently receive terrestrial will receive the new satellite service if they were not already receiving a satellite service.

Senator FISHER—How do we know that and how do we know where they are? How do we know that will happen? How will parliament know?

Senator Conroy—The remarkable thing about satellites is that they are a relatively new invention of about 50 years ago and they provide a pretty good service around the rest of the world. I, myself, am a satellite subscriber to Foxtel. I think, in a couple of weeks' time when the satellite signal is turned on, maybe that will then reassure you about firstly the quality, but importantly the coverage, because when it turns on you will see that it actually covers the entire land mass of Australia, no matter where you live. You can live in as remote an area as you like and you will still have access.

Senator FISHER—How do you know that all the viewers will receive what is turned on?

Senator Conroy—There are two different questions there.

Senator FISHER—Exactly. It is all very well for you to say that satellite is universal.

Senator Conroy—The signal will be provided and miraculously, when signals were turned on with terrestrial, they also needed a receiving piece of equipment otherwise usually referred to as a TV. There will need to be an extra piece of equipment, but in many of these areas people are currently receiving a satellite transmission. It may come as a surprise to you but they are actually receiving a satellite transmission and—

Senator FISHER—Albeit patchy.

Senator Conroy—My understanding is that the dishes that they currently have on their roofs will still be pointed at the same spot.

Senator FISHER—Albeit influenced by climate—rain.

Senator Conroy—I am aware of rain fade. I am aware of all of those issues, but these are probably questions that Mr Townend—

Senator FISHER—What are you doing about that?

Senator Conroy—What am I doing about the rain?

Senator FISHER—The issues, if you are aware of them?

Senator Conroy—As to what can be done about the rain, if you have a conversation with Mr Townend at the appropriate spot or perhaps Mr Tanner might want to venture forth on rain fade and satellites?

Senator FISHER—No, that is not necessary.

Senator Conroy—The look on his face suggests that I think Mr Townend is the more appropriate spot.

Senator FISHER—Thank you. I have more questions, but I will come back to them.

CHAIR—Senator Cormann.

Senator CORMANN—Is it correct that you monitor compliance of free-to-air broadcasters with their licensing conditions and as part of that you would monitor compliance of free-to-air television with the local content rules? Is that right?

Mr Chapman—Yes, that is correct.

Senator CORMANN—Can you tell us whether you have any data before you indicating that the percentage or share of local content has fallen below that required over the last decade?

Senator Conroy—The answer is no. He is trying to lead you up to whether or not there is any issue around the 55 per cent of the licence fee rebate.

Mr Chapman—We will take that on notice.

Senator CORMANN—You do not know? The minister has already answered it, saying no, so you are not aware?

Mr Chapman—I only hesitated because you talked about local content and that is usually more in the radio than the TV broadcasting.

Senator CORMANN—The minister has just talked about the 55 per cent local content requirement.

Mr Chapman—It is what we call Australian content.

Senator IAN MACDONALD—I will have a question about local content very shortly.

Senator CORMANN—Can you answer the question if I rephrase it? Have any of the free-to-air television networks ever fallen below the 55 per cent Australian content requirement over the past decade?

Senator Conroy—You are voting for it. Haven't they told you yet?

Mr Chapman—We are not aware of any, but we will take that on notice.

Senator CORMANN—Have you provided any concerns to government or to Minister Conroy in particular, who seems to be very jumpy about concerns that free-to-air networks were falling below the 55 per cent Australian content requirement?

Senator Conroy—Careful how much you embarrass yourself at this point; you are voting for it.

Senator CORMANN—I am asking the questions here.

Mr Chapman—No, we have not.

Senator CORMANN—So, you have not had any involvement in putting together the \$250 million licence fee rebate? Have you provided any input into that?

Mr Chapman—No, we have not.

Senator CORMANN—Based on the data that you have available, it would be hard to come to the conclusion that there is a need to protect Australian content on commercial television, given that over the last decade, by all accounts, and even the minister just suggested, there has not been a problem?

Mr Chapman—I have already indicated that I am not aware of any over the last decade. I said I would take that on notice. As for the government decision and policy that sits behind it, it is a matter for the government.

Senator CORMANN—I will pursue that with the department and the minister separately a bit later. What I wanted to establish with ACMA is whether you have, at any point in time, identified a problem to the government. You can take this on notice if you wish. I will take the minister's word; he has already told us that there has not been one. Are you saying that there could be or are you confident that there is not?

Mr Chapman—The transcripts will indicate, to your question as to whether we provided any advice to the government, that the answer is, no.

Senator CORMANN—So, you have not provided any advice to the government, but are you aware of any breaches of the Australian content requirements by any of the commercial free-to-air television networks?

Mr Chapman—I have also indicated that off the top of my head I am not aware of any material—

Senator CORMANN—So it is not a top of your mind sort of problem, from ACMA's point of view, you think is in desperate need of being addressed?

Mr Chapman—I will stick to what I said.

Senator Conroy—You are trying to put words in his mouth.

Senator CORMANN—No, I am trying to understand what Mr Chapman is saying.

Senator Conroy—Stop trying to put words in his mouth.

Mr Chapman—I indicated to you that I was not aware of any occasions over the last decade, as you put it to me, where commercial free-to-air networks had been in breach of their Australian quota content. I would otherwise take it on notice so that I can give a precise answer.

Senator CORMANN—If there had been breaches of that requirement, presumably that would have been a matter of concern to ACMA; yes or no?

Senator Conroy—Don't instruct him on how he can answer.

Senator CORMANN—Would ACMA be concerned if there had been breaches of the Australian content requirements?

Senator Conroy—Don't instruct him on how to answer the question.

Senator CORMANN—I am asking a question.

Senator Conroy—No, you did not. You instructed him how to answer your question.

Senator CORMANN—Would ACMA be concerned if there had been breaches?

Mr Chapman—One of our roles is to ensure compliance with licence conditions.

Senator CORMANN—Exactly.

Mr Chapman—Clearly prima facie a breach of a licence condition is a matter of concern to us.

Senator CORMANN—What would you be doing?

Mr Chapman—And then we would bring our discretion to bear to look at the circumstances of each particular case. Let me give you a ridiculous example just to illustrate why I am telling you it is a case-by-case analysis. If a network fell 10 minutes short of its documentary quota for valid reasons, either misdiagnosis of whether it satisfied the documentary criteria or otherwise, I would be very surprised if we would apply any sanctions as a result of that licence condition breach.

Senator CORMANN—What would be the consequence if there was? I understand what you are saying, that there is discretion at the edges, if it is a small transgression or if there is a reasonable explanation. What you are telling me is that you have discretion. If there were a persistent and not insignificant problem in terms of compliance with the Australian content requirement, what would you be doing? What would be the ultimate sanction? What would happen? What steps would you undertake?

Mr Chapman—The ACMA has a range of powers under the act with respect to the breach of a licence condition, and it may go so far as issuing a remedial direction to 'fix' the shortfall or it may go to suspension or cancellation of licence in extreme conditions.

Senator CORMANN—Have you ever investigated any breach that would come anywhere near any of these sorts of courses of action?

Mr Chapman—As I indicated to you, over the last decade, to the best of my knowledge, we have not found any material shortcoming. Therefore, it follows that we would have been unlikely to have embarked on any sanction that comes close to what I indicated to you regarding our powers.

Senator CORMANN—That is what we thought. And, yes, Minister, it does make it very hard to understand what you have put forward, that the nice round \$250 million figure is actually required for the government to protect Australian content on commercial television in 2010-11. It does not seem like there is much of a problem.

Senator Conroy—I am not sure whether this is a question or a statement.

Senator CORMANN—I am just making an observation, given your earlier comments. It makes it very hard to see that your statements in relation to the matter are justified. I will leave it at that.

CHAIR—Senator Wortley.

Senator WORTLEY—The communications sector is becoming more complex, both in the technology being used and also the types of services being offered. Does that change the way that regulators such as ACMA need to think about their task?

Mr Chapman—That is a very interesting question. The short answer to your question is, yes, it does. The ACMA has, over the last couple of years, had a lot of learnings. We have had a number of examples where things have taken longer to address than would have been ideal, where the industry under their self or co-regulatory approach has not quite got it right the first time. An example I would give of that is the mobile premium services, where the number of complaints about that literally went through the roof over a period of time, and the industry was slow to address that.

That is a very good example of where additional players in the supply chain, with the greater complexity of the product, all combine to make the communications/telecommunications space and the products and services being offered increasingly complex. I think that is a trend line there. I am not sure what your question was seeking to—

Senator WORTLEY—What are some of the specific consumer related problems that ACMA sees now, and with the technology and the types of services being offered, what sorts of problems can you see going into the future?

Mr Chapman—Recently, the ACMA announced a number of initiatives under its new Reconnecting the Customer initiative. There are a number of parts to that. The one that generated the most publicity at the time was a public inquiry into complaints handling and customer care. With respect to the last financial year, the TIO complaints completed on that was something in the order of a 130 per cent increase in complaints on complaint handling. My recollection is there was a 118 per cent increase with respect to customer service. Overall the TIO complaints year-to-year went up by about 54 per cent. TIO was getting complaints in the order of about 900 a day. In that particular case the trendline was not the friend of the telco industry, and there are many reasons proffered for why that was the case. What we did, in announcing our public inquiry, is we decided that we wanted to, once and for all, get to the bottom of what are the urban myths and what are the realities about adequate customer focus, customer-centric systems, in the complaint handling and customer care. So, we have announced that. As part of the Reconnecting the Customer initiative we have telegraphed a more front-footed role for the ACMA with respect to the revision of the code that is just starting at the moment.

Senator WORTLEY—Can you tell us a bit about the consumer codes?

Mr Chapman—The TCP code review is due for review. We have been looking at that over the last 18 months, analysing the TIO data, and in anticipation of that code review we have written to Communications Alliance indicating against the six chapters that constitute that code, a number of observations that we have put together with respect to delivering to customers much better safeguards and protections going forward. For example, we think that the following core protections should be much more manifest than they are at the moment. We think there should be clear and accurate advertising of products and services. They need to be provided under clear and fair terms and be set out succinctly. The costs associated with goods and services should be clear and unambiguous. Assistance for the consumer will be readily

accessible and provided in a timely manner should a problem be encountered. The fifth core protection is that avenues for redress will be clearly identified for the consumer in the event the problem is unable to be rectified immediately. We have set out those five core protections as the outcomes we expect from the code review.

That code review is being undertaken by CA as part of the self-regulatory/co-regulatory model. That will take a number of months to work through. We have asked the Communications Alliance to make the complaints handling review the final chapter, so that we can dovetail that in with the findings that we get out of our public inquiry. There were several other aspects we announced in Reconnecting the Customer, but they were the two. I think there is a tipping point that has been reached with respect to customer protection. I quoted some of the statistics. I quoted the general view expressed by the government, by the minister himself, by the ACCC, by the peak consumer body, ACCAN, and by ourselves that there has been this incrementalism about the way in which telco consumer protection is being addressed. As I said in my speech at the CommsDay summit, enough is enough. I think we are tired of playing catch-up. We intend to be very front-footed about this. We intend to get to the bottom of at least four things so that we have an analytical framework to work off. There are so many urban myths about this, it is very hard to distinguish between fact and noise.

The four things we would like to do are understand what our current practice is in the telco world. We would like to understand what are reasonable customer expectations in the current telco communication space and what they are likely to be in an accelerated world, in the NGN world, brought on by NBN and other market dynamics. We want to look at what is the gap analysis, if you like, between current practices, matching best practice and, at worst, customer expectations that we can work with industry, work on our own under our own powers, if necessary, to effectively address what are the shortfalls in the current system. That is what we would like to get out of the inquiry.

Senator WORTLEY—Do you think it is possible to directly regulate for better treatment of customers or are these problems ingrained in the culture of companies?

Mr Chapman—I think there is a parallel path developing here where, based on some of the work we are doing, there are much better aspects of consumer regulation that are dealt with what we call ex ante—upfront—and there are others that are best suited to co-regulatory development and self-regulatory development by the industry. We have been doing a lot of work behind the scenes to understand different dynamics, different playing fields, different circumstances, that would better inform which of those two paths are better. We intend to release that in about six weeks time.

With respect to the co-regulatory space, we have much higher expectations on the industry than has historically been the case. Mobile premium services, again, is a very good example where industry developed a code to a certain point and then the ACMA, under its powers, buttressed that industry code with additional obligations. So, ultimately at the end of the mobile premium services code development you had double opt-in, you had default barring opportunities, you had ‘do not bill’ provisions, you had ‘do not contract’ provisions, and you had much better prescriptive, important advertising conditions. The combination of those worked very well. But we are seeing some circumstances where a much more upfront, prescriptive ACMA approach with respect to outcomes, expectations and proffered views

based on experience is going to be far more helpful for industry than has historically been the case.

Senator WORTLEY—The Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill that is currently being held up in the Senate makes some improvements for end users, does it not?

Mr Chapman—It certainly does and we welcome the additional powers that the bill provides and the minister has brought in.

Senator WORTLEY—Would you be able to explain how ACMA's role would be affected when this bill is passed?

Ms O'Loughlin—The main part of the bill that affects the ACMA is a series of provisions that strengthen our hand in the regulation of important consumer safeguards, such as the universal service obligation, the customer service guarantee and priority assistance, which are fundamental consumer safeguards in the current Telecommunications Act. Up until now for a long period we have been able to monitor compliance with those provisions, but we have not had a lot of regulatory strength to actually enforce them.

The new bill proposes that the minister will be able to set benchmarks of performance and we will be able to take action where CSPs do not meet those benchmarks, including a new power for us to issue infringement notices in those areas, which we have not had before. We see the setting of benchmarks as being important and we see the additional powers to us and the additional responsibilities for us not just to monitor but to effect compliance as being very important additional consumer safeguards.

Senator WORTLEY—Do you think, then, that the industry has made enough of an effort to address consumer issues?

Mr Chapman—I think you can distil from my comments earlier that the industry could have done better, should have done better, and we are providing them with a sobriety check going forward as to what they can do better.

Senator FISHER—As to the proposed extension to the Do Not Call Register, about which we are rather pleased, there has been a—

Mr Chapman—An extension of the time?

Senator FISHER—No, we are rather pleased that there has not been an extension of the register for business-to-business calls. That was a Freudian slip perhaps. Is ACMA of the view that there was business support for the extension of the Do Not Call Register to business?

Mr Chapman—Our role with respect to the Do Not Call—

Senator Conroy—I am sorry, that is actually asking an opinion of the officer, which they are not here to answer questions on.

Senator FISHER—My next question is: upon what evidence do you base that view? I presume Mr Chapman is going to say that you do not have a view.

Mr Chapman—We are the provider of the register. In effect the department is our client. We run it on behalf of them, and we are simply implementing government policy.

Senator FISHER—So you are a very willing servant of the government. In that context, the government announced its intention to extend the Do Not Call Register in, I think, August 2008 and then scrapped that, under the hand of the minister, happily in April of this year—some year and a half later. What resources did ACMA divert to the planned extension of the register between August 2008 and the planned extension's scrapping in April 2009?

Mr Chapman—I could not give you a precise answer to that.

Senator FISHER—What was the nature of the resources then? Let us start with that.

Mr Chapman—I will take that on notice.

Senator FISHER—Were there any people?

Mr Chapman—I will take that on notice.

Senator FISHER—You do not know whether you had any people dedicated to—

Mr Chapman—We have people who work on our Do Not Call Register. They are people who are working full time on it. To state the obvious, they would have done some preparatory work in anticipation of it. I could not deny that, but with respect to specifics I would need to take that on notice.

Senator FISHER—Did ACMA employ any additional staff in anticipation of what was the government's time frame for extending the register?

Mr Chapman—I look to my colleague, but I do not believe we did, no.

Senator FISHER—Ms Booyar, was that a no?

Mr Chapman—That was a no.

Senator FISHER—What was ACMA's budget to support/administer the extension of the Do Not Call Register to business?

Mr Chapman—I will defer to my—

Senator Conroy—I might give you some information that you were asking about just before. There was a public discussion paper distributed by my department—so it might be more appropriate to ask them—in August 2008, and the response to that showed that 86 per cent of respondents supported changing the Do Not Call Register to include all telephone and fax numbers.

Senator FISHER—We look forward to details about the basis of that response, and the extent to which it reflects the very businesses that the government suggested were proposed to benefit from the register.

Senator Conroy—Those sorts of questions around what was behind the government's strategy would better be addressed to the department.

Senator FISHER—That is why I was not planning to ask any more questions of ACMA around this.

Senator TROETH—I wanted to ask some questions in relation to the switch-over to digital receivership at Mildura. Is that best asked of the department or ACMA?

Senator Conroy—I suspect Mr Townend is probably the best person to ask. If they are very technical questions—

Senator TROETH—Yes, it is quite detailed—

Senator Conroy—If it is about spectrum and—

Senator TROETH—as to particular localities and the way in which they are adapting to it.

Senator Conroy—I suspect it is Mr Townend, but you might want to test Mr Tanner out.

Mr Tanner—I will be very quick to volunteer Mr Townend the instant you leave my remit.

Senator TROETH—Yes, I am sure you would be.

Senator Conroy—He is watching in the other room. I am sure he will get you back for that.

Senator TROETH—I forewarned him of it. I am going to be talking about Robinvale, Underbool, Ouyen et cetera.

Senator Conroy—It depends what the nature of the question is. Mr Tanner may not be aware of the plans of the TV stations as to how they are addressing those individual issues. I certainly am and Mr Townend is, but—

Senator TROETH—In that case I will probably leave it to Mr Townend to save asking the same questions twice.

Senator Conroy—I am trying to get you out of it here as best I can, Mr Tanner!

Mr Tanner—We are working with the broadcasters at the moment to license and launch a suite of broadcaster provided digital retransmission facilities in each of Underbool, Ouyen and Robinvale. That is old news, obviously, in Ouyen. The latest figures I have, which may not be accurate—and Mr Townend may have better figures—are that Underbool was expected to commence on the 20th of this month. To be quite frank with you, I am not sure whether it has started. Robinvale is expected in mid to late June. The date I have is the 20th. Mr Townend may have different information, but our role there obviously is to plan and license those in consultation with the broadcasters. We do have a role with those.

Senator TROETH—I also wanted to ask about people who have already made a significant investment in aerials and cabling and are not getting satisfactory reception now and what is going to be the position. Would that be better directed to Mr Townend?

Senator Conroy—I suspect so.

Mr Tanner—It probably is, yes.

Senator TROETH—I think it is, but I just thought I would check.

Senator IAN MACDONALD—In relation to the local content, Minister, I wrote to you and you kindly had one of your advisers respond to my correspondence. I know you are too busy to write back to colleagues. But your adviser told me that the government is currently considering all of the submissions to the review and will table its report in parliament in accordance with this legislative requirement. Where are we at with that local content review? I am asking you, Minister, but perhaps I should have asked Mr Chapman.

Senator Conroy—I am just seeing whether Mr Chapman is working on it or the department is. I think it is a question more for the department a little bit later on.

Ms O'Loughlin—Is this in relation to the local content levels on radio?

Senator IAN MACDONALD—Yes.

Ms O'Loughlin—That would be the department.

Senator IAN MACDONALD—Does ACMA have any part to play in internet filtering at all?

Mr Chapman—It depends what you are alluding to. We have lots of parts to play in implementing government policy with respect to internet filtering, but I cannot help you more than that without knowing exactly what you are alluding to.

Senator IAN MACDONALD—Can you give me an update on where ACMA is at with internet filtering? Where have your—

Senator Conroy—In implementing the existing black list that was introduced by your party?

Senator IAN MACDONALD—No, with the proposed new arrangements.

Senator Conroy—The legislation to implement our filter is still under consideration following some further consultations that we are going through, but ACMA is not involved in that, as far as I know.

Senator IAN MACDONALD—Minister, rather than leaving it to somewhere else, where is the legislation?

Senator Conroy—Despite what you may read in the *Australian*, we are in the process of a final round of consultations about the transparency measure that we have been proposing to introduce as part of that legislation, so the legislation has not yet been finalised because of that consultation process. We would be looking to bring the legislation forward in the second half of the year.

Senator IAN MACDONALD—This is after the election and assuming you win the election?

Senator Conroy—If you know more about the election than I do, you are doing well.

Senator CORMANN—They're both from Queensland. He might!

Senator Conroy—It is entirely possible Senator Macdonald has more knowledge on this than I do, but at this stage I am not aware of a proposal—

Senator IAN MACDONALD—Is it your desire to have it done before the election?

Senator Conroy—I do not know when the election is going to be.

Senator IAN MACDONALD—This year.

Senator Conroy—We are intending to bring the legislation forward in the second half of the year, notwithstanding inaccurate articles in the *Australian*. We had hoped to bring it in in the first half of the year, but because of the interest around the consultation paper and the ongoing public debate we wanted to make sure that we consulted thoroughly on the

transparency and accountability measure. At this stage we anticipate having the legislation sometime in the second half of the year, but the date is subject to this ongoing consultation process.

Senator IAN MACDONALD—You are not giving away any secrets to say that really the end of June is the last effective date for parliamentary debate, and I assume you—

Senator Conroy—That is an assertion you are making.

Senator IAN MACDONALD—Let me put it as a question. You would not expect to have the legislation ready before 30 June?

Senator Conroy—No, as I have said, the second half of the year, which means from 1 July onwards.

Senator IAN MACDONALD—So, it will not be before the election. Mr Chapman, bearing in mind what the minister has indicated, has ACMA been doing any work towards the installation within Australia of an internet filtering service as proposed by the government in a policy sense? Have you been doing any work towards it?

Ms O'Loughlin—I will defer to my colleague Ms Booyar as well. We certainly are aware that currently we are enforcing the current legislative provisions under the Broadcasting Services Act, which allows for our material that we have found to be prohibited content to be passed to the filter providers, who provide those to people at no cost. We recognise that the move to mandatory filtering will require some significant changes to our current processes. The minister has indicated that the government has been consulting on transparency and accountability arrangements, and we have obviously been in discussions with the department about how those accountability and transparency arrangements would flow through if the government agrees to them. Certainly we have looked very carefully at some of our security arrangements for the list. When we move from a system that has been on a voluntary basis to a mandatory basis, we are aware that there will need to be stronger security around the list and how that is transferred to a larger number of ISPs. That is the type of background work that we have been doing.

Senator IAN MACDONALD—Do you advise the government on any impact that internet filtering might have on speed?

Ms O'Loughlin—No. The department has undertaken that research.

Senator Conroy—A company called Enex produced a report, which was published in December.

Senator IAN MACDONALD—What position in your organisation actually deals with the work that you have been doing in expectation of the—

Senator Conroy—Tragically, you do.

Ms O'Loughlin—My colleague Ms Booyar now handles that. I traditionally handled that. But it is done within a section that does content classification under the Broadcasting Services Act for both television and the online content scheme under the BSA.

Senator Conroy—This is the same section that is implementing the existing filter process and blacklist introduced by your government.

Senator IAN MACDONALD—Yes, a system that I and most people think is a very good one.

Senator Conroy—Ten years ago you introduced a blacklist.

Senator XENOPHON—My question is to ACMA and also to the minister. On 26 February the Prime Minister said he would consider creating the office of an online ombudsman. That was following concern about offensive material particularly on social networking sites involving the eight-year-old Bundaberg girl Trinity Bates, 12-year-old Elliott Fletcher and 15-year-old Townsville teenager Kirstin Degaura. More recently there have been images of Leanne Holland's corpse, who was murdered in 1991, as a 12-year-old. Can you tell us what work has been done or what communications you have had in relation to advancing the concept of having an online ombudsman to have an advocate for those families and for those who are concerned about this sort of content online?

Senator Conroy—Perhaps I could update you on the government's thinking. The Prime Minister, as you noted, committed on the *Sunrise* program to looking at the merits of an online ombudsman to address concerns regarding social networking sites. I think you have moved a motion to expand the terms of reference of the Joint Select Committee on Cyber-Safety to look at the merits of an online ombudsman. The government supported the motion and it was incorporated into the terms of reference. Senator Wortley is chairing that committee and the committee will examine the merits.

The government shares your concerns about offensive material being posted to social networking sites such as Facebook and the use of such sites to bully and harass. In response to these concerns the government is looking at building upon its current cybersafety initiatives to address serious issues which arise on social networking sites. This includes the consideration of an online ombudsman and also mechanisms to strengthen the existing cooperative arrangements with social networking sites. Children may not be sufficiently aware of the risks associated with using social networking sites and how to minimise these risks or who to contact if they do experience problems. We are in the process of working our way through that.

Senator XENOPHON—Can you give a time line?

Senator Conroy—We are working on it reasonably speedily.

Senator XENOPHON—In addition to the committee's work, what is the department doing?

Senator Conroy—We are interested in what the committee finds on it, but we are also looking to see whether we want to bring it in if we find that there is an overwhelming case for it, possibly prior to the committee finalising its report. We are looking at it. I would not want to put a date on it just at this point, but we are, like yourself, very concerned about this. The Prime Minister did indicate that we would look at the merits of it.

Senator XENOPHON—Perhaps if I could ask ACMA specifically in this context. I know the minister has dealt with that. Given that ACMA administers a coregulatory regime for online content and given some of the complaints about what is being placed on some of these sites—and I think the most recent one, the images of Leanne Holland's corpse—is dealing

with that material not something that falls within your jurisdiction? What powers do you have to deal with that sort of offensive material?

Ms Booyar—Yes, it does fall within our remit. If we receive a valid complaint, we will investigate that and, if the site is hosted in Australia, we will ask them to take down that site.

Senator XENOPHON—You said if you ‘receive a valid complaint’. Would it be defined as a valid complaint if there had been published either images mocking the death of someone or images of a deceased person who was murdered? Is that the sort of thing you would have jurisdiction to act on?

Ms Booyar—Yes. A valid complaint basically needs to have a name, a URL about which that person is complaining, and why they think it is prohibited content.

Senator XENOPHON—You may want to take this on notice. In terms of complaints that you have had, say, in the past 12 months, what volume of complaints do you get and under what circumstances do you act in relation to those complaints?

Ms Booyar—I can take that on notice in broad terms, but since the scheme was introduced we have had more than 10,000 complaints and we have actioned about 8,000 complaints in the last 10 years.

Senator XENOPHON—Can you indicate, if you go to a URL or if it is a social networking site, whether there have been instances where they have said, ‘No, we are overseas and we’re not interested’? Have you received a bit of recalcitrance from some of these sites in terms of taking action?

Ms Booyar—I am not aware of that. What I am aware of is that the social networking sites actually respond very quickly to that and in some of the recent cases they have taken those sites down before our own systems went into force.

Senator XENOPHON—Finally, I know the committee that is chaired by Senator Wortley is looking at this, but in terms of cases of bullying, do you have the ability to try and track down the sources, who the bullies are, even if they have used anonymous sites? Are there ways to try and at least pin down sources of the offensive or threatening material?

Ms O’Loughlin—We work very closely particularly with the AFP and state and territory police forces. If we find information from a complaint to us which is actually a crime scene, we report that directly to the police. I think you will also find that social networking sites tend to have usually quite cooperative relationships with police services as well. We do try and make sure when we are looking at content that we are not just looking at the content from the point of view of the online content scheme and our role in looking at prohibited content; we are also very well aware that in some cases these are crime sites, particularly when we are looking at child pornography. The quickest thing, and the best thing, we can do is to get that to the police services as quickly as possible.

Senator LUDLAM—I might just follow up in that vein. I am interested to know whether there have been any instances where you have felt the need to issue a take-down notice to an organisation such as Facebook, given that that material is hosted overseas. Is that the sort of thing that you do or is it only for Australian hosted sites?

Ms O'Loughlin—Facebook is overseas hosted, so we would not be issuing a take-down notice. We would be entering the URL, finding the URL's prohibited content and referring that to filter providers.

Senator LUDLAM—That is the current status quo. In the case of the sort of objectionable material that Senator Xenophon is referring to, would you communicate directly with Facebook in those sorts of instances, if the material is still there?

Ms O'Loughlin—As my colleague said, a lot of times we will find that the content may in fact have been removed by the time we even get to it, but we do find that in those circumstances there has usually been some communication between the general public and the social networking site and they have taken it on themselves to pull that content down. In some circumstances you will find that there has been some discussion between perhaps the police services and the social networking site or a discussion from us, and they will take the content down. A lot of times they do take it down themselves fairly quickly.

Senator LUDLAM—What about when they do not? I am aware of media reporting of material that stayed up for quite some period and the parents were unable to get it taken down. Have you ever been in the position where you or the department have intervened directly or are you saying that does not happen?

Ms O'Loughlin—Sorry, I missed that last bit.

Senator LUDLAM—In the event that the material stays up longer than that, have you intervened or do you intervene directly with a provider such as Facebook?

Ms O'Loughlin—Our role at that point would be to go through our processes of checking whether the content is prohibited content under our scheme. Where we find that, that would be referred to filter providers for, currently, voluntary blocking.

Senator LUDLAM—So you would not communicate directly with the providers?

Ms O'Loughlin—We do not tend to.

Senator LUDLAM—Can you tell us, under the system that we have currently with the blacklist, when you receive a referral from the public, how long does it take to get from the referral to the stage where it is being evaluated, refused classification and put on the blacklist for content?

Ms Booyar—When we receive a complaint it normally takes us one or two days to refer it—if we feel that that complaint is at the RC level or prohibited content level—to the Classification Board. It can take between five and 20 days for us to receive the classification. It would probably take around about 20 to 25 days.

Senator LUDLAM—What about in the event that ACMA judges the Classification Board would classify it as RC? Where you do not refer it on—and you are making a lot of these judgement calls yourselves—how long does it take to get on to the blacklist in that instance?

Ms O'Loughlin—That really depends on the complexity of the investigation. Some material—and we usually prioritise child sexual abuse material as priority 1—we will move through very quickly. Some other investigations might involve quite complex interpretation of

both the law and the material itself, and so it is difficult to say, but we do try and turn them around as quickly as we possibly can.

Ms Booyar—Where we have a clear indication of the material, we would do that within five days.

Senator LUDLAM—So one to two days for a referral to the board or in the event that you judge it does not need a referral because it is pretty obvious where it lies then it can take up to five days. As I usually do, I am just going to ask whether you can provide us with a breakdown of the current blacklist as it stands at the moment by category.

Ms Booyar—As at 30 April our current prohibited content list contains 1,421 URLs. Of those URLs, 54 per cent are refused classification items; 37 per cent are X18+ items; nine per cent are 18+ items, which are not subject to restricted access.

Senator LUDLAM—I would like to go to the 54 per cent, which is roughly 700 URLs, that are in the RC bracket. What proportion of those are related to children or child sexual abuse material?

Ms Booyar—Thirty-one per cent would be related to that.

Senator LUDLAM—At the risk of the minister tipping a bucket on me, is that the origin of the sorts of numbers that you quote around 355 child porn websites? Is that roughly the number?

Ms Booyar—At the moment it is 435.

Senator LUDLAM—It has gone up a little bit since that quotation. Can you tell me whether that is sites or URLs?

Ms Booyar—URLs.

Senator LUDLAM—How many sites does that refer to? Is that something that you would be able to break down?

Ms Booyar—I do not have that. We classify each URL. We look at each URL, not a website.

Senator LUDLAM—Is there a breakdown between what you know and what you can tell us or do you actually not know?

Ms Booyar—No.

Senator LUDLAM—That could all be one website for all we know, with a certain number of images on it?

Ms Booyar—They are not, but in theory it could be. It could be a number of related pages.

Senator LUDLAM—Without wanting to go too much further if you do not have this in front of you, can you take on notice whether that is information that you know? I am interested to know how many sites, rather than how many URLs or how many items, of the 435 that you just mentioned. Are you able to tell us now, on notice later in the day or when you are able to, how many websites that represents?

Ms Booyar—We will take that on notice.

Senator LUDLAM—I asked last time about turnover or residence time of the URLs, particularly referring to that portion of the blacklist, the 31 per cent or thereabouts. What can you tell us about how long that material is resident online?

Ms O'Loughlin—From memory, we took that on notice and I think there was a response provided. I am not sure that we have a copy with us, but we can certainly find that. The answer to the question was that it is not possible for us to know how long things take to turn over, but we will check our facts and come back to you on that.

Senator LUDLAM—My recollection is different. If you have a list of URLs—and I am not asking you to reveal them publicly, but you must be able to tell from month to month or however often you are scrubbing your list—

Senator Conroy—The possible problem is that they may not know the day they were put up and they may not know the day they are taken down.

Senator LUDLAM—Why would that be?

Senator Conroy—You just asked how long.

Senator LUDLAM—Surely they are recording that.

Senator Conroy—It is possible to tell when they were notified of it; they can count from that moment until perhaps when it is taken down.

Senator LUDLAM—That will do.

Senator Conroy—They would not necessarily know how long it was up there in totality.

Senator LUDLAM—That is fine. I am not seeking that, because I realise they are getting referrals from the public, which is not the same as when something first goes online. What I am wanting to know is when it is first going up on the blacklist to the point that it disappears because of law enforcement or for whatever reason it has gone. Are these the same sites that are hanging around for months and years at a time? You must be able to tell us what the turnover rate is on the blacklist rather than on the web itself.

Ms O'Loughlin—We advised that we do not have any automated monitoring of the URLs on the list, so it is difficult for us to do that breakdown. I can say that in general we review the list on a very regular basis, and so you will find that things come off, some material is not there when we actually go back to look at it, and other material may have been removed by the site owner when we get to it. We do not have an automated one and, therefore, it is difficult for us to give you any further detail on that.

Senator LUDLAM—This does sound a bit familiar from last time. Presumably, if you tapped the site again when you were in the process of reviewing the list and found it was not there, that URL would be removed from the list.

Ms O'Loughlin—That is right.

Senator LUDLAM—Are you tracking whether that item then pops up somewhere else?

Ms O'Loughlin—No.

Senator LUDLAM—Do you think it would be helpful to do that? My understanding is that—

Ms O'Loughlin—I am not quite sure how we would do that. Our role is to investigate complaints. If the URL disappears, we do not know where that content may pop up again. We do find, though, that some content does appear elsewhere and that we do receive a valid complaint about it fairly quickly.

Senator LUDLAM—That was my question. Would you be aware if the same item of material has disappeared from one place and popped up somewhere else?

Ms O'Loughlin—Only if a valid complaint was provided to us.

Senator LUDLAM—There are a couple of reasons where I struggle to understand why we do not know. I would have thought the actual residence time of this material would have been a very important thing to know, and the number of sites as opposed to the number of items is an extremely important piece of information. I realise we may not see another estimates session in the term of this parliament, but I would appreciate it if you could provide us with any further detail on those two questions. That would be really helpful. It is my understanding that if this goes to policy—and I am sure that the minister will take it—there is a proposal to establish a separate blacklist that would just accommodate RC material, that there would be material coming in from overseas lists of the IWF. Can you tell us whether you are involved in drawing up that new blacklist and give us an update as to whether you have been instructed to do that or whether that is awaiting legislation?

Ms O'Loughlin—That would be awaiting legislation.

Senator Conroy—By way of clarification, and to save some time for the officers, at the same time as a complaint may be received—and as you know there are a couple of different ways for things to be put on the list, one is individual Australians making a complaint and the other is notification from international agencies—or at the same time as they notify Australia that there is a site that should be on the blacklist they may also then, through other policing avenues, be able to get it successfully taken down. Hopefully that is how it works. Hopefully through international cooperation they are able to get them taken down fairly quickly.

Senator LUDLAM—That is what I am questioning.

Senator Conroy—I am just trying to understand this. When you say you do not know why you would not know something—sometimes even as it is advised to us as we are putting it up it could be coming down because policing agencies may have done something. In fact, there is a legitimate debate about whether or not you should leave it up for a few days to try to trace it before you actually knock it off. That is a really legitimate debate that I have heard two very different legitimate perspectives on.

Senator LUDLAM—Is that to see who is hitting the website?

Senator Conroy—Yes. You want to go after the people themselves, to possibly identify people who are accessing it as well as people who put it up. You may leave it up there a little bit longer so you can try to do that before you actually notify it for the blacklist and things like that. There are legitimate questions there about how to deal with that.

Senator LUDLAM—That is exactly why I am asking these questions. To me, the question of residence time or the churn rate on that list seems to be very important. Are these the same

400-odd URLs that I asked you about last time we were here in February and the time before that in October or has that list turned over in its entirety?

Senator Conroy—Obviously it has increased from the 355 that you heard me quoting probably about a month ago or even two months ago. You have the latest figure. As you can see, new sites have come along. Whether the original 355 I mentioned are all within the 400 or not, or there has been churn with some off and more new ones on—

Ms O’Loughlin—We can certainly try to give you some additional information.

Senator LUDLAM—I am looking for orders of magnitude rather than creating work for people unnecessarily. I would have thought it a very important question. Again, Minister, to pull you up on terminology, these are not sites we are talking about; they are items.

Senator Conroy—Yes, URL pages.

Senator LUDLAM—What I am after is how long they are actually there—whether we are looking at a complete turnover roughly on a weekly or monthly cycle whether some of this stuff is resident for years?

Senator Conroy—As you will remember famously from the dentist website and the dog grooming website, the material was removed after a period.

Senator LUDLAM—It was, and it was still on the blacklist incorrectly.

Senator Conroy—That is the existing blacklist in the existing system.

Senator LUDLAM—Yes. I think that is all I had for ACMA. Just to confirm, you have told us you are not currently working on anything relating to the new blacklist; you are awaiting legislation.

Ms O’Loughlin—Yes.

Senator WORTLEY—My questions are in relation to cybersafety. In response to questions on notice at the last estimates, ACMA stated that in 2009 there were 71,052 students, teachers and parents who attended one of the 150 cybersafety outreach professional development workshops or one of the 693 internet safety awareness presentations, and these workshops and presentations addressed various cybersafety issues, including cyberbullying, identity theft, inappropriate contact and exposure to inappropriate content. Are you now in a position to provide us with the number of schools that have participated in cybersafety programs? We have student numbers but not the actual school numbers.

Ms O’Loughlin—We have a broad range of programs that goes out to schools. In terms of the internet safety awareness presentations—and they are the general awareness presentations for parents, students and teachers—we have now had 978 events and that has covered over 100,000 attendees. That is for 2009 and 2010.

The other area where we touch on schools is the cybersafety professional development for educators workshop, and that is specifically professional development for teachers to get them up to speed on technologies and the messages for their students. We have had 191 of those events over 2009-10, and we have had 4,721 attendees at those professional development workshops.

Senator WORTLEY—In relation to the Cybersmart website, do we know how many schools are accessing the website and how many teachers are using the resources?

Ms O'Loughlin—We have had over 250,000 visitors to that website. We do not usually break that down into schools, but I do have a note that we received recently from an awareness presentation and professional workshop at an Adelaide school, which I think really is an example of some of the testimonials we are getting back from schools for those types of presentations. We had a note from them saying: 'Thank you so much for your presentation last night. It was so well received that every parent that attended has made comment to the principal on how worth while they found it. As a result of attending your cybersafety PD our network manager, technician and myself have begun to implement changes to the IT culture of the school community.' I will not read all of it, but it further states: 'Jonathon and I are grateful to the ACMA for the cybersafety training as it has been beneficial for us in ensuring the welfare of our students and staff here at Christie's Beach Primary School.' That is an example of a number of testimonials we get from schools on the value of the presentations we do. That the demand for these presentations is only increasing is another example of how well they have been received.

Senator WORTLEY—Do we have any statistics on the use of the online counselling resource for children? You can take that on notice.

Ms O'Loughlin—I know it has been quite well used. It is a little difficult to get the absolute numbers on it, because what we are finding is that children are perhaps going through our online counselling service, but we are also finding that they are going directly to Kids Helpline, which is providing that online service once they have left our site. I can take that on notice, but I would say to date we have been very pleased and encouraged by the take-up of young people of that really important counselling service.

Senator WORTLEY—Mr Chapman, we have heard recently about the opposition's proposal for a two-year freeze on Public Service for people who retire or resign. What sort of impact would that have on ACMA?

Mr Chapman—The ACMA is an organisation that continues to get new assignments, new work and new funding to do it. Ms O'Loughlin was just quoting an example of the exceptional results, to be honest, that I think we are getting in the whole cybersafety arena. It would obviously have an impact over time. I am very proud of the work we do. I think as part of our transformation program we are really striving to be a very active and agile organisation that is constantly responding to new challenges, and we have some critical skills in the organisation.

You heard earlier from Mr Tanner with respect to some of your questions about the very detailed engineering work we are doing in this digital space over the next couple of years, and just to come back to that I reiterate we have done 30,000 measurements so far in over 4,000 locations across Australia with a skill set that is very hard to get and it is an ageing skill set as well. A number of people do take the opportunity to retire before their 55th birthday. So, that is at the back of my mind when you ask me that question. Depending on where it impacts and what attrition you have it could have some quite strategic implications for us.

Senator CORMANN—I have one question on behalf of Senator Abetz. He submitted a question on notice on 15 March 2010 asking how many internet sites ACMA has banned, and he has asked for a comprehensive list of those websites and the reason that each had been banned. I am led to believe that there has been no answer forthcoming. Understandably Senator Abetz is wondering why it is taking so long and he is keen to get an answer ASAP.

Ms O'Loughlin—We are happy to take that—

Mr Chapman—I am sorry, which question was it?

Senator CORMANN—The question is: 'How many internet sites has ACMA banned? Please provide a comprehensive list of those websites and the reason that each has been banned.' As of this morning that question has not been answered for over two months since it was asked. Senator Abetz is understandably concerned as to why it is taking so long and would like an answer.

Mr Chapman—That is consistent with what I said; we are a very proud organisation. It is our understanding that we have responded to that question—

Senator CORMANN—If the answer has not made it to the Senate, that would be because it is in the minister's office; is that right?

Mr Chapman—I do not know. We will have to take on notice where it is at. I just want to let the senator know that from our perspective we understand that we have responded.

Senator CORMANN—So, it has left ACMA. The question now is where is it in the process? We will track that down.

Senator FISHER—In relation to digital radio rollout to regional areas, who is responsible for granting spectrum, the government or the individual providers?

CHAIR—Is this a long line of questioning?

Senator FISHER—It is looking like it. I did not think it would be. I thought the answer would be 'the government'.

CHAIR—Is the answer 'the government'?

Mr Tanner—The government may have roles in identifying the spectrum for digital radio.

CHAIR—We will break for afternoon tea.

Proceedings suspended from 3.49 pm to 4.06 pm

Senator FISHER—Mr Tanner, I think the question that you were proceeding to answer was: who allocates spectrum in the rollout of digital radio to rural and regional Australia?

Mr Tanner—We are in the process of licensing a couple of digital radio trials in regional Australia in Darwin and in Canberra, but they are just temporary trials. Decisions on the regional rollout of digital radio as a permanent thing have not yet been made. There is a statutory view which the minister has to undertake by 2011 into a series of options that the parliament identified surrounding regional radio digitalisation. So, apart from issuing those trial licences at the moment, ACMA will probably assist with any other trials that the industry wants to do; otherwise, I think we are waiting for the review.

Senator FISHER—When you say that the decisions are not yet made, do you mean that the decisions are not yet made as to who will allocate spectrum or the decisions have not yet been made as to who will get spectrum?

Mr Tanner—Decisions have not yet been made as to how and when it will proceed.

Senator FISHER—How and when what will proceed?

Mr Tanner—Digital radio in regional Australia. With digital radio in regional Australia, there is a start date which is for the minister to determine; such a date has not been determined. However, there is a statutory review, as I say, which is due in, I think, 2011.

Senator FISHER—So has it been decided who will allocate spectrum?

Mr Tanner—Whatever happens, we will be allocating the spectrum.

Senator FISHER—ACMA will be?

Mr Tanner—Yes—

Senator FISHER—Thank you.

Mr Tanner—because we are the government's planning and licensing authority.

Senator FISHER—You have mentioned the trials and that ACMA will be allocating spectrum. In respect of the Canberra trial, did ACMA allow the spectrum to be allocated for that trial to proceed?

Mr Tanner—It did, yes.

Senator FISHER—On what basis does ACMA allocate spectrum?

Mr Tanner—It allocates spectrum on a number of bases and for a number of good reasons. One reason that we—

Senator FISHER—Are they public?

Mr Tanner—Yes. Everything that we do is transparent.

Senator FISHER—Where are they public?

Mr Tanner—On our website, as a general rule, or they are in legislation. But we do have a set of guidelines around trials of new broadcasting technology and it is under those guidelines that we are enabling temporary access to certain channels in Canberra and Darwin for those trials to occur. Those guidelines are on our website.

Senator FISHER—So they are a little different from the ongoing criteria, are they?

Mr Tanner—They are different from ongoing; that is right. As yet, there has been no ministerial determination of a date for the rollout of ongoing digital radio in regional Australia to commence.

Senator FISHER—Thank you. There is one further question coming out of the earlier discussion about analog and digital and the coverage of rural and regional South Australia and Victoria. Indeed, to the extent they are determined by legislative instrument, switch-off dates have been determined. I am particularly interested in the broadcasting services simulcast period for Broken Hill, Mount Gambier and the south-east, Riverland and Spencer Gulf licence areas, and I have the number of the determination. But my understanding is that that

legislative instrument is still able to be disallowed by parliament, if parliament sees fit. My question is: on what basis is parliament equipped to decide whether it sees fit or not, given that parliament has not been provided with the results of the ACMA survey covering, in any detail, those areas subject to that legislative instrument?

Mr Tanner—ACMA is not responsible for the passage of that instrument through parliament.

Senator FISHER—I am sorry, Mr Tanner. I do not know whether I have a blockage, but I am having trouble—

Mr Tanner—I am sorry. That is not an ACMA instrument.

Senator FISHER—The survey that ACMA has said it carries out, which is subject to quarterly reporting in the departmental report—

Mr Chapman—Senator, perhaps I could assist regarding what the officer was suggesting earlier—and perhaps you did not quite pick this up, because he was speaking very quietly. We provide information to the department, which then makes the report that you are alluding to. What Mr Tanner was trying nicely to suggest was that the information that you are seeking is not information that is the preserve of ACMA to provide. We provide it to the government as advice, and that is not a matter that we can help you with further.

Senator FISHER—All right. Have you provided the government with advice as to the results of your coverage checks and surveys for the areas covered by Broken Hill, Mount Gambier and the south-east, Riverland and Spencer Gulf and subject to legislative instrument determination No. 1 2010?

Mr Tanner—I have already answered that question. We have, yes; they were provided to the department earlier this year.

Senator FISHER—All right. Then the rest of the question—

Senator Conroy—I am sorry. Perhaps you could help with this also: are you familiar with satellite technology?

Mr Tanner—I am probably not that familiar with it, actually, but we may have other people in the department—

Senator Conroy—I was just wondering whether or not you could confirm that—

Senator FISHER—Are you in opposition again, Minister?

Senator Conroy—No. I am just seeking to clarify in order to assist the committee.

Senator FISHER—Not before time.

Senator Conroy—Could you just confirm whether or not a satellite signal covers all of the landmass of Australia?

Mr Tanner—It would depend on the footprint of the satellite. The specifications are—

Senator FISHER—Check the answer to the question before you ask it, Minister.

Senator Conroy—If it is the same satellite as is already covering all of Australia?

Mr Tanner—My colleagues—

Senator FISHER—This is a career limiting—

Mr Tanner—assure me that it does in this case, yes.

Senator FISHER—answer, potentially.

Senator Conroy—I am sorry. I think Senator Fisher was speaking then, Mr Tanner.

Senator FISHER—I was.

Senator Conroy—Perhaps you would like to repeat that answer.

Mr Tanner—I think the answer is yes.

Senator FISHER—However, it is subject, Minister, to the vagaries of the ability of the individuals to pick up that signal, as we have discussed before. I do not see that that helps.

Senator Conroy—So are the vagaries of reception of analog terrestrial signals, Senator Fisher.

Senator FISHER—I have not suggested that it is not so.

Senator Conroy—I, myself, struggle to get ABC and SBS—

Senator FISHER—I have finished my questions, Chair—

Senator Conroy—and I live in Williamstown, which is five kilometres from the GPO.

Senator FISHER—but, if the minister wishes to regurgitate answers, that is his prerogative.

CHAIR—Are there any further questions for ACMA? If not, thank you very much.

[4.16 pm]

Department of Broadband, Communications and the Digital Economy

CHAIR—I now welcome officers of the Department of Broadband, Communications and the Digital Economy. We will commence with general questions of the department and then go to program 1.3, which is broadcasting and digital television. Does anybody wish to make an opening statement before I go to questions?

Mr Harris—I do not believe that we will be making an opening statement.

CHAIR—Thank you. I will go to Senator Cormann.

Senator CORMANN—Is this the area where I can ask questions about the review of anti-siphoning rules? Does that fit into cross-portfolio C or not?

Mr Harris—Yes.

Senator CORMANN—Are we any closer to actually getting a public announcement of some decisions from that review, Minister?

Senator Conroy—Soon.

Senator CORMANN—Can you be a bit more specific than ‘soon’ because there is a lot of concern in—

Senator Conroy—No.

Senator CORMANN—You have been telling people for some time now that it would be released in a few weeks.

Senator Conroy—No. It is a matter of ongoing discussion between stakeholders.

Senator CORMANN—I see that a decision has been made to allow SBS to broadcast World Cup soccer matches.

Senator Conroy—I trust that I have your full support in that.

Senator CORMANN—Indeed, you do. It is a very, very important sport. Like you, I very much enjoy watching soccer. However, there are other tournaments that I enjoy equally; for example, the Hopman Cup.

Senator CONROY—No; basically, it is chicken. You had the chance to bring the Hopman Cup up with Mark Scott and the ABC and you chickened out.

Senator CORMANN—The Hopman Cup, of course, has been put in a very difficult position, with the national broadcaster deciding no longer to broadcast it.

Senator Conroy—No. You had the chance to take on Mr Scott on that.

Senator CORMANN—It is very difficult, Minister. How do you expect TV executives and sports administrators to make decisions in the absence of some public certainty around the anti-siphoning rules review?

Senator Conroy—The official date that this has to be completed by is the end of the year. So, if we were to announce it tomorrow, we would be seven or almost eight months ahead of schedule. But we will certainly comply with the legislative requirements, and I hope that we are able to resolve these issues, finally, soon. But I can assure you that extensive discussions and negotiations are taking place constantly behind the scenes on many aspects of this. It is quite complex, but I am hopeful that we will be able to resolve this issue soon.

Senator CORMANN—Is it then not true to say that you told TV executives in March to expect the decision on the anti-siphoning regime in the next few weeks?

Senator Conroy—You should not believe everything that you read in the newspapers.

Senator CORMANN—That is why I am asking you. I am asking you, essentially, to tell me one way or the other.

Senator Conroy—It would be fair to say that there have been moments when I have felt that we have been close to resolving the issue and then I have received requests from various organisations to not make a decision until there have been further negotiations. This has been a matter of ongoing discussion with—I will not say quite ‘a moving feast of views’; but at times I actually have been asked to not make a final decision by some of those organisations that are referred to in the newspapers.

Senator CORMANN—Have you or, indeed, has the department received communications from major sporting codes that the lack of a decision is leaving the industry in limbo?

Senator Conroy—I will answer for myself in a moment, but I am not sure about the department at this stage.

Mr Harris—I am not aware of any such correspondence.

Senator CORMANN—So nobody has expressed a view to you about concern that this is creating unacceptable uncertainty? Nobody has raised that with you? Has anybody raised that with you, Minister?

Senator Conroy—It would be fair to say that there would be a general view from sporting organisations that resolving this sooner rather than later would be their preference.

Senator CORMANN—So which sporting organisations or which sporting codes—

Senator Conroy—I do not reveal private communications, Senator Cormann, and I am sure that you do not either.

Senator CORMANN—We know that SBS and soccer have been able to come to an arrangement, but what about some of the other sporting codes? Are you proposing to have ad hoc arrangements like that until you finally are able to make a decision?

Senator Conroy—We have said publicly that we would consider any individual approach on an individual sport on a case-by-case basis. The only sport or event that I felt a compelling argument for was the SBS coverage of the soccer World Cup.

Senator CORMANN—What criteria did you use to make that judgement?

Senator Conroy—I could take you through how the World Cup works, if you would like.

Senator CORMANN—I would like to know what sporting codes will be able to have the benefit of the same sort of discretion being applied by the minister.

Senator Conroy—One station, SBS, holds all of the rights to the World Cup. In connection with some matches, there are reasons to do with ensuring that there is no capacity to influence the outcome of other games—because they can be critical. If you know the result of a match played two hours beforehand, then it can affect the way a match is played. So this is the last match in the group stage of the World Cup. For reasons of fairness to all of the teams involved, they are staged at the same time; therefore, obviously it is not possible for them all to be shown on one channel at the same time. So, in my view, this was a one-off or a unique event and it merited a relaxation to allow those matches to be shown on SBS2 at the same time, providing that they were still shown—as they would have been originally—immediately after the completion of the first match. So the two matches in the group are shown straight after each other currently—and, in this circumstance, that is still the case; but the second match, which will be shown not live, will be shown on SBS2 live.

Senator CORMANN—That same argument could apply to a tournament like the Hopman Cup because they have a lot happening concurrently that could influence—as you put it—the way a particular match is approached.

Senator Conroy—Look, the Hopman Cup is a one-off event.

Senator CORMANN—And it is a small—

Senator Conroy—No, no; but I think it is an important one. I, like you, enjoy the Hopman Cup.

Senator CORMANN—It is no longer going to get coverage, unless you provide some certainty in terms of the anti-siphoning regime.

Senator Conroy—Was it not covered on Fox Sports this year?

Senator CORMANN—Not as I understand it. It was covered on the ABC for the last time this year.

Senator Conroy—I thought it was, possibly; I am happy to be corrected.

Senator CORMANN—I am happy to be corrected too. I watched it on the ABC when I did not go to watch it in person. It is very sad that in future we will no longer be able to watch it on the ABC, of course.

Senator Conroy—I am heartened to hear you say that. The Hopman Cup is an annual event; it does not fall into this category.

Senator CORMANN—Yes. But, just getting back to the actual question, you have been telling people for a couple of months now that the new regime, following the review, will be announced in a few weeks; and now you say ‘soon’. But, essentially, ‘soon’ is not going to be any time soon, is it? How soon is ‘soon’?

Senator Conroy—I am happy to put it in writing so that you have the word ‘soon’ as gospel.

Senator CORMANN—So what is the definition of ‘soon’?

Senator Conroy—We are not in the heat of passion at the moment and you are not a grocery clerk either.

Senator CORMANN—So is ‘soon’ six months? You mentioned seven months—

Senator Conroy—No. What I have said is that there is a legislative point at which a decision must be made and it will certainly comply with all existing legislation.

Senator CORMANN—But there are also expectations created by the responsible minister.

Senator Conroy—I am ambitious to resolve this so that all parties have certainty. But, at various stages, a number of parties have actually asked us—notwithstanding that we possibly had been about to make a decision—to hold off and have further discussions with stakeholders.

Senator CORMANN—So who has asked you to hold off?

Senator Conroy—I am not going to reveal private conversations, but the—

Senator CORMANN—But a lot of people are on the receiving end, in terms of uncertainty—

Senator Conroy—The list still keeps going until the end of the year.

Senator CORMANN—Well, for planning.

Senator Conroy—I am not sure whom you are referring to as being uncertain at the moment, Senator Cormann.

Senator CORMANN—So you do not think that people plan ahead with these sorts of things?

Senator Conroy—I do not know that anyone has planned which matches they will go to next year in the AFL.

Senator CORMANN—So nobody has raised with you a concern about the lack of certainty because—

Senator Conroy—No; that is not what I have said at all. I have said that a number of organisations have raised with me that they would prefer it to be resolved sooner rather than later.

Senator CORMANN—But you have just said that it does not matter because it does not come into effect until next year, anyway. What is it? Is it that we have to have it soon, in the next few weeks, or is it—

Senator Conroy—No. A number of organisations would like to engage in negotiating sporting rights; that is not a lot of people but a number of organisations.

Senator CORMANN—It impacts on a lot of the public if that—

Senator Conroy—Yes. But none of those new rights will come into effect in the next few weeks; they are future years ahead in some cases. So ordinary Australians who are able to plan quite well for the rest of the year are under no confusion about what it is that they can or cannot see. It is a fair argument to say that, if we could resolve this sooner rather than later, it would make everybody happy, including me.

Senator CORMANN—Not everybody, because you are saying that people are asking you to hold off.

Senator Conroy—No. I am saying—

Senator CORMANN—I would be interested to know who is asking you to hold off because—

Senator Conroy—I am sure that you are interested.

Senator CORMANN—Everyone would be happy if it—

Senator Conroy—I am always interested to know who gives you information when you ask about it at Senate estimates, but I am sure that, if I asked you, you would not tell me either.

Senator CORMANN—I can tell you; I am very happy to do so. There are a number of articles in the *Australian Financial Review*—

Senator Conroy—You have read it in the newspaper.

Senator CORMANN—That is part of it. A number of articles talk about the fact that, back in March, it was all going to be done and dusted in a few weeks.

Senator Conroy—Have any organisations contacted you to express their—

Senator CORMANN—As a matter of fact—

Senator Conroy—Who?

Senator CORMANN—Obviously people connected to the Hopman Cup; that is one of the organisations that has expressed concern because it does generate, at a difficult time, a significant degree of uncertainty for it as it tries to set itself up for its long-term future; there are others too. I guess that I ask you the question—

Senator Conroy—Can I say to you seriously that I have not heard from anyone from the Hopman Cup? I would welcome an approach to hear their view.

Senator CORMANN—I will make sure that I generate that approach, and I am sure that you will look after them in the same way in which you have looked after the soccer.

Senator Conroy—They should get in touch with Mr Toby Norton-Smith in my office.

Senator CORMANN—That is very good, and I am sure that he is going to ring back very quickly. So you do not take the view then that not resolving this at this point in time has an impact on how much money particular sports can generate, which then, in turn, impacts on grassroots development of sport?

Senator Conroy—My job is to make public policy based on what I believe is in the best interests of all Australians.

Senator CORMANN—And you do not think the grassroots development of sport is in the public interest?

Senator Conroy—My job is not to make decisions based on what is in the best commercial interests of any organisation; that is the purview of your party, Senator Cormann.

Senator CORMANN—You give special deals to people rather than make a strategic public policy decision, Minister. However meritorious special deals might be, that does not take away from the fact that the reason you had to give a special deal is that you have not been able to make a decision, even though you have been saying for some time now that a decision would be forthcoming in a couple of weeks.

Senator Conroy—Senator Cormann, could I just say: you do know what the anti-siphoning list is, don't you?

Senator CORMANN—I do know, indeed.

Senator Conroy—Could you tell me if the Hopman Cup is on it or not?

Senator CORMANN—If you want to be in opposition and ask the questions—

Senator Conroy—Could you tell me if the Hopman Cup is on the anti-siphoning list?

Senator CORMANN—If you want to be in opposition—

Senator Conroy—Do you know?

Senator CORMANN—I will start answering questions when I am sitting over there.

Senator Conroy—Do you know if it is on the anti-siphoning list?

Senator CORMANN—If I am the minister, I am going to start asking questions.

Senator Conroy—Perhaps I can update the committee. The tournament that Senator Cormann is asking about and that is suffering all this confusion because of the anti-siphoning list deliberations is not actually on the anti-siphoning list. So there is no uncertainty for the Hopman Cup tournament—

Senator CORMANN—So why does Tennis Australia think—

Senator Conroy—Because it is not actually on the list.

Senator CORMANN—So why would Tennis Australia then be of the view that they cannot make a deal with Channel 7, because of uncertainty, in the absence of you, Minister, having made a decision on the anti-siphoning regime? Would you explain that to me?

Senator Conroy—Okay. There are two things. Firstly, the Hopman Cup is separate from those negotiations that Channel 7 is referring to. So, again, the Hopman Cup is not actually on the anti-siphoning list.

Senator CORMANN—Sure.

Senator Conroy—Therefore, any deliberations about the anti-siphoning list cannot affect the Hopman Cup. Secondly, just in case you have not been told yet, the current contract between Tennis Australia and Channel 7 runs until 2015. I am not sure that they are in any great danger of being confused in the near term; maybe in five years time.

Senator CORMANN—I suggest that you have a conversation with them. Obviously, you are not taking very seriously some of these concerns that are being expressed, Minister.

Senator Conroy—The Hopman Cup is not on the anti-siphoning list.

Senator CORMANN—I did not suggest that it was, but it is—

Senator Conroy—You suggested that they were being held back and were confused.

Senator CORMANN—No. I am suggesting that you made a promise in March that a decision would be made about the anti-siphoning law regime.

Senator Conroy—No, I did not make a promise.

Senator CORMANN—So you did not say that the decision was going to be made—

Senator Conroy—I said ‘hopefully, soon’—

Senator CORMANN—In a few weeks time?

Senator Conroy—‘In a few weeks time.’ That is not a promise that it was going to be made in March. Do not try to put words in my mouth; they are perfectly—

Senator CORMANN—No. So how many weeks is ‘a few weeks’, Minister?

Senator Conroy—As I said—

Senator CORMANN—Is 52 weeks ‘a few weeks’?

Senator Conroy—Subsequent to that statement, a number of organisations then asked me not to make a final decision so that I could consult further. In the spirit of wanting to consult extensively and to make sure that the sector is completely aware of all of the discussions, I have been consulting further at the request of a number of organisations.

Senator CORMANN—But you are not prepared to tell us which organisations have asked you to delay the decision—

Senator Conroy—You have not been prepared to tell me who gave you your information.

Senator CORMANN—So do we expect a decision before the election, or is this going to be in the post-election too-hard basket?

Senator Conroy—Hopefully, soon.

Senator CORMANN—You say how this is not having any impact and you are sort of downplaying the importance of—

Senator Conroy—The tennis contract runs until 2015. You have cited tennis—

Senator CORMANN—Okay. Let us leave it aside.

Senator Conroy—And the Hopman Cup is not on the anti-siphoning list. So, as for the two events that you are describing—

Senator CORMANN—I suggest that you have a conversation with the organisers there.

Senator Conroy—Neither is affected.

Senator CORMANN—I suggest that you get yourself across the way your lack of a decision is impacting on them. Are you concerned that the delay—

Senator Conroy—I suggest that you get yourself across what is on the anti-siphoning list.

Senator CORMANN—Are you concerned about how the delay of your announcement is providing massive uncertainty and frustration regarding the next AFL rights agreement?

Senator Conroy—As I have said, I am aware that a number of organisations would prefer a decision to be made sooner rather than later.

Senator CORMANN—I am going to move on because we are going around in circles. I know that you are prepared to offer special deals, but you are not prepared to make a decision, even though for some time now you have been promising a decision ‘in the next few weeks’. Does anybody else have questions on anti-siphoning?

Senator Conroy—Quickly—he has run out of them.

Senator CORMANN—I will move on to the next thing, the TV licence fee rebate. Can somebody from the department perhaps just summarise for us the stated objectives of the rebate?

Dr Pelling—The objectives were set out in the minister’s press release.

Senator CORMANN—Is that where he said—

Dr Pelling—It is where he was referring to Australian content.

Senator CORMANN—So this is:

The Government will protect Australian content on commercial television by offering licence fee rebates to broadcasters in 2010 and 2011 ...

Dr Pelling—Yes.

Senator CORMANN—That is the objective. ACMA tells us that there has not been one incident for at least a decade—as far as I can remember, and they are checking it on notice—where any free-to-air commercial network has fallen below the 55 per cent Australian content requirement. What problem is the government trying to address?

Senator Conroy—That is a policy question, which is probably more appropriately addressed to me.

Senator CORMANN—No, I want an explanation of policy, not just a slogan. I want to understand whether the department has provided—

Senator Conroy—Firstly, all questions are actually to me and then I pass them on, if needed, so let's just clear that up. But you are now asking the officer to give you a justification of policy, which is more appropriately a question for me anyway. As I have said—

Senator CORMANN—Every opening statement by the chair says that questions to officers are quite appropriate when it comes to explanations of policy.

Senator Conroy—And I can choose to take them or not take them at any stage.

Senator CORMANN—Yes. Go for it.

Senator Conroy—As I have said many times, the pressures on the free-to-air TV sector have been quite significant. There is a combination of pressures across the free-to-air networks: there has been a cyclical pressure due to the global financial crisis and there has been a more structural change that has been taking place for a whole range of factors.

Senator CORMANN—According to whom?

Senator Conroy—According to people as 'irrelevant' as Rupert Murdoch, who has stated publicly that the business model of free-to-air networks is broken. He may know something about it. I do not know whether you have heard of him. Tony Abbott has met him though, just so that you know. But Mr Murdoch himself has stated that the free-to-air business model is broken, as have a whole range of other executives, and I have quoted them—

Senator CORMANN—Other interested parties—

Senator Conroy—Even, I think, the COO of News Limited. I could be doing him a disservice and it may be the CFO, but I have quoted in the Senate another very senior News Limited executive, so you can check the *Hansard*.

Senator CORMANN—So a number of interested parties have said, 'We've got a worry; we're worried about the'—

Senator Conroy—No. The point I am making is that I am drawing on somebody outside the free-to-air networks to make the point, when you say 'who'. So I am drawing on people who have a long and deep understanding of the media sector and who are not, if you like, partisans on behalf of the free-to-air networks. If you look at what is happening to advertising in the free-to-air world, you will see that there has been a dramatic shift of advertising online, and that is something that is going to continue to grow. So the free-to-air networks have been caught by a combination of cyclical structural change and the fact that the costs of producing Australian content continue to rise.

You might have heard me talk about the cost of producing, say, an hour of *Underbelly*, which can be around \$800,000 to \$900,000 per hour, compared to the purchase of an hour's worth of, say, *Two and a Half Men*, which is a very popular American sitcom that rates very highly here in Australia. So that is \$800,000 to \$900,000 versus \$100,000. So enormous cost pressures are coming to bear on the Australian free-to-air broadcasters, and we make no apology for wanting to protect Australian content to ensure that quality Australian content can be produced.

I have wanted to avoid this, but you keep making references. Perhaps you would like to read the comments of Mr David Gyngell, the CEO of Channel 9. He is actually in the *Australian* today; it has an article in which he talks about all of the Australian production that is coming on stream, which has been encouraged by the government's positive attitude to protecting Australian broadcasting—and the government will continue to protect Australian content on commercial television.

Senator CORMANN—Minister, what evidence do you have that those networks would not have complied with the Australian content requirement, just as they have every single year over the last decade? What evidence do you have of that, moving forward, given the conditions of the broadcast licence that were there?

Senator Conroy—There has been a major shift—

Senator CORMANN—Is that none?

Senator Conroy—in the revenue available because it has gone online. So, at a time when expenses are increasing and revenue is decreasing, you do not need to be a rocket scientist to work out that there is a permanent shift taking place in consumption of media worldwide. Rupert Murdoch acknowledges it—one of the main competitors of the free-to-air network. As I have said, he has stated publicly that the business model is broken. So the government is responding both to the pressures that exist today and with the advent of the National Broadband Network, which will mean that enormous further competitive content will become available through IPTV. Already, thanks to the Australian Broadband Network, we have seen a new organisation called FetchTV establish itself and announce that it will be providing IPTV as a competitor. So you have a situation where a whole range of factors have influenced the government's thinking. To give you—

Senator CORMANN—So just on the government's thinking—

Senator Conroy—No, perhaps I can finish. Look at what has happened in the market, say, in the UK. The UK reduced licence fees paid by commercial television broadcasters. In the UK, commercial broadcasters now pay an average licence fee of 1.475 per cent of revenue compared with an Australian average of around 7.7 per cent. Also, importantly, at the same time as the UK licence fees were cut in 2005, it also reduced local content requirements for commercial television, leading to a decline in local production. The Australian government has no intention of doing the same.

So we are looking ahead. We have recognised this worldwide trend that has been publicly advocated by competitors of free-to-air networks, like Mr Rupert Murdoch, and we recognise that all of these competing pressures are coming to bear. If we wanted to protect Australian voices and tell Australian stories on free-to-air networks, then we needed to begin a process of review—and that is exactly what we have put in place: a two-year cut, and a review in the third year.

Senator CORMANN—Given that the free-to-air commercial networks are under so much financial pressure that the taxpayer has to give them a rebate of \$250 million, would you then expect those free-to-air commercial networks to have a profit that is less than the superprofit of six per cent?

Senator Conroy—Look, you might want to try to tie this debate to another debate—

Senator CORMANN—Where does the subsidy from the taxpayer become inappropriate?

Senator Conroy—Now you are actually asking me—

Senator CORMANN—What sort of return makes it an inappropriate—

CHAIR—Senator Cormann, let the minister answer the questions.

Senator Conroy—You are now trying to tie together two completely separate sets of circumstances, and I think it is entirely fair for Australians to expect a fairer share of tax revenue from the mining sector. I think it is entirely appropriate for Australians to expect a fairer share than they have been getting. That is acknowledged by the mining companies themselves. That is even acknowledged by Mr Colin Barnett from your own state.

Senator CORMANN—So you would not be concerned if, having collected the \$250 million taxpayer funded TV licence fee rebate, commercial TV free-to-air networks were to make profits above six per cent, including through the courtesy of the taxpayer? That would not be something that would concern you?

Senator Conroy—They are not being given their raw material for free. There is a very big difference. I know that you have struggled with this, Senator Cormann—

Senator CORMANN—They are making a judgment on whether—

Senator Conroy—but, you see, when you get granted those minerals, you get them for free. Then there is a royalty issue from the state governments.

Senator CORMANN—They do not get them for free at all.

Senator Conroy—There is a royalty.

Senator CORMANN—They do not get them for free; that is complete bullshit, with all due respect.

CHAIR—Senator Cormann!

Senator Conroy—Australians are entitled to a fairer share of the revenue from the profits that have been made in the mining sector, and I completely support that. If you would like to talk about this portfolio, I am happy to do that as well.

Senator CORMANN—I am talking absolutely about this portfolio in making—

CHAIR—Senator Cormann, can I just point out that we are supposed to be in general questions to the department. You have launched into program 1.3, which is fine. I just need to clarify: are there general questions of the department? If not and we are in program 1.3, I would like other senators who wanted to ask questions about those issues to be aware of it so that they can bring themselves here.

Senator CORMANN—If I can just conclude this—

CHAIR—You can.

Senator CORMANN—We will not have to worry about it afterwards. I did ask whether I could ask questions about the TV licence fee rebate and—

Senator Conroy—That would be just what we are here for, so ask away.

Senator CORMANN—Excellent. So, Minister, in making your judgment as to whether it was appropriate to implement this TV licence fee rebate—and you say that it is on the basis of financial difficulties encountered—

Senator Conroy—No. I said that there are two issues. Do not try to verbal me. I said that there is a cyclical issue, which is the global financial crisis, and there is a structural change that is taking place in the market, which is readily acknowledged across the globe.

Senator CORMANN—So, as part of your assessment of the environment in which free-to-air TV commercial networks are operating, did you assess their historical levels of profit or return in coming to your conclusion?

Senator Conroy—I was aware of the levels of profitability of the sector in earlier years; but what you just continue to completely ignore is the structural change in the advertising dollar movement. The advertising dollar follows eyeballs, and eyeballs have moved online particularly rapidly in the last few years. Also, with the advent of the National Broadband Network becoming a reality, despite the stone age approach taken by your party, it means that pressure will intensify. Advertising dollars follow eyeballs.

Senator CORMANN—Sure. So I understand you to be saying—I do not mean to verbal you; I am trying to understand what you are saying—that your expectation is that profitability of this sector would have reduced moving forward, if the government had not taken the actions that you have taken. Is that a fair way of describing what you have just said, Minister?

Senator Conroy—I am not sure. Would you like to repeat that? I do not want to verbal you, so I just want to—

Senator CORMANN—Okay. Let me just be clear on understanding what you are saying. Are you saying that the TV licence fee rebate became necessary because, for a whole range of reasons—you have described them—your expectation was that the profitability of the free-to-air commercial TV network sector was going to reduce in the years ahead, given the range of—

Senator Conroy—No. I said that there has been a cyclical—

Senator CORMANN—Yes, a structural change and a global financial downturn.

Senator Conroy—and a structural change. Perhaps I can just correct you. I have lost count of the number of times today that you have made this mistake but, if you check Budget Paper No. 2, page 8, the rebate is \$209 million and not the \$250 million that you have bandied about for most of the day. As for the question about the profitability of the sector, in the past, at times, it has been in the half-a-billion-dollar range upwards per company. But I think no-one in the marketplace today would suggest to you that they are going to return to the levels of profitability they were at 10 years ago or even five years ago. Does that mean that their profits are going to continue to decline from where they were last year? No. But dollars follow eyeballs and there has been and is continuing to be a structural shift in where the advertising dollar goes. If you want to ignore that, that is fine for you, Senator Cormann; but we recognise that this shift will continue to accelerate, particularly with the advent of the National Broadband Network.

Senator CORMANN—I think you are making a business judgment on behalf of commercial organisations here. Given that there is a taxpayer subsidy—

Senator Conroy—I think Rupert Murdoch has called it.

Senator CORMANN—Given that there is a taxpayer subsidy involved, if the profits were to be above six per cent consistently, would that lead you over the next two years to continue a rebate—

Senator Conroy—As I have said, you are trying to tie together two debates.

Senator CORMANN—It is a reasonable—

Senator Conroy—One is your indefensible position of not wanting Australians to be better off because of the excess profits or superprofits that have been made in the last few years, even though that view is not shared by Mr Colin Barnett, the Premier of your state.

Senator CORMANN—You are verballing him and you know it.

Senator Conroy—No, I am not verballing him at all. If you are not careful, I will read from the *Hansard* the comments that he made recently about his last beach holiday; you should go and check that for yourself. But Mr Barnett is on the public record as believing that Australians deserve a fairer share. If you want to bring that debate into this debate, that is okay—

Senator CORMANN—No. I am focused on the TV licence fee rebate—

Senator Conroy—and you can waste the committee's time.

Senator CORMANN—Because Australians, of course, are now—I will take and use your figure—\$290 million worse off—

Senator Conroy—Thank you for getting the figure right.

Senator CORMANN—as a result of the decision that you have made to grant a TV licence fee rebate. My question—and it is a legitimate question—is whether that is justified. Perhaps I can move on now and ask: what are the specific benefits to taxpayers in relation to unit costs of transmission facilities, location of infrastructure et cetera? Is there any specific taxpayer benefit linked into the—

Senator Conroy—I think you read out the title of the press release, didn't you?

Senator CORMANN—No. I read out that part where you said:

The Government will protect Australian content on commercial television by offering licence fee rebates to broadcasters—

even though there was no problem.

Senator Conroy—The fact that you have such a short-sighted view of the structural changes that are occurring in the media sector, Senator Cormann, is perhaps your failing and not everybody else's. But we have recognised that a permanent change is occurring: dollars are following the eyeballs. That is a permanent ongoing shift and we are getting ahead of the curve; and we make no apology whatsoever for protecting Australian content and the quality of Australian content.

Senator CORMANN—So that is the only tangible benefit, even though no new local content requirements are attached to the rebate; is that right?

Senator Conroy—As I have said—I have said this many times; I have said it in the chamber, I have said it to Senator Minchin and I have said it to you already today—this is recognition of what is occurring in the real world in that the advertising dollars are following the eyeballs; the eyeballs are going online. There will continue to be growing pressures because of the increased costs of Australian content versus overseas content. I cited the example earlier of *Underbelly* and *Two and a Half Men*. If you cannot see that there is a significant cost imbalance then I cannot help you much more, Senator Cormann.

Senator CORMANN—So can somebody perhaps explain for me the methodology you used to arrive at the timing for the rebate payments? How did the government arrive at a 33 per cent rebate figure in year 1 and a 50 per cent rebate figure in year 2?

Senator Conroy—Following discussions with the sector.

Senator CORMANN—What, you put a thumb in the air and the sector said, ‘We need 33 per cent in year 1 and 50 per cent in year 2?’

Senator Conroy—No. Perhaps I am being a little unkind to the sector, but it would be fair to say that actually at one stage they even asked for the abolition of the licence fee rebate.

Senator CORMANN—So you said, ‘We cannot quite abolish it, so we will give you a third and then a half.’ Is there some science behind this, or is this—

Senator Conroy—As we have said, we are going to hold a review in two years time to see whether or not we do so and, if not, what the basis of the ongoing licence fee should be. But, in the short term, we looked at a third and 50 per cent.

Senator CORMANN—Who made the decision? Was that a personal decision that you made, or was it a cabinet decision?

Senator Conroy—It was a cabinet decision.

Senator CORMANN—So it went through the proper cabinet process, did it?

Senator Conroy—It went through the cabinet processes.

Senator CORMANN—I might leave it there at this stage.

CHAIR—Thank you. Are there any general questions of the department?

Senator LUDLAM—Under general questions, can I ask you about the net filtering program?

Senator Conroy—Sure.

Senator LUDLAM—I put a couple of specific questions to ACMA previously, but I can put a couple of general ones to the department. I think somebody put a question about this to you earlier, Minister. Can you just update us on the status of this proposal and set to rest any ambiguity around whether it has been dropped at all or will be legislated—

Senator Conroy—As I said earlier, you should not always believe what you read in the *Australian*.

Senator LUDLAM—You do not have to worry about that.

Senator Conroy—I am actually sure that you did not fall for that one. We have said that we are still finalising ongoing consultations around the transparency mechanism. We hoped for that to be completed in the first half of the year to allow drafting of the legislation to be completed, but we have not been able to finalise that consultation. We wanted to make sure that we could not be accused of not consulting fully. So legislation will be introduced, once the drafting is complete, and that is likely to be in the second half of the year.

Senator LUDLAM—When you refer to consultations around the transparency measures, is that in consequence of the discussion paper that you released?

Senator Conroy—Yes.

Senator LUDLAM—Some other consultation is going on, isn't there—this sort of a secret squirrel committee of ISPs that was reported on?

CHAIR—Can I just clarify with the department: is this a general question to the department, or is this properly in 1.2?

Senator Conroy—I probably need to pass over to my favourite secret squirrel!

Mr Rizvi—Yes. Abul Rizvi, Deputy Secretary.

Senator Conroy—Otherwise known as 'secret squirrel'!

Mr Rizvi—I think filtering comes under program 1.2.

Senator LUDLAM—I have asked about this stuff in general questions before. I can stay up all night—whenever.

Senator Conroy—I have no difficulty with the questions being asked, but I am aware that you are trying to be fair to all the other questioners. If we move to programs then we move from 1.1.

Senator LUDLAM—I am in your hands, Chair.

[4.54 pm]

CHAIR—I would just like to clear the general questions to the department; it seems that they are about staffing numbers, budget cuts and stuff like that. Are there any questions like that? As there are no questions like that, we should go to program 1.3 Broadcasting and Digital Television, as per the program. 1.3 includes things like digital television switchover. Can we get back on track here? Are there any questions in 1.3?

Senator LUDLAM—What happened to 1.2?

CHAIR—We will go 1.3, 1.2 and 1.1.

Senator FISHER—Earlier we heard from ACMA and, in the context of rollout of digital radio to rural and regional Australia, ACMA referred to a review that is underway. What is that review of?

Senator Conroy—I think they said that there was a review due by 2011.

Senator FISHER—That is part of what I am asking. What is that review, Minister? What are you reviewing? Who is doing it? What are the terms of reference?

Senator Conroy—We probably have not started it yet.

Dr Pelling—You might be referring to a review of the local content and local presence requirements; is that right?

Senator Conroy—Perhaps you could clarify, just generally, which review it is; there are a number of them.

Senator FISHER—In the context of asking about the rollout of digital radio into rural and regional Australia and the responsibilities for allocating spectrum, Mr Tanner referred to a review occurring and—paraphrasing his answer—he said that decisions had not yet been made because there was a review happening. That is news to me. Beyond that, I am not sure what review I am asking about.

Dr Pelling—As part of the consideration of the rollout of digital radio in regional Australia, there is a review into appropriate or alternative technologies to the current technology which is used with digital radio; that has to be done by 1 January 2011. So we are starting the process of preparing for that.

Senator FISHER—It is a review into what?

Dr Pelling—Technologies suitable for digital radio, particularly in the regions.

Senator FISHER—Is the department doing that review?

Dr Pelling—Yes.

Senator FISHER—Has it started?

Dr Pelling—We are just in the preliminary stages of thinking about the issues that it will cover.

Senator FISHER—So you have not issued terms of reference for the review.

Dr Pelling—No.

Senator FISHER—That review is due to be completed in January 2011, is it?

Dr Pelling—Yes.

Senator FISHER—In respect of the department's quarterly reports tabled in parliament and also those quarterly reports covering coverage in rural and regional Australia of broadcasting services, ACMA does the survey of coverage et cetera; we heard from ACMA that they provide that information to the department. I am of the view that certain information, but not particularly detailed information, has been tabled in respect of, for example, rural and regional South Australia and Victoria. Is that a fair reflection; and, if so, why isn't there more detail about rural and regional South Australia and Victoria?

Mr Townend—The report that I presume you are referring to is the black spots report, which follows the requirements of the act and the amendment to the act when it is passed. So we are actually providing the information that was requested of us.

Senator FISHER—By whom?

Mr Townend—By the parliament. If you require particular concerns or issues to be addressed, it might make it easier to answer your questions.

Senator FISHER—All right. I return again to the legislative instrument entitled ‘Broadcasting Services: Simulcast period for the Broken Hill, Mount Gambier and South East, Riverland and Spencer Gulf licence areas’. My understanding is that that legislative instrument is still within the requisite time frame for parliament to disallow it and to disallow, effectively, the switch-off dates that are encapsulated in it, if parliament so wishes. My question is: on what basis is parliament able to make an informed decision about that switch-off date, when parliament has not been provided with sufficient information about all the areas to be covered by that legislative instrument? In other words, what will they get when they are switched off? How is parliament supposedly across the information it needs to decide that those areas will be looked after, if that switch-off date proceeds as contemplated in the disallowable legislative instrument? Minister, you could answer the question yourself, if you would like to.

Senator Conroy—We just have to clarify some information.

Senator FISHER—Sure.

Senator Conroy—I think the question was: what signal will they receive?

Senator FISHER—No. It is: how is parliament supposed to know? On what basis is parliament equipped to judge?

Senator Conroy—As I think I have explained a couple of times to you, we have this marvellous new invention called ‘satellite’ that will be broadcasting a satellite signal to every Australian, if they have the requisite equipment; that will provide all channels and local news. So, even if a catastrophe occurs and every terrestrial broadcaster’s mast falls over and cannot be used, Australians now will still have access to television. Also, for the first time, every single Australian will receive the same number of services, which is a first—as compared to what we inherited 2½ years ago. So, when you ask a question like, ‘What signal will they receive?’ it is a little hard to answer your question because there is a satellite signal. But Mr Townend might hopefully—

Mr Townend—I can provide various bits of information in relation to South Australia, if that will help. First of all, I could refer to information from the Digital Tracker, which is the quarterly survey that we have been running now since the start of last year. The state of digital take-up in South Australia is as follows: in the Mount Gambier and south-east part of South Australia, there is a 95 per cent awareness of the switchover and an 81 per cent of conversion; in the Riverland area, 97 per cent of households are aware of the switchover and 80 per cent of homes have converted; in the Spencer Gulf area, 97 per cent of homes are aware and 69 per cent have converted; and in the Broken Hill area, which obviously is part of New South Wales, 96 per cent are aware and 66 per cent of homes have converted. That is in the Digital Tracker. The headlines have already been published and the main report will be published shortly. I think another pertinent fact that would help the committee in relation to South Australia is also the situation as regards self-help sites. There are a limited number of self-help sites in the three parts of South Australia which are switching on—

Senator FISHER—Before you go to that, how has the department concluded—this might sound dumb—that people are aware?

Mr Townend—We are running a Digital Tracker Survey, which is conducted by Newspoll; that is a telephone based survey. This is published on a quarterly basis. The full details of the questionnaire that underpins the Digital Tracker are published each time with the Digital Tracker, and there are a series of questions in there that are designed to test people's awareness of the forthcoming digital switchover.

Senator FISHER—So do you judge them aware simply because they have been telephoned by your surveyor?

Senator Conroy—No. We have a national advertising campaign going.

Mr Townend—We have raised awareness through the national advertising campaign. The Digital Tracker contains a detailed set of questions, which are designed by Newspoll, on our behalf, to test people's awareness of digital switchover.

Senator FISHER—Thank you. So there is still—particularly, for example, in the South Australian electorate of Grey, presided over by my good colleague Rowan Ramsey—a fair bit of uncertainty about—

Senator Conroy—Then perhaps you should stop confusing them; although, perhaps to be fair, you were successful in resolving the Yankalilla issue. Can I just clarify? Was it you or Mr Briggs who was actually responsible for getting the confirmation? I saw two press releases and you both claimed credit.

Senator FISHER—It is good that you have helped, Minister. It is very good that you—

Senator Conroy—Thank you. I thought the mayor said that I helped, but I thought you both claimed credit. I did not want to get into a South Australian faction fight. Which factions are they in? Is Briggs in your faction, Senator? I know that Mary Jo is.

Senator FISHER—We happily play in the same team, Minister.

Senator Conroy—Yes; so Isobel keeps telling everyone.

Senator FISHER—Yes; and do not kick own goals. As I understand it, Southern Cross Broadcasters in South Australia currently have two licences and they have agreed to broadcast all commercial stations plus eventually the three commercial HD channels. Is that information within your knowledge?

Mr Townend—Executives from Southern Cross have, indeed, told the public in their areas that it is their intention to launch all of their digital services terrestrially; that would be in particular in Broken Hill and in the Spencer Gulf areas, in which they have licences. We also are aware that WIN, who have the commercial licences for Mount Gambier and the Riverland, have expressed similar desires. There are continuing discussions between government and the commercial broadcasters in those areas, with a view to exploring options by which they may make the full suite of commercial services available terrestrially. The full suite of commercial services are, of course, available via satellite.

Senator FISHER—Yes. So what will happen if Southern Cross chooses not to broadcast those extra channels?

Mr Townend—The legislation which is before the parliament at the moment provides for the satellite service to be available to households who are unable to receive the terrestrial

services that are offered to them terrestrially by the broadcasters. So, if you look at the situation in Spencer Gulf or Broken Hill—

Senator FISHER—As the minister has said, yes.

Mr Townend—if Southern Cross do not roll out the full suite of services, people at the moment will only be able to access the satellite, but they will not be able to receive those services that are made available by Southern Cross. Clearly, it would be in everybody's interest for the people in those areas to receive the full suite of services; they are already available on the satellite.

Senator FISHER—If Southern Cross chooses not to extend and the minister holds good with his promise 'satellite for all', how would that impact Southern Cross's viability?

Mr Townend—I could not comment on Southern Cross's viability. The discussions are continuing to take place. Southern Cross, of course, are part of the satellite solution; they are one of the companies that are providing a satellite solution for the south-east of Australia.

Senator Conroy—Just to confirm for Senator Fisher, Mr Tanner, could you tell us when the Mildura switch-on for the satellite is and when the South Australia and Broken Hill satellite switch-on is?

Mr Townend—Yes. The satellite service in Mildura will be operative from 8 June; boxes will be available from that date. The satellite service in the regional parts of South Australia and Broken Hill will be available from September onwards.

Senator Conroy—And the switch-off in South Australia and Broken Hill?

Mr Townend—Yes; 15 December.

Senator FISHER—So are you saying that there is overlap?

Mr Townend—It will be available in plenty of time.

Senator FISHER—That is some comfort.

Senator CONROY—I think, quite genuinely, people will be able to judge and see. Particularly when it goes on in Mildura, people will get confidence that it is a robust product. We think that people will not be as worried in the other regions when they see the success of the satellite signal in Mildura. Also, as it is being switched on some months in advance, people will be able to access it many months in advance.

Senator FISHER—Thank you. If Southern Cross chose not to broadcast all commercial channels, what would be the cost to government of converting viewers to satellite in the Spencer Gulf? I am talking about Port Pirie, Port Augusta, Whyalla and Port Lincoln.

Mr Townend—There would be no incremental cost to government to making the satellite service available, because the satellite service is already being funded.

Senator FISHER—However, certain viewers will need equipment to receive satellite, over and above what they would need to receive digital.

Mr Townend—That is somewhat hypothetical. It is actually quite a difficult question to answer, I must confess.

Senator FISHER—I think hence the uncertainty.

Mr Townend—The cost to the government in terms of the satellite has already been met; it is already funded.

Senator FISHER—That is right.

Mr Townend—There is no incremental cost of providing a satellite service; that is the whole point.

Senator Conroy—In the areas where there is a self-help, we have agreed to provide a subsidy of half. Mr Townend, is that \$300 or \$400?

Mr Townend—That is correct. The areas in South Australia where there are self-help sites are at Melrose, Wilmington and Orroroo in Spencer Gulf. Those sites are where the government will be providing the subsidy of \$400 to assist. There are two other self-help sites in Spencer Gulf at Burra and Quorn. They are only self-help sites for SBS, and funding has been made available within the budget for SBS to convert at those sites. So the only area where the government—

Senator FISHER—So funding has been made available in those respects.

Senator Conroy—I thought that was actually mentioned this morning as well, Senator Fisher.

Senator FISHER—Thank you. Keep going.

Mr Townend—So the only additional cost to government would, in fact, be in those self-help sites. That has been taken into account already, as I said, at Orroroo, Melrose and Wilmington in the Spencer Gulf. They are self-help sites which are not on the list to be converted by the broadcasters and where people would receive a subsidy from the government for converting to satellite.

Senator FISHER—So what is the break-even point for the government—if you were to look at it that way—with subsidising conversion to satellite for individual householders versus assisting conversion of a self-help site that is not on the broadcasters' list of self-help sites for conversion?

Mr Townend—I am not sure that I understand the question; I am sorry.

Senator FISHER—Okay. There are self-help sites that the broadcasters have said, subject to agreement, will be converted. There are self-help sites that the broadcasters have said will not need to be converted, because viewers in those areas will be covered already. There are those who will need to convert to satellite at \$400 a pop, in terms of government subsidy, and now it will be \$600—although it depends, and that is part of my question. What is the subsidy, if it is taken as \$600 per household? If the upgrade of a self-help transmitter is some \$200,000 and the subsidy per household of installation of satellite is \$600 per household, in theory, there is a notional break-even point of about 333 households.

Senator Conroy—No. Once you put the satellite price up—this is actually important to understand, Senator Fisher—

Senator FISHER—Thank you for your patience, Minister. It is edifying.

Senator Conroy—You have touched on a really important issue. The satellite service provides future-proofing. What has happened in Australia consistently over the last 50 years is

that new communities have sprung up on the edges of coverage and sometimes outside of coverage areas, which is why these retransmitters exist in the first place. For your calculation to be valid you would need to add in all future growth in different areas because you would then have to, again, go through this debate—

Senator FISHER—True, and to reject your premise about future-proofing, which certainly is a nice aspiration if it be so—

Senator Conroy—No. The satellite future-proofs movements in population, so no longer does Senator Minchin, or I, have to run around—and in your previous incarnation, now Mr Smith—promising to build repeater stations. What you do is take away that debate because we are ending the problems that arise as new communities grow up in areas that are outside existing footprints or on the edge, or in areas do not receive some of the terrestrial broadcast. We are moving to a solution that covers not just today, but future movement of population and future growth.

Senator FISHER—How does future-proofing help the grey nomads who truck into the caravan park at Coober Pedy and find out that they can only get satellite? They need a satellite dish, but they do not have one. How is that going to impact on tourism?

Senator Conroy—The capacity to prepare, when you know there is a satellite service across Australia, may mean that it would potentially be in their interests to do just that.

Senator FISHER—So that is the only way that it would be future-proofing: if they future-proofed themselves?

Senator Conroy—They are already travelling through many parts of Australia where there is no terrestrial service at all.

Senator FISHER—That is a fair point. They may well be.

Senator Conroy—It would depend on where the caravan park was. If it was a new caravan park in an area that is not within a footprint then a satellite service would be needed, but if it is a caravan park within the existing footprint of the terrestrial broadcasters it would still be covered, in general, so they would still be able to get their coverage with a digital receiver—as in a digital set top box for their TV—or a new TV. The circumstances you have described are actually what is happening today before the introduction of the new service. They might want to pull down the Imparja signal. They may be in a caravan park that does not have access to a terrestrial signal.

Mr Townend—Many grey nomads already have steerable satellite dishes on their caravans.

Senator FISHER—That is true.

Mr Townend—They will benefit by being able to connect the new set top box to receive the signals.

Senator Conroy—By definition, that is what they do.

Senator FISHER—Thank you.

Senator LUDLAM—Some of my questions you might consider you have covered in answers to Senator Fisher, but I would like to ask them. Is it the case that for the first 12

months of the new free-to-air digital satellite TV platform only one supplier was authorised by the vast joint venture—as in Optus—to provide the set top boxes?

Mr Townend—Yes. The supply arrangements have been coordinated through the broadcasters. The initial supplier is UEC Altech. It is their intention that during 2011 the market will be opened up. I believe that the reason they have conducted the process in this way is to make sure that the early availability of set top boxes are to the basic specification and to guarantee that they work in conjunction with the rest of the infrastructure, but in due course that will be available to other suppliers. The specifications are already published on our website.

Senator LUDLAM—One supplier—UEC—out to 2011. Will they be providing just one model of set top box?

Mr Townend—There is one model at the moment. I am sure that there will be further models, including PVR capability, in due course.

Senator LUDLAM—It sounds a bit Soviet Union style.

Mr Townend—Recording capability will be available in due course.

Senator LUDLAM—What is the estimated cost of those if you purchase direct from UEC?

Mr Townend—The initial price for the set top boxes is \$269.

Senator LUDLAM—Will you have to purchase directly from them or will you be able to get them from a regular electronics retailer?

Mr Townend—The final supply arrangements are being finalised. There is a telephone number that you can ring to apply directly to Altech UEC or you can approach your local retailer or your local antenna installer. In fact, in Mildura, that is precisely what is happening. The retailers and antenna installers in Mildura have direct access to UEC Altech, who are able to take orders and have been able to do so for some time.

Senator LUDLAM—That is somewhat more expensive than the basic high definition digital terrestrial set top box.

Mr Townend—The satellite box, itself, is using the very latest technology MPEG-4 S-2 and so on. It also has conditional access technology embedded within it, so it is a slightly more sophisticated box. At the moment there are a very limited number of those boxes available. We would expect and hope that over time the retail price of those boxes would fall.

Senator LUDLAM—I am trying to work out the cost. If you have two TVs and two recording devices, like a VCR and DVD recorder, then that is going to cost you in excess of \$800 or \$900 to go to satellite.

Mr Townend—The cost obviously depends on the number of devices that you are converting. You are correct that the cost of the box is \$269 and you would need one for each device that you were trying to convert.

Senator LUDLAM—What I am trying to get around to is that some homes have more than one TV. You have based your \$400 general subsidy on homes converting only one set. Is that reasonable?

Mr Townend—The subsidy is available to assist people in converting one set. That is correct.

Senator LUDLAM—Thank you.

Senator TROETH—Some of my questions have been answered in your answers to Senator Fisher because they took in the Mildura area as well, which is what I am going to ask about. With the analogue switch-off due in 37 days or so I understand that you are confident that terrestrially delivered signal can be received by all viewers in the area?

Mr Townend—We are confident that the arrangements for terrestrial reception in the area are proceeding on track and I would be very happy to explain what those are. There are three specific areas that have been identified as having signal problems in the Mildura area. The first of those is at Ouyen. A new digital terrestrial transmitter was commissioned and started operating on 3 May. That is now operating satisfactorily and has been welcomed by the local community. A new transmitter is already being tested at Walpeup and that is to serve the Underbool community. The Underbool community is currently served by an analogue self-help transmitter. That will be switched off on 10 June and the new signal will be available from Walpeup at that time. As I said, it is live now and being tested.

Finally, in Robinvale, the broadcasters will switch on a completely new digital terrestrial transmitter on 15 June. In terms of assisting people through that process, members of the digital switch-over task force, the broadcasters and the ACMA were on site at various times through the switching on of the Ouyen transmitter and the same arrangements will take place for Underbool and Robinvale. In fact, members of the task force are in Underbool this coming Saturday, 29 May, when there is a local football match which we expect a great number of people will be present at.

Senator TROETH—Yes.

Mr Townend—We are confident that all of those are capable of being managed. The numbers of people affected at Underbool and Robinvale are much fewer than those at Ouyen. Based on the fact that the switch-on at Ouyen went satisfactorily I have no reason to think that Underbool or Robinvale will not proceed satisfactorily.

Senator Conroy—Just to reassure you, local antenna installer Rohan Gregg has described in the papers the new Ouyen transmitter. He said:

It's one of the best things we've had happen since the Great Australian Vanilla Slice ...

Senator TROETH—Excellent! Which was, of course you remember, discovered by Premier Jeff Kennett! Thank you for that; I will put that down in my Guinness book of records.

Senator Conroy—Great Australian vanilla slice!

Senator TROETH—Very good, and the best television reception! Moving further north to the reliability of the signal in Red Cliffs, Merbein, Wentworth and the northern suburbs of Mildura, are you aware that complaints continue to be made about the quality and reliability of the signal there?

Mr Townend—We have heard a number of complaints further north, but not a significant number. It is probably worth noting what the Digital Tracker is also telling us in relation to

Mildura. At the end of March the conversion to digital was at 87 per cent. Since then there have been a significant number of installations under the household assistance scheme across the whole area. In fact, we have now installed 2,118 set top boxes under the Household Assistance Scheme. We believe that has taken the take-up to well over 90 per cent. There are something like three to four per cent of homes that are reliant on pay television that are indicating that they may not convert. There is also a further one to two per cent of homes who, in our tracker, are also telling us that they may not convert on the day of switch-over, but may convert later. The satellite service is available to those who do not have adequate terrestrial reception and we have been working with the community to make sure that people are aware of that. That may affect some in the north of the area.

There are somewhere in the region of 150 to 200 homes in the Mildura area who are currently receiving the remote area broadcasting service via satellite. That service is not switching off on 30 June. It will not switch off before 2013, but those people will have the opportunity to convert to the new satellite service and I suspect a fair number of those people will be in the north.

Senator TROETH—Nevertheless, the fact remains that some of those people that you have mentioned have already invested significantly in trying to receive a terrestrial signal and so at the eleventh hour, further on in the process, they will have to further invest in satellite receiving equipment.

Mr Townend—We will continue to work in the community to make sure that people have the information they need. I can let you know when we are actually going to be communicating. We will be communicating to the entire area for one week from 31 May. This is television and press advertising. We will also be running advertising for a week from 7 June, which is three weeks out; on 14 June, two weeks out, and again, on 21 June for a week. We will also be running a series of reception clinics and so on in the area to make sure that people are aware, with particular focus on those last few areas where there may be a handful of problems.

We have had people on site extensively over the last few weeks and months and we believe that the vast majority of problems have now been solved.

Senator TROETH—I understand from your answers to Senator Fisher that the satellite signal will be available on 8 June. Is that correct?

Mr Townend—The signal will be available slightly earlier than that. The set top boxes will be available from 8 June. However, those who wish to access the satellite service can and have been able to install the relevant satellite dish for some time.

Senator TROETH—I think you said that the set top boxes will be available by 6 June.

Mr Townend—By 8 June.

Senator TROETH—Thank you. On your basis of the percentages of people who have invested, or probably will invest, have you made a calculation of how many satellite delivery connections are expected in the area?

Mr Townend—We are not expecting very many, to be perfectly honest. We were aware that there were a number of people scattered across the area who already had satellite. That

was about 200 or 250. The only other area where we believe that there was a significant number of people who might need satellite was in Robinvale and based on the figures from the ACMA we estimated about 150 households in Robinvale would have required satellite prior to the new transmitter being installed. We are now expecting the number of people who require satellite to be very low.

Senator TROETH—In those consultations that you are going to be making over the next month, if there were still ongoing complaints as to the quality and reliability of the signal would you consider an extension of the 30 June switch-off?

Senator Conroy—That is not only something that we are not contemplating, that is not supported by the broadcasters. They do not believe that there is any justification for that at all.

Senator TROETH—So it is 30 June switch-off and we all go to the new system?

Mr Townend—That is correct.

Senator TROETH—Obviously, you have run a very efficient public information campaign and there is no need to ask you a question about the deficiency of the campaign. From what I am hearing from you there is blanket information provided in all avenues.

Mr Townend—Yes.

Senator Conroy—We have a street that you can doorknock as well, if you like.

Senator TROETH—Thank you.

Mr Townend—The Digital Tracker tells us that awareness in the area is 99 per cent. On top of the advertising that I have referred to we have also had a switch-over liaison officer in the area since—

Senator TROETH—That was my next question—you are practically psychic, Mr Townend. So that person has been appointed in the last few months?

Mr Townend—She was actually appointed, I believe, in September or October last year. I might have to check precisely when, but I believe it was about September or October last year.

Senator TROETH—If you could tell me that, I would be grateful.

Mr Townend—Yes, we will check that.

Senator TROETH—I understand the subsidy for those who need it is to be administered through Centrelink. Is that correct?

Mr Townend—I think you are referring to the household assistance scheme.

Senator TROETH—Yes, that is right.

Mr Townend—Yes, that is being managed by the Digital Switchover Taskforce and Centrelink. Centrelink wrote to all those who were eligible on 18 January and again on 19 April. We have installed some 2,118 digital set-top boxes in homes. There were 7,000 households eligible but the digital tracker suggests that somewhere in the region of half of those homes have already converted, and experience from overseas is that not everyone who is eligible necessarily needs the help or asks for the help. We are conscious that some people who are eligible may not have responded to the letter and that is why we have been working

on the ground for some weeks and months now, to make sure, through community groups, volunteers and the local media, that anyone who needs help knows about it and is provided with that help. Our liaison officer was in fact appointed with the Mildura Rural City Council in October last year.

Senator TROETH—Would you have had many cases of people who had already invested in the necessary equipment prior to the letter regarding the subsidy and then found that they were eligible for the subsidy?

Mr Townend—Everyone who was eligible has been contacted by us to let them know that they are eligible. The letter makes it clear that the scheme is only available for those who have not already got access to digital television.

Senator TROETH—That is pretty well okay. I think you may find that there are, as always, a number of people who feel that if they had known that the subsidy was going to be in place they would have delayed the installation so as to get the subsidy, but that is just for your information. Thank you very much.

CHAIR—Are there any further questions on the digital switch-over?

Senator CORMANN—In last year's budget—the 2009-10 budget—there was an allocation of \$27 million for the switch-over to digital television, which increased in terms of actual expenditure to \$36.7 million for 2009-10. What is the explanation for that \$10 million increase in expenditure?

Mr Townend—I am not actually sure that I follow your figures, but perhaps I could just give you details of the funding which has been allocated for the switch-over program. In March 2008, \$37.9 million was allocated. That was to fund the department, the ACMA, digital tracker research and logo and labelling. In additional estimates in 2008-09, \$13.6 million was allocated, principally to support the switch-over in Mildura. Then, in the 2009-10 budget, \$138.7 million was allocated for the household assistance scheme, communications and working with industry initiatives. Subsequent to that the new satellite service was announced in the recent budget, which was \$375.4 million over 12 years. Those are the sums that have been allocated during the various budgetary processes.

Senator CORMANN—Can we just go back to the 2009-10 budget papers? Compared to what was allocated in the 2009-10 budget and actually spent, has there been a cost blow-out, or not?

Mr Townend—No.

Senator CORMANN—There has been no cost blow-out at all?

Mr Townend—There has been no cost blow-out, no. We are working to our budget.

Senator CORMANN—So you expect that there is not going to be a cost blow-out moving forward either?

Mr Townend—Well, moving forward it is always difficult to predict, but currently we are working within our budget.

Mr Harris—In fact, currently we are slightly under budget.

Senator CORMANN—Excellent. I am very pleased for that clarification. Just out of interest, who put together the digital television timetable by region?

Mr Townend—That was constructed in consultation with the broadcasting industry.

Senator CORMANN—This is a copy but there is a summary sheet of it, you would be aware, with all the states listed on the side. Are you aware of what I am talking about?

Mr Townend—Yes, that is the timetable which is on our website. That is correct.

Senator CORMANN—That is right. That is the timetable that is on your website. I am just intrigued because Bunbury is listed as remote and I am just trying to understand what your working definition of ‘remote’ is and how Bunbury is more remote than Mackay or Rockhampton.

Mr Townend—The timetable is divided into licence areas. The licence areas under the legislation are defined as either metropolitan, regional or remote, so it does not necessarily mean that somewhere which has a remote broadcasting licence is necessarily a remote area in the general sense, but it is a remote area broadcasting licence.

Senator CORMANN—I guess it always depends on remote from where. Is that remote from Sydney?

Mr Townend—It is remote insofar as the licence that is actually available in that area is a remote licence.

Senator CORMANN—Is it remote because it is far away or because it is a remote location?

Dr Pelling—Historically, the—

Senator Conroy—A little before you came to the country, they set these licence areas up.

Senator CORMANN—I really enjoy your patronising comments, but at the moment I am asking some questions of the department.

Senator Conroy—You need to get out more!

Dr Pelling—Historically, in determining the licence area in which digital services were to be licensed in Western Australia, the ACMA determined that pretty much the whole of Western Australia outside Perth was going to be one licence area—

Senator CORMANN—Remote?

Dr Pelling—Yes, and because it combined what was in the analog world a mixture of a few regional licence areas and a very large remote area, for the purposes of convenience they called the whole area a remote licence area. So it is purely a definitional thing. It does not mean that Bunbury is not—

Senator CORMANN—You do not think that Bunbury is a remote backwater? It just seems a very odd classification. Bunbury is an hour and a half away from Perth and there are 60,000 people who live there. I suspect there are more people who live in greater Bunbury than in some of the other non-remote areas.

Mr Townend—As Dr Pelling has said, this is historical. This is the way the licences have been previously set up and allocated by the ACMA. We may not like it, but it is simply historical fact.

Senator CORMANN—The people of Bunbury might not like to be so categorised. It reflects a certain attitude, doesn't it? From a Western Australian point of view, we get suspicious at times, of the eastern-states-centric attitude of organisations located in Sydney and Canberra. To see a great place like Bunbury described as 'remote' is just a very interesting concept, I guess, for those of us from Western Australia.

Mr Townend—There probably is not any more we can add to the answers we have given.

Senator CORMANN—Just a question in relation to the satellite services for Western Australia. Can you update us on what the status is of those, because there does not seem to be any reference to Western Australia in any of the latest press releases.

Mr Townend—Negotiations are continuing with the broadcasters. Negotiations are taking place with WIN and Prime, who will be the providers of the satellite service in Western Australia. Once those negotiations have been completed, then all 16 channels will be available across the whole of Western Australia. The satellite services that will be available will be provided by the same companies that are providing them terrestrially. Sixteen channels will be available. That is, all of the national broadcast services, WIN and Prime's three versions of channels 7, 9 and 10 as are broadcast already in the area, plus all of the multichannels and high definition services will be available on satellite. The local news that will be available on satellite in Western Australia will be identical to the local news which is broadcast terrestrially.

Senator CORMANN—So there is no difference between satellite services for Western Australia and any other part of Australia in terms of time frame and what the service will be?

Mr Townend—They will be provided in Western Australian time.

Senator CORMANN—So they will be provided in Western Australian time—that is in terms of on an as-we-go basis, but will they be available at the same time as they will be available in other parts of Australia?

Mr Townend—They will be available in the same time as terrestrial services are available to people in Western Australia.

Senator CORMANN—I have got some more questions in relation to the licence fee rebate but we seem to have lost the minister.

CHAIR—Can I just clarify if there are any further questions about digital switch-over before we go to licence fees again?

Senator TROETH—Yes, I just have two more that I thought of.

CHAIR—Can we finish those, Senator Cormann?

Senator CORMANN—Sure.

CHAIR—Senator Troeth.

Senator TROETH—With regard to western Victoria, there is, of course, very poor digital signal across rural western Victoria, particularly moving down to the towns of Hopetoun, Beulah and Warracknabeal. I gather they are in a different time zone for the digital switch-on to Mildura and the northern towns. Is that correct?

Mr Townend—The regional licence areas in Victoria will be switching off in the first half of next year, so we are currently developing and finalising plans for that area and we will be travelling extensively in that area speaking to the ACMA, and so on. The satellite service will be available for people in regional Victoria but work is continuing in those areas.

Senator TROETH—If you have a satellite dish and are living in those towns, will you be able to access the satellite when it switches on?

Mr Townend—You will not be able to access it immediately because the service is being made available to people in a staggered way. We will communicate with people in the area at an appropriate time. The services that will be available will include all 16 channels, as we have previously said.

Senator TROETH—Will there be a similar public education program to the one you outlined for the towns in the north?

Mr Townend—There certainly will. The first thing to do will be to determine the actual switch-over date. Once that has been done there will be an advertising communications campaign which will kick off nine months in advance, followed up by six months, three months, one month, three weeks, two weeks and one week. We will also appoint regional liaison officers within the community, and so on. So there is a similar pattern of work to that which we have carried out in Mildura and are carrying out now in South Australia.

Senator FISHER—Earlier, in an answer, you indicated dates for switch-on in rural South Australia, and I think you talked about September in advance of the December switch-off date.

Mr Townend—That was the date that the satellite service will be available to people in that area.

Senator FISHER—So how does that sit with the promise of a six-month lead time?

Senator Conroy—Could you just explain further, Senator Fisher?

Senator FISHER—Where a broadcaster is planning a digital transmitter, I understand that the department requires that that happen six months in advance of, in South Australia's case, the 15 December switch-off. Is that right?

Mr Townend—What we have required of the broadcasters is that, where they are converting a self-help site to digital, that site is ready and tested six months in advance of the switch-over date. That does not necessarily mean that that site will be switched on at that point. Many of the self-help sites will actually be what is called a hot switch, which is: when the new digital signal is available the analog signal will be switched off. We are currently working with the broadcasters to develop the final—

Senator FISHER—How is that not in violation of the six-month requirement?

Mr Townend—I do not understand the question.

Senator FISHER—How is hot switching not a breach of this—

Senator Conroy—They are two different things.

Mr Townend—The broadcasters are required to have those sites ready six months in advance.

Senator FISHER—Okay, whereas the hot switching is satellite?

Mr Townend—No. If the broadcasters are going to convert a self-help site, in the vast majority of cases when they convert that site to digital they also switch off the analog signal. The satellite service will be available shortly, in a matter of weeks, but we want to make sure that the switch-over is as smooth as possible for the people who live in these particular areas. Although the site is actually going to be switched on six months in advance, given that South Australia is switching over on 15 December, and that date is coming up sooner rather than later, we are working with the broadcasters on a flexible way to make sure that we can actually switch those services off in a balanced way. I must also point out that within South Australia there are only two self-help sites which are being converted and those are the ones at Burra and Quorn. Those are the SBS-only sites. The discussions we are having with the broadcasters—

Senator FISHER—Will those two meet that six-month-ahead-of-switch-off aim?

Mr Townend—I do not know whether they will in that particular case—

Senator FISHER—Yes, that is right.

Mr Townend—but of course the satellite service is currently being finalised. The six-month aim is really for those later regions, and clearly we are being as flexible as possible in the earlier regions. I fully expect that that six-month timetable will be in place for regional Victoria. In the case of regional South Australia it has very limited impact.

Senator FISHER—Are you saying that that is not of concern for Lameroo, Tinaroo, Keith, Bordertown and Coffin Bay?

Mr Townend—Those areas are not actually being converted to digital.

Senator FISHER—Okay. When will the decision be made about commercial broadcasters in regional South Australia and Broken Hill rolling out extraterrestrial channels and transmitters so that the range of terrestrial commercial matches satellite?

Mr Townend—The decision to do that of course is a commercial matter for those broadcasters—

Senator FISHER—Yes, but when?

Mr Townend—It is a commercial matter for those broadcasters. The ‘when’ is entirely at their discretion? They do not have to roll those services out but they can do so.

Senator FISHER—Have they at the very least indicated a willingness to do so; for example, as soon as possible after the act is passed, if it be passed?

Mr Townend—Both WIN and Southern Cross have actually made public statements to the local communities that it is their intention to roll those services out.

Senator FISHER—I am sorry; it is their intention to roll those services out?

Mr Townend—Both WIN and Southern Cross have made public statements to their audiences in the Spencer Gulf and Broken Hill areas that it is their intention to roll out their full suite of digital services. However, that is very much a matter for them and not the government.

Senator FISHER—We do not know a definite time frame and we do not know an approximate time frame to the passage of legislation either?

Mr Townend—The question of whether they roll out those services is very much a matter for them—

Senator FISHER—I have heard that.

Mr Townend—The job that we have in hand at the moment is explaining to the public in those areas that their analog signal is going to be switched off on 15 December and advising them as to which services they will have available to them on 15 December and before. Of course, the intention there is to make sure that people have got the current range of digital services. The satellite allows us to do that. If the broadcasters provide additional services then that is obviously a benefit to those communities.

Senator FISHER—Indeed, does it not make sense for them to happen, at the very least, contemporaneously?

Mr Townend—As I say, that would be a commercial decision for the broadcasters.

Senator FISHER—Have the broadcasters indicated that they want any extra help in making this transition?

Mr Harris—We always want help.

Mr Townend—Yes, the broadcasters are constantly asked for help in such matters. I would not be able to comment further on that at this stage.

Senator FISHER—You are not able to broadcast the help that the broadcasters say they want?

Senator Conroy—I am sure that if they wanted to make it public they would.

Mr Townend—I think that is right.

Senator FISHER—What involvement did the department have in the development of VAST?

Mr Townend—The actual VAST service as it is currently being rolled out has been developed jointly with the broadcasters.

Senator FISHER—As to the mix of terrestrial and satellite, how was that arrived at?

Mr Townend—A number of options were considered by government and a decision was taken to fund a satellite service. The government is not funding any terrestrial rollout. The conversion of a number of self-help sites is a decision taken by the broadcasters.

Senator FISHER—Was cost efficiency and effectiveness the primary goal, or what?

Mr Townend—The primary goal was to make sure that all people in Australia were able to access digital services when analog is turned off. I think that, when giving evidence to the

committee some time ago, I made the point that none of those giving evidence and none of the stakeholders we have talked to have ever said that there would not be a need for satellite. In fact, there already is a satellite service available. However, that satellite service only has four services available on it, so the new satellite service actually makes all 16 channels available to everybody across Australia. The decision to roll out terrestrially is one being taken by the broadcasters. The beauty of the satellite of course is that it is a future-proof solution; wherever people choose to live in the future they will have access to digital television.

Senator FISHER—What was the process used to determine the joint venture partners in VAST?

Mr Townend—The broadcasters were invited to put proposals to government.

Senator FISHER—On what basis were Imparja and Southern Cross media selected?

Mr Townend—A number of options were considered by government.

Senator FISHER—On what basis were those two chosen?

Mr Townend—As I say, the broadcasters were actually invited to put their proposals forward. Government considered a number of options for the provision of a solution for signal deficiencies. A number of factors were considered and the government took the decision—

Senator FISHER—What were they?

Mr Townend—Costs obviously were—

Senator FISHER—What else?

Mr Townend—Costs and the range of services available. Those were the—

Senator FISHER—And is that it? On the basis of cost and the range of services able to be provided, Imparja and Southern Cross media were selected; is that right?

Mr Townend—That is pretty much correct.

Senator FISHER—Is there anything else?

Mr Townend—I am not quite sure what else you might be looking for—

Senator FISHER—You said ‘pretty much’, so I am probing your term ‘pretty much’.

Mr Townend—The various things that were taken into account were the cost to government, the range of services available and the impacts on consumers.

Senator FISHER—In which ways do you mean by ‘impact on consumers’?

Mr Townend—Both the cost to consumers and the range of services available to them.

Mr Harris—Some options did not include, for example, the 16 channels that this one does. It is almost self-evident when you look at it by comparison that what is available on satellite is a fantastic improvement. When you get an offer like that, as long as it is a cost-effective offer, it is a pretty good choice for regional Australia.

Senator FISHER—Are you able to say how many organisations put in a bid?

Mr Harris—I think we should take that on notice. But there was more than one organisation that put in a bid.

Senator FISHER—I gather so. What is the cost to the government and/or the VAST joint venture partners of accessing the satellite? Are you able to substantiate that?

Mr Townend—I need to consult.

Mr Harris—As to satellite negotiations, we just have to be sure that we have settled this announced figure and not find that it is not quite the right figure.

Mr Townend—The budget actually contains a figure of \$375.4 million over 12 years for the cost of the satellite service. That includes a consumer subsidy of \$99.1 million. It also includes funding for the broadcasters, for the department, for the ACMA and so on. The actual amounts paid to service providers are commercial arrangements between the broadcasters and those service providers.

Senator FISHER—In respect of the subsidies for switch-over, and in particular satellite, announced or revised on budget night—maybe it is bleeding obvious—why is there a need for higher subsidies in very remote or far north tropical areas?

Mr Townend—It is a combination of two factors. One is that the dish size may be larger and also the actual cost of installation may be higher because of the distances involved.

Senator FISHER—Are there concerns about signal quality in tropical areas due to rain fade? I think that the minister intimated there was earlier on.

Mr Townend—A number of maps have actually been developed through this process, which provide for larger dish sizes in those areas, and the service specifications take into account rain fade and those kinds of issues in the far north.

Senator FISHER—How are you going to deal with what the industry calls ‘look angles’? I hope I have got the jargon right.

Mr Townend—Underpinning the service are detailed contour maps which actually cover the whole of Australia and show what the expected signal strength is effectively across the whole of Australia, so the service is based on particular specifications to make sure that the service is receivable across the whole of Australia at a certain dish size.

Senator FISHER—I presume that the criteria for determining remote and far north tropical do not take into account the look angles. As to the affording of things for viewers affected by look angles, how does that accommodate that potential difficulty?

Mr Townend—The particular issue here is the size of the dish. In setting larger subsidies for very remote and far north tropical areas the dish size has been taken into account, and that is the factor from the consumer’s point of view. Things like look angles and signal strength and all those other things manifest themselves in the size of the dish that is required. The contour maps that are being generated with the service providers give an indication of the size of dish required in different geographical areas.

Senator FISHER—But you do not just have look angle issues in remote or far north tropical areas, do you?

Mr Townend—The service is based on a defined signal strength with a defined satellite dish size across the whole of Australia. That is the basis on which the service is being set and that is also the basis on which the subsidies are being set.

Senator FISHER—In the electorate of Paterson are any viewers able to access a subsidy of greater than \$400?

Mr Townend—I am sorry, I would have to check on that.

Dr Pelling—We would have to check. I am not sure this licensed area is covered—

Senator FISHER—They may be able to or they may not but if, for example, they are not able to then there are viewers in that electorate who cannot access signal because of trees, which is basically a look angle issue. If all they can access is the \$400 subsidy, I am trying to see the chain of causation between size of satellite dish to fix their issues when I would not have thought they would be classified as, in your lingo, very remote or far north tropical.

Mr Townend—We have divided the country into regional and remote, very remote and far north tropical. That is based on contour mapping from the satellite provider which shows the estimated size of the satellite dish which is required across the whole of Australia. That is quite common with satellite based broadcasting. That is the basis on which we have estimated those differing levels of subsidy.

Senator FISHER—In Paterson the problem may well have actually been the interference with the digital signal from an upgraded tower rather than satellite, from memory.

Mr Townend—I missed that.

Senator Conroy—There has actually been a commentary saying it was caused by an upgraded signal of digital—she thinks.

Senator FISHER—Yes, reflecting on it further, I think it may be a digital signal I am talking about in Paterson rather than a satellite signal because some of the towers are to be upgraded in Paterson and others are not.

Where will the programs be sourced for the satellite service carrying mainstream programs for New South Wales, Victoria, Tasmania and South Australian viewers?

Mr Townend—The commercial programs will be sourced by Imparja and Southern Cross. Those will be a mix of programming potentially from either Sydney or Melbourne. That will be a matter for them. The local news will include all of the local news that is broadcast in those areas terrestrially on a separate channel.

Senator FISHER—Does that mean that Victorian, South Australian and Tasmanian viewers will have to watch rugby league at peak times or switch off, or the aerial ping pong?

Senator Conroy—It will not be obligatory. There will be an opportunity.

Senator FISHER—Or New South Wales viewers will be forced to watch aerial ping pong. What is going to happen?

Mr Townend—The legislation allows Southern Cross and Imparja some flexibility in the way they schedule their programming. It will obviously be in their commercial interests to try to satisfy as many viewers as possible, so I am sure they will do their utmost to make sure that people get the sport they require.

Senator FISHER—At the risk of not being sufficiently sport tragic for the Australian populous, a more important question is will people get a news service for their state? Will they get weather for their state?

Mr Townend—Yes. They will get the same news that they currently get terrestrially. There may be a delay. There may be a delay of up to 90 minutes or so but they will get all of the local news that they currently get. They will get the same ABC news and SBS news that they get now and the commercial news will be available on a new channel. That actual channel will provide a broad range of news available from all the licence areas within the states that you have mentioned.

Senator FISHER—Who is going to get a 90-minute delay? What for example will happen in Queensland and the Northern Territory?

Mr Townend—Within the Northern Territory and Queensland all of the local news that is made available I think will be available on two channels.

Dr Pelling—I am not sure.

Mr Townend—I think it is currently intended in the north that there will be two channels of news which will include a rolling news bulletin so that all the news that is broadcast will be available on the satellite service on a new channel and there will be red-button technology available in due course which will allow people to select the news they want. Actually, all of that news is going to be available wherever you live in the Northern Territory and Queensland. Similarly, in the south east, all of the news that is currently broadcast terrestrially will also be aggregated into a new news channel and will be available to you when you want to watch it.

Mr Harris—Which means in practice, if you take Mildura as an example, South Australian news is probably just as relevant as Victorian news. Both will be available in Mildura. In North Queensland, Northern Territory news and Queensland news will be available. So will other news services. People actually get a better service from the satellite than they are currently getting terrestrially if they are interested in multiple news options.

Senator Conroy—There are seven submarkets in Queensland and all of the submarkets will be available.

Proceedings suspended from 5.59 pm to 7.02 pm

CHAIR—We will resume proceedings. We are still on program 1.3, Digital switchover. Senator Cormann.

Senator CORMANN—I would like to go back to the questions that I was asking earlier in relation to the budget for the digital television switchover. I have the various documents in front of me. I am referring to the 2009-10 budget papers and portfolio budget statements, page 48. I have a copy here. I am happy to share the copy with you if that helps.

Mr Harris—Can you tell us what it says and we will see whether we need to?

Senator CORMANN—I will talk you through it and then you can help shed some light on it. In last year's budget papers the allocation for 2009-10 for digital television switchover, new administered expenses, is \$26.919 million. In the additional estimates portfolio estimate

statements, on page 36, that figure has gone up by about \$800,000. It has gone up to \$27.467 million, under the heading 'Revised 2009-10 budget estimates for digital television switchover'. In looking at the budget portfolio statements 2010-11 and the revised budget estimate for 2009-10 that figure, again, for the digital television switchover has gone up to \$36,761,000. Hence my question earlier: what is the explanation for the \$10 million increase in 2009-10?

Mr Harris—We will see if we can get this right by referring to the current budget measures. The current budget measures, page 17 in the PBS, has digital television switchover—1.3, budget measures—Regional Blackspot Solution, program 1.3, administered expenses—

Senator CORMANN—I have all of that.

Mr Harris—Those numbers are not exactly the same.

Senator Conroy—I have expenses.

Senator CORMANN—In the same document can I take you to page 32?

Mr Harris—Yes.

Senator CORMANN—There may be a good explanation for it, but I would like to understand this.

Mr Harris—Yes, the revised budget of \$36.761 million.

Senator CORMANN—That is what I am looking at.

Mr Harris—And you want to know why it goes up next year?

Senator CORMANN—No. The 2009-10 revised budget figure is \$36.761 million. Are we agreed?

Mr Harris—Yes.

Senator CORMANN—If I look back at the original budget statements, the equivalent figure—

Mr Townend—When you say the 'original', which documents are you talking about?

Mr Harris—You mean last year's first forecast?

Senator CORMANN—In last year's budget estimate for 2009-10 the equivalent figure was \$26.919 million. In the portfolio statements that were put out for the additional estimates, that figure had become \$27.467 million and now it is \$36.761 million. I can only assume that throughout the year there have been increases in costs that were not predicted. There may be a good explanation for it.

Mr Townend—We will have to take the question on notice to give it a proper answer. I do not believe this is one particular initiative proving to be more expensive than expected. I think it is the fact that a number of the measures that relate to switchover were agreed and funded at various times throughout the program, and so the difference is probably the fact that a decision was taken subsequently to do a particular thing that had not been taken previously. To be honest, we would have to take that on notice.

Mr Harris—I should supplement Mr Townend's answer. We will take this on notice, because it is complex.

Senator CORMANN—It should not be that complex. I am not meaning to be difficult, but we should be able to compare performance according to the estimates from last year for this financial year that we are currently in with actual performance. In order to judge what happens with the budget moving forward we should be able to at least ask some questions on how you have performed to budget in this current financial year.

Mr Harris—I think you can, but I am advised by our chief finance officer that it includes a number of strands of investment through the last year. As Mr Townend has advised you, a number of decisions were taken in the last year which have altered those figures. We do not have the specific answer. If you like, throughout the estimates tonight we will try to work out what it was.

Senator CORMANN—If you could, that would be great. The figures seem to be increasing quite dramatically in the out years, too, compared with what was estimated this time last year. I think it is a reasonable question to look at the estimates last year for this part of the budget and then look at your revised estimates this year.

Mr Townend—In my answer to you previously I related to three different times at which various funds were announced. That was back in March 2008, with the \$37.9 million, which was not just in that year, but over a number of years. Then in 2008-09, the additional estimates, \$13.6 million was provided for Mildura, and then in the 2009-10 budget there was \$138.7 million. It is not a matter of an estimate for one particular measure having changed between one year and another. It is the fact that decisions have been taken by government at varying times to do things over the whole switchover period, and so when you compare a document published in one year with a document published in another year the subsequent year is reflecting the subsequent decisions to do additional things. It is not a matter of the actual costs being significantly different from the estimates.

Senator CORMANN—We are now talking the same language. I understand that. I am not trying to compare one year with another year. I am trying to compare your expectations of the 2009-10 year, last year, with what has actually happened and if there are additional expenses as a result of government decisions then what I am keen to find out from you is which government decisions have led to this \$10 million in additional expenditure. Last year you expected the expenditure for 2010-11 to be \$47.330 million, and that has gone up to \$61.456 million, and so it goes on.

Mr Harris—The satellite scheme will be a good example of that. The decision was only taken in December or January, so there is a satellite subsidy scheme. We have put that into the out years.

Senator CORMANN—I understand that. The question this morning was: what is the reason for the increase? Additional new decisions is an absolutely legitimate explanation, but what I am chasing is a list of what has caused that increase compared with what we expected this time last year.

Mr Harris—We will try to organise that right now while the other questions go on.

Senator CORMANN—Do you understand the question?

Mr Harris—Yes, we understand the question. To the extent that we cannot answer it tonight we will then have to take it on notice and write it out for you, because there are aggregations in programs.

Senator CORMANN—I would like to think that it should not be too complicated.

Mr Harris—We would all like to think that, but it may or may not be depending on what the answer is. I cannot tell you the answer now, but the CFO will try to work this out.

Senator CORMANN—So, you will make your best efforts to come back to us tonight?

Mr Townend—Yes.

Mr Harris—The CFO will try to work this out.

Senator CORMANN—Thank you. I still have questions on 1.3.

CHAIR—I would like to get on the record why we need to change to digital television. I know you have outlined ad nauseam to this committee the benefits of digital TV, but why do we have to switch off analog?

Mr Townend—Would you like us to clarify the benefits?

Mr Harris—Why we are doing the digital switchover.

Mr Townend—There are a number of benefits. Firstly, broadcasting is currently carried out in analog and digital form. That has been going on for 10 years or so. That is actually quite wasteful. Broadcasting the same thing twice is quite wasteful. Digital broadcasting is much more efficient and digital technology allows you to broadcast more channels in the space that would have been previously occupied by the old analog signal. The entire world is converting to digital broadcasting, so it is important for Australia to maintain progress with the rest of the world. Programming is now made in digital form and analog transmission technology is gradually being phased out.

Digital broadcasting also provides a great range of benefits for the consumer, in terms of additional channels, better picture quality, better sound, widescreen pictures and more channels. In addition, when the analog signal is finally turned off, the spectrum that is currently used for analog broadcasting will be available for new uses, which will benefit consumers both in terms of new services and also as a potential budget benefit as well.

CHAIR—How long has Australia known that we have had to switch off analog TV?

Mr Townend—The digital services were introduced in 2001. I was not here at the time, but I believe that it has always been known that the intention was ultimately to switch off the analog services over time. I believe a number of estimated dates had been set, so I think that Australians have known for several years that ultimately the analog signal would be switched off.

CHAIR—I note some comments made by Mr Forrest, the member for Mallee, that in the area around Mildura thousands of people will be left without set-top boxes. Can you clarify whether, in fact, that is the case?

Mr Townend—No, that is not expected to be the case. I can probably refer briefly to the *Digital tracker reports*. I mentioned this earlier, but it would be helpful to clarify. At the end of March 2010 the digital tracker was reporting that take-up in the Mildura area was 87 per cent. However, we have now installed digital set-top boxes in 2,118 homes under the Household Assistance Scheme, a large proportion of which have been installed since the digital tracker reported the 87 per cent. We believe that take-up is now considerably greater than nine out of 10 homes in Mildura. That is partly because of the Household Assistance Scheme. We know that somewhere between three and four per cent of people, according to the tracker, are reliant on pay television and are suggesting that they may not convert. We also believe that somewhere between one and two per cent of people in the area are saying that they do not intend to convert. That is consistent with what has happened in other areas. Whitehaven, which was the first market to switch in the UK, actually had somewhere in the region of one to two per cent of homes that did not switch on the day, but subsequently the vast majority of those converted later.

In addition, the principal areas that Mr Forrest and others have drawn to our attention as being areas of signal deficiency all now have solutions. The transmitter in Ouyen was switched on, on 3 May, and has been welcomed by the community. The transmitter upgrade for the Underbool self-help transmitter will switch on on 10 June, and a new digital transmitter will be switched on on 15 June in Robinvale. We believe those account for the vast majority of people who have signal deficiency problems. There may be a number of people in the outlying areas who may need satellite. We expect that to be a very small number. The vast majority of people who are expected to need satellite are almost certainly already using the Aurora Remote Area Broadcasting Service. That service does not switch off until the end of 2013, but those people will have the opportunity to convert to digital in advance of that during the next few weeks. The satellite service will be available from 8 June when set-top boxes will be available in the area. The Digital Switchover Taskforce has an extensive communications campaign that is still running and will continue to run during the weeks preceding switchover. We do not believe that thousands of people are without digital. We believe the number is down to the last few hundred, and we are going to be working very hard to support those people through the switchover.

CHAIR—I take it that is the end of questions on digital switchover.

Senator FISHER—No. I have three more areas, the first of which can be where you have just finished with Mr Townend. There are some hundreds left in the Mildura area.

Mr Townend—When I say ‘some hundreds’ I am actually referring to the areas of Underbool and Robinvale. Underbool has about 100 households reliant on the self-help transmitter, and with Robinvale, according to the estimates from the ACMA, there may be 150 households who have been suffering due to a grain silo blocking the signal from the main transmitter at Yatpool. The new transmitter that the broadcasters are installing on 15 June will solve that problem. We will have people on the ground assisting people to understand what to do during the coming weeks and at the time of that switch. That will be replicating the measures that we put in place for the situation at Ouyen when a new transmitter was turned on there. There were over 400 households in Ouyen. That process seems to have been managed

quite successfully and we have no reason to believe that anyone else in the area will have problems.

Senator FISHER—You have indicated that it is not only the Household Assistance Scheme that has resulted in the increase in uptake from 87 per cent to more than 90 per cent. I heard you say more than nine out of 10.

Mr Townend—That is correct, yes.

Senator FISHER—How many contractors are involved in the Household Assistance Scheme?

Mr Townend—The main contractor for the scheme is TechLife in association with Hills Industries. I do not know the precise number of antenna installers working on the ground. Sorry, I will just check. There are five to seven companies working with Hills/Tech Life on the ground. We are in constant discussion with them about the resources required to complete the program, and we are confident that the resources being deployed locally are sufficient to manage the process.

Senator FISHER—How were those suppliers selected and when were they selected?

Mr Townend—That was a formal tender process, which I think we have given evidence on previously. I can perhaps check the details, but there was a formal tender process. We talked about well over nine out of 10 homes being converted. I think it is worth noting that we do believe that somewhere between one per cent and two per cent of homes will not convert on the day. That is people, despite the fact that they know, indicating that that is what their choice will be. I would draw your attention to the fact that that is quite consistent with what has happened elsewhere.

Senator FISHER—Yes, you said that earlier. What brand and type of set-top box can people use under the household assistance scheme?

Mr Townend—There is a set-top box which is provided by Hills. It is a set-top box that has been designed in accordance with Australian Standards and also designed to meet the needs of disabled and elderly people.

Senator FISHER—Why was that one chosen out of, I presume, a range?

Mr Townend—It was part of a tender process.

Senator FISHER—For the set-top boxes. What is the cost to the government of each set-top box?

Mr Townend—That would be quite hard. I could probably give you—just bear with me a second. The actual value of the contract for Mildura is in the region of \$900,000. That obviously includes not only the set-top boxes but also the provision of the service. I would probably not want to provide details of the actual set-top box because, of course, we are about to announce the results for the South Australian tender. We are also about to start a tender for Victoria.

Senator Conroy—Mr Townend, you might want to elaborate, but my understanding is that those who have received—and it is now past 2,000; I am sure you have got the latest number—the service have been very happy with that.

Mr Townend—Yes, absolutely.

Senator FISHER—I was not asking about that.

Senator Conroy—I was asking him to expand on his answer.

Mr Townend—There are 2,118 homes and, as far as I know, everyone is very happy with it.

Senator Conroy—You have even been mistaken for me in photographs, have you not?

Mr Townend—I certainly have.

Senator Conroy—He has actually been masquerading as me.

Senator FISHER—What is the retail price to a consumer of the set-top boxes that are being provided under the household assistance scheme?

Mr Townend—Zero. The service is provided absolutely free of charge to those who are eligible, and just for clarification—

Senator FISHER—What if they want another one? If a consumer wants more than one—because some of them do need more than one—what do they have to pay?

Mr Townend—The contractor is not able to provide additional services. If a household wishes to purchase another set-top box, they would do that through the open market.

Senator FISHER—What would they pay for these set-top boxes through the open market?

Mr Townend—These set-top boxes are not available on the open market. They have been designed specifically for the household assistance scheme.

Senator Conroy—The average set-top box, high definition, is in the marketplace now for \$80, I think.

Mr Townend—Yes, it is certainly less now.

Senator FISHER—It has gone down from about \$100. My information is that in the areas of Orroroo and Wilmington-Melrose in South Australia there are about 750 homes that would therefore be eligible for some, in rough terms, \$300,000 worth of subsidy to utilise satellite.

Mr Townend—The subsidy for homes that are currently reliant on self-help sites which are not being converted is \$400. Clearly, the maths will be what they are. It depends on the number of people who actually request it, but it sounds about the right number.

Senator FISHER—Of course, but approximately 750 times \$400 in round terms is \$300,000. If either of the two self-help site licensees there chose to establish their own digital terrestrial site at their own cost, I understand from what has been said before that the government would not be considering allowing those licensees to access the relevant proportion of the \$300,000 to assist them with the provision of that service.

Mr Townend—That is correct. The subsidy has been designed to assist people with the cost of upgrading using a satellite solution; that is correct.

Senator FISHER—Why? In the words of the minister, ‘That is future proofing.’ Is there any other answer?

Senator Conroy—That is a pretty good one.

Senator FISHER—Love your work, Minister!

Mr Townend—The satellite subsidy is designed to reflect the fact that those households have previously been contributing to the costs of the terrestrial system, which is being turned off, and the cost of satellite equipment is slightly more expensive than digital equipment. The subsidy is designed to recognise that.

Senator Conroy—This is for the self-help site. It is also recognition of the fact that the community themselves have come together through councils and through their rate base and actually contributed towards it. We felt that it would be almost double dipping to make them pay twice, having paid for it once in erecting the self-help tower and then to have to pay the full amount as well. We felt that it was appropriate to give communities in that circumstance a subsidy, given that they had already made a provision for it and paid for it themselves through rates.

Senator FISHER—In respect of commercial operators who may choose to upgrade, thereby saving the government money, at least at first instance—leaving aside future proofing—why would the government not contemplate facilitating that?

Mr Townend—There is no requirement for those commercial operators to do that, if they wish to do that.

Senator FISHER—If they were to choose to, why would—

Mr Townend—Given that they know the subsidy is available to people, that would be a commercial decision for them to take.

Senator FISHER—That is a future proofed answer. My final area of questioning is back to VAST services. I was asking you before about the process for your choice of the joint venture partners. What was the government's process for choosing the actual satellite provider? It is Optus, is it?

Mr Townend—The government did not choose a satellite provider; the broadcasters themselves chose the satellite provider.

Senator FISHER—What was that process?

Mr Townend—That was a commercial matter for the broadcasters.

Senator FISHER—Were other providers of satellite services in the market given the opportunity to put in a bid?

Mr Townend—The government did not actually enter into a tendering process. The broadcasters themselves selected their own service providers under their own commercial arrangements.

Senator FISHER—Is it not only Optus?

Mr Townend—The satellite service provider is Optus—that is the provider that has been selected by the broadcasters—but the process and the decision were entirely one for the broadcasters.

Senator FISHER—The government did not care to ensure that there was a transparent process for that?

Mr Townend—The government described the outcome that was required of the service and it was then a matter for—

Senator FISHER—Which I presume was not Optus?

Mr Townend—No, we did not say which satellite provider we needed.

Senator Conroy—There is only one satellite, no matter which provider.

Senator FISHER—Got that.

Mr Townend—The decision for the provider was one for the broadcasters, not one for the government.

Senator FISHER—What were the outcomes that the government prescribed?

Mr Townend—We have talked previously about the number of services that are required. We have technical parameters, and the cost, and also the impact on consumers. For example, there are certain consumers who already have satellite services, so it was a requirement, if you like, that people who already had satellite would not need to buy or repoint their satellite dishes.

Senator CORMANN—Have we made any more progress on an explanation?

Mr Harris—Mr Ash will be able to provide an answer to your question.

Senator CORMANN—Thank you.

Senator Conroy—Sometimes you should be careful what you wish for.

Senator CORMANN—It should not be so complicated.

Mr Ash—I want to try and take us back—

Mr Townend—Welcome to the mysteries of budgeting.

Mr Ash—I want to make sure we are starting from the same point. If we go back to the 2009-10 budget PBS, on page 48, the original figure is \$26.9 million for the digital switchover program.

Senator CORMANN—For 2009-10 and then it is \$47.330 million and \$38.015 million.

Mr Ash—We are just going to focus on 2009-10.

Senator CORMANN—Yes, for the moment.

Mr Ash—I have those numbers in front of me. Since that time there has been around about a \$400,000 movement in household assistance due to a number of very small things, most of that being just some rephrasing because the take-up has been slightly less than was anticipated. That has been moved into the forward year, so that is \$400,000. There was a transfer—

Senator CORMANN—So \$400,000 has been moved, so that actually reduces—

Mr Ash—That reduces this year, but it has pushed it out into the future. There is then a transfer to the ABC and SBS associated with the Mildura Sunraysia program of \$1.6 million. So, our estimates went down by that, but there was a commensurate increase in both the ABC and the SBS.

Senator CORMANN—So, that is still reducing it rather than increasing it?

Mr Ash—It reduces the department's number. We are still going down. We are about to go up.

Senator Conroy—Swings and roundabouts; that is what it is.

Senator CORMANN—The bottom line is \$10 million up, so we are still swinging down. Yes, I see that.

Mr Ash—We are on the swings.

Mr Harris—You will get a full answer. You cannot say we did not tell you that.

Senator CORMANN—I am pleased. This is great.

Mr Ash—We also had a \$300,000 movement of funds associated with the working with industry element of the digital switchover program. It is made up of a series of elements.

Senator CORMANN—What is that?

Mr Ash—That is \$300,000.

Senator CORMANN—We are \$300,000 up now?

Mr Ash—No, down.

Senator CORMANN—We are still going down.

Mr Ash—Now we are coming to up. Then there is a measure on page 17 of the 2010-11 budget, which is going up by \$12.1 million.

Senator CORMANN—That is \$12.086 million. Is that the one?

Mr Ash—The one that is \$12.086 million, \$15.5 million, \$37 million. I am looking on page 17.

Senator CORMANN—Yes, I see that.

Mr Ash—That \$12.086 million in additional money in 2009-10.

Senator CORMANN—That correlates to the difference in out years?

Mr Ash—It is one of the contributors to the movement in out year funding.

Senator CORMANN—What is this \$12.086 million principally made up of?

Mr Ash—That is the satellite program.

Senator CORMANN—You have beautiful detail on the way down but when you say—

Mr Ash—This is the satellite VAST program.

Senator CORMANN—So, all of the up is explainable by satellite?

Mr Ash—This element is satellite, yes.

Senator CORMANN—In the out years, is it satellite or other things? I am testing you now.

Mr Ash—I can do the same exercise. Predominantly it is going to be. I think satellite is one of the big contributors, but also you are going to find the household assistance scheme.

Senator CORMANN—That is on the way up?

Mr Ash—Yes, it is on the way up as well.

Senator CORMANN—To what tune is household assistance on the way up in the out years? Can you provide those figures on notice?

Mr Ash—Maybe if we provided a table on notice; it is probably the easiest way.

Senator CORMANN—Look at the two figures in 2009-10 and out years. That was a very good effort.

Mr Harris—Our intention overall is to show that there is a purpose behind the spending rather than a blow-out, because the suggestion you were making earlier was that it was a blow-out. Satellite is there, but at the margin all of our programs have ups and downs in them.

Senator CORMANN—Compared to your plan in May last year, 2009-10, it has turned out quite different from what you expected.

Mr Harris—I understand why you are asking the question, because if you just compare the two raw numbers they are significantly different and you might say, ‘What is the purpose behind it?’

Senator CORMANN—You had an expectation for 2009-10 in May 2009.

Mr Harris—But we did not have a satellite program.

Senator CORMANN—I understand. I am not being critical. I am just saying ultimately what happened was different from what you expected to happen.

Mr Harris—I understand why you would want to question it. I am just wanting to have on the record that it was not a blow-out but a new program.

Senator CORMANN—It was not mismanagement?

Mr Harris—There will always be ons and offs in our programs as well. Ours in particular shift quite a lot with consumer demand. From my own perspective, coming into this relatively recently, there is a lot more social policy in this portfolio than you would normally expect and that tends to mean, when you are dealing with people, that you are dealing with progression in demand and changes in consumer interests in programs. It does tend to shift your numbers more from year to year than, I guess, I am used to in what I might call standard economic portfolios.

Senator CORMANN—When we meet this time next year, all other things being equal, do you expect further changes up and down?

Mr Harris—Of the ons and offs of the order that Mr Ash has already outlined, yes. Of the brand new program’s \$12 million shifts, no, I do not think so. I think the government has been very generous to us up to this point. I personally doubt very much whether we will see very large increases in spend in this area in coming years. There is one area which we have already signalled where money is yet to be made available and that is in the remainder of the digital switchover program for 2012 onwards. But that is a matter of public notice. We will have to go to the budget process next year to obtain money for 2012-13, 2013-14 going on—

Senator CORMANN—What order of magnitude are we talking about?

Mr Townend—The funding that has been provided deals with the switchover in Mildura this year, in South Australia in the second half of this year, in regional Victoria in the first half of next year and regional Queensland in the second half of next year.

Senator CORMANN—The funding for remote Western Australia, like Bunbury and so on, has not been allocated yet?

Mr Townend—Funding for the whole of regional New South Wales, the metropolitan areas and the remote areas—

Senator CORMANN—Western Australia, other than Perth.

Mr Townend—both Western Australia and central and eastern Australia has yet to be determined.

Senator CORMANN—In the forward estimates there is no funding allocation beyond—

Mr Townend—Beyond regional Queensland in the second half—

Senator CORMANN—regional Queensland.

Mr Townend—Yes, that is correct.

Mr Harris—It is quite normal in budgetary practice for the government when it is going out on what is a very large program with relatively flexible parameters, if you like, in the early years to say, ‘We will give you two years worth of funding and in the light of experience of what you have actually had to spend to encourage conversion we will examine you in the forward years.’

Senator CORMANN—Is it quite normal to allocate funding across each state of Australia except for Western Australia and—

Mr Harris—No, we have not said that, though. You keep characterising it that way and you are characterising it erroneously, if I can put it on the record. It is nothing to do with Western Australia. It is everything to do with: here is two years experience—

Senator CORMANN—It is everything to do with your timetable. I can see that. But it just happens to be—

Mr Townend—Funding is not being allocated to the whole of regional New South Wales or the metropolitan areas or the remote areas of Western Australia or—

Senator CORMANN—New South Wales is 1 January 2012.

Mr Townend—New South Wales is split into two, and part of New South Wales will switch in the first half of 2012 and part in the second half of 2012.

Senator CORMANN—There is no funding after 1 July 2012 unless the government makes a specific decision?

Mr Townend—What we have funding for at the moment—

Mr Harris—Perhaps I can make it very clear, because I do not think your statement then was correct at all. The government has said it will fund. It has not allocated the money in the budget. It wants to see in the light of experience what it actually costs to do this.

Senator CORMANN—‘Trust us; we will’? It is not in the budget.

Mr Harris—It is good standard financial practice, which I think finance ministers are very experienced in imposing upon spending departments.

Senator Conroy—There have been some brutal finance ministers in time. Senator Minchin was not one of them, but there have been some.

Senator CORMANN—Senator Minchin was a very effective finance minister, of course.

Senator MINCHIN—Have you put anything in the contingency reserve? If you have a commitment, presumably there is provision in the budget?

Mr Harris—I can take that on notice. I am not sure what is in the contingency reserve. At this sort of level, as you know, the contingency reserve is a very large amount of money; we would not frighten them.

Senator MINCHIN—Given the government knows it is going to have to spend money in the current forward estimates—

Senator CORMANN—Including in the remote areas of Western Australia, like Bunbury.

Mr Harris—I am sure the people of Bunbury can rely on the fact that the government will fund the switchover. As Mr Townend pointed out earlier—

Senator CORMANN—I am not necessarily as trusting.

Mr Harris—we are very interested in switchover. We have a very strong financial incentive to get this going. As my colleague points out, we are doing advertising to promote this as well on a national basis. We are quite clearly committed to the switchover program.

Senator CORMANN—You are advertising it but you have not got funding in the budget yet for it.

Mr Harris—Because of what I would call good financial practice.

Senator Conroy—It is a pilot program designed to see what we can learn.

Mr Harris—They want to know how much we are going to spend doing this—

Senator CORMANN—I have to say the people of Western Australia are very pleased that you are trying to learn in all other parts of Australia before you impose all of this on us. The rest of Australia are clearly guinea pigs to make sure that Western Australia does not have to suffer transition difficulties.

Senator Conroy—We appreciate your patronising support.

Senator CORMANN—I am always suspicious, given the eastern states-centric attitudes of the Rudd Labor government, of course. That is it for me in relation to digital television, but I do still have some questions—

CHAIR—Something not in relation to Western Australia.

Senator CORMANN—There are many questions left unanswered in relation to the great state of Western Australia, but I will leave it at that for tonight.

CHAIR—I think that is it for digital switchover. I understand you still have questions in 1.3.

Senator CORMANN—On the issue of the TV licence fee rebate, because I know that Senator Conroy—

Senator Conroy—I think we have finished with digital switchover.

Mr Harris—Unfortunately, I think digital switchover and broadcasting belong together so if we are back on rebates we cannot let Dr Pelling go, I am afraid.

Senator CORMANN—Earlier when we had a discussion about this we were sort of assessing the rationale, and Senator Conroy was telling us how, given the structural challenges in the global financial crisis, there were essentially significant viability/profitability challenges for the free-to-air commercial TV sector. I guess I am just looking at Channel 10's statements released in March about their first half-year results:

In an improving market with strong advertiser renewals and a proven schedule, Network 10 is striving to deliver another successful year in 2010. The revenue market continues to show strong demand positively influencing Network 10's revenue position for the remainder of the 2010 financial year.

Given those sorts of statements and given the strong demand growth in advertising renewal and in the context of your statements, Minister, that the advertising dollars follow the eyeballs, can you give us a public policy explanation in that context as to why Channel 10—

Senator Conroy—I think you should go back and accurately reread *Hansard* and accurately look at what I said. I said that there was a cyclical component and a structural component, and that just because the cyclical downswing that occurred during the global financial crisis would abate, and therefore there would start to be an increase in profitability through the course of this year and next year, I do not imagine that the companies—which used to make about half a billion dollars, about \$500,000 million—are anywhere near making that level of profitability on any analyst's forecast into the future, which goes to the issue of the structural change. I think if you accurately represent what I said earlier, you will see that—

Senator CORMANN—I am very keen to accurately represent you.

Senator Conroy—I indicated that there would be an increase given the size and the scope of the collapse in the advertising market during the global financial crisis. I know you do not believe the global financial crisis actually existed, but—

Senator CORMANN—Let us just leave the rhetoric aside for one moment and let us just talk facts.

Senator Conroy—The point that there will be a swing back up represents a cyclical movement. It does not obviate the structural change and, more importantly, it does not obviate the ongoing structural pressure in the sector. If you look at what happened in the UK, they have had to give a bigger and deeper cut and abandon a large amount of local content production. If you look at other jurisdictions and you look at the prices paid in the US, Australia was, and continues to be even after these two rebates, the most expensively taxed sector. If we want to ensure—

Senator CORMANN—You are about to make the resources sector that, too.

Senator Conroy—Were you muttering about rhetoric before? I am sorry, I thought I heard you suggest we should try to keep the rhetoric out of the debate but, no, that is okay. If you look at what has happened around the world, if you listen to relatively well informed individuals such as Mr Rupert Murdoch from News Limited, not a free-to-air television owner in Australia, he says the business model is broken. I happen to agree with Mr Murdoch on this; that there is a need for governments to recalibrate policy in this area. We have a converged media world now with us—not coming soon, now with us. With the NBN it will only accelerate. You can already buy televisions today that are fully internet enabled. You can watch YouTube on the screen in front of you. You do not have to sit in your study, bedroom or lounge room with your laptop on your knee. You can actually watch the internet on your main television screen now. All of this is going to drive eyeballs, and continue to drive eyeballs, away from free-to-air networks.

Senator CORMANN—What data on your structural challenges in terms of future profitability have you actually relied on? When you say that clearly there is going to be an upswing because that is cyclical, but long term we are still going to have a problem, you must have some data to base that sort of assertion on.

Senator Conroy—I am happy to take that on notice and see what we have available for you. But I think if you actually have a conversation with any analyst, if you have a conversation with the sector, if you even get a chance like Mr Abbott did to have a chat with Mr Murdoch, he will explain to you very simply that the advertising is following the eyeballs.

Senator CORMANN—You have made a decision—

Senator Conroy—And we will have a review in two years time.

Senator CORMANN—You have made a decision to provide a rebate of 33 per cent in the first year and 50 per cent in the second year. What expectations and challenges are their on profitability?

Senator Conroy—Those things are scheduled to be looked at in the review in two years time.

Senator CORMANN—I am not interested in two years time. I am interested in your decision making now. What was your methodology? How have you determined the 33 per cent rebate in year 1 and a 50 per cent rebate in year 2?

Senator Conroy—It was after discussions with the sector. I do not think I can be—

Senator CORMANN—What discussions? Did they present any evidence to you—

Senator Conroy—I think, unkindly—they may not thank me for saying—they actually sought the abolition of the licence fee.

Senator CORMANN—Everybody will ask you for the abolition of whatever government impost, if they can get away with it. But what have you, Minister, based your decision on?

Senator Conroy—As I said, we have considered all of the factors I have described and reached the view that there is an ongoing structural change in the sector. We have a converged media world coming and so we reached the view. It is very simple and straightforward.

Senator CORMANN—You have reached a view that ultimately there were going to be some challenges to the profitability of the sector moving forward; is that right?

Senator Conroy—I think that given the level of profitability if you look at it from, say, 10 years ago to five years ago to today and even in the cyclical upswing, no-one is suggesting that they are going to return to those levels of profitability. In fact, one of the world's most pre-eminent media moguls, Mr Rupert Murdoch, thinks that the business model for free-to-air television is broken.

Senator CORMANN—So, what profitability levels in 2010-11 and what profitability levels in 2011-12 have led you to offer a 33 per cent and a 50 per cent rebate respectively—

Senator Conroy—I am not privy off the top of my head—and I am not even sure that I have them available through the department—as to the forecast profitability, as in the companies' own forecasts.

Senator CORMANN—So you did not review the profitability as part of the process?

Senator Conroy—I am not sure I am in a position to release that information even if I have it, given that some of it would be commercially sensitive.

Senator CORMANN—Yes, but you could assure us that you have actually assessed the profitability of the sector as part of your decision making around offering a 33 per cent rebate in year 1, funded by the taxpayer, and a rebate of 50 per cent in year 2.

Senator Conroy—It was one of the considerations in coming to the decision.

Senator CORMANN—So, even if you cannot give us the profitability of individual companies, because I can well understand there might be some commercial sensitivity attached to that, what about across the sector as a whole? You say there is structural change—

Senator Conroy—I am happy to take it on notice and see what information we can make available to you.

Senator CORMANN—That would be very useful. I suspect you will not be able to give this to me, either, but I assume you have assessed network cost estimates moving forward in terms of what the rebate was intended to cover and aggregate, presumably, the total value of the rebate? Is that something that you would be able to provide us on notice?

Senator Conroy—I probably do need to take that on notice. I am not sure I completely understood your question.

Senator CORMANN—You are providing a rebate. Presumably that is intended to offset some costs?

Senator Conroy—No, that was just the mechanism by which we implemented the policy to protect Australian content, and we will make no apologies about protecting Australian content. If you look at Mr Gyngell's article in the *Australian's* media section today, it highlights the ongoing forward-looking view they have of our Australian drama.

Senator CORMANN—We have already established—

Senator Conroy—That is something that is very welcome, and we will make no apology for supporting it.

Senator CORMANN—We have already established there was no problem with Australian content on free-to-air television because for each of the last 10 years they have met the 55 per cent Australian content requirement in their licence. Unless you can tell us otherwise, we have not been given any indication or any evidence that there were indications that that was likely to change in the near future. The networks are all profitable, but there is a question whether profits are declining, and you are sort of saying to us there is a structural change which means—

Senator Conroy—No, I am not. Rupert Murdoch is.

Senator CORMANN—Rupert Murdoch and others have spoken to you and you have presumably taken their word for it.

Senator Conroy—No, I have never met Mr Murdoch. I am not as lucky as Mr Abbott.

Senator CORMANN—There you go.

Senator MINCHIN—You have not met Mr Murdoch?

Senator Conroy—I have not met Mr Murdoch. I am not as lucky as Mr Abbott.

Senator CORMANN—I am sure he will read about the fact that you have never met with him and that you will get an invitation.

Senator Conroy—I am sure Mr Murdoch has plenty of things to keep him busy.

Senator CORMANN—You have obviously taken the word from somebody that the profitability of the sector was declining to such an extent that the rebate was justified to keep them viable moving forward. You are not giving us any of that detail, Minister. Would you agree with the proposition that TV spectrum is a finite resource providing a vital social service?

Senator Conroy—By definition, it is a scarce resource.

Senator CORMANN—Not that I want to—

Senator Conroy—I am glad you raised the spectrum issue, because that was a very important part of the overall discussions, as you would also be aware. We announced in January, as part of the overall package to do with the sector, that we would be looking to release 126 meg of spectrum—all of the analog spectrum, plus channel A or B, depending on which one was in the best position after the restack, so that it was available to be auctioned off in the future. I will just wait for Senator Cormann. Senator Cormann, I was just talking about how we were going to release 126 meg of spectrum so that we could auction it off for the next generation of wireless broadband applications. With ACMA, we are also looking at the 2.5 meg spectrum, which is currently used solely for outdoor broadcasting. Depending on discussions there, we believe we will be able to reach a technological solution to ensure that we can continue outdoor broadcasting. I am sure that you will want to be able to see yourself doing a doorstep one day, and more importantly watching the West Coast Eagles play in outdoor broadcast.

Senator CORMANN—I am looking forward to watching West Coast Eagles beat Collingwood.

Senator Conroy—We may have released enough spectrum in time for you to see that happen in about 12 years. The combination of all of that we are looking at releasing for the very reason that spectrum is scarce. We believe it is very valuable and that we will ultimately make a very positive return to the taxpayer community.

Senator CORMANN—This is the point. TV spectrum is a scarce resource. You might add to it, but it is still a finite resource. Using the words interchangeably, our resources are a finite resource.

Senator Conroy—We are not going to mix metaphors again, are we?

Senator CORMANN—If TV networks are profitable why should they—

Senator Conroy—We are actually taking the spectrum off them. They currently have 2.5. They currently have analog spectrum and we are taking it off them.

Senator CORMANN—Sure.

Senator Conroy—As part of that there will be a restack to allow us to bring them all up together, which frees up a large continuous block of spectrum that we are taking back from them.

Senator CORMANN—Will TV networks continue to have access to spectrum?

Senator Conroy—As I fondly described to others, probably the coldest meeting that I have had in my 2½ years as minister was the day we had the discussion with the CEOs to say that we wanted 126. That was not a decision that was welcomed by the sector, but that was the decision we believed was in the best interests of all Australians.

Senator CORMANN—We can go around in circles for the whole night, but the reality is that you are providing a \$209 million tax break—rebate—to companies, irrespective of how profitable they are. These companies are continuing to benefit from access to TV spectrum. At the same time, your government is imposing a super profits tax, so-called, on the resources sector for any profits above six percent. How is that consistent?

Senator Conroy—I am not sure which is more repetitive, the Tasmanians asking Tasmanian questions or Senator Cormann trying to reargue his resources debate in the wrong committee.

Senator CORMANN—We listened to Australia Post this morning saying that 12.2 per cent is a reasonable profit.

Senator Conroy—This is the environment committee covering the communications portfolio.

Senator CORMANN—Understood. I am going to leave it at that in relation to this.

CHAIR—Are there any further areas of program 1.3 that senators wish to examine?

Mr Townend—Can I just correct something that I said earlier?

CHAIR—Certainly.

Mr Townend—Senator Fisher was asking about the Household Assistance Scheme and I gave her the figure of \$900,000 as the value of that scheme. It is actually \$1.5 million. I am sorry, we gave you the incorrect figure based on an out-of-date estimate.

Senator FISHER—Thank you for the correction.

[7.53pm]

CHAIR—We now move to program 1.2, Telecommunications, Online and Postal Services. We are waiting for Senator Ludlum, who indicated that he has questions here. We will start with Senator Fisher.

Senator FISHER—There was a story on the ABC News website recently that Google was trawling streets collecting wi-fi data, and there was a suggestion that in the process of collecting that data they somehow downloaded network connection contents of people's houses.

Senator Conroy—I do not think it was 'somehow'; I think they set out to collect it.

Senator FISHER—Minister, given the concerns that have been raised about the potential privacy issues and the concerns that have been ventilated as to what use Google will put this information and for how long they will keep it or have their wonderful way with it, what do you propose to do about it?

Senator Conroy—I believe the Privacy Commissioner has written to them. I think they are now engaged in a conversation.

Senator FISHER—Did you ask her to do so?

Senator Conroy—No. The Privacy Commissioner is in a different portfolio.

Senator FISHER—That would not stop you asking.

Senator Conroy—I note that the German minister has referred it to the criminal authorities for illegal data collection.

Senator FISHER—For the same thing in Germany?

Senator Conroy—This has been worldwide. Google takes the view that they can do anything they want—they do not evil to themselves. I do have a little bit of information. You actually cut into an answer I was hoping to give, but I will take you through the information that I have.

It is possible that this has been the largest privacy breach in history across Western democracies. After being caught out by European privacy commissioners, Google has admitted that their Streetview cars—the ones that drive down your street and photograph your house without your permission so that they can make it available worldwide for use in their Streetview product—has also been collecting information from people using wi-fi connections; that is, your personal data, including, potentially, emails. Welcome, Senator Ludlam. We are just filling in for you.

Senator FISHER—And connection equipment and so on.

Senator Conroy—All of that information. Ten privacy commissioners around the world recently wrote to Google about their concerns. Many privacy commissioners, including Australia's, are investigating Google for data breaches. Google have admitted to doing this and claim it was a mistake in the software code, meaning that it was actually quite deliberate; the code was collecting it.

Senator FISHER—Can you explain that?

Senator Conroy—The computer program that collects it was designed to collect this information.

Senator FISHER—Are you disputing Google's claim that it was inadvertent?

Senator Conroy—Yes. I am saying that they wrote a piece of code designed to do it.

Senator FISHER—So, it was deliberate in your view?

Senator Conroy—It is interesting to note that this claim that it was a mistake came only after the data protection authority in Germany asked to audit Google's data. They continually say publicly, 'Trust us.' This comes on top of recent controversies relating to the Google Buzz product, which made public the details of the people users most emailed and chatted with on their social networking site.

I can fully explain the policies being adopted by a company like Google. In December 2009 their CEO, Eric Schmidt, told CNBC, 'If you have something that you don't want anyone to know, maybe you shouldn't be doing it in the first place.' At the World Mobile Conference in Barcelona in February the same CEO falsely denied any privacy breach with Buzz. He stated, 'People thought that somehow we were publishing their email addresses and private information, which was not true', when it was true. He said, 'It was our fault that we did not communicate that fact very well, but the important thing is that no really bad stuff happens in the sense that nobody's personal information was disclosed.' I repeat that it was. Google Buzz exposed one user's location to her abusive ex-partner, and it was only after worldwide condemnation of Google that they actually apologised. People should not mistake the approach being taken by Google on a range of issues around the world.

Senator FISHER—Obviously there is little love lost between you and Google.

Senator Conroy—No, it is fair to say I am just chronicling the activities of Google worldwide. I have not finished yet.

Senator FISHER—I gathered not.

Senator Conroy—At the Abu Dhabi media summit—

Senator FISHER—I was about to beg to differ, because I am quite genuine in my question.

Senator LUDLAM—This is starting to sound really personal. Go ahead.

Senator Conroy—I am very pleased to note that you have arrived for me to finish my answer. At an Abu Dhabi media summit in March 2010, Google CEO Eric Schmidt said, 'Google sees itself really differently from other companies, because we see ourselves as a company with a mission about information and not a mission about revenue or profits.' Yet at the third quarter earning call for Google on 15 October 2009, Eric Schmidt told Wall Street analysts on the phone hook-up, 'We love cash.' Mr Schmidt, in December, said this—I noted this previously, but I am not sure that you heard this, Senator Ludlam, so I want to repeat it: 'If you have something that you don't want anyone to know, maybe you shouldn't be doing it in the first place.'

Senator LUDLAM—You read that 30 seconds ago.

Senator Conroy—I was not sure if you were in the room when I read it the first time. Schmidt also absurdly claimed to be misunderstood over Google Buzz and he went on to say, ‘People thought that somehow we were publishing their email addresses and private information.’ Again, I am not sure if you were here.

Senator LUDLAM—Yes, I was here.

Senator Conroy—Schmidt made the statement about how they were not really doing these things and the abusive ex-partner got someone’s address. Schmidt said that after a civil liberties group had already issued a warning about Buzz’s serious problems with private information and after Google’s own spokesman, Todd Jackson, had said, ‘Google was very, very sorry for getting millions of users rightfully upset.’ Google were also questioned at the Abu Dhabi media summit. Mr Schmidt was asked about the company’s worrisome stash of private data on its users: ‘All this information that you have about us, does that scare anyone in the room?’ The response from Mr Schmidt was: ‘Would you prefer someone else? Is there a government that you would prefer to be in charge of this?’ Frankly, I think the approach taken by Mr Schmidt is a bit creepy.

Senator LUDLAM—Are you going to quote them on your filter, because I presume that is what this is all about?

Senator Conroy—I have not even got to the filters yet.

Senator FISHER—I have not finished my question yet either.

Senator Conroy—No, you have not. I have almost finished, so I thank you for your patience, Senator Fisher. This is a company that says ‘do no evil’, but tries to pretend that it is not motivated by profit and that it knows best and ‘you can trust us’ when it comes to privacy. Unfortunately there are no safeguards. You are dealing with company policy. There are more issues that I will come to when we get to YouTube later. When it comes to their attitude to their own censorship, their response is simply, ‘Trust us.’ They state on the website, ‘Trust us.’

Senator LUDLAM—Terrible!

Senator Conroy—They consider themselves to be above government. They consider that they are the appropriate people to make the decisions about people’s privacy data, that they are perfectly entitled to drive the streets and collect private information by photographing over fences and collecting data/information. This is probably the single greatest breach in history of privacy. That is why so many governments around the world have reacted in the way they have to a company like Google.

Senator FISHER—So, you say they consider themselves above government. Are they above the Telecommunications Act?

Senator Conroy—Not in the slightest; not in this country.

Senator FISHER—Have you referred these actions for investigation as a potential breach of the Telecommunications Act?

Senator Conroy—As I said, the Privacy Commissioner has written to them seeking further information, and we will be liaising with the Privacy Commissioner to see where that gets to before we take any further action. We will be awaiting the Privacy Commissioner's—

Senator FISHER—Why, given that indictment? That is five minutes of estimates we will never get back.

Senator Conroy—The German government has already referred it. We will see what the Privacy Commissioner has to say, but we will be watching it very closely.

Senator FISHER—Why are you sitting back and watching? Why are you not referring the matter?

Senator Conroy—The Privacy Commissioner is the appropriate place to start this process.

Senator FISHER—Surely there are other aspects of the Telecommunications Act that could potentially have been breached by this behaviour, if it is as indictable as you suggest.

Senator Conroy—What I said was that Germany has described it as indictable. I did not say that we had. Let me be very clear about this. I did not say we had.

Senator FISHER—I was using a generic description of your downloading—your description of their behaviour.

Senator Conroy—No. What I said was that we would await the Privacy Commissioner's report.

Senator FISHER—Why?

Senator Conroy—It has already been referred in Germany.

Senator FISHER—Why await the Privacy Commissioner's report? Is privacy the only aspect that may have been violated by this?

Senator Conroy—We can take that on notice.

Senator FISHER—You have just given a diatribe of their behaviour.

Senator Conroy—I have described what has happened in other jurisdictions. You are talking about one specific instance. What I have said is that the Privacy Commissioner has already written to them and we will be awaiting what the Privacy Commissioner says to see if there are any breaches of Australia's laws.

Senator FISHER—You are hiding behind Karen Curtis?

Senator Conroy—I am not hiding behind anybody. She is engaged in her statutory obligations. That is her statutory obligation and she is pursuing them.

Senator FISHER—If the Privacy Commissioner concludes that, for example, there is no breach of privacy issues, what would you do then?

Senator Conroy—If there is no breach of privacy issues, there is nothing we can do. We will have conversations. As I said, we will take on notice the issue of whether or not there are any other breaches. We are happy to take that on notice, but at this stage the Privacy Commissioner is pursuing it.

Senator FISHER—My final question on notice is: why would you not, in any event, refer the matter for investigation for potential breach of the Telecommunications Act?

Senator Conroy—As I said, we will take that on notice and give you some information about that. At this stage the Privacy Commissioner has taken it forward and we will be coordinating with the Privacy Commissioner.

Senator FISHER—In your answer you inferred that there may be breaches of the Telecommunications Act outside privacy issues, did you not?

Senator Conroy—ACMA were here earlier. You could have asked ACMA if they thought there was a breach. I am happy to take that on notice for you and ask ACMA.

Senator FISHER—I am asking you, Minister.

Senator Conroy—As I said, I am happy to take that on notice and ask ACMA on your behalf.

Senator FISHER—Thank you.

CHAIR—Senator Ludlam.

Senator LUDLAM—It is difficult to know where to start. I will go back to where we were before, which I disrespectfully referred to as the ‘secret squirrel’ committee. Apparently as a result of some leaks in the press, it was revealed that there was some consultation going on with ISPs about how to implement the filter. Can you tell us what the status of that group was or is and what work it is doing?

Mr Rizvi—I can provide some background to the online consultation forum that we ran. On 15 December, when the minister announced the government’s policy in this regard he indicated in that press release:

ISPs are encouraged to register online—

and we gave an online address—

... for participation in consultations on the technical aspects of filtering.

It was at that point that the minister foreshadowed the intention to undertake further consultations with ISPs on filtering and certainly on the technical aspects of filtering. We considered how best to do that. The traditional way of doing that consultation would be to do it face to face with groups of ISPs in different cities. We came to the conclusion that that was not the most cost-effective way of doing it, but rather, given the nature of the audience, it would be better to do it online.

In order for us to conduct that, we also wrote to 687 Australian ISPs inviting them to register with us to participate in the online consultation. Letters were sent to ISPs in the following categories: all ISPs listed on the Telecommunication Industry Ombudsman’s website internet service provider list, which at that time had around 599 ISPs listed; ISPs listed in the ACMA carrier licence list of 19 March 2010, which had 78 ISPs, some of which overlapped; and we were also able to identify another 10 ISPs via other mechanisms. We wrote to all of those ISPs inviting them to participate. We also wrote to the Internet Industry Association and the Australian Mobile Telecommunications Association to participate in the online forum.

Senator LUDLAM—It sounds like we did not even know that was going on until it was leaked into the press. There are two things there.

Senator Conroy—Six hundred ISPs knew it was going on.

Senator LUDLAM—They did. There is one of my questions. Firstly, the consultation is certainly welcome. It is good that it is occurring. The fact that it was done online, saving a lot of people airfares and so on is great. Was there some kind of non-disclosure agreement entered into by participants in that consultation or was that an open invite? Was it advertised on the department's website or was it done quietly?

Senator Conroy—It is impossible to write a letter to 600 people quietly.

Senator LUDLAM—Let us break this down into parts. Was that consultation announced on the department's website or on your home page?

Senator Conroy—I repeat, we wrote to everybody we thought might be interested. That does not mean that we wrote to invite journalists and bloggers to come along.

Senator LUDLAM—Not bloggers, but people with an interest. My specific question is whether there was any sort of non-disclosure clause that people entered into?

Mr Rizvi—I will take that on notice, but I am advised that there was no such non-disclosure clause and that ISPs who volunteered to participate in it did not have to sign anything or that there were any terms or conditions associated with signing up to any of those conditions associated with participating. I will take on notice whether our terms and conditions had any non-disclosure on them. I am advised that we did not, but I will check.

Senator LUDLAM—It may be, as the minister was suggesting, it was an open process: that there was not really a leak and that someone just happened to mention it and then we realised that this consultation was occurring, which had not been in the public domain before. The minister is rolling his eyes.

Senator Conroy—It is this continued attempt by you to suggest it was secret. We wrote to every one of the ISPs.

Senator LUDLAM—Is there anybody else who you wrote to, either as part of that consultation or some other consultation, to gather ideas on how the filtering would work or was it strictly an industry forum?

Mr Rizvi—We need to go back to the purpose of the consultation. The purpose of the consultation was separate to, for example, the consultation on the transparency and accountability processes. That is a separate matter. As the minister pointed out in his press release, this related to the technical aspects of filtering—that is, how the ISPs would themselves be undertaking the filtering.

The focus of the discussion was in respect of four separate matters that all go to issues that are of direct relevance to the implementation of filtering by ISPs. They firstly went to the technical aspects of filtering. Secondly, the development of a grants program for optional levels of filtering. Thirdly, the development of a filtering tool and advice to assist ISPs to implement filtering. Finally, the secure transmission of the refused classification list to ISPs.

Each of the aspects on which we were consulting were very specifically of direct interest to the role of ISPs under the proposed policy.

Senator LUDLAM—Will that forum or group be reporting anything or is that strictly for your internal use?

Mr Rizvi—We will be preparing a report out of that forum and, together with other advice, it will be forwarded to the minister regarding the implementation of ISP filtering.

Senator LUDLAM—Is it your intention or the minister's intention for that report to be made public?

Senator Conroy—I will take that on notice. I have not thought about it at this stage. I am reliably informed that most of the conversation is on Whirlpool anyway.

Senator LUDLAM—That is not the same as having the results of that forum. Are we going to hear that it is all commercial-in-confidence and that it cannot be released or is there a likelihood that that information will be put into the public domain?

Senator Conroy—I am happy to take that on notice and give you a considered answer.

Senator LUDLAM—I would greatly appreciate that. Can you tell us when you expect that that will wind up, if that is still ongoing? When will it be finished?

Mr Rizvi—The consultations with ISPs are ongoing. The online forum itself has closed. We are continuing to consult with them on issues raised by ISPs in that context and other issues that have been raised.

Senator Conroy—There may be issues that revolve around network issues which ISPs have individualised. It may be that some of the information that is given to us ISPs would not want publicised. I will give you that just as an indication that there could be some information that has been supplied privately that could be considered. That is just an indication. ISPs may be happy for all of the information to be released or they might have released most of it themselves, but there could be the odd one that falls into that category.

Senator LUDLAM—Are you able to commit to releasing anything as a result of that?

Senator Conroy—As I said, I am happy to take it on notice. I have not considered it at this stage.

Senator LUDLAM—I would like to move on to an issue that I asked you about in February: high-traffic websites. As a result of the work Enex did they established that if a high-traffic website found itself having a link on the 10,000-odd blacklist it would potentially crash the system. Could you firstly quantify what is meant by a high-traffic website? I am specifically interested to know who you are in negotiations or discussions with on that issue.

Mr Rizvi—We have asked Enex to do some further work on what level of high-traffic site would potentially have a noticeable effect, if a URL from that website was to be placed on the RC content list for filtering.

Senator Conroy—Just to go to your question of a high usage site, it is a website that receives a disproportionate amount of internet traffic requests. They are highly popular websites. Examples include YouTube, Facebook and MySpace.

Senator LUDLAM—I get the examples. I am just wondering whether there is a threshold or a certain amount of traffic that would qualify as high-traffic?

Senator Conroy—One major telco has defined it. Their example of a high-traffic site is that it accounts for up to 10 per cent of internet traffic. I am not saying that is a definitive one. We have not considered that yet as part of the legislation.

Senator LUDLAM—I would not have thought that it would be too difficult to take this on notice and come up with a number for what constitutes a high-traffic site.

Senator Conroy—I am happy to take that on notice for you.

Senator LUDLAM—Do you understand where I am going? YouTube, definitely, yes. What about ABC Online? What about a medium-sized ISP?

Senator Conroy—All reasonable questions. As we said, we will take it on notice.

Senator LUDLAM—Who will be legally liable in the event that you have outsourced the filtering to a particular provider and something gets through? With the form of negotiations that you are undertaking, for example, with Google—just to bring them up again—who will be liable if these attempts to outsource the filter let material through that should otherwise be refused classification?

Mr Rizvi—I am not quite sure I have understood the question.

Senator Conroy—I am happy to take it on notice, Senator. Would you like to repeat the question?

Senator LUDLAM—I will repeat the question. If there is a video up on YouTube, for example—owned by Google—that you are not able to put on your list of 10,000 sites but would be refused classification and you are seeking to outsource that task to that provider, in the event that they do not do that—

Senator Conroy—It is very lazy of you to keep trying to suggest that there will be 10,000 sites.

Senator LUDLAM—No, up to.

Senator Conroy—What we have said is that Enx have identified that you could do up to 10,000 without having any material impact.

Senator LUDLAM—That is the upper limit. I am not suggesting that that is immediately going to go there—

Senator Conroy—By the way you are phrasing the question I think that is exactly what you are trying to suggest.

Senator LUDLAM—What will you do when that happens?

Senator Conroy—That is a hypothetical question. We are in the early stages of the process. We are drafting legislation—

Senator LUDLAM—This debate has been going for at least two years. How can you say we are at the early stage of it? If it reaches a threshold limit of 10,000—

Senator Conroy—We are at the early stage of the process of implementing it in terms of the drafting of the legislation, and these are all issues that we will consider. But now you are genuinely asking a hypothetical about what happens if it goes past 10,000.

Senator LUDLAM—So you cannot say what will happen? Has that hypothetical possibility not been thought of by the department or by you?

Senator Conroy—If we reach 10,000 then we can consider the situation at that stage, but at this point in time there is no expectation that we will reach 10,000.

Senator LUDLAM—Items refused classifications.

Senator Conroy—It is possible we may, and we may then have to revisit some of the issues, but at this stage—

Senator LUDLAM—Enx told you the system would not work beyond that without starting to degrade things.

Senator Conroy—The great thing about technology is that it does improve. According to a whole variety of engineers it could not be done at all—it was impossible—just a few short years ago because it would have slowed the internet down. As you have seen, even in just those few short years technology has improved. I have met people who have invented boxes—to use non-technical jargon—that they reckon can do 50,000. Enx did not test that and I am not interested in pursuing that—

Senator LUDLAM—So the sky is the limit then?

Senator Conroy—No, what I am saying is that technology improves all the time and it is possible technology will have improved by the time we reach a limit.

Senator LUDLAM—That is interesting. You have taken on notice for me the legal liability issues around the third party providers you are seeking to have undertake the filtering for high-traffic websites. Can you provide us with some details of who those third parties are?

Senator Conroy—I am sorry, what was that?

Senator LUDLAM—Who are the third parties with whom you are negotiating to outsource the filtering task, the high-traffic providers?

Senator Conroy—I am happy to take that on notice.

Senator LUDLAM—I think you did last time. Are you able to provide us with a list of who you are in negotiations with?

Senator Conroy—I keep scratching my head when you try to describe these as third party providers.

Senator LUDLAM—Google is a third party.

Senator Conroy—We are having discussions with Google about our policies. Most of it has been conducted publicly, as you may have noticed.

Senator LUDLAM—No. They are discussions about how they would handle the filtering task, but your filter is not able to—

Senator Conroy—Seeing as you have decided to keep coming back to Google—

Senator LUDLAM—No, you just went on a 10-minute tirade of corporate character assassination. I did not bring it up at all.

Senator Conroy—If describing their own words and actions—

Senator LUDLAM—That was a highly selective set of quotations. I did not come here to defend them. You brought it up because I walked into the room.

Senator Conroy—Let us be very clear: the questions were from Senator Fisher about Google and their behaviour—

Senator LUDLAM—But for some reason you singled me out as being interested—

Senator Conroy—No. I find it intriguing that you would describe pointing to their actual activities, actual public statements by their leading company officials, as character assassination. I described their own words and their own actions. If you view that as character assassination, I would say I think it is self-assassination—

Senator LUDLAM—Maybe I am just a bit thin-skinned.

Senator Conroy—or self-incrimination, through their own behaviour and actions.

Senator LUDLAM—I have quite a bit to get through so let us leave that there. How are the negotiations with Google going, since we just singled them out?

Senator Conroy—Unlike some, I do not discuss private negotiations. The discussions are ongoing.

Senator LUDLAM—Let us move on.

Senator Conroy—Could I just clarify, because you have not said anything about it yet: are you concerned about Google's recent breaches of privacy?

Senator LUDLAM—I am. I was asking finance and public administration about it. We had the Privacy Commissioner right next door, which is where I was directly before dinner.

Senator Conroy—Good—there you are. Are you able to update Senator Fisher on any of your answers? She was very concerned that the Privacy Commissioner was not the right person.

Senator FISHER—Actually, I was concerned about your actions, Minister, and the potential breach of the Telecommunications Act. I am still rather dumbfounded as to why you seem to be letting that—

Senator Conroy—Are you alleging there was a breach?

Senator LUDLAM—Yes.

Senator FISHER—You are the minister. I am asking you whether you were—

Senator Conroy—No, I am asking if you were alleging there was a breach.

Mr Rizvi—Senator Ludlam, you referred to outsourcing and third party providers. I just want to clarify what you meant by that.

Senator LUDLAM—Okay. The net filter—

Senator Conroy—I think, if that is in your description—

Senator LUDLAM—Just tell me what language to use that you will understand. The net filter will not filter URLs that find themselves on high-traffic sites such as a YouTube clip.

Mr Rizvi—We are in consultation with high-usage sites on how—

Senator LUDLAM—It is the high-usage providers that I am referring to when I talk about outsourcing. If you are not able to handle the filtering task at the ISP level, you are asking those providers to do it for you, which is why you are talking to Google, Yahoo and other providers. If ‘outsourcing’ is the incorrect term—

Senator Conroy—We have not mentioned Yahoo; you have.

Senator LUDLAM—I thought you did in the last estimates, but if they are not at the table I will take—

Senator Conroy—No, I have not mentioned them today.

Senator LUDLAM—The last time I think we did. What I am seeking to ascertain is who you are negotiating with.

Mr Harris—I think our confusion is that the creator of the site is not a third party. You seem to be implying that there is a third party here somehow.

Senator LUDLAM—I would refer to Google or Yahoo as a third party, as somebody—

Mr Harris—If we are to clarify a question of legal liability for you, I am not sure we are going to accept that they are a third party for that purpose. But, if your question to us is what the legal liability of Google is when it has a refused classification piece of content that remains on its site—regardless of whether it is a third party, first party, second party or any other party—we can provide you with advice on notice. But I think to terminologically determine them as a third party—

Senator Conroy—I think the description is causing some confusion on this side. The other phrase is ‘outsourcing’. You are describing asking high-usage sites to remove RC content on their own sites as outsourcing, which is probably what is causing a little confusion on this side.

Senator LUDLAM—Maybe that is confusing the issue but, Mr Harris, how you just described it is essentially what I am getting at.

Mr Harris—We can provide you with an answer on that.

Senator LUDLAM—If you are happy to take that on notice, thank you. The minister has taken on notice the specific parties with whom you are holding those discussions.

Senator WORTLEY—I want to ask a few questions on Google. We have touched on some of these areas but these questions are quite specific. Google recently released data about requests by various government agencies to remove content from its internet based products. Australia was apparently ranked 10th on the list for requests, behind Brazil, Germany, India and the US. Are you able to explain which Australian agencies requested the removal of the content and why?

Senator Conroy—Unfortunately I cannot shed any light on this for you. Google argued that they released this information for reasons of transparency. However, the figures are less than transparent. In fact, Google themselves say in their frequently asked questions online:

There are limits to what this data can tell us ... We haven't yet found a way to provide more detail about our compliance with user data requests in a useful way, but we plan to in the future.

Google explained such requests did not include requests for removal of child sexual abuse content or copyright infringing content. We have asked Google for some details and they have told us that the numbers include all government requests for data for Australia, covering Commonwealth, state and local requests. We asked whether a distinction was made between a formal request or a request from a person with a '.gov.au' email address, and we were told that requests are received in a variety of ways, including through formal channels. When we asked Google which agencies made the requests we were told that, at this stage, they are not in a position to provide details of which agencies made requests. They advised that the requests were not made by ACMA, the Human Rights Commission or the privacy office, but other than that they could not give us any more information.

Senator WORTLEY—So you are not aware of any other occasions where Google removes content?

Senator Conroy—Google remove content all the time. I would invite you to go to the terms of use for YouTube, where the headline reads 'Community Guidelines'. It says that they review videos flagged as inappropriate and goes on to say:

When a video gets flagged as inappropriate, we review the video to determine whether it violates our Terms of Use ... If we remove your video after reviewing it, you can assume that we removed it purposefully ...

They go on to say:

... try to see it from our perspective.

Here are some of the rules that they give you:

- YouTube is not for pornography or sexually explicit content ...
- Don't post videos showing bad stuff like animal abuse, drug or substance abuse, or bomb making.
- Graphic or gratuitous violence is not allowed ...
- YouTube is not a shock site. Don't post gross-out videos of accidents, dead bodies and similar things.

... ..

They say 'we don't permit hate speech' and go on:

- There is zero tolerance for predatory behaviour, stalking, threats, harassment, invading privacy ...

And there is a range of other conditions as well.

These guidelines do raise some interesting questions. Who makes the decisions about those issues? We do not know—I have not been able to get any extra information on that. There is no independent board that is representative of the community making the decisions against the legislative criteria. Are the criteria narrower than what the government is proposing for mandatory filtering? No, they are actually much, much broader, which may surprise you,

given Google's campaign at the moment. They include X18+ and R18+ content as well as RC content. How do we know what they have blocked? We do not. Whilst Google says it reports content that is removed from its search engine results to the Berkman Center for Internet and Society, with regard to YouTube content it says:

If we remove your video after reviewing it, you can assume that we removed it purposefully—that is, 'trust us'. They just say, 'Trust us; we know what we're doing; we've removed it.' There is no avenue for appeal or discussion.

How do you know that they have not blocked other things? You do not. There is no appeals mechanism and there are no transparency measures. Google certainly does not publish a list of content that has been blocked as they argue the government should. How do we know Google will not ban other things in the future? We do not. Google says: 'Our policies are always evolving; decisions to allow, restrict or remove content from our services and products often require judgement calls.' There is no commitment to prevent scope creep in the future and no legislative mechanism to underpin any future change. Contrast that with the National Classification Scheme, which the government's filtering policy is based on, which requires the agreement of all state and territory attorneys-general as well as the Commonwealth Attorney-General and the passing of legislation by the Australian parliament. I would probably back the Australian parliament over these mysterious individuals who engage in this process at Google.

A funny instance came up just this month that you may have a chuckle at. Google was accused of, for example, double standards after it decided to censor the placement of ads for an adult dating site. Google refused to serve the company's ads into third party websites. It was called Cougar Life. This is a real story. They deemed the ads for Cougar Life as unsafe for family audiences. Google have also admitted to censoring political material in Thailand where content is critical of the Thai royal family. It blocks pro-Nazi propaganda in Germany. It removes content that criticises the Turkish founder. I did see, although I have not confirmed this, a reference on *Q&A* recently which suggested they block material in India also. Sometimes, unfortunately, it does not block things that perhaps it should, as was demonstrated recently when a Milan court convicted three Google executives for violating the privacy of an Italian boy with Down syndrome by letting a video of him being bullied be posted on the site in 2006 remain there for a considerable period of time. There are lots of contradictions in the approach taken by some in this debate.

Senator WORTLEY—I have one final question in relation to Google. There are comments that euthanasia sites will be blocked under the government's proposal. Is that correct?

Senator Conroy—The euthanasia debate is interesting because Philip Nitschke's book, *The Peaceful Pill Handbook*, promotes a veterinary drug called Nembutal as the peaceful pill and Nitschke helps people obtain the illegal barbiturate from Mexico. A recent report by the Victorian Institute of Forensic Medicine found that six people in their 20s and eight in their 30s have died from an overdose of this particular drug. In only 11 out of 38 cases has a deceased suffered significant physical illness, deteriorating health or chronic pain. In 27 cases there was no reference to these factors, prompting some to speculate that these people had committed suicide because of psychological or psychiatric reasons. Philip Nitschke's response

to young people and those with mental illness accessing suicide instructions was that—and I quote:

There will be some casualties—but this has to be balanced with the growing pool of older people who feel immense wellbeing from having access to this information.

The Rudd government does not agree that some casualties by way of the suicide of vulnerable people is an acceptable balance. It should be noted that it is currently illegal to use a telephone, fax, email or the internet to discuss or research assisted suicide. The importation of Nembutal is a criminal offence and the penalty is 25 years jail or a \$550,000 fine.

Senator LUDLAM—I have a couple of questions that do not relate at all to Google but I cannot help but ask, Minister, in your quite comprehensive comments just before, would you not acknowledge that there is a substantial difference between a corporation hosting an opt-in video hosting site where you can choose to go and host your videos or look at your videos somewhere else if you disagree with their policy and an entire country seeking to implement what I would have thought were many of the features that you just seemed to be condemning.

Senator Conroy—I was not condemning what it is that they censor, I was merely pointing out that Google have one position when they advocate to a government and another position in which they themselves behave and I was pointing to the inherent contradiction between the lack of accountability in their processes and, frankly, exposing their hypocrisy.

Senator LUDLAM—But you are drawing direct comparisons between the way you want to run a country and a corporate video-sharing site.

Senator Conroy—Ninety-seven per cent of every internet user in the UK goes through a filter similar to the one that we are discussing. We have a slightly broader content classification, but 97 per cent of internet users in the UK go through a filter. The figures are between 80 per cent and 90 per cent for at least half a dozen other European countries where ISPs have been willing to voluntarily introduce the sort of filter that we are talking about. Not one company in this country up until recently has been willing to entertain a filter. Not one has introduced it.

Senator LUDLAM—They were hosting voluntary filters. In fact—

Senator Conroy—No, they were not hosting ISP filtering. In other countries—

Senator LUDLAM—There is one in South Australia—

Senator Conroy—I may have done one company a disservice there, so apologies to that company.

Senator LUDLAM—In Adelaide.

Senator Conroy—But the overwhelming majority of ISPs in this country have refused—unlike in other countries—to introduce voluntary filtering. They have not done it.

Senator LUDLAM—They are not seeing the demand but I think maybe we should move on to a couple of other questions again not directly related to Google. Given the secrecy of the refused classification blacklist, given that we have had instances of it leaking last year, what penalties will apply for possession and/or dissemination of the list beyond its stated purposes?

Senator Conroy—I will take that on notice. We have not finalised legislation.

Senator LUDLAM—It is still under review. If you can clarify some real ambiguity that is out there at the moment, will it be an offence to circumvent the filter or to instruct others—

Senator Conroy—There is no ambiguity. I have stated on a number of occasions, no.

Senator LUDLAM—To circumvent the filter and to instruct others in circumvention?

Senator Conroy—Yes.

Senator LUDLAM—If the next generation of browsers pop up the button on it that says, ‘Click here to disable the filter’, that will be okay? I know I am picking an extreme example, but that is where it is.

Senator Conroy—You are asking a hypothetical and we do not usually deal with hypotheticals.

Senator LUDLAM—You were just about to before I cut you off.

Senator Conroy—No, I was not. I think you described it yourself as an extreme example. I was just considering my response, but it is hypothetical question.

Senator LUDLAM—But that is instruction in non-compliance. That is why I chose that example.

Senator Conroy—I repeat exactly what I have already said on this.

Senator LUDLAM—Can you just tell us what is envisaged for the updating of the blacklist and whether it will follow the way that the current blacklist is circulated to ISPs or whether there is going to be a new process? Will it be updated every time a new link goes up, is it on a monthly cycle or how will that work when it is at an ISP level?

Mr Rizvi—At the moment ACMA is intending to update it, as I understand it, at the same level of frequency as they update at the moment. In terms of transmitting it to ISPs ACMA is looking at a number of measures to improve the security of the list—that was part of the consultations that we undertook with ISPs—and more secure means of transmitting the list to ISPs are being developed by ACMA now.

Senator LUDLAM—Is there no possibility though that an ISP based filter would be updated in real time? We are still going to need to be transmitting that file encrypted as ever it may be from one place to another periodically.

Mr Rizvi—I think it is probably premature for us to answer that given that ACMA is consulting with ISPs on that and is developing its systems.

Senator Conroy—It is a complaints based mechanism. You are aware of that, aren't you?

Senator LUDLAM—I am just wondering whether it would be updated on the basis of some changes being made to the list, therefore it goes out, that is, near real time or whether—

Senator Conroy—It is a complaints based mechanism. You are very familiar with that.

Senator LUDLAM—I am but it is not the question that I am asking. I am asking when ISPs will be informed that the list has changed. Will that be in a real time, will it be when a new complaint comes through or will it be on a monthly cycle? What will it be?

Senator Conroy—There are a variety of mechanisms that can be implemented to answer your questions and we are happy to take that on notice, but I do not think a final decision has been made about the best way to actually implement it.

Senator LUDLAM—That is still being considered. If that is the case, that is fine.

Mr Rizvi—That was very much part of what ACMA was participating in the consultations with ISPs on. That was one of the issues on which we were consulting with—

Senator LUDLAM—How to transmit—

Senator Conroy—I am sure Senator Ludlam has read all about it. I am sure he knows that already.

Senator LUDLAM—Can you tell us whether there has been a decision made on whether, if you hit a link that has been blacklisted, you will see a blocked page and, if so, what it will say?

Mr Rizvi—If you hit a link?

Senator LUDLAM—A link that has been blacklisted that cannot be served because the filter is up, whether you would be notified of that or not.

Senator Conroy—We have put out a consultation paper on those sorts of issues indicating that that is our preference, so that if you try to access the RC list then it would give you an indication that it had been blocked. It would give you an indication of where to go to complain if you disagreed and mechanisms like that. That concept has certainly been welcomed and supported through the transparency process and I think it is a fair and reasonable thing to put in place as well.

Senator LUDLAM—But there has not been an announcement on that, has there? You are just saying that is the direction of the thinking?

Senator Conroy—No, as I said, I would certainly be supportive of that and that has been generally well received in the transparency debate. As I said, we are still actually trying to finalise that consultation process so that we can then start drafting the legislation.

Senator LUDLAM—Given that we had not just a warning shot but a full-blown example last year when the blacklist was leaked, what will be the circumstance if the new blacklist underlying the mandatory filter is to leak into some public forum?

Senator Conroy—Again, that is a hypothetical. ACMA indicated earlier that they have been reviewing security protocols and there are methods different from those currently employed with the existing blacklist about how you can actually manage the question of the security of that list. I think ACMA is probably the best place for you to put that question.

Senator LUDLAM—I guess I have missed that opportunity this time around. Can you confirm for us that the investigation into the leaking of the blacklist last time has lapsed; has it not?

Senator Conroy—From my recollection of February I think that is what Mr Chapman said, but you would need to put that on notice to ACMA to triple-check that.

Senator LUDLAM—Or to the AFP, I guess. Can you tell me, or direct me to the AFP if you will, will some entities or agencies be exempt from the blacklist? I am thinking law enforcement agencies obviously, the parliament and research institutions; is there anybody who will not be behind the filter?

Senator Conroy—I would have to take that on notice.

Senator LUDLAM—Really?

Senator Conroy—I would have to take that on notice.

Senator LUDLAM—There is an awful lot of really basic info going on notice tonight. Is that not something that has been considered?

Senator Conroy—As I said, we are in the consultation phase and we have not finalised the legislation yet. When the legislation comes out you will get a feel for these sorts of questions. But until we are in a position to release the legislation—

Senator LUDLAM—I will have to wait until after the election, won't I?

Senator Conroy—I am not aware when the election is going to be. If you are better informed than me, congratulations.

Senator LUDLAM—No, I doubt that.

Senator CORMANN—What about—

Senator Conroy—I understand constitutionally it could be as late as April.

Senator CORMANN—You would be running scared of the Australian people if you waited until April. If you waited until April, I do not think you would get away with it, my friend.

Senator Conroy—Thank you for your considered political advice, my friend.

Senator LUDLAM—If we could just get back to the subject, I wonder whether you have either sought advice or received advice from law enforcement agencies or whether you, the department, or anybody that you are aware of has done any research on whether law enforcement agencies will find it more difficult to do their jobs as a result of an increase in encrypted traffic as a result of the mandatory filter coming into effect?

Senator Conroy—Again, you are making a number of assumptions that lead to a hypothetical question.

Senator LUDLAM—No, that is a straight question. Are you aware of any research or have you sought advice from law enforcement agencies in that regard?

Senator Conroy—You are making a number of assumptions. It is a hypothetical, but we will take it on notice and see if we have any information—

Senator LUDLAM—Are you aware of what it is that I am asking? If you bring the mandatory blacklist in will we see an increase in the amount of encrypted traffic and will that makes the job of law enforcement agencies harder?

Senator Conroy—The AFP have actually stated that they support any tool that blocks out access to child abuse.

Senator LUDLAM—A fortnight ago I saw a comment from an ex-AFP child safety enforcement officer saying that the filter would be worthless. He would rather see the money spent kicking doors down. So there are obviously mixed opinions within the law enforcement—

Senator Conroy—You are quoting an ex-AFP officer. I am quoting to you the AFP's position.

Senator LUDLAM—I will ask them to provide that rather than go through you. What can you tell us—

Senator Conroy—Can you fill us in on who the ex-officer was that you were quoting?

Senator LUDLAM—I cannot right at this second, but I can provide that to you.

Senator Conroy—Thank you.

Senator LUDLAM—I will take that on notice.

Senator CORMANN—Are you telling us something about the plans, Minister, are you, post election?

Senator Conroy—I am looking at the Conservatives and the Lib-Dems and smiling.

Senator CORMANN—A much better government than they had before.

Senator Conroy—The Conservatives are in government with the Lib-Dems. They are more left wing than you are, certainly.

Senator LUDLAM—They are certainly proposing to roll back some of the more—

Senator Conroy—Maybe even you, Senator Ludlam.

Senator FISHER—Come on, it is getting late.

Senator LUDLAM—It is getting late. The coalition is proposing to roll back some of the more draconian internet filtering. I am interested in global roaming arrangements within the scope of the filter. If you come into Australia with a handset device that is capable of internet access and you are from overseas, will you be subject to the filter? Conversely, if you are an Australian travelling overseas with an Australian handset, will you be subject to the filter while you are travelling overseas?

Senator Conroy—They are good technical questions. I am happy to take them on notice.

Senator LUDLAM—More on notice. We are getting through these so quickly because we are not getting any answers at all. Is that something that you have actively considered?

Senator Conroy—I have said we will take that on notice for you.

Senator LUDLAM—Thank you. That is great. I think we are nearly there, seeing how this is going so rapidly.

Senator CORMANN—It is an old strategy.

Senator LUDLAM—It is a really old strategy. The Enex TestLab report actually reported some increases in network performance when using internet censorship, which you obviously find amusing. Are you considering that a statistical outlier? Have you set aside those results or do you think that censorship makes the net faster?

Mr Rizvi—I think the report actually explains the statistical rationale behind those sorts of fluctuations. I think there is a footnote in the report.

Senator LUDLAM—I must have missed that footnote.

Mr Rizvi—We can draw it to your attention, if you wish.

Senator Conroy—I have not publicly advocated that—

Senator LUDLAM—It is not part of the NBN rollout to speed—

Senator Conroy—As you know, the NBN rollout will speed the net substantially from what most Australians get today, but I do not need to convince you on that.

Senator LUDLAM—I am very supportive of that project. Can you just confirm for us whether there is any formal or informal connection whatsoever or whether NBN Co. has any role in the net filter, whether they have been consulted, or whether they have anything to do with it at all?

Senator Conroy—NBN Co. is a wholesale company and so they do not have any direct contact with individual customers of RSPs.

Senator LUDLAM—ISPs.

Senator Conroy—We call them RSPs now.

Senator LUDLAM—So, NBN Co. has no formal or informal role in mandatory net filtering?

Senator Conroy—I am not aware of any contacts. Mr Quigley will be here tomorrow morning, but I suspect the answer would be no.

Senator LUDLAM—I can put those to Mr Quigley. Just to wrap up, with personal communication such as email within a mandatory filter regime, and people accessing their email over a web protocol like Gmail or Hotmail or one of those, will that traffic be passing through a censor box?

Senator Conroy—As you well know, Senator Ludlum, this is a complaints based mechanism that deals with individual URLs, and continued attempts to pretend to the Australian public that their emails are going to be read are false.

Senator LUDLAM—I am not insinuating that. I just asked a question. If one of those links happens to be in an email, for example, a blocked link is in an email and somebody sends it to another party, will that be caught? Will that be picked up?

Mr Rizvi—The link itself is not the relevant point here. It will be the point at which the person tries to access the URL. That is the point at which they would receive the blocked page.

Senator LUDLAM—So, there is nothing scanning your email to see whether one of those blacklisted URLs is in it.

Senator Conroy—Nobody will be scanning anybody's email. You know that very well and continuing even to suggest that is beneath you.

Senator LUDLAM—I think I asked a pretty straightforward question and it took you a moment to come up with an answer but I was—

Senator Conroy—No it did not. I simply allowed the officer at the table to answer because I was biting my tongue from saying something harsher.

Senator LUDLAM—Just to let you know, the question I took on notice—and if only the turnaround from the minister's office was as fast—it was a former director from the Australian High Tech Crime Centre, Mr Alistair McGibbon.

Mr Rizvi—Regarding one of the questions that I took on notice regarding your question about the Enex test lab test showing that in some instances the internet service actually became faster when a filter was put in place, the explanation for that is on page 21 of the Enex test lab report.

Senator LUDLAM—I will go and track that down immediately. I have got no other questions.

CHAIR—Senator Wortley.

Senator WORTLEY—Minister, earlier this evening you mentioned Google. Are they the only internet organisation to be committing privacy breaches?

Senator Conroy—I am disappointed to say, unfortunately no. I do not want Senator Ludlum to think that I have an obsession with Google. Facebook has also shown a complete disregard for users' privacy recently. If you are not aware—and I would be interested in your perspective on this, Senator Ludlum—I stand to be corrected but Facebook, I understand, was developed by Harvard University student, Mark Zuckerberg, who after breaking up with his girlfriend developed a website of all the photos from the Harvard yearbook so that he and his mates could rank the girls according to their looks—an auspicious start for Facebook. He was encouraged to develop this further and Facebook, the social networking phenomenon, was born. Facebook has been rolling out changes to its privacy laws over recent months and as one blogger recently put it:

Facebook has gone rogue. Facebook used to be a place to share photos and thoughts with friends and family, a useful way to keep in touch. Then Facebook realised it owned the network and decided to turn your profile into your identity online, figuring rightly that there is money and power in being the place where people define themselves.

These are all quotes from this blog.

In December last year Facebook reneged on its privacy promises and made much of your profile public by default, including the city you live in, your name, your photo, the names of your friends and the causes you have signed on to. Then it went further and linked all the things you said you liked to your public profile; your music preferences, employment information, reading preference, schools—all made public.

Fourteen privacy groups have filed an unfair trade complaint against Facebook with the FTC. Facebook's founder, Mark Zuckerberg, says privacy is no longer a social norm. A leaked email from Mr Zuckerberg recently referred to Facebook users—and I will have to censor this because we are in parliament—as dumb, and then the next word begins with 'f', for giving him all their private information and not expecting him to use it.

So, what would you prefer, Senator Wortley, a corporate giant who is answerable to no-one and motivated solely by profit making the rules on the internet, or a democratically elected government with all the checks and balances in place. Senator Ludlum—a fan of Facebook?

Senator LUDLAM—I have just changed my status update to reflect your comments. I am afraid I have to be somewhere else.

Senator WORTLEY—I think you have answered that question for us.

CHAIR—Now we were anticipating a question from Senator Fisher, so I will give her a couple of minutes to return to the room and perhaps would ask the department a question about the operation of the Mobile Premium Services Code that was put in place last year. Could you advise us whether the existence of the code has led to a reduction in complaints about those types of services?

Mr Besgrove—I do not have the numbers in front of me. I would have to provide them separately, but my understanding is that there has been a levelling-off in the incidence of complaints to the Telecommunications Industry Ombudsman over the last few months following the introduction of the Mobile Premium Services Code. The ACMA have also recently announced further measures which will take effect from 1 July and which will enable Australian households to implement call barring of SMS premium services. We suspect that that, in tandem with the Mobile Premium Services Code, will have a continuing impact in terms of reducing the incidence of complaints to the Telecommunications Industry Ombudsman. The initial signs are that there has, in fact, been quite a positive response from service providers following the registration of the code with the ACMA. Do you have anything you can add?

Mr McIntyre—Yes. Just to mention that before the code, in the September quarter of 2008 there were 9,850 complaints. In the most recent quarter, the March quarter, of this year there were 2,039 complaints. So, we have seen complaints drop to roughly a quarter of the number of complaints that there were previously.

Senator FISHER—Gentlemen, lovely to have you here; however my question is not of you. I want to return to the earlier theme of Google and I am hoping that we do not have to revisit the minister's long exposition of his view of Google's behaviour, which he says, 'is Google in its own words'.

Senator Conroy—I have seen it on vans as they drive around the streets.

Senator FISHER—My questions were around why the minister has not referred Google's conduct for investigation under the Telecommunications Act 1997.

Senator Conroy—Which clause?

Senator FISHER—Section 7 or section 6. Either of them sounds like a goer to me.

Senator Conroy—The Privacy Commissioner will be examining a whole range of issues and we are looking forward to receiving their report.

Senator FISHER—I am not sure what section 7 necessarily has to do with the Privacy Commissioner. I am not sure what section 6 of the Telecommunications Act necessarily has to do with the Privacy Commissioner, either. Section 7 of the act says:

A person shall not intercept a communication passing over a telecommunications system.

Section 6 of the act defines 'an interception' as:

Recording, by any means, a communication in its passage over a telecommunications system without the knowledge of the person making the communication.

So, Minister, would that not suggest that there might be issues over and above, around the sides of carrying Curtis's skirts that might need investigation in respect of the conduct by Google which has so infuriated you?

Senator Conroy—I am not a lawyer.

Senator FISHER—No, you are not. So, why would you not refer the conduct for investigation? You spent so long regaling us with how terrible it is yet you have done nothing about it.

Senator Conroy—Have you finished your question?

Senator FISHER—Have you done anything about it?

Senator Conroy—The clauses you have read out refer to communications. My understanding is that Google have not been collecting communications; they have been collecting Wi-Fi data addresses. One of the issues that we need to get to the bottom of is what it is they have actually collected. ACMA were here earlier; you could have asked them. They have not indicated to the government that they believe that at this stage there has been any breach but the clauses you have drawn on there refer to actual communications that are taking place. I have not seen anyone suggest, though there is a possibility—

Senator FISHER—Possibly they might have had to access communication to get the information that was communicated.

Senator Conroy—That is an interesting stream of consciousness, Senator Fisher. I am not sure it is factually accurate.

Senator FISHER—Why are you not referring it for investigation?

Senator Conroy—You only refer if you believe there has been a crime committed. In Germany that is exactly what has happened. In Australia the Privacy Commissioner has written and is investigating, but the clauses you have pointed to refer to collecting communications as in contacts between two people. I am not sure that is what Google has been accused of, but if you know more about it perhaps you should refer it to the police.

Senator FISHER—Whether it is section 6 of the Telecommunications Act or section 7 or something else, are you in a position to say that there has not been any breach of the Telecommunications Act by this conduct by Google?

Senator Conroy—No. What I have suggested is that ACMA has neither referred it to the police nor conducted an investigation, as they were here earlier and they have not raised it with me, that I am aware of. I am happy to check with the department and take that on notice.

Senator FISHER—Was that a head nod, Mr Harris, for Hansard?

Senator Conroy—No.

Senator FISHER—Mr Harris has something to say for Hansard.

Senator Conroy—No. We need to clarify whether you are referring to the Telecommunications Interception Act or the Telecommunications Act at the moment.

Senator FISHER—My references to sections 6 and 7 were to the interception and access act.

Senator Conroy—Which would be administered by the Attorney-General, not the Telecommunications Act as you kept claiming earlier.

Senator FISHER—My earlier questions were about the Telecommunications Act. My latter round of questioning was about the interception and access act.

Senator Conroy—Now that we have clarified that and we are all on the same page, you might want to take that up with the Attorney-General, who administers that act.

Senator FISHER—I still have the question of you, Minister, as to why you have failed to refer the conduct for investigation.

Senator Conroy—You are not suggesting they have breached the Telecommunications Act. You are now suggesting that possibly they have breached an act administered by the Attorney-General.

Senator FISHER—I am not suggesting; I am questioning. You are minister and you have regaled us with the state of what you consider to be Google's conduct, so the question remains as to why you have not referred it.

Senator Conroy—I have not alleged that they have broken an Australian law. The Privacy Commissioner is investigating whether they have breached the Privacy Act.

Senator FISHER—You seem to be saying that what they have done is not a good thing, so are you suggesting they have breached the Australian law and that is okay? They have done a bad thing but it is okay that it has not breached Australian law.

Senator Conroy—No, I do not believe that what they have done is okay. A stream of consciousness which inaccurately portrays my earlier statements does not make it true.

Senator FISHER—Thank you, Chair.

CHAIR—Thank you. If there are no further questions that concludes our examination of program 1.2 and that brings us to an end for proceedings this evening. It is time, therefore, to adjourn and the committee will continue its examination of the Broadband, Communications and the Digital Economy portfolio at 9 o'clock tomorrow morning.

Senator FISHER—What a splendid note on which to end!

Senator Conroy—Are we going to NBN Co.?

CHAIR—Yes.

Senator Conroy—NBN Co. is first?

Senator FISHER—Tomorrow.

CHAIR—The only thing I believe is that NBN Co. and the department will be here together. Yes.

Committee adjourned at 9.02 pm