



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION
COMMITTEE

ESTIMATES

(Supplementary Budget Estimates)

TUESDAY, 19 OCTOBER 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE ENVIRONMENT, COMMUNICATIONS**LEGISLATION COMMITTEE****Tuesday, 19 October 2010**

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

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

Senators in attendance: Senators Abetz, Barnett, Birmingham, Boswell, Cameron, Colbeck, Fifield, Fisher, Heffernan, Ludlam, Marshall, Macdonald, McEwen, Nash, Siewert, Sterle, Troeth, Williams, Wortley and Xenophon

Committee met at 9.04 am**SUSTAINABILITY, ENVIRONMENT, WATER, POPULATION AND
COMMUNITIES PORTFOLIO**

Consideration resumed from 18 October 2010

In Attendance

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

**Department of Sustainability, Environment, Water, Population and Communities
Executive**

Dr Paul Grimes, Acting Secretary

Mr Peter Burnett, Acting Deputy Secretary

Dr James Horne, Deputy Secretary

Mr Mark Tucker, Deputy Secretary

Mr Malcolm Thompson, Deputy Secretary

Approvals and Wildlife Division

Ms Mary Colreavy, Acting First Assistant Secretary

Ms Deb Callister, Acting Assistant Secretary, Wildlife Branch

Dr Kathryn Collins, Assistant Secretary, Business Systems and Governance Branch

Ms Carolyn Cameron, Assistant Secretary, Strategic Approvals and Legislation Branch

Ms Vicki Middleton, Assistant Secretary, Environment Assessment Branch 1

Ms Michelle Wicks, Assistant Secretary, Environment Assessment Branch 3

Ms Rose Webb, Assistant Secretary, Compliance and Enforcement Branch

Australian Government Land and Coasts

Mr Mark Flanigan, First Assistant Secretary
Mr Bruce Edwards, Assistant Secretary, Indigenous Policy Branch
Dr Charlie Zammit, Assistant Secretary, Biodiversity and Conservation Branch
Dr Paul Salmond, Assistant Secretary, Policy and People Branch
Ms Claire Howlett, Assistant Secretary, Finance and Aquatics Branch

Business Improvement Division

Ms Cathy Skippington, First Assistant Secretary

Corporate Strategies Division

Mr Arthur Diakos, First Assistant Secretary

Environment Quality Division

Dr Diana Wright, First Assistant Secretary

Heritage Division

Mr James Shevlin, First Assistant Secretary
Ms Ilse Wurst, Acting Assistant Secretary, Historic Heritage Branch
Ms Jenny Carter, Acting Assistant Secretary, International Heritage and Policy Branch
Mr Paul Murphy, Assistant Secretary, Natural and Indigenous Heritage Branch

Housing Division

Mr Chris Lamont, Group Manager, First Assistant Secretary

Information Management Division

Mr John Gunn, First Assistant Secretary
Mr Geoff Richardson, Assistant Secretary, Environment Research and Information Branch
Mr Al Blake, Acting Chief Information Officer

Marine Division

Mr Stephen Oxley, First Assistant Secretary
Ms Donna Petrachenko, First Assistant Secretary, Whale Conservation
Ms Lara Musgrave, Assistant Secretary, Tropical Marine Conservation Branch
Mr Charlton Clark, Assistant Secretary, Temperate Marine Conservation Branch
Mr Nigel Routh, Assistant Secretary, Marine Biodiversity Policy Branch
Ms Christine Schweizer, Assistant Secretary, Marine Initiatives Branch

Parks Australia Division

Ms Judy West, Acting Director of National Parks

Policy and Communications Division

Mr Sean Sullivan, First Assistant Secretary
Ms Rachel Parry, Assistant Secretary, Communications and Ministerial Services Branch
Mr Andrew McNee, Assistant Secretary, Strategic Advice Branch

Population Division

Ms Luise McCulloch, General Manager, First Assistant Secretary, Sustainable Population Strategy Taskforce

Supervising Scientist Division

Mr Alan Hughes, Supervising Scientist

Water Efficiency Division

Ms Mary Harwood, First Assistant Secretary
Mr Colin Mues, Assistant Secretary, Water Recovery Branch

Mr Richard McLoughlin, Assistant Secretary, Irrigation Efficiency Northern Branch
Ms Suzy Nethercott-Watson, Assistant Secretary, Irrigation Efficiency Southern Branch
Mr Nick Rayns, Assistant Secretary, Basin Communities and On-Farm Branch

Water Governance Division

Mr Ian Robinson, First Assistant Secretary
Ms Gayle Milnes, Assistant Secretary, Environmental Water Branch
Mr Craig Bradley, Acting Assistant Secretary, Urban Water Security Branch
Mr Mark Kwiatkowski, Assistant Secretary, Project Management and Governance Branch

Water Reform Division

Mr Tony Slatyer, First Assistant Secretary
Mr Russell James, Assistant Secretary, Water Resources Branch
Ms Tanya Cvijanovic, Assistant Secretary, Aquatic Systems Health Branch
Mr Karl Higgins, Director, National Water Market System Project, National Water Market System Branch

Bureau of Meteorology

Dr Greg Ayers, Director of Meteorology
Dr Rob Vertessy, Deputy Director, Water
Mr Alan Vallance, Deputy Director, Corporate
Dr Ray Canterford, Deputy Director, Services
Mr Trevor Plowman, Chief Financial Officer

Great Barrier Reef Marine Park Authority

Dr Russell Reichelt, Chairman
Ms Margaret Johnson, General Manager, Communication and Policy Coordination Branch
Mr Bruce Elliot, General Manager, Corporate Services Branch

Murray Darling Basin Authority

Mr Rob Freeman, Chief Executive
Mr Frank Nicholas, Executive Director, Corporate Services
Dr Fraser MacLeod, Executive Director, Basin Plan
Mr Geoff Haberfeld, Executive Director, Engagement, Secretariat and Communications
Ms Jody Swirepik, Executive Director, Natural Resource Management
Mr David Dreverman, Executive Director, River Murray
Ms Liz Dann, Executive Director, Special Projects

National Water Commission

Mr James Cameron, Acting Chief Executive Officer
Ms Kerry Olsson, General Manager, Assessment and Policy Coordination Group
Mr Matt Kendall, General Manager, Sustainable Water Management Group
Mr Will Fargher, General Manager, Water Markets and Efficiency Group

CHAIR (Senator Cameron)—I declare this public hearing of the Senate Environment and Communications Legislation Committee open. Today the committee continues its examination of the Sustainability, Environment, Water, Population and Communities portfolio. Under Standing Order 26 the committee must take all evidence in public session. This includes answers to questions on notice. 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*.

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

The order read as follows—

Public interest immunity claims

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)

I would like to remind you that the committee has agreed to call program 4.1 before the National Water Commission. I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy representing the Minister for Sustainability, Environment, Water, Population and Communities the Hon. Tony Burke and portfolio officers. Minister would you like to make an opening statement?

Senator CONROY—No, I will do it as we go.

CHAIR—I now call officers from the Murray Darling Basin and invite questions. Senator Birmingham?

Senator BIRMINGHAM—Thank you. Welcome, Mr Freeman and team. It has been an interesting week and a half for you. Although today's proceedings will be no less challenging, we hope that at least they will be conducted in a manner which does not involve some of the difficulties you have confronted over the last week. I am going to start you off on a positive note before we dig and trawl through the guide and everything else. Last time we met there had been some pleasant rains and inflows in the northern parts of the system that were providing some relief. Since then of course there have been significant further rainfalls across the southern system, as well as some more in the northern system. I thought it might be useful and a nice starter to give us a health update on the status of the system. Mr Dreverman can fill us in on what the inflows are and what that is likely to mean for the environmental assets of the system and flows through the mouth. Then we will get down to the rest of the business.

Mr Dreverman—Yes, there were very pleasing further inflows in September, with significant rain in north-east Victoria and flooding in the Goulburn and Ovens catchments. That has all now receded and flowed right through the system. The system is flowing from the top of the Barwon-Darling system all the way to Wentworth and from north-east Victoria right through to the sea. Rain in the last week has led the Burrinjuck Dam on the Murrumbidgee to fill and spill and on the Murray the Hume Dam, which is at about 98 per cent today, will fill by the end of the week, with possibly a very small spill at this stage.

On the Darling system the Menindee Lakes are in surcharge—which means they are about 109 per cent—and there is a significant volume of water in transit through the upper Darling. You will see we have also had a fair repayment of Barmah-Millewa accounts and so there is watering of the Barmah-Millewa forest. The Gunbower forest, the next one downstream of Torrumbarry, has been wet right to the edge of the forest through the rain in early September. So upstream of Barham the Murray system essentially has been fully watered on most of the flood plain except for the little bit of flood plain upstream of Yarrawonga. The river is in the best water condition that we have seen it since 2000, so for 10 years.

Senator BIRMINGHAM—That is very good news and it goes to show that for all the good work that you try to do in managing the system and debates we have in this place on how best to manage the system, there is only one thing that makes it work properly. What have the outflows through the mouth been to date and what further outflows are you anticipating from the other rain events, from the snow melt and those sorts of things?

Mr Dreverman—I do not have the actual volume but the flow at the moment is about 20,000 megalitres a day out to sea. It has ramped up since early September. We opened the first fish ways; we have probably averaged half that for the past six weeks. It looks like there is flow to the sea into December at this stage and maybe even beyond, depending on how much water comes particularly out of the Darling.

Senator BIRMINGHAM—Have decisions been made in regard to, once the flow to the sea ceases, at what height level you expect to maintain Lake Alexandrina beyond that? Will it be maintained just below the barrage height?

Mr Dreverman—At the moment we will aim to have it at its full supply level at the end of the outflow period. It is just below that at the moment but we can make decisions, with lots of water in transit, to fill it to its normal full supply level. We probably will not surcharge it this year, apart from short-term operation.

Senator BIRMINGHAM—Are Lake Albert and Lake Alexandrina now equalised in level and flow between the two?

Mr Dreverman—Yes.

Senator BIRMINGHAM—Has the South Australian government had discussions with the authority about the future of the temporary regulators around Clayton and the Goolwa Channel?

Mr Dreverman—Yes.

Senator BIRMINGHAM—What might the plans there be?

Mr Dreverman—They have both been partially breached. As water availability improves and we are likely to have more water available at the end of this current water year, there will be some certainty of getting through the following water year and keeping the lakes even under worst case scenario above the trigger level that we have set of zero, so for another 18 months from now we would want to be certain that we will stay above the zero level. When we are satisfied about that we will proceed to fully remove the bank at Clayton. I understand that the removal of the bank at Nurrung is a South Australian decision. I understand they will use the same trigger.

Senator BIRMINGHAM—Thank you for those updates. The status of the system is good news. Back on 28 June the authority issued a statement headed ‘Additional Consultation on Draft Murray-Darling Basin Plan’. That statement announced that the authority would launch a comprehensive guide to the proposed Basin Plan, which would come before the release of the draft Basin Plan under the legislated timetable. Why did the authority make the decision to release a guide rather than proceeding to the release of the draft, which has to be released with a plain English version. Was it really for this issue of additional consultation or was it because the authority needed more time to get the draft finalised?

Mr Freeman—The authority decided it should release a guide in order to both increase consultation—to allow some of its early thinking to be exposed before it formalised that in a proposed Basin Plan; notwithstanding the proposed Basin Plan can be modified through the consultation process, it thought that exposing its thinking early was beneficial—and help communities understand the full scope of the Basin Plan prior to the proposal being released.

So there is an educative component, there is a feedback component for us and there is also the ability to expose some of our early thinking before we have to formalise that with a precise position in the proposed Basin Plan.

Senator BIRMINGHAM—You said there was a benefit to having it out there before the draft plan was released to extend the consultation period and so on. The authority was originally working to a time line of releasing the draft plan in July. There was then a bit of slippage to that—by a month or so, I think, as we discussed at one of these hearings—and then we had this statement in June indicating a further change of plan, which was then altered further by the decision surrounding the federal election that saw the authority delay the release of the guide until later. Would you have been in a position to release the draft plan in August or September had you chosen to do so?

Mr Freeman—I think it is fair to say that the authority could have released a proposed Basin Plan. However, it would not have had the benefit of this extra consultative step that the authority has deemed to be beneficial to both the authority in coming to those positions and to the community in understanding before it has to respond formally.

Senator BIRMINGHAM—You said that the guide would contain key elements: proposed SDLs, environmental watering requirements, minimum supply of water for critical human needs, water quality and salinity objectives, and separate detailed guides for each of the basin's 19 catchments. We will come back to some of those, I suspect, during the morning's questioning. I particularly wanted, though, to touch on the environmental watering requirements within there. People were expecting, I think, the detail surrounding the environmental watering plan to be contained within the guide to some extent, and I hear a fair degree of criticism that it does not go to a level of detail about the environmental watering plan. Maybe we all have wrong expectations of what should be in the environmental watering plan—or is there an awful lot more to that plan that for some reason has not made it into this guide?

Mr Freeman—I will ask Jody Swirepik to come and answer the question in detail. The detail in the environmental water management plan is one of the elements that are fleshed out more in volume 2, which, as you have correctly identified, has not yet been released; it is planned to be released at the end of this week. The broad framework for the environmental water management plan is in volume 1. It is quite a complex arrangement, and therefore it was felt that the detail around the environmental water management plan was best placed in volume 2, which will be released at the end of this week. But I will ask Ms Swirepik, the executive director responsible, to respond.

Ms Swirepik—As Rob has outlined, there is further detail in volume 2, the technical version of the guide, which will be released towards the end of October. There is a combination, though, of what Senator Birmingham has suggested: that there might be some misperception of what might be in the environmental watering plan. So the approach that is being taken to the watering plan is one of being able to adaptively manage the water available to the environment through a series of policies and principles and prioritisation for environmental watering that is laid out in the environmental watering plan. I believe there is a perception that the environmental watering plan might contain a series of recipes, if you like, for different parts of the basin's environment, and that is not a prescriptive part of the

environmental watering plan. So, when that further volume comes out, it will not have a series of relationships like that. In fact, what it does is make the link back to the environmental water requirements that have been used to set the sustainable diversion limits. That is by way of a guide to the non-mandatory targets which are laid out in the Water Act, which then help people guide how they might apply the environmental water. There will not be a recipe that says, 'You must water the Macquarie Marshes with X gigalitres once every five years.'

Senator BIRMINGHAM—Why was volume 2 not released at the same time as volume 1?

Mr Freeman—The short answer is that it was not available. The authority thought it was best to release the full knowledge and information database that underpinned the guide, volume 1. In releasing volume 1, we released a thing called the Basin Plan Knowledge and Information Directory. That has over 1,200 references, and they are all the references that have been used. The distillation of those into the science that underpins the positions in volume 1 but also the fleshing out of some of the issues in volume 1—the environmental watering plan being a good example—was not possible in the time frame. Priority 1 was to issue the guide, volume 1; priority 2 was to issue the full knowledge database that sits behind it; and priority 3 clearly is to issue volume 2, which is the scientific underpinning. As indicated, we will publish that in paper form by the end of the month and we are driving to release it electronically by the end of this week.

Senator BIRMINGHAM—Why was it not available at the same time, Mr Freeman?

Senator NASH—What do you mean by 'not available'?

Senator BIRMINGHAM—You are standing very strongly by the scientific research underpinning the plan. You have released so much data and research information on the database that it is almost indigestible to anybody who might wish to look through and see the data that you used. And yet volume 2 of this important report that presumably outlines exactly which pieces of this research you have seen as being the critical ones in making decisions is not yet available. Why not?

Mr Freeman—The undertaking of the work is one thing, to develop the positions in volume 1. The actual description of that is a considerable body of work. To describe these highly technical arrangements in a way that, hopefully, people can understand is not a small task in its own right. So the work was undertaken. We have used the science that has been released through the knowledge and information database. The describing of that in a way that people who are not water experts can actually understand is a large task and was not completed at the time of the release of volume 1.

Senator NASH—But, with the greatest respect, Mr Freeman—

CHAIR—Senator Nash, Senator Xenophon is seeking the call. If you want the call, seek the call. Senator Birmingham, I am just going to let Senator Xenophon ask a supplementary question.

Senator XENOPHON—I have a supplementary question to Senator Birmingham's line of questioning. To use a phrase that Senator Cameron is very fond of using: you would agree that there was a fair degree of information symmetry here because volume 2 was not available.

Mr Freeman—The authority made the judgment that the release of the knowledge and information database—and I accept Senator Birmingham’s position that there is a lot of information there—was more important than releasing the actual technical description as to how we developed the positions in volume 1. As to whether there is symmetry or not, I will leave that to the observer to comment on.

Senator XENOPHON—I have had complaints from a number of constituents that because the guide has so many photos in it a lot of systems are crashing. It is because we do not have Senator Conroy’s high-speed broadband.

Senator BIRMINGHAM—Save that for this afternoon.

Senator XENOPHON—There is a real issue because it has not been user-friendly. A lot of people have contacted me from the Lower Lakes area saying that there is a problem with it. Is there a way of making it easier to download without the photos?

Mr Freeman—There is the ability to strip out those pictures and make it more easily downloaded for those who might not have the bandwidth, yes.

Senator Conroy—Malcolm Turnbull says everybody’s broadband is fine.

Senator BIRMINGHAM—Mr Freeman, as we know, the draft plan was originally meant to be released in July. There was slippage to that, then a change of plans to release this guide. An election intervened, giving you an extra couple of months on top of what had been planned. So, despite an extra four months or so in the process, you are telling us that volume 2, giving that scientific underpinning information, was not ready at the time that volume 1 was released?

Mr Freeman—No, I am not saying that. The scientific underpinning was released as part of the knowledge and information database. The description of how that science has been used to come to the policy positions, which is an additional component, is in volume 2. But the actual science that underpins it is in a lot of reports. I accept that it is very hard for people to distil that. But it is out there. The description of how we have worked through to the positions is the missing element, which will be out by the end of the week.

Senator BIRMINGHAM—How many documents are on the database?

Mr Freeman—There are about 1,200 references, I believe.

Senator BIRMINGHAM—There are about 1,200, which is fabulous for university researchers, who have lots of time to trawl through. It is not so useful for the people who are more likely to have real reasons to want to comment on this report. It is part of their lives and part of their concerns, be they concerns for the environment or for the future of their communities. They want to be able to read the document that tells them how you have used the science and how you have interpreted the science. They do not want to have to go back and read the scientists’ research report in the first place. Do you think it would have been far more useful to have had that volume 2 out on day one, with all the rest of the information?

Mr Freeman—I think it is fair to say it would have been useful. I would like to highlight at this early stage that volume 2 will still be a rather complicated read. We are working through that to try to make it as simple as possible. As you would be aware, this is some cutting edge science. I think it would have been beneficial to have volume 2 on day one, but

the benefit of it being slightly later is that given the feedback we received last week we have actually varied the emphasis in some parts. There is enormous focus on the social and economic—getting people to understand that that sits within an arrangement of environmental water requirements and then the social and economic optimisation occurs. So we have been able to change some of the emphasis in volume 2 because of the delay, but I accept your point that it would have been nice to release them altogether.

Senator NASH—Shouldn't we have had the information that would have been contained in that—which you worked off—at the time that volume 1 was released, and not have you take the opportunity, now that there has been such an outcry about the social and economic impacts, to go back and revise what you were intending to give us as volume 2?

Mr Freeman—As I said earlier, the work was actually done. This is a description of that work. Given that we have received feedback that people are interested in some elements of the Basin Plan more than others, it gives us an opportunity to expand on those in a more descriptive way. It does not change what we have done. What we have done is set, and that was set in developing volume 1. Because there has been an increased community interest in some of the elements—there are 15 elements in this plan, but one has captured the imagination of most people—it has allowed us to expand on those and hopefully help people understand the science that sits behind the guide.

Senator NASH—How many consultations will have been held by the MDBA out in the communities prior to volume 2 being released?

Mr Freeman—I think probably about 10, but there is a commitment by the authority to return to all of those communities when volume 2 is released.

Senator NASH—So not one of those people who will attend those consultation meetings will have had the opportunity to look at the technical background you have based your decisions on?

Mr Freeman—Yes, they do have the opportunity to look at the technical background.

Senator NASH—Sorry, the 1,200 reports that are up there is their opportunity?

Mr Freeman—That is right. Notwithstanding that a lot of information is there, people have been able to access some of the information. For instance, the ABARE report has been highly popular and people have been pulling that out, along with various other elements. So they have been able to access the technical information. The authority has made a commitment that on release of volume 2 it will return to those communities and have a separate session explaining the science.

Senator NASH—Senator Birmingham makes the very good point, though, that people want to know your interpretation of that background and how it was utilised, not the raw data itself.

Senator BIRMINGHAM—On the ABARE study, and it leads us into a discussion of the socioeconomic impacts and so on, the ABARE report is first footnoted on page 87 of the guide. It is footnoted on several locations subsequent to that, which would lead one to assume that it is the main study underpinning the economic analysis that the authority has undertaken. I note in that footnote on page 87 that it is described as an unpublished report for the MDBA.

On the weekend, subsequent to the release of the guide, as I went into your database, it was certainly still unpublished, and it was still unpublished a day or two after that. I am not quite sure when it finally was published. I know that it is now published. Once again, in terms of making sure that information was transparently available to people very early on, and particularly given the very strong focus of debate leading up to this about whether there would be effective socioeconomic analysis underpinning it, why was that report not made more openly, clearly and readily available at the time of the release of the document?

Mr Freeman—I will refer that question to Dr McLeod, who had been responsible for the knowledge and information database.

Dr MacLeod—In respect of the question, for much of the data that was being collected for the knowledge and information directory the reports were being finalised at the time that these documents were being written. I believe this particular ABARE report was actually finalised and provided on the morning of 8 October. So at the time we actually committed this text, the report was not actually finalised for publication. It was published on the knowledge and information directory at four o'clock on the Friday afternoon. So we were actually receiving the final copy of the report from ABARE at that point in time.

Senator BIRMINGHAM—The ABARE report giving you the primary socio-economic analysis that you used in this guide was only finalised on the morning that the guide was released?

Dr MacLeod—We had received many draft reports over a significant period of months. The project that was set up with ABARE is one that goes back over a year in terms of the actual support that ABARE has provided the authority. We have had a number of different reports, which were based on requests for particular pieces of research or analysis. We had received draft reports that were used, but the final submitted report, as per the final arrangements for the publication of it, was received from ABARE to put it live on the knowledge and information directory on that particular day. It did not alter the content of the report. The report was available to the authority some considerable period of time in advance of that to allow the finalisation of the content within the guide and the policy positions that were settled by the authority.

Senator BIRMINGHAM—I know in some ways the time lines the authority has been under, especially given delays to the appointment of some of the members of the authority and so on, have been tight. But it does start to sound like there has been this almighty scramble at the end to put this together if volume 2 of your report was not ready to published on the day and is still a week or two out from being published and if the main and primary source of socio-economic analysis in the guide was in fact only provided in a final version by its authors on the very day that you released the guide. This strikes me as an amazing set of circumstances. Was the authority really so pushed for time and under pressure that in the end it was rushing this job to try to meet the deadlines that had been imposed?

Mr Freeman—As I indicated in an earlier answer, the authority could have released this earlier. The authority is keen to do as comprehensive a task as it can to expose it to the stakeholders and the community at large. So the authority has spent considerable time in working on the content. I think it is unfair to say that the authority was rushed. We have spent

our time making sure that the positions in volume 1 are as comprehensive as we could make them for consultation purposes. That has meant, as you have indicated, that volume 2, which is really the description around the scientific process, has as a consequence been delayed. I think we took the judgement that volume 1 was the highest priority and we endeavoured to put that in as good a state as we could, even if that meant that volume 2 was going to be two weeks later.

Senator NASH—Why did you not just wait another two weeks? Given it was due in the middle of the year and, as Senator Birmingham has indicated, there is slippage all the way along. Why not just wait another couple of weeks, put out volume 1 and 2 together so there can be none of this anxiety in the community about not being able to see that technical background, and have the ABARE report well and truly out there at least a few days before you start putting it all out in the public domain? Why not just wait an extra fortnight?

Mr Freeman—It was important to release the ABARE report with the actual guide because it contains some of the positions that were explored within the guide. So I do not think we should have released it prior to the report. It was available the evening of the release, as Dr McLeod has indicated. So it was just a draft report. We had several exposures of that report but ABARE had not finalised them.

Senator NASH—That was not my question. I asked why you did not just wait another couple of weeks and release volumes 1 and 2 together, coupled, obviously, with the ABARE report?

Mr Freeman—I think there is enormous community interest in what we have released.

Senator NASH—No, you have not answered my question. Why did you not just wait another couple of weeks and release the two together?

Mr Freeman—I think it was important to release this on the date that we advised we would—

Senator NASH—But you advised that there were two or three other dates along the way that had slipped.

CHAIR—Senator Nash, please allow Mr Freeman to answer before you interrupt him.

Senator NASH—I am just saving time so he does not answer incorrect questions.

CHAIR—It is my job to make sure time is managed, not yours.

Senator NASH—I am just assisting, Chair.

Mr Freeman—The authority took the judgment that it was important to release volume 1 on the nominated date and allow the consultation and the feedback to commence in the absence of volume 2. Delaying the date would have increased the anxiety around the issue.

Senator NASH—Just to clarify: you have said you are going back to those communities post the release of volume 2. When will that be?

Mr Freeman—We have not got a firm timeframe for that because we will have to decide whether it is important to go back to those communities with the discussion around volume 2 or whether it is important to have discussions in additional centres—and there are some requests for that—as the next priority. So we have our visits—

Senator NASH—You just said that after volume two was released you would go back to those communities.

Mr Freeman—That is correct.

Senator NASH—So they would be expecting you to tell them now when you are going back.

Mr Freeman—No, what I am saying is that we will be travelling around the basin with volume 1 until mid-November. There has been a request for additional centres to be added to those visits for volume 1 type discussions. We will have to decide whether those additional centres take priority over returning to the original meeting places with volume 2. That decision has not been made.

CHAIR—Senator Birmingham, do you still have the call?

Senator NASH—He does and I will be one second. When will you be able to inform this committee of the dates and times and places you will be returning to the communities you have already been to in order to discuss volume 2?

Mr Freeman—I do not know at this stage. I imagine that decision will probably be made early next month—early November.

Senator BIRMINGHAM—Mr Freeman and Dr MacLeod, was the final version of the ABARE report that you received on the day the guide plan was launched a final version that incorporated amendments to the content or new information, or were we simply looking at that as being a final version—a print proof version as against what you had earlier received, being a non-print-proof version, if we could put it that way?

Dr MacLeod—The final report was merely a finalisation of the printer's proof version. There was no additional content added. It was merely a finalisation of the print proof version.

Senator BIRMINGHAM—When was the actual final report—final in its content—provided to the authority?

Dr MacLeod—I do not have that specific detail to hand. The actual contract with ABARE was one that was established over many periods. There were a raft of intermediate reports as well as presentations of the information they contained and, as indicated, there was also some refinement of some of those over periods of time. So I do not have the details of when the specific—

Senator BIRMINGHAM—Days or weeks?

Dr MacLeod—Weeks.

Senator BIRMINGHAM—The ABARE process presumably involved ABARE developing some type of economic model to look at the parameters you gave ABARE, I assume, for different scenarios involving certain reductions in certain SDLs?

Dr MacLeod—Yes, that is correct.

Senator BIRMINGHAM—So ABARE could feed into their model: 'Here is a 3½ thousand gigalitre reduction for a new SDL' and the model would spit out a figure somewhere between \$800 million and \$1.1 billion?

Dr MacLeod—In general terms that is correct. ABARE actually did one multiple scenario model which would include trade and no trade scenarios as well, so it was not just a case of providing a single scenario and spitting out a single number. There was actually a considerable amount of actual analysis undertaken to provide a broad range of understanding of the likely implications. The economic models that ABARE run tend to operate as long-term perspectives of the economy. ABARE did also try to provide some detail at a more regionalised scale and also tried to provide some indication with regard to the more localised and short-term impacts to the extent that their models were actually able to do that. So there was a considerable range of information provided as a result of individual scenarios being run through the ABARE models.

Senator BIRMINGHAM—When did you first commission ABARE to build this model?

Dr MacLeod—ABARE would have been undertaking early model runs in February or March this year, which is about the point in time that we were reaching the conclusions on the work that was done in regard to possible ranges of environmental water requirements. The broad methodology for that was published in April this year, so we were all initially looking at some of the early modelling work from ABARE on or around February or March this year.

Senator BIRMINGHAM—Obviously the ABARE model was finessed from there. When did the authority go back to ABARE with parameters of proposed cuts—between your range of 3,000 and 7,600 gegalitres—and ask them to model those environmental cuts?

Dr MacLeod—As we have outlined within the guide, many of the model runs were initially carried out at the broad range of 3,000 to 7,600, to try to understand the scale of impacts. In around April—I do not have the details of exactly what point in time—the authority took the view that there was a need, given the scale of the social and economic impact, to limit the range of scenarios that were being looked at, so they introduced a constraint of nothing above 4,000 gegalitres. Then, within that, three reduction scenarios were chosen—3,000, 3,500 and 4,000. Those were then scrutinised, not purely from an economic point of view but also from a hydrological and environmental point of view, to try to understand what options there were to achieve outcomes across the basin in ways that were hydrologically consistent to deliver the environmental outcomes and also model the social and economic impacts of those. So there have been many runs of all of those different scenarios from different perspectives, since around April this year.

Senator BIRMINGHAM—The ABARE report considers three basin plan scenarios. The report says:

This report considers three Basin plan scenarios developed by the MDBA: 3000 GL (gegalitres), 3500 GL and 4000 GL.

The guide that you have released says that the authority ruled out reductions above 4,000 gegalitres because it deemed that the economic impact would be too great. On what basis was that assumption or decision made if this ABARE report does not consider options above 4,000 gegalitres?

Mr Freeman—I will allow Dr McLeod to answer in detail. The primary report that drove the authority to that position was the Marsden Jacob report. There were several reports that were the basis for the authority's decision but the primary one was the Marsden Jacob report,

which highlighted the impacts of 40 per cent. Marsden Jacob Associates did not have access to any of the scenarios and were looking at the impacts of drought and the continuation of that. That was the primary report on which the authority came to its conclusion, but there were others.

Dr MacLeod—Just to follow on from that, the Marsden Jacob report that was commissioned by the authority was specifically commissioned to try to provide some greater understanding of the more localised social and economic impacts of reductions and diversion limits across the basin. It specifically looked in detail at 12 irrigation districts to try to understand the ways in which those communities have responded to reduced water availability over the last period of years. That report very firmly indicated that reductions in diversion limits around 40 per cent would create situations in all of those areas across the basin that the authority deemed to be unacceptable.

The Marsden Jacob work did explore, broadly speaking, reductions in current diversion limits of around 20 per cent, 40 per cent and 60 per cent. Those were the broad parameters canvassed through meetings with stakeholders across those areas, as well as with individual telephone surveys that were taken. The Marsden Jacob work is more qualitative in nature and it is supported by the analysis work that was being done by ABARE which was more quantitative in nature.

The work that ABARE had been doing at the early part in this piece was very much focused on the broad range of 3,000 to 7,600, so there were indications of the scale of the economic impact at the top end of that scale. As Mr Freeman has indicated, the Marsden Jacob report was probably the one which the authority considered as its primary driver for the decision to restrict the options that were being looked at or the scenarios that were looked at.

Senator BIRMINGHAM—So the Marsden Jacob report modelled scenarios at 20 per cent, 40 per cent and 60 per cent reductions.

Dr MacLeod—No, they did not model them; they actually undertook a series of engagements with communities across the basin through face-to-face meetings with stakeholders or a telephone survey of over 1,000 individuals to get more qualitative information about how communities have responded. It was not an economic modelling exercise in the same way as the ABARE study.

Senator BIRMINGHAM—Okay, so it undertook what was more of a social impact assessment—if we can put it that way—20 per cent, 40 per cent, 60 per cent reductions, and the authority took the decision as a result of that report that the 40 per cent reduction figure was unacceptable and too high.

Mr Freeman—The authority used that report and the other reports, including ABARE, so the qualitative information was that 40 per cent would cause inappropriate economic and social outcomes. That was then quantified through the ABARE report and that was the upper bound. So I guess the analysis tended to support the qualitative response from communities.

Senator BIRMINGHAM—You are saying including the ABARE report, but the ABARE report, which has been published, at least, does not contemplate a scenario of 40 per cent.

Mr Freeman—Certainly, the ABARE work was ongoing, as Dr McLeod has indicated—ABARE originally looking at the full range from not 20 per cent, but the full range of reductions that were emerging out of the environmental water requirements, the 3,000 to 7,600 as it ultimately became. Because we were working towards better defining the environmental water requirements, I suspect at that stage it was probably expressed in the order of about 2,700 to about 8,000, so we have refined that as we have gone on. I do recall 2,700 being a number under discussion at one stage and certainly we were looking at a number above 7,600 as we looked at the environmental water requirements.

The ABARE work was being conducted in tandem with that, so it was not as if we did not know the impacts at these various points. But having received the Marsden Jacob report, we decided that, while we did need to define the upper bound of environmental requirements to have absolute certainty about delivering the ecological outcomes that the act requires, the act is not singular. As I have often expressed, the act does require us to optimise economic and social and we determined that 4,000 was the upper bound. The Marsden Jacob work and the ABARE work were operating in parallel rather than being sequential.

Senator BIRMINGHAM—Wouldn't it have been useful in the guide to perhaps spell out some of the thinking and some of the research on which you made those decisions? It certainly tells us that the authority made the decision that above 4,000 was unacceptable, but it does not point us in the direction of what guided the authority's thinking. In particular in the ABARE report that you have released, wouldn't it have been reasonable to actually give either some inclusion of the Marsden Jacob information or perhaps preferably both to model higher levels as well as lower levels to provide people with a comparative point outside of the spectrum that the authority is recommending? It is all very well to say the authority has a recommended range and it is 3,000 to 4,500, 'Here are the impacts within that range.' It would be fairly helpful to people who might want to debate whether or not that is a good range to be able to look either side of that range.

Mr Freeman—Chapter 13 of the guide that has been released graphically shows the impacts right through to 7,600 for various industry sectors. That information is available in the knowledge and information directory. What we have not done is go well below the 3,000 requirement. You will see various graphs there for the impact of sectors, so people can see the social and economic consequences of numbers above four.

Senator BIRMINGHAM—I do not want to dwell on this because I can go back and reread the guide at any time. Did you say 'chapter 13'?

Mr Freeman—Sorry, I have misled you. It is chapter 7. There are examples on page 89. Other examples are on page 92. The authority has outlined the full impact. That information is available in far more detail in the database.

Senator BIRMINGHAM—I would like to come back to some of those statistics a little later on, because certainly some of them do not gel with me on a commonsense basis at least. Lastly, before Senator Cameron urges me to move on to give somebody else a turn I ask this. The authority made the announcement on Sunday of commissioning a further study of local community impacts. Obviously that is welcome. I acknowledge that it has been taken in response to a lot of the feedback that we have heard. The coalition would say that we have

been calling for such studies for some period of time since before the election. What role will this study play and, importantly, what role will it and the parliamentary committee that the government has announced have in this process? What impact will it have on the time line of the authority's work?

Mr Freeman—To answer the first question—the role that it will play—it will certainly be useful in influencing the authority's decision as to where it may land in that 3,000, to 4,000 zone, assuming that that does not move because of improved environmental information that comes forward as part of this consultation process. So the authority still has to make a judgment as to where it ultimately decides that the SDL should be set. The report actually identifies that there is environmental water that needs to be identified within catchments and there is environmental water that is actually discretionary, that can move around in different tributaries. The easiest place to identify that is in appendix C. It is quite complex. There is a volume of water that needs to be found in a catchment to make that catchment healthy and there is a volume of water that that catchment is potentially contributing for downstream health. That does not apply to all catchments. It is the southern connected system and the northern system. It would not apply to disconnected arrangements such as Wimmera, Lachlan, Paroo et cetera. Clearly this information can influence that as well in that those elements can be moved around. Often the volume changes because of the hydrology of the system, so that with a volume that is taken out of one tributary and pushed into a different tributary there will be a slight variation in the volume, just because of losses et cetera. So this information will be of benefit to the authority in that regard. I cannot comment on the parliamentary inquiry business. I am aware of the time frame. I am not aware exactly of the scope of that. Clearly the parliamentary inquiry will be able to influence the proposed Basin Plan. There is no doubt it will be either available before the proposed or after the proposed plan. This additional work has allowed us to look at meeting the original time frames but with a very condensed time frame through from the proposed Basin Plan to the Basin Plan.

Senator BIRMINGHAM—You have been telling the community consultation sessions that people should get their comments on the guide in to you by the end of November, with feeding into the release of the draft Basin Plan likely some time in February, for then a kick-start of the 16-week consultation session and that anybody who misses November will go into that second round of feedback. Are you still anticipating releasing the draft Basin Plan in February?

Mr Freeman—The authority has been encouraging people to respond earlier the better, but certainly there is no cut-off date in November. What we have been saying is that anything received prior to the end of November could definitely be considered in the drafting of the proposed Basin Plan and anything received after November will definitely be considered at the very least as if it were a submission on the proposed Basin Plan. So the authority is trying to develop a model where feedback and consultation are ongoing. The authority has said that it would release the proposed Basin Plan in early 2011. I am not sure of the February date but certainly that has been implied if not explicitly said. Clearly that will now have to move out slightly if we are to accommodate this additional work but, as Mr McLeod said about these final deadlines for these reports, often the work is in before the final deadline, so I would

anticipate that we would have all of the information in from this study by mid February if it is to be finalised before mid-March.

Senator BIRMINGHAM—So there is a clear-cut commitment from the authority that you will have in all the information from this study before you release the draft Basin Plan proper?

Mr Freeman—Again, the authority has not made a formal decision so I cannot answer on behalf of the six-member authority.

Senator BIRMINGHAM—Mr Freeman, who made the decision to undertake the local community impacts?

Mr Freeman—The six-person authority.

Senator BIRMINGHAM—So the six-person authority decided to undertake the community impacts aspect and to set the date of 15 March for its completion?

Mr Freeman—That is right. The entire contract needs to be resolved by the 15th. That does not mean we will not have a report a month or more before that. So it would be possible, and I am really speculating at this stage. It would be possible that the proposed Basin Plan and the release of that study occurred concurrently.

Senator BIRMINGHAM—Again, I find it odd, knowing the pressure that the authority is under in this space, that the authority would not have contemplated how it would handle the time line of things from here and the time line of getting this work and ensuring that it is not just properly considered in the process of the Basin Plan proposal being developed but that, in the great sphere of politics and public life, it is seen to be properly considered in the context of developing the Basin Plan and releasing that draft Basin Plan. That perception is just as important as the reality if you are to carry with you the communities that you need to carry to successfully achieve this reform process. I accept that you are but one of a six-member authority and that, unlike Minister Conroy, you cannot make ministerial decisions on your own, Mr Freeman, and you need the other five to go with you. But I would urge you to go back and put some clarity around the time lines that are going to come through and put some clarity around the fact that perhaps this study should be made publicly available. On this time line issue, what is the authority's understanding still of its end deadlines, because obviously this pressure is now building up on meeting deadlines. It already was with the delays to the release of the draft, but certainly the agreement on Murray-Darling Basin reform stipulates 2011 for finalisation of the plan. Is that the authority's understanding and would that require the agreement of all of the Murray-Darling Basin states to vary that if you are unable to complete that task?

Mr Freeman—The 2011 date is part of an intergovernmental agreement between relevant jurisdictions. I would have to defer to the agency but I would imagine, given the decision was made through an intergovernmental agreement, that it could only be varied by the intergovernmental agreement. But that is perhaps a question for the department.

Senator BIRMINGHAM—Thanks, Mr Freeman. I will be back.

CHAIR—Mr Freeman, Senator Birmingham raised what I think is the nub of some of the problems that we have—that is, the complexity of the report. Later Senator Nash raised the issue of people having access to the technical information. It seems to me that this is part of

the big problem that we have, when people say that the report is really complex but others say to give everybody access to the technical information, which many people will not understand. How are you going to deal with that?

Mr Freeman—That is one of the challenges with volume 2. We have a technical volume already in volume 1 which people are, I think at this stage, probably struggling with. However, I believe there will be an increased level of understanding as we progress these town meetings. I would have to say that the level of understanding at the close of those meetings is much greater than at the start and we have had some people declare that when we had a ‘wacko’ moment the other day when someone discovered that it does not impact individual licence holders. So I think whilst these meetings are robust there is a good exchange of information. One of the reasons volume 2 is taking us a little while is not that we are rewriting the science—the science is the science—but that we are trying to describe something that is highly technical in terms that people can understand without losing the essence. That is quite a drafting task and the challenge with volume 2. You are right: it is a highly technical job that we are doing here and conveying that in a way that people who are impacted can understand is not a simple task at all.

CHAIR—Do you have experts within the authority to help you overcome this issue or are you using outside resources to help you?

Mr Freeman—We are using both. I think it is fair to say that volume 1 became slightly more technical as we developed it. Volume 1 originally was to be a slimmer document in the order of 100 pages. It became clear to us that people needed not just to know the answers but also to some extent to know how the answers were developed so volume 1 grew in size and complexity. That has put a bit more pressure on volume 2. Volume 2 will actually be in two volumes because of the mere size of it. It is probably in the order of 500 pages collectively so it is a large piece of work.

CHAIR—On that, have you done an analysis of the carbon footprint of 500 pages when they get incinerated up and down the Murray-Darling? I am only joking.

Mr Freeman—No, we have not done that analysis. We do have assistance; we have internal communications experts as well as external consultancy support.

CHAIR—Another issue is that Mr Dreverman indicated we now have the best water conditions for 10 years. How much is that impacting on, from your point of view, people saying, ‘This is all a nonsense; look at this—everything’s going to be okay’? What is the analysis looking forward in terms of the health of the river in the future?

Mr Freeman—The Basin Plan is developed on 115 years of records. We have these wetter-than-average years and we are now experiencing one of those. We have certainly made sure that the Basin Plan we are proposing is not influenced by the last incredibly dry sequence. I think it is very important that we do not amplify that. This is about 115 years of weather and we have been able to superimpose on that the current engineering structures and water plans to say what would have happened. It is clear that we have overallocated water for the 115 years of records, not just the last 10 years. Notwithstanding the current resource condition, I think it is fair to say that the flood plain, particularly in the Lower Murray, is not in good health. Notwithstanding there is now water moving through the system, we still have

a lot of salt to export out of the Lower Lakes, for instance, and we still have the decline of red gums particularly in Chowilla and further down.

So I think it is important to point out that this is a much better environment to be discussing the proposed basin plan or the guide to the proposed basin plan than when people are really desperate without water allocations. I think the evidence is pretty clear that we do need to change things. My feeling of the sentiment from those community meetings is that the majority of people are clearly of the view that we need to change. It is a question of the extent of the change and where that change should occur.

Senator NASH—With the greatest respect to you, Chair, and to Mr Freeman, farmers are not dumb. You do not need to water this down into some kind of ‘Water for Dummies’ exercise. Day in, day out, they live the technicality of what they are doing with water in those communities. I think it is way off track to suggest that it had to be in some sort of easily digestible form so people with not as much knowledge as perhaps either of you could understand it.

CHAIR—Senator Nash, I was simply responding to the issue that Senator Birmingham raised about the complexity. If you have an issue, take it up with Senator Birmingham; do not take it up with me.

Senator NASH—No, I was simply responding to the both of you. I am quite sure that those out in the rural sector are able to understand the technicalities and the background that underpin the decisions that have been taken.

CHAIR—I am sure some will.

Senator NASH—Mr Freeman, did you say that volume 2 would be out at the end of this week?

Mr Freeman—That is correct. The electronic form of volume 2 will be out at the end of this week; in paper form it will be out by the end of the month. That is not to say that people cannot download it onto paper; the published version will be out by the end of the month.

Senator NASH—I understand that. I think Senator Birmingham touched on this, but I want to talk about the extra consultations specifically. Are they going to push the time line out for the release of the plan? Are you going to have to concertina time in the middle, if you like, to get more meetings in or do you expect that there will be some push-out of that date?

Mr Freeman—I have not thought that through in detail, but, now that we have the guide on the table and people can see where our thinking is, the authority is very keen to make sure that this consultation becomes an enduring process. It is a little like the additional socioeconomic work that we are undertaking. That will be undertaken in a very open way with the involvement of local governments and industry bodies. Now that the band that the authority believes is appropriate for discussion is out there—the 3,000 to 4,000 envelope, which I stress can be changed and can be influenced through things like commitments by jurisdiction to put engineering structures behind it—consultation will be part of the process and not a stop-start type of thing. As to whether it will impact on those time lines, I think that we can still accommodate that well and truly within the time frame. We do want to undertake all this consultation in good faith. I think the idea of running consultation right up to the day

that you produce the proposed basin plan, clearly not having incorporated the feedback, is inappropriate. We will need to work back from the release date of the proposed basin plan to define the end date for good faith consultation and then see whether there is a challenge. But I think there is sufficient time. The only concern I would have is that we may start to run into the Christmas period. Often people are concerned if you conduct consultation over Christmas.

Senator NASH—They would be. I would say a significant number of farmers and businesspeople would not be available over that period simply because of the logistics of harvest and all those sorts of things—and I had better declare my interest as a farmer at this point. Firstly, congratulations on actually going out to the communities. I was at Griffith and Deniliquin and at least you were there. That was certainly a positive step.

Senator BIRMINGHAM—I was at the other two.

Senator NASH—Mike Taylor, the chair of the meetings, in response to the very real concern out there on the ground that the environment and the social and economic impacts were not being treated equally, expressed the view that the authority, under the act, was unable to treat them in a balanced fashion and that priority did have to go to the environment. As you would remember, he indicated to the meeting that he was not able to give equivalence to the social and economic impacts. Correct me if I am wrong: I think Mr Taylor was referring to part 2, section 21 of the Water Act.

Mr Freeman—Yes, that is correct.

Senator NASH—Am I reading it correctly in that point 4, where it says ‘subject to subsections (1), (2) and (3)’, is the point at which Mr Taylor is referring to the fact that the environment must take priority or precedence?

Mr Freeman—That is correct. Section 21 outlines that the environmental water requirements are the first parameter—as we have indicated. To have absolute certainty of delivering that, our view is that that would require a return of 7,600 gegalitres. We believe we deliver the objects of the act, section 21, with 3,000 gegalitres but with a higher risk and we would need to have an eye on that risk. Having done that, the act says you must then optimise economic social and environmental outcomes and that is why the authority has made the decision that any number above 4,000 is inappropriate. You are right: the environmental envelope is the first consideration and then where you land in that envelope is determined by economic and social issues.

Senator NASH—Thank you. There is a real lack of clarity around this issue which I think underpins the whole debate at the moment. What we are seeing from out in the community is a real concern that the social and economic impacts have not been considered well enough to date. That is a fair point. If the environment has to take priority or precedence, even though it does say you have to optimise the social and economic aspects, how can you use a social and economic argument to reduce the potential for the 7,600 level down to 4,000? Because you are using a social and economic argument to drop that down to 4,000.

Mr Freeman—That is right.

Senator NASH—How do you do that in the context of what Mr Taylor was saying, which was that he could not give equal priority to those two areas.?

Mr Freeman—What we are saying is that the band from 3,000 to 7,600 satisfies the act, for the environmental water requirements. We are clear on that. If there is new science that will be modified. There is the ability to engineer that number down without compromising the environmental objectives. At the top of that we have almost certainty that we will deliver the environmental objectives. At 3,000 it is the authority's judgment we meet them but with a degree of risk. So we have said the decision there is twofold: how much risk do you want to take with the environment and how much economic and social impact is appropriate, given that the act is not singular? It says that we must optimise economic and social aspects. The consideration has been that at 4,000—and you will see the graphic presentation of the environmental benefit of 4,000—that is not compromising the environment. It gives us an increased level of confidence around the environmental outcomes and beyond that, and including 4,000, the economic and social impacts are not acceptable. It has been a double argument; it has not been singular. Anywhere from 3,000 satisfies the act and 4,000 is an upper bound, we believe, for consultation.

Senator NASH—Given that there seems to be a fair bit of agreement that the social and economic impact work has not been thorough enough, on what basis did you determine that 4,000 is the upper limit?

Mr Freeman—I think it is fair to say that the social and economic work has been more than adequate to determine the 4,000. The issue there, though, is that the impact of 4,000 does not fall evenly across the basin. It falls in quite an uneven way. This second study is about looking at the basin scale, where the social and economic impacts at 4,000 are the upper bound. It will not fall in a homogenous way across the basin. We all know that. It is going to impact individual communities. This additional work is to look at the impact on those individual communities.

Senator NASH—I am sure everybody would agree that work on those individual communities is an absolute must, and probably should have been done. In May 2009 estimates I actually asked you, Mr Freeman:

With respect to the development of the plan and the consultation process with communities on the social and economic impacts of the decisions that are going to be made in the development of the plan, what is the process for that?

For well over a year we have been asking the Murray-Darling Basin Authority to do exactly what you are talking about right now—the more detailed work—and yet it never happened. Why is that?

Mr Freeman—We could not undertake this work in an open way with the communities, with local government and with industry bodies as we are without putting these scenarios on the table. We now have the scenarios on the table.

Senator NASH—Why not?

Mr Freeman—Because we had not got to that place. We have now determined that the range for discussion is 3,000 to 4,000. That is out there in the public, and we can now do a fine level of assessment with communities and with their input. A lot of the response will come down not just to hard economics; a lot of the response will come down to the attitudes—

Senator NASH—I hope not. Sorry—go on.

Mr Freeman—A lot of the response will come down to the attitudes of communities—whether they see other opportunities here—and we need to be able to drill into that. It is not just a hard economic assessment; this is also an assessment of people. It has to occur with the scenarios on the table so that people can respond to them.

Senator NASH—Okay. If we take that as your starting point—and it is still very unacceptable to me that you could have spent 12 months talking to communities around some hypothetical numbers, but given that we are at this point now—you have got 3,000 to 4,000 and you say you are going to take into consideration these impacts on the communities as well as the dry economics which you were talking about. What is the authority going to do if the evidence comes back and says, ‘The social and economic impact of even 3,000 or 4,000 on these communities is unacceptable,’ when your own chairman says that under the act you do not have the ability to give that priority? What will you do?

Mr Freeman—The authority will have to choose. Let’s assume that the 3,000 to 4,000 is stable, because that can vary as we get more data through this consultation process. The authority will have to choose somewhere at 3,000 or greater. Under the act, the authority cannot go below that.

Senator NASH—Does this not make a bit of a mockery of the whole process? I am not having a go, I am really trying to understand how this process is going to work. If 3,000 is the bottom line—3,000 gegalitres that have to stay there for the environmental purposes—you are now going out to do a whole lot of more detailed specific community impact work, and even if that impact work comes back and says, ‘Yes—3,000 is going to have significant detrimental impacts on these communities,’ you will say, ‘Too bad, sorry—that’s the lowest number we can come up with.’ That is what you are saying to me.

Mr Freeman—There is a parallel discussion going on that the 3,000 is taking too much risk with the environment.

Senator NASH—No—don’t move on. I want you to answer this question.

Mr Freeman—I am saying that at the moment the authority has put 3,000 to 4,000 out for discussion purposes. There is a discussion that is occurring out there, ‘At 3,000 are we taking too much of a risk with the environment?’ The authority believes not, so—

Senator NASH—Sorry, I want to just clarify something: I though you just said that 3,000 was the bottom line, and that was not moveable—in terms of the environment that was as low as you could go. Did I misread what you said then?

Mr Freeman—No, what I said before was that the 3,000 can vary depending on new science. But let us assume that there is no new science and that there are no engineering works put behind this—because the 3,000 can vary, as you have heard me talk about with engineering works. We cannot bind the Commonwealth or states to provide the engineering works and measures which, in fact, might deliver environmental outcomes with less water by a commitment to infrastructure.

Assuming that none of that occurs—no new science and no commitment to infrastructure—the band that is out there for discussion is the 3,000 to 4,000. That is the zone.

Senator NASH—That is the zone. So we now have—as a result of community uproar is the only way I can describe it, having been to those meetings out in those communities—the government implementing not only an inquiry, which is due to report early next year I understand, and another report commissioned. What is the point of doing either of those things if they cannot affect the numbers—if they cannot change that number of 3,000 gegalitres at the end of the day? What is the point of doing those studies if they cannot be taken into account?

Mr Freeman—The authority has not decided on 3,000. The authority has put out that the area of deliberation is 3,000 to 4,000. That study and the responses will influence where the authority chooses in that zone.

Senator NASH—Okay, but you said to me before that there was also an alternative view at the moment: that 3,000 is too great a risk for the environment; that that is too low. So if the act remains as it is and the minister does not intervene, under the powers he has in section 44, then the environment certainly has to take priority in the determination of the authority, at that point.

Senator Conroy—Mr Freeman has made the point a couple of times that if there is new science or engineering works infrastructure then the number can go below 3,000.

Senator NASH—I understand that, Minister.

Senator Conroy—You are trying to draw an absolute, when Mr Freeman said it is not absolute. You keep trying to tie in the two.

Senator NASH—I appreciate your intervention, Minister, but I am just trying to get to the details. It is exactly that point, Minister: Mr Freeman used ‘if’—if there are none of those other available options. We only have to look at the numbers that we have given now. As Mr Freeman said to us, we have not been able to have this discussion until we have had these numbers. So I am trying to determine what the parameters are for reducing that number of 3,000, if it is seen that there is unacceptable impact on rural communities.

Mr Freeman—The authorities put a lower band and said, ‘Beyond 3,000 we do not believe we deliver the environmental objectives of the act, and above 4,000 we do not deliver the social and economic objectives of the act.’

Senator NASH—I am getting a little confused here. The minister is saying, on the one hand, that things can be changed but you are saying, on the other hand, that under the act it cannot go below 3,000.

Senator Conroy—I do not think that is what Mr Freeman said at all. Maybe you might want to just go through it again from the beginning. That might be the simplest way.

Mr Freeman—The 3,000 to 4,000 band is based on existing infrastructure—existing arrangements—out there. There is the ability to reduce that range. We cannot bind a state to do that and that is why we commented on it in chapter 15—areas where the authority does not have jurisdiction. It is possible to reduce that number with environmental works and measures. So, you can imagine, a simple little process would be to pump water to a wetland rather than have the water flow over the flood plain to the wetland. It delivers slightly different environmental outcomes, but it does deliver environmental outcomes with a reduced

volume of water. So there is the ability to introduce engineering, to reduce the number. If the engineering works, and measures are brought forward, we can incorporate those into our thinking. One of those projects that has had a bit of a profile is the Menindee Lakes project, where you can save significant environmental losses—evaporative losses. If that were to occur—if those evaporative losses were saved and made available in the system—that would clearly change the SDL. I cannot bind anyone to do that in the authority. We have highlighted this issue. There are opportunities here. Let us assume that those environmental projects could save 200 gegalitres of losses. That could shift the three to four window to two-eight to three-eight.

Senator BIRMINGHAM—Mr Freeman, I suspect we will find that Menindee Lakes' potential savings are probably already factored into government spending and indeed you float in the report, I think, up to 2,000 gegalitres that could be saved from current investment priorities. Menindee Lakes is, in theory, one of those, albeit an investment priority for about four years now. I understand the point you are making about infrastructure. I understand, if the scientific analysis changes before you get to the final point. But I think the point Senator Nash was trying to get at is, on the best scientific analysis you have done to date and given that infrastructure projects and so on are out of the authorities remit, how will the authority deal with it if you are saying 3,000 is the minimum to meet the environmental objectives? And if the new research you have done on social and economic impacts comes back and says, '3,000 is too great a social and economic impact' where does that leave the authority in that situation?

Mr Freeman—That would ultimately drive the authority to have to choose 3,000, I believe.

Senator NASH—That is exactly the point I was trying to make—if not as eloquently as my good colleague here, Senator Birmingham—on exactly what we needed to understand to take the social and economic impacts into account. You were just talking then about the engineering, but you say in your report about environmental works and measures that the savings of such schemes are not anticipated to be large. So we should probably take into account the fact that you have already stated that as an option for lowering the 3,000.

Mr Freeman—I think it was important for the authority to state that this would not be a panacea for the 3,000 gegalitres. We do not believe there is an opportunity to engineer 3,000 gegalitres. There are opportunities; there are certainly opportunities in the tens and potentially hundreds of gegalitres. Whether they are value for money is not really an issue that I can make a call on but it was important to convey to people that we did require significant reductions even with engineering works and measures behind the numbers.

Senator SIEWERT—In terms of the social impact study or the stage you are going to undertake, what are the social implications if we do not actually sustainably manage the Murray? At the moment we are talking about it in terms of what the impacts are of taking out this amount of water for the environment. In terms of what 'how we manage the Murray' means for agriculture production in the future, what happens if we do not? I am seeing it from the other way. If we do not fix the Murray, what impact does it have?

Mr McLeod—In broad terms some of that information has been presented through some of the other social and economic studies that we have done and we are trying to continue to present that information. However, the position that the authority has broadly taken in this space is that all of the evidence suggests that doing nothing is not an option. Therefore they have actually been focussing all of the work that has been done on the impact of the change that might need to be taken. So to some degree there have not been any specific requests put in to any of this work to actually analyse the ‘do nothing’ option. The authority is of the view that that is not an option.

Senator SIEWERT—I think that is going to be an issue. There is going to be another piece of work now that goes to the impacts but that then needs to be weighed up with what it means if we do not. People need to have access to both to be able to look at it. Is that going to be a possibility—even if it is just pulling out some of the other work that has already been done so that is readily accessible when the other report becomes available?

Mr Freeman—I guess the authority is keen to outline the environmental impacts of doing nothing, and we have done a lot of work in that space. It comes back to this issue of section 21. We would not deliver the legislation if we did not arrest that environmental decline. There has not been a strong emphasis on the economic and social impacts of doing nothing because the act does not allow us to do nothing.

Senator SIEWERT—My concern here, and it has been all along and you can see it coming through in some of the reports that I have done on this, and that is, while I am absolutely totally on board with the environment issues, and there is no doubt about that, this has always been a social and environmental issue and the century worth of management over the Murray has also been about the social issues. That is what we are seeing played out in the media now. How do we deliver what needs to be done to the Murray and deal with it so it is socially acceptable and looking at the science around social decision making as well? It is the way you include the community in decision making. I think that is an element that is missing here. It is how the community is included in decision making with the bottom line. Have you given some thought to that?

Mr Freeman—As Dr McLeod said, that is not really incorporated into this new work. We have done a little bit of work there but I think it certainly is underdone to the extent that you are talking about.

Senator SIEWERT—You are talking about social change. Social change is a science in itself that we need to marry with the environment and we have not done it well in Australia. It seems to me that this is where we have to be doing it. Is there anybody thinking about that that you are aware of?

Mr Freeman—Not to my knowledge.

Mr McLeod—I believe that in some of these issues the work that we are undertaking is very firmly focussed on the particular reduction scenarios and the impacts that may result from that. I would suggest that the department is undertaking some of the work to look at some of the broader issues that may apply. I think it is really a matter that the department might have some views on.

Senator SIEWERT—I will follow it up with the department. Thank you.

Senator NASH—I have another couple of questions. Mr Freeman, I want to take you to page 130 of the guide to figure 8.10 about the watercourse diversions in the Murray-Darling Basin from 1983-84 to 2008-09. I just want to confirm that I am reading that correctly. The red line is the 3,000 gicalitre figure and the yellow line is the 4,000 gicalitre figure, is that correct?

Mr Freeman—Yes, that is correct.

Senator NASH—So we are assuming that that will be a continuum. When you look at how the watercourse diversions have been in the past, the figures marry up. From 2004-05 to 2008-09, the allocation against entitlement was 62.2, 62.2, 28.1, 27.3 and 22.4 for each respective year. I think it is important to point that out because people tend to think that farmers are using their total entitlement all of the time, and they are obviously not—and that marries up with this graph. What this says to me is that either of those two options of 3,000 or 4,000, compared to historical use, will give us a permanent drought.

Mr Freeman—I think it is important to see these numbers as long run averages—in wet years you get more and in dry years you get less. We are simply expressing an average.

Senator NASH—That is what concerns me.

Mr Freeman—For comparison you would have to compare the current average with these averages. These are average numbers rather than—

Senator NASH—When you are talking about long term averages what do you mean? When I look at the figures for 2006-07 of 3,771 gicalitres, for 2007-08 of 3,516 gicalitres and for 2008-09 of 3,067 gicalitres, those are gicalitres of allocation right across the basin. Those were the total allocations in those three years, which is obviously nowhere near the 4,000 at the top of that range that may well be the figure that we end up with. What I am trying to understand is that when you are talking about long term averages, what exactly do you mean?

Mr Freeman—The long term average would be based on the 115 years of climate weather records we have. What water you would have got over that sequence, if it was to be reproduced with a three per cent inclusion for climate change in the foreseeable future, is a three per cent reduction for climate change.

Senator NASH—Obviously, if the act remains the same and Mr Taylor continues with his interpretation of the act that the environment must take precedence, he cannot give equal consideration to the social and economic impacts. Was Minister Wong right, when she was minister for water, in her media release at the time of the first meeting of the new authority on, I think, 1 June 2009 when she said:

Importantly, the final decision on the Basin Plan rests with the Commonwealth Minister for Water alone.

Is that a correct interpretation of the act by the minister?

Mr Freeman—The final Basin Plan, with some minor elements, is the decision of the minister's, that is correct. There are some exceptions.

Senator Conroy—I just want to clarify this. This is the act your government introduced and the only amendments that have been made to it have been with your support. That is factually correct, isn't it?

Senator NASH—You may not realise, Minister, that the intent when we were in government was to always treat the environment and social and economic impacts equally. The interpretation of the act that we have subsequently seen has been different. I am just trying to clarify, under the act as it currently stands, if the minister does have the authority to direct the MDBA to alter the plan at any stage, or request—as I understand in the act—for it to be altered.

Senator Conroy—So are you saying the act was poorly drafted?

Senator NASH—Not at all. You know as well as I do that acts are open to interpretation at any stage. We have a particular interpretation that is being utilised by the chairman of the authority at the moment. I am merely trying to determine now, under the act as it stands, if the minister has the final say. As your then minister Penny Wong said, importantly, the final decision on the Basin Plan rests with the Commonwealth minister for water alone. Minister, you would not realise that when we had the chairman at the last meeting he was very clear in talking about his interpretation of the act, so I am just trying to determine if he also agrees with the view of Minister Wong at the time of the setting up of the authority.

Mr Freeman—On receipt of the proposed Basin Plan, the minister can adopt it or request the authority to vary the proposed plan.

Senator XENOPHON—I was at the meeting in Renmark on Friday, as were Senator Birmingham and hundreds of locals. The meeting was full to overflowing, the audio system did not work, we were split up in two—it was a bit of a shemozzle. I think that is a fair assessment of the way it was held, because of the size of the venue. I have been told by locals this morning that last Friday the Chaffey Theatre was available, which seats just under 500, as was the Berri town hall, which could seat 900, and the Renmark Greek community hall, which could seat 900—I could get you a special rate on that—and also the field days hall at Barmera would seat more. A lot of locals have told me that many others would have turned up, but they knew the Renmark Hotel was simply too small a venue. If community consultation is important, and I accept what the authority says about that, how can this problem be avoided in future?

Mr Freeman—Part of the problem on Friday was caused by the numbers we got compared to the RSVPs, but I think it is fair to say that that is consistent with these meetings. We have had three days of prior examples of that. The authority sought to have the meeting in the Chaffey hall; it certainly was not available when we tried to book it. Whether it subsequently became available, I am not aware. When we realised that the numbers were going to exceed the responses we had, we made arrangements with the Renmark Hotel for the additional annex area. There were audiovisual arrangements established similar to those that worked quite well in Griffith to handle the overflow. However, when the media turned up en masse on Friday, as you are aware, they overloaded the system with their equipment and brought down that audiovisual link, which then meant we did not have that capacity.

Senator XENOPHON—But you would have expected the media to turn up, though?

Mr Freeman—The media that turned up in Renmark was greater than the media that turned up at any of the other meetings. I made an apology to the people there on Friday. I think there were in the order of 200 people who could not hear, and I have made a commitment to go back and do another session. The choice of venue was made following advice from the basin community committee member, and also the Renmark Paringa tourist information centre advised us on the largest venues. As you say, Chaffey was the one we identified but it was not available. Yes we need to do better and we need to learn, and we need to go back and offer to those people who turned up and could not hear the opportunity to meet with us.

Senator XENOPHON—I have been contacted by people living along the Lower Lakes. There is no meeting planned for them. Page 113 of the guide talks about the importance of keeping water flowing through to the mouth in terms of the overall health of the entire basin. Is there a plan to have a meeting for the Lower Lakes community?

Mr Freeman—The locations of these meetings were chosen with input by the jurisdictions. It was important for us—

Senator XENOPHON—Does that mean the South Australian government?

Mr Freeman—That means the South Australian government.

Senator XENOPHON—So the South Australian government did not see it as a priority to have a meeting in the Lower Lakes?

Mr Freeman—The authority saw it as important to get around the basin quickly. We are very conscious that we have not had a meeting in the northern system and this week we will be in Moree, St George et cetera. It was important to do the basin at a level of coverage and then, if necessary, to come back and fill in some of these other locations. That relates to the earlier question: will we undertake the volume 2 consultation before we fill in some of these other locations?

We identified three locations in South Australia. I think it would be unfair to say that the state identified three; clearly, all states would like to have a large number of meetings. The ability to deliver three meetings in the first round was identified by the authority and the location of those was chosen with the South Australian government's support. The Murray Bridge meeting is certainly not a long way from the Lower Lakes, as you are well aware, but I think it is clear that there will be a need for an additional meeting as well as the additional meeting at Renmark, as a supplementary. Whether they will occur at the same time or prior to the volume 2 discussions, I am not quite sure yet.

Senator XENOPHON—Can I just move on to the issue of hydrologic modelling, because the modelling details provided to you by the states form the backbone, really, of the recommendations or the discussion in the guide. Is that a fair assessment?

Mr Freeman—Whilst the models are primarily provided by states I think there are a couple of steps I need to explain. State models are independently assessed and independently accredited by the authority. So they are not just taken blindly. The amalgam of all these state models by CSIRO in relation to sustainable yields was also peer reviewed and independently assessed. The authority has then done considerable work, particularly in the area of

groundwater—we have done a lot of additional modelling that we have woven into the state models—and in addition to that we have undertaken our own peer review of the models. It is fair to say that we have corrected some of the state models. Some of the models that the states submitted were inaccurate and incorrect.

Senator XENOPHON—Is there an element there of some of the states gaming the system or playing the system?

Mr Freeman—I think it is fair to say that some of the state models which were assessed were not in perfect condition. But I think it is also fair to recognise that these are very good water models. So there is the potential for a state to have a model that may not be accurate but, given that it undergoes three tiers of review—an independent review, a CSIRO review and an additional review we have undertaken—and given that we have found some additional problems but we have corrected those, I think it is fair to say that in their current form it is very unlikely that there is anything in those models which a state may have unduly influenced.

Senator XENOPHON—Would that also apply to the issue of interception and dams? Are you confident about the information you have in relation to the number of private dams and what they hold?

Mr Freeman—I will ask Dr McLeod to answer that in detail. The interception element is certainly a lot less reliable than the model data, and the interception data is based, I think, on an assessment done by the National Water Commission.

Dr MacLeod—In terms of interception, while we believe that the estimates we have are the best available we also recognise that there is an inherent element of uncertainty in those numbers. Much of the evidence that we brought to bear is based on work by CSIRO in association with SKM and also recent work by the National Water Commission. They have undertaken a basin-wide assessment of the various forms of interception. We believe that some of those estimates could be plus or minus 50 per cent in terms of the actual volumes that they were—

Senator XENOPHON—So how many gigalitres would that involve?

Dr MacLeod—At this point in time there is a little over 2,700 gigalitres of interception across the basin so it has potentially—

Senator XENOPHON—So it could be out by 1,350 gigalitres?

Dr MacLeod—Potentially, yes.

Senator XENOPHON—That is more than a third of the amount that the authority is seeking to deliver to the environment.

Mr Freeman—I think it is important that our work has determined the additional water that the environment requires to be healthy—it has looked at the gap—and that is how we developed this 3,000 to 7,600 gigalitres. To the extent that the interception arrangements are inaccurate, it will not vary that number. What we were very keen to do was to make sure that we did not have unrestricted growth in interception, which then had an impact on water course diversions, which then required us to reduce that. The act is actually quite clear that it—

Senator XENOPHON—I know we are about to go to a break, but I have some more questions. On this, for instance—and perhaps Mr McLeod might want to answer this—you can look at Google maps and see dams everywhere, the turkey nests in the northern parts of the system. But we do not know how deep they are, do we? Is that why there is a lack of clarity as to the amount of water that can be stored in them?

Mr McLeod—My understanding of the underpinning methodology is to make an assessment of the surface area of those dams and then there is a metric that basically allows that to be converted into an estimate of the volume that is contained within them. But every single dam, as you have rightly pointed out, is quite different and therefore they are mere estimates.

Senator XENOPHON—Is there any scope for someone from the authority or the department to go around and get a more accurate picture of how much water potentially is in those dams?

Mr McLeod—There has been some historical work done to assess some of that, but given the scale of farm dams across the basin the scale of that primary data capture would be very significant. It is also fair to say that at the moment there is no consistent method that has necessarily been developed to undertake that type of approach. Farm dams tend to be regulated quite differently in each state and therefore there are different arrangements. For example, in South Australia there are things like low-flow bypasses, which are already within the regulatory system and therefore they may operate quite differently and you would not necessarily want to measure them in the same way as you would just another dam that is captured—

Senator XENOPHON—That is unregulated.

CHAIR—We will suspend for a morning tea break and resume with further questioning from Senator Xenophon.

Proceedings suspended from 10.46 am to 11.06 am

Senator XENOPHON—Mr Freeman, I should have acknowledged earlier that I do understand the massive task that the authority has been given and I do know that you and your officers, members of the authority, have been working around the clock. Given the responses of the meetings, I think some of you might think it is a thankless task, but it is a very important task. I just wanted to put something on the record about the work that the authority has been doing on that task.

If we turn to page 95 of the guide, Table 7.1 refers to the average non-irrigated gross value of agricultural production per hectare and the gross value of irrigated agricultural production per hectare for each region. It indicates that the basin averages \$3,295 in irrigated agricultural production per hectare. The highest is in the South Australian Murray, which is at \$9,176. In the context of delivering the objectives of the plan, getting more water for the environment for a healthy river system and, by obvious extension, having long-term viable agriculture, to what extent do you take into account the value of agriculture in a particular region in determining where cuts ought to be made?

Mr Freeman—The authority has not taken into account, in developing the proposed SDLs, the gross value of the irrigated agricultural production. As I indicated in responding to an earlier question—

Senator XENOPHON—But would that be relevant in terms of the criteria the authority has to look at—the environmental objectives, the social and economic objectives and the productive capacity of the basin?

Mr Freeman—It is relevant but, as I indicated in an earlier response, the volume of water that needs to be returned to the environment is to a large extent driven by the environmental condition of the individual tributary. So as you explore those three scenarios—3, 3½ and 4—you will see that, of the 3,000, some 2,500 is actually bound to tributaries; it cannot be shifted from that tributary. It is about the internal health of that tributary. So in that regard the authority would not be able to vary that based on the value of production. There are choices that can be made about the other 500 gegalitres, which is really about delivering water to downstream assets.

Senator XENOPHON—So there is some play there in terms of—

Mr Freeman—That is correct. And the authority has not done that to date, but that 500 gegalitres could be influenced, amongst other factors, by social and economic impact, value of production—

Senator XENOPHON—Productive value or productivity of particular areas?

Mr Freeman—That is correct.

Senator XENOPHON—So there is, in that 500 gegalitres, some give, if you like?

Mr Freeman—That is correct. It is exactly the same in regard to all the other things we have been talking about. There is the ability to influence the location of that 500 gegalitres.

Senator XENOPHON—And that is something that obviously you will be getting submissions on and that will be considered in the context of the final version of the plan.

Mr Freeman—Yes.

Senator XENOPHON—Further to that, there is the issue of early adopters. On 23 July, the Prime Minister said that those who took action to reduce carbon pollution, who were early adopters, ought to be rewarded for it. I am sure that is something that Minister Conroy would agree with?

Senator Conroy—No, I thought that was a rhetorical question.

Senator XENOPHON—No, no. In terms of early adopters, the Prime Minister said if you adopt early to climate change you ought to be rewarded. She said:

... we will introduce a policy that rewards businesses who take early action to reduce their pollution.

So that is clearly government policy in terms of early adopters with respect to climate change.

Senator Conroy—I will assume that what you have read is completely accurate, because I know you would never mislead the committee.

Senator XENOPHON—Never. I am just reading the transcript.

Senator Conroy—I have to agree with my Prime Minister.

Senator XENOPHON—I assume the transcript is accurate. Further to that, Mr Freeman, is there any consideration given in the current guide to early adopters of water efficiency measures who have not used the \$5.8 billion fund for water infrastructure improvements? To what extent is that taken into account with respect to the guide?

Mr Freeman—It is not taken into account with respect to the guide. I think that question is more appropriately directed towards the agency than the department. The authority has heard feedback in the regional meetings that those who may have moved to become highly efficient before the government programs become available feel as if they have been disadvantaged. We have heard that response. We have not taken that into account in determining SDLs, but it is really an issue for the agency, I believe.

Senator XENOPHON—But is there an issue to take into account insofar as an area is more water efficient or has undertaken the water efficiency measures and therefore people are using water more wisely? They may have the high-pressure pipes, as the entire Riverland has. I think the measures started there in the late 1960s, and they were upgraded and completed in particular in the 1980s. Insofar as that improves the productive capacity of a region, and insofar as the gross value of irrigated agricultural production per hectare is something that you indicated could be taken into account with respect to that 500 gegalitres or so, where there is some flexibility, isn't that something that could be taken into account in the context of any final plan by looking at the value of production?

Mr Freeman—Within the component we are talking about that could be taken into account, the authority has undertaken to do some work in this area. I think it is a fairly complex issue in that we have some highly efficient operators where the value of production could be less than some of the inefficient operators or some of the areas where they are using far less water. We have undertaken to do a bit of work. And you are correct. Within that discretionary element we do not have the discretion not to identify this environmental water. We do have discretion as to where to locate it. That discretionary element could be taken into account within the act.

Senator XENOPHON—But, further to that, in terms of a \$5.8 billion fund, the complaint that I get time and again from South Australian irrigators is that we have already spent the money. Brett Proud runs a farm in the Riverland. His family has spent something like \$1 million of their own money over the last 15 years in upgrading. Presumably he would have had to borrow that from the bank. So, in setting what the SDLs should be and working out what cuts there should be for various areas, where do you draw the line in the sand for those that either have accessed the money, the \$5.8 billion, or are about to access it? Is that something that is taken into account?

Mr Freeman—No, the authority has not taken that into account.

Senator XENOPHON—So insofar as there are various efficiency measures being rolled out in the basin—and I will ask questions of the agency in a few minutes, hopefully—those efficiency measures will be taken into account in the percentage cut for a particular area. For instance, if there is a 20 per cent cut suggested, if you could achieve efficiency measures to a significant degree in bringing water back to the environment, that is taken into account.

Mr Freeman—That is correct. To the extent that there is a reduction in a region, any water saved through the efficiency measures—subject to the sharing arrangements that I understand are part of that component of water for the future—is used, just as water purchases are used, to offset the reduction so that the remaining water licence holders are unaffected.

Senator XENOPHON—But you understand the issue about early adopters—that it is a bone of contention for many groups?

Mr Freeman—Yes.

Senator XENOPHON—Is there a robust mechanism of establishing who the early adopters are and how relatively water efficient various regions are from the authority's point of view?

Mr Freeman—As I indicated, we have not taken this into account, so I could not comment whether there is a robust methodology. What the authority has undertaken is to do some work to flesh out this issue of efficiency. I think there are several dimensions. Some are talking about efficiency of delivery. Some are talking about efficiency as output over irrigated water input, which is quite a different discussion. The authority has undertaken to do some work to flesh out this issue of efficiency because it has dominated some of the regional meetings.

Senator XENOPHON—Is the authority ruling out considering early adopters in the course of determining the final plan or could early adopters be considered in the course of that 500 gegalitres or so where there is some flexibility in determining final SDLs?

Mr Freeman—This is a genuine consultation guide. The authority is not ruling anything out. But to the extent that there have been efficiencies already made, they cannot be counted again. We are looking at the gap between what the environment is currently getting and what it requires. So I guess the fact that somebody made some efficiency gains some time ago will not reduce the number. But it could influence the distribution of that discretionary component that we talked about.

Senator XENOPHON—So it could make a difference with that discretionary component?

Mr Freeman—It could influence the distribution of that discretionary component, that is correct.

Senator XENOPHON—Which would affect, ultimately, what the impact would be on a local community if they were early adopters.

Mr Freeman—That is correct.

Senator XENOPHON—But for the purposes of this guide that has not been taken into account.

Mr Freeman—That is correct.

Senator XENOPHON—In terms of the guide's recommendations—and I think we have discussed this at a private meeting—is 30 June the cut-off date in terms of determining how much water has been brought back into the environment for the purpose of setting these benchmarks?

Mr Freeman—Yes. The 3,000 to 4,000 window does not recognise any of the Commonwealth environmental water purchases. The authority has referenced those as at 30

June together with certain state programs at that stage. Hence there are 705 gigalitres available at that point to offset the 3,000. That can be increased and will be increased in the future. There are state programs that have not been brought to account. If they were acknowledged as held environmental water, they could be used to offset the 3,000 further. So the 3,000 is additional water to the Living Murray but the 3,000 does not in any way acknowledge the actions of the Commonwealth water purchase and water efficiency to date.

Senator XENOPHON—Those figures are dependent on information via the state water registers—is that correct?

Mr Freeman—Those figures are based on advice from holders of environmental water. As to whether they are actually in the state registers, I will defer to Mr McLeod.

Mr McLeod—If the water is held environmental water, it is actually invariably held under an entitlement which would therefore be on the state water register. The majority of the advice, excluding the Commonwealth purchases, has been provided by state water agencies in the first instance.

Senator XENOPHON—Water brokers I have spoken to, again, in the private market, have said that sometimes there are untoward delays in terms of a registration taking place. That is something you would be familiar with, Mr McLeod?

Mr McLeod—Yes.

Senator XENOPHON—So to what extent is there a lag, given that you have used 30 June as a cut-off date—and I am not critical of that; I am concerned about the accuracy of state water registers in terms of how up-to-date that information is.

Mr McLeod—There is certainly a lag, and the lag will vary in different jurisdictions given the different arrangements for the registration of transfers of entitlements within the state registries.

Senator XENOPHON—We do not have a national water registry at this stage, do we?

Mr McLeod—No, we do not.

Senator XENOPHON—How close are we to having that, or is that an agency question?

Mr McLeod—That is a matter for the department.

Senator XENOPHON—There will be a lag. You have determined these figures quite reasonably on a cut-off date of, I think, 30 June, but there will be a lag in information. Will this mean that the authority would need to revise its figures necessarily as a result of the final figures?

Mr McLeod—The figures for volumes of water that are available to offset the reductions that are identified in the guide are just that. These offsets will not necessarily change the range of 3,000 or 4,000; they merely offset the degree to which that has been already provided for through these programs. The relative offsetting will constantly be updated based on the best available information.

Senator XENOPHON—Will it make a difference to particular valleys?

Mr McLeod—Ultimately the extent to which the purchases or investments might provide for offsetting may mean that in some valleys the level of offsetting might reduce to zero very quickly. Within the guide, in the appendix, we already have a number of valleys where the proposed level of reduction has already been bridged in full.

Senator XENOPHON—Mr Freeman, perhaps the authority could take on notice that, in so far as once updated information is obtained from the state water authorities and state governments, you could provide an update as to whether that impacts on a valley by valley basis.

Mr Freeman—Yes, I can. It is important to reinforce Mr McLeod's point that that will clarify the residual gap. It will not change the total volume.

Senator XENOPHON—It will not make a difference on a valley by valley basis?

Mr Freeman—It will highlight where programs have met the reduction that is required, and therefore there is no residual impact on entitlement holders, and it will highlight where action is required, normally in the area of water purchase, in order to ensure that there is no impact. Doing that updated work will give the Commonwealth a clear indication of where they should be focusing their purchase or their water efficiency programs.

Senator XENOPHON—If you could update the committee, that would be very useful.

Mr Freeman—Yes.

Senator BIRMINGHAM—Mr Freeman, I want to follow up on a couple of the points that Senator Xenophon touched on a little bit and would like to jump through a few other areas quickly if we can. I heard you or Mr Taylor use language that basically talked about the relatively equal impact of the proposed limits on states. Was that an objective that the authority took into consideration?

Mr Freeman—With the exception of the Murray connected system, no, it was not. It is just one of those things. As I have indicated, essentially something in the order of 80 per cent of this water is driven by tributary health. The only one where we looked at relativity between states was the shared resource in the Murray system where we introduced an equal percentage for South Australia and Victoria.

Senator BIRMINGHAM—So, when you talk about the Murray connected system in that regard, essentially it is the Murray from the Darling or the Murrumbidgee? Where are we looking down from, just to remind us where you draw the line? We are obviously talking about Victoria, South Australia and New South Wales, in terms of extractions?

Mr Freeman—Yes—Victoria, New South Wales and South Australia, off the main stem of the River Murray, which is the shared resource under the Murray-Darling Basin Agreement. It is not the tributaries—the Goulburn, the Murrumbidgee et cetera. It is the shared resource. We have proposed an equal percentage reduction for each of those states.

Senator BIRMINGHAM—So outside of that shared resource to give the volume of water figures, it is a 26 to 35 per cent reduction that is proposed for New South Wales Murray, SA Murray and Victorian Murray. Outside of that everything else is being based on the science basically?

Mr Freeman—It is based on science for internal health and then the guide outlines the methodology where you are looking for water. We have looked at equal percentage reductions in catchments. Let us assume we have dealt with internal health. We now need to find water for downstream environmental health. That is being distributed based on equal percentages into those catchments that have not reached the threshold such as the 40 per cent threshold. I believe Senator Xenophon's questions are around this issue: whether there are other methodologies which might take into account the economic output of that water, the efficient use of that water, rather than using simply a hydrological model—which is where we have gone—where we simply distribute that water based on percentage of flows. As I have indicated, there is a capacity for the authority to distribute that bit taking into account the issues that Senator Xenophon has raised.

Senator BIRMINGHAM—So there is an above the science factor for local catchments or local basin activity as an environmental watering requirement; there is an equalising factor in a sense where if one catchment needed 35 per cent already to water local environmental assets, it was not expected to be providing water for downstream purposes but if another catchment only needed 15 per cent for local environmental water, you might have sought a bit more from that catchment to contribute to the downstream requirements?

Mr Freeman—Generally, yes.

Senator BIRMINGHAM—Simplistically?

Mr Freeman—Simplistically, yes.

Senator CONROY—Can I clarify something. I am a bit confused. Did you issue a press release on 11 August, Senator Birmingham, under your name, with Senator Joyce and Mr Abbott, which said that the coalition would release the draft basin plan within two weeks of coming to office and proceed with its implementation without delay? Was that a typo?

Senator BIRMINGHAM—It did. Thank you, Minister.

Senator CONROY—Was that a typo or was that correct?

Senator BIRMINGHAM—Thank you, Minister. I would like to think that particularly the questioning I was just pursuing with Mr Freeman was a fairly reasonable detailed technical line of questioning—

Senator CONROY—It was.

Senator BIRMINGHAM—about interpreting the guide, getting a better understanding of it. I am happy to have the political debate.

Senator CONROY—Someone did not put that out in your name?

Senator BIRMINGHAM—Minister, the press releases are on the record, just like many of your statements are on the record and can be debated as well.

Senator CONROY—I just wanted to double check. I was sure that could not be. Given your interest on this issue, I was sure that could not be right.

Senator BIRMINGHAM—Indeed, I have issued more press releases and given more speeches on this issue in my time in the Senate than on any other issue. I can say that quite confidently without needing to do the stats.

CHAIR—You can go from the answer to the question.

Senator BIRMINGHAM—Thank you, Chair. If it comes to how you consider relative productive efficiency of different communities in the way that Senator Xenophon was pursuing then with Mr Freeman, there is obviously a limitation there on what can be done, given the need to achieve those downstream flows and so on. In a system like the connected Murray system you are looking in particular for those flows that are directly relevant to some of the assets in SA, particularly the lakes and the mouth. Is that a fair statement? Does it provide a bit of a limitation on just how far you can go to favour one part of the system against another?

Mr Freeman—Yes, I agree with all of that, with the exception of the emphasis on particularly the Lower Lakes and the mouth. One of the issues that we have discovered—I think that is not too strong a word—is that the environmental water requirements across the basin generally deliver a healthy Lower Lakes and Coorong as a by-product of bringing the upper catchment into good health. Once the water has made a tributary healthy, it flows through the system. That water continues to move down. It moves through other environmental assets. Certainly at the 3,000 level, generally the Lower Lakes and Coorong do not drive a big volume. It is a consequence of some of those upstream issues, in particular the export of salt. If we are to export the volume of salt that we believe we need to export from the Murray-Darling Basin, the consequence of that is a healthy Lower Lakes and Coorong.

Senator BIRMINGHAM—I might put some extra questions on notice in that regard so I can move through the other topics. Where did the 2,000 gegalitre estimate that you have put in the report as to what offsets may be available from existing Water for the Future funds come from?

Mr Freeman—That came from the agency.

Senator BIRMINGHAM—That came from the department?

Mr Freeman—That is correct.

Senator BIRMINGHAM—So it is best to ask them as to how that is broken down or is there modelling behind that that is part of the 1,200 documents?

Mr Freeman—No, it is the department's advice.

Senator BIRMINGHAM—Did the minister discuss with you or Mr Taylor the parliamentary inquiry before it was announced?

Mr Freeman—The minister certainly never discussed it with me. I do not believe it was discussed with Mr Taylor because we were on the platform at Griffith when it was announced. I do not believe it was discussed with him. I think it would have been difficult. But it certainly was not discussed with me.

Senator BIRMINGHAM—Has there been a discussion with the minister since?

Mr Freeman—The chair has had discussions with the minister since. I am not aware of the nature of those discussions. We only got back from our road show on Monday so I am not aware of the detail of the discussions, but I am aware that the chair has had a discussion with the minister.

Senator BIRMINGHAM—Do you know when those discussions took place?

Mr Freeman—I believe it was probably Saturday.

Senator BIRMINGHAM—When did the authority meet to decide to establish or commission the additional social and economic impact work?

Mr Freeman—That was on Saturday. We had some preliminary discussions around that prior to Saturday and we formalised that decision on Saturday.

Senator BIRMINGHAM—Did the chair provide a briefing at that meeting of the authority to members about what the minister expected with regard to how the authority would interact with the parliamentary inquiry?

Mr Freeman—No, he did not.

Senator BIRMINGHAM—Had the discussion taken place before or after the authority meeting?

Mr Freeman—The chair had a discussion with the minister prior to the authority meeting on Saturday. That is correct. But we did not discuss anything about the parliamentary inquiry in detail other than what was available in the public domain.

Senator BIRMINGHAM—Has the chair had a discussion with Mr Windsor or you?

Mr Freeman—I have not had a discussion with Mr Windsor. I do not believe the chair has either.

Senator BIRMINGHAM—Has Mr Windsor sought a briefing from the authority on the guide.

Mr Freeman—Not to the best of my knowledge.

Senator BIRMINGHAM—You would be aware, I am sure, of the page 1 story in the *Canberra Times* today about consultancy costs. Are they accurate figures?

Mr Freeman—No, they are not accurate.

Senator BIRMINGHAM—Would you like to take the opportunity to correct the record then?

Mr Freeman—I will get the Executive Director of Corporate Services, Frank Nicholas, to respond.

Mr Nicholas—The consultancy figure to date is approximately \$25 million across the authority.

Senator BIRMINGHAM—Is that for the current financial year or for the life of the authority?

Mr Nicholas—For the life of the authority, including contracts that would have been transitioned to the authority from the former Murray-Darling Basin Commission.

Senator BIRMINGHAM—In terms of ongoing contracts and expectations, is there any way you could see that it would add up to \$60 million in the immediate future?

Mr Nicholas—No.

Senator BIRMINGHAM—So you do not know where the \$60 million figure comes from?

Mr Nicholas—No, I do not.

Senator BIRMINGHAM—Are the specific consultancies identified in there accurate, such as the \$328,000 for social and economic modelling, which is stated as being from the federal agriculture department but I will assume is potentially for ABARE?

Mr Nicholas—Yes, that is correct for ABARE.

Senator BIRMINGHAM—For ABARE?

Mr Nicholas—Yes, it is an ABARE/BRS consultancy.

Senator BIRMINGHAM—That was for the study that was completed and handed to the authority on the day of the guide's release and associated work?

Mr McLeod—Yes, I believe it was.

Senator BIRMINGHAM—The legal costs. The Sydney market research company to report on using social media such as Twitter and Facebook to the tune of \$289,053—is that an accurate cost and an accurate description or is there more to that consultancy than meets the eye?

Mr Nicholas—I would have to take that one on notice. Those figures do not match the ones that we have. That could be an estimate of development of social media pages and a call centre that we have established to manage the contact from the community in relation to the release of the guide. The description is probably something that I would need to look at.

Senator BIRMINGHAM—Okay, if you could take that on notice. Does the authority have a Facebook page?

Mr Freeman—The authority has established a Facebook page. Whether it is alive, I am not quite sure.

Senator BIRMINGHAM—I am not aware whether it is alive or not either. I note that you have 263 followers on Twitter, of which you will be pleased to know I am one of them. But I would hope that that \$290,000 consultancy is for more than that because that is more \$1,000 a follower.

Senator Conroy—Is that a form of cyberstalking?

Senator BIRMINGHAM—The provision of information via Twitter is quite valuable.

Senator Conroy—I reckon it is borderline cyberstalking.

Senator BIRMINGHAM—I do not follow fake Stephen Conroy, you will be pleased to know.

Senator NASH—Is there another sort?

Senator Conroy—That is really me.

Mr Nicholas—The \$290,000 consultancy is also for the operation of the call centre—the manning of the call centre to take the calls, to answer the issues and to refer them to the authority.

Senator BIRMINGHAM—I think there has been some criticisms around the call centre, but I have also heard Mr Freeman or Mr Taylor exercise an apology in relation to some of the challenges that people have faced there, so hopefully that system is being addressed. I want to clear up something that has been put to me around concerning the 3,000 to 4,000 reduction as to the type of water we are talking about. I realise you are talking long-term averages, but people are concerned as to whether that translates to allocations or volumetric water and how that translates to entitlements. I think I know and I think there is reason to allay those concerns but, Mr Freeman, you could clarify that.

Mr Freeman—The 3,000 to 4,000 is a long-term average. As you have indicated allocation announcements are highly variable, so it is not around allocations. We have many different water products in the basin. Some are high-security products, some are general and some you would receive the volume very infrequently. All of those products need to be brought to a common currency, which is a long-term cap equivalent product and that is the currency of the reductions. These are long-run averages. They do not reflect water in any individual year. The 3,000 in a very dry year would be well below that and the 3,000 in a very wet year would be well above that. It certainly would have the same sorts of characteristics that anyone has on their licence. I guess people could get a feel for this if they looked at their licence and took an average of what that actually delivered them over 115 years. That would be the same sort of expression as we have here.

Senator BIRMINGHAM—To put some comfort and some understanding around it, if we just look at the concept of high- and low-security licences, to have a long-term average of 3,000 to 4,000 gegalitres recovered—and if we ignore what is recovered through infrastructure or otherwise, which has the same problem about it anyway—we would either be getting spot on that number of high-security licences, or if it becomes a mix then fewer high security and the more you need to make up for it of low security.

Mr Freeman—That is correct.

Senator BIRMINGHAM—If the number were 3,000 and you went out and bought 3,000 high-security licences, that would effectively give you your long-term average.

Mr Freeman—Yes.

Senator BIRMINGHAM—Thank you. Hopefully that provides some clarity to people who go back and bore themselves reading the *Hansard*.

Senator NASH—In terms of the general security, on average how much would you need to get, given that you have to take into account the allocation against it?

Mr McLeod—I cannot give a specific number, but, to illustrate, the 700 gegalitres of water currently available for offsetting I believe represents a little over 900 gegalitres in a mixed portfolio. For example, I believe the 700 gigs of long-term cap equivalent is roughly a little over 900 under a mixed portfolio at the moment of high-, general and low-security products.

Senator NASH—I know it is difficult to look at a snapshot, but say we have moved on to a new world and 3,000 has become the agreed figure. In a three-year range of those numbers that I gave you before from 2006-07, 2007-08 and 2008-09, where all of the total allocation

basin wide was only in the low 3,000s, how would it look if we transposed your plan onto those three years for family farms and irrigators across the basin?

Senator Conroy—I am not sure—

Senator NASH—I know

Senator Conroy—You are actually probably asking a hypothetical question.

Senator NASH—It is a hypothetical but with a very practical connotation. You are quite right—it is hypothetical—but it is quite practical. We are trying to get a picture for farmers and family farmers out there of how it would look under certain scenarios.

Senator Conroy—But there are a range of variables that are not determined at this point, so it is a little hard to expect the officers to give you an answer to a hypothetical question.

Senator NASH—If Mr Freeman cannot answer it, that is fine, but you do not need to dive to his defence—he is very well versed in all this.

Senator Conroy—I was just saying: as you know, the rules of the committee are that hypotheticals are not part of the process. But Mr Freeman may have some information he wants to add.

Mr Freeman—The allocation announcements with the basin plan in place would be at least comparable with those allocation announcements that were made during that period. The authority is aware that there is some potential for those allocations to be slightly improved. That is because there is a volume of water which would be no longer in the consumptive pool but rather in the environmental pool. That volume could in fact be underpinning the conveyance, for instance—the transport—of consumptive water. At the very least, the allocation announcements would not decrease, and, in the interests of being absolutely transparent about this, the authority has not highlighted that there is some potential for those to be slightly increased depending on how the environmental water is used. It is not unlikely for environmental water to be used in the spring period to try to reflect our natural systems, particularly in the southern basin. The environmental water may be called on and moved into the river system at that stage. In doing that, it may actually underpin the conveyance of consumptive water and therefore have some slight beneficial effect in allocations.

Senator NASH—A double usage type effect.

Mr Freeman—Yes. But the allocations would not be decreased; the allocations would at least remain the same. That is assuming all things are equal. One of the things the authority is very keen to do through water resource plan requirements is to have much greater clarity around the allocation process. That still remains a function of states, but it is fair to say that there is a lot of uncertainty as to what announcements are made for any resource condition. In order for a water resource plan to be accredited by the minister, one of the conditions the authority is placing on that is greater clarity around allocation announcements so that people have a greater understanding of what numbers will come out from those announcements. So, all things being equal, those numbers would be the same, with some potential for them to be slightly improved.

Senator BIRMINGHAM—Mr Freeman, as I am trying to jump through a few of these to address concerns that colleagues and communities have put to me, I want to do a quick case

study around the Ovens system to deal with how town water, which I assume is calculated during your critical human needs process and so on, is taken into account. The Ovens system, as it has been put to me—and jump in if you do not have the stats available or cannot answer it at present, or if I am wrong—has total inflows of a little over 1,800 gigalitres and outflows of a little over 1,700, interceptors of 58, environmental flows of 13 and diversions of 25. I am told that the 25 gigalitres of diversions are made up of 11 gigalitres for town supply and 14 gigalitres remaining for irrigation. Cuts to the Ovens are identified as 12 to 13 per cent. But, of course, it depends at what point and how those cuts are applied, and particularly how town water and so on is treated, if that is such a large part of the diversions in that system. Is this something that you have looked at? And can you address whether the way it has been put to me is correct, and how we need to deal with examples like that?

Mr Freeman—In determining the reductions, the authority has not considered what is being used for human consumption versus other activities such as irrigation.

Senator BIRMINGHAM—Has not?

Mr Freeman—Has not.

Senator BIRMINGHAM—In this instance, total diversions are 25 gigalitres, 11 gigalitres of which are going into town supply and only 14 gigalitres remain for irrigation—and I note there is a larger amount that is intercepted as well in that region, so there is potential for change in that regard. Your figures in the executive summary on page 24 show the reduction—if the diversion limit is only taken from water course diversions—as being 40 to 45 per cent. If most of that diversion is going into town supply, where there is very limited capacity to cut, that could mean that, for the 14 gigalitres for irrigators, the cut to them is not 40 to 45 per cent but jumps up to around the 70 per cent mark.

Mr Freeman—I think the figures are highlighting here that the reduction from current diversions to the proposed SDL under that scenario is 10 gigalitres, on page 214, for the Ovens. I assume your question is saying that that 10 would have to come out of the non-town supply component, which would be a large percentage reduction.

Senator BIRMINGHAM—That is pretty much it in a nutshell, Mr Freeman. The current diversion is 25 gigalitres, of which 11 is for town supply and 14 is for irrigation. If you take 10 out, and it cannot come from the town supply, that takes irrigation from 14 to four.

Mr Freeman—Assuming your figures are correct—of the 11 and 14, because I am not aware of that—that could be the potential impact if the state decided that, for some reason, those town supplies were immune. You will notice, again, in chapter 15, that the authority has commented around human consumption. It is one area where the peer reviewers have challenged us and believe that there are enormous opportunities to reduce human consumption, through recycling and reuse, that need to be looked at. That is outside the ambit, again, of the authorities. But I guess we are flagging the idea that some of these community water systems, being immune from any impact, need to be reviewed because of the potential for alternative sources in those townships, through reuse.

Senator BIRMINGHAM—I cannot testify to the validity of the statistics I have been given here, but the example is quite striking, if it is accurate. It highlights, I suspect, the very real problem that if, through that pathway of steps, you end up with the possibility that you

are looking at a 70 per cent reduction for irrigation in some communities, that is even beyond the realms of the social impacts the authority actually modelled. Is this an example that you will give an undertaking to go away and look at to make sure it is considered in the process to come?

Mr Freeman—Yes. In fact, as you are aware, the authority has been encouraging people to come forward with greater detail. If this methodology ends up with some issues—as we have talked about, perverse outcomes—then please bring forward the detail to allow the authority to address those in the proposed Basin Plan.

Senator XENOPHON—Chair, may I ask just one supplementary question on this issue. In terms of the socioeconomic modelling, will there be any consultations as to the terms of reference for that and the nature of the modelling? Will there be any community input before that modelling is commenced?

Mr McLeod—The piece of work that has been recently commissioned will be both a combination of qualitative and quantitative. The terms of reference quite clearly stated that there would be a very significant degree of engagement, particularly with local government and the business community, to try to get a better understanding on some of those local-scale impacts.

Senator BIRMINGHAM—I appreciate that you want to have such perverse outcomes highlighted to you. I guess, having highlighted that one, could I urge the authority to look into it and of course see whether it is an example that carries across other regions to any extent as well.

It has been a short period of time since the release, but as a result of the feedback to date and so on you have commissioned extra consultation and research. Has the authority begun to contemplate any changes to the draft plan—indeed, do you envisage any particular changes to the draft plan—or is this longer consultation period really going to be about how changes are made after that draft plan is released?

Mr Freeman—I think it is a bit early to talk about the incorporation of feedback to date into the proposed Basin Plan. The authority has certainly taken on board a lot of the commentary, and you may have heard the chair's commitment to publish not only the proposed Basin Plan and the plain english summary but a companion document that helps to explain some of these things that people would like greater exploration of—for example, issues such as the Clarence River and whether that is really a viable option. It is outside the scope of the authority but we can certainly explain that that issue has been explored. There is quite a body of science. I think it too early to talk about the incorporation of any of the outcomes; however, the authority is clearly convinced that there is a need for greater explanatory information around the proposed Basin Plan.

Senator BIRMINGHAM—Has the authority made a series of requests to the minister or the department about the type of work and research that you would like to see undertaken for some of these things that are outside of your remit, to assist in this process?

Mr Freeman—No, the authority has not, and the minister and the department were not informed extensively on the contents of the guide any more than any other party was. We could have those sorts of discussions now but, no, the authority has not done that.

Senator NASH—The Prime Minister said yesterday afternoon, in response to a question with notice:

... I have said and the minister for water has said—that it is vital that we get the balance right between the environment and food production, the balance right for regional communities.

Isn't that just meaningless spin, given Mike Taylor's interpretation of the act, which we have had a long discussion about this morning, that the social and economic impacts cannot be treated with balance when it comes to the environment, which has to take precedence?

Senator Conroy—Now, you have just asked Mr Freeman to give you an opinion.

Senator NASH—Not really, I was actually asking about the content of the act and how it relates to—

Senator Conroy—You did. You said, 'Isn't that just spin?' That was asking him to express an opinion.

Senator NASH—All right. I will not ask him to express an opinion. Perhaps you might like to, minister. What would your view of that be?

Senator Conroy—I would agree with what the Prime Minister said.

Senator NASH—No, what would your view be of my question?

Senator Conroy—No, you asked my opinion.

Senator NASH—Would you like me to reframe the question for you?

Senator CONROY—You might want to rephrase your question so that—

Senator NASH—Would you like me to rephrase the question?

Senator BIRMINGHAM—Is that agreeing with the Prime Minister's election commitment to implement the authority's report, sight unseen?

Senator Conroy—That was your commitment.

Senator BIRMINGHAM—I think you would find that we always stated that we would hold to the minister's discretion at the end. The Prime Minister was the one who said it would be sight unseen.

CHAIR—Senator Nash, we will have five minutes for the coalition. If you want to use it in this type of exchange that is fine, but you have four minutes left.

Senator NASH—I will move on from that. I think we have made the point there. I will be very quick then. Pages 39 to 41 contain all of the socio-economic impact work that has been done to date. How much has been spent on that? If you do not have a really quick answer take it on notice for me, if you would not mind.

Dr MacLeod—There was quite an extensive range of additional work that has been undertaken. I believe that somewhere in the region of \$2.9 million has been spent on social and economic work in the course of this past—

Senator NASH—If you could come back to the committee with the exact figure—take the question on notice—that would be great. Who has been appointed to undertake the new study?

Mr Freeman—No-one has been appointed at this stage. We have a panel. The panel is extensive. I believe there are 67 organisations on that panel. The panel have been asked for responses and a determination will be made at the end of next week.

Senator NASH—Can you provide the panel members to the committee?

Mr Freeman—Yes.

Senator NASH—To be clear, they are going to determine who is going to undertake the study; is that what you are saying?

Mr Freeman—No, the panel is 67 organisations that are pre-registered with us to undertake work in this social and economic space.

Senator NASH—So you are going to pick one?

Mr Freeman—That is correct. It is an extensive panel and that panel will respond and a decision will be made.

Senator NASH—How are you going to determine which is the most appropriate?

Mr Freeman—I think it is likely that, given the amount of work here, the panel is likely to organise itself into certain consortia. That is the normal response in this sort of consultancy.

Senator NASH—Can you provide to the committee what your criteria will be for determining who is going to be the appropriate group to do this new study—the work that should have been done before?

Mr Freeman—We can provide you with the criteria for our decision; yes.

Senator NASH—That would be good. Thank you. Will the terms of reference for that be discussed with community groups and the industry sector to determine whether you have the right approach to this finely detailed socio-economic study?

Mr Freeman—I think it is fair to say, as Dr McLeod indicated before, that the terms of reference are broad to allow this to be fine tuned with community input. So the terms of reference are both qualitative and quantitative, as Dr McLeod indicated, and there is quite a degree of flexibility in how we modify that in order to deliver outcomes that communities and industry have at least some understanding of, if not ownership of.

Senator NASH—Okay. Given that there has been concern around the lack of detailed socio-economic work that has been done—I think that is pretty clear—should community groups, industry groups and the agricultural sector be at all concerned about the hydrological and scientific basis you have used for the SDLs. If it has fallen down in the socio-economic area, how can they have any confidence that what you have worked on up until now has been appropriate?

Mr Freeman—I think you probably heard me talk about this in the community forums.

Senator NASH—Yes, but nobody else in this room did.

Mr Freeman—The strongest dataset, without doubt, is the hydrological dataset—the modelling of the basin: where the water is and where the water flows. That is the location of the environmental water, when we have ultimately determined it. The environmental dataset, whilst it is highly variable—states measure different things—has been more than adequate for

us to determine the additional water requirements in that zone from 3,000 to 7,600 ggalitres. Whilst we remain open minded, those are the very strong datasets that sit behind this.

As you have indicated, the social-economic dataset is fine at a regional-national scale. It does not deal with these individual local variations. It is has been adequate to deal with the basin-wide impact but it has not been adequate to deal with the temporal sense of the impact—that there will be a large impact, an intermediate impact, and then a long-term impact. It has probably been adequate to deal with the long-term impact, but that will not be the immediate impact, as people need to move or whatever to get employment.

We have been very clear—and I think this has been reinforced through the peer reviews—that the other two datasets are quite different to the social-economic, which is more at the regional-national scale, and we are trying to do something with it that it was never intended to do.

CHAIR—Thank you. Senator Nash, I have a couple of questions that I want to ask now. You have had more than a fair go. Mr Freeman, what is the analysis of the authority on a no-change scenario? What are the implications of a no-change scenario?

Mr Freeman—As I indicated to Senator Siewert, the analysis on the environmental impact of no change is there; it is strong. Given the requirements of the act that has formed the basis of identifying the environmental water requirements, the social and economic impacts of a no-change scenario have not been fleshed out at that level. I think that was the nature of the senator's questions. But it is clear in the guide, I believe, that the environmental impact of no change is quite significant—hence the identification of 3,000 to 7,600 ggalitres. We have not done the same impact socially and economically. I think there is some anecdotal information out there as to the impact of not re-diverting water back to the environment, but that body of economic and social analysis of no change has not been undertaken at the level that environmental analysis has been.

CHAIR—I want to concentrate on the environmental implications for a moment. What are the environmental implications of no change? Flesh that out for me a bit.

Mr Freeman—The environmental implications—I think they are in chapter 8—are that basically we will continue to see the demise, particularly in the lower basin—so the sorts of impact that we saw recently in the lower lakes. Fortunately, we did get some good rain, but we were getting to a place where the impact in the lower lakes could have been irreversible. As we saw the acidification, we would have had to decide whether to bring in seawater or allow that acidification to occur. We continue to see the demise of the red gum forests. That has not been arrested with recent rain.

There are some graphs in there on the impact on bird populations. It is fair to say—this has been highlighted through the community consultation—that the reference point for those bird populations may have been after a wetter than average period. We need to acknowledge that. However, it is clear that bird populations have continued to decline—maybe they are not as extreme as the graph might indicate, because it is after a reasonably good period for bird populations.

The impact of feral fish and the impact on the aquatic ecosystems is quite clear through the sustainable rivers audit. We are undertaking a second generation sustainable rivers audit to

measure the impact on flood plains, where I think a lot of this has been felt. The environmental impact of a no-change scenario is quite stark, but we have not done the companion issues in social and economic data.

CHAIR—Thank you.

Senator NASH—Can I put this one on notice?

CHAIR—You can put it on notice, but we have to move on.

Senator NASH—That is what I said. I am happy just to place it on notice without requiring an answer, if that is all right.

CHAIR—Yes, on you go.

Senator NASH—Thank you. Can you take this on notice: with regard to the new study, could the committee be provided with the bid documentation—tender documents and the bid documentation—that goes with that.

Mr Freeman—Yes.

Senator NASH—Thank you.

[12.04 pm]

CHAIR—Thank you very much to the officers from the authority. I now call officers from the department in relation to program 4.1, Water reform.

Senator BIRMINGHAM—Welcome. You have had an interesting week as well. It is nice to see you here unscathed! Where has the minister been over the last week? Has the minister been to any of the basin communities?

Dr Horne—Yes, Senator Birmingham. The minister has been to the Trangie irrigation district, which is about an hour's drive from Dubbo.

Senator BIRMINGHAM—When was that visit?

Dr Horne—On Friday.

Senator BIRMINGHAM—Was it a public meeting that the minister spoke to?

Dr Horne—I was not at the meeting, Senator. He was meeting with a group of irrigators, as I understand it.

Senator BIRMINGHAM—I am pleased to hear that there has been a meeting somewhere.

Senator NASH—Did Trangie-Nevertire receive funding under the efficiency program?

Dr Horne—Yes, they are recipients of funding.

Senator NASH—How much did they receive?

Ms Harwood—Around \$115 million.

Senator NASH—How many others in New South Wales have received funding?

Ms Harwood—Under the New South Wales Private Irrigation Infrastructure Operators Program, in the first round there were five successful applicants. Two of those are already under contract—that is, Marthaguy and Tenandra.

Senator NASH—How much did each of those receive?

Ms Harwood—The five successful applicants were: Coleambally Irrigation Co-operative, and their total funding was \$51.2 million; Murrumbidgee Irrigation Limited in the Riverina, on the Murrumbidgee, received \$50 million; Marthaguy Irrigation on the Macquarie received \$9.4 million; Tenandra on the Macquarie received \$37.5 million; and Trangie-Nevertire, also on the Macquarie, received \$115 million.

Senator NASH—Thank you.

Senator BIRMINGHAM—We will come back to some of the infrastructure spends as we go along. Did the department ever give consideration to releasing any documentation that was complementary to the release to the guide to the proposed basin plan, such as to how water would be saved and recovered and an outline of government policies in that regard? I have seen Ms Harwood front these community meetings and attempt to explain that, but has the department ever considered that it might be useful to have something that complemented the authority's work?

Dr Horne—Perhaps I can start and then ask Mr Robinson to continue. Through the Commonwealth Environmental Water Holder, we regularly publish and update on our website our short, medium and longer term plans for the use of environmental waters and the activities of the water holder. They are published in an annual report. I think the first of those has been published. The watering programs for the forthcoming year are all set out in some detail.

Senator BIRMINGHAM—I was not asking about the watering programs for how the environmental watering might be undertaken; I was looking for details of how water would be recovered to meet the proposals under the guide.

Dr Horne—If you are looking at the beginning of the equation, that is where water is purchased. How we go about purchasing water is under the Restoring the Balance program, which is the main vehicle for providing water to the water holder. That is also regularly published and updated on our website. It is generally updated monthly. In it, for example, we set out in the tender for the coming year that we will be purchasing water in certain catchments in order to bridge the gap between where we are now and some point in the future. If you go to our website now you will find a table which sets out how much we have purchased in each catchment against the scenario 1 of the MDBA, where the MDBA says under scenario 1 that 3,000 gigalitres would be reduced. What we have done on the website is put, catchment by catchment, how much the MDBA says is required. They would, under that scenario, take from each catchment. We have said that we have so far purchased A, B, C and D in each of those catchments.

Senator BIRMINGHAM—I appreciate that. I spoke to the authority before and talked about not just the reality of them giving consideration to matters but also the perception of ensuring that that consideration is given. In this instance it is all very well to say that it is published on the website, but did the department or the government ever consider that when the authority went out there and fulfilled its job by saying, 'Here is what we think the amount of water required to be recovered is'—because that is where their job ends and it is your job and the government's job to work out how we get there—it might be useful to allay community concerns by saying how we are going to get there at the same time?

Dr Horne—Yes, precisely. Now that we have the document, like you, we are going through it. When we look at the technical documentation in volume 2 we will see if that adds to the material which is already on the website and which says, in *Restoring the Balance*, how we will go about getting from where we are today to where the authority feels we need to get to. Clearly that process will have several stages. We have teams which are going out with the authority, as you mentioned. In fact, I think we all went out last week to a number of the sessions. I think at least a majority of us will be out somewhere this next week.

Senator BIRMINGHAM—I am pleased to see during the process of that we have shortened the name of the department, too.

Dr Horne—For the purposes of this exercise we have shortened the name of the department. The important point is that at those sessions we are taking quite a bit of time in the sessions themselves and after the sessions, as you know, to talk to people about how we go about it and in which of the catchments. I think it is quite apparent that, when you read the authority's guide, significant volumes of water will be found in the very large catchments. So we will be going through the process of how we will purchase water in those catchments. The additional element is that through some of the infrastructure projects a certain amount of water is expected to return to the Commonwealth and that will also boost those numbers.

Senator BIRMINGHAM—The horses are already scared in a sense and have already bolted in many ways and this was predictable. Everybody knew the authority was going to recommend cuts; exactly what they were was a matter of much conjecture. In the end much of the speculation about 30 per cent proved to be pretty well right—everybody knew that was coming. Everybody knew that there would be significant concern in these communities as a result of that. Yes, the government could not outline a particular specific plan for how it would achieve an exact cut without knowing what that exact cut was, but the government certainly could have been far more on the front foot in saying how it would ease the pain of achieving whatever the cuts would be through the mechanisms that are already at your disposal. There is significant funding still in the forward estimates to ease the pain of this process and yet nothing seems to have been done, aside from going to the consultation meetings, to try to alleviate those concerns.

Dr Horne—No, I do not accept that, in the sense that virtually every week now we are signing new contracts with different communities around the basin for new infrastructure works. The communities who are involved in that process—and Mary Harwood can talk about them in detail—know that the projects are starting now. One important part of bridging that gap has started. People do know that a set of new tenders will be forthcoming during the course of the year. These will contribute to bridging that gap. The one area that we are now looking at further, given that we have seen the guide, is the range of works and measures. One important work and measure that we have been working on, as you well know, for the last 18 months to two years is the Menindee project. We are looking at a number of other works and measures as well which could potentially reduce the number from 3,000—if the number is 3,000—or whatever the number is. Let us call the number x and we can take off a for works and measures to reduce that number. We are putting a lot of effort into that and we will do that with the assistance of the Basin Officials Committee as we go forward.

Senator BIRMINGHAM—I think the sales pitch from the department and the spelling out of the plan is a more comprehensive element rather than pieces here and pieces there. It needs to be a damned sight better than what we have seen so far to alleviate some of the concerns that we have witnessed throughout these communities. In their guide, the authority identified water currently available held by the environmental water holder of 705 gigalitres long-term equivalent as at 30 June, and I am sure that the amount is a little bit more now. They also have a statement on page 152 of the guide:

It is conservatively estimated that Commonwealth and state water purchases and savings under the infrastructure improvement program, will recover around 2,000 GL (long-term Cap equivalent) for the environment.

They tell me they sourced that figure from the department. How was that figure derived and how is that figure divided between your estimates of purchases or buybacks and infrastructure efficiencies?

Dr Horne—The figure is divided approximately 1,400 from water purchases and 600 from infrastructure. The 1,400 from water purchases takes into account our purchases in the market to date and the broad estimates that we have of where we will likely be buying water in the period ahead. So we are trying to take into account the price of water, which differs quite significantly in different parts of the basin. That gives a number around 1,400, making the assumption that the market will be unchanged. We are not trying to be prescient about which way the market might go in the period ahead. The infrastructure number has a larger variance around it and it is basically a formula. We have gone through our different projects. There are a lot of assumptions in that because a lot of those projects are at an earlier point in time.

Senator BIRMINGHAM—On notice, I am sure I will seek a bit of a breakdown for how that data has been calculated. There are a couple of issues I want to cover before allowing other senators a chance. What is the budget for the Water for the Future communication campaign?

Mr Slatyer—The total budget to date of that campaign is \$4.6 million. That is rounded.

Senator BIRMINGHAM—That is for these full-page ads that I have seen in basically newspapers throughout the basin. What does the \$4.6 million tally up to in terms of the split between newspaper advertising and other forms of communication?

Mr Slatyer—Senator, I have the details here. I can go right through the list if you like.

Senator BIRMINGHAM—Give us the highlights first.

Mr Slatyer—Formative research is around \$246,000; creative pitch, \$22,000—excuse me for the media jargon—PR pitch, \$12,000; concept testing, \$124,000; tracking, \$70,000; evaluation, \$70,000; creative agency, \$1.3 million; PR agency, \$150,000; media buy, \$2.6 million.

Senator BIRMINGHAM—So out of that \$4.6 million media buy is \$2.6 million. It is amazing how it gets eaten up along the way. And that buy is purely for print advertising?

Mr Slatyer—No, that is for the media—the television and print components.

Senator BIRMINGHAM—Has the television campaign commenced?

Mr Slatyer—It did so yesterday.

Senator BIRMINGHAM—I was here all day yesterday and last night so I cannot claim to have caught it even if it is airing in the local market. Was the authority consulted about this buy beforehand?

Mr Slatyer—The authority was informed about the development of the campaign and we have routine discussions with the authority on practical operational matters of this nature and they were aware that the campaign was under development.

Senator BIRMINGHAM—Does the campaign link in any way to the authority's work, to their desire to get feedback on the guide? Certainly in the print ad there is reference to the departmental web site, and I am not sure who the 1800 number is, but there is certainly no mention of the guide or the authority on this ad.

Mr Slatyer—The advertising has a general message to the community about the planning that is going on and both the print and television ads urge community involvement in that planning process. That message should come through; we hope it comes through fairly clearly from both styles of advertisement. One of the key objectives of the campaign was to inform the community that this planning was currently going on and to encourage their involvement. The website and 1800 numbers are both directly linked to MDBA 1800 numbers and websites. The way we have worked it is that the department and the MDBA are both managing 1800 numbers which we have each had and there are soft links across from one to the other. So if a person phones and their inquiry is about the basin plan, then that call would be immediately directed to the authority and vice versa.

Senator BIRMINGHAM—Has this campaign gone through the standard government approvals process?

Mr Slatyer—Yes, Senator.

Senator BIRMINGHAM—And presumably was approved. I want to go quickly to Menindee Lakes and then will allow others to jump in.

Senator Conroy—I thought they were empty.

Senator BIRMINGHAM—They are very full.

Senator NASH—Best stay out of this one, Minister.

Senator BIRMINGHAM—The government announced during the election campaign that an MOU had been reached between the Commonwealth and the state of New South Wales. I note this was actually signed by the Prime Minister on 15 July and the Premier on 19 July. I have not done any crunching of the dates, but I assume that was prior to the government going into caretaker mode.

Dr Horne—Yes, that is correct.

Senator BIRMINGHAM—What are the guidelines around the release of such information during an election campaign? The government signed this prior to going into caretaker mode, but it was well and truly in the middle of the campaign in a highly political context in which this first came to light.

Dr Grimes—It is not unusual for announcements of decisions made prior to an election campaign to be made during the campaign period. In fact, governments release pre-election economic and fiscal outlook reports. I am aware that those reports in previous times have included matters that were decisions taken prior to caretaker commencing but were announced some days after the caretaker period commencing. I do not think it is unusual to have some announcements occurring after the commencement of the caretaker period. The important thing is under the caretaker conventions is that decisions of course need to be made before the caretaker period commences. That is the most important thing.

Senator BIRMINGHAM—It was announced in a highly politically charged way, but I note what you say, Dr Grimes. This MOU requires the parties to achieve some outcomes by the end of October. With a little under two weeks to go, are those outcomes on track?

Dr Horne—There has been a lot of rain at and around Menindee, so some of our drill rigs are struggling in the mud at the moment. So there are likely to be some delays as we move forward.

Senator BIRMINGHAM—When can we expect the parties to meet the deadlines for the joint steering committee and for arrangements stipulated in this MOU?

Dr Horne—We just had advice this morning about having to move the rigs off the site. It will be during November, I suspect.

Senator BIRMINGHAM—Aside from that technical survey work, the rest of the work required has progressed and you would expect that, climate permitting, the slippage in this would only be about a month?

Dr Horne—Yes. There is a series of the work elements going forward and they are all linked. If one slips then the other bits slip as well. We will be getting very close to or completely finished the overall package of work that needs to be done during November.

Senator BIRMINGHAM—The MOU highlights the 2007 election promise of \$400 million for the Menindee Lakes works. It also indicates that if that funding is not all expended on re-engineering Menindee Lakes and the associated activities, the government will make the funds available for ‘high-priority projects to secure the water supply and improve environmental outcomes for existing rural and regional communities in New South Wales and deliver programs to improve service delivery by local water utilities’. The effect of that is that whatever is left over goes to the New South Wales government?

Dr Horne—I simply refer to the MOU. The MOU lists a range of projects on which the—

Senator BIRMINGHAM—Do those projects have to be within the Murray-Darling Basin?

Dr Horne—They are New South Wales projects.

Senator BIRMINGHAM—So it could be for any water supply improvement activity anywhere within regional New South Wales.

Dr Horne—Yes.

Senator BIRMINGHAM—Regardless of whether it saves a drop of water for the environment or whether it assists the process of Murray-Darling reform in particular?

Dr Horne—Let us be clear on this. The saving of water for the environment comes from the execution of the Menindee project itself. These other projects are about improving the water security of communities in New South Wales.

Senator BIRMINGHAM—This is a highly unusual clause to have in a contract like this, isn't it? Essentially it is a pay-off to the New South Wales government. There will be a couple of hundred million left over for you to fund a few election promises.

CHAIR—Senator Birmingham, you cannot ask an officer about a pay-off to the New South Wales government.

Senator BIRMINGHAM—I would hope, Senator Cameron, that we can ask an officer if there is a payment to a New South Wales government official.

CHAIR—You are asking for an opinion on something that is a political point you are making. Can I also ask that you wind up, because we have to move on.

Senator BIRMINGHAM—Is it not quite an unusual clause in these types of arrangements for the Commonwealth to say that surplus funds from an infrastructure work of this nature would be made available to a state government to do whatever they want within—

Senator Conroy—You are again asking for an opinion. I am sure if you reword the question you will be able to—

Senator BIRMINGHAM—Thank you for your suggestions—

Senator Conroy—You could say something like, 'Have you seen?'

Senator BIRMINGHAM—Thank you for your suggestions. Are you aware of any similar—

Senator Conroy—There you are. Wasn't that easy?

Senator BIRMINGHAM—Are you aware of any similar clauses in terms of infrastructure projects, Dr Horne?

Senator Conroy—I am sure he has not read the details of every infrastructure project around, so it will be a little hard for him to answer, but he may be able to give you some information.

Dr Horne—The project is a project which seeks to acquire a large amount of water for the environment. That water is water which is effectively New South Wales water at the moment. One interpretation of the project would be that this is the purchase of that water from the state of New South Wales.

CHAIR—I will have to move on now. As I said—

Senator BIRMINGHAM—Effectively, you have \$400 million that was allocated for Murray-Darling reform and there is a risk that hundreds of millions of that are going to be taken out of the Murray-Darling reform.

Senator Conroy—That is actually commentary.

CHAIR—Senator Birmingham, you have been given great licence here. Do not blow it at the end. Senator Siewert has the call.

Senator SIEWERT—Thank you. I wanted to pursue the issue that you would have heard me talking about with the authority, which is the issue around the social decision making and social impacts. Have you considered a framework for how you deal with community decision making, incorporating social impacts in the decision making?

Dr Horne—We have been looking at the range of impacts, through a cross-government group, for some period of time now and we will be taking that work forward in the work that departments do, in the way of submissions and the like, for the House of Representatives inquiry.

Senator SIEWERT—Does that mean you are not going to tell me anything else because you are going to be making a submission to the inquiry?

Dr Horne—I do not want to—

Senator SIEWERT—I've been here long enough to interpret it.

Dr Horne—Clearly, it is early days. We want to organise and discuss just how those issues will be managed. We have been discussing between the departments the possible approaches and the nature of the impacts. At the moment we are all absorbing the release of the guide and, from Friday, the technical material. Once we get our heads around that as a package of stuff, we will be in a much better position to actually start the further stage of work.

Senator SIEWERT—Does that mean that you have only just started thinking about it because this inquiry has been called?

Dr Horne—Not at all. We did commission—and it has been published—a piece of work from ABARE, separate to the piece of work that the authority commissioned, to ascertain some of the impacts, taking into particular account the positive impacts that would come out of the infrastructure that has been supported and built in the basin and the other elements of Water for the Future.

Senator SIEWERT—I am looking beyond the impacts. I am looking at how you incorporate social impacts and community decision-making into the process. You said that getting a handle on the social impacts is really important and there is a body of work, as you would be aware, on social decision-making and natural resource management. How is that being incorporated in the process of enabling community engagement?

Dr Horne—The first stage in that process is the role that the authority—and you spoke to them this morning—

Senator SIEWERT—And they told me to talk to you.

Dr Horne—I heard them tell you to speak to us. I would come back to the point that clearly there are potential issues—social ones, for example—that will arise depending on the nature of the SDLs. We want to be in a position to give government advice on those issues and how they should be managed as we go forward. Clearly there is a process from now which extends through most of next year before the plan comes into operation. At the early end of that we will want to be outlining the risks, such as they are, to government and we will take it from there.

Senator SIEWERT—Has the cross-government group just been set up or was it in existence before?

Dr Horne—We set it up about May this year.

Senator SIEWERT—What is the exact nature of the cross-government group? What are its terms of reference, if it has any?

Dr Horne—Basically the group is to look at the impacts that might be expected from the plan once it is brought into operation and to ensure that all government agencies are on the same page when we are going about this and that we are doing it in a coordinated fashion.

Senator SIEWERT—Who is on that group? I do not need the names; I just need the departments.

Dr Horne—FaHCSIA, regional development, Prime Minister and Cabinet, Treasury, Finance, ourselves and DAFF. I think that is it. If there are any additions to that I will let you know, but I think that is the lot.

Senator SIEWERT—Obviously if the cross-government group was set up in May or June you had already started thinking about the issues relating to social impacts. Was there some thought that perhaps some of that information, or an indication of what was happening, should have been released when the guide went out?

Dr Horne—No, I think there is an order and a sequence in this, and I think the first thing is to see a proposal. Government, and importantly communities, are involved in the process particularly through this guide phase and as we move into the proposed plan, which will be a much more legalistic document. At this early stage communities are being asked for their input, so there are some scenarios that are on the table and people are being asked for their views. We clearly are sending a large group around with the consultations, so we are learning a lot ourselves as we go around the basin.

Senator SIEWERT—This is a very significant change in the way we manage our resources, and a lot of the social science shows that to achieve social change you need to strongly involve the community in that decision making. Just presenting information to the community and saying ‘What do you think of this?’ is at the tail end of where, in the social modelling, you incorporate the community into the decision-making process. Was any thought given to the social change element that is needed beyond just looking at the impacts and how people are going to respond to the different scenarios?

Dr Horne—Clearly we have been cognisant of the fact that communities need to be brought along. In any major reform like this community involvement is critical. As a first stage to that, before the guide to the Basin Plan was released, with Water for the Future, we went around the basin, I think to 23 different communities, and spent full days explaining Water for the Future to those communities—the infrastructure programs and all those other associated programs which are elements of developing a sustainable irrigation community and sustainable communities and regions into the future. That part of the overall approach to change has been, in a sense, a precursor to the guide to the Basin Plan. Now we have got to this stage and the authority has put its guide on the table; all of the elements, if you like, that the communities are dealing with are now on the table and if we go forward we can look at

how all those elements come together, with the input from the communities. That links back into the communications campaign, Have Your Say, that is being commenced.

Senator WORTLEY—I have a number of questions, and some of them have been answered in part so I will stick to the ones that I think still require some response. Can you tell us how the basin communities have been assisted through the Strengthening Basin Communities program.

Ms Harwood—The Strengthening Basin Communities program has two elements. One is grants for planning, and towns in the basin or groups of towns working together can apply for grants to help them plan for a future with reduced water availability from the perspective that they want to work for their community. A number of grants have already been announced in the first round of that, and we have had a second round of applications and a lot of interest from a second wave of towns across the basin.

The second aspect is water saving initiatives. These are projects where there are grants for municipal water related projects across the basin. The communities do not have to share savings with us; it is about making their water go further, whether it is through recycling projects or things that help them better manage their municipal water in the basin. Those are the two main elements of that program. Again, a number of grants are already out there and happening, and a further round of applications was opened and that round closed recently, on 30 September. Again there is strong interest from communities across the basin in those grants.

Senator WORTLEY—I would like to move now to investment in water recycling across Australia. Can you give us an update on that, please?

Mr Robinson—Firstly, on water recycling, there was a number of projects. There were two rounds of water recycling and stormwater recycling projects that the government commissioned. Both have now been finalised and projects have been announced. That was for up to \$200 million. There is a third round, which is part of the 2010 election commitments and which we will be implementing for the government in the coming year.

Senator WORTLEY—And details on the stormwater harvesting and reuse program and the expansion of that particularly in South Australia? I am obviously interested in waterproofing Eastern Adelaide.

Mr Robinson—That is the third element. We have not yet finalised the timing of it but our expectation is that the guidelines will be similar to those of the first two rounds. As I said, we have not finalised the guidelines but we would expect that there would be a competitive round starting in the first part of 2011.

Senator XENOPHON—I was going to put a number of questions on notice but I will ask about the key issue of those who have been early adopters with respect to water efficiency measures. Can the department confirm how much of the PIIPSA program has been taken up for infrastructure improvements? I think there is \$110 million. How much of it has been taken up at this stage?

Ms Harwood—So far we have had one round of applications for that and the applicants for that round have just recently been notified. The announcements so far total \$3½ million.

Senator XENOPHON—So \$3½ million out of \$110 million.

Ms Harwood—Yes.

Senator XENOPHON—Does the department acknowledge that because water efficiency measures have already been put in place in South Australia, in the Riverland in particular, the criteria for being able to access that funding is much more problematic for South Australian irrigators?

Ms Harwood—I should correct my figure. Sorry, but it is \$3 million for that. I would say two things. Firstly, we also have in South Australia interest in our on-farm irrigation efficiency program, which is a Commonwealth-run grants program, and we have a project rolling out through the SA NRM board and continuing interest in that program. Also, for the PIIPSA program there are applicants now that people have seen how the program works and what it is about. There is interest from the industry in both of those.

Senator XENOPHON—I am sorry, and I will put things on notice, but is there any concession on the part of the department that it is much more difficult to access? If you are already a highly efficient area it is more difficult to access the funds from the \$5.8 billion infrastructure program—as a general principle.

Dr Horne—I think, given the interest that we have had in the two areas that Mary Harwood identified, there is considerable interest and I expect that the rollout will increase as we go forward. Clearly that is different from some other jurisdictions. We are focusing as much on reducing the irrigation footprint by closing down parts of irrigation districts, but that is what we are trying to do in other areas as we have in the small block irrigated scheme which, as you know, in parts of the basin has been going into 200 South Australians being involved. So there was a considerable number where clearly the efficiency was not there and in fact to the extent that in the areas a lot of folk—

Senator XENOPHON—But if you are inefficient it is easier to get access to the funds than if you are already efficient. That is axiomatic, isn't it?

Dr Horne—I guess that is the case. But the program is designed to address the problem.

CHAIR—Senator Nash.

Senator NASH—I will put a number of questions on notice, Chair, and I do know that we need to move to the NWC. I want to ask this. In the guide it says that as at 30 June 2010 the Australian government water buyback and state water recovery programs had secured some 705 gegalitres of surface water in the basin. What are the state recovery programs? How much have they delivered? In terms of the government buyback, how much of that 705 is entitlement purchased by the Commonwealth and how much allocation of real water actually goes against the total of the entitlement purchased by the Commonwealth so far?

Dr Horne—There are quite a few questions there but let me try and track through them.

Senator NASH—There are four.

Dr Horne—Almost all of the Commonwealth water held at the moment is entitlement water. In fact, it is entitlement water from buybacks. A very small amount of it is water that is derived from infrastructure projects.

Senator NASH—Okay, so can you take on notice for me exactly how much water there is from the infrastructure programs?

Dr Horne—Yes, we can do that.

Senator NASH—They are the ones that sit under the state recovery programs, is that correct?

Ms Harwood—The state recovery programs are things like RiverBank in New South Wales. The authority has the information on those, which is how much the state run recovery programs have recovered to date.

Senator NASH—So if you could take on notice though to provide some more detail as quickly as you can. But just on the Commonwealth entitlement, how many gegalitres of entitlement out of that 705 belong to the Commonwealth?

Mr Robinson—Perhaps I can answer that in terms of—

Senator NASH—Superquickly just a number.

Mr Robinson—I think that number in that report was as at June. At the end of September we had 948 gegalitres of water secured; 653 of that was registered on the Commonwealth entitlement.

Senator NASH—So 948 and 653 actually registered?

Mr Robinson—Sorry, I got that wrong. 948 gegalitres was secured. The long-term yield on that was 653 gegalitres. We actually had registered at 30 September 796 gegalitres.

CHAIR—Senator Nash, you will need to finish now.

Senator NASH—Okay, Chair. So if you could take on notice for me, to be absolutely clear for the committee, how much allocation has gone against all of that.

Dr Horne—Yes. We will get you the exact number.

Senator NASH—So it is how much real water has gone to the environment.

Mr Robinson—To save time, it is 408 gegalitres.

Senator NASH—Thank you.

CHAIR—I have one very quick question. Dr Horne, has the department done any analysis of—or do you have a view in relation to—a more changed scenario in the Murray-Darling Basin?

Dr Horne—The perspective which Mr Freeman put on the table is one which I would share.

CHAIR—Thank you.

Senator NASH—If I could also put this on notice: does the RiverBank that you were referring to go to the 3,000- or 4,000-gegalitre bracket that the authority is talking about?

CHAIR—I thank all the officers before us and I now call the officers from the National Water Commission.

[12.53 pm]

National Water Commission

Senator SIEWERT—I have got questions that you may need to take on notice. One question that I specifically want to start with is this. It is in terms of the work you are doing on groundwater and the projects that you are doing. Are there any being done in the Kimberley, particularly the West Kimberley?

Mr Cameron—I would have to take that question on notice. We are doing a number of projects that have national relevance. For example, we have a project underway looking at the cumulative impacts of mining on groundwater, which obviously has relevance in areas with significant mining activities, so that would have some implications for the East Kimberley. I cannot answer as to whether we have specific projects that are focused on that region alone.

Senator SIEWERT—Could you take on notice the question about the West Kimberley. With regard to the projects on the impacts of mining, you mentioned East Kimberley but are they looking at the West Kimberley as well?

Mr Cameron—That is a project which is looking at better ways for water planners to manage and model the potential impacts of multiple mines in one area. In that sense it is a project with national application. We are undertaking some trials of the models which are developed in particular regions of the country, including one in Western Australia, but the project is intended to provide messages and information that will be useful for the country as a whole.

Senator SIEWERT—So it would not be providing recommendations about specific areas?

Mr Cameron—No.

Senator SIEWERT—When is that one due to be completed?

Mr Cameron—That project is expected to be completed early next year.

Senator SIEWERT—Just so I understand: there is no further work being done in the Kimberley, or do you have to take it on notice to check?

Mr Cameron—I will have to take that on notice to check.

Senator SIEWERT—Thank you. I am not trying to be smart; I just want to know whether to expect there may be. I am conscious of time so I am going to move on to my next issues. I am keen on chasing up the biennial assessment. You made a series of recommendations in that report and I am wondering what the process is in following up those recommendations. Do you have to wait till the next biennial report to find out or do you keep chasing them up?

Mr Cameron—There are two responses to that. That report went to the Council of Australian Governments and COAG considered that report in a preliminary sense in November last year. It referred the report to the Water Reform Committee, which is a group of senior officials from the Commonwealth and states, to develop a response and that process is continuing.

But you are correct in noting that the commission is required under the act to produce another biennial assessment in 2011. We have commenced work for that process. In fact, in the last month or so we issued a discussion paper inviting members of the public and

interested stakeholders to make submissions, and certainly that will be the mechanism by which the commission assesses the progress that has been made between 2009 and now.

Senator SIEWERT—The questions I have that follow-up some of the specific recommendations I will put on notice for the department, and you may tell me I need to talk to the department about this one. Recommendation 6.1 is about WA and NT specifically and following up the legislative requirements for the NWI commitments. Do I talk to them about pursuing that one in particular?

Mr Cameron—That recommendation was obviously a recommendation directed at those state governments, so you certainly may raise it with the department and the department may have some further information in relation to those developments, but they are matters, obviously, for the Northern Territory government and the Western Australian government to respond to.

Senator SIEWERT—Yes. They may just need a little bit of outside help.

Senator BIRMINGHAM—NWC closed off on a tender last week that looks into monitoring and evaluating the impacts of water trade in the MDB. I am assuming you have not let that tender yet because it only closed last week, but I note that its time frame for delivery is 31 March 2012. I know it takes awhile to do decent work but, given all else that is happening in the system at present and the planning process, is this expected to be an input to that, or is the commission attempting to look beyond the establishment of the plan and to inform what may happen past that stage?

Mr Cameron—That work is a third phase of work that has been conducted by the commission over a number of years. Under the National Water Initiative we are required to monitor the impacts of trade, most specifically in the southern Murray-Darling Basin. You might recall that the commission issued a report looking at those matters in June this year, which was a report that assessed the impact of trade over a 10-year period until 2008-09. In releasing that report we indicated that we felt that the next sensible point at which to revisit that assessment was 2012. So you are correct; it is a complex process. There are a whole range of dynamics that mean identifying causal relationships between trade activity and social and economic impacts, which are quite challenging, so it will take that sort of time frame. But the intention is to provide a report which will pick up another two or three years worth of trade activity and provide a much richer picture of the world. We would expect, and we are certainly aware, that our report issued earlier this year is available to and will be considered by the authority and other organisations.

CHAIR—That concludes the examination of the Sustainability, Environment, Water, Population and Communities portfolio. I thank the ministers and officers for their attendance. After a break the committee will commence its examination of the Broadband, Communications and the Digital Economy portfolio.

Proceedings suspended from 1.00 pm to 2.03 pm

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, USO Branch

Mr Simon Bryant, Assistant Secretary, Australian Broadband Guarantee Branch

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

Mr Rohan Buettel, Assistant Secretary, Networks Regulation Branch

Mr Philip Mason, Assistant Secretary, NBN and Fibre-Rollout Regulation Branch

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 Division

Mr Richard Windeyer, First Assistant Secretary, Digital Economy Strategy Division

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

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

Ms Sabeena Oberoi, Assistant Secretary, Cyber-Security and Asia-Pacific Engagement Branch

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

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, Division

Ms Karen McCormick, Assistant Secretary, Communications and Media Branch

Mr Andrew Madsen, Acting Assistant Secretary, Household Assistance Branch

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

Mr Gavin Bowman, Acting Assistant Secretary, Technical Implementation Branch

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

Ms Summer Wesche, Manager, Reporting Section, CFO Group

Australian Postal Corporation

Mr Ahmed Fahour, Managing Director and CEO

Mr Stephen Walter, Chief of Staff

Mr Paul Burke, Corporate Secretary

Ms Christine Corbett, Executive General Manager, Retail

Ms Catherine Walsh, General Manager, People

Mr Steve Ousley, General Manager, Network and Transport

Mr Michael Tenace, Deputy Chief Finance Officer, Corporate

Mr Shane Morris, General Manager, Government and Regulatory Affairs

Mr Alex Twomey, General Manager, Communications, Stakeholder and Corporate Responsibility

Special Broadcasting Service Corporation

Mr Shaun Brown, Managing Director

Mr Jon Torpy, Chief Financial Officer

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 Transition Division

Ms Maureen Cahill, General Manager, Communications Infrastructure Division

Ms Olya Booyar, General Manager, Content Consumer and Citizen Division

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

Mr Brendan Byrne, General Manager, Legal Services Division

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

Mr Andrew Kerans, Executive Manager, Spectrum Infrastructure Branch

Mr Mark Loney, Executive Manager, Operations Branch

Mr Mark McGregor, Acting Executive Manager, Infrastructure Regulation Branch

Mr Christopher Hose, Executive Manager, Technical Planning and Evaluation Branch

Mr Anthony George, Acting Executive Manager, Allocation, Coordination and Policy Branch

Ms Jonquil Ritter, Executive Manager, Citizen and Community Branch

Ms Kathleen Silleri, Executive Manager, Content and Consumer Branch

Ms Andree Wright, Executive Manager, Security, Safety and e-Education Branch

Ms Jane Cole, Acting Executive Manager, Unsolicited Communications Branch

Mr Jeremy Fenton, Manager, Content Classification Section

Mr Derek Ambrose, Executive Manager, Finance and Facilities Branch

Mr Stuart Wise, Acting Executive Manager, Finance and Facilities Branch

NBN Co Limited

Mr Mike Quigley, Chief Executive Officer

CHAIR—I declare open this public hearing of the Senate Environment and Communications Legislation Committee. The committee will now commence its examination of the Broadband, Communications and the Digital Economy portfolio. These are supplementary budget estimates and the agencies heard during these estimates are only those which have been nominated by various senators.

I note that officers from the Australian Broadcasting Corporation will be called before the committee in relation to estimates on Wednesday, 27 October 2010. The committee has set this Friday, 22 October 2010, as the date by which senators must submit written questions on notice to the secretariat. The committee has also set Friday, 3 December 2010 as the date by which agencies must return answers to questions on notice. Under standing order 26 of the committee, 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, the secretariat has 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, which I now incorporate in *Hansard*.

The extract read as follows—

Public interest immunity claims

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).
 - (d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(Agreed to 13 May 2009.)

(Extract, Journals of the Senate, 13 May 2009, p.1941)

CHAIR—Officers called upon for the first time to answer a question should state their full name and position for the *Hansard* and witnesses should speak clearly into the microphones. Mobile phones should be switched off. I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, and portfolio officers. Minister, would you like to make an opening statement?

Senator Conroy—No.

CHAIR—Mr Harris?

Mr Harris—No.

CHAIR—The committee notes that there are no questions outstanding from the budget estimates round last May. Well done! I will call agencies in accordance with the circulated program and now invite general questions of the department.

Senator FISHER—Could we consider doing general questions after the agencies, given that Senator Abetz is not here at the moment?

CHAIR—No.

Senator FISHER—Thank you for that indulgence. Right, game on!

Senator Conroy—What are we playing?

CHAIR—Senator Macdonald, you have a general question.

Senator IAN MACDONALD—Minister, I am not sure how well you are with your correspondence, but I wrote to you quite recently about an Australia Post issue.

Senator Conroy—Australia Post are here, fired up and ready to go. What is the topic?

Senator IAN MACDONALD—The Rockhampton mail centre.

Senator Conroy—Mr Harris advises that it was during the election campaign and that he responded.

Senator IAN MACDONALD—He did, but I have written to you more recently.

Senator Conroy—Did you not satisfy him?

Mr Harris—Failed again.

Senator IAN MACDONALD—I will ask the question and Australia Post may be able to assist. The matter arose during the election and Mr Harris did respond in a timely fashion, which I appreciate and I also appreciate Australia Post's quick response. Subsequent to the election, in fact a week or so ago, I convened a meeting in Rockhampton involving the city council, the local member and the parties affected by noise at the Rockhampton mail centre. I want to put on record that the Australia Post officials who attended from afar were very helpful and whilst they have not got back to me, I am sure they will do something to try and alleviate the difficulties being experienced by all of the neighbours in Elphinstone Street, Rockhampton, as a result of what has become a major post office centre with B-double semitrailers, two and three in a row at a time, entering the premises at two and three o'clock in the morning, forklifts and trucks moving backwards and forwards and all the beeping that goes with that. This sort of thing is loud enough at any time, but at three o'clock in the morning it is unbearable.

The Australia Post staff there are doing what they can, but the problem lies in a wider area. Minister, it is either a question for you or for the board of Australia Post. What is clearly needed, and I do not think you have to be Einstein to work this out, is that an Australia Post mail centre in suburban, residential Rockhampton has to be shifted to an industrial estate. It was originally a post office and the post office has shut down, but it has been developed into a mail centre. The noise is unbearable, to the extent that the Rockhampton city council have indicated that if it was anyone other than the Commonwealth they would have shut it down by now. I know that Australia Post and the Commonwealth government would very much want to comply with local government rules, even if they do not legally have to.

After that very long preamble, Minister, my question is: is it you or the board of Australia Post—and, if it is the board of Australia Post, perhaps they could respond—who has to consider the expenditure and the work that is necessary to contemplate a shift of that mail centre?

Senator Conroy—Those are ultimately matters for the board. I believe that Mr Fahour may have some extra information for you.

Senator IAN MACDONALD—Because I am on another committee, I wonder if—

Senator Conroy—I thought Australia Post was coming up first.

CHAIR—As there are no general questions, I call on Australia Post and maybe you could deal with the question.

[2.12 pm]

Australia Post

CHAIR—Welcome. Mr Fahour, do you have an opening statement?

Mr Fahour—Yes, I do. Chairman and senators, it is absolutely a pleasure to be here today.

Senator Conroy—Misleading the Senate early on, in your opening sentence, is not good!

Senator ABETZ—We congratulate you on your appearance.

Mr Fahour—It is a pleasure to be here. This is a very important process. It is an important part of accountability and one that I certainly take very seriously and we at Australia Post take very seriously. Therefore, it really is a pleasure to be here with my team to be held to account and answer any questions that the good senators may want to ask. It is my first opportunity, having joined earlier this year, to address the Senate. I apologise for the scheduling problems that occurred at the beginning, but I intend to continue to be here to answer questions and participate. In many ways, having been given the opportunity to lead this iconic organisation, this is an absolute privilege and honour for me. Since arriving in this role earlier this year, I had the opportunity early on to visit many communities and locations around Australia, from the Top End right down to the bottom and across. As I am sure the Senate would be very familiar, we have thousands of locations across this country. There are many people—nearly 35,000—who work tirelessly hard to serve their communities and serve the regions in which they belong.

As I went around and had the pleasure of meeting our customers and meeting our very important partners, whether they be licensed post offices or our own posties and corporate locations, it really was apparent to me that we have something quite special in Australia Post and that there is a reason why we have survived for 201 years as a successful and important community social infrastructure owned by the people of Australia. How can one not be honoured and privileged to lead an organisation that has lasted for so long and seen so many difficult times and so many good times.

I want to assure the good senators that the employees of Australia Post, despite all these challenges that are occurring, are very dedicated to the cause. On average, our employees stay in Australia Post a lot longer than employees stay in many other companies. They enjoy it and they are committed not just to a commercial rate of return as part of the charter but also to the opportunity to contribute to society. I am sure that is a really big part of why they are here and it is a very important part of why I am here. One of the reasons why I am really happy to have been given this opportunity is because it is a combination of ensuring that the taxpayer can continue to have a commercially viable and self-sustaining business and an opportunity to contribute to many thousands of communities across this vast country of ours.

Senators, I am sure you are familiar with the fact that on Friday last week we released our annual result to the parliament and we announced the performance of the business for 2010. It was probably one of the most challenging years we have faced in the 201 years of Australia Post, not simply because of the global financial crisis but also because postal organisations all

over the world are being challenged with a fundamental and systematic shift in the way citizens and businesses communicate with each other—I am clearly talking about the onset of the internet. What the internet has done is change post—which was a monopoly for Australia Post for 180 years, as it was for other postal organisations all over the world—from being the only way you can communicate to being the smallest part of the communication market. Now, with the internet and mobile phones, it is 24/7 365 days a year. It is always available for people to communicate no matter where you are with the phone and the internet. So we are being challenged with that and businesses have an opportunity to use those services, which in cases like the internet are free. So the competition, for want of a better word, to our traditional mail business is an offering that is costed at zero.

With that backdrop and with that systematic societal shift in the forms of communication that are occurring, we at Australia Post continue to provide our traditional services in letters and parcels. We were fortunate enough during that very difficult time period to have still recorded a very strong profit of \$103 million for 2010. Within that \$103 million, two things stand out. One is that our traditional letters business lost \$170 million but our non-traditional business, such as parcels, post offices, retail services and the like, made in the order of \$200-plus million of profit. The majority of that was in our parcels business.

The second thing I would like to point out is that we also announced during our annual results briefing that we have developed a strategy on how to deal with this unsustainable position in the letters part of our organisation, and how we get it back to being self-sustaining even though there is this seismic shift in the way communication is occurring. As part of that, earlier this year when I started, the board and the chairman had laid out four very important aspects of our business that needed to be addressed in order to deal with Australia Post, and I will conclude by outlining those four elements. The first one was to deal with the industrial relations situation that we inherited at Christmas, which was a very difficult situation; the second one was our pricing; the third one was to tackle our growing cost structure in servicing the market; and the fourth one was to build a strategy to help take us into the next three to five years. And on the last one, we have just given that a name. It is called Future Ready. That is where the name came from. It is a strategy to help us tackle where we are and where we want to go. I am pleased to say to you today that during 2010 we successfully tackled all four of those issues.

On the first one, we signed with our workforce—35,000 people available to vote and, of those who voted, 73 per cent voted yes to a new enterprise bargaining agreement that we have put in place for the next three to 3½ years. That has been a very important success with our workforce. The second one is the ACCC did not object to our price increase. The third one is that we have managed to successfully tackle our cost structure in order that we can make a profit, which we did announce. And the fourth one, we built our Future Ready organisation structure, in particular the organisation structure around how we are going to manage in this very challenging and difficult environment into the future. They are my opening remarks, and as I mentioned before it is truly a pleasure to be here and we are very happy to tackle any of the questions.

CHAIR—Thanks, Mr Fahour. I am not sure whether you heard in detail the question from Senator Macdonald, or whether you would like him to repeat that question, but I think you

should deal with that as a threshold issue before we move to other senators. Do you want Senator Macdonald to repeat the question?

Mr Fahour—Yes, please.

Senator IAN MACDONALD—Congratulations on your appointment and on what you have indicated is happening at Australia Post. Certainly it looks good. You clearly are making money out of parcels, and I can guarantee that having seen the videos of parcels coming into the Rockhampton Mail Exchange at two, three, four, five and six o'clock in the morning. The exchange is in an area that used to have a post office at the top of the street, and down the street are residential places. The three places opposite the mail centre now are for sale. The value of those properties has been hugely diminished. The people next door are driven out of their minds, and in fact one of the residents got so excited that his wife was concerned he may have a heart attack then and there. It is a terrible situation for residents who have lived in this area for a long, long period of time.

Your local staff and the people who came up from Brisbane or Melbourne were very helpful and I am sure they will get back to me with what they can do in the short term to try to address the issue, but you cannot address the issues of B-double semitrailers during the early hours of the morning reversing—beep, beep, beep, beep, beep—I have seen it on the video—or forklifts dropping wire cages. Even when they try to place them, they move them out and then collapse them down and they are all wire and steel. The noise is bad at any time, but at those hours of the morning it is a terrible situation. It has evolved over the years. It was okay when the post office was there and when the mail centre was smaller. It is now the major distribution centre of parcels for Central Queensland. A great service, the mail must get through, I acknowledge that. The solution really lies, apart from short-term bandaid solutions, in moving it to an industrial estate where it would be more efficient, it would be better for employees, it would be safer. Those trucks coming across—it is on what used to be the main highway; it is not quite the main highway any more—means there are safety issues there. But most importantly, as I mentioned, the Rockhampton Regional Council indicated in a meeting that I convened, which everyone kindly attended, that if it were not the Commonwealth of Australia, it would have been shut down prior to this.

The only solution seems to be to move. That involves money. A \$104 million profit. I am not sure what sort of return you would get, your profits are not enormous. But my question really is: what can I do to help these residents—and, I might say, Ms Livermore, the local member, who I think I could on this one occasion at least speak for her as well. What could we do to encourage you or the minister or someone to get the money to look at a permanent solution?

Mr Fahour—Thank you for the question, Senator. I am aware of the correspondence that you have written to us. It is a very important and serious matter, which we take very seriously. It is not something that has been delegated to somebody way down. I would like to make sure that you are aware of that. Mr Peter Harris is aware of it. He and I have spoken about this issue and we take this very seriously because we care about the communities in which we operate in and they are very important to us. As I am sure you are aware, there are many different dimensions to this question about our economic location and when people arrived and so forth, but we have to find ways to deal with this. Your preparedness to help and

support and find a solution that does not involve us having to, tomorrow morning, shut down those vital services is very important. If you do not mind, I would like to ask the corporate secretary to outline some of the steps we have been taking and intend to take in further dealing with this important issue.

Mr Burke—Thank you for your question and the correspondence that we received in August, and thank you also for the comments you made about our two officials who met with you the week before last, I think, up in Rockhampton. Australia Post takes very seriously any complaints from any of our residents or neighbours on adjoining properties about noise. Even one complaint is one complaint too many. We have, as you would be aware, been talking with the residents in Elphinstone Street in Rockhampton about what we have done at that facility to try to reduce the level of noise emanating from the facility. If you like, I might take you through what we have done.

Senator IAN MACDONALD—I do not really want to curtail you but my colleagues have lots of questions. I have outlined the position. I acknowledge where you are coming from. We have been through that, and we have had correspondence. I appreciate you are trying to do things to address it, and I am sure you will do things to address it, but my real question is: do you agree with me that the only long-term positive solution is either to buy all of the neighbours out, which would probably be the cheapest way out, mind you, or to move sometime in the future—not tomorrow, obviously.

Mr Fahour—Rather than engage in some speculation which may cause unnecessary anxiety for employees of certain locations and regional areas that are vitally important, it maybe more appropriate that at least in the short term we continue to invest in all sorts of noise cancellation techniques, training of our staff and finding ways within the circumstances. We have been there 30 years in that industrial activity, and it is very important for that local community that we continue to provide this service with as least noise as possible. I am sure there are many different solutions potentially available in the future. Clearly, if this issue continues to get worse and if noise cancellation approaches do not work, then we need to find an alternative. It would be absolutely no problem at all in engaging with you further to try to help these residents get some peace of mind. I appreciate what you are saying.

Senator IAN MACDONALD—I think we might leave it at that. I did want to raise it today and I am pleased to hear that you and your senior officials are aware of it, Mr Fahour, because the mail must get through. These people do have rights. They have been there for almost as long as the post office. It was a post office; it was never a mail centre—or it was a mail centre when the horse came in and threw off half a bag of mail, but that is not the case now.

Senator Conroy—When you were a child.

Senator IAN MACDONALD—Actually you are right, Senator. Mr Fahour, I stopped you in the question rather rudely, but time is moving on. I would be interested if you could perhaps give me a note of the things that are being done. But your officers did say that to us and I know they are helping, but how do you reverse a B-double without that beep, beep, beep at three o'clock in the morning? It has got to be at three o'clock.

Senator Conroy—Do it fast. You get Wacka and he does it really fast.

Senator IAN MACDONALD—You cannot really change the schedules because they come from the north and the south and they have got to be somewhere, I understand that. I think the residents do, too, and they have been very patient. I know the officers are going to come back to the residents and myself and Ms Livermore. If you could take it on notice to send me a note on that, that might curtail the matter.

Mr Burke—We will definitely do that.

Senator IAN MACDONALD—But be aware that this will be a project of mine for the next three years and possibly beyond. Hopefully in three years it will be solved.

CHAIR—Mr Burke, you started to read out some of the mitigation in areas that you are looking at or have done. Senator MacDonald has asked you to send details of that to him. Is that a document that can be tabled here?

Mr Burke—Absolutely, Chair.

CHAIR—Maybe if you could table that document, because I am pretty sure that we will be back to this issue on an ongoing basis. I can pretty well guarantee that.

Mr Burke—If you like, I will write a letter to the secretary of the committee outlining what we have done at Rockhampton.

CHAIR—That would be helpful for everyone.

Senator BOSWELL—Over a period I have been very unsuccessful in ever getting a post box when I have been asked to, as I have been on a number of occasions.

Senator Conroy—I have the same problem.

Senator BOSWELL—And you are the minister! What chance have I got? I thought I would take the opportunity to find out what the process is for a democratically elected member of parliament. What do we have to do to get a post box when we are approached by different people? What are the criteria?

Mr Fahour—There is a process in place in which we do proactively look at where the growth in the population is and how we make sure that we adequately service that. I suggest that our company secretary outline to you the exact process, but I can assure you that many members of parliament do write to us and we do take it very seriously.

Senator BOSWELL—I am sure that there is a process there, but this particular one, the latest one, is at a place called New Beith which is just a new subdivision, a new suburb. Is there anyone that can make a call out there or talk to the residents?

Mr Burke—Absolutely. I am not aware of the particular issue, but if you like we can take it up after today and we can work through the issue with our area manager.

Senator BOSWELL—You can get someone out there to see them?

Mr Burke—Absolutely—to have a look and to assess it. I will contact your office.

Senator BOSWELL—If you come up with the right information I might share it with the minister.

Senator Conroy—Mate, if you work it out, let know.

Senator WILLIAMS—Wake up, Chair.

CHAIR—I am so engrossed in the annual report. Senator Williams.

Senator WILLIAMS—Am I next?

CHAIR—I'm sorry, Senator. It is Senator Wortley and then we will come to you.

Senator WILLIAMS—Ladies first.

Senator WORTLEY—Thank you. Congratulations, Mr Fahour, on your appointment. I am also pleased to note that a fair work agreement was finally agreed on by all parties concerned. Can you tell us about the benefits it included for employees?

Mr Fahour—Thank you, Senator, for your good wishes. A lot of people in this organisation have worked very hard to get an agreement in place—and people not just within Australia Post. I want to take this opportunity to thank the former president of the CEPU, Ed Husic, who took an opportunity, despite very difficult industrial relations action taken against Australia Post late last year. On my appointment, the leadership team in an open spirit went in there to try to find a solution that was in the interests of our staff and in the interests of our customers. I think we went in there with a very open mind and a very transparent process. I think that was the key to achieving this outcome, which is openness and transparency to the issues that our industry and our business is facing. When you have rational people sitting in the room, all acting in the interests of our staff and our customers, good things come of that. I feel this fair work agreement is good for staff, good for Australia Post and good for our customers and the communities that we serve, where we can get the mail through, get the parcels through and deliver on these vital community services.

The benefit of this gives real stability and confidence to our workers. It gives them a sense of knowing that they have security and peace of mind. It gives confidence and also stability to our customers. That is really vitally important, because if they think we are going to be going through years of industrial turmoil they will use other services and they will not come back. That could have put us out of business altogether. I think the rational, sane minds got together and found something that gave a win to all, and the benefits of that are now apparent. We had 73 per cent of our voters vote yes for this agreement, and it has given us the peace of mind that allows us to get on with restructuring and rebuilding a vital social infrastructure.

Senator WORTLEY—As you would aware, this committee has had a longstanding interest in a matter. Ms Walsh, on numerous occasions a number of senators have asked questions regarding the facility nominated doctors. In fact, we had public hearings regarding that. It was specifically in relation to the management of injuries and the related system of giving managers performance bonuses based on meeting injury frequency rate targets. Does the new fair work agreement address this issue, and what changes have been made to the system as we knew it?

Mr Fahour—I understand from reading the previous minister's committee—Minister Conroy began this process when he was an opposition member—that this has been an ongoing sore issue, and I am really pleased that we have been able to deal with it. If I could ask Ms Catherine Walsh to respond to your question.

Ms Walsh—As you well point out, this has been a longstanding issue and we are very pleased to advise the committee here today that we have resolved many of those difficult and often contentious issues that came about through the facility nominated doctor process through the agreement that we have reached under the fair work agreement. The new process—everything has to have a name—is referred to now as the Work Ready Program. The importance, again, of this program, much like the remainder of the fair work agreement, is the balance that is reached in implementing this system.

So we heard loud and clear many of the concerns from our union colleagues and from our employees about what they saw as being directed to a doctor who was not of their choosing. Through the Work Ready program, if an employee is in the unfortunate position of being injured at work their first port of call is their own doctor if that is where they choose to go. One of our main issues was that many employees, when they suffer injuries, have many work requirements that they can perform at Australia Post quite safely. So we are asking those employees to take documentation with them to their own doctor. The doctor can see the range of duties that are available for them to perform and can best see if any of those duties meet their restrictions. If it is the case that they can still perform some work safely then they may return to work directly. If their own doctor says that they should take time off, they can take that time off. We see that as a balanced approach of meeting the needs of the organisation and the important needs of our employees.

Senator WORTLEY—Thank you. Previously I have asked questions on the Mercedes-Benz mail vans. At last estimates we discussed a staff questionnaire. The response that I received was that all drivers who had previously completed a hazard report expressing concerns about the van and their transport runs would have the opportunity to complete that questionnaire. Has that taken place?

Ms Walsh—It has. Thank you again for asking that question. It is an issue that we continue to work with our employees and the unions on. In fact, we met with the unions on this very issue on 5 October as we continued the dialogue to make sure that we were dealing with and attending to the concerns of our employees. The outcome of the survey that we undertook was that we are now in a position where only six per cent of our drivers have continuing concerns, and we can identify those employees and continue to work with them with our safety advisers to ensure that each of their mail runs are assessed to make sure that any hazards are removed. We continue to work with them to make sure that any concerns they have are allayed. It is an ongoing process. We acknowledge that and will continue to work with our employees and the unions on that, but we are very pleased with the progress that we are making.

Senator WORTLEY—Still on the issue of drivers, I was interested to read about the E-Drive program. It looks as though there may be something that many people could learn from that. Could you tell us a bit about that please.

Ms Walsh—Through our corporate responsibility program and our ongoing search for excellence in everything that we do, we are looking to train our drivers better to ensure that they minimise the environmental impact that they have. We have a very large fleet of vehicles on the roads and we understand the impact of that, but we have done some comprehensive testing of those vehicles and looked at the best way to use those vehicles to minimise their environmental impact. As you say, we are looking to flow that out to our broader workforce,

saying that in their own lives they may wish to undertake some of these useful tips on how to better drive their vehicles to minimise the impact and fuel use that they might have. So we are very pleased with that program.

Senator WORTLEY—I understand that there were three different training methods that were used as part of that trial and that the one that is being adopted is the E-Drive online program. That was found to be the most useful or the one that you received the most benefit from? What were the other two programs that were used?

Mr Ousley—I am not familiar with ‘three’ processes, but I will take that aspect of the question on notice. I am familiar with the process by which drivers conduct an online survey and assessment tool to verify their knowledge of the sensitivity of things such as idling time and overrevving the engine. It teaches online the behaviours that lead to a reduction in our carbon emissions, more efficient use of the vehicles and, consequently, less fuel in the form of diesel. There was a visual assessment conducted as well, as part of that learning process for our transport drivers. Those are the two processes that I am aware of, but I am not familiar with the third.

Senator WORTLEY—Thank you. I read that there were three training methods used and that the online E-Drive was the one that was most successful.

Mr Ousley—That is correct.

Senator WILLIAMS—Congratulations on your appointment, Mr Fahour. I can see exactly where you are coming from about the amount of emails these days compared to the postage of letters. Email is used for everything. Minister Conroy usually answers most of his questions in the Senate from emails from his office. It is a very effective tool.

Senator Conroy—Even Senator Williams uses a computer now; it is incredible.

Senator WILLIAMS—Reading about you in the paper, Mr Fahour, in a story from Lucy Battersby, I read that you had said ‘we are not a bank but we are a financial services player’. Has there ever been any discussion about becoming a bank? I run the idea past you because we had a Senate inquiry into finance for small business and that inquiry saw the lack of competition in the banking industry. I think it would be a great idea to see Australia Post become a bank. Australia Post is out there in all the small country communities, where many of the banks have packed up and left and those communities have lost their service. I think it would be great to have not a pillar of four in the banking industry but a pillar of five. Have there been any discussions at all about progressing Australia Post as they have done around the world with postal services for further income revenues? Has there been any consideration of it becoming a banking institution?

Mr Fahour—No.

Senator WILLIAMS—I wish you well with it if you do. You have budgeted over five years \$150.2 million to be set aside for redundancies. I think about 1,000 staff were shed last financial year. When will the next round of redundancies occur?

Mr Fahour—That is correct: there was a redundancy provision set aside to be used. The first effort of how we are going to go about handling the changes that occur is predominantly about redeployment and retraining. While we have one part of our business which is in

moderate decline in regard to traditional letters there is no question that our parcels business, as mentioned before, is actually growing, and growing very successfully, in Australia. We are quite excited about the growth. Secondly, we have a really terrific set of opportunities in our retail platform from the various shops that we have to do a whole bunch of services. So I think there are sizable and attractive opportunities for us to continue to grow and our first and most important priority is to retrain and redeploy our staff. That is what the 'triple R agreement' is about. We have very much an ageing workforce. We have one of the oldest workforces in the country of a large employer. A large part of our workforce is of retirement age and are able to retire, and to retire very comfortably, with their pension, which is fully funded insider Australia Post.

So with those two aspects of our business—with natural attrition and with the opportunities to grow—we are very confident and very hopeful that the majority of the staff will be able to be redeployed. Where that is not possible—sometimes we just do not have the timing of that right—some people will leave; and the third part of the 'triple R' is voluntary redundancy. If that was to take place, we have been conservatively managing our accounts so that we have set aside the money to look after the people where our 'first R' and our 'second R' do not work.

Senator WILLIAMS—And you would expect these areas to be right across Australia, across urban and regional areas, where there would be a reduction in staff numbers through natural retirement or whatever?

Mr Fahour—Natural retirement does not seem to have a rhyme or reason about it.

Senator WILLIAMS—Sorry, I worded that badly. You will have people naturally retire. Some may take redundancies. My concern is: is there any threat of actually closing down any post offices in regional areas that you know of?

Mr Fahour—I am sure you are aware that under our CSO we have an obligation to maintain 2,500 post offices across regional and rural communities across this country. We have met that CSO obligation and we intend to continue to meet our CSO obligation into the future.

Senator WILLIAMS—So you can say with total confidence that the service will be guaranteed as the obligation says?

Mr Fahour—We have every intention of meeting our CSO. As a matter of fact, we think the social infrastructure that we have is not only a vital community service but also one that allows us to actually have many opportunities that maybe others do not have in many of these regional and rural communities.

Senator WILLIAMS—It has been mentioned in the press that Australia Post will close some retail outlets in areas with declining populations. Is this true?

Mr Fahour—I am not aware of what you are referring to, but maybe you could give me a little bit more information on what you are talking about.

Senator WILLIAMS—Yes, I will. That is it from me thanks, Chair.

Senator ABETZ—Congratulations on your appointment and I commend you for your enthusiasm which showed through very clearly during your opening statement. The

employment agreement that achieved the 73 per cent yes vote, can you tell us how many actually voted out of the 35,000 workforce.

Mr Fahour—I will pass that on to Ms Walsh.

Ms Walsh—The exact number was 18,959 of our workforce voted. It was out of total closer to 32,500; 35,000 is our entire workforce, but the award-covered employees are 32,500.

Senator ABETZ—So we had about 19,000 voting.

Ms Walsh—Correct.

Senator ABETZ—Which, in fairness, for these sorts of agreements is a relatively high turnout.

Ms Walsh—We were very pleased.

Senator ABETZ—I understand two directors were appointed in relatively recent times. Can we be told when they were appointed, if I am right?

Mr Burke—We had two recent appointments in July this year.

Senator ABETZ—What date in July?

Mr Burke—I would have to take that on notice for the specific date.

Senator CONROY—Before caretaker.

Senator ABETZ—We assumed that much, but I am just wondering how close to caretaker and how quickly the appointment was made to ensure that the appointments were made in the event of 21 August returning a different result for the government. If you can tell us the date on which the two were appointed, that would be very helpful.

Senator CONROY—Appointed by the Governor-General. As in they go through cabinet first, as you know, and then whenever the next—

Senator ABETZ—Yes, I know all of that. In relation to the Australia Post annual report, I understand there was some talk as a result of the need to close some of the offices. First of all, is that agreed—that is, there were media reports following the tabling of your annual report and the managing director was quoted as saying there may be a need to close some post offices. Is that correct or not?

Mr Fahour—I am not aware of that.

Senator ABETZ—That answers that one. In relation to AQIS and the charges by AQIS, have you decided at this stage how that is going to be funded? Is it a considerable impost on Australia Post, or is it going to come out of the dividend paid to the government? What is going to happen there?

Mr Burke—We have still got to make a decision on how that will be funded. The \$5 million increase in the determination—

Senator ABETZ—It was a fairly substantial hit so when do you think you will be in a position to tell us, because I think I asked about this at the May estimates and it would be interesting to know when you finalise your thought processes on that.

Mr Fahour—Since you have alluded to this, the one thing is that we have in the budgeting process agreed with the department of finance that you cannot count it twice as such, so they assume that while this will be put onto our P&L, that our P&L will be less that amount. That part has been agreed, but what the company secretary was referring to was that we are still investigating ways that we can on-charge this cost, although the difficulty of that is they are international senders and difficult to deal with that issue.

Senator ABETZ—Whilst we are on the issue of matters international, is Australia Post satisfied that it is getting a fair deal with the reciprocal arrangements and agreements with other Australia Post-like bodies around the world? If, for example, I send a letter from here to the United Kingdom, as I understand it, the Royal post delivers it with no cost—that they do that as a service and Australia Post reciprocates. What is your assessment? Are we ahead or are we behind in relation to the services that we have gained as opposed to the services we need to provide?

Mr Fahour—Senator, I would like to correct one part of what you just said: we do not do it for free as such. There are reciprocal arrangements all over the world for members of the UPU, which we are of course a member of, for funding and pricing of different sized articles and different sized packages for certain countries et cetera. That is quite a complicated formula.

Senator ABETZ—That is for packages; what about for letters?

Mr Fahour—It is for letters as well. They all have that, but the bottom line as such is that when you do this very complicated formula, what you discover is that we are a net importer. Therefore, of course, being a net importer, we end up not benefiting as much as opposed to if this had been a domestic activity. We are subject to arrangements around the world and therefore the pricing of somebody sending a letter from New York versus Birmingham and the currency implications and everything like that. It is quite a complicated formula but one that we are very much on top of.

Senator ABETZ—All right. Let us move on to AUSTRAC, which also has cost implications. Has Australia Post had any consultations with AUSTRAC about the proposed fee structure for reporting entities?

Ms Corbett—We are in constant contact with AUSTRAC. As you would be aware, when the AML legislation was introduced in December 2006, our licensees become reporting entities in their own right, so we have been in consultation with AUSTRAC since that date. Since May this year there has been a cost recovery program that come will into place for the 2011-12 financial year.

Senator ABETZ—I am aware of all that. I want to know about the impost on post offices and whether or not Australia Post is going in to bat for the all the post offices and licensees.

Ms Corbett—Yes, we will be an active participant in the consultation process on behalf of licensees.

Senator ABETZ—For what it is worth, if you are going to go in to bat for the licensees, Senator Scott Ryan and I asked some questions of AUSTRAC during these estimates as to how they justify the assertion that this is a cost recovery when in fact there is no benefit or

service provided in any way, shape or form; that it is a regulatory framework imposed by the government. For good public policy reasons, one wonders why small post offices that never have transactions of \$10,000 of cash nevertheless still have to pay the fee of \$500 per annum.

Ms Corbett—We will be actively representing their interests.

Senator ABETZ—Good on you, and all strength to your arm in relation to that. We were told some time ago that the cost of Australia Post headquarters would be in the region of \$70 million for the fitout. Is that what it actually cost in the end? Was it a bit more or a bit less? Who can tell us?

Mr Fahour—I can confirm that is correct.

Senator ABETZ—It was \$70 million exactly?

Mr Fahour—No, approximately.

Senator ABETZ—On notice, could you give me the exact figure. I assume the refurbishment is finalised. If you can provide me with the complete figure, that would be good. Does Australia Post lease or own any other premises for administration in Melbourne other than those that we just—

Mr Fahour—Yes.

Senator ABETZ—Is it intended that all Victorian state and all national operations will ultimately be operated from the new premises in Bourke Street?

Mr Fahour—I would like to take your question on notice because I do not want to inadvertently give you the wrong answer. Our intention is to try to consolidate as much of the head office functions into the 111 Bourke St premises to maximise that. I do point out one thing—we also want to make sure that we do have a lean, small and as much as possible corporate centre. Why I am pushing on this point—making sure my team hear me on this too—

Senator ABETZ—The dual purpose of Senate estimates.

Mr Fahour—For all of us it seems.

Senator ABETZ—You can talk to your team as well.

Mr Fahour—We want to make sure that not only is it a small, lean head office but one that is compact because we want to try to use as little real estate as possible. Where possible, where we have any amount that is in excess of our needs, we want to be able to lease that out into the market to recover as much of our costs as possible.

Senator ABETZ—Do you own premises in Sydney, at Strawberry Hills—or are they leased?

Mr Fahour—Yes, we own the property.

Senator ABETZ—I have been told that following my questioning at Senate estimates—I am sure that is not the case; I am sure it was because of Australia Post's good sense—Australia Post has written to POAAL inviting them to nominate someone for the stakeholder council. Is that correct?

Mr Burke—That. We have written to POAAL and been in discussions with them about nominating an appropriate member from POAAL to take a seat on council.

Senator ABETZ—Thank you very much. How long has it taken? It is very good.

Senator Conroy—Abolished under your government and you did nothing.

Senator ABETZ—Think that Senator Conroy has woken up, I ask the minister this: when the government proposed the National Broadband Network did it do any modelling of the impact this might have on mail volumes or for that matter on Australia Post's bottom line and the dividend to the federal government?

Senator Conroy—We did not but I am not actually sure whether you are really suggesting that we should not have invented cars because horses and buggies were still around. That is the analogy.

Senator ABETZ—It is amazing how sensitive you are to any question that surrounds the suggestion that there might actually not be a business plan for the NBN, and it just shows that another area was not even considered.

CHAIR—Do you have a question?

Senator ABETZ—Chair, if you heard the minister's intervention I think you would have been minded to chide him before you tried on me. Has Australia Post noticed any change in business levels in any of its business units in relation to any NBN rollouts, like in Midway Point or Scottsdale or Smithton in Tasmania? More seriously, are you anticipating that to have a business impact or not?

Mr Fahour—Not in any of our current strategic plans. We have, though, started to think about how we would benefit, how we would act, how we would make sure that into the future as much as possible we continue to be as successful and as viable as we have been for 201 years.

Senator ABETZ—Thank you. Just for the benefit of the chair, can somebody tell me the most popular stamp series that is issued each year?

Mr Fahour—I will take that on notice.

Senator ABETZ—Oh, come on! Somebody knows the answer to that.

Ms Corbett—It actually depends on the stamp issue program each year. Every year there are roughly 18 stamps. Some years it is the Australian legends stamp series. We research our collector base and popular themes come up every year and they include Australian legends, themes like flora and fauna, Australian identities and icons, and royalty is a popular thematic.

Senator ABETZ—Royalty—you finally got there! I thought that the chair would be very interested in that. Thanks a lot.

CHAIR—Thanks, Senator Abetz. Senator Birmingham, do you have any questions about royalty?

Senator BIRMINGHAM—I have no questions about royalty, you will be surprised to know, Senator Cameron. You indicated a couple of issues in the four-point strategy, which I want to follow up. I will turn firstly to pricing. Obviously there have been a couple of price

rises in the basic unit over the last couple of years. Is Post planning to launch any application for further price rises?

Mr Fahour—The price of a basic stamp has risen by approximately 22 per cent in 18 years, cumulatively. The pre-sort, which is actually the majority of our pricing, which are our business customers, has gone up by 11 per cent in 18 years. In other words, if you look at what a business paid back in 1992 you will see that it was approximately 36c, and today they pay 38c. So, when you stand back and look at our services, particularly to the major users, which are predominantly businesses sending letters to people's homes, transactions, accounts and the like, it is probably one of the lowest cost, lowest price rise services that any business could think of in terms of their major inputs in dealing with their business. I think we have done a great service in supporting businesses in this country over a long period. We have acknowledged to the ACCC that we do not anticipate that the basic stamp price will need to go up, since the last one, within the next two years at this stage. There is no legally binding reason that that would be the case, but we do not anticipate that we would be changing it for a two-year period.

Senator BIRMINGHAM—I note the long period of time between price rises, but two of those rises have occurred in fairly short succession over the last couple of years, so a fair degree of that percentage increase that you talk of is an increase that has occurred relatively recently. Has Post undertaken any analysis on the impact of that both on your business side of operations and on the residential and consumer side?

Mr Fahour—We conduct extensive modelling that we are required to submit as part of the process to the ACCC, which governs the process to see whether what we are doing is fair and reasonable and economically justifiable. Suffice to say that we have satisfied a major external regulator that the work we have undertaken adequately factors those elastic equations into consideration, with a determination of there being no objections to our price increase.

Senator BIRMINGHAM—In the research you have undertaken since the price increases, have you found an increased reluctance among either the business sector or the residential sector to use the services of Post?

Mr Fahour—Quite to the contrary. Since the price rise of 1 July, we have seen in the last three months quite a buoyant comeback in the demand for our services. We have been very pleased with the strength of the Australian economy. As I mentioned, elasticity is very weak between price and volume. What we are really dealing with in our volume, which has been in negative territory for the last few years, is less to do with pricing and more to do with a change societal preference in the form of communication, as I am sure you are very aware, Senator.

I do not know when you last put a letter in the post, but if I use my children as an indication and see the number of notes on Facebook and the number of SMSs, and if I look at my telephone bill or internet usage, it is the much more preferred form of communication. It is a different societal shift all over the world, and that is a far bigger driver of that positioning, both on the positive side and the negative side, rather than pricing. We need to factor into pricing the fact that we lose money on letter services. As I mentioned earlier, we have lost \$170 million in providing an excellent service that delivers year in and year out, day in and

day out. It is quality that is vitally important, but when you input costs arising over that 18-year period, by approximately 90 per cent to 100 per cent, and inflation is at 58 per cent and your prices go up 22 per cent and your volumes are going down, those mathematical equations do not add up—as I am sure you would appreciate, Senator.

Senator BIRMINGHAM—Thank you for those answers. In terms of the cost structure aspect of reform, how many regional outlets does Australia Post currently have?

Ms Corbett—As at 30 June we had 2,531 outlets in rural and regional Australia.

Senator BIRMINGHAM—Thank you. That is obviously just over the CSO obligation. Noting your commitment to maintain the CSO obligation, there is not a lot of room to move in any event. That takes care of concerns about whether there would be a reduction, noting your earlier assurance. Thank you very much for your time today.

CHAIR—I also have some questions. Mr Fahour, I have a copy of a media report from the *Sydney Morning Herald* of 16 October. Highlighted in it is a quote from you which says, ‘We are not a bank but we are a financial services player.’ I am sure that might have sent some shock waves through some staff, given the performance of the financial sector in terms of staff relationships over a period of time. Given that you have your agreement in place now, do the staff have any worries about moving to a tougher industrial approach in line with some of the finance sector that has dominated the Australian financial sector over the last few years?

Mr Fahour—Firstly, I feel that the industrial side of how we are managing this business is in really good shape and really good health, with sensible people in place that we can deal with and we can work with and whose only interest is the care of their members. They care about their staff and so do we—very much so. We are aligned in our interest to make sure that we look after our staff in a very safe way and also to make their time working at Australia Post rewarding and satisfying, giving them the best options and opportunities into the future.

I feel that this fair work agreement is a terrific exemplar of those very important principles and aspirations that we jointly own. Among the aspirations of the fair work agreement is to not just look at managing our letters business but to look for growth opportunities in the things that we do and the things that we do very well. We are one of Australia’s very important bill payment providers. Many elderly citizens and many other people in regional and rural Australia really rely upon Australia Post as the last important institution standing in some towns where they can come in and pay their bills. We have provided that service for many years and we think we can continue to provide that service for them.

The other part of it is that we are an intermediary to many different financial institutions. Seventy-six banks and credit unions rely upon us to allow citizens across this country to make withdrawals and deposits with a human being at the other end. It is a very important service that we provide. Sometimes when people are travelling overseas and do their passports, they want to change some money over. Again, our vast distribution network allows us to provide these very important financial services to the citizens of Australia. We have done that for many years and we will continue to provide that for many years, both with the support of our staff as well as the unions, which believe strongly, from the indications I have had, that the things we do are important, and they are supportive of it.

CHAIR—That is encouraging. On this issue of being a financial services player, I will come to the issue of key management personnel remuneration. On page 81, item 27 of the annual report, it says:

Advice is sought from independent specialised compensation consultants to ensure that payments to executives are in line with market practice and are competitively placed to attract and retain necessary talent for the work required by these roles.

I have always had the view that executive consultants are there peddling comparative wage justice. I am wondering whether your comparative wage justice is in the financial sector and that is where your executive salaries are pegged.

Mr Fahour—Could you say what the exact question is.

CHAIR—Is the comparative wage justice that your consultants provide with other government departments or with the financial sector—for executive salaries generally?

Mr Fahour—I will ask Ms Walsh, our head of employee and HR matters, to answer the question.

Ms Walsh—Australia Post takes a very responsible approach to the setting of executive and management pay and incentives. We obviously have regard to the recommendations of the Remuneration Tribunal in setting executive pay. It is telling that we had a pay freeze for executives last year and this year the pay has been limited to a two per cent pay increase. We think that shows appropriate restraint. We think it shows a reflection of the marketplace and it is also in line with what we are paying our own award employees. So, from the point of view of a comparative wage structure, we think we do it responsibly and we think we do it reasonably and get the balance right between the size and complexity of the organisation of Australia Post and the size of the undertaking as well as the fact that we are government owned.

Mr Fahour—I have just thought about your question and I think I understand where you are coming from. Having come from the financial services sector—my previous life—and given what I know you are seeing in the annual report, I can assure you that we are not paid anywhere near what my previous existence suggests is the benchmark that exists. Rest assured that is not the case.

CHAIR—I just do not want you bringing any bad habits to Australia Post.

Mr Fahour—You can see from the annual report that we are a long way from bad habits.

CHAIR—In the same *Sydney Morning Herald* report, it says:

About 1000 employees were shed last financial year and more were expected to go, but Australia Post would not provide any figures.

Is there a policy of not talking about what is happening in terms of employment in Australia Post, or is it just bad reporting?

Mr Fahour—I think that it was very unfortunate reporting of that part of the conversation. History is what history is. As I am sure the good senator would know, companies do not give forward projections out to the marketplace and we do not comment on where things will be; we comment on where things are and have been. The record stands as it is, but I think what they did not point out was that the vast majority of the people who left Australia Post left

because of natural attrition reasons, of their own accord, and those who did not were given a voluntary redundancy offer.

CHAIR—Thanks for that. I think I read somewhere you have set aside \$150 million for redundancies in the forthcoming 12 months. Is that correct?

Mr Fahour—We have set aside \$150 million into the future.

CHAIR—So these workers are all really happy with you and they would be looking at the \$150 million and wondering if they were part of the redundancies. Do you have any idea of the number and costs of the redundancies of both staff and contractors at above award level and at award level? Are those figures available?

Mr Fahour—No, they are not. As I mentioned before, I think to Senator Williams, we set aside this money and we are uncertain about how much of that will be used on a voluntary redundancy basis. Our program is designed to focus on retraining and redeployment of our staff from areas that are not growing into areas that are growing. That is our priority focus. One of the things that really marks this fair work agreement and one that we are quite proud of is that we have complete and open disclosure, as we announced with the CEPU and the CSPU in our media coverage. There was no hiding of where we are and the reality of what is going on. There was openness and transparency. What is really important is that because of that openness and transparency both the union leadership and ourselves were able to talk with our workers and explain exactly what is going on in our business, what is happening, retirement ages, what the future looks like, where opportunities are and where our current profitability is. When all of that was taken into consideration logical, rational minds suggested that it is better to go for stability and a fair outcome for both workers and for the corporation, be reasonable and set aside money for those who may not be redeployed.

CHAIR—You may like to take a couple of these questions on notice; I am not sure if you can give me the details of the expenditure involved. I note that you said the head office was lean and small. Can you provide details of the expenditure involved in the lease and furnishing of your new headquarters at 111 Bourke Street in 2009-10 and what you expect to spend on your head office in the next 12 months?

Mr Fahour—As I mentioned to Senator Abetz who asked a similar question earlier, we will take that on notice. We will take those two questions and make sure we give a fulsome answer.

CHAIR—The other area that has been drawn to my attention is that you have had a significant investment in your fleet of vans and trucks which are Mercedes-Benz. Is that correct?

Mr Ousley—I will clarify the significance of the investment. We have a normal replacement policy. The decision we made approximately three years ago to purchase the Mercedes-Benz Sprinter vans to replace the Ford Transit vans was a commercial decision and was made at the time, but the absolute number of vans and trucks has not increased. This is just part of the normal replacement policy.

CHAIR—You have a maintenance contract with Mercedes-Benz?

Mr Ousley—We do in respect of the Sprinter vans, yes.

CHAIR—Do you have details of the costs and ongoing costs of that maintenance contract?

Mr Ousley—The maintenance contract is based on a cents-per-kilometre-driven rate, so the amount spent on the maintenance of a vehicle depends on the use of the van other than for tyres, brakes and other consumable parts of the vehicle. But for the normal maintenance requirements there is a straightforward cents-per-kilometre-driven rate which is competitive with the market. Again, when it was assessed against other options, that was the most economical outcome for us.

CHAIR—Do you have any details of expenditure on the renewal of your IT systems and equipment generally within Australia Post?

Mr Burke—We will take that on notice.

CHAIR—Senator Wortley?

Senator WORTLEY—Mr Fahour, earlier you mentioned the Future Ready business renewal program and you talked about growing areas. Does this include e-services?

Mr Fahour—Yes.

Senator WORTLEY—I understand that you have recently developed Australia Post applications specifically for Microsoft Windows Phone 7. Can you tell us how that benefits customers?

Ms Corbett—We have developed an application for both the Apple iPhone and the Windows 7 platforms. What we have found from customer feedback through our various channels, via phone and across our counters, is that we needed to put a post-office locator on that application so customers can see where the nearest post office is. There is also a calculator to look at the charges as well, so customers can calculate those automatically.

Senator WORTLEY—Does that include being able to track parcels and mail, and bill-pay services?

Ms Corbett—There is a tracking application that is associated with that and there will be other enhancements over time.

Senator WORTLEY—When do you expect that bills will be able to be paid? When is it going to be operational?

Ms Corbett—The Apple iPhone application went live—

Mr Fahour—About three months ago we launched the Apple iPhone and only recently Windows 7. It is the No. 1 business application in the country and it is a free service for people to do all the services that you just mentioned.

Senator WORTLEY—Is bill-pay available as well?

Mr Fahour—Absolutely. We would love as many people as possible to use it.

Senator WORTLEY—Thank you.

CHAIR—Mr Fahour, you have sent messages to your staff, you have sent messages to the public, you have done very well.

Mr Fahour—As I mentioned, it is an absolute honour and privilege to be here.

CHAIR—Senator Macdonald?

Senator IAN MACDONALD—I am not sure whether someone raised this in my absence. As I understand it, the operating profit fell by 73 per cent in the 2009-10 financial year—is that correct?

Mr Fahour—That is correct.

Senator IAN MACDONALD—The revenue has only declined by two per cent in the same period—is that right?

Mr Fahour—Approximately.

Senator IAN MACDONALD—Yet the remuneration for the board of directors and key executives has increased by nearly 11 per cent, from \$8.9 million for the year to 30 June 2009 to \$9.9 million for the year to 30 June 2010—is that correct?

Mr Fahour—Correct.

Senator IAN MACDONALD—How do the board and the SES officers justify an 11 per cent increase in their take-home when profits have fallen by 73 per cent against a revenue fall of two per cent? It does not seem to add up.

Mr Fahour—I do not think they are like for like. Some people are added such as me, for example, into year and some other people left, so I do not think you are comparing apples with apples.

Senator IAN MACDONALD—For what is quite a big business organisation, usually the remuneration to board members and SES staff increases sort of in line with performance. But on the basis of those figures you have given me, I would think that the total pool would have fallen by about 50 per cent rather than being increased by about 11 per cent.

Mr Fahour—As I mentioned, I do not think they are like for like—the number of people in one bucket versus the other bucket. If I could give you some clarity around the total picture because it is not in the annual report. If you look at bonuses as a percentage of salaries in 2010 versus 2009, it actually fell for the total executive pool, not just the limited disclosure for the top earners and the board. On a like for like basis, it has fallen.

Secondly, it is fair to say that the management team, despite the fact that the general wages went up four per cent among our workers, took a pay freeze, as Ms Walsh said a little bit earlier. So there has been a pay freeze in the base salary and there has been a decent haircut taken in the at risk pay for the general pool as a percentage of the wages from the two years you are talking about. I think the austerity measures are in being careful and thoughtful. I mentioned earlier that the total number of people in headquarters has declined. I feel that we are definitely managing in a very highly efficient and careful way. We are very much conscious of the environment that we are in.

Senator IAN MACDONALD—If the number of people has declined but the pool for SES and board members has increased, it means that individuals are getting more. I am not singling out individual people here, but across the board the SES and board people are getting more pay. There are fewer people you are saying but there are reduced profits on an almost stationary turnover.

Mr Fahour—I reiterate what I said. If you leave aside the board for just one second, with the key executives that you are mentioning the number of people in the 2010 year and the number of people in the 2009 year we had a number of retirements and people leaving so I do not feel we are comparing apples with apples.

Senator IAN MACDONALD—So you are saying there are fewer SES people in Australia Post?

Mr Fahour—No, I did not say that; I said ‘executives’. I am talking about all executives. In reference to the annual report you are referring to it is the key executives. In regard to the board situation, the board remuneration is set by the Remuneration Tribunal. It is independently assessed and that is a process that is handled in a completely different way to the setting of wages. I indicated to you earlier that I think appropriate governance has been put in place and there has been no salary increase. There has been a salary freeze. The percentage of at risk bonuses as a percentage of total pay for the entire pool has actually decreased, which is not outlined in the annual report. I am not talking about the key personnel because that just has a limited number of five, six or seven people. The number of people is different in the year 2009 to 2010, as I am sure you will see in the annual report.

Senator IAN MACDONALD—None of that make sense to me. There has been a pay freeze, the bonuses have gone down and there are fewer people and yet the total remuneration pool has gone up by 11 per cent. It just does not gel.

Mr Fahour—The remuneration pool you are looking at takes about seven or eight people. I am talking about the thousands of people who are on executive contracts.

Senator IAN MACDONALD—Let us talk about the 11 or eight—

Mr Fahour—Senator, if you wish I can, either after this meeting or on notice, give you the exact details of what caused the 11 per cent increase.

CHAIR—Mr Fahour, I would appreciate that to be made available to the committee. It is great to have an ally on executive salaries. We will need to team up on this, Senator Macdonald. Not just on yours, by the way.

Senator IAN MACDONALD—I was hoping the minister might be here to give me the government’s view on this but, unfortunately, the minister seems to be missing in action at the important time.

CHAIR—Senator Macdonald, I am really trying to move on to SBS if you do not mind. Mr Fahour, I think I neglected to say congratulations on your appointment.

Mr Fahour—Thank you.

CHAIR—Thanks for the effort you have put into the estimates. We look forward to seeing you at the next round.

Mr Fahour—Thank you, Senator.

Mr Harris—Before you move off Australia Post, earlier Senator Abetz asked for the dates of appointment for the two most recent directors to the Australia Post board. They were on 8 July 2010.

CHAIR—Thank you.

Proceedings suspended from 3.34 pm to 3.45 pm

Special Broadcasting Service Corporation

Senator FIFIELD—The chair's introduction prompts me to ask: does 'SBS' still stand for the 'Special Broadcasting Service', or is 'SBS' now just 'SBS'?

Mr Brown—It certainly still stands for 'Special Broadcasting Service'.

Senator Conroy—It is not like NAB and the National Australia Bank.

Mr Brown—No.

CHAIR—Do you have an opening statement?

Mr Brown—Yes, thank you. Since the last time I was before this committee SBS has completed and now released its new corporate plan. I wanted to give brief highlights of that. It has been a consequence of a strategic review carried out jointly by the board and management. There are key elements of the plan that I would identify. Firstly, it identifies 'contributing to social inclusiveness' as fundamental to our purpose. I know that is always implicit in the purpose of SBS, but we have decided in the corporate plan to make that explicit. We have made a greater commitment to multilingual content across all our platforms. We recognise that the make-up of multicultural Australia has changed and our services must reflect that. We need to make sure our services are available on all platforms. That is quite a challenge for SBS but one that we must respond to. And we reiterate that we have a unique purpose in telling Australia's multicultural stories that no other broadcaster chooses or is able to do. So that plan has now been released to stakeholders. I look forward to updating you as we deliver against it.

Since my last appearance we have also staged in very successful manner the FIFA World Cup coverage. It certainly was the most comprehensive coverage that SBS has ever undertaken, and I think, after discussions with FIFA, it can be acknowledged that it was probably the most comprehensive coverage of any broadcaster in the world, mainly because we broadcast not only every game live using standard definition, high definition and 3D but every game on radio in up to 11 languages so that all Australians were able to access it either in English or in the language of their choice. We carried all the matches online, available by streaming or on demand. Although I have not quite persuaded FIFA yet to announce that, they certainly nod their head knowledgeably when I point out that I doubt if any other broadcaster can make a claim of that nature.

We reached a national audience of 10 million Australians across the whole of the event. Our ratings were generally similar to 2006—a little less around the Australia games, some of which had disappointing outcomes compared to 2006, but in other matches they were up. Online, though, was the real success, with 1.8 million unique browsers for the duration of the World Cup. That is a 64 per cent increase over our coverage in 2006. Just as a reminder, we are now starting to plan for 2014, for which SBS also has the rights.

This is a very important year for SBS. It is our 30th anniversary of SBS television and the 35th anniversary of our radio service. On October 24, 1980 SBS was born on Channel 0 and 28. So we have a number of activities on air and off air to reflect that, including landmark programming, in particular a program series called *Immigration Nation*, which plots the political intent and consequences of previous immigration policies around White Australia

and policies of that nature—an interesting and likely to be quiet provocative, I suspect, analysis of what led us to the successful multicultural outcome that we now have.

Since the last time I appeared, the board has announced that I have delayed my retirement plans for a few months, but I will step down in July next year. The board therefore has begun the recruitment process to find the new MD for SBS, and advertisements to that end appeared in national and international newspapers last weekend. Thank you.

CHAIR—Thank you, Mr Brown. Hopefully the new coach will give you improved ratings.

Senator FIFIELD—I am sure, Mr Brown, that, with your World Cup coverage, Senator Conroy was one of your most avid viewers!

Senator Conroy—He certainly was—not for any good reason to do with the English football team!

Senator FIFIELD—He still has divided loyalties, Senator Conroy! One of my colleagues, Mr Brown, asked me, when I called SBS, if I was intending to ask questions about SBS news and current affairs coverage of Israel and the Middle East, and I am not. My questions really relate to my role as the shadow minister for disabilities. I noted your reference to the corporate plan and the commitment to social inclusiveness, so I will explore that a little if I may.

I will start with the issue of captioning. It has been put to me that, when SBS releases DVDs of its television programs which have broadcast with captions, more often than not the DVD releases come without captions. I would be interested in your response to that.

Mr Brown—That is the case. We are endeavouring to maximise the number of DVDs that carry captions. But I am not sure if you would know that captioning has been an issue for SBS for many years, going back to probably nine years ago when we sought additional funds to carry captions on air and were unsuccessful in that. The provision of captioning services has always come at the expense of other activities, and it is difficult for a broadcaster like us to constantly expand our range of services without cutting back on others. Having said that, we are in discussions with Madman Entertainment who distribute our retail DVDs. We are working to ensure that we can lift the volume of closed captioning. Some of our DVDs are subtitled, so of course there is not any need for closed captioning in those circumstances. But we do take that point.

Senator FIFIELD—Are you able to give me a breakdown year by year—say, from 2006 to 2010—of the DVD releases and the numbers which included captions? So, for instance: of 50 in 2006, 25 had captions—are you able to give that sort of breakdown?

Mr Brown—Not today, but I will take that on notice and provide that answer.

Senator FIFIELD—What is SBS's general policy when it comes to DVD captioning? How do you determine which releases have captions and which do not? Do you have a target of a certain percentage of DVD releases to have captioning?

Mr Brown—Sometimes it is a practical issue which prevents us from getting captions. For instance, with *First Australians*, the landmark Indigenous history series, which was released very promptly upon the broadcast of the program, the first release did not have captions but

during the time between the first DVD release and the second DVD release we were able to put captions on it. I think it is a similar story for the FIFA World Cup releases as well.

Senator FIFIELD—To take *First Australians*: I think the first DVD release was 3 December 2008?

Mr Brown—I do not have that date, but 2008 does sound about right.

Senator FIFIELD—What was the gap between the first and the second DVD release?

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

Senator FIFIELD—If you could. I think that is a useful title you cite there, because I understand that is considered to be one of the definitive teaching resources on the subject of Indigenous Australians. There are something of the order of 12,000 hearing impaired students, so I would be interested in the length of time between the first release and the second release. What was the rationale for it not being done for the first release?

Mr Brown—I believe that it was probably timing. The thing about DVDs is they are absolutely a commercial activity by SBS and are self-funding. There is no government appropriation for DVDs. It is run by our commercial affairs area. Every release is business-cased. Clearly, if there is an added cost, that may mean that it does not go ahead. But I think in the case of *First Australians* it was more a practical consideration. I agree with you that it is a standard teaching resource as we intended when we made it. We expected it to have considerable life and therefore it is appropriate that it is fully captioned now.

Senator FIFIELD—Perhaps you could just take me through the cost argument. There are usually technical explanations for these things. What I do not follow is, when the program is broadcast with captions, why it is not a straightforward thing to release the DVD with captions. I am not talking about a program which goes to air without captions. I am talking about a program such as *First Australians* which goes to air with captions and then the DVDs are without them.

Mr Brown—Let me take that on notice, because it is reasonable that I lay out the process. Of course, the captions exist in one form, whether that is immediately transferable to a DVD from the broadcast version is the issue, I suspect. I understand that we made submissions to the government's report on access to electronic media for the hearing and the vision impaired in January 2010 and so we are eagerly awaiting the outcome of that review to see whether that provides us with some guidance on the policies that we should set.

Senator FIFIELD—I am advised by captioners—those who work in that industry. I will not quote them exactly, but they say it costs blank all to provide the captions, particularly where the caption file already exists. A figure quoted to me is that it costs \$2,000 roughly to do a caption file for one DVD. Obviously, that is not \$2,000 for each DVD. That is \$2,000 for a title which does not sound very excessive.

Mr Brown—No, I would agree. I think the point I made was that title by title it may be about cost but it may also be about timing. Let me take that on notice. I think it is a point well made.

Senator Conroy—If I could just give some information overall. I understand that in January 2010 the Australian Visual Software Distribution Association announced that all

major film distributors and some smaller Australian independents will have audio description and English captioning on the majority of films. There were also some announcements recently about a project to improve audio description and caption levels in television, cinemas, DVDs and on the internet.

Senator FIFIELD—Which industry association was that?

Senator Conroy—It was the Australian Visual Software Distribution Association.

Senator FIFIELD—Mr Brown, is SBS a member of that association?

Mr Brown—I am not aware of that so I will take that on notice as well.

Senator FIFIELD—But I guess SBS, being a partly taxpayer-funded organisation, has a particular obligation and, as you did cite from the corporate plan itself, a commitment to social inclusiveness. I would appreciate your advice on that because, as I say, the advice I get is that it costs not much and is relatively quick and easy to do. If that is something that can be done, that would be a good thing to do.

Mr Brown—Yes.

Senator FIFIELD—Still in relation to captioning, just a few prime time TV programs I know of go to air with captions, but I am told they do not go to DVD with captions. I will run some of those programs past you. You might not be able to tell me off the top of your head—if you cannot, please take it on notice. *Food Safari*, I understand, is one that goes to air with captions but they do not make it to DVD.

Mr Brown—All of our programs go to air with captions in prime time.

Senator FIFIELD—But do not make it to DVD with captions?

Mr Brown—I understand, yes.

Senator FIFIELD—There is *MYTHBUSTERS*; the World Cup 2010 matches involving Australia, Minister; *Legends of the Tour de France*; and this particular program I am not familiar with—*Nerds FC 1 and 2*.

Senator Conroy—An excellent show.

Mr Brown—I will try to get you a DVD of it.

Senator Conroy—That is a serious deficiency in your viewing habits, Senator Fifield.

Senator BIRMINGHAM—It has a great degree of entertainment value.

CHAIR—You will never watch Aussie rules again!

Mr Brown—I will look into all of those, Senator Fifield. Apart from a sense of obligation as a partly taxpayer-funded organisation, it would be an obligation that we would take seriously in any case because of our commitment to social inclusion. We recognise that while our primary purpose with regard to social inclusion is to a multicultural dimension, it should embrace those who are otherwise disadvantaged.

Senator FIFIELD—Sure. On this point still, I noted earlier your argument in relation to timing—the need to rush something out—but I think it is important that we do not convey the

message that in rushing it out it is too bad for the people with a disability who might rely on those captioning services. Thank you for that.

I also understand that download and streaming versions of SBS programs do not contain captions. Is that correct?

Mr Brown—Yes, that is correct. I think we have responded to a question on notice from Senator Ludlam on this as well. We are currently in consultations with the ACMA and relevant stakeholders in respect of captioning quality.

With regard to online, we currently do not have the capacity—and that is a technical capacity—to take the on-air version and create that into an online version. I know it sounds very simple, but it requires a technical interface that we have not yet been able to install for reasons of capital expenditure constraints. But we are currently working through this year our investment intentions with regard to online, and that is one of the areas under consideration.

Senator FIFIELD—The ABC—the other public broadcaster—does caption its iView content?

Mr Brown—I believe that is true, yes. They have a significantly better resourced online system than we have.

Both points that you have raised are well made. I would say that SBS does not currently have a policy. We are investigating ways in which we can practically deliver this. I will take your questions on notice. I will also use them as the basis for a consideration within SBS to establish a policy that deals with those issues.

Senator FIFIELD—Thank you. Maybe the ABC can share and help. I don't know if that happens between public broadcasters.

Mr Brown—I don't know either.

Senator Conroy—Are you seeking an amalgamation?

Senator FIFIELD—No, just cooperative public broadcasting. In relation to the corporate plan which you referred to earlier and you touched upon the commitment to social inclusion, in having a look through it I could not see any mention—I might have missed it and you can point me to it—of increasing the accessibility of your services for people with disability.

Mr Brown—As I said earlier, when we talk about social inclusion we talk about our primary role of contributing to the building of an inclusive society as it relates to multicultural Australia. There are two ways in which we do that through our services and our content offering: firstly, to provide services to ethnic communities, newly arrived migrants, in terms of enabling them to participate fully as citizens; secondly, by informing all Australians about the value and benefits of diversity so that too breeds a greater level of social cohesion and inclusiveness.

Senator FIFIELD—Do you think that the corporate plan perhaps should have a component that looks to increasing accessibility of services to people with a disability?

Mr Brown—In terms of particularly television, we are dealing with the issues that you have raised, which is either captioning or audio description. I am not trying to avoid our responsibilities here. I fully accept them, as I said earlier, but in the past the level of obligation

in this regard has been laid down through various regulations and policies that we have responded to. So it would seem to me that it is most appropriate that there is an industry position and an industry delivery rather than a channel-by-channel response.

Senator FIFIELD—But you would not be unhappy to lead the industry in this area if possible?

Mr Brown—If possible—absolutely. It certainly fits. The whole attitude of SBS is to contribute to building a more inclusive society.

Senator FIFIELD—If you could take that on board and not be shy of seeking to the lead in this area as a broadcaster, that would be good. Senator Macdonald's questions to Australia Post before have just popped this into my head, and he would probably be disappointed if we did not touch on this: there is the question of remuneration. We have heard frequently at estimates that people are desperate to find out what Kerry O'Brien earns. I am not particularly fussed on that score; it is more a matter of curiosity. Does SBS publish what its prominent—

Senator Conroy—On-air talent.

Senator FIFIELD—Thank you, Senator Conroy—what its on-air talent is paid?

Mr Brown—No. We publish the remuneration of the senior executive as required.

Senator FIFIELD—That is fine. It was just a curiosity. That leads me to wonder: there does not seem to be quite so much of Anton Enus on SBS now. Has his role changed at all?

Mr Brown—His role changed a couple of years ago when he moved to the 6.30 news. It may be that you watch our 9.30 news more often, which was the program he presented consistently for many years.

Senator FIFIELD—He is still doing the 6.30 news?

Mr Brown—He is still doing the 6.30 news.

Senator Conroy—Which shows how often Senator Fifield watches!

Senator FIFIELD—I do, but it always seems to be other people presenting it. It is good to find out these things when you can! You mentioned in your opening remarks a renewed commitment—or words to that effect—by SBS to multilingual content. I, and I think most Australians, would think 'Hello, isn't that part of the *raison d'être* of SBS?'

Mr Brown—I think that what I said was that it was a recommitment to multicultural stories and an intention to expand the range of multilingual content. The opportunity to do the latter—that is not really a renewed commitment; that is an intention to expand it—comes through digital channels and multichannels, and you can see that SBS2 carries a higher level of multilingual content than SBS1. Between them we are certainly carrying more multilingual content than at any time in our history and we can only see that increasing.

Senator FIFIELD—Thank you for expanding on that for me. That is all I have, Chair. Thank you for taking those matters on notice and I look forward to your responses.

Senator LUDLAM—You mentioned the SBS corporate plan 2010 to 2013 in your opening statement. I want to ask some questions about that, particularly the forecast revenue and expenditure figures on page 13 of the PDF. The government appropriations, 2010 to

2014-15, I have not had time to cross-reference this against your annual report or your budget portfolio statement, but are they the same as in the budget forecast? Is there any reason we would expect them to be different?

Mr Torpy—No, they should be the same.

Senator LUDLAM—In order to fund the entire budget operations of SBS over a four-year period, does government decide on its appropriations based on your estimates of advertising and sponsorship or is it the other way around? Does the government give you an amount of money and then you set an advertising target to meet the shortfall?

Mr Brown—Probably neither. The government sets its appropriation independent of any revenue expectations we have but it is not possible to set a target in advertising to cover costs. You set a target for the best possible outcome that enables you to provide the services you can and if you fail to secure that advertising revenue, then you are not able to provide some of those services.

Senator LUDLAM—So the basic operation of the station is funded out of government appropriations and then you do the best you can with advertising, to do the other things you want to do.

Mr Brown—Yes. Historically, advertising has become embedded into part of our profile. Obviously, the FIFA World Cup was fully funded out of commercial revenue. It is not as clear cut, like the cream on a cake, for instance. It has become over recent years a means of us funding a number of activities like SBS2. Closed captioning is funded out of commercial dollars.

Senator LUDLAM—It is about 30 per cent of the cake; so it is a lot more than the cream.

Mr Brown—Yes, it is a lot more than the cream.

Senator LUDLAM—The spike in projected ad revenues in 2013-14, that is FIFA?

Mr Brown—That is FIFA World Cup, yes.

Senator LUDLAM—What is that estimate based on?

Mr Brown—That estimate is based on our performance in the last FIFA World Cup when television advertising revenue was around \$19 million, projecting that forward four years with an increase that reflects what we would believe the market to do in that period.

Senator LUDLAM—What I am seeking really is for you, probably on notice, if you can take these requests away, is to disaggregate the advertising and sponsorship breakdown. For example, can you tell us the forecast figures for revenue from television-only advertising for those forward estimates? If you can do it now, that would be great; otherwise, I am happy for you to take it on notice.

Mr Brown—I will have to take that question on notice. This year it is about \$56 million, but I will find the rest out.

Senator LUDLAM—Out of 86—am I reading that right?

Mr Brown—That would be right, yes.

Senator LUDLAM—Can you quickly describe what the balance is made up of. So 56-ish out of 86 comes from television advertising. Where is the rest coming from?

Mr Torpy—In addition to that we have some online revenue, in language revenue also, that is language services, and there is a little bit of world cup money still in there this financial year.

Mr Brown—Sorry, I should have made clear that the 55 excluded about \$3 million, so it is more like \$58 total television revenue this year.

Senator LUDLAM—In any given year?

Mr Brown—Yes.

Mr Torpy—The other thing that is in there is some subscription television revenue.

Senator LUDLAM—Could you provide on notice for us, for the four years in the forward estimates, a disaggregation of where you think your ad revenues are going to come from? Specifically I am looking for the TV, as you have just given us, but any more detail you can provide as to where you think it might come from. In retrospect, when you look back at projections—and I should offer my congratulations for getting through 30 years, with the celebrations coming up next week, so you must be getting reasonably good at this—how accurate have your forecasts of future ad revenues been in the past? Are these reasonably reliable estimates?

Mr Brown—The global financial crisis and the arrival of multichannels impacted our forward projections, so they are lower now than they would have been prior to the GFC. Certainly we are experiencing some revenue pressure, which I think I talked about last time, from the arrival of multichannels. Even since I last appeared we have got another wave of multichannels. So the available commercial inventory was doubled and now has tripled.

Senator LUDLAM—There still does not seem to be very much worth watching. Thank goodness for SBS.

Mr Brown—I am glad you said that.

Senator LUDLAM—In theory, then, you have lowered your forecasts from what they would have been if I had asked you this a year or two ago.

Mr Brown—We lowered our forecasts a year ago. I think they are probably in line roughly with where we were a year ago, during the GFC. It is possible, given the recent arrival of the new multichannels, that there may be further adjustments in the out years. We will find that out this year, on the basis of experience.

Senator LUDLAM—Does government raise its appropriations based on those kinds of shortfalls or do you go back and ask for such a thing? Or is that all rolled up in triennial funding arrangements?

Mr Brown—It is all rolled up in triennial funding. As I said earlier, setting of the government appropriation is independent of any consideration of our commercial activities.

Senator LUDLAM—What I am interested to know—and, again, this is further disaggregation of the advertising and sponsorship bracket there—is what your television advertising revenues are for the in-program advertising. You are no doubt aware I have what I

think is a one-line amendment private senator's bill in process at the moment. I am wondering if you can tell us, were that bill to be passed and that funding not made up somewhere else, what that would cost if the in-program advertising was abolished on SBS.

Mr Brown—It will be difficult to do anything exact about that because, of course, the whole market response changes when you change your model. What I have previously said is that in fiscal 2006 we were looking at a revenue of about \$30 million, but an external advice and our own internal assessment was that that revenue would decrease because the model of putting ads between programs was being rejected by the market. So it would not be unreasonable in my view to say that if we had not changed the model that revenue would be around \$20 million now and therefore, if we pull in \$56 million, I guess that gives you a \$36 million shortfall on this year.

Senator LUDLAM—Thirty-six out of 56—so more than half of your estimated revenues from advertising and sponsorship, just from the television, you believe you are making up at the moment, roughly, from the in-program advertising?

Mr Brown—It would be much more than half because we have very little between-program advertising now. But if your bill were to succeed, then the minutage that would be placed inside a program presumably would be moved to between programs—so there would be a five-minute break between programs.

Senator LUDLAM—Yes. From a programming point of view, is that time worth less to you selling to an advertiser?

Mr Brown—Yes, significantly—it is close to unsaleable. It is so heavily discounted. Five-minute breaks between programs was the issue that we confronted—

Senator LUDLAM—People just go and make a cup of tea.

Mr Brown—That, or they change channels out of frustration. Whatever the reason is, the market's response is to say, 'We don't want to be part of 10 successive commercial messages in a row where we're lost not only in adverse conditions in terms of viewership but we're in amongst a cluttered environment for our message to get through.' The evidence we had in fiscal 2006 was the rejection of that. And it was anticipated, and verified by external advisers, that that would get worse not better.

Senator LUDLAM—Okay, but your guess for today—and I have not given you any notice of this so I understand that you are just giving us rough numbers—is that it would be worth about \$36 million, less what you could sell some of that time for when it shifted back into the top of the hour.

Mr Brown—Yes. It would be worth about \$20 million, so if you take that off those forward projections will give you a year-to-year variation that is approximate.

Senator LUDLAM—That is helpful. Thanks very much. I have asked you already for the forward estimates, but could you also provide for us, looking back over the last three years, the percentage of advertising revenue. You have just given us the information for financial year 2009-10. Could you give us that number for television revenues for 2007-08 and 2008-09? We are going to have a five- or seven-year span.

Mr Brown—I understand—broken down by commercial activity: television, radio, online, et cetera.

Senator LUDLAM—Yes, if you can, that would be great. I am interested to dig in briefly, if we have got time, into how important the advertising in the sports programs is relative to the rest of your programming. You have shifted into the domain quite seriously around live sports or global sports broadcasting. How important as an advertising market is that? Can you give us numbers on that?

Mr Brown—I think the easiest way to look at it is to compare us with the ABC, where they have no ability to commercially offset their sports activities. The fact that we do the Tour de France, we did the Ashes and we have done Olympics and we do the Fifa World Cup is solely due to our ability to fund them in whole or in part through commercial revenue. If you look at the BBC, they have withdrawn significantly from sport, but they are still quite active. If you look at the ABC, they have abandoned many of the mainstream sports that they previously did.

Senator LUDLAM—All right, but are you able to give us a percentage of your advertising revenues that accrue directly from sports broadcasting—not now, necessarily, but is that easy enough to dig out?

Mr Brown—It would be a revenue figure related to a specific event rather than, ‘This is how much sports earns us each year.’ The Ashes was—off the top of my head—\$5 million and I have already told you the World Cup was \$19 million. The Tour de France is a consistent one.

Senator LUDLAM—So there is no such thing as an average year, but maybe if you could just break out some figures for us from the financial year just gone, that would be great.

I think I will leave it at that. I might put in one or two more questions on notice, but I will leave it at that. Thanks for your help.

CHAIR—Senator Birmingham.

Senator BIRMINGHAM—Thank you, Chair. Good to see you again, Mr Brown. Firstly I have a question relating to a speech you gave back in March. If this matter was canvassed at the budget estimates—which I was very sorry to miss—please tell me and I can go back and read the *Hansard*. At a broadcasting summit in Sydney you spoke about the challenges of the budget SBS works within and of significantly underserving growing language communities and the challenges of some of that. Firstly, did you address those matters at those estimates? If not, could you highlight which communities you see as the challenge for SBS and where you are struggling to provide the services that are necessary.

Mr Brown—I do not believe it was covered at the last hearing. The point I was attempting to make was that the changing makeup of multicultural Australia poses particular challenges for SBS. We had not been able to respond to those challenges over many years. Perhaps the best example I can give is the radio schedule. As you know, we broadcast in 68 languages. The hours that any one language group is allocated varies from maybe one hour a week, in the case of a small language group, up to about 14 hours a week for a large language group. The proportionality of that allocation was set many years ago. In the time since then, the

proportionality of those languages has changed markedly. For instance, Hindi is likely to be No. 8 in terms of ranking by population size when the census is carried out next year. It certainly does not receive the services on SBS Radio that properly reflect that scale.

One of the reasons for that is that to gift a language group more hours means taking it off another language group, and that has proved to be something that SBS has tried to avoid for two reasons: one, it leads to tremendous anguish; and two, it seems unfair that communities of smaller size simply get punished because other communities have grown bigger. The point I am making is that digital allows us to deliver outcomes that mean there do not need to be winners and losers. We can, through digital radio and digital television, expand our services. We have said that we think the top 10 language groups, which represent about 60 per cent of multicultural Australia, deserve a much greater service across all of our platforms.

At the other end of the scale we believe that services should be provided to small groups who will never qualify on size alone, but who may have very specific needs—newly arrived and traumatised refugee communities, for instance, or maybe a community that has gradually shrunk in size but the remaining speakers of that language are elderly and isolated. To introduce a new service is deserved because of their particular needs.

Senator BIRMINGHAM—Thank you for that. In terms of the capacity within the new opportunities that digital broadcasting presents for SBS, how do you think you are placed to be able to meet those designs, in particular to significantly increase the air time for the top 10 language groups and cover some of those smaller language groups?

Mr Brown—Certainly it is the case that the capacity to deliver has been introduced in terms of transmission capability. Digital radio, digital television and online, provide vastly expanded opportunities but it takes funds to provide those additional services. This year we are piloting, out of funds that we have scraped out of other budgets, a particular project—a virtual community centre—which is probably a good indication of the sort of area that we believe we need to move into. We are going to do this with the Chinese language community. I said Chinese language; it is for both Mandarin and Cantonese speakers, because the written form is the same for both communities. Online text can service two communities at once.

The virtual community centre online is a location where Chinese speakers can go in the knowledge that it will have all of the SBS material—films and programs that are relevant to them—additional material that we have sourced for them, the latest news in language and, particularly, user generated content so that those sorts of issues and events such as festivals or particular debates, that are very important to that community but not big enough to find their way onto our 6.30 news, still get coverage.

We are intending also to pilot a Mandarin language news service on a once-a-week basis so that Mandarin speakers can come to SBS and see a program—it will probably be more current affairs than news—that is in their language but will be subtitled into English so that it is fully accessible to all Australians. It will talk to their experience and cover the issues from their perspective. That is really a response to something that was covered in the last hearing, and that was the research that we had carried out into language communities—certainly Hindi and Arabic and I think Italian was the other one—to find out how they were making use of Australian media. Sadly, the fact is that many of them are not making use of Australian media,

largely through distrust and the fact that Australian media does not necessarily deal fairly with them, and certainly not comprehensively with them.

Because of the changes in access, these communities are able to source their information from their home countries, which in our view is not desirable and in the view of community leaders is not desirable as an exclusive source of information. The example I gave last time was the Hindi community which, after the incidents in Melbourne, had retreated to accessing mainly news media out of New Delhi and that was not telling the whole story and was actually aggravating an already difficult situation. What we will be trying to do with piloting this year is find ways that engage directly with those communities so that they do not have a need to turn to home country sources.

Senator BIRMINGHAM—Thanks, Mr Brown. There will probably be other issues that I will try to pursue on notice. In relation to online news service, how many languages do you currently provide Australian news for?

Mr Brown—We translate all of our home pages into 68 languages, but let me take on notice what we specifically do in the news area. The example I gave of a virtual community centre is in our view the way to address that particular issue so that Mandarin and Cantonese speakers can come to one location and get an authentic, credible news service from an Australian perspective.

Senator BIRMINGHAM—I will skip over advertising because Senator Ludlum covered a lot of that. I will read over the *Hansard* for all that you covered there. In relation to digital switch-over and progress there, is SBS happy with the progress it has been able to make in ensuring that all regions currently covered by analogue signal that are facing switch-over in the near future will be covered by digital signal.

Mr Brown—It is early days yet. We did cover this to a degree last time. We identified 44 locations where communities currently have analogue self-help, and that needed to be converted to digital. Of those 44, the government has funded seven conversions and commercial broadcasters are funding the eighth. So that is now down to 36 outstanding. We also have 44 sites where there is no service at all and we are exploring whether or not we can find a way of providing self-help in those areas using other self-help funds, which are currently for analogue self-help but we can make that digital self-help.

Senator BIRMINGHAM—How many extra sites is that?

Mr Brown—Forty-four.

Mr Brown—The reason my response is that we are happy at the moment is because this is very much a stream of activity. The government has funded us in solutions that relate to regional South Australia where the early parts of switch-over occur. We will be receiving a response to our request progressively as the analogue switch-off rolls out.

Senator BIRMINGHAM—The 44 sites are nationwide?

Mr Brown—Yes.

Senator BIRMINGHAM—And with regard to the next round of switch-over, all sites that you have in those regions are covered?

Mr Brown—There are two 44s. It just happens coincidentally that both are 44. The first 44 is actually now 36 and we have approached government to fund us to convert from analogue to digital in those areas so that we are on the same footing as the other broadcasters. With the other 44 it may well be—and this is being explored all the time—that they can be addressed by us providing self-help funding in the same way as we currently do for analogue services. By that I mean that the self-help funds that we currently have from government, which are there to help analogue self-help, can become available to development digital self-help.

Senator BIRMINGHAM—With regard to specific regions that are approaching switch-over, have they been addressed, both from the 36 and from the 44?

Mr Brown—I believe we are up to date on that. I perhaps should point out as well, of course, that the VAST satellite service ensures that our signal reaches all areas. The difference is obviously between whether you have a satellite dish or a terrestrial receiver. But, certainly, we do not have any cause for alarm at this stage about government's response to our request for funding as the rollout occurs.

Senator BIRMINGHAM—Thank you. Related to the digital switch-over, I want to ask about SBS's involvement in Freeview. Is this a relationship that SBS contributes to purely on an in-kind basis, or does SBS pay money or has SBS paid money into the Freeview campaign?

Mr Brown—We are a shareholder in Freeview—we have a 16 per cent shareholding—and we contribute to the budget of Freeview on an annual basis. Obviously, the vast majority of the investment in Freeview is by all broadcasters making airtime available at no cost, but there are operating costs associated with developing the electronic program guide and the creative element of campaigns et cetera.

Senator BIRMINGHAM—How did 16 per cent come about, out of interest?

Mr Brown—Five major networks and a group of regional networks with a smaller shareholding.

Senator BIRMINGHAM—Right. So the five major networks all hold an equal 16 per cent share?

Mr Brown—It is 16 per cent, isn't it? Now I am wondering if it is 18 per cent. But we do all have an equal shareholding.

Senator BIRMINGHAM—And you each contribute—

Mr Brown—Equally.

Senator BIRMINGHAM—equally, annually—

Mr Torpy—Yes.

Senator BIRMINGHAM—to the costs of Freeview, and then the provision of airtime and so on is an in-kind contribution beyond that.

Mr Brown—Yes. Our cash contribution is equal. Our airtime contribution would not be valued equally because we have smaller audiences than some of the other networks. But in broad terms it is equal, yes.

Senator BIRMINGHAM—Lastly, in regards to the 2009-10 budget, there were firm expectations of achieving efficiency returns through greater technical cooperation with the ABC in relation to the sharing of broadcasting facilities and the like. I do not have the budget papers in front of me, so if you are not quite sure what I am speaking of I can dig it out and put the question on notice. The question essentially is: have those efficiencies been achieved and are they providing a return, and what is the impact on SBS's funding as a result?

Mr Brown—There have been no efficiencies identified yet, but ABC and SBS continue to have discussions, mainly around transmission and distribution opportunities. But I think we have always made it clear that that is a long-term opportunity to rationalise costs. With regard to shared facilities, we already hire ABC facilities at market rates, so I am not sure where the efficiency would be if they gave them to us and forwent the revenue. I quite like that idea but I doubt they would!

Senator BIRMINGHAM—Okay. So nothing has actually been delivered or saved in that program in terms of looking at shared technical and broadcasting processes or facilities in any way?

Mr Brown—No.

Senator BIRMINGHAM—Thank you, Mr Brown.

CHAIR—Senator Wortley.

Senator WORTLEY—Thank you, Chair. Mr Brown, you have recently undertaken a restructure of the subtitling unit. I am not sure whether you touched on that earlier, because we have been ducking out and going into other committees. I wanted to know why that was necessary and how many jobs were lost in the process.

Mr Brown—Yes. I think when I last appeared we were in the process of evaluating that. We had received a report from Deloitte's, and the model that Deloitte's identified was a full outsource model. Management took that report and formed the view that a hybrid model was best suited to SBS's objectives. That means some in-house capacity, some external capacity and some freelance capacity.

The reason for that had, I guess, two elements. Firstly, technological change meant that there were some efficiencies to be gained by using new technology, and we have been progressively and will continue to introduce new technologies to improve that. The quality of subtitling from offshore had certainly improved since the days when SBS first started subtitling. Secondly, SBS was not really able to specifically align its in-house subtitling capacity with the changing needs of its programming mix, and by that I mean that our subtitling team reflected the Eurocentric nature of our acquisition strategy of 10 years ago, when most of our programs were sourced out of Europe. Now we source more programs out of Europe and are likely to increase that considerably.

Therefore, having a small team which met just some of our needs in the end did not make a lot of sense. Holding an in-house capacity for one language group, such as, say, French languages, meant that, because of the intermittent nature of delivery, we quite often had—and I think the Deloitte's report established this—considerable overcapacity, too many subtitlers in one language group. So we are in the process of changing to a smaller in-house team but

we are preserving additional funds to bring in freelancers—we already do that, and many of them are former SBS subtitlers who come in on a needs basis—and looking at using subtitlers from overseas where they meet our quality standards. As a consequence, I think about 20 positions will have gone. One or two of them relate to specific technical changes which have not yet occurred. About 17 or 18 positions have now ceased to exist, and those who filled the positions have left SBS.

Senator WORTLEY—Will some of those people be employed as freelancers in the future?

Mr Brown—Yes, almost certainly. We waived the normal SBS policy of saying that people could not come back on a freelance basis until a period of time had elapsed and said that in this circumstance it clearly made sense that, if we had a film that needed subtitling and they had the capability, they could come in and do however many shifts it took to subtitle that film.

Senator WORTLEY—Do you have plans for any further redundancies from this or any other operation within SBS?

Mr Brown—I think we indicated previously that we would be looking at a wider range of redundancies across SBS this year. Some of them relate specifically to technology changes which are not yet complete. But, broadly, I think we are looking at about 40 redundancies. As I have said, maybe half of those relate to subtitling; another 10 have come out of news, current affairs and sport—they have all taken place—and probably the remaining 10 have come out of operational areas, where the introduction of new technologies means that we simply require less, for instance, editors in the newsroom because new journalists are now doing some of their own editing.

Senator WORTLEY—Among them, are there any opportunities for retraining or redeployment within the organisation?

Mr Brown—All of those redundancies are carried out after those opportunities have been fully explored. In subtitling, for instance, the original plan, or intention, was for a higher level of redundancy, but, after consultation and further analysis, we did not fully implement that original plan, by one or two people. And every redundancy is worked through very carefully.

Senator WORTLEY—I have also noted on your website—and it is a very extensive website; it covers a lot of areas—that, while previously I was able to easily access media releases from different years, I have only been able to access a handful from 2010. Perhaps they are not in there, and I stand to be corrected on that. In previous years we have been able to pull up media releases from different years through an archive. I am just wondering if there is some other place that they are stored. Perhaps there have only been a handful of media releases this year.

Mr Brown—I think you are probably accessing through our corporate pages. It is intended that we relaunch our corporate pages later this year—probably by December. That would be one of the functions I would expect to be available—an archive of media releases and announcements.

Senator WORTLEY—And that will be available to the public?

Mr Brown—Yes, absolutely.

Senator WORTLEY—Good; thank you.

CHAIR—I think we have just about exhausted the questions on SBS. Mr Brown, I thank you and your staff for your input. I now call the Australian Communications and Media Authority.

[4.46 pm]

Australian Communications and Media Authority

CHAIR—Mr Chapman, do you have any opening statement?

Mr Chapman—Thank you, Chair, but I decline on this occasion.

Senator BIRMINGHAM—This time last year—12 months whizzes by quickly—I asked you some questions.

Senator Conroy—We have missed you.

Senator BIRMINGHAM—I am sure I was about in February, briefly, possibly—maybe not. I asked some questions about Al-Manar television services and their broadcasting into Australia. You undertook to undertake a further review of their broadcasting and whether it complied with such activities. Are you able to give us an update of what work ACMA has done since October last year in looking at Al-Manar?

Mr Chapman—Consistent with the undertaking that I gave in this room, we have almost completed an extremely comprehensive review of Al-Manar related matters. That has included a review of a considerable amount of material against the antiterrorism standards, against the narrowcasting code and against other provisions. I am anticipating that that matter will probably be concluded by the authority at our meeting of 18 November. Suffice it to say, I think you will find when we release our reports and our other observations that you will feel that we have lived up to the undertakings we have provided.

Senator BIRMINGHAM—Has the authority considered or looked at evidence along the way related to this review? It seems to be a relatively drawn-out process. Your expectation originally was to report around the middle of the year. I am wondering if there is a reason for the delay, whether earlier attempts were not successful.

Mr Chapman—I am happy to accept that I may have indicated the middle of the year. There is no particular reason, but there has been extremely comprehensive work. It has involved a good deal of research. It has been informed by academic literature reviews that we have commissioned. It has involved an extraordinary amount of translation of materials, it has involved a review of not dissimilar provisions from comparative jurisdictions around the world and it has involved, as you may appreciate, quite interesting and difficult administrative law provisions considering the broadcast for the service and adequate communication to discharge our administrative law provisions. They sometimes take longer than you anticipate. The short answer is that we have not been held up in any untoward way. We may have taken a little longer than perhaps I indicated, but we have had a very good team working on this and I can only repeat that I think you will find towards the end of November that there is a dividend from that work.

Senator BIRMINGHAM—I appreciate that it has been a very thorough job and we will look forward to seeing the outcome of that. In regard to the organisations that you have consulted or engaged along the way, have you sought information from other international expert bodies or expert bodies in intelligence or terrorism fields other than of course perhaps your colleagues in the communications regulatory sector?

Mr Chapman—Again, I think it will become apparent that we have been extensive in our review and our consultation. We do dip into the expert advice of the Australian Federal Police, Attorney-General's department and some of our colleagues in Foreign Affairs. They are examples of the sort of consultations we have been undertaking.

Senator BIRMINGHAM—Lastly, and obviously pre-empting what you may release—and I appreciate the difficulty of that—have you identified during this process gaps in our current regulatory standards or barriers in the legislation or regulation that have made it harder for ACMA to do what it thinks may be necessary in this process and that could require some changes in the future?

Mr Chapman—Then inquiry was designed to investigate material that had been provided to us by certain sectors of the Australian community and by the minister and material that we had been taping since about December 2008. The inquiry was designed to be a more detailed investigation of that material against the standards and—on this occasion, and something which we did not do on the last occasion—against the relevant code of practice for the narrowcasting. So in that sense it is a detailed investigation against those pieces of legislation. We also indicated at the time that we would, across the totality of our exercise, potentially form views about the current terrorism standards, the code of practice and other potential regulatory gaps. The second aspect is the matter that will roll up before the authority on 18 November so it would be pre-emptive of me to offer an opinion on that. But I did want to confirm to you that those two streams are the intention behind the review investigation.

Senator BIRMINGHAM—Thank you. I look forward to the release of that and seeing your findings in that regard. From a matter of some 12 months genesis to one from today's newspapers, I refer to the story running in the *Daily Telegraph* today relating to the 000 number. It identifies problems about the number of incorrect calls being placed to 000 and make the suggestion of perhaps using the 112 number instead. Has ACMA looked at that problem recently and is ACMA pursuing any consideration of changing 'triple 0' to 112?

Mr Chapman—ACMA has no current intention of changing it from 'triple zero', as we prefer to call it, to 112. The number 000 is Australia's primary emergency service number and should always be used in the first instance. Indeed our research indicates that there is a very high awareness of triple 0 in the Australian community: 95 per cent of Australians are aware that they should call 000 in an emergency. The number 112 is the GSM international standard emergency number, which can only be dialled on a digital mobile phone. It is accepted as a secondary international emergency number in some parts of the world, including Australia, and can be dialled in areas of GSM network coverage with the call automatically translated to that country's emergency number. Importantly, 112 cannot be used to assess the emergency call service from fixed lines in Australia.

The article today reflects, probably, a well-intentioned but misguided piece of advice by that local fire brigade. I can only reiterate in the strongest terms that 000 is the primary emergency service number. That is not to say that we have not been working actively with industry and emergency services groups over the last two to three years to reduce the number of non-emergency calls to 000 without, of course, compromising the integrity of genuine emergency calls. There has been a number of measures introduced over the last several years, and they have included brief introductory recorded voice announcements alerting callers that they have contacted 000 and other related aspects. I am pleased to say that since December 2008 this has led to a 25 per cent reduction in the total number of calls presented to the emergency call service.

The issue is a live issue. We place enormous investment and resources into our relationship with the emergency call organisations about this issue of 000 and the effectiveness of the 000 program and construct. I can only reiterate that 000 is the right approach for Australia.

Senator BIRMINGHAM—In reiterating that it is the right approach for Australia I take it to be a fairly clear indication that ACMA is not considering any change in that regard in the future?

Mr Chapman—That is correct.

Senator BIRMINGHAM—How do you go about achieving a 28 per cent reduction in accidental calls? Can I ask what measures have proved particularly successful in that regard?

Mr Chapman—Ms O'Loughlin will go into the details of that program.

Ms O'Loughlin—For some considerable length of time we have been working with carriers around this issue of what we call non-life-threatening calls to the 000 service. They arise from a number of things; either people misdialling—often mobile phones, which I am sure some of us have done ourselves—but also quite a wide range of hoax and sometimes malicious calls to the 000 number which is run by Telstra.

We have been working very closely with industry to work out the best ways of reducing those numbers. As the chairman said, one of the ways we have done that is to have the emergency call person at Telstra introduce a very brief RBA at the beginning of the 000 call so that when somebody rings in they get a notice to say, 'You have called 000,' and they have an opportunity to hang up if at that point they realise they have dialled the wrong number. We want to make sure that real calls get through but that people who misdial inadvertently know they have got through to 000 and they can hang up. That activity alone has seen a drop, as the chairman said, of 25 per cent of calls going through to the emergency call person.

The other aspect that we are working with industry on is more aligned with looking at those unfortunate things which are hoax and malicious calls. They are a real concern to the industry, where they have constantly got people dialling 000 with no reason to dial 000 but either to play a joke or, in some circumstances, to vent at somebody because it is a free call. In that area the carriers—and we have been working with them—are looking at making sure they can actually go back to those people who are making those malicious calls and warn them that their access may be barred if they continue to make those types of calls. That is a relatively new approach. We have worked very carefully with the carriers to make sure that people who

are in genuine need get through immediately to 000 and to deal with this unfortunate hoax and malicious call problem that has vexed the industry for some considerable length of time.

Senator BIRMINGHAM—When you say access may be barred, do you mean access to the 000 service or to the phone network?

Ms O’Loughlin—No, access to the general call service. We do not want to bar 000 for people. Basically, 000 is the main emergency call service, as the chairman said, and we want to make sure that genuine calls can get through.

Senator BIRMINGHAM—Okay, and as you indicated, that service is maintained by Telstra and there are obligations on Telstra around, as I understand it, access to that service even from disconnected services as well. Is that correct?

Ms O’Loughlin—That is correct.

Senator BIRMINGHAM—As long as you have got a plug in the house you should be able to plug the phone in and dial 000, as long as the wire is connected to the network.

Ms O’Loughlin—Yes, there are, of course, some challenges around 000 into the future which we are well aware of. People often have phones at home which are plugged into an electricity port and if the electricity goes off sometimes those phones won’t work. So we work very carefully and very constructively with the emergency service organisations on a range of 000 awareness programs to make sure that people understand how 000 works from their mobile, from a landline, from a VoIP service and also to, I think critically, make sure that children know what to do in an emergency situation and how to dial 000.

Senator BIRMINGHAM—Have you had any discussions with the department or NBN Co. about how those services will continue to be provided should certain deals be struck between NBN Co. and Telstra?

Senator Conroy—It is called battery backup.

Senator BIRMINGHAM—‘It is called battery backup’?

Senator Conroy—Yes. If you wait till NBN Co. to ask the question, you will hear all about it.

Senator BIRMINGHAM—Thank you. That is, I am assuming, as long as you are connected to the NBN.

Senator Conroy—It is called battery backup so that if the electricity goes off the phone still works.

Senator BIRMINGHAM—Thank you, Minister.

Ms O’Loughlin—I think it is fair to say that the department and ourselves are very well aware of the continuing need for ready access to 000. That is something that would be taken forward in the NBN environment.

Senator BIRMINGHAM—Thank you, Ms O’Loughlin. I am sure we will talk about all that further at a later stage.

Lastly, if I can touch on some internet issues and the operation of the blacklist. How many URLs are currently on the blacklist?

Ms Booyar—Currently the blacklist comprises 1,587 URLs.

Senator BIRMINGHAM—That number sounds fairly familiar from questions over the years.

Senator Conroy—This is the blacklist that your party voted for and introduced, right?

Senator Ludlam interjecting—

Senator Conroy—I would not want Senator Birmingham to have amnesia. You are excused; they are not.

Senator BIRMINGHAM—Thank you, Minister! Always just useful to ascertain where these things are at, that is all.

Senator Conroy—And who voted for them. That is what is really important.

Senator BIRMINGHAM—Fabulous, Minister! Thank you very much! How is your filter going, Minister—that 2007 election promise of yours?

Senator Conroy—Are you voting to abolish your blacklist?

Senator BIRMINGHAM—That 2007 election promise of yours—is it off somewhere with fibre-to-the-node now?

Senator Conroy—Are you voting for abolishing the blacklist?

Senator BIRMINGHAM—Minister, are you proposing legislation to abolish the blacklist?

Senator Conroy—No, I was just wondering, seeing as you are opposed to blacklists, if you were going to abolish this one.

Senator BIRMINGHAM—I never said I was opposed to blacklists. I am asking a question about the blacklist. I am curious about where your mythical filter is as at present.

Senator Conroy—If you want to ask me a question about it, that is fine. You were in the middle of a question.

Senator BIRMINGHAM—I am sure we can come to that.

Senator Conroy—I am sure we will. As you can see, I am looking forward to it.

Senator Fifield interjecting—

CHAIR—Minister! Senator Birmingham and Senator Fifield, could you both resist the temptation—

Senator BIRMINGHAM—Of responding to the minister?

CHAIR—of responding to the minister. Senator Colbeck, this meeting was being conducted very well until you came.

Senator COLBECK—That is right.

CHAIR—We have a number of senators waiting to ask questions, including Senator Colbeck, so I would like to try to keep on track. So please resist the urge. Thank you.

Senator BIRMINGHAM—I cannot recall the exact categories in which you tend to divide the blacklist, but are you able to give us a rough feel for on what basis the proportion of the 1,587 are blacklisted?

Ms Booyar—Fifty per cent are classified RC; 28 per cent relate to offensive and exploitative material involving children, and that includes child abuse material—that would be under RC(1)(b) of the National Classification Code; 39 per cent are X18+ items; and 12 per cent are R18 which were not subject to the restricted access system.

Senator BIRMINGHAM—Thank you for that. Which internet providers have implemented the voluntary block to date?

Senator Conroy—Just for clarification, are you talking about applying this black list, or are you talking about the voluntary filter that Telstra, Optus and Primus announced they were going to introduce? They are two different things so I am genuinely asking for clarification.

Senator BIRMINGHAM—Adherence to the black list is meant to be for Australian providers. It is compulsory, isn't it?

Senator Conroy—Under the existing legislation it is an industry code, I think.

Ms Booyar—Yes, we provide the list to providers of PC filters. It just goes to those—

Senator BIRMINGHAM—The black list exists to the posting of content—

Ms O'Laughlin—What you may be referring to is the voluntary filtering of child abuse material only, which was announced by Telstra, Optus and Primus in July.

CHAIR—I have got four other senators needing the call so can you wrap it up please.

Ms O'Laughlin—The RC inquiry—

Senator BIRMINGHAM—The classification review and so on.

Senator Conroy—It is being done by the classification board.

Senator BIRMINGHAM—Yes. Have ACMA been asked to participate in that?

Ms Booyar—No.

Senator LUDLAM—So you are not participating in the review of the RC list—was that the question that was just put to you?

Mr Chapman—We have not been asked to participate at this stage.

Senator Conroy—It has to go to the COAG ministers first. It actually has not started yet because—

Senator LUDLAM—I was going to ask you when we got to 1.2, which I think is the appropriate place, to just get a rundown of what the process is up to.

Senator Conroy—The RC review will be run by the Minister for Home Affairs.

Senator LUDLAM—Okay. Does ACMA envisage any formal role for it or are they going to be implementing whatever comes out of that review?

Senator Conroy—It will be conducted under exactly the same processes that have previously been used for the previous reviews of the classification system. If ACMA have had

a role previously, they will have a role; if ACMA have not had a role, they would not have a role.

Senator LUDLAM—That is fine, but nothing yet—

Senator Conroy—I do not think that the COAG meeting has taken place yet. I think they are called SCAG, but I am trying to avoid using that title.

Senator LUDLAM—I think that's how they like it. There is piece that ran in the *Australian* on the 13th—

Senator Conroy—You are not believing anything you read in the *Australian*, are you?

Senator LUDLAM—I am coming here for corroboration.

Senator Conroy—That is a disturbing position for the Greens to take.

Senator LUDLAM—I did not say that I believed it. I came here to seek independent corroboration of whether it is true or not.

Senator Conroy—You should start off on the basis that the *Australian* does not bother reporting news any more; they are engaged in regime change.

Senator LUDLAM—You are not going to get a fight out of me.

Senator Conroy—You should just work on that basis.

CHAIR—Can the *Australian* cheer squad on the right be quiet please.

Senator Conroy—We have just criticised the entire source of the opposition's questions for the next six months.

Senator Ludlam interjecting—

CHAIR—Senator Ludlam, be focused please.

Senator LUDLAM—I will be focused. I am trying to put a couple of questions to ACMA as they are here. The *Australian* noted that you had received roughly triple the number of referrals to rate online content in the past 12 months. I am just seeking your view on whether that is the case and whether you have any idea why it might be the case that referrals—and I understand that it is a referral based system that we currently operate—might have gone through the roof in the last 12 months.

Ms O'Loughlin—I think, while there is an increase in people online, and that continues to rise in the Australian community, there is probably a greater awareness that there is harmful content out there. But there is probably also greater awareness of what to do when you discover harmful content. That is something that we have certainly been doing through our education programs: making sure that people know, if they discover something online, what they are to do about it. I think there is probably quite a lot of heightened community interest prompted by the regular debate and media coverage around online threats and about what to do when you actually discover something online. So I think it is a combination of those factors.

Senator LUDLAM—Have you seen spikes like that before or is this new? I know the numbers can jump around from here on in.

Ms O'Loughlin—The numbers have progressively been going up. Probably in the last couple of years we have seen them growing quite significantly.

Senator LUDLAM—It has tripled. Has this had any implications for your staffing, your bottom line or anything along those lines?

Ms O'Loughlin—We have to work much harder.

Senator LUDLAM—What are we going to do if it is tripled again by this time next year?

Senator Conroy—This is the existing system you are talking about?

Senator LUDLAM—Yes. It is a referral based system. You have no control over how many people are helping you with referrals.

Ms O'Loughlin—No. We have been working very hard in terms of our own efficiency of processes to make sure we get through things faster. We are keeping up our approach to making sure that child sexual abuse images are dealt with as fast as we possibly can. But obviously if it came to a point where we were having difficulty in handling those that would be a matter we would look at internally and in terms of our funding. But it could be a matter that we discussed with the government if and when the time arose.

Senator LUDLAM—But we have not reached that point yet?

Ms O'Loughlin—Not at this point.

Senator LUDLAM—Do you have a system or some kind of informal way of triaging these referrals?

Ms O'Loughlin—As I mentioned, we have a way of triaging in the organisation. The thing we deal with first is child sexual abuse images so that they are handled not only from the point of view of take-down notices or referrals to filter providers but also, critically, so that we know whether we need to actually get those to the police in the first instance. That is our primary focus. Then we looked at other matters which might be RC which either we can classify or need to go across to the board. Then we look at the other matters.

Senator LUDLAM—Has that big jump in referrals been reflected in a jump in referrals of child sexual abuse material and/or referrals across to the Federal Police?

Ms O'Loughlin—I would probably have to take that on notice. I think there has been a raising of the floor generally.

Senator LUDLAM—I get that. What I am interested in—if you can provide it for us on notice—is whether there has been any material difference in the kinds of content that are being reported.

Ms O'Loughlin—We can certainly take that on notice.

Senator LUDLAM—Thanks. I will leave it there and maybe come back on this one when we get to 1.2.

Senator FIFIELD—Mr Chapman, I was asking SBS earlier about their performance in the area of captioning, so I might talk to you about captioning as well. What checking does the ACMA perform on television broadcasters to ensure that they are meeting their captioning requirements?

Mr Chapman—On a day-to-day basis we operate off a complaints based system with respect to captioning. So that is our modus operandi, if you like, with respect to our day-to-day responsibilities on captioning.

Senator FIFIELD—So you receive an email or a letter which you investigate.

Mr Chapman—Yes.

Senator FIFIELD—There is no other self-initiated work that the organisation undertakes?

Mr Chapman—Having said that, we have in the financial year 2009-10 launched eight investigations into captioning matters and found three breaches. Coupled with agreed measures, undertakings from broadcasters—in particular the Nine Network—and a very strong interest we do have in matters of captioning, because of the obvious betterment and safeguards it provides for people with hearing disabilities and what have you, we recently convened a meeting of approximately 40 organisations that had an interest in matters captioning, including broadcasters, community groups, social welfare groups and the like. To the best of our understanding it is the first time that those groups have all been brought together.

Senator FIFIELD—That is something that the authority convened?

Mr Chapman—Yes it was. We did that about a month ago. We saw it as our role to facilitate that outcome because there is growing pressure, coupled with our own interest. It was a very important first step. It was a threshold meeting. It was very constructive. We have established a working committee out of that and we will host the first meeting of that working committee before Christmas. I think what it is going to do is to bring all the parties with very disparate views against a captioning provision that the ACMA has had to interpret and start to educate all parties about what our interpretation means and where improvements might be realised, and to bring heightened visibility to the broadcasters about the general unhappiness of a number of these social community consumer groups. Some would say it is late in coming but I can report that there is considerable momentum in that regard.

Senator FIFIELD—Thank you. Could you provide a list of the organisations that were represented at that meeting that you convened.

Mr Chapman—I would be very happy to.

Senator FIFIELD—Could you also provide those who are on the working group that has been established.

Mr Chapman—Yes.

Senator FIFIELD—Thank you for that. You mentioned that for the current financial year there were eight investigations?

Mr Chapman—Yes, for the 2009-10 year.

Senator FIFIELD—Does that mean that there were only eight complaints that year or only eight that warranted investigation?

Mr Chapman—I would have to take that on notice. I cannot recall the triage, if you like. To give you a feel for it, what we often find is that there might be a factor of four or five to one complaints that we strip down to an investigation. So eight or nine investigations—and I

am only making this number up to illustrate my response—might be from 20, 30 or 40 complaints. When they get triaged when we talk to the complainant, we end up with formal investigations of that number. I will take it on notice to give you a better answer.

Senator FIFIELD—Could you also take in notice to do it by financial year from 2006-07 through to the current financial year.

Mr Chapman—Certainly.

Senator FIFIELD—Thank you. You mentioned three breaches and you referred to Channel 9. How does ACMA penalise a broadcaster? Are there penalties or is it more of an educative process?

Mr Chapman—That is a matter that applies generally to any breach of the code. Under the Broadcasting Services Act we are charged with providing constructive and appropriate responses to a certain circumstance. So it ranges from educative to agreeing to agreed measures, which is an informal set of provisions based on reporting. There is give and take between the broadcaster and the ACMA. It might step up into enforceable undertakings, which are enforceable in the Federal Court. These are approximately in order of increasing regulatory response. It might amount to a licence condition on the broadcaster. If it is sufficiently systemic across the industry it might be a standard. The breach of enforceable undertakings could lead to certain Federal Court action, depending on if there is a breach of the licence condition. It could lead to remedial actions. It could lead to suspension or a cancellation of the licence. It goes up the scale and we seek to provide a measure that is most effective and most proportionate. In the main, on 99 per cent of occasions, we find that the agreed measures of enforceable undertakings have been working very well over the last several years.

Senator FIFIELD—What were the remedies for the three breaches in the previous financial year?

Ms Booyar—These were agreed measures. Channel 9 agreed to implementation of several remedial measures. These included enhanced quality control and supervision, targeted spot audits and reports to the ACMA on their outcomes.

Senator FIFIELD—Targeted spot audits by the ACMA? Who undertakes the spot audits?

Ms Booyar—They are by the licensee reporting to us.

Senator FIFIELD—So they undertake their own spot audits and provide those to you.

Ms Booyar—Yes.

Mr Chapman—I should add that the discussion with the Nine Network and the response of the chief executive led to a discussion about the various sourcing models or outsourcing models that are or are not applied in the industry and led to a general view that the sort of forum that I spoke about five minutes ago was necessary. So there were beneficial knock-on effects, if you like, from having that discussion and coming to those agreed measures.

Senator FIFIELD—What was the breach in the case of the Nine Network?

Ms Booyar—In early July we found that Channel 9 failed to provide a captioning service during episodes of *Nine News* and *RPA*.

Senator FIFIELD—Mr Chapman, you have taken on notice already the number of complaints from 2006-07 to now. Could you also take on notice the number of investigations, the number of breaches and the remedies for each of those years?

Mr Chapman—Certainly, we will do that.

Senator FIFIELD—You mentioned the group that the ACMA brought together a month or so ago. Did that group also examine issues around the rolling out of audio description technology?

Ms Booyar—There was a demonstration of audio description and it was an active demonstration. At that stage the participants basically observed the demonstration and there was some talk about their possible introduction and under what conditions. I think the ABC spoke about it briefly.

Senator FIFIELD—It has been put to me that while ACMA have been very proactive when it comes to 3-D TV they are not so proactive in the area of audio description. Do you have a comment?

Ms O'Loughlin—Currently there is no regulatory requirement around audio description. It is a technology that has been discussed for quite a considerable length of time and I think the department have considered it as part of the broader review that they have been looking at of media access.

Senator FIFIELD—Does ACMA see a role for itself even where there is not a regulatory framework to encourage you?

Ms O'Loughlin—I think, as Ms Booyar said, we have been encouraging discussions within the industry about what technology can be introduced across both broadcasting and telecommunications to increase access to services by people with disabilities.

Senator FIFIELD—So the working group would be the vehicle for encouraging that.

Ms Booyar—It is one of the items they are considering.

Senator FIFIELD—If there were to be something more of a regulatory nature, that is something for government to examine. What about captioning for online services of Australian television networks? Does the ACMA see a role for itself in that?

Mr Chapman—Can I tease out the proposition that there be captioning on the online equivalent of the broadcasting services?

Senator FIFIELD—Correct.

Mr Chapman—That currently goes beyond our remit. Again the ACMA are increasingly seeking to facilitate outcomes, but we are very conscious of the fact that it is not our role to get ahead of policy development which is a matter for the minister and the department. So there is a balancing act and it is not within our current remit at the moment.

Senator FIFIELD—It has been put to me that ACMA's complaints-handling process is slow when it comes to addressing captioning issues. A couple of examples have been given to me. One is a complaint made to the ACMA that NBN Newcastle had failed to caption all of its evening news bulletins between 26 November 2007 and 17 December 2007. The complaint was, I understand, upheld on 9 September 2008—nine months later—and NBN agreed to

upgrade their system. The second was also in relation to NBN Newcastle and was about failing to caption segments relating to Victorian bushfires in its evening news bulletin on 11 February 2009, despite NBN's undertakings to resolve the previous complaint. That complaint was upheld on 29 October 2009, eight months later. I am just wondering why, with complaints of that nature, it takes nine months and eight months respectively to investigate and resolve. Is that a typical timeframe or were there particular issues here?

Ms O'Loughlin—This is in Ms Booyar's division, but historically it is a division that I was responsible for, so perhaps I will inform you on this one. Those particular captioning investigations were quite complicated. As the chair mentioned, there are not really definitions in the code around what is a captioning service so we wanted to look very carefully at what we, as the regulator, should require of the industry as a captioning service. Particularly with the first complaint that time period also included the amount of time it took for us to get the agreed measures from the broadcaster. So it was not just us going through our processes. The way our processes work there is a lot of interaction with the broadcasters. There is a lot of talking to them about improving their processes. A lot of that is tick-tacking back and forward and coming to an agreed set of measures that we thought were the most appropriate to fix the problem. That is why that took a little longer than we hope they would normally do.

Senator FIFIELD—That was my last question. Thank you for taking on those issues.

Mr Chapman—I would just like to point out that that particular complaint was several years ago, and it coincided with a pinch point in a considerable workload in our broadcasting investigations. The ACMA, over the last 18 months, has made concerted efforts to dramatically improve its efficiencies and response time in these areas. So the eight to nine months that you have quoted—I cannot remember the exact details but I will accept that—have decreased. Over the last two years we have had an eight per cent improvement in resource efficiencies and 46 per cent improvement last year. There are no matters outstanding beyond our KPI for broadcasting investigations. That has been the case for about a year, and that is considerably different and improved compared to the disenchantment about our response times about two years ago. I just wanted to take the opportunity to make that point.

Senator McEWEN—I just wanted to ask a few questions about the ACMA's role in spectrum planning with respect to the digital dividend. With the necessity to relocate television channels to the new spectrum in order to release the digital dividend, has that work begun and how is it going?

Mr Chapman—It has certainly begun. I think it is fair to say that the ACMA is, right across the board, at full capacity, including the work we are doing on the digital dividend, both with respect to the analogue switch off and the extraordinary amount of field work that we are doing there—the work that we have been doing behind the scenes in the digital dividend, the restacking, and the work we have been doing behind the scenes with respect to auction methodologies for the bidding for the digital dividend.

The minister has indicated, I think, that you see towards the end of 2012 when that spectrum might be auctioned. Those three component parts have given rise to an extraordinary amount of work within the ACMA. Indeed, last December we restructured the ACMA, in particular under Mr Tanner's leadership, to, I guess, quarantine those three matters

under his direct supervision so that there is no slippage in our program; so that the quality of the advice that we provide to the department and the minister has been first-class; and so that the significant reputation making or breaking of our work in informing the digital dividend has been kept top of mind. It is a longwinded introduction to say that there is an extraordinary amount of work going on in this space. Is there something in particular you wanted to tease out of us in regard to that work?

Senator McEWEN—No. I guess I want to be reassured that everything is on track for the switchover in 2013. You seem confident that that is the case.

Mr Chapman—The first switchover in Mildura Sunraysia in June, from our perspective, went very well. We are not aware of any outstanding matters. I think the coordination between the department, under the leadership of Andy Townend, and the ACMA may was very good. We are now working industriously towards the next switchover, towards the end of the year. We set a KPI of completing our field measurements and evaluation coverage 12 months in advance of any switchover date leading up to the end of 2013. So we have a very detailed program map and we are executing against that.

Senator McEWEN—Were there any particular lessons that you learnt from the Mildura switchover, the trial?

Mr Chapman—There are always lessons learnt. Mr Tanner, is there anything top of mind that—

Mr Tanner—I am sure Mr Townend was more central to the overall thing than I am but I guess—

Senator McEWEN—He will get the same questions.

Mr Tanner—I guess my perception is that in Mildura all the processes got there in the end. What we would have liked to have—and what we have in fact secured for ourselves in most areas—is a bit more time than we had in Mildura to ensure that the last people are brought across. But, as I said, in Mildura—

Senator FISHER—Sorry, Mr Tanner, can you say that again?

Mr Tanner—Generally about a year out from switchover there is still a significant percentage of people who have not yet got access to digital television, whether it is because they will need to go to the satellite, because they simply have not digitalised yet or perhaps because they are waiting for the householder assistance scheme. Really, I think a number of those programs in Mildura came together fairly late. They were delivered. In fact, the department did not exhaust the local technical expertise to deliver those programs. I think what you are seeing in South Australia now, though, is a somewhat more extended rollout. If you are looking for a lesson, I guess that is the big thing I took away, although the other really striking thing is that Mildura was our pilot. It has happened. I was there the day it happened. We had staff there the day or two after and the silence was pretty amazing and pretty gratifying. Once people on digital, generally it is a pretty fantastic platform and the DST, with a lot of help from the ACMA, seemed to get them there, by and large, as far as I could see.

Senator McEWEN—Excellent. Thanks very much.

Senator FISHER—As a supplementary to that, in terms of the time frame and the lessons, have you made any recommendations to government about compelling broadcasters to provide access to digital with a greater lead time before analog switch-off so that householders can do exactly that which you suggested?

Senator Conroy—I think the point that Mr Tanner was alluding to is that because it was the pilot it was the first time we had done it. The trial—

Senator FISHER—Mr Tanner said ‘lessons learnt’; I am wondering whether he has made recommendations—

Senator Conroy—There were lots of lessons.

Senator FISHER—to you as a result of that lesson learnt—

Senator Conroy—That is the great thing about—

Senator FISHER—and whether you might consider that recommendation, Minister.

Senator Conroy—The great thing about a pilot is that you do get to learn those lessons and then you implement the lessons that you have learned, and if you—

Senator FISHER—So what are you doing about them, Minister?

Senator Conroy—I know you follow some of the activity in South Australia as it is your home state, as does Senator Birmingham. You will notice there has been a much longer lead-up allowed because the vast network is operational and the assistance program is being rolled out well in advance of what was possible in Mildura. The point that Mr Tanner correctly makes is that it was all pulled together because it was a pilot and we learnt things along the way. We had some very unique issues from the fumigation of silos in the last few days, but we have learnt from those lessons and have already implemented them, Senator Fisher.

ACTING CHAIR—With respect to regional South Australia, has the government got agreement from broadcasters to provide digital facilities, whether that is upgrading self-help analog or gap-filling digital?

Senator Conroy—We have a lot of very exciting news for you on this, Senator Fisher.

ACTING CHAIR—Do you have places, maps and time lines?

Senator Conroy—We have lots of exciting information for you in the next section.

ACTING CHAIR—You started to go there, Minister and, gee, where you go I follow!

Senator Conroy—You asked Mr Tanner if he had made any recommendations about the South Australian rollout, so I was pointing out that we had actually—

ACTING CHAIR—Actually, I asked him if he had made any recommendations and you then took the rest of it.

Senator Conroy—No—you specifically raised South Australia, Senator Fisher—

ACTING CHAIR—Did I? That was good of me.

Senator Conroy—which does not surprise me, given you are a South Australian senator. I just wanted to say that, yes, the government had learnt from this and had implemented

changes. More importantly, we had a longer lead time. But there is lots of exciting information for you about the South Australian rollout—

ACTING CHAIR—Thank you, Minister. Can Mr Tanner answer the question, though, as to whether ACMA made recommendations to the government to those ends?

Mr Tanner—ACMA and the department have both been working pretty solidly and intensely with the broadcasters about the content of any further digital rollout and the timing. That would sum it up. That work has been ongoing for some months.

ACTING CHAIR—Thank you, Mr Tanner. Senator Colbeck has a question. Sorry, I have skewed the order. I am trying to faithfully implement the directions of the chair. We go to Senator Wortley.

Senator WORTLEY—I note that ACMA has announced public hearing dates in Adelaide, Sydney, Melbourne, Townsville and Launceston on customer service practices and complaints handling practices within the telecommunications industry. I noted that on the ACMA websites and a number of other IT websites. How is the public being made aware that these hearings are taking place?

Mr Chapman—There have been public notices—

Senator WORTLEY—In newspapers?

Mr Chapman—In newspapers. There has been considerable activity through our website. There has been a lot of discussion on supplementary sites. There has been considerable discussion with a number of groups where we have reached out to let them know that these inquiries are coming up. We have started to connect with local communities in those areas to deliberately give heightened visibility to them.

Senator WORTLEY—If people want to register to attend one of the public hearings, how do they go about doing that?

Mr Chapman—I might take that on notice and then give you an answer. Ms O'Reilly, who is the project director of our telco inquiry, can give you a much better answer than I obviously can.

Ms O'Reilly—People can register on our website. We also have a hotline number and people are calling us through that to register their interest. We have sent emails to all the people who have made submissions to the inquiry to let them know and we have especially invited those people who have made a submission to come along to the hearings.

Senator WORTLEY—Good. I think this question goes to you, Ms O'Loughlin. Regarding ACMA's involvement in marking Day for Daniel on 29 October, the annual campaign that promotes child safety awareness, could you tell us a bit about that, please?

Ms O'Loughlin—Certainly. Each calendar year there are a number of key events throughout the year that we try and focus on, to involve ourselves in, to raise awareness about our cybersmart programs. One of those is the Day for Daniel, which happens on 29 October. It is an annual event focused on child safety, promoted by the Daniel Morcombe Foundation. We will be running our Cybersmart Detectives program on that day and it will be available to all schools nationwide to participate in it. In that last week in October we will also be

undertaking about 38 of our cybersmart outreach presentations across the country. So what we try and do is to focus to use those very important days throughout the year when people are focusing on child safety to add our own programs to them.

The Day for Daniel is a national event. We do also work internationally on Safer Internet Day, which will be on 8 February next year. Again, that provides us with a key focus for us to get our message out about the breadth of programs that the ACMA runs for promoting cybersafety.

Senator WORTLEY—I know we have had discussions previously in relation to teacher training. I am aware that you launched the cybersafety outreach preservice program in June. What has been the response to that program?

Ms O'Loughlin—We launched that at Deakin University. The cybersafety preservice teacher program is a program which is a 50-minute lecture and a 90-minute tutorial for teachers in preservice. Since the launch of that we have had a very positive response from a number of universities which have actually come to us to ask us to secure those lectures and tutorials. So far those universities include the University of South Australia, Flinders University, the University of Melbourne and the Australian Catholic University. We will be pursuing that more and more with universities across the country, but we are very pleased with the response we have had to date. What we are looking at with that preservice training is that it equips final-year student teachers with the skills and knowledge of the tools and resources, even including lesson plans, to make sure that they can be on the front foot when they go into their first class and understand what resources are available and what cybersafety tips they should be giving their students.

Senator WORTLEY—Ultimately the aim would be to ensure that our teaching workforce are equipped right across, from those in preservice to those already in classrooms.

Ms O'Loughlin—Absolutely. We see the preservice training as augmenting the program that we already have dealing with teachers themselves through our website, which has a very extensive section specifically focused for teachers, so it has lesson plans and activities to assist teachers in the classroom. This augments that by getting in early with final-year students to get them up to speed on what they can use and what lesson plans they can use when they go out on their first teacher assignments.

Senator WORTLEY—I note you have got the University of South Australia and Flinders University—both South Australian universities. Does ACMA go out to the university or is it an online preservice training course?

Ms O'Loughlin—We deliver it ourselves. But because of our outreach program, where we do go out and do so much in local communities, we are also looking at some of the teacher training stuff being able to be delivered online as well. We think it is an important thing that people can access and it gets those messages out further, but we still see the distinct advantage of being able to go out in the field, not just for teachers but also for parents and students in schools who can participate in our outreach presentations, which have gone to almost a quarter of a million people so far.

Senator WORTLEY—Previously we have had discussions about the preservice program and contacting the universities, and I understand that this has been done. Have all universities

responded? Where at university level do you direct the contact from ACMA to get the universities involved?

Ms O'Loughlin—That is probably something I would like to take on notice. I am aware of how we have approached it with a number of universities, but in terms of the comprehensive picture I will take that on notice and come back to you.

Senator WORTLEY—Thank you very much. That is very pleasing to hear. Over to you, Chair.

CHAIR—Thank you. Senator Colbeck.

Senator COLBECK—Thank you. Just a couple of quick issues. I have been working with the ABC in Tasmania for a while regarding some FM reception issues on the north-west coast, particularly around Wynyard and Burnie. I understand they have been in discussions and formally written to ACMA to seek some assistance to mitigate some of the problems they have in that area. Can you give me any information on where that process might be at please?

Mr Tanner—I am sorry I do not have that information in my head just at the moment.

Mr Chapman—We would be happy to look at it.

Senator COLBECK—If you take it on notice, that is fine.

Mr Tanner—There has been some work that has been done at Kelcey Tier, for example. There was an upgrade of facilities there but there remain issues, as I have said.

Mr Chapman—We will take that on notice, but more particularly we might liaise with you with respect to the specifics of it so that we can give you a quite targeted response.

Senator COLBECK—I know there has been some tension between broadcasters in the region and there has been some work to focus particularly the signals and particularly at Round Hill in Burnie. There remain some issues west of Burnie and at Wynyard in particular. This is the new FM signal that has occurred since the switch-off of the AM signal about four or five years ago in northern Tasmania.

Mr Tanner—We have considerably upgraded FM services in Launceston and all around and I am aware that we have been working through with broadcasters some signal deficiencies in some areas with those FM services. That is the extent of my current knowledge. I would be very happy, though, to take the question on notice to get as much detail from you as you wish to give us and to report to you comprehensively on the work we are doing.

Senator COLBECK—Fine. The other thing is that I have had a conversation with the ABC, particularly about digital radio. Obviously that is only in the five north island metropolitan capitals at this point in time. My understanding is that there is a discussion paper to be released soon in relation to the expansion of digital radio. Can you give me an update on that?

Mr Tanner—This is a departmental rather than an ACMA discussion paper.

Senator COLBECK—Okay.

Mr Tanner—Yes, that is coming. It is under a legislative review that was required when the current digital radio scheme was set up. The intention is to look at a series of issues that were not clear to the parliament two or three years back surrounding the potential extension of digital radio into regional areas. Perhaps you could direct those questions to the department, as they are responsible.

Senator COLBECK—Is ACMA playing a role in that process?

Mr Tanner—Yes, the ACMA is an expert body. It is the government's radio frequency spectrum planner. We have a fair bit of expertise in digital radio, and my staff has certainly been providing advice on request. I would expect as well that we would provide advice, depending on what the issues are identified by the department.

Senator COLBECK—Thanks.

CHAIR—That concludes the—

Senator BIRMINGHAM—Just before ACMA leave the table, I have a clarification question. Is ACMA undertaking the review of licence fees for television networks for the minister or has that review not been commenced yet?

Senator CONROY—It has not been commenced yet.

Senator BIRMINGHAM—Not been commenced yet?

Senator CONROY—That was an 'in two years time' review, so there is a year and a half to go. Less than a year and a half.

Senator BIRMINGHAM—A year and a half until the current rebate runs out, so I would assume you would do the review before then Minister.

CHAIR—I thank the ACMA for their participation. Thank you, Mr Chapman.

[5.48 pm]

CHAIR—I now call officers from the department in relation to program 1.2, Telecommunications Online and Postal Services.

Senator LUDLAM—I am seeking an update from the minister's and the department's points of view on this proposal in the context of the RC review. I gather you are full steam ahead anyhow. So if you could give us an idea of where the net filter proposal is up to.

Senator Conroy—It is awaiting the outcome of the RC review.

Senator LUDLAM—Is that it? We do not have any officers working on the filter proposal at the moment? It is all pending the review? Or are you still busy doing what you were doing before the review?

Mr Rizvi—We are talking with the three ISPs who have indicated that they will implement voluntary filtering of child abuse material. We are also talking to the industry body associated with the ISPs on what is needed to enable them to proceed to implement that on a voluntary basis.

Senator LUDLAM—So the focus of the department's thinking has shifted to enable that voluntary filter to get on its feet?

Mr Rizvi—Yes, that is the main area of the filtering space that we are working on.

Senator LUDLAM—That is a good answer. Is there anything still going on on the proposed mandatory filter, or have you just put that to one side while that RC review gets underway?

Mr Rizvi—We are focusing on helping the Attorney-General's Department in terms of developing the arrangements for that refused classification review.

Senator LUDLAM—That was not an answer to the question I asked. Is any departmental officer's time or anybody's time currently being given over to working on the mandatory filter proposal or is the work all elsewhere?

Mr Rizvi—At this stage the work is all elsewhere.

Senator LUDLAM—So of the two areas you have identified one is working with the ISPs and the industry association on the voluntary initiative and the other is working with the Attorney's department on the refused classification. What are you providing specifically in that regard.

Mr Rizvi—In terms of the RC review?

Senator LUDLAM—Yes.

Mr Rizvi—We are providing assistance in terms of the possible design of that review.

Senator LUDLAM—Could you, or the minister, if you would prefer, step us through what the process is going to look like, what its milestones will be and what are your preferred points?

Senator Conroy—Which process is this?

Senator LUDLAM—The review of the refused classification category. What does the process look like and at what point are you hoping the public will get engaged, if any?

Senator Conroy—The process is, as I indicated earlier, the same as the process for other reviews that have taken place. It is arms-length from the government. The final details will be agreed by SCAG, which is later in the year. So there will be more information later in the year, once that is completed, on the exact detail, but that is still being negotiated out with the states' attorneys general. I think I gave some details at the time I made the announcement. I am sure you have those available to you. I can chase them up and read them out to you again if you like. I am just trying to work out what information you are trying to get.

Senator LUDLAM—I am trying to find out from your point of view, minister, will you be calling for submissions or should we be waiting to hear from the Attorney's department?

Senator Conroy—It will be conducted by the Minister for Home Affairs.

Senator LUDLAM—This is a little bit of a complex portfolio spread, then. Are you going to have no further to do with it for the time being while that is being debated?

Senator Conroy—As I said, it is independently run from government. Once it is agreed by the attorneys general it is overseen by the Minister for Home Affairs; it is not overseen by me. The final process is being determined after it is agreed by the states and territories. I am not trying to be evasive. It is just that the final details have not been worked out yet. As I said,

broadly it will be in line with previous examinations of different classifications which have involved public commentary. The whole point is to go out and seek anyone's and everyone's perspective on it.

Senator LUDLAM—As anybody who has been following the debate over an R18 classification for computer games is aware, SCAG is sometimes a place where good ideas go to languish for long periods of time. What is going to happen to the filter proposal if SCAG is unable to come to an agreement about rejigging the RC classification?

Senator Conroy—I am reasonably confident from the soundings that we have taken that this will not be an issue that is put on hold or is objected to by individual states as has happened with the R18 process. I do not think that will eventuate; this is a different proposal.

Senator LUDLAM—The process has not even started yet. Are you aware of any information from—

Senator Conroy—As I said and as you would expect, before you make an announcement like that you take a sounding of the colleagues and—

Senator LUDLAM—That sounds a bit like the truism that says that you do not call an inquiry unless you know what the outcome is going to be.

Senator Conroy—No, you make sure that no-one is going to object to it, because it ends up like the R18, which you have mentioned. That was a very frustrating situation, as you know, for many. It is not a question of knowing the outcome. The outcome will be run independent of government. The outcome will be determined by the Classification Board's process—by the feedback from the public—and then they will make recommendations.

Senator LUDLAM—Okay, and within that broad framework you are confident that the standing committee will come to a resolution of the issue next year.

Senator Conroy—I am hopeful it is later this year.

Senator LUDLAM—No, I—

Senator Conroy—Sorry, are you talking about the outcome at the end?

Senator LUDLAM—Yes.

Senator Conroy—I would not want to predict what the outcome is going to be. It is an independent process. In terms of the classification system, it is an independent process run by the Classification Board.

Senator LUDLAM—Thank you for that. I probably missed the opportunity to follow it up with the Attorney-General's Department and the Home Affairs minister.

Senator BIRMINGHAM—I appreciate the questioning from Senator Ludlam. I think that has cleared up where the department is at with regard to its work on voluntary versus mandatory filtering at present in its work program. Minister, can you just be clear: is implementation of the mandatory filter still the government's policy? If it is, do you have a time line that you are working towards?

Senator Conroy—I appreciate that you have been away from that debate a little bit. A few things have happened since you were last with us. In answer to your first question: yes. In

answer to your second question: we are going to the state attorneys general or SCAG. There will then probably be—I am guessing because it has not been finalised yet—a 12-month process, roughly, to look at RC. It may be less than 12 months because in the past they have done broader categories. It is like when you introduced the mandatory filter that you have now—the black list. So there will be a process for RC. It may be less than 12 months but for caution I say 12 months, and then that will come back to us and we will feed that into the legislative process so that when you see the legislation it will be based on that community consultation.

Senator BIRMINGHAM—You are not proposing any legislation, any further technical work or the like, to be undertaken until that process through the attorneys general is complete?

Senator Conroy—It is possible that legislation could be drafted that just said, ‘RC (subject to outcome of RC review)’ but I do not see a lot of point in that. It is possible but unlikely.

Senator BIRMINGHAM—Thank you. I think I know what that means.

Senator CONROY—I am not sure what you think it means.

Senator BIRMINGHAM—I think it means that it sits on the backburner for quite some time yet.

Proceedings suspended from 6.00 pm to 7.00 pm

CHAIR—We are moving to program 1.3, Broadcasting and digital television. Senator Birmingham.

Senator BIRMINGHAM—I apologise on the record to senators for the fact that there was not a coalition senator here at seven o’clock. At the last Senate estimates the committee examined some of the legislation around digital switch-over and the establishment of the satellite platform. A statement was made by the department which said, in relation to digital terrestrial transmission facilities being established or upgraded by broadcasters:

In most cases, new or converted sites will be established no later than 6 months before switchover in the area.

Is it true that homes in areas covered by analog self-help transmission facilities listed as candidates to be upgraded to digital by broadcasters or where digital terrestrial reception black spots are expected do not have any digital free-to-air reception to convert to until the broadcasters have commissioned the upgrading of existing analog self-help facilities or new digital infill transmitters? I am sorry, that was a bit of a longwinded question. Mr Townend, I hope you can interpret what I just said; if not, I will do a better job of it.

Senator FISHER—The question is essentially: isn’t it correct that there needs to be upgraded analog to digital and/or provision of a fill-in of digital black spots before a householder can get ready to transition to digital?

Mr Townend—Probably the best way to answer the question is to explain the facts as they relate to South Australia and the preparations for the switch-over there. The switch-over in South Australia is scheduled for 15 December, which is 58 days away. There are two self-help communities which are not going to convert to digital television terrestrially: Melrose and Wilmington. The Satellite Subsidy Scheme has already commenced in that area and 297

households are eligible for that subsidy; of those, 270—in other words, 91 per cent—have opted in for the satellite subsidy service and 215 installations have so far been completed. That is on track. Southern Cross have confirmed that they will convert self-help at Orroroo. That has not yet been completed, but it is expected to be completed before the switch-over date of 15 December and we will be working with them to make sure the local community know about that.

Senator FISHER—For example, in respect of Orroroo—

Senator Conroy—Sorry, can he just finish? It will be easier if you hear the whole story before you jump in. Trust me.

Senator FISHER—In your view, Minister, but we are on a time limit, so we will have one go at this.

Senator Conroy—Yes, we are on a time limit, and he will give you—

Senator FISHER—Mr Townend?

Mr Townend—The self-help site at Orroroo is an analog self-help site and that is expected to be converted to digital by Southern Cross during November.

Senator FISHER—In that respect, how does that comply with the government's promise that householders will have six months to decide how they want to transition to digital in preparation for switch-off in December?

Mr Townend—If my recollection is correct—and I would need to check the *Hansard*—I believe that at the last estimates session I did explain that in the first couple of switch-over areas, particularly Mildura and also South Australia, there would need to be interim arrangements in place which would mean we would not be able to comply with those six-month areas. The number of households actually affected is relatively small and we have been communicating with those households to explain what will need to be done.

To recap, Melrose and Wilmington will not be converted and satellite is already being rolled out. Southern Cross will convert Orroroo during November. WIN are going to build a new gap filler site at Morgan in South Australia. We do not have a precise date for that, but we do expect that to be in November. In addition, there are two SBS-only self-help sites at Burra and Quorn in South Australia. I believe those were mentioned—well, at least in principle—earlier when SBS were here. There is funding available for SBS to convert those two sites to digital and that will take place. Also, the ABC will fund conversion of an ABC-only self-help at Clare. All of those are expected to be concluded in plenty of time for the switch-over on 15 December.

Senator FISHER—But they still will not comply. The switch-over should have started in June, shouldn't it, to give the six-month lead-in to December?

Mr Townend—Because of the timing of the implementation of the satellite earlier this year, we always knew that in the case of South Australia it would be difficult to comply with those particular timescales. We do meet now with the broadcasters at least once a month and quite often more regularly than that. We have a program management system in place with protocols for checking whether things are on schedule. In addition to those regular meetings,

we have frequent ad hoc meetings by telephone conference call or physically if that is necessary.

Senator FISHER—So, Mr Townend, you are able to project that in respect to some sites in South Australia the government would not be able to comply with its six-month undertaking. What are you able to project in respect of Victoria and the proposed switch-over date in May? Because that would essentially mean that the either upgrade of analog to digital or the digital fill-in for regional Victoria would need to happen in December this year. Is it going to happen?

Mr Townend—The satellite will certainly be available in December this year.

Senator FISHER—But that is not the whole answer, is it? What is the purpose of the attempted promised six-month changeover period?

Mr Townend—The purpose is to give people as much time as possible. However—

Senator FISHER—And to choose, isn't it: to decide how their aerial is going to, to decide whether they needs to upgrade their equipment in-house and then, if they decide they want to go satellite instead of terrestrial, plan to purchase and install? How are they going to do that?

Mr Townend—The satellite service will only be required by a number of people in limited circumstances. We are already explaining that to people in Victoria. There are, I believe, 22 self-help sites which will not be converting. All those sites will require satellite and the satellite will be available. The subsidy scheme will be rolling out in December, so that will be complying with the deadline.

There are a number of self-help sites which, because of the technical nature of circumstances in Victoria, will be done in a slightly different way. For example, the site at Bonnie Doon and Howqua is a self-help site which will—

Dr Pelling—No, it is not a self-help site; it is actually broadcast inside.

Mr Townend—The site at Bonnie Doon and Howqua is actually a broadcaster side and it is actually an analog site at the moment. In order to convert back to digital it is not possible to simulcast. For various technical reasons there are no frequencies available to broadcast in digital and analog form on that side. So it is necessary to convert that site on 29 November. There are a very small number of people in that area and we have already started to communicate with them to explain that they will be required to convert to digital on or by 29 November. We are going to be working actively in that area to make sure that that local community are prepared. In addition, there are a number of analog transmission sites at Boolarra, Jeeralang/Yinnar South, Lorne and Hopetoun, which are likely to be switched off in February. Again, for similar technical constraints, it is not possible to actually broadcast both in analog and digital on those sites. Those sites will also be converted on the same day from analog to digital and we will be working very, very hard with local communities and with the broadcasters to make sure that those communities are fully prepared for the switch-over on the particular dates that will actually affect them.

Again, I would stress that in these cases we are not talking about very large numbers of households. Certainly in Mildura we had a similar experience of switching over from analog

to digital on a single day and those passed in a fairly straightforward fashion. We expect that to be the case in those sites in Victoria.

Senator FISHER—Thank you, Mr Townend. In respect of Victoria, firstly, can you detail exactly which existing analog self-help sites will be upgraded by broadcasters to digital and when? Can you provide that on notice because of time constraints, unless you have the document; if you have the document there then perhaps you might table it. And, secondly, how many new digital infill facilities will be established by broadcasters, where will they be established and when they will be commissioned? That is also for Victoria. My final question is: in respect of any further rollouts, if there are any planned, will the government be contracting with broadcasters to require them to roll out a minimum number of upgraded self-help sites or new digital fill-in sites so that the government can actually comply with its promise to give a six-month transition between switch-on of digital and switch-off of analog? If not, why not?

Senator Conroy—There are technical reasons, which I think you have already had explained to you, but if you would like them explained again I am sure Mr Townend will.

Senator FISHER—In those particular examples, but, Minister, not in respect of the past, and that begs the question as to whether the government will be doing as I have asked.

Senator Conroy—No, in the future there may be similar technical issues.

Senator FISHER—There may be—

Senator Conroy—If you would like it explained again, Mr Townend will explain it to you again.

Senator FISHER—but we do not know that there will be in respect of each and every circumstance in which householders will be deprived of what you promised is their six-month choice.

Senator Conroy—You certainly will not know, that is true, but no householder has been deprived of television yet, despite your best hopes.

Senator FISHER—We disagree.

Senator LUDLAM—I want to stay in the same approximate area of self-help transmitters. I am after some information about a letter that I believe the minister wrote to about 140 Indigenous communities, which do currently run analog self-help transmission facilities. It would have been around 1 April this year. It advised them of the options they had for converting to digital. Is there the possibility for those communities to set up a digital self-help transmission facility, and is there any assistance available to communities who want to do that?

Mr Townend—I am not aware of the precise letter at the moment, but obviously we can check that. In relation to remote Indigenous communities, assuming that they are in remote television licence areas, their analog signals will not be switched off until the latter part of 2013. So the first point there is that there is plenty of time. The second point is the satellite service, the vast service that is being launched, is designed to provide a satellite service to people living in those remote communities in place of upgrading those analog transmission sites. There is no funding available from any of the government measures to support a

conversion from analog to digital at those sites. Of course, should the people in those areas wish to investigate or explore various options, then that would be a matter for them. But the assumption, the planning and the funding rests on the fact that there is a new satellite service with all 16 channels available for people in those circumstances. If they are in an area where they are currently dependent on an analog self-help site, then there are subsidies available to assist with the costs.

Senator LUDLAM—I might ask you to go into a bit more detail on those. Some of these remote communities rebroadcast in local language and that is not going to be available to them if they are accessing the 16 channels over satellite. Is that correct?

Mr Townend—I am sorry, I could not hear you very well. I am afraid I have a bit of an infection.

Senator LUDLAM—That is all right. I am just trying to get you to help me step through it here. Some of those remote communities broadcast in local languages. Now if they are dependent on the satellite service and their analogue transmitter has been closed down, we are being told they are going to lose that ability.

Mr Townend—In some cases in remote Indigenous communities there is the facility, the option, to broadcast locally inserted material. Now quite often that is in the form of a video, which is inserted on site and broadcast through that local self-help transmitter to the local community. Given that switch-over is not taking place until 2013, we are, with the various stakeholders, looking at a number of different options for how those local communities may be able to have access to the content that they wish to watch.

Senator LUDLAM—That is good to hear. What are those options? I guess what we are talking about here—I am not clear as to how many instances or how many numbers of communities this would catch, but they are rebroadcasting that material in local Aboriginal languages that they are certainly not going to be getting across the satellite. So do you want to spell out, with the recognition of the time lines you have given us now, what are the options that are on the table for the people in those circumstances?

Mr Townend—As you probably know, there is a review of Indigenous media taking place for other purposes at the moment. We are also, at this stage, fact-finding and exploring the extent to which this practice takes place. There is a satellite service which has capacity available. There may be, and I probably speculate here, but there may be the possibility, for example, to use a satellite feed to broadcast a collection of Indigenous content in a variety of languages. There are also options for the kind of box that might be available. There is probably any number of different options that are being explored, and at this stage it is probably not possible to be firm on precisely how many of those options there are, or which may prove to be the most appropriate in the circumstances. But it is certainly something that is being looked into.

Senator LUDLAM—All right. Are you encouraging people to take part in the review?

Mr Townend—We have in fact been engaging in dialogue with a number of parties already. For example, a month or two ago I attended a conference in Alice Springs where a number of Indigenous media organisations were present and a number of representations were made about this particular issue and a number of potential solutions were canvassed. That

forms part of an ongoing dialogue. We have also taken on consultants as part of our communications campaign to advise us on specific Indigenous issues. So this is an ongoing dialogue.

Senator LUDLAM—Who are they? Who have you taken on?

Mr Townend—It is Dreamtime and Winangali.

Senator LUDLAM—The vast satellite conversion subsidy, that accrues only to householders. Is that correct?

Mr Townend—The vast satellite subsidy is only available to householders, that is correct. There are four different levels of subsidy. For households in regional and remote areas, the subsidy is \$400. In areas designated as very remote—and I think we have maps to identify that—the subsidy is \$550. In far north tropical areas the subsidy is \$700. And there is an additional subsidy on top of that of \$280 for remote Indigenous communities.

Senator LUDLAM—I presume you are not going to be too pedantic about this, but, for example, a business or a public facility in a remote community, like a school or a community facility or a hall, is there going to be some kind of wriggle room for a group like that to be able to apply for a subsidy as well?

Mr Townend—There are no subsidies for non-householders, no.

Senator LUDLAM—Can I advise that there be some kind of category set aside. I do not imagine that it is going to catch an enormous number of people, but particularly for the small and remote Aboriginal communities you might find there are community facilities there running on a shoestring where television broadcasting is quite an important part of what they do. Some option, some kind of way around that. There is obviously a fund that you are making available for householders. If there could be some way that groups like that could access that fund in some form would probably go a long way.

Mr Townend—Current government policy certainly does not allow use of those funds for anything other than household subsidies. However, I would draw your attention to the fact that we are consulting widely with the Indigenous sector and looking at various options for how they receive their content.

Senator LUDLAM—Beaut. I am not going to ask you to announce a policy change on the fly with the minister sitting only one chair along from you, but if you would take that into consideration I would appreciate that. The Indigenous broadcasting and media review: you are reporting on 31 December still? Does that sound about right?

Mr Townend—That is not our review; that is the department of environment.

Senator LUDLAM—Here is the thing: I was asked to bite back hard if you just flicked me across to the other department because a lot of these folk want to be in your department so that I can ask broadcasting questions of broadcasting officers.

Senator Conroy—Unfortunately the administrative orders are decided by the Prime Minister.

Senator LUDLAM—Can we get her in here for the remainder of this session? Seriously, people have been asking and agitating about this one now for three years, since the first round of administrative orders.

Senator Conroy—It is not something I can do anything about.

Senator LUDLAM—Really?

Senator Conroy—The Prime Minister determines the administrative orders.

Senator LUDLAM—So we need to go to a completely different department where the expertise actually does not reside to ask a broadcasting question of a bureaucrat who will not really know what they are on about?

Senator Conroy—With the way the administrative orders work at the moment, that is apparently the way it is.

Senator LUDLAM—I am sure it is not too controversial to acknowledge at this point that that is really inconvenient, not just for me but for the people in the middle of the portfolio. I have at times asked one department and they have referred me to the other which has then referred me back to the original. If I find it that confusing, I cannot imagine how these folk find it. Can I ask any questions at all about the media review, or are you just going to bounce me off somewhere else?

Mr Townend—It is not a media review that we are conducting. We have been approached by those carrying out the review and answered their questions, but we are not carrying it out.

Senator LUDLAM—Okay, can we just take this as ‘exhibit Q’ of the fact that that particular administrative arrangement works very, very poorly, not just for us in estimates committees but for the people who are trying to deal with the bureaucracy.

Mr Townend—I just have to do my job.

Senator LUDLAM—Yes, me too. No further questions.

Senator Conroy interjecting—

Senator LUDLAM—Minister, you are the one with the least excuse. Did you put in a bid for bringing Indigenous broadcasters into the communications portfolio?

Senator Conroy—I will let the Prime Minister know that you would prefer the administrative orders were changed.

Senator LUDLAM—If you would undertake to do that, I would greatly appreciate it.

Senator Conroy—I will let her know your view.

Senator LUDLAM—Thank you.

Senator McEWEN—Would you update us on how many households have benefited under the Household Assistance Scheme and what the feedback has been from people.

Mr Townend—The Household Assistance Scheme has been completed in Mildura, where 2,648 households received assistance. That was a take-up of approximately 36 per cent. We conducted research through ORIMA, which interviewed a number of participants in the scheme, who consistently rated the scheme as being either nine or 10 out of 10. The process

was commonly reported as easy, helpful, professional and efficient and was also reported to have made a big difference in the lives of those who received that assistance. Many of them expressed gratitude and support for the scheme.

In other areas, the scheme is now rolling out in South Australia. We have already installed well over 7,000 set-top boxes in homes. There are 38,000 eligible people in 30,000 homes in the area, of which 9,000 homes have opted in. As I say, well over 7,000 homes have been installed. In fact, I was in Broken Hill at the start of last week, where we actually installed the 10,000th set-top box under the scheme and, again, the scheme has been well received.

Senator McEWEN—Are you doing a market survey response to those 7,000 as well?

Mr Townend—We will almost certainly do that at the conclusion of the program in South Australia.

Senator McEWEN—Are there a finite number of subsidies available under the scheme?

Mr Townend—The subsidies are available to anyone who wants them. Six months ahead of the switch-over in a region, we write to people with Centrelink to invite them to participate in the Household Assistance Scheme. Anyone eligible person who wishes to take part can do so.

Senator McEWEN—Thank you very much.

Senator WORTLEY—So then they contact Centrelink. Is there a form they need to fill in or a telephone call they have to make?

Mr Townend—The letter that goes to them provides a telephone number, or they can of course go to Centrelink. There is a dedicated helpline number for anyone who wishes to take part in the scheme. The letters provide a certain amount of security in that nobody is going to turn up on someone's doorstep without an appointment. We work through our liaison officers on the ground and our communications to make sure that not only those who are eligible but also their friends and families are aware of it, and we work with our below-the-line communications activity to spread the word as far as we can about how to receive that assistance.

Senator WILLIAMS—What are the criteria to qualify for the Centrelink subsidy to get a set-top box?

Mr Townend—Are you talking about the satellite subsidy?

Senator WILLIAMS—Yes.

Mr Townend—The satellite subsidy is only available to households that prior to digital switch-over were reliant on an analog self-help site which is not being converted to digital. I would add, though, that anyone in such circumstances who is eligible under the Household Assistance Scheme will receive the assistance completely free of charge. So, if someone who is eligible under the Household Assistance Scheme requires assistance and they are in an area where they must have satellite, they will receive the satellite service free of charge.

CHAIR—Thank you. That concludes questions on program 1.3. I thank the officers for their involvement.

[7.37 pm]

CHAIR—I now call officers from NBN Co Limited and officers from program 1.1, Broadband and Communications Infrastructure. Would any of you like to make an opening statement?

Mr Quigley—Yes, thank you. Once again I appreciate the opportunity to be here today to brief you about progress with the NBN project. I plan to give you a quick update on the company's growth and perhaps highlight for you some of the key developments in the project since I was last here in May. Our staff numbers have grown to 304 employees at the end of September; we will also be employing 63 contractors at the end of the month. We continue to source highly qualified and skilled people from the telco, construction and utilities sectors, as well as other sectors. The majority of these people work out of our premises in Sydney and Melbourne, with the remainder based in our smaller offices in Hobart, Adelaide, Brisbane and Canberra. The board of NBN Co recently signed off on our annual report for the first full year of our operations, including an unqualified report by our external auditor, the ANAO, on our consolidated financials. The annual report has now been presented to our shareholder ministers and we expect it will be tabled in the near future. Work continues on our corporate plan and business model and I will be presenting both these documents to the NBN Co board on Friday. We then expect to be lodge these documents with our shareholder ministers a week later, subject of course to board approval. As you know our job is to build a network that can provide a suite of wholesale products to access seekers. This is a very complex engineering task. In parallel we are building a telco from the ground up, developing a business case and corporate plan and working through some major commercial transactions and policy issues with government and industry regulators.

We have continued our engagement with industry regarding our product design and we continue to seek feedback from a wide range of stakeholders. We have now conducted more than 100 hours of what we call 'deep dive' sessions with industry, and in August released for consultation a very detailed technical specification for our fibre access services which incorporated feedback on our earlier wholesale product consultation paper. We have also recently released product overviews of our wireless and satellite access services. In response to these papers we received 18 submissions from retail service providers. Most responses were supportive of the product construct and approach proposed and there were no major issues identified.

First and second release sites will now be used to test the design and construction methodologies and our standard reference architecture for our fibre network, as outlined in our papers. We are continuing to work on our wireless solution and a planned satellite solution for the balance of premises which lie beyond the fibre footprint. We are also developing an interim satellite solution until such time as our own satellites are launched and delivering services. In parallel with the design and planning processes we are developing our operational support systems and business support systems. These are not off-the-shelf software products and are critical to the successful operation of the network. These systems are very important for our customers to be able to access our network and systems in an efficient way. Hopefully, we are making life easier for retail service provider customers. Our construction team have

worked through the physical design on the ground in our pre-release trial in Tasmania and are doing the same thing again in our first release sites on the mainland now.

Our procurement processes were of course slowed down during the election period from mid-July to early September but we are now back on track. I will provide a quick summary of where our procurement status is up to, as it is often of considerable interest. Regarding our OSS and BSS, we are now in negotiations with potential suppliers. Optical transmission equipment, which connects up the fibre access nodes, is about to be awarded. The volume roll-out construction RFP—request for proposal—closes shortly and we expect quite a number of responses. For the passive hardware, all the fibre itself and the accessories—a substantial several billion dollars worth—we are currently evaluating offers on. On data centres, we are negotiating contracts. Our wireless RFP we have just issued. Our satellite RFP for our first release—our interim satellite solution—is now being developed. Our long-term satellite solution RFP is due to be issued next month.

Moving now to construction on the first and second release sites, in July we announced, as you may recall, 19 locations for the next stage of our roll-out on the mainland. These add to the existing announced first release sites—five on the mainland and seven in Tasmania. These second release sites comprise 14 new locations and five sites adjacent to the first release sites. So, some of the second release sites we are putting right next to the first. We now have four retail service providers on board and Telstra has signed a service agreement to provide services in Tasmania.

Construction is underway in the first release sites. Those release sites are Armidale, Townsville, Willunga in South Australia, Minnamurra/Kiama south of Sydney and Brunswick just outside Melbourne. Construction is proceeding in all of those sites now, and it is a mixture of underground roll-out and aerial roll-out. We are making good steady progress. We are in parallel of course seeking end user consent from premises in each of those first release sites and we are tracking the progress of the consent forms weekly. Those numbers are now running—as of last week, at Willunga 84 per cent consented to connect; at Kiama, 74 per cent; at Armidale, 87 per cent; and at Townsville, 54 per cent—and we expect that to take a kick-up in the next couple of weeks. In Brunswick we have only just started now, because that one was a little behind. That gives us an average across those four sites of some 77 per cent of premises consenting to connect.

The work that we have done in the first release site plus lessons learned from the Tasmanian roll-out will help us finalise construction techniques and validate the network design and qualify the total end to end system. This will of course happen in parallel with the full testing in our integration labs. But there is no substitute to carrying out this live qualification in real environments, and that is why we have selected these different sites so we get a range of different types of construction methodologies across Australia. The construction itself is structured in three stages. The first stage sees the deployment of the passive components of the network, including the fibre optic cable, connectors and all that type of gear. This is followed by deployment of some of the active network equipment that lights up the fibre. It is the equipment that goes on both ends. Finally, we work with retail service providers to hook up their systems into the overall system so that they can verify their end-to-end retail services. In supporting all of this, in July we announced the Docklands, Melbourne,

location of our national operations and test facility. Fit-out of the NOC has commenced and the centre will be complete by about late April 2011. Implementation of our data centres was delayed by the caretaker period but we expect to have the first one available in December 2010 with the second one scheduled for March 2011.

We are giving safety the highest priority to safety in our roll-out. We are taking the right steps to embed a safety culture across the organisation in what we do. Safety is the first agenda item at our weekly management meetings and also at our monthly board meetings. The management team have instituted a monthly safety and quality leadership forum, which I chair. We have done process audits across all of our first release sites. We now have contract auditors on site conducting safety audits on those first release sites. Employees are being trained in safe work methods, and we have done the first round of white card training for onsite safety. That is now completed.

Turning to Tasmania, in June we opened the NOC. We went live on 12 August. The project is on time and on budget—in fact, slightly below budget. Stage one orders have been received for 561 services to be delivered to 436 premises, and 262 premises are now active. We continue to work with the ACCC on our special access undertaking and wholesale broadband agreement. A facilities access agreement with all energy utilities within the first and second release sites is being developed, and that is also progressing well. Following the announcement in June of our heads of agreement with Telstra we are now in detailed discussions in order to progress the definitive agreement. We have established several joint working groups, which now meet on a regular basis—that is between Telstra and NBN Co, working through all of the detailed issues.

We have also finished a number of other consultation papers that we plan to release this month. One is on a wholesale broadband agreement which provides information on NBN Co's non-discrimination commitments. We have a connections protocol paper, which provides a high level overview of the processes for the company, and which access seekers will need to follow to efficiently connect premises to the network, including requirements for forecasting service qualification inquiries, placement of orders and the scheduling of installation of NBN equipment. We have a paper on the points of interconnect, which will be released in cooperation with the ACCC—in fact supporting—their consultation process. And we have an access seeker on boarding and accreditation information paper, which will outline criteria for participating in a trial of our processes to ensure that the customers and end-users receive a positive experience when connecting to the network. It will test all the processes, procedures, systems and resources needed to deliver services to the market. In conclusion, while the caretaker period created some delays to our activities, we are now continuing to make steady progress. We look forward to receiving advice from the government on important policy issues so that we can finalise our design and implementation planning and the complex work of building and operating this wholesale NBN network. Thank you.

CHAIR—Thank you. Can you please make your statement available to the committee? It is quite detailed.

Mr Quigley—Yes.

CHAIR—Mr Harris, do you have an opening statement.

Mr Harris—I do not.

CHAIR—Then we will move to questions.

Senator WILLIAMS—Mr Quigley, thank you for that detailed opening statement. I can see now how you won that stiff competition for the job application. I want to take us to Armidale. Did you say 87 per cent take-up in the north-west area of Armidale?

Mr Quigley—That is in the totality of the first release site that we are doing in Armidale.

Senator WILLIAMS—The first release site is that area in the north-west of Armidale.

Mr Quigley—Yes, including the university.

Senator WILLIAMS—How many hook-ups including university premises, businesses and houses were in that area in total?

Mr Quigley—I do not have those numbers to hand—several thousand. The average of the first release sites is around 2,000 to 3,000. It was 87 per cent consent to connect.

Senator WILLIAMS—Yes, to have the fibre hooked to the premises, whether it be household, business or university or whatever. Did most of that happen just at the end, that is, once the *Armidale Express* started putting stories in like ‘Broadband offer is too good so don’t miss out’ on 24 September and on 1 October, ‘Officials get behind high speed broadband.’ Was it the publicity in the paper that actually stirred it along, or was it your marketing plan prior to that?

Mr Quigley—I suspect it was a combination of those.

Senator WILLIAMS—How did you market it in the first place? Was it a letter drop?

Mr Quigley—Letter drops was how it started, yes.

Senator WILLIAMS—One report said, ‘Perhaps NBN had sold the offer poorly.’ What was the age demographic of the people who took it up? They have taken the fibre to their premises; it does not mean they are going to hook up to the fast broadband, of course.

Mr Quigley—The services are provided by retail service providers. They have the relationship with the end customer.

Senator WILLIAMS—We are talking of the 87 per cent of people who took the fibre to their premises; that does not mean they have actually hooked to the fast download.

Mr Quigley—There is no network there yet.

Senator WILLIAMS—That is still in progress. Even for those who did take it up does not mean they have to hook to it. That is their option.

Mr Quigley—Of course.

Senator WILLIAMS—Exactly. Do you have any idea of how many people have indicated they will take it up?

Mr Quigley—We have not asked the question, no. What we are interested in at this point in time is building the network. We go through the process I outlined in the opening statement and it is up to the retail service providers to market their retail service. There will be a range of services.

Senator WILLIAMS—Do you know any of the age demographic makeup of those residents?

Mr Quigley—No, I do not.

Senator WILLIAMS—The minister is shaking his head, so obviously no.

Senator Conroy—I cannot imagine why we would.

Senator WILLIAMS—It might be a variance, Minister. Perhaps our elderly residents may not be interested in it because they may not have ever had a computer.

Senator Conroy—You should not be ageist, Senator Williams. I think you will find that some of the most avid consumers are aged—even people as old as you.

Senator WILLIAMS—I am well aware of that. I have many friends in their 80s who take up the computer, and are very good at it. Minister, what will be the cost if those people take up the connection of the 100 megs download per month?

Senator Conroy—This is an issue that has been discussed at considerable length across the country. Tasmania is the only place at this stage where the network is live. Firstly, we are a wholesale company so we do not provide retail prices.

Senator WILLIAMS—It would be good if you could break it out—what is the wholesale price you were charging and then what has the retailer been charging.

CHAIR—Senator Williams, let the minister answer the question.

Senator Conroy—Mr Quigley might correct me, but at this stage I do not think NBN has determined a wholesale price on the mainland.

Mr Quigley—No, we certainly have not announced one.

Senator Conroy—The business plan will come to us very shortly, I am sure. Within that there is some information on that matter but it is not public yet. In Tasmania we have provided a wholesale offer and retailers have been charging prices and there are a variety of prices for a variety of different packages. So in Tasmania, as an example, Internode I think are charging about \$49.95—that is \$50—for 25 meg download speeds; iiNet—

Senator WILLIAMS—That includes the wholesale rental and the retail part made up of—

Senator Conroy—Well, this is a retail price which by definition contains the wholesale element. So iiNet I believe are charging \$30 for 25 meg. Primus have a six months offer but if you go to the 12 months full offer they are charging about \$90 for all your phone calls plus 25 meg, including phone calls to mobiles. To give you a comparison, Telstra charge—or did charge—about \$130 as against Primus's \$90, so package for package you can see clearly that there is a saving. Having said that, the point I always make when I give those figures is that these are introductory prices and will not necessarily be reflected on the mainland. These are based on an introductory wholesale price by NBN Co. in Tasmania.

Senator WILLIAMS—So you have quoted prices of 25 megs download. What are prices for 100 megs download? Can you quote any of those?

Senator Conroy—Not off the top of my head. I do believe some customers have now taken offers of 100 meg. I am just looking at the information—yes, I think Internode are offering \$59.95 per month for 100 megabits.

Senator FISHER—Minister, you referred to NBN Co.'s business plan coming to the government shortly. Will you be making the business plan public and, if so, when? And if not, why not?

Senator Conroy—I admire your consistency, Senator Fisher. A whole range of information within the business plan will be made available. There may be some issues that are commercial-in-confidence or that could be reverse engineered that perhaps NBN Co. does not want to be reverse engineered, but I am sure you will be very satisfied with the information that will be provided. Regarding the actual date, I think Mr Quigley is going overseas shortly but when he comes back he then, with me, will brief my cabinet colleagues and information will be available reasonably soon after that. If you want me to give you an exact date I cannot at this stage. It just depends on when cabinet can receive the briefing.

Senator FISHER—In terms of the business plan, what will be made public?

Senator Conroy—Once I have received it I will be in a better position to answer that question.

Senator FISHER—Will it be a copy of the business plan with bits blacked out? Will it be your editorialised version of the business plan?

Senator Conroy—As I said, once I have received it I will be in a better position to answer you.

Senator FISHER—Mr Quigley earlier indicated in the press, I think, that he was reviewing the business plan in light of the government's agreement with the Independents in the House of Representatives. Has the business plan been so reviewed and is that the version that you will be forwarding to the minister, Mr Quigley?

Mr Quigley—Yes, Senator Fisher, it will be. We have done our best to review the rollout plan and reflect our understanding of the government's wishes into that plan.

Senator FISHER—So no further work to be done on it?

Mr Quigley—I would not say that. I have yet to present it to the board on Friday. They may ask for a whole variety of work to be done on it.

Senator FISHER—No further work to be done on it once you decide to submit it to the minister in the near future?

Mr Quigley—As with any company, normally a business plan is constantly being reviewed.

Senator FISHER—Do you expect that the business plan will need to be reviewed or rewritten in light of the agreement that the government proposes to reach with Telstra, if and when that agreement actually reaches an agreement stage?

Mr Quigley—Certainly I, and the board, would anticipate that the shareholder government would have some comments on the business plan and may ask us to think about different aspects, which we would then incorporate into the business plan in due course.

Senator FISHER—So it is likely that the business plan will need rewriting post agreement with Telstra. Is that right?

Mr Quigley—Post agreement with Telstra? No. We have in our business plan made certain assumptions about the heads of agreement. We have, as you would expect, various scenarios. All of those are included in the business plan.

Senator FISHER—Can you tell us the range of assumptions and scenarios?

Mr Quigley—No.

Senator FISHER—Well, I tried! Do you expect that the realisation of one or some of those would result in the rewriting of the business plan? Would we be back to square 1?

Mr Quigley—No, there has been a lot of work done. I expect there will be some tuning and some questions about certain assumptions. This is a complex document and complex project so I expect there to be some questions and we may need to do some fine tuning as you would expect. We may need to do that after the board meeting this Friday and in fact before the submission goes to government. I cannot assume that the board is necessarily going to enforce the plan that management has developed and will put before it.

Senator FISHER—So what would be the earliest that the government might get the penultimate business plan from NBN Co?

Mr Quigley—Friday week—end of October.

Senator Conroy—What is ‘penultimate business plan’?

Senator FISHER—Mr Quigley has said it would be reviewed perhaps in light of a Telstra agreement so—

Mr Quigley—No.

Senator Conroy—You did not hear that.

Senator FISHER—What is the earliest that the business plan would be provided to the government?

Mr Quigley—End of October.

Senator FISHER—What is the latest?

Mr Quigley—That I cannot answer; I cannot presume what the NBN Co board will ask me to do after they review it this Friday.

Senator FISHER—Thank you. The minister made a joint statement with the Prime Minister and the Tasmanian Premier on 25 July 2009, which I am sure we all recall, that Tasmania NBN Co would be a new company established and jointly owned by NBN Co and Aurora Energy. What has happened to that joint venture? Has it been formed?

Senator Conroy—There have been two elections along the way that have slowed that down. Work has by and large gone on irrespective of that agreement being finalised. I am seeing the Premier of Tasmania very shortly to have some further discussions with him about it.

Senator FISHER—Why haven't you reached agreement yet with the Tasmania government, Minister? It is all hastening very slowly.

Senator Conroy—The work has actually continued quite fast. So nothing is hastening slowly other than the discussions between the two governments. But that has not impacted on the work of NBN Co. In fact, I said in a press conference in October last year that we would have live services in the first week or two of July and that is exactly what we did. In actual fact the build has been on target, as Mr Quigley said, and under budget.

Mr Quigley—If it does not matter to what is happening on the ground, does that mean that the government will not be bothering with what you said would be a joint venture between NBN Co and Aurora Energy?

Senator Conroy—As I just said, I am meeting the Premier of Tasmania in the next few days.

Senator FISHER—So you still think it will come to fruition even though you have not reached agreement yet?

Senator Conroy—I do not want to pre-empt the outcome of the discussions.

Senator FISHER—Have any concerns been raised about Tasmania NBN Co's separate profile, including its web presence and agency relationship with Aurora Energy?

Senator Conroy—I am not sure what you mean?

Senator FISHER—Has the NBN board sought to bring the Tasmania NBN Co to heel by bringing its contracting arrangements into line with NBN Co's national contracting procedures by excluding Aurora Energy as an agent for NBN Co?

Senator Conroy—Not that I am aware of, and by the look on Mr Quigley's face I do not think he is aware of that either. Let me be clear: NBN Co Tasmania was established to proceed with the Tasmanian roll-out. The national roll-out is now well underway and the roll-outs will ultimately be consistent with each other. To give you a very simple explanation there—the OSS and BSS in Tasmania will ultimately have to be the same as nationally. There is a range of reasons why the roll-outs have to take place in very close coordination. The arrangements between Tasmania NBN Co and NBN Co are very much on a working-closely-together basis.

Senator FISHER—So is Aurora included in Tasmania NBN Co and its activities?

Senator Conroy—No, Aurora is a separate company and it contracts to Tasmania NBN Co.

Senator FISHER—Of course, the joint venture has not happened yet, has it?

Senator Conroy—Correct. Aurora is a separate entity that is a contracted to NBN Co and—and I am happy to be corrected, Mr Quigley—no-one has ever suggested that it would be excluded from applying to be a contractor or tender.

Senator FISHER—No concerns have been raised at any NBN Co discussions—at board level, for example, about Tasmania NBN Co's proposed relationship with Aurora Energy?

Senator Conroy—I am sure you do not expect Mr Quigley to reveal to you any discussions he has had at any stage with the NBN Co board.

Senator FISHER—Mr Quigley?

Mr Quigley—I am not at liberty to talk about discussions that take place at NBN Co's board.

Senator FISHER—The tasCOLT fibre home trial that Aurora Energy undertook in 2007-08; did Aurora add value to that roll-out?

Mr Quigley—Germane to your question, Senator, we have in fact just signed up Aurora as our agent for what we are calling the first release site, the seven sites under stage 2 in Tasmania. That is the same operation.

Senator Conroy—It sounds like they have been excluded brilliantly!

Senator FISHER—NBN Co has signed them up, but not Tasmania NBN Co.

Mr Quigley—The Tasmania NBN Co is a 100 per cent subsidiary. We work absolutely hand in glove as you would expect us to.

Senator FISHER—Are there any differences in take-up results between the tasCOLT fibre trial roll-out and the take-up of services of Tasmania NBN Co?

Senator Conroy—Can you please repeat the question.

Senator FISHER—How do the results in terms of take-up by consumers of the initial Tasmania NBN Co roll-out differ from tasCOLT?

Senator Conroy—Tascolt was something organised by the Tasmanian government, Aurora and another agency—

Senator FISHER—So how popular was it?

Senator Conroy—I have no idea? My point is that I cannot compare it because I do not know what those statistics were at the time.

Senator FISHER—Okay. Mr Quigley, have you had any discussion with, for example, Mr Peter Harris, about the suitability of 700 megahertz spectrum for NBN Co's wireless broadband service. Have you had any discussions about whether 700 megahertz would be available for that purpose.

Senator Conroy—Can you phrase this as a question? You cannot ask two officers at the table to reveal to you their private conversations. Ask a specific question; don't ask 'have you had a conversation?'

Senator FISHER—Mr Quigley, has a question been raised with you as to whether the 700 megahertz spectrum would be readily available for NBN Co's wireless broadband services?

Senator Conroy—It will not be available, unless NBN chooses to bid on it, but I think that is unlikely.

Senator FISHER—Is the view that, for example, NBN Co's wireless service could be offered in the 2.3 gigahertz band?

Senator Conroy—A range of options are possible. Mr Quigley might want to expand on that.

Mr Quigley—There is a range of spectrum. Once again, I stress that this is a fixed wireless service, not a mobile service. There are a range of spectrum options; we are continuing to look at each of those.

Senator FISHER—Is 2.3 gigahertz one of the options?

Mr Quigley—It is a possibility, yes.

Senator FISHER—Minister, is that an option in your mind?

Senator Conroy—If the spectrum were available.

Senator FISHER—The OPEL network was offered in that frequency, I understand, and, of course, you described that as a ‘dog’, Minister.

Senator Conroy—That was a dog. Put it this way: I think it was a—

Senator FISHER—Well, wouldn’t the NBN be barking if it were delivered in the same spectrum?

CHAIR—Senator Fisher, the minister started to answer you and you immediately interrupted.

Senator FISHER—Thank you, Chair.

Senator Conroy—There are three different parts to the answer. Firstly, OPEL was without spectrum for 99 per cent of its life. So, from the day before the election until very shortly before the changeover in government, OPEL had no spectrum. It was planning to operate, and it was admitted publicly that it would operate, in unlicensed spectrum. In unlicensed spectrum, it was worse than a dog. It then signed an agreement, I understand, which was not a completely finalised agreement because there were a range of compatibility issues that were never resolved, between Austar and Unwired. Unwired are the company that have the metro 2.3 gigahertz spectrum and I understand they have a caveat on it that the network to be built—I am just waiting for you to finish talking.

Senator FISHER—Thank you.

Senator Conroy—They have a caveat on it that the network to be built would be compatible. Unfortunately, the dog that was being proposed by your former government was not a compatible network with the network that had been built by Unwired. So it is possible to claim that the OPEL network was going to use that spectrum, but it was never actually finally commercially agreed because there were a range of caveats. That is the first point. Secondly, you do understand the difference between a mobile network and a fixed wireless network?

Senator FISHER—We are going to be here until 11 o’clock, Minister.

Senator Conroy—I just want to make sure because I will need to explain to you the different properties.

Senator FISHER—Yes, perhaps better than the government.

Senator Conroy—You understand better than the government?

Senator FISHER—Perhaps.

Senator Conroy—You announced you are building a fixed wireless network, but you all keep talking about a mobile network.

Senator FISHER—We are going to be here until 11 o'clock easily. Thank you—

Senator Conroy—I know we are going to be here until 11 o'clock.

Senator FISHER—Can we move on?

Senator Conroy—I am happy to move on to your next question.

Senator FISHER—Good. When will the Competition and Consumer Legislation Amendment Bill be reintroduced into the House of Representatives?

Senator Conroy—Rumour has it that it will be tomorrow. It went through caucus today.

Senator FISHER—Good, thank you. When will a definitive agreement be reached with Telstra?

Senator Conroy—When it is reached.

Senator IAN MACDONALD—When will we be told about what is happening?

Senator Conroy—I think Telstra shareholders are probably above you in the food chain as far as that is concerned, Senator Macdonald, as is appropriate under the Corporations Law.

Senator IAN MACDONALD—It is taxpayers' money you are flashing around.

Senator FISHER—Mr Harris, what is your view as to when a definitive agreement will be reached?

Mr Harris—I work for the minister, Senator.

Senator FISHER—It requires finalisation by an extraordinary general meeting of Telstra shareholders, doesn't it?

Senator Conroy—It requires a vote, yes.

Senator FISHER—When can Telstra have its first meeting after the passage of the legislation, presuming that happens?

Senator Conroy—You would have to ask Telstra.

Senator FISHER—Doesn't that concern the government? Unless and until you have that, you have no deal.

Senator Conroy—Telstra has to comply with the Corporations Law, so there are legal requirements about when they can hold—

Senator FISHER—But it affects your time frame, Minister, and the finalisation of the agreement so surely it is a factor of concern to you.

Senator Conroy—Let us be clear here. The building and construction of the National Broadband Network continues at a growing pace. So the Telstra deal is a component of the overall situation, but the construction of the National Broadband Network goes on irrespective. I am not quite sure what the point of your question was.

Senator FISHER—What are the implications of the non-finalisation of the deal with Telstra? Assume that your deal does get finalised with Telstra—

Senator Conroy—What are the implications of climate change? What are the implications of nuclear war?

Senator FISHER—You are starting to suggest that it does not matter, Minister. I presume it does.

Senator Conroy—You are asking hypotheticals. Would you like to ask a question?

Senator FISHER—What are the implications of delaying the finalisation of the government's announced deal with Telstra?

Senator Conroy—What are the implications of global warming? Why don't you ask a question of fact rather than a hypothetical?

Senator FISHER—That used to be the greatest moral challenge of our time. I just want to move to prices—and you touched on it earlier—in Tasmania and part of what I understand to be the Prime Minister's agreement with the Independents. The annexure to that agreement noted that 'high speed broadband services are available in Tasmania for around \$60 per month currently, based on wholesale prices which will now be applied on a national basis'. To what wholesale prices was the Prime Minister referring, and how much—

Senator Conroy—She was referring to the fact that there will be one wholesale price.

Senator FISHER—So will that be \$60 a month?

Senator Conroy—No. I can understand why you are possibly confused. The \$60 was just an indicative figure coming out of Tasmania. The wholesale price will be determined by the National Broadband Network as part of the business plan they will be supplying to us.

Senator FISHER—So you don't think that that led people to conclude that there would be a national price of \$60?

Senator Conroy—The problem is that there is going to be a raft of products, so anyone assuming that there will be only one national wholesale price would be making a rather unusual assumption. There will be a suite of products with different wholesale prices.

Senator FISHER—Mr Quigley, you told Senate estimates in May, if I am correct, that Tasmania NBN Co. was charging retail service providers a one-off \$300 connection fee. So, for a limited period of time and for a limited number of premises, just the connection fee was being charged, I think you said.

Mr Quigley—I also said that the connection fee was waived in some instances.

Senator FISHER—Yes. So does that mean that for the national rollout some retail service providers will be charged a one-off connection fee and no monthly tariff?

Mr Quigley—I also said at the time that you should not draw any conclusions about the national pricing on the basis of the Tasmanian release.

Senator BARNETT—So, Mr Quigley, you are saying that you cannot make any conclusions?

Mr Quigley—I would not draw any conclusions.

Senator Conroy—That is what he said in May.

Senator BARNETT—And you are saying it again now?

Mr Quigley—Yes, of course.

Senator Conroy—And I have said consistently that these are introductory offers in Tasmania and should not be assumed as prices that would apply in the mainland ultimately. We have said that every single time we have been asked that question.

Senator BARNETT—You are looking very worried, Minister—we will get to you.

Senator FISHER—Can I take you to the intended \$11 billion heads of agreement with Telstra. Can you confirm that that is part of the \$43 billion cost to build the NBN? *Hansard* does not record a roll of the eyes, Minister.

Senator Conroy—The heads of agreement \$11 billion is within the envelope. And to save you time, it is within the envelope of the \$27 billion that is talked about as government funds. Sorry, \$9 billion of that is.

Senator FISHER—I was going to say—so \$2 billion is direct from the government?

Senator Conroy—No, \$2 billion comes from a number of issues. Mr Harris is eager to make a contribution so I will let him take you through that.

Mr Harris—I think a little bit of clarification is quite important here. The \$2 billion is a Telstra estimate of the value of a set of agreements which are aligned around network obligations that are not likely to be picked up by NBN Co—the Universal Service Obligation Company, USO Co, being a good example of that. But it is a Telstra estimate that was published. It is not a question of the government endorsing a particular figure at this point in time.

Senator FISHER—All right, so it is an estimate. Nonetheless, is there a certain amount that will be left over and have to be found from somewhere other than NBN Co.?

Mr Harris—The separate funding applies here, if that is the intent of your question, for the USO Co—

Senator FISHER—So from where will the separate funding come?

Mr Harris—It will be a government funding.

Senator Conroy—It is already in the budget figures that were released prior to the election.

Senator FISHER—So you are saying, whether it is \$9 bill or \$11 bill—

Senator Conroy—No, again, you clearly did not understand; perhaps Mr Harris might want to explain it again.

Mr Harris—In the May budget the government took account of its obligations towards that USO Co concept. It is in the May budget.

Senator Conroy—It is all listed in line items.

Senator FISHER—Of the library note infamously released during the election campaign—

Senator Conroy—Sorry, the what?

Senator FISHER—The library note. I am sure you recall it; you were quoted referring to it, Minister, and no doubt you will tell us whether correctly not—

Senator Conroy—A library note—sorry.

Senator FISHER—It was by the Parliamentary Library and it was on the NBN funding.

Senator Conroy—You would have to ask them on what basis they created those figures.

Senator FISHER—Well, you did dispute the figures. I hear you are still doing so.

Senator Conroy—Yes. You will have to ask them on what basis they created those figures. We are not responsible for them, they are not correct and we cannot answer any questions about them.

Senator FISHER—Well, have you demanded a correction? Your campaign spokeswoman said you would.

Senator Conroy—We are getting on with building the network. The information was inaccurate and incorrect, and we have got on with building the network.

Senator FISHER—Which parts were inaccurate and which parts were incorrect, given that it forecast a \$6 billion hole?

Senator Conroy—I would have to take that on notice for you.

Senator FISHER—I guess I have to accept that, but I find that disingenuous, given that during the election campaign you were very ready to say that, as you have repeated today, it was littered with errors—

Senator Conroy—It was completely wrong.

Senator FISHER—and misleading. Well, if it is completely wrong, it must be pretty damn easy for you to point out where it is completely wrong, and to do so publicly.

Senator Conroy—It was flawed and inaccurate, but I do not have all the details with me, so I will take it on notice and get back to you.

Senator FISHER—All right; thank you.

Senator McEWEN—I have a couple of questions about the pricing issue that we leapt over.

CHAIR—Yes, Senator McEwen.

Senator McEWEN—Thank you for your indulgence, Chair. Going back to your previous discussion, Mr Quigley, about the uniform pricing agreement, can you outline what the benefits will be for consumers of that agreement to have a uniform wholesale price?

Mr Quigley—The advantage to uniform pricing is that it does not matter where somebody lives across the nation—they have the opportunity for their retail service provider to have the same price no matter where they are. We of course in NBN Co. cannot guarantee that there will be uniform national retail pricing. What we can do is make our best efforts to ensure that that is as simple as possible by having one uniform price across the country—which I understand is the government's intention—and then try and create the same processes,

systems, points of interconnection and all of those things so that there are no barriers to retail service providers offering equivalent prices right across the country for equivalent levels of service.

Senator McEWEN—Will that increase competition amongst the regions?

Mr Quigley—Absolutely. In today's copper network, there is a small percentage of exchanges in which this is competitive equipment simply because it is just simply too expensive to get in other parts of Australia. We hope to eliminate that problem.

Senator McEWEN—Will it benefit the percentage of Australians who will get wireless or satellite services, who do not get the fibre?

Mr Quigley—Yes. It is always difficult to say exactly where the boundaries between wireless and satellite and fibre are. We are hoping in a given catchment area of premises that it will make it easy for a retail service provider to offer their services no matter what technology that premise is on. So we expect that to make quite a difference to the types of services that can be offered, especially to rural Australia.

Senator McEWEN—So regardless of what platform they are on.

Mr Quigley—Now there are differences in speeds, of course. Wireless and satellite cannot go as fast as fibre.

Senator McEWEN—And will the commitment to the uniform price impact on the viability of the NBN?

Mr Quigley—As we understand it, it is something that government would like to achieve and so we have factored that into our overall business model.

Senator BIRMINGHAM—I would like to turn to the implementation study to start with. The \$25 million McKinsey KPMG implementation study was commissioned by the department. Does it still accurately reflect and represent the department's preferred approach to implementing the government's broadband policy?

Mr Harris—It never represented the department's preferred approach. It is McKinsey's advice.

Senator BIRMINGHAM—So what is the government's response or NBN Co's response to the implementation study? Is it purely an input to the work and that you will choose to accept, reject, trash or otherwise recommendations as either the government or the NBN Co sees fit?

Senator Conroy—It is a bit of a broad question. Do you want to break it up bit?

Senator BIRMINGHAM—How do you treat the implementation study? Just as a piece of advice, a piece of input?

Mr Harris—Not just as a 'piece of input'. I think the great value in the implementation study is it put a substantial amount of substance in the public arena that was previously missing. I think it sells the implementation study short to say it was just an 'input'. I was overseas in North America in the past two weeks and the implementation study provides a lot of analysis for people over there who are interested in the nature of the investment the Australian government is making. It also contributes to consideration by regulatory

authorities, for example the ACCC. So a number of parties will take from the implementation study the advice that has been provided, consider it as a contribution. You have mentioned the NBN Co. Obviously there are issues in there that the NBN Co will wish to consider and come to conclusions on and provide advice to the government. It is true of the department, it is true of the regulatory authorities, it is true of the market generally. And as I said, overseas people take a great deal of interest in the fact that this study is a piece of work from McKinsey with substantial analysis behind it.

Senator BIRMINGHAM—The McKinsey study made 84 recommendations. How many of those have the relevant agencies and/or NBN Co considered as they apply to each of them? Which have been accepted or rejected to date? Or, more particularly, we will start with just which have been rejected to date.

Mr Harris—The policy positions announced by the government, for example, the most substantive being that we should move from a 90 per cent fibre coverage or a 93 per cent fibre coverage—there is a series of smaller recommendations which are related to that, which the government considered before it made that 93 per cent commitment, and consequent on making the 93 per cent commitment, are effectively endorsed. The receipt of the business plan from NBN Co will enable the government to consider a further series of the implementation study recommendations and make some final decisions on those because obviously there will have to be consistency between the policy position, as recommended in the implementation study, and the business case, as recommended by the NBN Co board. As the minister indicated earlier, the time frame for that is coming upon us, so you can expect that the remaining recommendations will be dealt with in that context.

Senator BIRMINGHAM—Perhaps this is best for Mr Quigley, what would you describe as the most important differences between the recommendations from the implementation study and the actual strategy that NBN Co is—

Senator Conroy—That is advice that Mr Quigley would give to the government, and I am not sure he is in a position that he can give you any information until after the government has considered his advice.

Senator BIRMINGHAM—Minister, I think Mr Quigley has already been making some decisions, some of which are public and some of which are not, that will be part of the business case, which I acknowledge you have already said will not be—

Senator Conroy—No, the government makes decisions about the recommendations based on advice from NBN Co and Mr Quigley, the department, the ACCC and a range of other factors. So government makes decisions about the recommendations, not Mr Quigley.

Senator BIRMINGHAM—Has the government decided to reject any of the recommendations out of the McKinsey report already, as they would relate specifically to the build and the operations of the NBN Co?

Senator Conroy—The one that we have indicated publicly so far is the decision for NBN Co to undertake the wireless build. I think that is the only one we have given a public indication on at this stage. We have indicated we accept the 90 to 93.

Mr Harris—As I said earlier, there are some that are consequent upon that, that are effectively being endorsed by going to 93 per cent.

Senator Conroy—Yes, so there are some knock-on ones from that, but the government has not finalised its consideration of all of the recommendations yet. But on a couple of key ones we have made some decisions—rejected one, accepted some—which we have indicated publicly.

Senator BIRMINGHAM—And the government will be proposing over the period of time, as all the recommendations are considered, to indicate publicly its response to all of them and make a formal response—

Senator Conroy—Yes, we intend to make a formal response.

Senator BIRMINGHAM—that will be tabled or released in some shape or form?

Senator Conroy—Yes.

Senator BIRMINGHAM—Good. Has the government considered recommendations 76, 77, 80 and 82 of the study?

Senator Conroy—The government is considering all of the recommendations of the study.

Senator BIRMINGHAM—Has the government had made a decision in response to—

Senator Conroy—The government is considering, and when we have made a final decision we will release them publicly.

Senator BIRMINGHAM—So the government has not made a final decision in relation to recommendations 76, 77, 80 or 82 which go to the network eventually being separated into passive and active elements?

Senator Conroy—No, we have not made final decisions on some of those yet.

Senator BIRMINGHAM—This relates to how the government has previously described—

Senator Conroy—I am not going to indicate what decisions we have made yet. There will be a package response and we will put out a package response.

Senator BIRMINGHAM—This relates in some ways to how the government has previously described its own policy, and so I am curious as to—

Senator Conroy—We will make a final statement when we release our response to the recommendations. I am not going piecemeal play tag with you about—

Senator BIRMINGHAM—So now there is—

Senator Conroy—You can name 1, 2, 3, 4, 5 and ask if I rejected or accepted individual recommendations, you will just have to eagerly await the release of our final response.

Senator BIRMINGHAM—Now the government basically is saying we will get policy around the NBN by drip-feed of acceptance or rejection of the implementation study recommendations.

Senator Conroy—If we feel the need to announce a decision earlier on individual points, as we have done, then we will. Otherwise, the remainder will be part of a package that we release at a date in the future.

Senator BIRMINGHAM—The study models an eventual take-up for the NBN of between 70 and 90 per cent of households. Is this still the expectation for the government?

Senator Conroy—It depends whether you are asking my opinion of the analysis of McKinsey's. I think it is a very fair and conservative analysis, but I am referring specifically to the McKinsey analysis. I am not making an assertion about what the take-up rate that NBN Co think they are going to get. I am making it very clear that these are two very separate discussions.

Senator BIRMINGHAM—And does the government have any objective of its own as part of this policy?

Senator Conroy—We will, as I have said—particularly following the heads of agreement with Telstra—ultimately have the overwhelming majority of, if not the monopoly on, the supply of the wholesale network within the fibre footprint, unless people decide they do not want a fixed line. So people can opt to say, 'No, when the copper's taken away, we don't want you to put in a piece of fibre.' People will be able to make that choice. They can go purely mobile now or fixed wireless. If you would like to know the difference, I will happily give you a run-down on it, and then you can pass it on to Tony and Malcolm, and Joe Hockey! You were building a fixed wireless network, not a mobile network.

Senator BIRMINGHAM—Thank you, Minister. Let us stick to—

Senator Conroy—I appreciate you do not want to—

Senator BIRMINGHAM—You happily formed—

Senator Conroy—I appreciate you do not want to mention—

Senator BIRMINGHAM—Regrettably, you formed a government, so let us talk about the policies that you get the opportunity to implement.

Senator Conroy—You actually could not implement your policy, but I appreciate that you have now dumped it. Getting back to the substance of your question, we would anticipate being a virtual wholesale monopoly so that our fibre would be the connection—

Senator BIRMINGHAM—So, in the absence of any other option, you would anticipate connection rates or take-up rates of between 70 and 90 per cent—

Senator Conroy—Well, if we are the only supplier, I would anticipate it would be 100 per cent. If we have a wholesale monopoly, it would be 100 per cent—this is within the 93 per cent footprint—other than those who decided they did not want a fixed line. On fixed lines connected to homes, I would anticipate, as I have said consistently for many, many, many months, that we would have the monopoly.

Senator BIRMINGHAM—Okay. Obviously, we can dig down below that—which the business case will do, I am sure—to just what type of connection we are actually talking about there, which will impact greatly on—

Senator Conroy—I am confused about what you mean by which type of connection. It is a piece of fibre and attaches to a house.

Senator BIRMINGHAM—So does that mean that everybody faces the same fixed costs for connection?

Senator Conroy—I think what has been speculated on and discussed and debated—and Mr Quigley might want to add something—is that it is free if you choose to take it up as it is rolling down your street. If you decide not to and then you or someone else decides to take it up in the future, there may be a charge. I think that has been the form of words used.

Mr Quigley—It is. That is a possibility; it is not finalised yet.

Senator IAN MACDONALD—You told us \$300 at the last estimates.

Mr Quigley—Once again, I think we were talking there about Tasmania—the pre-release trial in Tasmania.

Senator IAN MACDONALD—Everything runs on Tasmania—

Senator Conroy—No, it does not.

Senator IAN MACDONALD—You campaigned to run on what happened in Tassie. In Tassie they were charging \$300 and you were charging nothing, Mr Quigley; you were giving it away. No wonder they can do it so cheaply in Tasmania—because your \$43 billion investment was not getting a cent in return. Isn't that right?

Senator Conroy—No.

Senator IAN MACDONALD—Tell me I am wrong.

Senator Conroy—You are wrong. You could not be more wrong if you were paid to be wrong.

Senator IAN MACDONALD—Minister, I have an answer to a question on notice—

CHAIR—Senator Macdonald—

Senator IAN MACDONALD—received just yesterday—

CHAIR—Senator Macdonald, no-one is going to answer your question—

Senator IAN MACDONALD—which confirms that, Minister.

CHAIR—Senator Macdonald, you will get the call if you seek the call, but Senator Birmingham has the call at the moment.

Senator Conroy—I think Senator Birmingham is in full flight.

Senator IAN MACDONALD—Well, tell the truth in your answers.

CHAIR—Senator Birmingham.

Senator BIRMINGHAM—Minister, just refresh my memory, to save me looking up the ABS website: what is the current rate of broadband connectivity in Australian households or premises?

Senator Conroy—Sorry?

Senator BIRMINGHAM—What is the current take-up rate of broadband connectivity for Australian households or premises, roughly?

Senator Conroy—Fixed line, 60 per cent.

Mr Quigley—It is above 60 per cent.

Senator Conroy—It is between 60 and 66 per cent—fixed line.

Senator BIRMINGHAM—So fixed line is 60-something per cent.

Mr Quigley—Yes.

Senator BIRMINGHAM—Thank you. What about the take-up rate for fixed-line phone services into households?

Senator Conroy—Well, it is mandatory. Under the universal service obligation, you have got to have a connected fixed line. Some people are going ‘nude’—nude DSL, for instance—so some people are not using it, but they are not disconnecting it. But, when you build a house, it is mandatory.

Senator IAN MACDONALD—That there is a line?

Senator Conroy—Yes, it is mandatory to have a line.

Senator BIRMINGHAM—So somewhere between 30 and—

Senator Conroy—There is an argument about what Telstra are doing right at this moment, but apart from that—

Senator BIRMINGHAM—Regardless, somewhere between 30 and 40 per cent of households and premises have fixed-line phone services without fixed-line broadband services at present.

Senator Conroy—Yes. The maths suggest that would be the—

Senator BIRMINGHAM—Roughly is fine for the point that I am seeking to make. You said just before that, because you are building a wholesale monopoly where, once the copper is taken away, people have got a piece of fibre running to the house and that is it, you would basically expect to have near-universal coverage, in the 93 per cent.

Senator Conroy—It is tragic that Mr Turnbull continues to not understand anything about his portfolio area because again he was quoted in a press release as saying he is very disturbed to hear people are going to lose their phone connection. This is completely false.

Senator BIRMINGHAM—So when I talk about what type of—

Senator Conroy—It is embarrassing. That is why I asked you to clarify what you were asking. I was looking forward to explaining to you how Mr Turnbull continues to not understand the basics.

Senator BIRMINGHAM—Let us ignore Mr Turnbull because I am asking the question. You do not need to be condescending; just give the answer.

Senator Conroy—I am looking forward to explaining it to him.

Senator BIRMINGHAM—You can explain it to me right now.

Senator Conroy—No, I am looking forward to you explaining it to him, but please go on.

Senator BIRMINGHAM—Minister, I am eager to find out as to when we switch off and pull away the copper network and cable runs up to all the homes, and you are expecting everyone to—of course because they have only got one fixed line option available to them—be switching onto this network when thirty to 40 per cent of Australian households today, and whether that is more or less in the future, only have a fixed-line phone service.

Senator Conroy—Would you like an explanation of how you connect a fixed-line phone to a piece of fibre because Mr Quigley is looking forward to explaining it to you?

Senator BIRMINGHAM—So there will be different types of connections? You mocked me when I posed—

Senator Conroy—I asked you to clarify so that we could explain to you very simply that just because you have a piece of fibre replacing the piece of copper does not mean you lose your fixed-line phone. If you chose not to take a fixed line that will be the case, but Mr Quigley will explain to you in a moment about the technology involved on how you continue to have a fixed-line phone with a piece of fibre.

Senator BIRMINGHAM—Specifically, will you be able to choose to have a fixed-line phone without taking out a broadband package?

Senator Conroy—Yes. We have never said anything different. You just have to stop believing everything in the *Australian*. It is engaged in not reporting facts. It has engaged in creating stories. It is prosecuting regime change, not reporting news.

Senator BIRMINGHAM—Minister, when you talk about near universal take-up, you are perpetuating a myth that you are expecting all 93 per cent of households who are getting the fibre to be taking up broadband.

Senator Conroy—No, I am not.

Senator BIRMINGHAM—That is what people expect when you talk about near universal take-up of a national broadband network.

Senator Conroy—No, I am not.

Senator BIRMINGHAM—So it is not unreasonable for people to want clarified how it is going to work.

Senator Conroy—The fact is—and I excuse you because I actually know that you understand this—your shadow communications spokesperson needed to take Paul Fletcher along with him to a briefing with Mr Quigley so he could explain to Mr Turnbull what Mr Quigley was talking about later. It is the first time I have ever seen a shadow minister need a shadow shadow minister. So a shadow shadow minister came to the briefing with Mr Quigley. But just to be very clear to you: the fact that your shadow communications minister does not understand how you receive a fixed-line phone on a piece of fibre is a little disappointing, but Mr Quigley will quickly now explain to you—

Senator BIRMINGHAM—So if we can clear it all up Mr Quigley can give us a factual statement on how NBNCo expects to provide to those people who do not want broadband—

Senator Conroy—I thought Mr Turnbull was a tech head.

Senator BIRMINGHAM—the fixed-line phone service.

Senator Conroy—Why did he have to take Paul Fletcher with him to the briefing with Mr Quigley?

Senator BIRMINGHAM—Chair, I am just asking Mr Quigley—

CHAIR—Mr Quigley, can you answer the question from Senator Birmingham.

Mr Quigley—Which is how we connect a—

Senator Conroy—voice connection to a piece of fibre.

Senator BIRMINGHAM—I am not wanting the technical explanation of how it is done on the fibre; I accept that it is done. I want to know how NBNCo is expecting—

Senator Conroy—It is important to know how it is done.

Senator COLBECK—A point of order, Chair: this is just time wasting on behalf the minister—

CHAIR—Senator Birmingham, a point of order.

Senator COLBECK—The minister is completely and utterly wasting time here. Senator Birmingham is trying to ask some sensible questions, and all the minister wants to do is talk about somebody else and not respond to the questions. It would be really nice if he would just respond to the questions that Senator Birmingham is asking instead of talking about somebody else that is completely irrelevant to the question.

CHAIR—There is no point of order, but I understand where you are coming from—

Senator COLBECK—Thank you, Chair.

CHAIR—and I would ask Mr Quigley to respond to the question.

Mr Quigley—Can I just make sure I understand what the question was? There have been a few in there.

Senator BIRMINGHAM—Thanks, Mr Quigley. I am sure this is how you love to spend your Tuesday evenings. To be very clear: how does NBNCo expect to manage—not at the technical how people plug their phone in level but at the commercial arrangement level—the difference for consumers who just want to keep a fixed-line phone service?

Mr Quigley—There will be no difference. For those who just want a fixed-line phone our intention—in fact our plans and our engineering—is such that they just simply unplug from the wall socket, the RJ11 little socket that is in the wall, their analog phone and they plug it into a little socket that looks exactly the same and they get a service.

Senator Conroy—It is magic; it is called telephony!

Mr Quigley—The processing is done in what we call a network terminating unit and back in the soft switches using a protocol called SIP. It converts it just like a normal analog telephone.

Senator BIRMINGHAM—And as a wholesale provider you will sell to your retail providers separate packages for those retail providers to sell phone-only packages?

Mr Quigley—There is, we expect, retail service providers who will sell voice-only services, if they so choose. We have had those discussions as part of the financial heads of agreement with Telstra, who is the biggest supplier of telephony products.

Senator Conroy—And we announced it months ago.

Senator BIRMINGHAM—It is nice to be able to clear these things up sometimes.

Senator Conroy—They have actually been clear all along.

Senator BIRMINGHAM—We have a clear answer from Mr Quigley that will clear that up for everybody—

CHAIR—Senator Birmingham, don't tempt fate here; get on with the questions.

Senator BIRMINGHAM—The implementation study models an increase in real wholesale access prices over the next eight years of one per cent per annum.

Senator Conroy—So that is the implementation study that you are quoting?

Senator BIRMINGHAM—Yes, is this the government's expectation of the future course of wholesale prices?

Senator Conroy—That is advice put to us by McKinseys. It is advice to us. It is a very valuable piece of advice that McKinseys put to us which we released fully. We will now be getting a business plan from NBN Co. which we will make public which will have NBN Co. assumptions contained within it.

Senator BIRMINGHAM—Prices in the telco sector generally though have been falling rather than rising over recent years, have they not?

Senator Conroy—According to the analysis from many of your friends, prices were apparently going to skyrocket under the NBN. Your general assertion is correct.

Senator BIRMINGHAM—Yet your implementation study is based on modelling of price increases over the foreseeable future.

Senator Conroy—As I said, that is a piece of advice to the government—a very valuable, comprehensive piece of advice to the government.

Senator BIRMINGHAM—A \$25 million piece of advice to the government.

Senator Conroy—It is a very valuable piece of advice. I have to say to you that I learnt an enormous amount from that study. It was very valuable. It is some very valuable advice. We will now receive from NBN Co. its business case, which will include a whole range of assumptions, calculations, detail and information which will also be made available publicly.

Senator LUDLAM—Mr Quigley, I would like to come back to some of the issues that you raised in your opening statement. I have been out of the room for about 15 minutes so if you have covered this then just let me know and I will check the transcript. You have said that you have issued an RFP for a short-term satellite solution until you put your own up in the air. Can you just tell us a bit about that. Will that footprint be the entire country or are you rolling this out incrementally? What exactly will the short-term solution look like?

Mr Quigley—It would in fact be on a national basis. Obviously we put out the RFP and depending on those RFP responses we have yet to finalise those technical details. Of course

this interim satellite solution is something we have yet—once we have got all the inputs in—to put formally to the government to make decisions on, as we do with everything. It is a satellite service which will be a boost in capacity and performance on what is available to date.

Senator LUDLAM—If you had your way, how long would we have an interim solution and how long before NBN Co. has its own satellites?

Mr Quigley—As you probably know, the plans we have for providing a satellite service to that last three per cent of the population is to have two large carrier band satellites. They are big satellites—80 gigabit per second satellites—to provide very good services but they take quite some time to engineer, design, build, launch and get operational; probably around three years. So we expect the interim satellite solution to be working for that time.

Senator LUDLAM—Okay—for a period of?

Mr Quigley—Three years.

Senator LUDLAM—You also indicated that your current rollout has been a mix of aerial and underground. Can you give us any idea how much of it you are hanging and how much of it is going into trenches?

Mr Quigley—I can tell you overall, in terms of what our ultimate planning is: we expect—that is, assuming that we consummate the financial heads of agreement signed with Telstra into a definitive agreement—around two-thirds of what we call local fibre. When we come out from a fibre access node, all of that will be underground because it is larger cable and we want that to be underground in ducts. When it comes to down the actual street, in some cases there is not duct available, and that is why we are signing facilities access agreements with utility companies—to be able to do some of that aerial.

Senator LUDLAM—Is that because you do not intend to do any of your own trenching at that level?

Mr Quigley—No. We expect to do our own trenching. In fact, some of the first release sites we are trenching today. So, for example, in Willunga in South Australia we are doing almost all of that underground.

Senator WORTLEY—We are very pleased to hear that.

Senator LUDLAM—Indeed. Is it the intention to pull copper out of the ground as you go? I know I have asked you about this before. What will happen to all this legacy copper that is going to be lying around?

Mr Quigley—That will be the choice of Telstra.

Senator Conroy—It is owned by Telstra. It is up to them what they decide to do.

Senator LUDLAM—What they do with it?

Senator Conroy—Yes.

Mr Quigley—My understanding of it, as to, if you like, the salvage value, is: if you are trying to pull single strands, it is not particularly valuable to do that.

Senator LUDLAM—But collectively there are hundreds if not thousands of tonnes of copper underground, and most of it is just going to stay there?

Mr Quigley—Possibly. It may also be that we could use the copper as a lead, if you like, to pull the fibre through, especially in conduits that are going to homes. So we may do that. That is one of the migration scenarios and details that we are working through with Telstra.

Senator LUDLAM—I have two more specific questions and then a couple of general ones. Looking at the indicative maps for the state-by-state rollout of the backhaul and of the network, and at what will be covered by fibre and what will be covered by wireless and satellite infill: I am going to pick two examples in Western Australia, but I guess they will be right across the country. There are two strips—one is through Meekatharra, Cue and Mount Magnet, and the other is through Leonora and Laverton—that are not in the fibre footprint. I guess I can understand that at some point they have just fallen off the end of somebody's spreadsheet and you have decided it is not worth it. If local government authorities, businesses, the state government or some other party were to come to the table looking to make a contribution to get fibre out there while you were rolling it out, would you look favourably on that? And are there any models that you would prefer, or anything on the table at the moment?

Mr Quigley—Yes, we would certainly consider that, and that would be the ideal time. It is one of the reasons we would be publishing the maps and plans early enough—so that people can consider whether they would like to have fibre extended beyond what we would otherwise do. As you would understand, what we did, in calculating the 93 per cent, was to look at the cost curve and where the lines go between wireless and satellite and fibre, and there comes a point when, as you would understand, fibre gets very expensive, per end premises, to connect. So we just try to have that balance of cost. You obviously cannot fibre 100 per cent of the country.

Senator LUDLAM—No, I recognise that. Has anybody come forward anywhere around the country with the sort of arrangement that I am proposing?

Mr Quigley—I know we have had some queries about our willingness to do so, which we have responded to positively, but there has not been any specific engineering going on.

Senator Conroy—The only one that I am aware of who has made a bit of noise is Bruce Scott—Bruce Scott, the mayor of Barcoo, not Bruce Scott MP. The Mayor of Barcoo has been saying publicly that they have some money themselves—the council have set it aside—and they have been talking to the Queensland government about getting a matching contribution. I know they have talked about approaching NBN Co. once they have finalised that arrangement with the Queensland government about building, if you like, a spur on the back of the network. That is one I am aware of. I do not know if it has formally gone to Mr Quigley. It may have been briefly talked about with some other officers of NBN Co. but I know certainly that Mr Scott and Barcoo Shire are publicly discussing that. That is in western Queensland, out past Longreach.

Senator LUDLAM—All right. So I will not ask you to make any direct commitments on this tonight, obviously; but, if you were able to get some sort of contribution to get the

backhaul up to remote mining towns such as the ones that I am talking about, NBN Co. would be interested potentially in doing the fibre to the last mile?

Mr Quigley—Yes, indeed.

Senator LUDLAM—Thanks. That is helpful. Coming back to some more general issues, I can understand that the rollout that has occurred so far has been partly in regional areas and that you are kind of salt and peppering the first release sites; but there was an agreement by incoming Prime Minister Gillard with the Independents and others about front loading a regional rollout first, and I would like to know what that does to your balance sheet and how much of a difference that has made to the work that you are doing at the moment.

Senator Conroy—Firstly, there has been a lot of misinformation—or rather laziness—particularly on the part of analysts who leapt out claiming that this drastically affected cost. It has no impact on the cost. If you look at the first five mainland release sites—Mr Quigley may or may not have gone through them—four out of those five are regional. If you look at Tasmania, that entire build would be defined as regional. If you look at the next 19 sites, of the new 14—bearing in mind that five of the 19 are extensions of the existing ones—eight of those 14 are regional sites. So if you look at the actual build construction of NBN Co., it was never an inward-out build. So, almost universally, the commentary on this has been deeply flawed. People were too lazy to look at where we were actually building. So the impact on Mr Quigley's 'balance sheet', as I think you described it, in terms of cost of build—none.

Senator LUDLAM—What about timing? Have you essentially offered the Independents no more than is already occurring?

Senator Conroy—No, we are saying that people misunderstood that we were in actual fact already building a mix.

Senator LUDLAM—Without going to polemic—and, Mr Quigley, if I invite you to get a word in edgewise—has the agreement that was made with the new government made any material difference to your work at all?

Mr Quigley—Senator Conroy is exactly correct in that we were rolling out uniformly across the country—as we talked about in our volume rollout—even once we get beyond the first and second release sites, which means, per se, we are doing more in rural Australia per head of population. You can see that in the detailed plans. What does it do to our finances? It makes no difference to our finances, because we were planning to do a substantial proportion. But what we have done is accelerate the wireless and our interim satellite solutions. We are moving into a different process to try and accelerate those, to give priority to regional areas. In our latest business plan, which we will be submitting to the government shortly, as we have spoken about, we have taken into account the priority in regional areas. So, as we roll out the transit network and then build what we call 'FAN sites' on those, we have taken account of the direction from government to ensure that we prioritise regional areas.

Senator LUDLAM—Can you tell us what expenditure has been earmarked for the government's public information and education campaign and what kind of form you expect this will take?

Senator Conroy—The government's?

Senator LUDLAM—Yes.

Senator Conroy—So you are asking me?

Senator LUDLAM—There might be two questions there—if the government is intending to do something in parallel with what NBN Co. is undertaking.

Senator Conroy—As you know, we had a government information campaign through June and early July. There may still be some funds left over from that, I am not sure—Mr Harris is shaking his head. At this stage, the government has not made any decisions about further information campaigns. Mr Quigley may have news. I am genuinely unaware.

Mr Quigley—As we tend to roll out in sites, we go and have public meetings, explaining what is going on. We do letter drops and we generally have education programs. We are bit by bit building up the infrastructure to do more of that, because there is a lot of misinformation around the network, through various media. We just have to deal with that.

Senator LUDLAM—Name names.

Mr Quigley—So we get out there and we expect to be doing more of that as we begin to roll out. And we are looking at other things that we can possibly do to be demonstrating to people what this really means—in terms of pieces of equipment and seeing how connections will go and especially explaining to them what there options are—as we actually connect the fibre to it.

Proceedings suspended from 9.00 pm to 9.17 pm

CHAIR—We will reconvene. Senator Ludlam, you are continuing with your questions.

Senator LUDLAM—Yes, but I am actually going to take a break to ask a question from the Twitterverse.

Senator Conroy—Before you go to the Twitterverse, could I supplement the answer to the question you were asking before.

Senator LUDLAM—The public information stuff?

Senator Conroy—The department has, I think, 15 officers around the country.

Senator LUDLAM—This is for the education campaign?

Senator Conroy—I will come to their role in a moment. These are our facilitators—what do we call them?

Mr Harris—Yes, 14.

Senator Conroy—Fourteen in total.

Mr Harris—We have 14 people to do broadband promotions.

Senator Conroy—So we have 14 officers around the country that have been hired in conjunction with local chambers of commerce, local councils and regional development associations. Their job is to organise education at the grassroots about the benefits of the National Broadband Network as it is being rolled into their communities.

Senator LUDLAM—That is a good answer. Where would I find details of who they are and where they are based?

Mr Harris—I do not know the answer to that.

Senator LUDLAM—I do not expect you to have their phone numbers to hand.

Mr Harris—We were in the process of recruiting them prior to the election. I know that the recruitment process did finish. I know we did get some people in place.

Senator Conroy—I met them recently.

Mr Harris—Senator Conroy has met them. We will have to give you an outline of this, Senator, so the better thing to do would be to take the rest of this on notice and give you an outline of where we are at with the actual recruitment.

Senator Conroy—They are based out in regional Australia, all around the rollout.

Senator BIRMINGHAM—Who are they employed by?

Senator Conroy—They are paid for by us but they are working and were hired with local input and consultation and they are locals in the different places where they have been hired. There was consultation with the local councils and the regional development associations.

Senator BIRMINGHAM—They are department funded, not NBN Co. funded?

Senator Conroy—Department funded.

Mr Harris—They are departmental. I should clarify: we were seeking them and, as I said, that happened just before the election so I need to be sure about the actual numbers that we got out of that process.

Senator Conroy—Yes, that have been actually hired.

Mr Harris—We will be able to take on notice for you where they are and, if they are not employed, when we intend to employ them and that sort of thing. We have a program to do this.

Senator LUDLAM—You will table some info for us when you can, just so that we know who they are and where they are?

Mr Harris—Yes.

Senator Conroy—It is just that it is still a work in progress. For completeness of answer, I should say they will be running local meetings, coordinating with NBN Co. at various times for the information, putting on roadshows—that type of thing.

Senator LUDLAM—That is fine, and I think that is appropriate. A question I have been sent from Twitter, which I would not have thought to ask, says:

If you have a chance, ask Mr Quigley why they dropped the ADSL2 emulation ports from the ONT plans, please.

I have just reminded myself that ONT means ‘optical network terminal’. Do you have an idea of why this person would be asking you that?

Mr Quigley—Yes, I know exactly why they are asking the question. It is a concept that I raised some time ago with our engineering folks about possibly adding an ADSL emulation port on the NTU or ONT so that somebody who has a DSL service can unplug the DSL line, plug into our ONT and keep their DSL modem and continue that way. It sounded like a

possibility, which is why I asked to explore it. In fact, we put the proposition to some of the vendors, to cost it. We also put the proposition to the retail service providers in our deep dive. We found that uniformly there was no interest from the retail service providers. They believed they could solve that problem more effectively using residential gateways and hanging on to existing DSL modems. What we also found was that it was quite an expensive proposition to put that functionality into optical network termination and it was not being used anywhere else in the world. It would be a special one-off for this application.

Senator LUDLAM—Does that mean that if you have opted into the service or you have been plugged in one way or another and you have an ADSL2 modem you will not be able to use that?

Mr Quigley—You potentially can use the ADSL2 modem. The reason I am a little cautious here is that there are a huge variety of different modem types and a huge variety of residential gateways. Some residential gateways and DSL modems are combined, so we cannot give a definitive answer. What we can say is that most retail service providers are much more comfortable with providing a residential gateway—which is very cheap to do these days; they are very, very cheap to buy—because there are ongoing improvements in wifi capability as new standards come out. They want to take that opportunity to come in and provide a retail service and put that residential gateway wifi modem capability in at the same time.

Senator LUDLAM—Thank you for indulging my *Q&A* moment.

Senator COLBECK—In the circumstance where you translate a property from copper to fibre, which is the objective as stated, what happens to the DSL services that are currently being provided on the copper service? Does the current broadband service translate to the NBN?

Mr Quigley—Yes, but it is partitioned slightly differently. A DSL modem is what is called a layer 3 device, so the residential gateway is the layer 3 device. We are providing just ethernet. So the end user sees no difference except that they are getting a much faster broadband service.

Senator COLBECK—So, effectively, what you are doing is taking out the DSL service and replacing it with an NBN based service.

Mr Quigley—At what is called layer 3 and layer 4, the TCP/IP layer, it is identical. So at the end devices, which use these upper level protocols, IP and TCP, it looks identical. It is just the way in which the underlying layers are delivered.

Senator COLBECK—So that whole process is part of the negotiations you are currently having with Telstra. It is a transfer of hardware.

Mr Quigley—Yes. We are upgrading the ageing copper network now and replacing it with fibre.

Senator Conroy—It is a bit like closing down CDMA and moving to the new version.

Senator COLBECK—I understand exactly what you are saying to me. I just wanted to clarify that you are effectively transferring everything off one network and onto the new technology.

Mr Quigley—That is right. There are a variety of different services.

Senator COLBECK—I will come back to my questions in detail later. Thank you.

Senator Conroy—It is really straightforward.

Senator LUDLAM—I just want to ask about wireless and a couple of issues that arise from the implementation study. The implementation study recommended that the wireless component of the NBN would be built by the private sector. I think you have made a decision that NBN Co. will build that. Can you tell us, first of all, if that is a correct description of what is going on, whether that will make a difference in cost or performance and why that call has been made.

Senator Conroy—Could you just repeat that question.

Senator LUDLAM—The wireless component of the NBN will be built by NBN Co. rather than the private sector, which I think was what—

Senator Conroy—The government has just made that decision.

Senator LUDLAM—The government rather than Mr Quigley; all right. The implementation study recommended that the private sector put that together. Minister, why has that call been made?

Senator Conroy—We believed ultimately we would get a better configuration structure integration by having NBN Co. build it.

Senator LUDLAM—That is kind of bland.

Senator Conroy—Mr Quigley might want to—

Mr Quigley—We are trying to provide the same services to the entire population and make it easy for retail service providers to get to them with the same processes, the same interfaces and the same everything for them. The boundaries between fibre and wireless and between wireless and satellite are not well defined until you get on the ground and do the local design engineering. So even making a call about where those boundaries lie is very difficult to do upfront. Then once you do that you are potentially offering different types of services, so you will have discontinuities between the fibre service, the wireless service and the satellite service.

Senator LUDLAM—Okay; it is easier to just keep the whole lot in-house.

Mr Quigley—Yes.

Senator LUDLAM—Is that likely to make any difference to the economic assumptions that fell out of the McKinsey study?

Mr Quigley—No, I do not think so.

Senator Conroy—NBN has its own assumptions, which will be available shortly. The McKinsey study was advice to government and after listening to a range of advice from a range of people we made the call that we made. The information largely available from Mr Quigley's business case will be out there.

Mr Quigley—Senator Ludlam, there is another piece of information that is very important. It once again comes to the difference between a fixed wireless network and a mobile network.

They are like chalk and cheese; they are engineered totally differently. We are only using spectrum in the wireless network for the last access piece. Everything else about the service looks like a fixed-line service, so to think you can just piggyback on a mobile service and provide an equivalent service is a false assumption.

Senator BIRMINGHAM—Did your board discuss this issue prior to the government making its decision?

Mr Quigley—Yes, of course. I take to the board all of these various options, considerations and technical details, and they are discussed, as you would expect.

Senator BIRMINGHAM—The minister says it was the government's decision—I am trying to ascertain whether it was the government's decision based on a recommendation then of—

Senator Conroy—We took advice from a range of people, starting with McKinsey and obviously including NBN and the department, and the government formed a judgment that this was the best path to proceed with.

Senator BIRMINGHAM—Did McKinsey, in the development of their implementation study, canvas where they were going on this matter with you, Mr Quigley?

Mr Quigley—As I said here before, we worked quite closely with the implementation study people as we went through a whole range of issues. We shared a lot of information during that process, as you would expect us to. It was a very productive and useful process.

Senator BIRMINGHAM—Certainly, and, in regard to this particular issue, do you recall McKinsey and yourselves supporting—obviously you appear to firmly support it—the government's decision that it should remain integrated as part of NBN Co.?

Mr Quigley—I think both the McKinsey team and the team inside NBN Co. understand that we form views, we put those to government and the government makes decisions based on those in an informed way. It does not mean that our views are always going to be identical; I think nobody in either team would expect that. We come at it sometimes from different angles, we put our view in front of the government and we expect the government to make decisions. Both NBN Co. and, I think, McKinsey and KPMG understand that process.

Senator BIRMINGHAM—Let me put this relatively bluntly—you put your view in front of McKinsey and they rejected it and came to a different conclusion, but you put your view to the government—

Mr Quigley—No, it simply did not work that way.

Senator BIRMINGHAM—Did you have frank discussions about this aspect of McKinsey's recommendations when they were developing their implementation strategy?

Mr Quigley—Of course. We had some robust debates about different subjects, which was a very healthy and useful thing to do.

Senator LUDLAM—This question is either for Mr Quigley or Minister Conroy. The ACCC recently downgraded the valuation of Telstra's copper network from \$23 billion to something more like \$7½ billion and at the same time reduced the wholesale price that Telstra is allowed to charge from \$26 to \$20. What implications does this have for (a) your business

model, Mr Quigley, and (b) the Telstra-government deal and the heads of agreement involved in the—

Senator Conroy—This is a draft. That is the first point to make. It is a draft recommendation. So, ultimately, it may not be their final recommendation. Certainly different companies in the sector have different perspectives. Telstra obviously have a strong view. Other companies have equally as strong views but perhaps in a different direction. The ACCC have made its draft available for public comment, and I am not going to canvass the government's view publicly. We will consider the position and look at what the final determination is.

Senator LUDLAM—Have you got McKinsey or anybody else working on a revamp of the document on the implementation study in light of that draft decision but also in light of the proposed heads of agreement itself or the proposed deal itself which came about after you received the implementation study—which I would have thought substantially alters the economics of the project?

Senator Conroy—The answer is no, we do not have McKinsey reworking anything on the basis of the draft determination.

Senator LUDLAM—Okay. So we are still working solely on the basis of the implementation study despite a lot of quite important events that have—

Senator Conroy—When you say 'acting on', they are recommendations and advice to government. We also receive advice from the NBN. We are also aware of the NBN's view of the determination. We are not acting solely on the implementation study.

Senator LUDLAM—There is a lot more we could go into, but I might have to leave it there.

Senator TROETH—Minister, the government has stated that it intends to eventually privatise the NBN Co. Is this still the government's intention?

Senator Conroy—It is the government's policy.

Senator TROETH—So how many years after the completion of the NBN Co rollout is it envisaged that privatisation would take place?

Senator Conroy—What we announced at the time, which continues to be our position, is that we would look to privatise it around five years, but without wanting to set a definitive, 'It will be this day of this year.' You could, for instance, have a global financial crisis. To sell an asset in the middle of the biggest downturn, on behalf of taxpayers, would be a dereliction of duty. So there is a degree of flexibility, but the notional figure we use is around five years.

Senator BIRMINGHAM—After the completion?

Senator Conroy—After the completion of the build.

Senator TROETH—Which is expected to take eight years? Is that correct?

Senator Conroy—Yes.

Senator TROETH—So another 13 years approximately after that?

Senator Conroy—Yes; 2023 is, I think, a rough time to aim for.

Senator COLBECK—So you hope to—

Senator Conroy—I am planning on still being here, yes.

Senator TROETH—I know I will not be.

Senator Conroy—Collingwood will be into its 15th consecutive premiership by then and I may be considering retiring.

Senator TROETH—Does the government agree with the recommendations of the implementation study with regard to the eventual privatisation, such as those proposed limits on shareholdings by telecommunications retailers?

Senator Conroy—We have always argued strongly that there should be a limitation. We have said from day one that there should not be a capacity for an existing retail service provider to gain control of NBN Co. We are still considering where we fall on the final caps, but we intend to ensure that this remains a wholesale-only company and cannot be controlled by a retailer either now or in the future.

Senator TROETH—So that is one recommendation that you do agree with?

Senator Conroy—I am saying that we have not made a final decision on the level of the cap but, in general, I think it is fair to say that that is a reasonable proposition.

Senator BIRMINGHAM—Senator Troeth, could I jump back to the previous question on one point?

Senator TROETH—Yes.

Senator BIRMINGHAM—The government's caveat is accepted. The government's time line for its expectation of pursuing privatisation is not altered at all by the changed policy of the government as a result of the deal with the Independents?

Senator Conroy—No. As I keep saying, it makes no difference. The same number of places have still got to be built to. This idea suddenly that it was a blow-out—

Senator BIRMINGHAM—I do understand that it goes—

Senator Conroy—You were not looking after this area. I genuinely repeat: the laziness of the analysis has been stunning.

Senator BIRMINGHAM—It does change the economics of your start-up, but, if it does not change your long term on privatisation, that was the only question.

Senator TROETH—Minister, the government has repeatedly justified the NBN on the basis of its large contribution to economic productivity. I would of course assume that there is a list of peer reviewed economic literature that backs up these claims?

Senator Conroy—There are a whole range of studies across the globe that have highlighted the benefits of broadband. There are a couple of just microeconomic reports that my own department have released recently. I could point you to an Access Economics-IBM fibre-to-the-node study last year, and I understand that the OECD is about to produce a major piece of work on this. Right across the world there are studies that go to and show the overall benefits of broadband towards productivity.

Senator TROETH—I am sure the committee would be grateful if you could provide us with—

Senator Conroy—We could pull together a list.

Senator TROETH—a comprehensive list, thank you.

Senator Conroy—But, importantly, due out very, very shortly is a major OECD study on it.

Senator TROETH—Is there any peer reviewed economic literature which shows any quantifiable economic benefits from an increase in broadband speeds from the ADSL2+ speeds currently available to most Australian businesses?

Senator Conroy—I am not sure anyone has done it on the scale we have, so I am not sure you could actually point to anything, but, to give you an example, Access Economics—and this was the study I referred to—estimates that the adoption of smart technologies in energy, water, health and transport and the rollout of high-speed broadband could add 70,000 jobs to the Australian economy and add 1.5 per cent to Australia's GDP within a few years. The OECD states that the effective use of high-speed broadband can provide significant improvements in productivity and efficiency across a number of sectors such as energy, health, education and transport. As I said, I am happy to get you more detail, but they are just a couple of quick quotes.

Senator TROETH—That would be helpful to the committee, given that obviously we will be doing some ongoing work on this, I would think. Was the Access Economics study one of the ones you mentioned?

Senator Conroy—Yes, Access Economics did a fibre-to-the-node study with IBM last year, which was not the sorts of speeds we are talking about as fibre to the home. Recently we commissioned Access Economics to look at a couple of different sectors. They estimated the value of a 10 per cent increase in Australian employees that telework 50 per cent of the time at between \$1.4 billion and \$1.9 billion per annum. Other benefits included decreased fuel consumption, less congestion and savings on infrastructure. A trial by National ICT's Australian water information networks project found that smart water infrastructure reduced water use by 26 per cent. As I said, I am happy to get you a whole range of these papers.

Senator TROETH—Okay, that would be useful. I gather that the Access work is based on the difference between universal use of dial-up and universal access to 12 megabits per second.

Senator Conroy—I did say it was fibre to the node, yes.

Senator TROETH—So that is what was studied. But most Australians already have access to broadband, so aren't the vast majority—

Senator Conroy—It depends on what you are defining as broadband. It is again one of Mr Turnbull's tragic silver spoon approaches from living in Point Piper or Potts Point, whichever one of those North Shore or eastern suburbs it is, that—

Senator BIRMINGHAM—Senator Conroy, you told—

Senator Conroy—when he says that all Australians in metropolitan Australia have broadband, it is just wrong. One point two million—and this is from your own policy document, because it is taken from the implementation studies—

Senator BIRMINGHAM—I think, if you heard Senator Troeth, she said ‘most Australians’.

Senator TROETH—I said ‘most Australians’.

Senator Conroy—Most Australians do not have access. That is false.

Senator BIRMINGHAM—You told me that more than 60 per cent of premises have fixed line broadband services.

Senator Conroy—It depends on your definition of broadband.

Senator BIRMINGHAM—Well, those were your words—

Senator Conroy—If you have a fixed line connection you can still use it as dial-up. You can get one meg and say, ‘I’ve got broadband.’

Senator BIRMINGHAM—Rather than you and I having an argument, how about we leave it to Senator Troeth to finish her question?

Senator Conroy—But, if you are actually talking about real broadband, most Australians do not have access to real broadband. That is why you lost seats in some places and got swings against you all across Tasmania.

Senator TROETH—Leaving that aside—

Senator IAN MACDONALD—You’re talking about Queensland, are you?

ACTING CHAIR (Senator McEwen)—Senators, minister: Senator Troeth has the call. Senator Macdonald!

Senator Conroy—Enough to form government!

Senator TROETH—Leaving that aside, including your personal abuse of Mr Turnbull, to which I take great exception, isn’t it true that most Australians already have access to broadband—

Senator Conroy—Define broadband.

Senator TROETH—Broadly defined.

Senator Conroy—As what?

Senator TROETH—Aren’t the vast majority of these productivity gains already available?

Senator Conroy—Sixty per cent have access to a fixed line and took a broadband service. Now I am asking you to define what you mean by ‘have broadband’.

Senator COLBECK—What do you define as broadband services—

Senator Conroy—I do not define it as 256k or 512 or even one meg download only.

Senator COLBECK—Are you suggesting that everyone who is selling it as broadband is misleading the market?

Senator Conroy—No, there is no internationally agreed definition of broadband.

Senator COLBECK—Do not change the definition to suit you answer. It is just wasting our time again.

Senator Conroy—I am saying to you that the sorts of services we are going to provide are real broadband.

Senator COLBECK—Whoever is chairing the committee should bring the minister to heel.

ACTING CHAIR—I think I need to bring you to order, Senate Colbeck. Minister, have you finished?

Senator Conroy—No, I was asked a question and I am asking the senator to clarify the premise. I disagree with the premise of her statement.

Senator TROETH—In that case, we will have to disagree. I will move on to the next question.

ACTING CHAIR—Thank you, Senator Troeth.

Senator TROETH—What proportion of the bandwidth that will be available to the 93 per cent of Australians in the fibre footprint does the department's modelling suggest will be used for entertainment?

Senator Conroy—We do not have any modelling at all. We have never modelled entertainment.

Senator TROETH—So you do not know what percentage will be used on television, gaming, video on demand and so on?

Senator Conroy—We are not planning on telling people what they can use their broadband network for.

Senator TROETH—You present it to them and they can use it as they like?

Senator Conroy—They can use it as they like.

Senator TROETH—You have not done any calculations as to what this will be?

Senator Conroy—We are not going to tell them what they can use their broadband network for.

Senator TROETH—So therefore you will not be able to tell me what percentage of the bandwidth will be used for directly productive purposes like health, education or work related usage?

Senator Conroy—Is the entertainment industry not a directly productive part of the economy?

Senator Birmingham interjecting—

Senator Conroy—I am just borrowing her exact words.

Senator BIRMINGHAM—You keep telling us you are not building this thing just so people can download movies.

Senator Conroy—The truth is at the moment most people cannot access health services, education services et cetera because the infrastructure is not good enough.

Senator BIRMINGHAM—You are not able to give Senator Troeth an answer as to what extent you expect the productivity benefits from accessing such services to be?

Senator Conroy—I said there are a whole range of studies which we will happily supply. There is a major OECD one due very shortly about the trans-sector benefits, meaning health, education, aged care, veterans care, smart grids, sustainable energy policy—I could go on and on. There are a whole range of areas like that. Eighty per cent of the R&D in a car nowadays is in the IT.

Senator BIRMINGHAM—You are not rolling cable out to cars, though.

Senator Conroy—The point I am making is that it is about the definition of ‘productive’, which is again a premise that—

Senator TROETH—I would say it measurably adds to economic productivity.

Senator Conroy—As I said, we are happy to provide those studies to you.

Senator TROETH—For instance, can you describe an application that directly and measurably adds to economic productivity which would not be deliverable over the current networks available in Australian cities but would be deliverable through the NBN?

Senator Conroy—Teleworking. To give you one very simple example, and I have already quoted a statistic about the value to the economy and my department has done the modelling with Access Economics on that: e-health—virtual consultations; monitoring in the home. Let me be really clear about this: you cannot monitor somebody 24/7, every second, on an existing fixed wireless network or on some of the copper that we have in the ground. Broadband is required to guarantee the security of the service—meaning it does not go, ‘Blip, woops, what happened in that five minutes when it was turned off?’

Senator BIRMINGHAM—What is the minimum speed you need for that?

Senator Conroy—High-definition videoconferencing for consultations is an engineering joke. If you are Italian, probably six meg up; if you are English, possibly only four meg. So you take an average, if you like, of five up. Mr Turnbull keeps making the argument about broadband, which is why I had the argument with you about the definition of broadband, but it is not just about download speed; it is about capacity, meaning up as well. The A in ADSL is ‘asymmetric’, meaning it is really good for coming down but not that great at going up. You need the symmetry for the new services that are already available around the rest of the world and are coming now. I know you understand this already, but that is why I am having the argument with you about broadband. It is not just about a download speed, and that is why it is so important to put this infrastructure in the ground. It is about the capacity of the network.

Senator BIRMINGHAM—What is the speed in the in-home monitoring example you used?

Senator Conroy—It depends on what type of in-home monitoring you use. I do not know if you saw our launch; you probably were genuinely busy during the election campaign. At the NBN in Tasmania we launched an in-home monitoring nursing application. It was a unit

that connected onto the national broadband network and provided all sorts of interactivity for an 82-year-old lady whom we talked to direct on the videoconference link. It did a whole range of things. We are happy to get you a briefing on it, happy to get the company that produces it to sit down and take you through it. That is the sort of thing that can only be done on a fibre network. It cannot be done on the copper. You can try it on the copper, but it just does not quite work—and it certainly does not work on the wireless. This is not an exaggeration.

Senator BIRMINGHAM—You can certainly table some information for the committee, and if I need a briefing I will let you know.

Senator TROETH—We will look at it. There has been much discussion about the digital divide in Australia. Given that the NBN involves seven per cent of Australians being served by networks that deliver 12 megabits per second rather than 100 megabits per second, is it fair to suggest that access to 12 megabits per second is sufficient as a basic level of service?

Senator Conroy—There will be some services that may not be possible to do on a satellite service versus a fixed wireless service or a fibre. I am happy for Mr Quigley to take you through the technical constraints of satellite versus fixed wireless versus fibre, but, if suddenly your argument is, ‘We only wanted to do about 50 per cent of the population and you are only doing 93 instead of 100; therefore, you should not do it’, it is an interesting quirk on the argument but it is not going to stop us proceeding. But if you actually genuinely are interested in the capacity constraints, Mr Quigley will I am sure want to take you through dimensioning, satellites and distance.

Mr Quigley—The fundamental issue, of course, is that the bandwidth available on fibre is almost unlimited; the bandwidth available for both satellite and wireless is quite limited because you have a certain bandwidth of spectrum that you can use and you have to fit so many bits per hertz into that spectrum. So fundamentally wireless is limited. The only way you can get over that is to make cell sites smaller and smaller, until really—each one of those you fibre feed these days—you end up with the same type of network for those speeds. So you just cannot get over the laws of physics for what you can do with wireless and satellite. As we know, the cost curve of deploying fibre as you reach further and further out to the last few per cent of people becomes very, very high. That is why you really have to provide the satellite and wireless services. But, if I can reiterate, the way in which we are dimensioning the satellite service and the wireless service is very different from today’s mobile networks and today’s satellite networks. We are dimensioning for much greater capacities so that people in the last seven per cent will really get a service that is at least as good, if not better, than ADSL2+ today. Remember when we talked about ADSL2+ being 24 megabits? That is really at the very centre. It is not very far out until you are down below 12 megabits per second. There is a big chunk of people on the copper network who will never get 12 megabits per second on DSL.

Senator TROETH—Thank you.

Senator WORTLEY—In the past you answered one of my questions, but I will go over that anyway so that we can get it clarified. According to the ABS, regional Australians

represent approximately 32 per cent of the population, so obviously they will not all be receiving satellite or wireless services. What percentage of them will?

Mr Quigley—Fibre will be to 93 per cent of premises, so it will only be the remaining seven per cent which will get either wireless or satellite. Of those 32 per cent in rural areas, the vast majority will have a fibre service.

Senator WORTLEY—We have already established that many of the fibre sites from which the NBN will fan out are in regional areas, but what about those remote Australians who will receive wireless and satellite? Given that there are no first-release sites today for wireless and satellite, what does this mean for them receiving it? Does that mean that they are going to receive it much later than the rest of us?

Mr Quigley—One of the things we are doing now as a result of the prioritisation of regional Australia is trying to accelerate the process of providing what we are calling a wireless solution for that four per cent and then an interim satellite solution using existing capacity that is there. We are working within NBN Co. just as hard and fast as we possibly can to provide those two services—the wireless service and the interim satellite service—as soon as we can get them up and working. As part of the overall corporate plan that we provide to the government we will have all of the timings and the details of those services.

Senator WORTLEY—I am not sure if you have covered this. For the Ka band satellite services, what average speed improvements will people receive from those typically available to residential users today?

Mr Quigley—We are talking there about probably something like between 10 and 20 times better than what they have got today, certainly in terms of throughputs, because it is not just about speeds, it is also about the throughputs, the download capacities, which you can get. So there will be a big jump, even on the interim satellite service, for those people who are taking that satellite service.

Senator WORTLEY—On the issue of home wiring, can you explain what is required in home wiring for customers to receive the benefits of the National Broadband Network?

Mr Quigley—They need to do almost nothing. As we talked about before, you do not need to rewire the house. I know there has been a lot of speculation in various pieces in the press, on some of which we have tried to give them the reality, but they are just, frankly, not interested in hearing it. Today many homes have Wi-Fi, for example, so they do not need to do any wiring. Even the people who have got a copper pay service they reticulate around their home can stick with that.

What we did in Tasmania, and we are likely to do that in the rollout, is that when we came in to provide that into the home we asked the end user where they would like it placed. So we put it where they would like it placed and in most cases they just plugged straight into their PC or straight into their residential gateway and the service is up and running. It runs like it did before, except faster and better; it has greater capacities and faster speeds. If they wanted to reticulate their home for video, for example, that is a different proposition. They can choose to do that even if they wanted to use some other technology today.

Senator WORTLEY—How does the service differ from that of, say, Foxtel?

Mr Quigley—In Foxtel, what is provided there is a suite of channels from which people pick off certain channels which are running at a certain time. It is over a coaxial cable, and the coaxial cable is a shared medium—in other words, the channels are going to every home down the street that is taking the service and you pick off those channels. Fibre is different: you have got an individual fibre to every home, so you can stream services personalised—it does not just have to be that particular channel. You can take educational material or any material from anywhere in the world that you can get over the web. There will also be video services, some entertainment services, some educational channels, a line-up which we know after talking to a wholesale IPTV provider, and that will be provided over the fibre infrastructure much better than you can provide it over copper today. So it will be, if you like, an enhanced type of video services.

Senator Conroy—If I could just add that the Foxtel comparison is relevant here, Senator Wortley, because when Foxtel deliver you a service they deliver it to one point, then they say to you: ‘If you’d like to get the equivalent service in another room, it’ll cost you \$15 a month. We’ll happily put another connection into another room for you and we’ll charge you another fee for running it in another room.’ That is a standard, normal business proposition if you want to take your Foxtel service from one room and have an equivalent service in another room.

CHAIR—Senator Wortley, Senator McEwen has a follow-up question.

Senator McEWEN—Just on the same issue, there are claims made that fibre technology does not have a life long enough to guarantee a return on investment. Can you make some comment about that, Mr Quigley?

Mr Quigley—Yes, I have heard those. I have had the same debates with some of the media, who simply, as I said before, are not particularly interested in the facts on this issue. It astonishes me, to be honest, given that we are seeing huge increases worldwide in fibre deployments. Companies such as AT&T, Verizon and DT, all throughout Asia, are all deploying fibre. We speak to the manufacturers of fibre. They simply do not know how long the fibre will last because they can see no mechanism by which it would degrade—unlike copper, which is metal and which is carrying current. There is a natural tendency, then, to get levels of corrosion. This is glass. It is inherently stable. It is strengthened. Clearly if somebody puts a spade through it, as through a piece of copper, they will break it. But there is no inherent reason why this fibre should degrade over time. It is very, very stable. So there have been lots of reports about a 12-year life. I do not know where this data is coming from, but it certainly is not supported by the evidence we see overseas and not supported by any of the people who should know, who are the fibre manufacturers.

Senator BIRMINGHAM—So you cannot put a lifespan on it at all?

Mr Quigley—I could not, frankly. I cannot put a lifespan on it. Some of the copper network, by the way, has been in the ground for 50 to 60 years and is still providing service. It is getting more and more expensive to maintain. It is very difficult to put a lifespan on it. It would be at least 30 years.

Senator COLBECK—I recall a statement by Minister Conroy about a life of 40 years for the system, for the investment.

Senator Conroy—I took the midpoint between a 30- and 50-year lifespan of fibre.

Senator COLBECK—So it is just something that you have extrapolated on, effectively.

Senator Conroy—No. You listened to the evidence that Mr Quigley has just given you—and he does know a bit about this. It is 30 years upwards. Most of the other experts who have commented—Mr Quigley may have been being modest—talk about 30 and 50 years. But if you take the midpoint out you say, ‘Okay, it is a 40-year lifespan.’

Mr Quigley—And commercial telcos are investing billions around the world.

Senator COLBECK—I understand the point. It is about the depreciation life.

Senator BARNETT—My questions relate to the rollout of the NBN in Tasmania and they relate to, if possible, Mr Quigley. I will ask specific questions as best I can. Obviously, if the minister jumps in that will be noted. But I think it relates to you, Mr Quigley, and you can answer the questions. I go, firstly, to your opening statement. You talked about the stage 1 orders that have been received—561 services et cetera. Can I assume that is Smithton, Scottsdale and Midway Point?

Mr Quigley—You can, yes.

Senator BARNETT—What is the total population of those three towns?

Mr Quigley—Off the top of my head I do not know what the populations are in those three towns.

Senator BARNETT—It is in the order of 3,500, 2,000 and 2,500, so a bit less than 10,000 in total. Does that sound about right to you?

Senator Conroy—This is homes rather than populations. We put fibre to homes, not fibre to people.

Senator BARNETT—Okay, in terms of homes. So does 3,500, 2,000 and 2,500 sound about right to you, Mr Quigley?

Mr Quigley—It could well be.

Senator BARNETT—So far you have about a 50 per cent connection rate, just clarifying, because that has been on the public record. Is that your understanding?

Mr Quigley—Yes.

Senator BARNETT—And is the connection rate to the property, the actual building or the edge of the property on the street?

Mr Quigley—To the building.

Senator BARNETT—Based on this opening statement you have received 561 services to be delivered to 436 premises, and 262 premises are now active. Is that as at today?

Mr Quigley—That is probably the end of September, I believe. I cannot say what the numbers are as of today. I did not check.

Senator BARNETT—You have made this statement today that 262 premises are now active. That is what it says.

Mr Quigley—Yes, which means it could be somewhat more than that, as the connection continues to grow day by day.

Senator BARNETT—Of course. So let us say it is 30 September. You think that might be the date.

Mr Quigley—I think that is probably the date it was on.

Senator BARNETT—So to the best of your knowledge it was 30 September. So 262 premises are active. So that means those premises have actually signed up and have an active service that is operating.

Mr Quigley—That is correct.

Senator BARNETT—What is the percentage sign-up rate at the moment? The connection rate is 50 per cent. What is the sign-up rate? Based on my calculation, 262 out of about 8,000 to 10,000 is between four and six per cent.

Senator Conroy—You are still using a population number, not a house number.

Senator BARNETT—No, I was using a household number.

Senator Conroy—I thought you said it was population. When you read out—

Senator BARNETT—Let us assume the 3,500, 2,000 and 2,500 are household numbers. I am happy to take a lower figure if you have one. But you must know how many households you have connected.

Senator Conroy—Will you be inventing the \$700 million figure in this line of questioning?

Senator BARNETT—No, we will come to that.

Senator Conroy—I just want to know if you are going to repeat your own invention. It is beautiful the way it works. You made up a number and got a few mates to repeat it often.

Senator BARNETT—Mr Quigley, what is your sign-up rate today?

Mr Quigley—We do not have a sign-up rate. It is up to the retail service providers.

Senator BARNETT—Do you know the sign-up rate?

Mr Quigley—We know the connection rate. Frankly, in the pre-release, as I have said before, in Tasmania we are not trying to extrapolate anything for the national rollout. This was a trial we were doing to learn various things about operational practices.

Senator Conroy—Let me give you a practical comparison, because I already know where you are going. The implementation study, if you go to it and have a look in it, found a positive business case based upon an assumed annual take-up rate of only between six and 12 per cent. I am not sure—

Senator BARNETT—And this is around four to six per cent, the way I read those figures.

Senator Conroy—No, I actually think it is higher than that if you look at the 500 who have ordered. If you go to the ones who actually ordered to come and connect, you will find that is at least in the middle of the six to 12 per cent, if not at the top end of the six to 12 per cent.

Senator BARNETT—Could you take that on notice?

Senator Conroy—Let me finish. That is an annual figure. What the implementation study says quite clearly is an assumed take-up of only six to 12 per cent and what we have already got in four months is virtually higher than that—and that is in four months, not 12 months.

Senator BARNETT—So in 12 months what would you expect?

Senator Conroy—What I am saying to you is that the implementation study found a positive business case—

Senator BARNETT—Thank you, Minister.

Senator Conroy—of a take-up of only six to 12 per cent.

Senator Colbeck interjecting—

Senator Conroy—No, you have gone for the 250. Go for the 500. It doubles it.

Senator COLBECK—There are 5,000 households in the regions. I am just giving you the answer.

Senator Conroy—But in the regions does not necessarily—

Senator COLBECK—In those three locations there are 5,000 households.

Senator Conroy—And we have got 500 requests to provide services.

CHAIR—Can we just get a bit of order here. Senator Barnett has the call.

Senator Conroy—Senator Colbeck and I are in agreement at this point with orders being 10 per cent, which is near the top end of the six to 12 per cent. That is only in four months as opposed to 12 months. If you then want to do what you have continued to tragically do, which is to—

Senator BARNETT—Please, Minister, I am happy to have a debate, but not here. I just want to ask some questions, Chair.

Senator Conroy—You have done it. You claimed the bill costs \$700 million.

Senator BARNETT—Chair—

CHAIR—Just hold on a second. Let the minister finish and then you will get the call.

Senator Conroy—He has made the claim consistently in Tasmania.

Senator BARNETT—He is not answering a question. I have not asked a question, Chair. He keeps telling me things.

Senator Conroy—The good news is you are getting some extra information.

CHAIR—Senator Conroy—

Senator IAN MACDONALD—When he does not know the answer he just keeps talking.

Senator Conroy—I already know the question.

Senator BARNETT—Can you please call him to order.

CHAIR—Senator Conroy, can you please desist from continuing to engage with every senator here. Senator Barnett has got a question. I would like that question to be answered.

Senator BARNETT—Mr Quigley, if I could ask you—

Senator Conroy—All questions go through the minister.

Senator BARNETT—Mr Quigley has made an opening statement. I am asking Mr Quigley a question.

Senator CONROY—All questions go through the minister unless the minister chooses to throw them. They are just the rules.

CHAIR—That is right. So, Senator Barnett, if you have a question, let us move on.

Senator BARNETT—Mr Quigley, how many people have connected to the NBN in Tasmania?

Senator Conroy—I think he stated that in the opening statement.

Senator BARNETT—No, that was how many signed up. I want to know how many are connected.

Senator Conroy—He said that as well.

Senator BARNETT—You said there was a 50 per cent connection rate. How many is 50 per cent, Mr Quigley?

Senator BIRMINGHAM—Minister, could you just let him answer the question?

Mr Quigley—I am not sure I understand the question.

Senator BARNETT—You have advised the committee that there is a 50 per cent connection rate. How many have connected?

Mr Quigley—No, I said there was a roughly 50 per cent consent rate. I can give you the exact numbers by each of the towns—

Senator BARNETT—Please, Mr Quigley.

Mr Quigley—There is 46 per cent in Midway Point, 62 per cent in Scottsdale and 48 per cent in Smithton.

Senator BARNETT—All right. Can you give us the numbers behind the percentages please?

Mr Quigley—No, I cannot. They are consents. They are the percentages of the premises in which we have offered to them a connection of a fibre and the percentages that have consented to have that fibre connected.

Senator BARNETT—Can I put something to you; I am happy for you to take it on notice. Could you please give us the figures behind the percentages, on notice. You do not have it with you; please put it on notice. Is that okay?

Mr Quigley—Yes. Are you talking about the numbers of premises in each—

Senator BARNETT—Yes. You have said ‘consent’ with regard to the connection rate. You have given us different percentages for the three different towns. I want the numbers behind the percentages.

Mr Quigley—Do you want the figures at today's date, when we talk about these, because it changes day to day?

Senator BARNETT—Yes, the latest date, on notice. Thank you. Can you then please, on notice, give us the sign-up rate in percentages and in numbers at the latest date?

Mr Quigley—Sign up to what?

Senator BARNETT—To the NBN.

Mr Quigley—For what?

Senator Conroy—Do you mean to take a live service?

Senator BARNETT—To take a retail service.

Mr Quigley—Are you talking about orders or services being activated?

Senator BARNETT—Both. Can you please take that on notice.

Mr Quigley—Yes, we can take that on notice.

Senator BARNETT—Thank you, Mr Quigley. What is the cost of the roll-out to the NBN Co. Tasmania? What is the cost of the roll-out to date?

Senator Conroy—As opposed to the \$700 million you—

Senator BARNETT—No, I have asked: what is the cost of the roll-out in Tasmania to date?

Mr Quigley—What I have to do to answer that question properly is to split it into different parts: there is a backbone part that will be used for a much wider area and then there is the access part. So I will give you these two splits, if you like. I think that is where you are trying to get to.

Senator Conroy—No; he would actually like to add them up and then distort the figure completely, as he has been doing.

Senator BARNETT—Mr Quigley, I am happy for you to break it down. I would like a total figure. If you would like to break it down I am more than happy. Can you please give us the figures.

Mr Quigley—We can do that. I will have to take that one on notice.

Senator BARNETT—What is the budgeted cost to complete the roll-out of the NBN in Tasmania?

Senator Conroy—There has been no published figure. You fantasized a \$700 million figure and put it around but it has never been a figure put forward by the National Broadband Network.

Senator BARNETT—What is the figure, Minister?

Senator Conroy—There is a range of negotiations still going on and there is no final figure.

Senator COLBECK—So how do the negotiations relate to your budget?

Senator Conroy—There is a national build figure but on an individual contract you can get a higher or lower price.

Senator COLBECK—That is nothing to do with the budget, Senator. You have already said that the project so far has come in under budget and you have a build figure for a certain proportion of it. Mr Quigley is going to give us those figures.

Senator Conroy—You have not tendered for—

CHAIR—Just before you do this—

Senator COLBECK—I am not saying that, and you are deliberately misinterpreting the question.

CHAIR—Just before we go on, can I ask you not to enter into an argument.

Senator COLBECK—I am not entering into an argument. I am simply asking—

CHAIR—You did. You enter into an argument with the minister then complain when you get argument coming back.

Senator BIRMINGHAM—It would be helpful if the minister let the witness answer the questions.

CHAIR—You will get the call next. Let Senator Barnett finish his questioning and then we will move to you straight after that.

Senator BARNETT—Mr Quigley, in your opening statement you said that the project is on time and on budget. In fact, I will quote you. You said, ‘It’s slightly below budget.’ What is the budget?

Senator Conroy—Are we talking about stage 1?

Senator BARNETT—What is the budget?

Mr Quigley—I am not sure we have made that number public at this point.

Senator BARNETT—Let us start with stage 1.

Senator FISHER—Senator Barnett—

CHAIR—Senator Fisher, the last thing we want is you assisting at this stage.

Senator BARNETT—Mr Quigley, you were going to answer the question regarding stage 1, so perhaps you could answer that.

Mr Quigley—We had a project which was called stage 1, which was to provide these three communities with a fibre based service. We established a budget for that work and we established a timeframe for that work. We finished it on time and we came in slightly under budget. I am not sure we have made the budget number public.

Senator Conroy—What I think Mr Quigley indicated earlier—

Senator BARNETT—Why won’t you tell the committee the figure?

Senator Conroy—I am trying to help here, Senator Barnett. There were two components to it and Mr Quigley undertook to come back to you with some information on the different components.

Mr Quigley—There is a backhaul component which you share with a much bigger population than just those three communities. So it is a completely distorted picture to add the two together and divide by the number of customers. It is just a nonsense.

Mr Quigley—Certainly.

Senator BARNETT—Would you do that, Mr Quigley?

Mr Quigley—I can take that on notice.

Senator BARNETT—Thank you. That would be really good. The Tasmanian NBN is a joint venture—

Senator Conroy—No, we have had that discussion already—

Senator BARNETT—I am about to come to that. And the minister indicated that it has not been consummated as yet. What is the equity or proposed equity differential between the state government and the federal government in that joint venture?

Senator Conroy—As I said, there has been no final agreement reached, and I would not want to speculate on what the final outcome is.

Senator BARNETT—All right. Can I ask you a question, Minister, directly relating to this. What are the funds invested in the rollout of the NBN in Tasmania by the federal government? You have invested, you have made a media release of \$100 million invested to date.

Senator Conroy—I would have to take that on notice about how much has spent in Tasmania.

Senator BARNETT—Thank you. Can you advise how much you have budgeted for to spend on the rollout of the NBN in Tasmania?

Senator Conroy—I have not budgeted anything. The NBN Co. would have a budget figure but, as in any commercial operation, if you tell the people that you are going to ask to bid for work how much money you have got in your pocket before you start, you usually end up spending all of the money in your pocket. I am sure that Mr Quigley will not want to reveal how much he has got in his pocket when he is going to be engaged in a range of tender processes so that we can ensure that taxpayers get best value for money.

Senator BARNETT—Okay. Minister, could you take that on notice and consider the possibility of actually answering the question?

Senator Conroy—I have just given you the answer. We do not intend to speculate and reveal to companies how much money is potentially available so that they can set their bids at higher than they might otherwise—

Senator Ian Macdonald interjecting—

Senator Conroy—It is a normal commercial matter, Senator Macdonald.

Senator BARNETT—Thank you, Minister. I have two questions. What is the cost to the NBN Co. to connect the service, per home, per premises?

Mr Quigley—There is no one number. It depends on the premises, the length of the fibre, et cetera. It depends on a huge number of parameters.

Senator BARNETT—Give us the average cost, Mr Quigley.

Mr Quigley—It would be very unwise of me to do that at this point in time, Senator. I would be prejudicing discussions and negotiations that are underway now. It would be a very silly thing for me to do.

Senator BARNETT—Is it correct that the fee you are charging the retail service providers currently is zero?

Mr Quigley—Yes. We have said that repeatedly in Tasmania in the pre-release trial.

Senator BARNETT—That is on an interim basis. When does the interim basis conclude?

Mr Quigley—We have advised the middle of next year.

Senator BARNETT—So 30 June next year?

Mr Quigley—Yes.

Senator BARNETT—You have indicated in your opening statement that there are a number of lessons learned from the Tasmanian rollout. Can you advise the committee what lessons you have learned?

Mr Quigley—Yes. There are a variety of ones related to operational practices. I will take that on notice, but it will be an interesting engineering—

Senator BARNETT—If you could take it on notice. My final question is: in the early documents that were released, I was advised that the cable would be distributed above ground and it would take up 520 kilometres of the 560 kilometres of cable to be rolled out throughout Tasmania. That is some 96 per cent. Is that accurate? If not, what is the accurate figure?

Mr Quigley—I will have to take that one on notice as well.

Senator Conroy—Is that from a question on notice that you got previously, Senator Barnett?

Senator BARNETT—No, it is based on documents that were released some months ago from Aurora. It is on the public record and I can dig that up if you want to.

Senator Conroy—So that was not an NBN figure.

Senator BARNETT—No, it was from Aurora.

Senator Conroy—What was that in relation to? What was the document about?

Senator BARNETT—It was a document from Aurora, but it was based on terms of reference—

Senator Conroy—To whom?

Senator BARNETT—It was from NBN to Aurora, and it was an Aurora document.

Senator Conroy—So Aurora released an NBN document.

Senator BARNETT—Aurora had a contract with NBN—and no doubt you can check that in your files—and that document referred to the fact that the cables were going above ground in 520 of the 560 kilometres of the rollout at that time. I am asking you if that is accurate and,

if it is not, if you can confirm what is accurate and the percentage of above ground cable for the rollout in Tasmania.

Senator Conroy—In Tasmania we always indicated the vast majority was going to be above ground—I think that is right. I am saying I suspect that the numbers you have there are probably accurate, Senator Barnett, on the basis that we were building it with Aurora and not using Telstra's existing ducts.

Senator BARNETT—Thank you. Mr Quigley has indicated that you would be happy to take that on notice. If that is the case I am appreciative.

Mr Quigley—Just to make sure I have got the question right, we are talking here about the stage 1—the three towns—and not Tasmania. Your question relates to the three towns in stage 1?

Senator BARNETT—It does. And then I asked you if that is accurate, and then my supplementary question was what percentage of the cable would be above ground for the rollout in Tasmania.

Mr Quigley—In those three towns?

Senator BARNETT—No, across Tasmania.

Mr Quigley—I can't give you that information at this point.

Senator BARNETT—I have asked you to take it on notice. If you are telling me now you cannot answer that question, what is the reason you cannot now if you just do not know?

Senator Conroy—Can I just ask a clarification? That may be referring to just the connections for homes as opposed to the backhaul. The backhaul would presumably be underground.

Mr Quigley—Some of it will be; some of it will not.

Senator BARNETT—Could you take that on notice? I am just asking a simple question.

Mr Quigley—We are happy to take it on notice.

Senator Conroy—We are not actually disagreeing with the numbers you have put; we just want to make sure we give you an answer—

Senator BARNETT—I am asking Mr Quigley to take it on notice. If the backhaul is underground please advise us on notice. That would be appreciated.

Senator COLBECK—Mr Quigley, you said that the consents continue to vary day by day within the three stage 1 locations—so a number at the end of September may be slightly different from a number today or next week. I am just going on information that I have, and if I am wrong I am wrong, that contractors have in Smithton, say, effectively completed their work there in the rollout. The Premier in Tasmania is suggesting that he will legislate for an opt-out rather than an opt-in for cable to the residence—a consent as you call it. So there will be an opt-out process rather than an opt-in process. Given that that initial rollout has effectively been completed in those three regions, and based on the consents that you have at the moment, what is the projected cost to go back into those regions to upgrade that, or will you be doing that at zero cost if the government decides to legislate for an opt-out system?

Mr Quigley—We have not modelled or taken account yet of any opt-out system at this point in time.

Senator COLBECK—So if the initial rollout is completed and the contractors have left the sites, what are the circumstances for those who provide a consent now? Are they now obliged to pay a fee?

Mr Quigley—No, we have not established that yet. It could be. We are looking at those models as we go forward and looking at the numbers. It could well be that we decide to aggregate. Then it depends on where you are going geographically, because it could be relatively inexpensive to have crews come and do another percentage of the people within what we call a high service area.

Senator COLBECK—So you might wait until you have a critical mass and then come back and do a job lot.

Mr Quigley—You may. Then again you might offer people the option of waiting until the crews are coming back and doing that, or if they want it done much faster then there may be a fee, so we are working through those kinds of models.

Senator COLBECK—What is the capacity that you currently have across Bass Strait?

Mr Quigley—In terms of?

Senator COLBECK—As I understand it, there are three cables across Bass Strait, two owned by Telstra and one was installed with the gas pipeline owned by the Tasmanian government. I am presuming it is the one that you are utilising for your service, unless you have an arrangement with Telstra.

Mr Quigley—We are handing off a point of interconnectivity at Midway Point. We do not have to concern ourselves with a link across Tasmania.

Senator COLBECK—So you do not know what the capacity of the three cables across Bass Strait is?

Mr Quigley—The total capacity I could certainly find out, but it is not something—

Senator COLBECK—I am interested to know, because my information is that, for example, one cable is lit—and I stress ‘is lit’—currently to a capacity of 100 gig. Right? So that is potentially, depending on the capacity of the three cables and the traffic across each of those cables, is a choke point, if you like, for bandwidth in the system. So there is 100 gig of capacity on one cable, and I do not know what the capacity or the load on the others is, and that is why I am asking the question. It is a potential limiting factor for the bandwidth for the system, depending on what the capacity is. It is lit to 100 gigs now. It could be lit to more, and I do not know what the capacity is.

Mr Quigley—There are ongoing developments in what is called dense wavelength division multiplexing gear. It could well be that you can line up more wavelengths. That is a complex question—how many fibres are in each cable. What equipment is on the end? What are the characteristics of the fibre? It is not a simple answer.

Senator COLBECK—But at this point in time you should be able to do a calculation as to what the capacity of those three cables is.

Mr Quigley—We would but we have not had any cause to at this point in time.

Senator COLBECK—Okay, but—

Senator Conroy—Have you seen the map of the total footprint of the NBN—

Senator COLBECK—I have a pretty good understanding of it, Senator.

Senator Conroy—It suggested in the map that there may be some extra Bass Strait capacity that could be—

Senator COLBECK—Again that comes back to the question that Senator Fisher asked you before about the implications of doing a deal or not doing a deal with Telstra. Obviously, a potential implication of not finalising a deal with Telstra is having to install additional capacity for you to use if you do not have access to their—

Mr Quigley—Yes, of course, and that would be a pity. It would be a pity not to use the resources that are there.

Senator Conroy—Telstra have existing capacity. Telstra have existing dark fibre capacity—it sounds like it from what you have described—and I cannot imagine they laid only a 100 gig cable across the Bass Strait.

Senator COLBECK—That is why I stressed that it was lit to that capacity. What is the termination at the residence for each of the consent properties? Is the cable just rolled up to the house?

Mr Quigley—It terminates on a little box. It actually has a fibre termination on it, ready so that, if the person on the premises decides they want to then order a service through a retail service provider, you just connect from that little box down into the optical network termination, the ONT, or network terminating unit.

Senator COLBECK—And that network terminating unit is provided by the service provider?

Mr Quigley—No, it is provided by NBN Co.

Senator IAN MACDONALD—At what charge?

Mr Quigley—As part of the service. It is part of the wholesale service.

Senator COLBECK—So at the point where you decide to purchase a service, that extra termination, the network, is installed. So there is a termination that comes with the consent, and additional termination from NBN that comes with—

Mr Quigley—Through the retail service provider.

Senator COLBECK—And then the service provider provides their hardware as well?

Mr Quigley—Yes, potentially.

Senator COLBECK—Okay. What choice does the customer have in the location of that service?

Mr Quigley—As we said, in Tasmania, for example, we are offering people the option to have the network terminating unit where they desire it.

Senator COLBECK—So a customer comes home to find a couple of termination boxes in their lounge room. I have a photograph that I am happy to share with anyone who is interested in having a look. I have had contact from others who found them in their bedroom. The latest in decor is an NBN termination box! I might add that the red light unfortunately means that there is no service available to that particular box, although I am pleased to say that there is now a service. After my office contacted NBN Co last week, it was connected within two days. I think that was a reasonable service once we contacted them. But the unfortunate thing is that there is yet another box there. It would be an irritant to me to come home and find that sort of equipment—and those boxes are roughly 200 millimetres square and 80 millimetres thick—on the wall in my lounge room. I would not see it as decor item.

CHAIR—Senator Colbeck, are you tabling that?

Senator COLBECK—I would like to table that if I could, yes, please.

Mr Quigley—We obviously need to have a look. It could well be, Senator, that the resident asked us to put the box there. I simply do not know.

Senator COLBECK—That is not as it has been communicated to me. Perhaps it is another learning from the stage 1 process.

Senator Conroy—Are you able to give us their name and address?

Senator COLBECK—I would have to check that, because my commitment to them at this stage was not to provide that information, particularly in public. NBN Co have been in touch with them since I contacted NBN Co about the connection. I have also had somebody else talking to me about having this equipment on their bedroom wall. But I have had another customer who is quite satisfied that it has been installed in a cupboard in their garage. So I think there is some work to do with respect to communication with residents.

Senator Conroy—And the customers are saying that they did not ask for them to be put there?

Senator COLBECK—That is the very clear implication, Senator Conroy, that I have—

Senator Conroy—Did they say where they asked them to be put?

Senator COLBECK—I am not sure that there was a communication about that.

Mr Quigley—How could they come into their premise without some communication?

Senator COLBECK—That is a very good question, and I am sorry that I do not have an answer to that.

Senator Conroy—You are not seriously suggesting that they broke in?

Senator COLBECK—Of course not.

Senator Conroy—They only enter with permission.

Senator COLBECK—No. If I was going to say it I would say it. I am not about guessing what people might be thinking or anything like that; I am just saying that this customer is not overly happy about this circumstance. I do not think I would be, either. I certainly would not be happy about having it in my bedroom. Let us leave it as an issue that I have raised with you for you to consider.

Senator Conroy—I think this is a serious issue that you are raising. Did the individual who had it put in their bedroom indicate that they wanted it somewhere else, or did they say that they wanted it in their bedroom and they are just unhappy with the aesthetics?

Senator COLBECK—I go back to your earlier comments about safety. I acknowledge that it is a legitimate issue. For example, I have had one constitute say, ‘Is it true that NBN Co has said that the line installers are not allowed into roof spaces?’ It has been confirmed to me that that is an instruction. Given recent controversy about roof spaces, I can understand that. But sometimes to provide a quality connection there may be a requirement to get into a roof space. Therefore, your earlier comment about providing the correct training for people to do their job in a safe way would come into play. That is an issue that has been raised with me.

The comment has been made: ‘The connection comes to the front wall and then quite often it is terminated on the other side of where it arrives.’ So that has been the practice. Whether it is a desirable practice or something that you are looking to see occur, I do not know. But it has been put to me that where the line coming to the residence arrives at the wall outside, they come through the wall and they terminate on the other side of where it arrives.

Another circumstance that I have been advised of is that, if the client says that they want it at the back of the house, because they are not allowed to get into floor spaces or roof spaces, there will be a conduit run up the outside wall, around the underside of the eaves and then back down on the other side of the house and then the termination made inside the house at the point where the resident wants it. I am not sure that that is necessarily a pleasing aesthetic either. I understand that there are logistical issues about making those—

Senator Conroy—Underneath the eaves?

Senator COLBECK—Yes. You picture your place and consider—

Senator Conroy—I have actually got some conduit outside the side of my house, so I am very conscious of what you are describing. I just want to understand. I understand the running up the house and running along the middle of the wall, but I would have thought that running underneath an eave—and I have actually had this—would be a reasonable way to maintain the aesthetics. Getting up to the eave may be a problem and getting down from the eave may be a problem—and I have had this in my own home—but I would have thought that going underneath the eave would be the best way to try to maintain the aesthetics.

Senator COLBECK—I think we can debate that for some period of time. I do not think it is a reasonable way to maintain an aesthetic if NBN Co has suitably trained qualified installers that can access the spaces they need to access to make the connects—and I understand the nervousness and the caution about these sorts of access issues, do not get me wrong—25 years in the building industry actually taught me something. I am just trying to make a point about the standards of installation that are being applied. I have one more question. Can you confirm that there are chairs purchased for the fitout at NBN Co Canberra to the value of \$10,000 each?

Senator Conroy—That officer behind us is the only employee in Canberra. He is blushing.

Senator COLBECK—I just want to know. If it is no it is no; but I have been given this information. If you do not ask, you do not know. What about the fitout for the new HQ in Canberra?

Mr Quigley—There is no HQ in Canberra.

Senator COLBECK—Well, if I have been misled, I have been misled, so tell me. It is simple.

Senator Conroy—There is one person at one desk in Canberra.

Senator COLBECK—I know the chair here is not worth \$10,000—and there has often been criticism of the chairs and the price of them in this place.

Mr Quigley—I don't know what that is about. We will certainly check into it.

Senator IAN MACDONALD—These boxes that Senator Colbeck showed you are classified at whose cost?

Mr Quigley—This is NBN Co. This is optical network termination, I believe. Once again, this is the pre-trial in Tasmania. And there is the battery box.

Senator IAN MACDONALD—No cost to the owner and no cost to the retail service provider?

Mr Quigley—It is part of the monthly charge for the wholesale service. But in Tasmania there is not one yet.

Senator IAN MACDONALD—You told me on 25 May that there was a \$300 connection fee per household. What did you mean by that?

Mr Quigley—That is what we said was the nominal charge, but it was waived in the event that retail service providers—

Senator IAN MACDONALD—You did not actually say it was waived in Tasmania.

Mr Quigley—I thought we did.

Senator IAN MACDONALD—On 25 May, we were talking about Tasmania. You were asked whether there was any fee. You said:

Yes. There is a connection fee of \$300, I believe, and I will have to doublecheck this.

... ..

Per household. This is to the retail service provider.

Mr Quigley—We waived it—I think I said that.

Senator IAN MACDONALD—This is on page 57; you did not.

Senator Conroy—Was this Senate estimates or one of the committee hearings.

Senator IAN MACDONALD—It is page 57 of the Senate estimates. Further, you did confirm to Senator Barnett that your investment in Tasmania so far is being given away entirely free for a nine-month period—until 30 June. Is that correct?

Mr Quigley—I believe that is the case. I think 30 June is the time at which we said the retail service providers needed to come back on to the national pricing. The reason we could

not do it before is that we did not have national pricing because we have not established it yet. That is all part of the ACCC process.

Senator IAN MACDONALD—The retail service providers obviously, in the deals they are giving to their customers, would take into account that, as of 30 June, they will have to start paying you a free.

Senator Conroy—You are making a couple of assumptions. We have said consistently from day 1 that these were introductory prices. Some companies have chosen to price at roughly what they price at on the mainland. In other words, they have probably pocketed the lot. Others have chosen to price cheaper than that and therefore whether those cheaper offerings are kept after that period will be a matter for that company.

Senator IAN MACDONALD—Mr Quigley, you indicated the reason you were giving your network for free in Tasmania was to encourage take-up, which would assume you would have an agreement with the internet service providers that they would pass on the same savings to their customers?

Mr Quigley—Just to be clear, Senator: at no point are we giving anything away. We are not giving a network away; we are providing a wholesale service at no charge for a fixed period—

Senator IAN MACDONALD—For free.

Mr Quigley—understanding that that is then going to transition to paid service.

Senator Conroy—An introductory offer.

Senator IAN MACDONALD—I am conscious of that, and that is not my question. Is your arrangement with the ISPs? As you told us on 25 May, the reason you went into this was to encourage people to take it up. You gave a cheaper price so the ISPs would obviously pass on a cheaper price and people would sign up. Do you have an agreement with the ISPs to pass on the savings of charging nothing for that nine-month period? Do you have an agreement?

Mr Quigley—I do not have an agreement. We leave the retail pricing to the retail service providers and, if you recall, Senator, what I said was that we thought it was perfectly reasonable for this period of time that we provide this service at no charge because these retail service providers were working with us on this very first trial, which meant they had costs which they otherwise would not have—

Senator IAN MACDONALD—Thank you, you have answered my question. I only have five minutes. You said, a couple of times tonight—you said, rather than the minister—that you are close to providing the government, the minister, with your business case and corporate plan. Is that correct?

Mr Quigley—Provided it is approved and agreed by the board of NBN Co.

Senator IAN MACDONALD—You indicated that it was coming sooner rather than later.

Mr Quigley—I will certainly be putting it to the board very soon.

Senator IAN MACDONALD—The answer to a question on notice that I asked five months ago, the answer to which was delivered yesterday morning, was that someone has said—either you or the department:

The government has advised NBN Co. to delay its submission of its business case and corporate plan until:

- the government has considered its response to the implementation study and technical and business planning inputs from NBN Co.
- the government and NBN Co. have fully considered the implications of the financial heads of agreement and the definitive agreements with NBN Co. and Telstra.

You say you are about to deliver that, so I assume from that that the government has now considered its response to the implementation study and the technical business and planning inputs, and, secondly, the government and NBN Co. have fully considered the implication of the financial heads of agreement and the definitive agreements between NBN Co. and Telstra. How can you do that when, as I understand, Telstra have not yet approved it?

Senator Conroy—Could I just clarify one point?

Senator IAN MACDONALD—I am asking Mr Quigley.

Senator Conroy—One of them goes to the question.

Senator IAN MACDONALD—How can he prepare his business case when those two preconditions clearly have not been met, or have they been met?

Senator Conroy—I accept the date you said you received it, but that answer was probably written some time ago. The government have made a number of key decisions—which we have said publicly and we discussed it here earlier—which Mr Quigley has incorporated in his study. The fact that you have a piece of paper that may have been written one, two or three months ago does not in any way cut across Mr Quigley's capacity to produce his business report.

Senator IAN MACDONALD—That begs the question: if this piece of paper is two or three months old, why has it come to this committee only today? We have had examples of this arrogance all the way through estimates. Can you indicate why this was only delivered to the committee today?

Senator Conroy—I can take that on notice and look into that for you.

Senator IAN MACDONALD—Mr Quigley, can you tell me when you prepared these answers? That will clarify the issue.

Mr Quigley—We had a number of questions and some supplementary questions that came later. I think the date we submitted them all was 26 July.

Senator Conroy—I think there has been an election in between, Senator Macdonald.

Senator IAN MACDONALD—So 26 July—

Mr Harris—It was 27 July.

Senator IAN MACDONALD—Oh, 27 July—

Senator Conroy—And then an election took place.

Senator IAN MACDONALD—And the committee has got these today. So, Mr Quigley, do you still say that your business case is close to presentation? Do I assume from that that those two preconditions have been met?

Mr Quigley—Have the preconditions of the definitive agreements with Telstra been finalised? Obviously not.

Senator IAN MACDONALD—No. The government told you to delay your submission of a business case and corporate plan until two things had happened. Have those two things happened? Do you want me to repeat what the two things were?

Mr Quigley—We have had instructions from the government that now is an appropriate time to submit the business case.

Senator BIRMINGHAM—Some time in the two or three months since this answer was written, the government has done a 180-degree turn on its expectations here—that it now wants the business case before it is considered and completed its consideration of the implementation study and before the deal with Telstra has been finalised, whereas, apparently when this answer was written two or three months ago or whenever, the government was saying, ‘We want those two things done’—

Senator Conroy—Half of what you have said I think might be right and half is definitely wrong.

Mr Harris—Let me clarify this. In terms of the implementation study, we want the business case from NBN board at this point in time so the government can complete its consideration of the implementation study, as I said earlier. In other words, NBN Co is doing a design for the architecture of the system and is going to make certain assumptions to do that. Given where we are right now—we are in October—they obviously have to start a rollout some time next year. They have to have a business case approved. We have a bunch of recommendations from McKinsey which need to be further considered by the government. We need their business case. We will put the business case and the implementation study recommendations together and we will get an outcome from that process with the government. So, in terms of that part, as Mr Quigley said, now is an appropriate time to put forward the business case so we can get the resolution of those two things. The arrangements with Telstra are a non-binding heads of agreement, but there is content within that non-binding heads of agreement which enables NBN Co to proceed to frame a business case on the assumption that the non-binding heads of agreement will become a completed heads of agreement.

Senator IAN MACDONALD—I am not sure what you are answering, Mr Harris.

Mr Harris—I am actually explaining—

Senator IAN MACDONALD—I have one final question from my five minutes, please—

CHAIR—You have had 10.

Senator IAN MACDONALD—that is, if these questions on notice were supplied on 26 July, why is it that the department has not followed the convention of caretaker mode and dealt with those as the minister would and released them on 26 July or shortly thereafter when they came to the department?

Mr Harris—Because the presumption in your question is inaccurate. You asked NBN about when they submitted the response. I gave you the date when they submitted the

response which is effectively the date they gave it to us in order to give it to the minister. We sent it to the minister. It was during the election campaign and it was not progressed.

Senator IAN MACDONALD—Why was it sent to the minister in the caretaker period? Why didn't you deal with it, as is normal in these periods? Or was it a bit sensitive for the government in the election campaign?

Mr Harris—All the answers to questions on notice get submitted to the minister's office in the caretaker period. There is not a problem with ministers providing those answers during a caretaker period. As far as we are concerned, there is not a problem; they can progress them. But, if they choose not to progress them because they have other matters that they are considering—

Senator IAN MACDONALD—Because they are worried about the electoral implications of the Tasmanians being made fully aware of why they were getting a cheap service—that is, because the NBN Co was giving away its \$43 billion investment in the time of the investment.

Senator Conroy—You are not giving yourself credit. You were shouting that into the microphones in May.

Senator FISHER—Can the department or the minister confirm that, following the government's advice, the Governor-General has signed a disallowable instrument which would lead to the NBN being exempt from the scrutiny of the Public Works Committee, which normally oversees all public works in excess of \$15 million? So the Governor-General has exempted?

Senator Conroy—I just want to get some information.

Senator FISHER—That is not my question, Minister.

Senator Conroy—There have been a couple of other exemptions prior to this.

Senator FISHER—I am asking about this one.

Senator Conroy—I am just making clear that none of the work of the NBN has gone through that committee.

Senator FISHER—Understood. Were the previous exemptions sought and obtained through the House of Representatives or directly from the Governor-General, bearing in mind there are the two different courses for exemption?

Ms Cullen—The two previous exemptions were motions of urgency moved by the former Minister for Finance and Deregulation on the grounds of expediency and the urgent nature of works that needed to be carried out.

Senator FISHER—But they were motions debated in the House of Representatives, weren't they?

Ms Cullen—That is right.

Senator FISHER—And they were subject to parliamentary scrutiny.

Ms Cullen—This particular exemption is allowed under the PWC Act section 6(A)3, which allows, where the Governor-General is satisfied that an authority of the Commonwealth

is engaging or trading or other activities or is providing services in competition with another body or other bodies or with persons, the Governor-General may make a regulation declaring that this act does not apply to that authority. That is a disallowable instrument and that was tabled in the parliament on the first sitting day.

Senator FISHER—Yes, 28 September. So that route is direct to the Governor-General; she signs off on the exemption without the scrutiny of a debate in the House of Representatives.

Ms Cullen—But then once the regulation is made it sits before the two houses of parliament.

Senator FISHER—Yes, it does. How is the reason for which exemption is sought this time—that is, alleged competition with the private sector—different from the previous occasions upon which exemption was sought?

Ms Cullen—The two previous occasions were in relation to urgency motions.

Senator FISHER—Those were the grounds argued, but was it not also the case that it was about an organisation competing in the same terms in which it is alleged in the regulation signed off by the Governor-General? What has changed?

Ms Cullen—I guess so.

Senator FISHER—Yet the government has decided to take a different route—one that circumvents parliamentary debate, at least in the short term—on this occasion.

Ms Cullen—The government had previously foreshadowed in the exposure drafts of the National Broadband Network Companies Bill 2010 that it intended to exempt NBN Co from PWC oversight. I guess there was a decision that was made in relation to progressing that matter, because of the previous urgency motions, to allow the use of the provisions under the act rather than waiting for the passage of the National Broadband Network Companies Bill.

Senator FISHER—Yes, but there is no material change in circumstance that would seem to underpin the material change in the grounds for argument for seeking an exemption between the first two occasions and this last occasion.

Ms Cullen—No.

Senator FISHER—An interesting happenstance. If the Governor-General's instrument were to be disallowed, which is within the province of the Senate, given time, and were its committee permitted to scrutinise the project, what effect would that have on the project's schedule given that, as I understand, urgency is not the ground being argued on this occasion? What effect would that have on the NBN's project schedule given that the public works committee can complete its job in four to 12 weeks?

Mr Harris—It is probably not a matter the department can comment on. We probably could not comment on the impact.

Senator Conroy—Every step of the way you have sought to delay and frustrate the build of the NBN—

Senator FISHER—Is that why you ran straight to the Governor-General for exemption instead of debating this in the House?

Senator Conroy—and you are engaged in exactly the same process now. It is transparent to the Australian public. You will do anything you can to sabotage the rollout of the national broadband network.

Senator IAN MACDONALD—This is not the answer to a question. This is a ramble by the minister.

Senator Conroy—You are completely transparent. You are not interested in any serious scrutiny.

Senator IAN MACDONALD—Come on, Mr Chairman! This is not an answer to a question.

CHAIR—Senator Conroy! Senator Fisher, your last question, then it will go to Senator Birmingham.

Senator FISHER—Thank you for that nonanswer, Minister. That is all I have for the moment.

CHAIR—Senator Birmingham.

Senator BIRMINGHAM—Minister, do you sign off on your own estimates answers to questions on notice?

Senator Conroy—I am just trying to think whether I do them all. Are you talking about one of them particularly?

Senator BIRMINGHAM—Yes, question on notice No. 146, to which Senator Macdonald was referring previously.

Senator Conroy—I have to say, tragically, he has completely misunderstood it. Please, go on.

Senator BIRMINGHAM—This is an answer from the department to a question. Is this signed off by you?

Senator Conroy—Do I look at them all before they are passed on? By and large.

Senator BIRMINGHAM—By and large?

Senator Conroy—By and large. There can be a whole range of them, so my office may come to me and then say, ‘We’ve looked at them,’ and then I will look through them.

Senator BIRMINGHAM—Who takes responsibility for the accuracy of answers to questions on notice?

Senator Conroy—Let me be very clear about this: I take responsibility for them.

Senator BIRMINGHAM—Excellent. Thank you. Is this answer accurate, as presented at 6.19 pm on Friday to Senator Macdonald and other members of the committee, or at whatever time it was transmitted from your office to the secretariat, presumably in the day or two prior to that?

Senator Conroy—Would you like to read it out again?

Senator BIRMINGHAM—It says, ‘The government has advised NBN Co. to delay its submission of its business case and corporate plan until the government has’—

Senator Conroy—It was accurate—

Senator BIRMINGHAM—You asked me to read it out.

Senator Conroy—It was read out earlier; I just wanted to make sure it was the same one. It was accurate when it was written.

Senator IAN MACDONALD—You signed off on it two days ago.

Senator Conroy—It was accurate when it was written.

Senator BIRMINGHAM—I am interested in when it was given to this committee's secretariat.

Senator Conroy—It was accurate when the question was answered.

Senator BIRMINGHAM—There is no date on this.

Senator Conroy—The world has moved on since then.

Senator BIRMINGHAM—So it is okay for you to give inaccurate information.

Senator Conroy—No. You were given an answer—

Senator BIRMINGHAM—Is it inaccurate now?

Senator Conroy—You were given—

Senator BIRMINGHAM—Is it inaccurate now?

Senator Conroy—You were given—

Senator BIRMINGHAM—Is it inaccurate now?

Senator Conroy—You were given—

Senator BIRMINGHAM—Is it inaccurate now?

Senator Conroy—I said it was accurate at the time.

Senator BIRMINGHAM—Is it inaccurate today?

Senator Conroy—It was accurate at the time it was written.

Senator BIRMINGHAM—Is it inaccurate today?

Senator Conroy—It accurately answered the question.

Senator IAN MACDONALD—Can you answer the question?

Senator BIRMINGHAM—Is it inaccurate today, Minister?

Senator Conroy—It was accurate when it was written.

Senator BIRMINGHAM—Noted. Is it inaccurate today?

Senator Conroy—It was accurate when it was written, and circumstances and the world have moved on.

Senator BIRMINGHAM—I understand it was accurate at the time Mr Harris or whoever wrote it.

Senator Conroy—It may now be outdated and other events may have overtaken it, but it was accurate when it was written.

Senator BIRMINGHAM—So this statement is inaccurate today.

Senator Conroy—No, I said events may have moved on.

Senator BIRMINGHAM—Well, events moved on before it ever moved here, it would seem, Minister.

Senator Conroy—Yes, that is entirely possible—you are correct.

Senator BIRMINGHAM—So that makes it pretty bloody useless to us, doesn't it?

Senator COLBECK—When did you sign off on it?

Senator Conroy—As I said, they were supplied the other day.

Senator BIRMINGHAM—Indeed.

Senator IAN MACDONALD—So you signed an inaccurate answer and gave it to this committee, pretending it was accurate.

Senator Conroy—No. I repeat: it was a completely accurate answer—

Senator IAN MACDONALD—You are a disgrace as a minister.

Senator Conroy—It is a completely accurate answer to the question that was asked. Events have subsequently moved on.

Senator BIRMINGHAM—Perhaps you would like to footnote your answers in future saying, 'Accurate as at'—whatever date you are saying they are accurate at. I do not know how we are meant to mind-read as to when this answer was accurate at, when it was written, if it takes three months to get to us.

Senator Conroy—It was an accurate answer to the question that was asked.

Senator COLBECK—But it was not accurate the day you signed it because events had moved on, by your own admission.

Senator Conroy—Events may have moved on.

Senator BIRMINGHAM—So you have answered the question—

CHAIR—Senator Birmingham, the minister is obviously not moving from the position that he has indicated. You are now tag-teaming to try and get him to change his answer. I do not think it will work. You have got six minutes. My recommendation to you would be to move on and ask some other questions and see whether they are answered more appropriately to your liking.

Senator BIRMINGHAM—Thank you. That is understood, Chair, and I suspect the committee can discuss this answer and the handling of it by this minister and the department at a future private meeting.

Senator Conroy—If your complaint is it took too long to get to you, fair enough, that is your complaint. But to then—

Senator IAN MACDONALD—You signed an inaccurate answer.

Senator Conroy—No, I did not sign an inaccurate answer, Senator Macdonald. You cannot mislead the committee like that.

Senator IAN MACDONALD—You misled the committee by sending that in two days ago as an accurate answer.

Senator Conroy—You are misleading the committee.

Senator IAN MACDONALD—You are in contempt of the parliament and you are—

Senator Conroy—Senator Macdonald, you are misleading this committee.

Senator IAN MACDONALD—You could not lie straight in bed.

CHAIR—Order! Senator Birmingham, do you have other questions?

Senator BIRMINGHAM—Can I go back to a policy question. What estimate does NBN Co. have of the increase in connection rates as a result of the decision to adopt an opt-out model by the Tasmanian government?

Mr Quigley—I do not think we have done any analysis of that.

Senator BIRMINGHAM—You have not done any analysis of it?

Mr Quigley—No.

Senator BIRMINGHAM—Obviously, it is assumed that there will be an increase, because people will have to take active steps not to connect.

Mr Quigley—NBN Co. have not assumed anything along those lines. We have not even tried to take into account possible scenario changes. We do not do that until we are sure of what the outcome is.

Senator BIRMINGHAM—Was it a recommendation of NBN Co. or NBN Tas. to the Tasmanian government?

Mr Quigley—No.

Senator BIRMINGHAM—So suddenly the Tasmanian government decided of their own accord it would be a good idea—

Senator Conroy—Actually, I thought the Tasmanian Liberal Party called for it and Premier Bartlett responded to it. That is the factual time line. I am sure Senator Colbeck will nod in agreement. It was actually called for by the Tasmanian Liberal Party and Premier Bartlett then responded to it.

Senator BIRMINGHAM—Excellent. So the Tasmanian Liberal Party is setting policy for the NBN Co. now.

Senator Conroy—I think it is an excellent policy and I welcome bipartisan support in Tasmania for this initiative.

Senator BIRMINGHAM—Fantastic! Excellent! So you expect then that other states will adopt that excellent policy too, Minister?

Senator Conroy—I certainly have been advocating that to them for a considerable period of time.

Senator BIRMINGHAM—Are you concerned by what seem to be public sentiments out of New South Wales and Victoria—

Senator Conroy—Could you read me the Victorian minister's quotes that say they are not going to do it?

Senator BIRMINGHAM—Can you tell me that—

Senator Conroy—No, I am serious: can you read it to me? You must have it there.

Senator BIRMINGHAM—Can you tell me that he is?

Senator Conroy—His name is John Lenders. Can you read me the quote from John Lenders where he says they are not doing it?

Senator BIRMINGHAM—Okay, what is the position of all the other states? Have any other states agreed to do it.

Senator Conroy—You made a claim, and to be fair you have based in on the *Australian* again. You should go and read the source quote. I would genuinely invite you, Simon, to go and read the source quote and then see if you can contort the source quote into the story that was written in the *Australian*. I invite you to find the New South Wales minister who makes the same statement.

Senator IAN MACDONALD—We are asking you questions.

Senator Conroy—I am offering you an opportunity to not climb up onto a cliff.

Senator BIRMINGHAM—Let's see if we can get into some basic statements of fact, then, if you are going to contest that. How much equity capital—

Senator Conroy—I am not contesting it. I am inviting you to show me the statement.

Senator BIRMINGHAM—I am happy to move on and seek the source quote. You can send it to me later. How much equity capital has the Commonwealth injected into NBN Co. so far?

Mr Quigley—\$662 million. That is off the top of my head. I will check. That is the right number.

Senator BIRMINGHAM—Excellent. How much will be injected by the end of the current financial year?

Mr Quigley—By the end of the calendar year I think we have another \$350 million in the second tranche of an equity request. After that I am not sure of the numbers. There have been no more requests after that.

Senator BIRMINGHAM—An extra \$350 million coming by the end of the calendar year.

Senator Conroy—I can give you some further information on your last question. Here is what the Treasurer of Victoria and minister for ICT, John Lenders, actually said:

Our intention is for every Victorian home to be connected to the NBN, but individuals would be able to choose whether or not to sign up and use the service.

Mr Lenders does not say he is not supporting the Tasmanian NBN approach. He actually says, 'Our intention is for every Victorian home to be connected.' That ends up being quoted as 'Victoria refuses to support Tasmania.' I repeat: you really do not want to use as your source document the *Australian* newspaper.

Senator BIRMINGHAM—Thank you, Minister.

Senator Conroy—Just to round it off, this is a press release from the relevant minister in New South Wales:

The NSW Government has amended the State's planning system to enable fast-tracked delivery of telecommunications facilities, including new broadband infrastructure.

Does that sound to you like they had ruled out?

CHAIR—That now concludes today's hearing. I thank the minister and officers for their attendance. Senators are reminded that written questions on notice should be provided to the secretariat by Friday of this week. I thank all senators for their cooperation, and I thank Hansard.

Committee adjourned at 11 pm