



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

ENVIRONMENT, COMMUNICATIONS, INFORMATION  
TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

ESTIMATES

**(Additional Estimates)**

MONDAY, 16 FEBRUARY 2004

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**

**ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY  
AND THE ARTS LEGISLATION COMMITTEE**

**Monday, 16 February 2004**

**Members:** Senator Eggleston (*Chair*), Senator Mackay (*Deputy Chair*), Senators Bartlett, Lundy, Santoro and Tchen

**Senators in attendance:** Senators Mark Bishop, Cherry, Eggleston, Humphries, Lundy, Mackay, Murphy, Santoro and Tchen

**Committee met at 9.06 a.m.**

**COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS  
PORTFOLIO**

**In Attendance**

Senator Kemp, Minister for the Arts and Sport

**Department of Communications, Information Technology and the Arts  
Executive**

Ms Helen Williams AO, Secretary

Ms Fay Holthuyzen, Deputy Secretary, Communications

**Corporate & Business**

Mr Frank Nicholas, A/g Chief Operating Officer

Mr Mike Hutchings, Ag/ General Manager, Information Technology and Facilities

**Legal**

Mr Don Markus, General Counsel

**Finance & Budgets**

Ms Jennifer Gale, Chief Financial Officer

**Telecommunications**

Mr Chris Cheah, Chief General Manager, Telecommunications

Mr Colin Lyons, General Manager, Telecommunications Competition & Consumer Branch

Mr Don Williams, A/g General Manager, Enterprise, Infrastructure Branch

Mr Simon Bryant, General Manager, Regional Communications Policy Branch

Mr Colin Oliver, A/g General Manager, International Branch

Mr Bill Scott, Manager, Trade Policy Section, International Branch

Ms Jane Hanna, Manager, Postal Policy Section, Enterprise & Infrastructure Branch

**Broadcasting**

Mr James Cameron, Chief General Manager, Broadcasting

Dr Simon Pelling, General Manager, Digital Broadcasting & Spectrum Management

Mr Gordon Neil, General Manager, Licensed Broadcasting

Mr Rohan Buettel, General Manager, Public Broadcasting

**ICT Industry and Intellectual Property**

Dr Beverly Hart, Chief General Manager, ICT Industry & Intellectual Property Division

Mr Philip Allnutt, General Manager, ICT Industry Development Branch

Mr Michael Sutton, General Manager, ICT Innovation Branch

Mr Simon Cordina, A/g General Manager, Intellectual Property Branch  
Mr James Barr, General Manager—Regional Funding Initiatives Branch

**Arts and Sport Division**

Ms Lynn Bean, Chief General Manager, Arts & Sport Division  
Ms Karen Gosling, Special Adviser, Collections and Governance Branch  
Ms Megan Morris, General Manager, Arts and Regional Branch  
Ms Sally Basser, General Manager, Sport and Private Sector Support Branch  
Mr Kevin Isaacs, General Manager, M2006 Taskforce and Lending Rights

**Old Parliament House (OPH)/ National Portrait Gallery (NPG)**

Ms Kate Cowie, General Manager, Old Parliament House  
Mr Andrew Sayers, Director, National Portrait Gallery

**Telstra**

Mr Bill Scales AO, Group Managing Director, Regulatory, Corporate & Human Relations  
Mr John Stanhope, Group Managing Director, Finance & Administration  
Mr Darian Stirzaker, Chief of Marketing  
Mr Don Pinel, Regional Managing Director, Telstra Country Wide, Queensland  
Mr Anthony Rix, Head of Service Advantage  
Mr Denis Mullane, Manager, Data Business Development

**Australia Post**

Mr Michael McCloskey, Corporate Secretary  
Mr Peter Meehan, Chief Finance Officer  
Mr Mark Howard, General Manager, Corporate Infrastructure Services  
Mr Gary Lee, Group Manager, Letters  
Mr Rod McDonald, Manager, Human Resources  
Mr Terry Sinclair, Manager, National Logistics  
Mr Glenn O'Bryan, Manager, Retail Operations

**Australian Broadcasting Corporation (ABC)**

Mr Russell Balding, Managing Director  
Mr Geoffrey Crawford, Director, Corporate Affairs  
Ms Sandra Levy, Director, Television  
Mr Colin Knowles, Director, Technology & Distribution  
Mr David Pendleton, Director, Business Services  
Mr Trevor Burns, Head, Government and Parliamentary Relations

**Australian Broadcasting Authority (ABA)**

Ms Lyn Maddock, Deputy Chair  
Ms Andree Wright, Director, Industry Performance and Review  
Mr Richard Fraser, Content Assessment, Assistant Manager  
Mr Fred Gengaroli, Director, Engineering  
Mr Greg Cupitt, Manager Planning  
Mr Giles Tanner, General Manager  
Ms Andrea Malone, Manager, Industry Review  
Ms Jonquil Ritter, General Counsel

**Special Broadcasting Service Corporation (SBS)**

Mr Nigel Milan, Managing Director  
Ms Julie Eisenberg, Head of Policy  
Mr Jon Torpy, Chief Financial Officer  
Mr Will Berryman, Head of New Media and Distribution  
Mr Shaun Brown, Head of Television

**National Office for the Information Economy (NOIE)**

Mr John Grant, Acting Chief Executive Officer  
Mr Ashley Cross, A/g Chief General Manager, Regulation and Analysis Group  
Mr Patrick Callioni, Chief General Manager, Govt Services & Information Environment Group  
Mr James Shaw, General Manager, Channel Development Branch  
Mr Tony Judge, General Manager, Business Strategies Branch  
Ms Anne-Marie Lansdown, General Manager, Access Branch & International Branch  
Mr David Kennedy, General Manager, Strategy Branch  
Ms Robyn Fleming, General Manager, Information Framework Branch  
Mr Steve Alford, General Manager, IMSC/CIOC  
Mr Tim Field, General Manager, Corporate & Governance Branch  
Mr Greg Piko, Manager, Broadband Programs  
Mr Tom Dale, General Manager, International Branch

**Australia Council**

Ms Jennifer Bott, Chief Executive Officer  
Dr Catherine Brown-Watt, Director, Major Performing Arts Board  
Mr Ben Strout, Executive Director, Arts Development  
Ms Bronwyn Mason, Executive Director, Finance & Services

**National Library of Australia (NLA)**

Dr Warwick Cathro, Assistant Director General, Innovation  
Mr Peter Rush, Acting Assistant Director General, Corporate Services

**National Gallery of Australia (NGA)**

Dr Brian Kennedy, Director  
Mr Alan Froud, Deputy Director

**National Museum of Australia (NMA)**

Mr Craddock Morton, Acting Director  
Mr Adrian Brocklehurst, Finance Manager  
Ms Louise Douglas, Acting General Manager, Public Programs and Audience Development

**Australian Film Commission (AFC)**

Mr Kim Dalton, Chief Executive Officer

**Australian Sports Commission (ASC)**

Mr Greg Brown  
Mr Brent Espeland, General Manager, Sport Performance and Development  
Ms Lois Fordham, General Manager, Business Operations

**Australian Institute of Sport (AIS)**

Mr Michael Scott, Director

**Australian Sports Drug Agency (ASDA)**

Mr John Mendoza, Chief Executive  
Mr Kim Terrell, General Manager, Operations

**CHAIR**—I declare open this public hearing of the Senate Environment, Communications, Information Technology and the Arts Legislation Committee considering the 2003-04 additional estimates. On 11 February 2004, the Senate referred to the committee particulars of proposed additional expenditure in respect of the year ending 30 June 2004 and related documentation for the two portfolios of Communications, Information Technology and the Arts and the Environment and Heritage. The Senate also resolved on 3 December 2003 that this committee should conduct hearings over the next two days. We will commence examining the Communications, Information Technology and the Arts portfolio today,

continue with the Arts and Sport programs tomorrow morning and commence the Environment and Heritage portfolio after the lunchbreak tomorrow.

The committee is required to report to the Senate on 24 March 2004, and it has determined that the deadline for answers to questions placed on notice at the hearings today and tomorrow shall be the close of business on Friday, 2 April 2004. The committee also reminds senators that the deadline for written questions to be placed on notice is the close of business on Wednesday. I welcome Senator the Hon. Rod Kemp, the Minister for the Arts and Sports, representing the Minister for Communications, Information Technology and the Arts, the Hon. Daryl Williams MP. I also welcome Ms Helen Williams, the Secretary of DCITA, and the portfolio officers who are appearing today. Minister, would you like to make an opening statement?

**Senator Kemp**—Thank you, Mr Chair, and thank you for that kind welcome. It is indeed always a pleasure to be here at Senate estimates. It is something that I know everyone around the table particularly looks forward to. I will just make a couple of points. I hark back to the previous occasion when this committee met. My memory is that we had large numbers of public servants who were summoned to appear before this committee and in the end they were not required or time ran out. I think it would be of help not only in the particular estimates I am directly involved in but in all estimates hearings to try not to unnecessarily delay public servants.

I did think it was particularly bad last time. I would urge members of the committee that if there are changes to the plan during the hearing—if they decide that one particular institution is going to get more priority than they originally had planned—to tell us so that we do not have senior public servants delayed up here, sometimes for a day or so. That would be a big help. It seemed to me to be particularly bad last time. I would ask you, Chair, to show the leadership which you normally do on these occasions, to see whether we can ensure that if the committee changes its plans during the day, and we do not require people to appear before the committee, we are told so that the public servants can return to their departments or institutions as the case may be.

**CHAIR**—Perhaps we should seek some guidance from the opposition in particular, and other senators, as to which programs they may not be doing, with regard to those officers that have been called, and whether or not any officers can be released as we proceed through the day.

**Senator MACKAY**—We have called all the ones we want. The government senators have called some.

**CHAIR**—As we proceed through the day it may become apparent that we are not going to follow up on some programs.

**Senator MACKAY**—We plan to at the moment, but we will see how we go.

**Senator Kemp**—I think that would be helpful. I know that, because a certain degree of questioning may be attracting more interest, other things will slip. I think senators have to be conscious of that. It was not well done last time, I have to say. I think we should see if we can address that.



**Senator HUMPHRIES**—Chair, I want to raise an issue not so much about what agencies are called but about who was called within agencies.

**CHAIR**—Yes, please proceed.

**Senator HUMPHRIES**—I understand that this evening we are to hear from the National Office of the Information Economy, NOIE. I want to ask for a particular officer of NOIE to be made available for hearings this evening so that I can ask him some questions. I understand that this officer is not an officer who would ordinarily be called to the table, as a senior officer of NOIE. Nonetheless, this is a person who could answer some questions that I have relating to issues such as staff morale at NOIE at the present time.

**CHAIR**—Do you want to provide any more information about this officer?

**Senator HUMPHRIES**—I can provide the officer's name, if that would be helpful. I thought I might establish first of all whether members are happy for me to call that witness rather than name him and not be able to call him. As I said, he is not an officer who otherwise would be ordinarily called to the table in hearings like this.

**CHAIR**—Do any other senators have any comment about this matter?

**Senator SANTORO**—What are you hoping to find? What type of person is it?

**Senator HUMPHRIES**—As well as being an officer of NOIE, this officer is a delegate in the workplace for the Community and Public Sector Union. I have had discussions with that union, and indeed with this particular officer, about the implications for NOIE of proposed changes that have been discussed in the media. I would like to explore the question, in the committee, of what those changes might mean. In particular I would like to look at what might happen in the event that NOIE were abolished—what it would mean for the work force in that establishment, what roles and functions might be performed elsewhere within government and how that might work in terms of the impact on staff presently at NOIE.

**Senator SANTORO**—Chair, I think that unless standing orders or some other rule prevents us from doing so, that sounds like a fruitful line of inquiry and questioning.

**CHAIR**—I have to say that I was given some prior notice of this matter and I consulted the Deputy Clerk of the Senate. His view was that it was against standing orders to call this officer. He said that the relevance for estimates questions is very broad and anything in appropriations, legislation, annual reports and performance of the department or the agency can be considered relevant, and that under standing order 26(5) the committee has the power to call officers of the department relating to items of proposed expenditure. It was his view that, because of this person's position—not being an officer within the department—this was therefore outside the purview of standing orders. Given that I have had this advice, I feel that I have no option but to rule it out of order. He also called attention to the privileges section, standing order 26, pointing out that officials cannot give their opinion on policy. He felt that the evidence proposed to be sought from this person might come under the heading of 'opinion on policy' and, therefore, it was not to be entertained and would be against standing orders.

**Senator HUMPHRIES**—Could I just make a comment on that, Mr Chairman. I certainly would not want to ask any questions that were outside standing orders, any more than any

other member of the committee would want to do that. If the effect of that ruling is that ‘officers’ means senior members of a department or agency, I would be interested in knowing what constitutes a senior officer and how senior an officer needs to be before he or she might be called. My interpretation of ‘officers’ is persons who hold some position or office within that agency. I understand that the committee’s estimates hearings for many years have heard from officers of agencies at all levels of those agencies, depending on who happened to have relevant information to what the committee was examining. I put this to you, Mr Chairman: if no members of the committee have any objection to that course of action then it would be, I assume, not a problem, as far as the conduct of the inquiry was concerned, if that official—shall we put it that way—were able to appear before the committee. If members have an objection I appreciate that might not be possible, but if they do not have an objection I would submit that it would be quite appropriate to have that officer appear.

**CHAIR**—The Deputy Clerk of the Senate made a distinction between individuals and officers: officers being people who are in charge of a program or have a more senior level of responsibility over expenditure; individuals, on the other hand, are regarded as people who do not have that kind of responsibility. He thought that was an important distinction. I feel bound by the advice I have been given by the Deputy Clerk and I would have to rule that that request is not within standing orders. However, I do feel—consistent with the point you made—that we need to clarify exactly what the definition of an officer is and at what level of any department or program the Senate is entitled to expect officers to be called to appear before this committee.

**Senator HUMPHRIES**—Thank you, Mr Chairman. Perhaps that clarification could be sought this morning or today, before this evening’s hearing, so that if it is possible to call this officer we could do so later in the day.

**CHAIR**—The secretariat has offered to seek that clarification. As it is the feeling of the committee, we request that the secretariat seek clarification of this matter. We are now in a position to proceed.

**Senator LUNDY**—Before we do, could I just refute some of the statements made by Senator Humphries. I thought I heard him misrepresent some issues in relation to NOIE and I do not want to let that pass without challenge. I am sure we will talk more about that later.

**CHAIR**—Is that all you want to say at this point?

**Senator LUNDY**—Yes.

**Senator Kemp**—I actually missed what the error was. Apparently Senator Lundy was refuting a statement that Senator Humphries made. What did he say that was wrong?

**Senator LUNDY**—I was not actually listening because he was mumbling—

**Senator Kemp**—That is a rather unkind comment.

**Senator LUNDY**—but I thought I heard him reflect upon Labor’s position with respect to NOIE.

**Senator Kemp**—I think he may have said that there would be job losses.

**Senator LUNDY**—He does not know that.

**Senator Kemp**—Is that wrong, is it?

**Senator LUNDY**—He does not know that, so we will talk about that later.

**Senator Kemp**—Over \$100 million have been claimed in savings—there are certainly job losses there. If you are prepared to say that there are not any job losses involved, I think that is quite an important statement, Senator Lundy. If you say that, it means that you cannot claim the savings.

**Senator HUMPHRIES**—I am happy for Senator Lundy to clarify that matter now, if she would like to, Mr Chair.

**Senator LUNDY**—Mr Chair, I think this stunt has been carefully orchestrated between Senator Humphries and Senator Kemp.

**Senator Kemp**—You have not said anything!

**Senator LUNDY**—They will get their day in the sun, I presume, on the election day. I would like to proceed with the business of the committee. This is time wasting.

**Senator Kemp**—Mr Chair, I think we should probably move on, but I would have to say there is a deathly silence from Senator Lundy on an absolutely critical issue. This has been a wonderful chance, with the press tuned in, for Senator Lundy to clarify the situation in regard to NOIE. Huge amounts of savings have been claimed through—presumably—cutting IT jobs in Canberra. If that is not the case, that is all right—Senator Lundy can say so. Maybe it would be appropriate to explore it later, but it is an extraordinary thing, Senator Lundy. I think people will be wondering what on earth you are saying.

**Senator HUMPHRIES**—I am just concerned, Mr Chair, that the inference has been drawn that I have in some way misled the committee or put something before the committee which is not accurate. I take exception to that and I would ask, if there are any inaccuracies in what I have said, that Senator Lundy put that on the table. Otherwise, I stand by what I said. I understand that there is a proposal to abolish the National Office for the Information Economy and to take those jobs out of Canberra. That is my understanding of what the Labor Party proposes to do.

**Senator LUNDY**—On many occasions previously, the Labor Party have made a statement, and we will have many more statements to make about this policy issue. The story does not end there, Senator Humphries, as you well know. Now, can you stop wasting this committee's time.

**Senator HUMPHRIES**—But you said I was inaccurate and that I have misled the committee in some way. If that is not the case then I would be grateful if you would clarify that and not leave it on the record.

**Senator LUNDY**—I just did.

**Senator HUMPHRIES**—So you are saying I have not misled the committee. Is that what you are saying?

**Senator LUNDY**—No, I just pointed out your inaccuracy, Senator Humphries.

**Senator HUMPHRIES**—In which way have I been inaccurate, Senator? Can you tell me in which way my statements have been inaccurate?

**Senator LUNDY**—Senator Humphries, I have made it very clear on this and many other occasions, as Senator Kemp well knows—as he sits there smirking away—that Labor has announced a policy and that we have more policies yet to announce. It is not a story that is yet completed. We will announce the rest of our policy in our own time. Enough is enough. You were inaccurate in portraying an end result of that policy without having any knowledge or understanding of what Labor intends to do. I am asking you to desist from wasting this committee's time so we can get on with questions. NOIE is due to come up tonight on the program and we can have a discussion then that will involve, presumably, opposition senators asking the minister questions that will assist us in drawing the government to account. If you are planning to spend the whole day in this committee wasting time, then I suggest you advise the chair so we can have a private meeting to readjust our program. Mr Chair, I ask you to proceed to business.

[9.20 a.m.]

#### **Australian Broadcasting Corporation**

**CHAIR**—I think we will proceed to business now. I think we have dealt with this matter. We will deal first of all with the ABC. It was agreed that Senator Santoro would have half an hour of questions, so we will proceed with Senator Santoro and then with ALP questions.

**Senator MACKAY**—We would normally start, wouldn't we?

**CHAIR**—I have decided that we will give Senator Santoro his half hour and then that will provide continuity for your questions to follow.

**Senator MACKAY**—How do you know what I am going to ask, Chair?

**CHAIR**—I do not, but it means you will have an uninterrupted flow, which I am sure you will appreciate.

**Senator MACKAY**—Okay, fair enough.

**Senator SANTORO**—Are you happy with that?

**Senator MACKAY**—Yes, that is fine.

**Senator SANTORO**—I have a great number of questions—about 80 or so—which I am not going to be able to get through in half an hour. I intend to place some of them on notice. Mr Balding, I am very grateful for some of the answers that you have provided to questions that I have placed on notice. There are some questions which I am going to refer back to in some of my oral questions, and I will be putting some further questions on notice because I was not satisfied with the answers and, in one or two cases, lack of answers. I mention too that, if I am not satisfied with the documents or answers provided in the future, I will be using the FOI mechanism to seek out further responses and further documents. It is something I do not want to do, but I intend to pursue matters under FOI provisions if I think it is necessary.

**Mr Balding**—The ABC takes its accountability to parliament very seriously, particularly in respect of coming here and in the amount of time and effort we put into answering the questions on notice, not just from the government senators but from the opposition. I want to assure the committee that ABC resources do go to a lot of trouble in researching and providing as comprehensive answers to the questions on notice as possible.

**Senator SANTORO**—Thank you. As I said, I am generally satisfied, but there are some areas which I might pursue further. Mr Balding, would you be in a position to provide to the committee, for each member of the board who made an overseas trip over the past 10 years—that is, February 1994 to February 2004—details as follows: the member of the board who took the trip; the purpose of the trip; whether the board member was accompanied on the trip by a family member, relative, friend or other person; the cost to the ABC, if applicable, of this person's travel, accommodation and any other charges incurred that were met by the ABC; the date and duration of each trip; destination or destinations visited; hotels and/or other paid accommodation; the cost to the ABC overall of each trip; and a copy of the report on the trip by the board member? Within the briefing material that you or your officers have with you today are you able to provide that detail?

**Mr Balding**—Definitely not over the last 10 years—that is a fair amount of time and a lot of detail. We would have to go back into our archival records and that would take a fair degree of effort to pull out. I am quite happy to take that on notice, but 10 years is a long time to go back.

**Senator SANTORO**—Would you take that on notice and undertake to provide the information?

**Mr Balding**—Yes.

**Senator SANTORO**—Thank you. The ABC's answer to my question at the November estimates hearing in respect of the ABC technical and distribution division expenditure did not include details of digital infrastructure and services, the budget for the year and the three to five years following, or the reconciliation of those budgets with actual outlays. Are you able to provide those details today? Have you managed to come up with the information?

**Mr Balding**—We should be able to. I thought we had provided that information.

**Mr Pendleton**—The reconciliation between digital 1 budget and digital 1 spend.

**Senator SANTORO**—It is certainly not within the material that I have received.

**Mr Balding**—We are quite happy to do that. We should have information available to us today to explore in a bit more detail what the budget is for digital phase 1, what we anticipate spending on digital phase 1, what the budget is for digital phase 2 and what we anticipate spending on digital phase 2. My colleagues should have that information available.

**Mr Pendleton**—It is here.

**Mr Balding**—We can refer to it then.

**Senator SANTORO**—We have analysed the questions. Maybe I did not receive the answer to that question for some reason or another but I would be pleased to get a copy.

**Mr Balding**—Certainly. We would like to table that.

**Senator SANTORO**—I would be grateful for that. Is that the actual answer that was provided to me?

**Mr Pendleton**—That is the answer. It was question No. 195.

**Senator SANTORO**—I would be grateful if I could have a look at that. Mr Balding, is it true that the following ABC personnel accompanied federal opposition leader, Mark Latham,

on his recent east coast bus tour: a current affairs journalist, a radio journalist, a TV journalist and two crew? Can you tell the committee how many ABC staff members are employed by ABC offices in localities on the route travelled by Mr Latham and his entourage?

**Mr Balding**—I am aware of a number of journalists accompanying the Leader of the Opposition. I have not got the detail in respect of that with me, but I can provide that.

**Senator SANTORO**—Would you be able to give me an opinion—if not now then certainly as a considered opinion as a question on notice—about whether the investment in the travelling party outlined above represented good value for money when in situ staff might have covered the Latham trip on its news value?

**Mr Balding**—I believe it would be of good value. The accompanying of prime ministers and leaders of the opposition is a very important news and current affairs issue. It is also important to have consistency in respect of that travel. I think it would be disjointed if we had different journalists coming in at different stages of the actual trip. I think the Australian public would want consistent reporting of trips such as that. But I am more than happy to take those questions on notice and give a detailed response.

**Senator SANTORO**—Thank you, Mr Balding. Are you aware of a new IPA backgrounder just published by the Institute of Public Affairs that is entitled *Anti-American bias collective: your ABC and the Iraq war*, written by journalists Tim Blair and James Morrow?

**Mr Balding**—No, I am not.

**Senator SANTORO**—It is quite a major publication and quite a major backgrounder.

**Mr Balding**—When was it published?

**Senator SANTORO**—About a month ago.

**Mr Balding**—I can research that.

**Senator SANTORO**—Within that analysis it finds examples of fairness in the face of what it terms the ABC culture. It notes these were often presented by reporters in the field who found facts at odds with what apparently their presenters wanted to hear and to broadcast. It found in the main the ABC's coverage of the war was negative, defeatist, anti-American and skewed heavily against the Australian government. Would the ABC be prepared to provide the committee with a copy of any assessment that has been made of the IPA backgrounder's contents and assertions?

**Mr Balding**—We would.

**Senator SANTORO**—Would you or your officers be able to confirm if any assessment or scrutiny has been made of that IPA backgrounder?

**Mr Balding**—I am not aware of any at this stage. No, we are not aware of any at this stage.

**Senator SANTORO**—Would you undertake to review that paper and then provide the committee with your considered response to that paper?

**Mr Balding**—Yes.

**Senator SANTORO**—I am grateful for that. One of the more interesting things identified in that IPA backgrounder was the ABC's failure to locate in prewar Iraq any significant

number of citizens opposed to the regime of Saddam Hussein, and a general failure to indicate why people living in a dictatorship might be disinclined to speak out publicly against a murderous dictator. That was one of the findings of that particular paper. Given the Saddam regime's rule of fear and network of informers, do you think the prewar reluctance of Iraqis to publicly express an antiregime view was perfectly natural caution on their part? Do you think that ABC journalists sent to Iraq to report the crisis and subsequent conflict should have been awake to the possibility that individual Iraqis they approached for vox pops might not want to risk committing suicide just to get on the ABC?

**Mr Balding**—We will take all that on notice, and we will have to give a very considered response to that.

**Senator SANTORO**—But assuming that that—

**Mr Balding**—I am not aware of the report and I have not read the report and I do not know whether those are the findings of the report or someone else's views and opinions and I do not know what the status of the credibility of the report is. Those are things I need to look at in a more considered way, and I am more than happy to do that.

**Senator SANTORO**—Thank you, Mr Balding. I refer to the manner in which Mr Richard Ackland discharged his responsibilities as presenter of the morning show on Radio National in December and January, and specifically to the occasion on which he said in the context of the Hutton inquiry then under way in Britain that, 'In Australia, if you lie, you get re-elected.' That is a direct quote. Do you believe that was an appropriate broadcast comment by one of your journalists?

**Mr Balding**—Again I am not aware of that comment. I would like to have a look at it. I will get hold of the transcript and I will go through it.

**Senator SANTORO**—It is pretty clear what he said.

**Mr Balding**—I need to go through it in the context. That is a single statement. From what you have said, it appears not to be very appropriate, but again one needs to have a look at it in the total context.

**Senator SANTORO**—I look forward to your answer. In answer to question No. 172 from the November estimates the ABC said that management had spoken in a 'frank and robust way' to Ms Linda Mottram, AM presenter, about her adherence to editorial policies and had 'reaffirmed its confidence' in her commitment to those policies. Ms Mottram was later reported as saying, 'Nobody is telling me to do anything differently on the basis of it.' Was the advice to Ms Mottram to modify her presentation?

**Mr Balding**—I am informed that Ms Mottram was advised of her obligations in respect of adherence to the ABC's editorial policies and guidelines and that it was a very frank and open discussion with Ms Mottram.

**Senator SANTORO**—So do you think that has modified her behaviour to the extent that ABC editorial policies are no longer compromised?

**Mr Balding**—Ms Mottram is no longer with the corporation. She left the corporation shortly after that.

**Senator SANTORO**—Was anything else that she said before she left in any way compromising the ABC's editorial policies?

**Mr Balding**—Not that I am aware of. The discussion I had with the executive management of news and current affairs was along the lines that I just indicated: Ms Mottram's obligations in respect of the corporation's editorial policies were made very clear.

**Senator SANTORO**—I refer again to the way in which Mr Ackland discharged his responsibilities as the presenter of the morning show during December 2003 and January 2004. What was the precise nature of the agreement between the ABC and Mr Ackland about the editorial policies to be pursued in his program?

**Mr Balding**—All presenters and broadcasters are subject to the ABC's editorial policies and guidelines. There is no variance on that. In any engagement of a presenter or broadcaster it is made very clear to that presenter or broadcaster that they are subject to the ABC's editorial policies and guidelines.

**Senator SANTORO**—Would you be able to inform the committee how much Mr Ackland was paid for presenting this program?

**Mr Balding**—I would like to take that on notice.

**Senator SANTORO**—Was Mr Ackland's presentation of this program monitored to ensure that the material presented was balanced and accurate?

**Mr Balding**—Again, all programs are monitored by the executive producer and there is a review at the end of each program.

**Senator SANTORO**—I see that Mr John Cameron, National Editor, ABC News and Current Affairs, was defended in the *Age* newspaper on Friday, 13 February, in reference to ABC television's new sports format for the national news bulletin. He asserted that ABC TV was upgrading and evolving its new service, not downsizing. What cost savings in operational areas and otherwise does the ABC expect to see from the new format?

**Mr Balding**—There are no cost savings involved here. This gives me the opportunity to put on the public record that there has been a lot of misinformation about this issue. I would like to say up front that there will be no reduction in local sports coverage on ABC television on the 7 p.m. news. The aim of the new segment is to bring a sharper focus to the ABC's prime time coverage of national and international sporting events that have relevance across Australia to all Australians. It will free up time for the various state sports reporters to concentrate on local sports issues. So I just make it very clear that there will be no reduction in local sports coverage in the 7 p.m. bulletin. In fact, this will be enhanced.

**Senator SANTORO**—And the cost savings?

**Mr Balding**—There are no cost savings. This is not a budget issue, and there is no loss of jobs. We are merely looking at the way we present sport to our audience and trying to sharpen the focus on national sport to avoid duplication. Rather than have six or seven journalists, individually in the various states, reporting on a sport where the coverage of that sport has relevance across Australia, if possible it will be reported in one bulletin across Australia. That will provide a sharper focus. As I said, it will free up the local sports reporters to concentrate on local issues that are relevant to their states.



**Senator SANTORO**—So it is a genuine upgrading?

**Mr Balding**—It is a genuine upgrading and enhancement of our sports coverage. As I said, there is a lot of misinformation about it.

**Senator SANTORO**—I refer to the new complaints system operated by the ABC since October 2002. Has the system been reviewed since then?

**Mr Balding**—It is currently under review.

**Senator SANTORO**—Is that the first review?

**Mr Balding**—It is the first major review of it, yes. As you rightly said, it was brought out in about October 2002. We are going through a review of that. An initial paper and report was presented at the last board meeting. Management has some further work to do and we will be coming back to our March board meeting and the editorial policies committee of the board.

**Senator SANTORO**—Have there been any minor in-house reviews of it? Have any papers been presented to the board along the lines of a review?

**Mr Balding**—A discussion paper was presented to the board and discussed at the board. The board has asked for further information, and it will be assessed in further detail, as I said, towards the end of March.

**Senator SANTORO**—Would it be appropriate for you to provide to the committee a copy of that paper that was presented to the board?

**Mr Balding**—I do not believe so. At this stage it is still subject to the deliberations of the board. Once the board makes a decision, obviously I will make an announcement and, if there are any changes or enhancements to our complaints processing system, put that on the public record. But at this stage it is a matter that is subject to board discussion and deliberations.

**Senator SANTORO**—Once the current major review is finalised, will you make that review report public?

**Mr Balding**—Yes. I am more than happy to do that. Once the board approves of it or makes a decision, I will be more than happy to place that on the public record.

**Senator SANTORO**—Mr Balding, as you know in January this year I received what I considered to be a rather intemperate communication from Mr Roger Raven, President of the Friends of the ABC in Western Australia. Mr Raven has also written to the President of the Senate and, I suspect, to several others. As the chief executive of the ABC, what is your view on the level of helpfulness to the ABC of such actions by branches of the Friends of the ABC? Do they speak for the ABC?

**Mr Balding**—We need to make it very clear that they are not associated with the ABC. They do not speak on behalf of the corporation.

**Senator SANTORO**—Did you see the letter that I was referring to?

**Mr Balding**—I did, Senator. You sent me a copy of it.

**Senator SANTORO**—In relation to the regular assessment of the operation and application of its editorial policies, referred to in the ABC's answer to my question on notice No. 190, tabled at the 3 November 2003 estimates hearings, I see that the ABC board in early

2004 was to look at the issue of labelling of organisations. Has this review yet gone to the board?

**Mr Balding**—Again, that will be covered in the March meeting of the editorial policies committee of the board. A range of issues will come before that committee for discussion, and that is included in that.

**Senator SANTORO**—Is that review completed or under way?

**Mr Balding**—It is under way.

**Senator SANTORO**—So the board has not yet considered it?

**Mr Balding**—No. They will look at that, amongst a number of other issues, at the March meeting.

**Senator SANTORO**—But has the actual review been completed?

**Mr Balding**—No. The review is current; it is under way.

**Senator SANTORO**—Again, once that review on the issue of labelling is finalised, would you be prepared to make that public?

**Mr Balding**—Yes, definitely. The editorial policies guidelines are a public document. We will be making any changes to that public in the normal course of events.

**Senator SANTORO**—I was interested to read in last week's *Bulletin* magazine that John Tulloh, the ABC's head of international operations, recently sent a memo to ABC staff telling them not to refer to Hamas, Hezbollah and Islamic Jihad as terrorist organisations. The memo is reported to state:

Please be careful with Middle Eastern references. Several recent slip-ups have attracted justified complaints. The ABC follows UN guidelines on proscribed groups: Hamas, Hezbollah, and Islamic Jihad are NOT included in the UN's list of terrorist organisations and therefore must not be described as such.

Would you be prepared to make a copy of that memo available to the committee?

**Mr Balding**—I will look into that. If it is appropriate I will be more than happy to provide it to the committee.

**Senator SANTORO**—Can you think of any circumstances that would apply where you think that that would not be appropriate?

**Mr Balding**—I cannot think of one at the moment, no.

**Senator SANTORO**—I would like to elicit some further opinion from you. The memo goes on to state that if any of these organisations:

... claims responsibility for, say, a suicide bombing or similar outrage, then it is entirely appropriate to describe the incident itself as an act of terrorism. A suicide bomber who detonates himself or herself is a terrorist. While we must avoid labels where possible, do not be afraid to call such a person a terrorist.

It would appear from this that, according to the ABC, at least as expressed within that memo, it is possible for representatives of non-terrorist groups to repeatedly commit terrorist acts. Would you think that that is the case?

**Mr Balding**—I think we need to have a look at the definition of ‘terrorist’. I think that what John Tulloh would be trying to do is provide some guidelines and a style guide to ABC journalists to assist them. I am more than happy to have a look at that and provide comments to you.

**Senator SANTORO**—In the first edition of *Media Watch* for 2004, broadcast a week ago, host David Marr fired a broadside at the Hutton report just published in Britain, claiming that the BBC’s report on prewar allied intelligence on Iraq’s weapons capability that sparked that inquiry was essentially correct. I notice that your letter in the *Australian* newspaper today, and the one from Ms Levy, like Mr Marr in his program, ignored the central fact that the claim that Iraq could use weapons of mass destruction at 45 minutes notice was not put into Prime Minister Tony Blair’s House of Commons speech by members of the British government but by intelligence officials. Given that *Media Watch* has the role of monitoring the media for exactly the sort of obfuscation that Mr Marr himself perpetrated last Monday, is it appropriate in your view that he is allowed to continue to use the program as a publicly funded soapbox for his personal views?

**Mr Balding**—I will pass the question of the detail to Sandra Levy, but the issue of *Media Watch* was discussed, obviously, at the last Senate committee hearing. I believe that the actual program itself is a very worthwhile and justified program. For the actual details of what is contained and what is not contained, and as far as Monday night’s episode is concerned, I will pass the question to Sandra.

**Ms Levy**—I do not believe that *Media Watch* is a soapbox forum for Mr David Marr. We support the role of *Media Watch* as a critique of media coverage of key events.

**Senator SANTORO**—But, when he proceeds to ignore a central fact and puts forward an opinion that is directly contradictory to the central facts and one of the central findings of the Hutton inquiry, how would you describe it? If you do not describe it as using the program as a publicly funded soapbox, how would you describe ignoring a central fact or, in fact, misrepresenting that central finding? Why don’t you give me your description of Mr Marr? Are you trying to tell me and this committee that Mr Marr reported that finding by the Hutton inquiry accurately?

**Ms Levy**—Mr David Marr reported on the media response and the media attitudes to the Hutton inquiry—that is, the reporting and coverage of it and the subsequent events in England. *Media Watch* has a long and proud tradition of providing a critique of the media and I believe Mr David Marr does an excellent job in that long tradition.

**Senator SANTORO**—Do you believe that that finding by the Hutton inquiry is inaccurate?

**Ms Levy**—It is not our role to judge the Hutton inquiry. We have no role in participating in the Hutton inquiry. It was a UK inquiry and it was completed. However, *Media Watch* does have a role in evaluating the media’s response and style of reporting of the Hutton inquiry, and I believe that is what it did.

**Senator SANTORO**—Mr Balding, I am interested in Ms Levy’s answer. Has the ABC studied the findings of the Hutton inquiry in relation to activities real or alleged by the BBC?

**Mr Balding**—We have, and we are continuing to study it. In actual fact, I have commissioned a report that will go to the editorial policy committee of the board at the end of March. It will go through the Hutton inquiry report and it will parallel issues in Hutton and compare how the ABC applies its governance process and procedures to see if there are any lessons that the ABC can learn from it and if there are any areas of exposure or risk to the ABC. So we are going through that in fine detail right now. It will, as I said, be in a report to the editorial policy group of the board at the end of March.

**Senator SANTORO**—What were the terms of reference of that review?

**Mr Balding**—I have just asked for a full review of the report, as I said, identifying where the report identifies the BBC as being in error, particularly in respect of its processes and procedures, and comparing that to the current ABC processes and procedures to see if we are satisfied that ours are of such rigour to avoid a similar situation occurring at the ABC. At the moment we are fairly confident that our processes and procedures would stack up—again, this is through the enhancement of our complaints-handling process—but nevertheless it is appropriate and quite proper that we go through that report and report in detail to the board.

**Senator SANTORO**—Would you be prepared to make that report public?

**Mr Balding**—I will have a look at that. Again, it is forming the basis of a board paper. Can I please take that on notice?

**Senator SANTORO**—Yes.

**Mr Balding**—If anything comes out of it whereby we are required to enhance our procedures as a result, that will become public by virtue of the process that I have applied. It would require an enhancement or change either to our editorial policies or our complaints-handling process, which I have already made public, and I will be quite happy to make those changes public again.

**Senator SANTORO**—I think it is a good idea that you have initiated the review of the Hutton inquiry report, and I commend you for that. In regard to question No. 194 of the November hearings, about the use by the ABC of the CPI as a benchmark for deflating ABC funding over time, I need to apologise to you for not providing you with the background paper that I said I would. I have now located that paper and am happy to provide that to you. I look forward to your considered response.

**Mr Balding**—Thank you. We will revisit that question.

**Senator SANTORO**—That would be good. I will ask some further questions in relation to that. In your answer, you mentioned a Macquarie Bank study in the ABC triennial funding submission. Was Macquarie Bank retained by the ABC to produce the submission?

**Mr Balding**—It was.

**Senator SANTORO**—What were the terms of the retainer?

**Mr Balding**—The actual detail of the assignment—and Mr Pendleton might have a bit more detail—was to look at the funding of the ABC relative to its commercial peers in Australia and to have a look at the adequacy of the funding of other public broadcasters throughout the world to benchmark our funding against those public broadcasters.

**Senator SANTORO**—Would you be prepared to make the findings of that report available to the committee?

**Mr Balding**—We have made a summary of the findings available by virtue of the triennial funding submission. We did provide a summary publicly in January last year. It is a very thick report, but I am more than happy to extract the summary of that report and make it available.

**Senator SANTORO**—Would we be able to have a look at the entire report?

**Mr Balding**—Yes. I do not see any reason why not.

**Senator SANTORO**—Thank you for that. Has the ABC commissioned any other external studies on this issue?

**Mr Balding**—Not at this stage.

**Senator SANTORO**—In the answer to question No. 194, you stated that the consumer price index is generally accepted as a benchmark indicator of movements of cost, for both households and businesses. Would you agree that, as its name suggests, the CPI is intended to measure changes in consumer prices and is not generally used to measure changes in business input costs?

**Mr Balding**—Different niche businesses have different indices. We could debate for a long time what the most appropriate index is. The ABC, given the nature of its—

**Senator SANTORO**—But that is the particular point that we are debating here.

**Mr Balding**—Let me finish. When you get to the situation where some 60 per cent of the ABC's costs are in salaries and wages, which are directly driven by consumer price changes, I think it is relevant. We can look at a range of indices. Macquarie Bank looked at a range of indices and also came to the view that, having regard to the nature of the operations of the ABC and the industry it is in, the CPI is an appropriate index to apply. As I said, when 60 per cent of our cost base is driven by salaries and wages, the CPI becomes very relevant for us.

**Senator SANTORO**—Would you be able to provide examples of other Commonwealth budget-funded organisations that define their real level of funding in terms of the CPI?

**Mr Balding**—I am not aware of any.

**Senator SANTORO**—I refer to your answer provided to question No. 192 that I also put at the committee hearings on 3 and 4 November 2003 with respect to the Complaints Review Executive. In that answer you stated that the CRE employed rigorous standards of research and investigations, substantiating that by saying that the CRE analyse a number of broadcasts. How does the mere fact of reviewing a number of broadcasts discharge an obligation of rigour?

**Mr Balding**—Do you mean the number of our broadcasts or other broadcasts?

**Senator SANTORO**—The number of broadcasts.

**Mr Balding**—It would be one element that he would have applied—one component only.

**Senator SANTORO**—Have you asked the CRE to explain the discrepancy between its analysis of the complaints referred to it and that conducted by the ICRP?

**Mr Balding**—I have been through both of those reports and, no, I have not directly asked the CRE to explain it. I believe the CRE in his analysis provided a very detailed critique of the complaints and gave a very detailed analysis prior to the decision he took.

**Senator SANTORO**—Would you be able to provide us with the explanation or the analysis supplied by the CRE?

**Mr Balding**—Yes. The CRE was very detailed in all of his analysis. That is a public document now, so I can provide that.

**Senator SANTORO**—I would be grateful for that. Has any consideration been given to appointing to the position of CRE a person who has not had a long association or history of employment by the body that person is intended to investigate?

**Mr Balding**—How do you mean?

**Senator SANTORO**—Often the CRE investigates bodies that have been associated with the membership of the CRE—in other words, Caesar judging Caesar.

**Mr Balding**—This is an issue of perception. When we enhanced our complaints-handling process, one of the things we did was put in a CRE because, prior to that enhancement, it was the program areas themselves that reviewed the complaints. We did not see that as appropriate and we then separated that out. We had audience and consumer affairs, which is a part of corporate relations, assessing the complaints with the program makers. We believed, and I still do, that adding that other level of an independent complaints review executive, completely separate and at arms-length from the program-making areas, provides an independent view of it. I understand that there is some perception that that person draws a salary from the ABC and it is the ABC that they are investigating, but I would also like to mention that there are still two external bodies, separate and independent from the ABC where complainants have an avenue for following up their complaints. One is the Independent Complaints Review Panel and the other is the ABA.

**Senator SANTORO**—Thank you. I will stop here as my time has expired.

**CHAIR**—I believe you have some questions to put on notice.

**Senator SANTORO**—Yes, I have a number of questions.

**CHAIR**—If you could you do that as soon as possible, that would be great. Senator Mackay will ask some questions now.

**Senator MACKAY**—Out of curiosity, Mr Balding, how much has it cost the ABC to date to answer Senator Santoro's questions on notice to date? Have you ballparked it?

**Mr Balding**—We have not done that detailed analysis for questions on notice but, as I said, the ABC take very seriously our accountability to parliament and we do apply a lot of time and effort on the answers. I am aware there is a question from Senator Cherry, I think, asking for information on some follow-up questions from Senator Santoro on freedom of information. We are in the process of providing that information back to the parliament.

**Senator MACKAY**—Is that via an FOI request from Senator Cherry?

**Mr Balding**—No, I think it was a question that Senator Cherry asked in the Senate.

**Senator MACKAY**—It was a breakdown, was it?

**Mr Balding**—Correct.

**Senator MACKAY**—Irony intended: can you take my question on notice?

**Mr Balding**—Yes.

**Senator SANTORO**—I would be very interested in that answer myself. I will give an opinion as to whether I am getting value for money too.

**Senator Kemp**—If we are going to look at the costs of questions that Senator Santoro is asking the ABC, perhaps we had better do it for other senators as well.

**Senator SANTORO**—I made a mental note to make that an additional question on notice for you, Mr Balding.

**Senator MACKAY**—That is absolutely fair enough.

**CHAIR**—Is that to apply to the whole of the estimates of this portfolio, Minister?

**Senator Kemp**—Sue Mackay has raised a very interesting issue. If I could take your thoughts back to an earlier period: prior to this government coming to office, there was a general rule in the estimates that I went to that ministers had to be shown the questions on notice first, and then the ministers would determine whether they were appropriate questions to be answered on notice.

**CHAIR**—This was in the previous government?

**Senator Kemp**—Yes, in the previous government. It was certainly the case in the committees in which I was involved. I used to have considerable fights with Senator Bolkus on this issue. The other issue is that I think institutions and departments have to make a judgment on the amount of research which is required for these questions. In relation to this department, the questions would involve a very substantial diversion of resources and, from my point of view, I am not prepared to authorise that. Obviously you have to determine whether people are seeking some genuine information, and we try to do that, but sometimes questions do not lead you to that conclusion. I do not exercise this judgment frequently but, where there is a massive diversion of resources required to answer questions, quite clearly departments and ministers have to make a judgment whether they can be pursued.

To that extent, I think Senator Mackay has raised an interesting issue. Breaking down the cost of answering particular senators' questions to determine how much they are costing the various institutions is an interesting issue, but you would not want massive amounts of resources being devoted to that, I have to say. I think the ABC has other things to do. But, on the other hand, I do not want to have poor old Senator Santoro singled out for particular attention. If you are going to pursue this, you should have a look at what other senators are doing too.

**Senator SANTORO**—Thank you for your intervention and protection.

**Senator Kemp**—I am always happy to do that, Senator.

**Senator SANTORO**—I was about to add another question on notice!

**Senator MACKAY**—With respect to the comments by Senator Santoro on Linda Mottram, can you confirm whether Ms Mottram has won any awards for excellence in journalism, Mr Balding?

**Mr Balding**—Yes, Ms Mottram has won a number of awards for excellence in journalism, and I am more than happy to identify those awards and provide them to this committee.

**Senator MACKAY**—Did she win a Walkley?

**Mr Balding**—I believe she is a winner of a Walkley.

**Senator MACKAY**—What was that for?

**Mr Balding**—I cannot recall the precise details.

**Senator MACKAY**—I think it was for coverage of Balkans war, was it not?

**Mr Balding**—I just cannot recall, but I am more than happy to provide that information.

**Senator Kemp**—I think you may have the answer there, Senator Mackay.

**Senator SANTORO**—She is a very competent journalist; nobody is questioning her competency.

**Senator MACKAY**—Chair, can I ask my questions? I know the interaction between those two is riveting.

**CHAIR**—Let us allow Senator Mackay to ask her questions.

**Senator MACKAY**—I have one last question, before we break, to follow-up from Senator Santoro. Can you take on notice which journalists, of whatever medium, accompanied the Prime Minister on his recent trip to Western Australia, as well as the cost to the ABC of that involvement?

**Mr Balding**—Yes, we can provide that.

**Senator MACKAY**—Thank you.

**CHAIR**—We will now take a short break to allow the technical people to look at the computer systems here.

**Proceedings suspended from 10.03 a.m. to 10.16 a.m.**

**CHAIR**—We will now resume.

**Mr Balding**—Following up on an earlier question from Senator Santoro, who referred to the IPA report and asked whether we had read it and what our views on it are, I am advised that that report has not as yet been published. I just put that on the record.

**CHAIR**—The IPA being the Institute of Public Affairs?

**Mr Balding**—Yes. We would not be in a position to respond to that question on notice at this stage because the report has not been published.

**CHAIR**—Does that report have a name or is it just as Senator Santoro referred to it?

**Mr Balding**—It is as Senator Santoro referred to it. Apparently on their web site it says that it will be published shortly.

**CHAIR**—I have not received it yet, and I am a subscriber to the IPA, so I can confirm that it has not yet been published. We will now proceed.

**Senator MACKAY**—Mr Balding, can you confirm the funding for the National Interest Initiative, which—as we discussed in the last estimates round—has significant additional



regional programming? I think there is some fear that several radio stations are due to expire in mid-2005.

**Mr Balding**—The renewal of the NII has formed part of the budget submission that we have put to the government for consideration in the May budget. As you are aware, that program is due to expire at the end of June '05. In our submission to the government we have made very clear the need for that funding to continue.

**Senator MACKAY**—What will be the impact if the funding is not renewed?

**Mr Balding**—It would have horrendous impact on ABC audiences, programs and services. I think I outlined to this committee last time the initiatives that this program had funded. We are talking about 57 regional radio program makers throughout Australia. We are talking about four regional radio stations: one in Wagin, in Western Australia; one in Ballarat, in Victoria; one in Katherine, in the Northern Territory; and a new studio at the Central Coast. We are talking about the reintroduction of the 7.00 p.m. weekend news for the Northern Territory and the ACT, and a business program on television. They are significant programs and services. In our submission to government we have provided a very clear and compelling argument for the continuation of that program, and we have provided an evaluation of that program, which clearly outlines the benefits that the Australian public is receiving as a result of those initiatives.

**Senator MACKAY**—Have you looked at potential job losses if the initiative is not renewed?

**Mr Balding**—We have, and this is one of the reasons I am saying to the government that we need the commitment for the renewal before the beginning of the next financial year. In the event that that renewal commitment is not given, I will have to start winding back some of those programs. That means winding back on jobs, and that will incur separation and redundancy costs which I will need to fund from within that program. It is not a matter of waiting until midnight on 30 June 2005 to say whether or not this program will continue; I will have to pull it back a lot earlier than that and it will have an impact on jobs.

**Senator MACKAY**—Have you had a look at quantum with respect to job losses?

**Mr Balding**—A lot of the program is salaries and wages—it is people, as I said. There are 57 new regional program makers and there are additional people employed in television for the two weekend news programs, one in Canberra and one in Darwin. We put a new business program on air on television. Again, that has job implications. It is quite significant and would have a major impact on our programs and services and on our audiences.

**Senator MACKAY**—Has the ABC approached the government yet with respect to the continuation of this initiative?

**Mr Balding**—We have. As I said, it is in our budget submission, which is outside the triennial funding cycle. But, notwithstanding that, I saw it as very important to go back to the government, which we have done. We cannot make it any clearer. We have presented the submission itself to our minister. We have provided with it a very comprehensive evaluation of the program. It is an issue in that, if it is not renewed, as I said, it will have a major impact across the ABC, throughout regional and rural Australia.

**Senator MACKAY**—Has the government provided a response to you as yet or given you any indication about the likelihood or otherwise of its being in the budget?

**Mr Balding**—No, Senator. It is part of the budget process, so there has been no formal response from the government at this stage.

**Senator MACKAY**—But presumably the minister has been lobbied by the ABC directly, as you indicated earlier?

**Mr Balding**—Definitely.

**Senator MACKAY**—Has the ABC sought further funding initiatives in the current budget round, in addition to the National Interest Initiative, and can you let me know what they are?

**Mr Balding**—We have sought additional funding of some \$8 million to cover additional cost increases. I think last time I was at Senate estimates I spoke about it. I think you put a question to me about whether there were any more program cuts, and I said, ‘No, not in this current financial year,’ and that we had balanced the budget. But the costs of broadcasting and program making are increasing at a faster rate than our indexation and therefore cost pressures are emerging. We have brought this to the attention of the government, to look for additional funding of \$8 million.

There are three areas that we have identified. One is in respect of the indexation of NII. When the NII was approved by the government at \$17.8 million per annum for four years it was unindexed, so the actual value of the money for that program is deteriorating in real terms. We have asked the government to consider not only renewal of NII but its indexation as well, and we have asked for a catch-up there for the four years of the program itself. We are under increasing pressure in television in particular from mounting costs. One of them is with respect to closed captioning. The ABC spends about \$4 million per annum with respect to closed captioning. That was balanced off in last year’s budget, and we are providing for that. We have never been provided with any additional funding for closed captioning; we have found that from within. So again it is not only the increasing costs of existing levels of service; it is when new cost pressures are added, and closed captioning is one of those relatively recent additional costs—as I said, it is about \$4 million a year. Over the balance of the triennium, we believe that the costs of captioning will increase further. It is not necessarily the actual cost of captioning programs but the fact that there are further programs being closed-captioned, so we are asking for additional funding there.

We are also asking for funding with respect to program acquisitions. In our last two triennial funding submissions, the ABC sought additional funding for program acquisitions. We compete in a very competitive international market with respect to buying our programs, and as such the costs of program acquisitions, again, are increasing at a faster rate than the indexation of our base funding, so we are asking the government to consider additional funding to meet those additional costs.

**Senator MACKAY**—Thank you, Mr Balding. Minister, I wonder whether you are privy to any information about whether the government is likely to renew the National Interest Initiative?

**Senator Kemp**—These are matters for the budget, Senator, and I think you would appreciate that these are not matters that I will be making comments on at Senate estimates.

**Senator MACKAY**—Are you aware of whether the government is considering indexing the National Interest Initiative for inflation? Is that under consideration?

**Senator Kemp**—That again is a matter for the budget.

**Senator MACKAY**—Mr Balding, I would like to go to the issue of travel. I refer specifically to the answer to the question on notice given to me with respect to staff travel from November 2001 to November 2003. As you would be aware, this answer created some media interest, given the background of the budget squeeze by the government and the decision by the ABC to axe *Behind the News* due to a lack of funds. Who signs off or authorises executive travel within the ABC?

**Mr Balding**—I sign off all international travel. If I am not available, my chief of staff has delegation to sign off, and there may be one or two instances of that. But overall it is the managing director's delegation, so I sign off on all overseas travel.

**Senator MACKAY**—Within the ABC, what specifically are the travel guidelines for staff for international travel? Do they exist?

**Mr Balding**—They are not necessarily guidelines for staff; they are guidelines for management to apply in assessing the worth and the benefit to accrue to the ABC as a result of any international travel. I think we have got to realise that the ABC is a large multimedia organisation competing in a very large international market. I certainly believe that the costs and the extent of overseas travel by the ABC are appropriate and fully justified. I look at each one of those submissions—the submission details, the reasons for the travel, the estimated cost, the duration—and, prior to them coming to me, the executive directors sign off on them and endorse them. I look at them as well, obviously. But it has to result in a benefit to the corporation. We get very excited about overseas travel—or the media does anyway—but I want to put on the public record that 80 per cent of that travel was directly related to program making or to our international services.

**Senator MACKAY**—So there are guidelines in existence that management—you and the other executive directors—use to determine whether it is in the interests of the ABC?

**Mr Balding**—That is correct.

**Senator MACKAY**—Do you have a copy of these guidelines?

**Mr Balding**—Not with me.

**Senator MACKAY**—Can you take that on notice? Is it possible to get that fairly speedily?

**Mr Balding**—I have not seen any detailed guidelines. They are guidelines that you apply as a manager in respect of ascertaining and being confident that it is of benefit to the corporation. These are the things that I apply very rigorously to every overseas travel application.

**Senator MACKAY**—So is there a set of guidelines on paper, as it were, that you apply?

**Mr Balding**—Yes, I am told there is.

**Senator MACKAY**—Mr Pendleton, is it possible to get a copy to the committee?

**Mr Pendleton**—Definitely.

**Senator MACKAY**—Would that take very long?

**Mr Pendleton**—It should not. We would have to do it from the office; it is on the Net.

**Senator MACKAY**—Thank you for that. Mr Balding, presumably the guidelines assist you in respect of your decision making and also assist the executive directors in respect of their recommendations to you?

**Mr Balding**—Yes.

**Senator MACKAY**—Is there any limit on hotel expenses for ABC management?

**Mr Balding**—It is all subject to Commonwealth awards and determinations. There are limits, yes. A lot of it has got to do with the reasons for the travel itself and the level of the accommodation.

**Senator MACKAY**—What do you mean ‘subject to Commonwealth awards and determinations’?

**Mr Balding**—The Commonwealth has various guidelines as to what applies when you get TA when you travel overseas, depending on the country you are staying in and the cost of living in that particular country. We take those as guidelines.

**Senator MACKAY**—Mr Pendleton, could you give me an example of what Mr Balding is referring to here? For example, if you are staying in Paris, what is the Commonwealth award?

**Mr Pendleton**—Periodically, Foreign Affairs issue updates on levels of expenditure that apply to the various destinations around the world, and we apply those internal guidelines and those draft rates to our internal policies.

**Senator MACKAY**—Are there any circumstances in which the Foreign Affairs guidelines or provisions are exceeded?

**Mr Pendleton**—I would not know. I would have to take it on notice. I am sure there may be scenarios where that does occur and where the actual costs, particularly in areas where there is conflict—where our journalists are, for example—would go through the roof.

**Senator MACKAY**—Let us just take London as a live example. What does Foreign Affairs and Trade say with respect to accommodation for somebody in London?

**Mr Balding**—There is a daily allowance provided.

**Senator MACKAY**—What is that?

**Mr Balding**—I do not have that with me.

**Senator MACKAY**—Does that apply to accommodation as well?

**Mr Pendleton**—No, I think—

**Senator MACKAY**—It is a per diem, isn't it?

**Mr Pendleton**—It is a per diem.

**Senator MACKAY**—What I am asking is whether there is any limit with respect to accommodation expenses, not per diem.

**Mr Balding**—I believe you would look at each case on its merits.

**Senator MACKAY**—That is what I am getting at. So there isn't a limit—in that the ABC makes a determination based on what it regards as reasonable?

**Mr Balding**—Yes. You look at each case on its merits, having regard to the location, the nature of the travel and the nature of the business conducted.

**Senator MACKAY**—And that is separate from the Foreign Affairs and Trade per diem guidelines?

**Mr Balding**—Yes, that is the daily living allowance in a particular country.

**Senator MACKAY**—That is right. I am not actually talking about that; I am talking about the accommodation.

**Mr Balding**—Right.

**Senator MACKAY**—So there is no set limit from Foreign Affairs that actually determines accommodation?

**Mr Pendleton**—Not that I am aware of.

**Senator MACKAY**—Unfortunately, Mr Crawford is with us: I am now going to ask a series of questions with respect to him. I do not know whether Mr Crawford himself wishes to answer this or whether Ms Williams or Mr Pendleton wish to answer. I will leave it to Mr Balding to determine. There are three trips that I specifically wish to ask about with respect to Mr Crawford. The first is a trip to London, Austria and Switzerland from 20 May to 8 June 2003 for 19 nights at a cost of \$18,884—is that correct?

**Mr Balding**—I am happy for Mr Crawford to give those details.

**Senator MACKAY**—Okay.

**Mr Crawford**—It is not correct. I have never been to Switzerland. I think there are five other people with my surname in the ABC. It was not me.

**Senator MACKAY**—Right. Would you care to enlighten us?

**Mr Crawford**—I did not go there.

**Senator MACKAY**—I am referring specifically to a response that the ABC gave me on notice. Where has the error occurred?

**Mr Crawford**—I think there are a number of people with my surname in the ABC. I think only surnames were listed in the answer to your question.

**Senator MACKAY**—Can the ABC break that down for me, please?

**Mr Balding**—Yes.

**Senator MACKAY**—Please go ahead.

**Mr Balding**—We can take it on notice. We have it only by surname.

**Senator MACKAY**—Let me put it another way. Mr Crawford, where did you go and how much did it cost?

**Mr Crawford**—I have been to an ABU meeting in Istanbul, an EBU meeting in Stockholm, a PBI meeting in Hong Kong and a second PBI meeting in Cracow in the past two years.

**Senator MACKAY**—So that is over a two-year period?

**Mr Crawford**—That is right.

**Senator MACKAY**—How much did that cost in aggregate?

**Mr Crawford**—It cost \$38,000 for those three trips over two years.

**Senator MACKAY**—How many days did it add up to?

**Mr Crawford**—I would have to tot them up.

**Senator MACKAY**—Okay, you can do that and we will come back to you. Just to recap, it was Istanbul, Cracow and where else? I did not write it all down.

**Mr Crawford**—It was 30 days from go to whoa—from leaving Australia to returning.

**Senator MACKAY**—It was Istanbul, Cracow—

**Mr Crawford**—Stockholm, Hong Kong and London.

**Senator MACKAY**—Which Crawford went to London, Austria and Switzerland from 20 May to 8 June for 19 nights?

**Mr Balding**—We will have a look at that and see which Crawford it was.

**Senator MACKAY**—One Crawford went there and the bill was close to \$19,000, so I would be interested in finding out who it was.

**Mr Balding**—We can take that on notice and provide you with the detail.

**Senator MACKAY**—I do not particularly want it taken on notice. It would be good if it could be answered here.

**Mr Balding**—We will make inquiries back at the office.

**Senator MACKAY**—Somebody whose surname is Crawford went to London, Austria and Switzerland from 20 May to 8 June for 19 nights at a cost of approximately \$19,000.

**Mr Balding**—We will try and ascertain that back at the office now.

**Senator MACKAY**—Okay. The second trip in 2003 was to Stockholm and the UK from 1 to 13 July at a cost of around \$16,441. I take it that was not you either, Mr Crawford.

**Mr Crawford**—That was me.

**Senator MACKAY**—So which Mr Crawford or Ms Crawford was it—do we know that?

**Mr Crawford**—For Stockholm?

**Senator MACKAY**—Stockholm and the UK.

**Mr Crawford**—That was me.

**Senator MACKAY**—But you did not go to the UK, you were saying.

**Mr Crawford**—That was me. I went to London and then to Stockholm.

**Senator MACKAY**—We have established that that was you. The third trip, which I take it was also undertaken by you, was to Turkey, Poland and the UK—

**Mr Crawford**—That is right.

**Senator MACKAY**—from 1 October to 15 October, and that had an aggregate cost of \$14,800 or so. Was that you?

**Mr Crawford**—Yes, that was me.

**Senator MACKAY**—Mr Balding, you indicated that you personally looked at these trips and gave them the tick, as it were—

**Mr Balding**—Yes.

**Senator MACKAY**—Can you outline briefly the value to the ABC of the latter two trips, as we do not know which Crawford took the first one?

**Mr Balding**—The ABC is obviously a member of a number of industry bodies. We are a founding trustee member of the Commonwealth Broadcasting Association, we are a foundation member of the ABU and we are also now an associate member of the EBU. These are very important international broadcasting organisations.

**Senator MACKAY**—Could you please spell out the acronyms.

**Mr Balding**—The CBA is the Commonwealth Broadcasting Association, the ABU is the Asia-Pacific Broadcasting Union and the EBU is the European Broadcasting Union. In fact, in respect of the EBU trip, I asked Mr Crawford to go to ascertain the value that the ABC would get out of being a more proactive member of the EBU in addition to our membership of the Asia-Pacific Broadcasting Union. There are a number of public broadcasters in Europe that we have similarities with, both in size and in operations—putting the BBC aside, of course. I just wanted to ascertain what took place at these conferences, whether it was of value and whether we could learn things—issues in respect of dialogue with other members of broadcasters. But there were also opportunities to meet with the broadcasters and establish contacts, particularly with respect to entering into coproduction deals with other broadcasters to save costs, to acquisition deals and also to selling our own programs to these bodies. I believe the ABC does get value out of attending these meetings, if we do it in a proper, measured way.

**Senator MACKAY**—Going back to the guidelines that you use, Mr Balding—and this is laudable—what are the specific guidelines? Can the ABC account—

**Mr Balding**—I will be quite honest: I did not open up the set of guidelines when I asked Mr Crawford to go to the EBU. As managing director, I wanted to ascertain, first of all, our membership of these bodies: are they worthwhile, are we getting value for money out of them, and should we either adopt a more proactive approach with these bodies—because these bodies do influence broadcasting policy throughout the world—or should we pull back? I did not open up any guidelines. As managing director, I wanted Mr Crawford to go so that we could see for ourselves the value of that.

**Senator MACKAY**—Is it incumbent upon the officer, or whoever is going, to provide you with a report?

**Mr Balding**—Yes.

**Senator MACKAY**—Have you received reports for the two trips that Mr Crawford went on?

**Mr Balding**—It is either written or oral. And, yes, Mr Crawford did report back to me about the EBU.

**Senator MACKAY**—In writing, on both of those trips?

**Mr Balding**—Definitely oral; I do not think it was in writing. I provide reports back to the board as well.

**Senator MACKAY**—Do you provide reports in writing to the board?

**Mr Balding**—In respect of my trips, I do.

**Senator MACKAY**—What about Mr Crawford's trips, to use him as an example?

**Mr Balding**—Mr Crawford would pick up those sorts of issues, as other divisional executive directors would do, in their activity reports. Every month, executive directors provide both an activity report and a governance report to the board. When they have travelled overseas then that will be mentioned in that report.

**Senator MACKAY**—Mr Crawford, did you provide reports in writing to Mr Balding on these two trips?

**Mr Crawford**—In my activity reports I did. On the outcomes of some of the meetings I had—say, in Stockholm, with the EBU people—I came back and briefed other executive colleagues about the different areas: for example, the development of program offerings from the EBU to television and the potential for growth in radio programming from EBU sources. I spoke to other colleagues about the benchmarking activities of various EBU members and how they might be applied or otherwise to the work we are doing in corporate governance, accountability and those sorts of things. So it was a case of bringing back what I had picked up, quite apart from making more general contact with public service broadcasters who are operating like us, internationally.

**Senator MACKAY**—Mr Balding, given that Mr Crawford has indicated that he reported in writing, would you be able to provide the estimates committee—on an in-confidence basis, if you like, or in whatever form—with copies of those two reports?

**Mr Balding**—Yes.

**Senator MACKAY**—We would prefer it not to be in confidence.

**Mr Balding**—Let me have a look at the nature of the report, because it also formed part of a board paper. I want to be very careful about setting a precedent of providing board papers outside the corporation.

**CHAIR**—That is a fair point. We have to respect that confidence. The material might be obtainable through other channels, Senator.

**Senator MACKAY**—Thank you for that, Chair. That is right. Mr Crawford, to refresh my memory: were there member meetings in both Stockholm and the UK?

**Mr Crawford**—Stockholm was the EBU only.

**Senator MACKAY**—What was London?

**Mr Crawford**—London was basically the BBC, ITN, the Press Association and other media commentators whom I had known from my years of working in London.



**Senator MACKAY**—So it was a series of meetings rather than a conference?

**Mr Crawford**—Absolutely, yes.

**Senator MACKAY**—So it was 13 days with respect to Stockholm and the UK, and 15 days with respect to Turkey, Poland and the UK. Were work related activities performed on each of those days?

**Mr Crawford**—Yes. Do not forget, one also has to run the division back here and one is on the phone or the email each day one is away anyway. There is work to be done overseas and domestically.

**Senator MACKAY**—Let me rephrase it, then. Did you have meetings of some sort on each of those days?

**Mr Crawford**—On travel days, certainly not, no.

**Senator MACKAY**—Clearly, you would not. But you had meetings on each of the days other than those on which you were travelling?

**Mr Crawford**—Just about every day, yes.

**Senator MACKAY**—Where did you stay in London, Mr Crawford?

**Mr Crawford**—It was a hotel around the corner from the ABC offices.

**Senator MACKAY**—What was the name of the hotel? We have to have all this information.

**Mr Crawford**—It was the Fitzrovia. I think it was called the Fitzrovia. It is quite close to the BBC.

**Senator MACKAY**—Looking at this objectively, Mr Balding, from your perspective is there any real justification for an ABC corporate affairs director, whose job, as I understand it—and I am happy to be corrected—is essentially to manage the ABC's domestic corporate affairs and government and public relations, being out of Australia for four weeks in a period of around six months? It does seem excessive.

**Mr Balding**—Let us not talk about the context of the periods outside Australia and inside Australia, but let me reassure this committee that I believe those trips were cost justified and of benefit to the ABC. I would not have signed off on them otherwise. As I said, I requested that Mr Crawford go on one of them in particular.

**Senator MACKAY**—It is four weeks in six months. It sounds like rather—

**Mr Balding**—Sorry, Senator. We do not have any control over the timing of these conferences. I was very keen to look at how the EBU operates, to see whether or not it would be relevant for the ABC to be a more proactive member of that. We do not have any control over the timing of the PBI conference, which is the Public Broadcasters International conference. Again, it is important that the ABC be represented there. I wanted Mr Crawford to attend and to get a feel for the PBI, the ABU and the EBU, to get a benchmark in respect of those organisations and what should be our future membership of those organisations. From memory—correct me if I am wrong, Geoff—the subscriptions for the membership of those organisations come out of Mr Crawford's budget.

**Senator MACKAY**—Thank you for that.

**Mr Crawford**—It was 30 days in two years.

**Senator MACKAY**—Have we found out who the other Crawford is yet?

**Mr Pendleton**—We have, Senator.

**Senator MACKAY**—Who is it?

**Mr Pendleton**—John Crawford heads up our Classic FM network. He travelled to Geneva to attend the EBU conference, the music experts' conference. He travelled to London, to BBC Radio, and to the International Rostrum of Composers in Vienna.

**Senator MACKAY**—Who approves his travel? Does Mr Balding do that as well?

**Mr Pendleton**—Yes.

**Senator MACKAY**—Moving on, Drew Lean, the production resource director, made two extensive trips, each lasting a fortnight, to the Netherlands in September 2002 and September 2003 at a cost—and this is a very rough calculation—of around \$1,000 a night on both occasions. How do you account for that trip, Mr Balding?

**Mr Balding**—Again, from what I am looking at here, that was for an international technology conference. It is important that our executive directors, along with other managers, stay abreast of developments in technology, particularly broadcasting technology. As you would appreciate, the ABC is going through a significant program of conversion to digital. There are a whole range of issues about broadcasting in standard definition and high definition as regards value and the best way to go about things. It is also important to ascertain what technology is available for that.

**Senator MACKAY**—When you say 'an international technology conference', do you have more information than that?

**Mr Knowles**—The International Broadcasting Convention is held annually. There are two—a third is now emerging—major broadcasting exhibitions and conferences in the world: the National Association of Broadcasters Conference, which is held in North America in about May each year; and the International Broadcasting Convention, which is held in Amsterdam each year. These bring together all of the suppliers of broadcasting equipment in the world. The one in America is focused more on the North American market and IBC is focused very much on the European market, which in some ways has more direct compatibility with our own. This provides a very efficient way of seeing the products which are emerging in the marketplace and talking with other broadcasters about them.

The IBC is supported by an extremely good papers program in which all the papers are refereed and so forth. Unlike some conferences that tend to be a forum for manufacturers to put views, IBC has a properly structured information process where people are invited to place programs. They submit them and those programs go through a referee process so that when you arrive you can read all the papers and see what the major benefits are going to be. So that is the pre-eminent conference.

The third conference I referred to is BroadcastAsia, which is just starting to emerge as a significant exhibition and conference within the Asia-Pacific region. It is usually based in

Singapore in about June. It is a much smaller scale operation, simply because it does not cover quite the same market as the European one.

**Senator MACKAY**—So the conference is held in the Netherlands every year, is it?

**Mr Knowles**—The Netherlands is the only place large enough to take this convention. It is the only place in Europe which has enough exhibition space to run it. It extends over—

**Senator MACKAY**—That is fine. With respect to the 2002 trip to the Netherlands, was that to attend the conference as well, because it was categorised as ‘other’ in the answer?

**Mr Knowles**—What was the date?

**Senator MACKAY**—It was 2002.

**Mr Knowles**—It would have been for the IBC.

**Senator MACKAY**—It was categorised as ‘other’, so can we assume that that was an error?

**Mr Balding**—I think there would be other things included in that, along with the conference—it could have been for interviewing or meetings with other broadcasters.

**Senator MACKAY**—But the conference was held then?

**Mr Knowles**—Yes.

**Senator MACKAY**—So the ‘other’ category could well cover the conference and other things.

**Mr Knowles**—As a further comment on the Amsterdam conference, because of the number of delegates attending, the conference organisers tend to block book all the accommodation in Amsterdam. It is therefore something of a captive market. Amsterdam is probably one of the highest cost locations in Europe as regards value for money.

**Senator MACKAY**—The 2003 Amsterdam trip also included a visit to the UK. What was the purpose of the UK part of that?

**Mr Pendleton**—Meetings with the BBC.

**Senator MACKAY**—Another set of meetings with the BBC?

**Mr Pendleton**—Yes.

**Senator MACKAY**—Other than meetings with the BBC in London, what else did Mr Lean do in London?

**Mr Pendleton**—The only information I have is that he attended meetings with the BBC.

**Senator MACKAY**—How long was he in London for?

**Mr Pendleton**—I do not have that break-up of the trip. I would have thought it would have only been a couple of days.

**Senator MACKAY**—Can we find that out?

**Mr Pendleton**—Yes, I can.

**Senator MACKAY**—Could you find that out. Did any other staff accompany Mr Lean at any stage during these trips?

**Mr Pendleton**—I am not aware.

**Mr Balding**—Mr Knowles might be able to help.

**Mr Knowles**—I believe there were. I would need to double-check the facts, but I think there were two in the last trip.

**Senator MACKAY**—Who were they and what did they do there?

**Mr Knowles**—It would probably be better to take that on notice, just to be sure of the facts.

**Senator MACKAY**—Mr Balding, Mr Lean is spending around \$1,000 a day—including airfares, to be honest about this. What is the disaggregate with hotel costs? You said Amsterdam was one of the highest costs. How much was spent on hotels in Amsterdam?

**Mr Balding**—We would have to pull that out.

**Senator MACKAY**—It does seem a lot, I have to say.

**Mr Balding**—Overseas travel is not cheap, both in respect of airfares and, you would appreciate, in some countries in respect of accommodation as well.

**Senator MACKAY**—When somebody applies to you to go overseas, irrespective of who they are, do you look at the aggregate cost? Does the executive director put a proposal to you and say, ‘This is going to cost \$20,000’?

**Mr Balding**—Yes. A proposal comes to me. It separates out the costs of the airfares, accommodation and any contingencies that are provided for. The purpose of the trip et cetera is fully detailed.

**Senator MACKAY**—If we were to ask you for that, you could provide that to us, having spent some time having a look at it.

**Mr Balding**—Yes. That information is available, but not at the moment. We can provide that on notice.

**Senator MACKAY**—The answer to my question on notice has Ms Levy, as director of television, spending around \$50,000 for the two-year period covered in the question. The trip to France and the UK in April 2002 is listed as ‘production’. I was wondering what that means. What was the actual production undertaken in the UK and France by you, Ms Levy?

**Ms Levy**—It is listed in mine under ‘other’, so we obviously have two different listings. I would probably list it under ‘other’. ABC television, as you know, has about 50 per cent Australian content and 50 per cent internationally acquired content. As well as that, of the 50 per cent Australian content, some of those are coproductions with other organisations around the world. Twice a year there is a market in Cannes called MIP or MIPCOM, for which roughly 8,000 television buyers and sellers register. There is a very big market of buying and selling. I attended that market that year. I also went to London, because we have significant acquisition arrangements with both the BBC and Channel 4 and with Fremantle Media.

**Senator MACKAY**—Effectively, the trip to Cannes and London was for the purposes of buying television.

**Ms Levy**—It was for both buying and talking to potential coproducers, who are independent production companies, as well as broadcasters for projects that we had in development and projects that they had in development. So there is a whole range of activities that television is involved in, including both buying and selling, broadcaster relationships and independent producer relationships.

**Senator MACKAY**—What was bought or sold on that trip particularly?

**Ms Levy**—Vast amounts. Every time we go to a market, we hold meetings every 15 minutes for about a 10-hour day. Tapes are sent back for assessment. People wanting to sell programs to us come to our stand and arrange meetings to discuss what they have across a whole range of content, from children's to natural history, documentaries, dramas and so on across the full range of projects we buy. We arrange meetings with producers and production companies with whom we have done business. We are interested to see what they have got coming up on their production slate and what their delivery timetable is. There is a very vigorous round of meetings both ways, and projects are brought back for assessment, consideration and further discussion over the few months post the meeting.

**Senator MACKAY**—In regard to Ireland, Ms Levy, how many days did you spend there and what was the travel for?

**Ms Levy**—I think I was there for two days. RTE in Ireland are a public broadcaster, and we have a drama in development with an independent production company there and with RTE. We are developing that quite actively with a writer called, John Banville, whom I think you will know is an eminent Irish writer. We have been trying to advance that particular coproduction, as well as talking to RTE, as a fellow public broadcaster, about some of their projects and whether they might buy some of ours and whether we may be interested in some of theirs. I also met with the Irish Film Board to look at the potential for them of investing in coproductions and to find out what their revised guidelines are, and I met with some independent production companies there.

**Senator MACKAY**—Did any other ABC staff accompany you?

**Ms Levy**—Yes. The head of drama accompanied me and went to some separate meetings from me and, I think, one of the same meetings.

**Senator MACKAY**—Do you have any idea what the cost of that was?

**Ms Levy**—That particular meeting?

**Senator MACKAY**—No, the cost for that person to accompany you to the meetings that you have just outlined.

**Ms Levy**—It would be on the record. The head of drama is directly involved with drama coproductions internationally, which is probably a significant area, as well as natural history and documentaries. Each of the major content heads would have a responsibility for looking after the international marketplace in which they function, to ensure that there is goodwill, collaboration and hopefully some international coproductions arising from it.

**Senator MACKAY**—Was that the only person to accompany you on that trip?

**Ms Levy**—Yes, on that particular trip.

**Senator MACKAY**—I would like to move on to Max Uechtritz, Mr Balding. We were provided with information that Mr Uechtritz made a trip to Spain, the US and the UK in November 2001 for 17 nights at a cost of around \$18,000, and it is stated that the purpose of the trip was for a conference. Which conference was that and what is the ABC's justification for it?

**Mr Balding**—I will have to find out which conference it was. Again, the whole issue of justification involves the application of the same process. Whether it is for the management of staff or the management of executive directors, there has to be a direct benefit back to the ABC. I think we also have to take into context that Mr Uechtritz heads up a very large news and current affairs organisation. We have 14 overseas bureaus. We are an international news gathering and media organisation, and it is critical that people like Mr Uechtritz continue to keep up to date and abreast of current issues in respect of the media, particularly international broadcasting.

**Senator MACKAY**—That is fine, I have a series of questions that relate specifically to Mr Uechtritz.

**Mr Balding**—That is fine.

**Senator MACKAY**—It was stated that the \$18,000 was for a conference. Were there conferences in Spain, the UK and the USA?

**Mr Balding**—No. I would say that there would have been only one at the most and maybe a second one. He would have taken advantage of being over there to travel back via the UK to talk to staff in our London office.

**Senator MACKAY**—So there was a conference in Spain?

**Mr Balding**—I would have to find that out.

**Senator MACKAY**—Did you say one or two? I did not quite hear you.

**Mr Balding**—When an officer goes overseas and if it is appropriate that they attend that conference, if it does not add that much to the cost to visit other ABC offices, then you take advantage of that.

**Senator MACKAY**—Where was the conference? I am confused.

**Mr Pendleton**—I think it was in Spain.

**Senator MACKAY**—Were the UK and the USA added on?

**Mr Pendleton**—I do not have the details, but I can provide the details of that trip on notice.

**Senator MACKAY**—So of the 17 nights that were cited, how many of those nights were in Spain at the conference?

**Mr Pendleton**—I do not have that detail.

**Mr Balding**—I am sorry that we do not have this detail. You will appreciate that when we provide answers on notice, they are fairly comprehensive. The detail is there but pulling it all together and putting it in a format that can be assembled and given to the committee is a very onerous task, I can assure you.

**Senator MACKAY**—Thank you, I would appreciate that. Ms Levy, who is the director of drama?

**Ms Levy**—Robyn Kershaw is the Head of Drama and Narrative Comedy.

**Senator MACKAY**—The information you provided to us about the head of ABC Asia Pacific, Mr John Doherty, had him spending around \$250,000 in travel over the last two years, including \$21,000 for 11 nights in Japan, Hong Kong, Seoul and Taipei in February last year. Out of curiosity and to do a comparison, what is the annual budget of ABC Asia Pacific?

**Mr Balding**—It is round about \$18 million per annum. To put this into context, John Doherty is the head of international operations for ABC Asia Pacific, which is our international television service. We provide that service under contract to DFAT, so the funds for Mr Doherty's travel did not come out of the ABC's budget. They came out of the \$18 million per annum which comes from DFAT. All Mr Doherty's travel is reported back to DFAT. I will explain his travel. He is the head of international operations and his task is to get the ABC international television coverage and carriage on as many platforms as possible. We launched ABC Asia Pacific just over two years ago, and we are now carried in more than 30 countries on over 150 platforms. The only way to get onto those platforms is to go overseas, sit down with those carriers and negotiate carriage.

**Senator MACKAY**—Thank you for that. Has the ABC issued any directions to non-executive staff to minimise their travel costs? To give you an example, were ABC Canberra press gallery journalists told that they could not be paid travel costs for covering the ALP national conference in Sydney?

**Mr Balding**—I am not aware of that. I can find out for you. When you say non-executive do you mean non-executive directors as such?

**Senator MACKAY**—Non-executive staff or non-executive ABC employees.

**Mr Balding**—As in journalists or staff?

**Senator MACKAY**—Yes, journalists.

**Mr Balding**—I am not aware of any such instruction.

**Senator MACKAY**—So you are not aware of any verbal or written directive saying that it was impossible for journalists to go and cover the ALP national conference in Sydney?

**Mr Balding**—I am not aware of that, although the news people would roster resources for that sort of thing.

**Senator MACKAY**—Yes.

**Mr Balding**—They would have to roster that in accordance with their budget and what would be an appropriate level of resourcing.

**Senator MACKAY**—We are playing with words a little bit here. Was it indicated that there was a cut in the budget and therefore, for example, not as many journalists as had gone previously would be able to cover the ALP national conference? Was there any truncation at all in terms of travel to this ALP national conference in comparison to the last one?

**Mr Balding**—I would have to have a look at that. Again, it comes back to making the decision as to what resources you apply and what reporters are covering it. On the ALP

conference in Sydney, we have reporters in Sydney and it may be that those reporters would have been used rather than having people travel from the Canberra parliamentary bureau to Sydney. I need to have a look at that and take it on notice, but I am not aware of any specific instruction that said, 'If you travel, we're not paying for your allowance.' If staff are rostered on then they get paid accordingly.

**Senator MACKAY**—Are you aware of anybody being told they could not go and cover the ALP national conference because of budget constraints?

**Mr Balding**—No, I am not, but again I would need to have a look at that against the resourcing levels that we have provided.

**Senator MACKAY**—Thank you for that. Has Mr McDonald or any other board member been on an overseas trip in the last two years? I think I wrote to you advising I would be raising this issue.

**Mr Balding**—Yes, you did give us advance notice of this. We received your request last Friday and, given the time frame, we can provide the details you asked for. But I will say that there are some cost components we have estimated, because some of those trips are back in archives and we did not have the opportunity to get them out. If there is any significant variance to that once we find out more, I am happy to amend it. But I am quite happy to table the information you requested. In respect of the non-executive board directors it is only Mr McDonald, as ABC chairman, who has travelled over the last two years.

**Senator MACKAY**—Let us start with Mr McDonald's travel over the past two years. Mr Pendleton, for the purposes of the record, can you tell us what the travel was?

**Mr Pendleton**—The chairman has travelled on six occasions.

**Senator MACKAY**—Over the two-year period?

**Mr Pendleton**—Over the last two years—from today. He travelled for a 10-day period between 29 April 2002 and 9 May 2002 to Manchester in the UK, to attend the CBA conference on behalf of the ABC, at a cost of \$21,752. From 7 November 2002 to 12 November 2002, he travelled to Shanghai and Hong Kong for five days at a cost of \$9,086.

**Senator MACKAY**—For what?

**Mr Pendleton**—He went to Shanghai for Celebrate Australia 2002, as a guest of ABC Asia Pacific and to the PBI conference in Hong Kong.

**Senator MACKAY**—What is PBI.

**Mr Pendleton**—It is Public Broadcasters International. From 28 June 2003 to 13 July 2003 he travelled for 15 days to London, Stockholm, New York and Washington for a range of meetings, at a cost of \$26,213.

**Senator MACKAY**—What is a range of meetings? What specifically did he do in these locations?

**Mr Pendleton**—I have not got their full details, but in London it would have been—

**Mr Crawford**—Invariably he meets with the Chairman of the Board of Governors of the BBC and other senior people in broadcasting, particularly in the regulatory area of British broadcasting.



**Senator MACKAY**—What about the other locations? We have had a broad brush on London, what about Stockholm?

**Mr Balding**—I believe he attended the EBU conference in Stockholm.

**Senator MACKAY**—Another person who attended it?

**Senator MACKAY**—Wasn't that one Mr Crawford went on?

**Mr Crawford**—That is right.

**Mr Balding**—And he would have called in and met with ABC staff in our New York office and our Washington bureau.

**Senator MACKAY**—For what purpose? Just to have a cup of tea and say, 'Hello'?

**Mr Balding**—To meet with staff and find out how things are travelling there.

**Senator MACKAY**—How many days did he spend in Washington and New York?

**Mr Pendleton**—I have not got the breakdown of the trip. I can supply that on notice.

**Senator MACKAY**—Okay.

**Mr Balding**—We have provided this information in the same format as the format in which we provided the earlier answers to questions on notice.

**Senator MACKAY**—What was the aggregate of cost again? How much all up?

**Mr Pendleton**—I am sorry, I have not added it either. It is roughly about \$80,000.

**Senator MACKAY**—Over 45-odd days.

**Mr Pendleton**—Over a two-year period.

**Senator MACKAY**—So for 45 days it was \$80,000.

**Mr Pendleton**—That is including a trip that is currently underway.

**Senator MACKAY**—Which trip is that?

**Mr Pendleton**—The Fiji trip. From 16 February to 20 February, he will attend the CBA conference.

**Mr Balding**—That is the Commonwealth Broadcasting Association conference in Nadi.

**Senator MACKAY**—So he is there at the moment. Is there anybody else there from the ABC? Mr Crawford is here, so it is not him.

**Mr Balding**—Mr Linnane, my chief of staff, is also there. He is on the executive of the CBA. They have their general assembly and executive meeting there. There is also a presence from Radio Australia, who will be broadcasting from Fiji, and also ABC Asia Pacific, the international television service.

**Senator MACKAY**—What does the chair's presence at these conferences add, when you have a number of ABC staff already attending these conferences.

**Mr Balding**—The chairman was invited to speak and deliver a paper at the conference.

**Senator MACKAY**—At the Fiji conference?

**Mr Balding**—Yes.

**Senator MACKAY**—What about in Stockholm? What value did he add to that conference?

**Mr Crawford**—He spend time meeting the heads of different broadcast organisations from the whole of Europe, including much of Eastern Europe. At the PBI conference, he delivered a paper.

**Senator MACKAY**—Just remind me, Mr Balding, how much Mr McDonald gets for being the chairman of the ABC?

**Mr Crawford**—I am not aware of that. It is set out in the remuneration tribunal determinations, and it is identified in our annual report.

**Senator MACKAY**—What is it?

**Mr Balding**—We can just pull it out from the annual report. It is between \$100,000 and \$110,000 per annum.

**Senator MACKAY**—Doesn't he get some fees or whatever for attending board meetings as well?

**Mr Balding**—No, that is the aggregate.

**Senator MACKAY**—That is it, all up—\$110,000 per annum?

**Mr Balding**—For being chairman of the ABC, yes.

**Senator MACKAY**—Are there any other board members who have been travelling overseas?

**Mr Balding**—We are not aware of any. We went back over the two years, and we could not find any. It is only the chairman.

**Senator MACKAY**—Right, so it is just Mr McDonald. Okay. Mr Balding, do you accept that ABC senior management may be perceived as undertaking extensive travel while at the same time the public is concerned about the axing of popular and relatively cheap programs like *Behind the News*?

**Mr Balding**—Again, as I said, everyone gets very excited about overseas travel, and there may be that perception, but I think we need to put it in context. As I said, 80 per cent of our travel is in respect of directly affecting production in our international service, but the executive directors' travel counts for less than four per cent of the total cost. You need to have a look at the fact that most of those executive directors are travelling in relation to acquisition of programs, negotiation of co-productions, issues in respect of technology and so on. I acknowledge that the perception may be there, but I just want to assure this committee and put on the public record the fact that I satisfy myself about the cost-effectiveness and the benefits to the corporation of any overseas travel I sign off on. Again we need to keep it in perspective. As I said, the entire overseas travel figure for the corporation is less than half a per cent of our annual turnover.

**Senator MACKAY**—What is that figure for the entire travel?

**Mr Balding**—It is the figure that we provided.

**Senator MACKAY**—What is it again? I do not have it in front of me, I am sorry.

**Mr Balding**—Of our annual turnover, \$7.6 million or something was the total cost of the travel. That was over the two-year period. We have a turnover of about \$900 million. So, as I said, on a per annum basis it is less than half a per cent of our total turnover, which I think is very modest, having regard to the fact that we are a very large media organisation operating in the international market.

**Senator MACKAY**—Have there been any cutbacks that you have initiated, Mr Balding, in the area of overseas travel, commensurate with belt tightening measures in other areas of the ABC?

**Mr Balding**—Yes. The cutbacks start at my desk, when they come through. These are the ones that I have approved.

**Senator MACKAY**—Okay. So year on year what cutbacks have there been in terms of aggregate overseas travel?

**Mr Balding**—In respect of corporate costs, rather than just travel, let us look at our corporate costs.

**Senator MACKAY**—No, I would like to look at travel, if that is okay.

**Mr Balding**—Sorry, travel is part of corporate costs.

**Senator MACKAY**—But I would like to disaggregate travel. I have been talking about travel. In terms of travel, compared to two financial years ago, say, what has the cutback been in aggregate?

**Mr Balding**—I have not got that information available to me. The cost of travel increased, particularly after the Ansett collapse and then September 11. But, in respect of travel itself, again it comes back to the cost justification of it. I do not sit there with a quota saying, ‘We have had so many overseas trips this year, therefore we have filled the quota: no more overseas travel.’ I look at each case on its merits.

**Senator MACKAY**—I understand that, Mr Balding. One would have thought that the chairman of the ABC might have been able to set a bit of an example, for example? We have \$80,000 in aggregate for him, and he seems to be the only person on the board that is travelling. That is a lot.

**Mr Balding**—Again, I am not here to defend the chairman—he is quite capable of doing that himself—but, as the chairman of the Australian Broadcasting Corporation—

**Senator MACKAY**—Well, he does not appear here.

**Mr Balding**—he holds a very significant position in international broadcasting. He gets many invitations to attend various conferences and meetings and to address those conferences and meetings. He does not accept all of them, I can assure you. So again the chairman, when he makes a decision or consideration to attend an overseas conference or meeting, also applies the same regard as to what the benefits are to the ABC.

**Senator MACKAY**—So he actually approves his own travel?

**Mr Balding**—No, he takes it to the board. He informs the board.

**Senator MACKAY**—And the board approves his travel?

**Mr Balding**—It is a board matter.

**Senator MACKAY**—Okay, so he puts a proposal together, takes it to the board, and the board, presumably, rubber-stamp it?

**Mr Balding**—He advises the board of any overseas travel.

**Senator MACKAY**—He advises the board?

**Mr Balding**—He brings it to the board's attention.

**Senator MACKAY**—Do the board have any determinative power? Can they say, 'No, we think that is a bit excessive because we have just copped a whole lot of cuts from the federal government and we think, Mr McDonald, it might not be a good idea for you to go to Washington to drop in to ABC staff and have a cup of tea' or to New York or whatever? Do they ever say those sorts of things?

**Mr Balding**—I am not at liberty to discuss the deliberations of the board, but it would be well within their powers to advise the chairman if they thought that that travel was inappropriate.

**Senator MACKAY**—When they have been advised, not requested, are you aware of whether have they have ever knocked back travel for Don McDonald?

**Mr Balding**—I am not aware of any instance where the board was not satisfied that the travel was appropriate.

**Senator MACKAY**—But they were only advised, from what I understand you to be saying.

**Mr Balding**—They are all individual board members.

**Senator MACKAY**—But he does not have to go to the board for approval. From what you are saying, he simply advises the board.

**Mr Balding**—It is proper governance that he takes it to a board, and he does do that. He also reports back to the board when he returns from those trips.

**Senator MACKAY**—As a government appointee, I thought he may have in fact curtailed his travel or taken some kind of cut like other areas of the ABC have. Anyway, I think that concludes my line of questioning for that item. We will move on.

**Senator Kemp**—Chair, I would just like to correct a statement that Senator Mackay made. She spoke about government cuts to the ABC. The fact is that the ABC's funding has been maintained in real terms. There have not been government cuts to ABC funding. That is the advice I have received.

**Senator MACKAY**—That is not the ABC saying that, is it?

**Senator Kemp**—That is the fact.

**Senator LUNDY**—I would like to go to the issue of the sports bulletin as proposed by the ABC. Can the ABC confirm reports that it will be introducing a prerecorded national sports wrap that is produced in Sydney for its nightly TV news services around the country?

**Mr Balding**—Yes it will. It will be along the lines outlined earlier. It will cover those sporting events that have relevance throughout Australia. But, again, I wish to emphasise that

it will not compromise the extent of local sports coverage and reporting that we are currently doing.

**Senator LUNDY**—If that is the case, how do you define what sport has national interest? Is the ABC aware that every state differs—indeed, groups of states have different focal points through different seasons? How, with this new proposal, will you be able to manage that? To state the obvious point, which I think has been well canvassed now in the media, there is a very strong emphasis on the AFL in Victoria. That emphasis differs across the rest of the states, although it is still very strong. How are you going to do a Sydney-produced bulletin taking that into account?

**Mr Balding**—Again, that is something we need to look at from an editorial perspective. The AFL is a national sport. I know that it is very much concentrated on a number of the states, but it is regarded as a national sport. I would not see the AFL being picked up in this national bulletin unless it had significance throughout Australia. Examples that we would be looking at, for instance, would be the cricket—and I will go back in time—Steve Waugh's retirement, the Davis Cup coverage, Australian golfers playing in major tournaments overseas or Australian tennis players playing in major tournaments overseas. So it would be a sporting story which has relevance throughout Australia. Those particular issues that are of local concern and local interest will still remain on the local bulletin.

**Senator LUNDY**—I guess the point I would like to make about AFL coverage is that it is not just local. It has a very strong presence across a number of states—in particular, Victoria, Tasmania, South Australia, Western Australia and the Northern Territory—and, to a lesser degree, perhaps, in Sydney and Queensland. What you are proposing—

**Mr Balding**—Brisbane are the premiers.

**Senator LUNDY**—Thank you for that. I am aware of that. I am talking about how sports news dominates the local bulletins with regard to those states. How are you going to manage that if you therefore exclude aspects of that weekly reportage on AFL from the national bulletin?

**Mr Balding**—If it is a major story that has relevance across Australia then editorial management will pick that up and say that that is a national story. If, for instance, it has further relevance in more detail in a particular state—it may be to do with a particular coach or an issue to do with a particular club—then the local sports reporter will pick it up in more detail at the local level.

**Senator LUNDY**—In that scenario you could have the AFL covered in two different segments in the same sports bulletin.

**Mr Balding**—Yes.

**Senator LUNDY**—Are you seriously proposing that?

**Mr Balding**—If it is relevant. One at a national level and one in much more detail, if it is relevant to that local state. Yes, that could be a likely scenario.

**Senator LUNDY**—Doesn't that defeat the purpose of having a more efficient coverage, if you have two separately produced AFL bulletins in a number of the states?

**Mr Balding**—No, I do not think so. In actual fact, it highlights the issue. Where it has relevance, we will have one report covering it all, which frees up the time for the local journalist to concentrate on those issues that are more relevant to the local state and the local community.

**Senator LUNDY**—Do you at least concede that the different states have a different emphasis and different interests depending on the time of year and that, up until now, they have been reflected strongly in the construct of those bulletins?

**Mr Balding**—Yes, and that is why the local sports coverage will remain—to reflect those differences.

**Senator LUNDY**—Can you explain how it would operate, say, in Victoria during AFL season? How would you construct a national sports bulletin in Sydney, and how would that fit with local AFL coverage?

**Mr Balding**—The local AFL coverage would not change. It would still be reported as a local sporting event in that state. What may be on the national bulletin, as I said, would be stories on tennis or golf.

**Senator LUNDY**—How would that affect other sports, in particular other state leagues and women's sport, which traditionally struggles to get appropriate coverage anyway? How do you fit those into a bulletin in which you have taken up national issues when what used to be the national focus in the southern states particularly is taken up in the rest of the bulletin?

**Mr Balding**—It may assist, because those local women's sports are a national sport and could get picked up in a national bulletin that goes throughout Australia. So it could be to the assistance, not the detriment, of them.

**Senator LUNDY**—But what if it is the state league? What if it is the local team? I can use the ACT as an example. The Canberra Capitals—and perhaps I am biased—are one of the best women's basketball teams in the national league. They are very often a very strong local story, but not a story that would necessarily translate nationally. Are the people of the ACT to be deprived of that detail in the same way that the people of Victoria or Tasmania could potentially be deprived of stories about their own state basketball, netball or, indeed, AFL teams?

**Mr Balding**—Again, if it is of local relevance, it will stay on the ACT 7 p.m. news bulletin. It will stay there as a local story. It will not be compromised.

**Senator LUNDY**—Just to proceed with the example of the ACT, how will you have time for a national sports bulletin and then fit in an appropriate level of AFL coverage, given its national focus during the winter season, and local sport? Are you planning to extend the time for the sports bulletins in every state?

**Mr Balding**—Again, that would depend on the newsworthiness of those issues of the day.

**Senator LUNDY**—So it does come down to the subjective view of the editorial staff of the ABC about what is newsworthy.

**Mr Balding**—No. I would not accept that it is the subjective view of the editorial staff. The amount of time for sports coverage on the 7 p.m. news will not be diminished in any way as a result of this initiative. In fact, there are already national stories running in every state.

There is a time component in the evening news for national sport. It will continue. That will be there, but it will be coming out of the Peter Wilkins report.

**Senator LUNDY**—Out of Sydney?

**Mr Balding**—It will be coming out of Sydney.

**Senator LUNDY**—What would you define as a national AFL story during the winter season?

**Mr Balding**—It could have anything to do with a particular coach or any scandal regarding a team rather than the specific results. Remember that this is the midweek we are talking about here, not the weekend. This does not affect the weekend news sports coverage.

**Senator LUNDY**—So what you are talking about is the sort of analysis stories or news stories arising out of the AFL, and they would be run from Sydney?

**Mr Balding**—It will come out of Sydney as a production.

**Senator LUNDY**—Do you think that is smart policy, given that the AFL is in Victoria? How on earth do you expect your Sydney team to be able to do that with any competence?

**Mr Balding**—The AFL is not only in Victoria, I am sorry; the AFL is throughout Australia. It is a national sport. I really think that the bulk of the audience do not really care where it comes out of, provided it covers the issues that the audience are interested in. Whether it comes out of Sydney, Melbourne or Perth is irrelevant as long as the quality of the production is there in covering the issues.

**Senator LUNDY**—Is this really an exercise in trying to keep Peter Wilkins in the job?

**Mr Balding**—No, it is an exercise in sharpening our sports coverage. Normally we get applauded for these sorts of things. We are trying to sharpen up our sports coverage; we do not want to compromise our local sports coverage. Within the limited time that we have on the 7 p.m. bulletin during midweek, we want to ensure that sport is covered properly.

**Senator LUNDY**—Is it true that you risk losing Peter Wilkins, if this national sports bulletin does not go ahead?

**Mr Balding**—No, Peter Wilkins is a staff member of the ABC. He is an ongoing staff member.

**Senator LUNDY**—So this national bulletin is not a condition for you to try and retain his services?

**Mr Balding**—Not that I am aware of. If Peter Wilkins—

**Senator LUNDY**—Not that you are aware of. What does that mean?

**Mr Balding**—I do not think a condition of his employment is that he delivers this bulletin, and if he does not deliver the bulletin he is sacked. Peter Wilkins is a staff member of the ABC and we are looking to utilise his expertise. He has very strong credentials in sports commentary and he has strong credentials in production. He is very good in respect of commentary and he covers lots of sports. I do not think it is an issue of Peter Wilkins's credibility. I hope that is not the case in regard to what we are talking about.

**Senator LUNDY**—I am asking whether you are trying to keep his services and whether this is part of your effort to try and hang on to his services. I am not suggesting that he has made it a condition for keeping his job—perhaps you are.

**Mr Balding**—We have already retained Peter Wilkins as a sports reporter-commentator for the ABC. That will not just be for news and current affairs; he is available for reporting and commentating on sport across radio and television. He does that whether it is on television with the Hopman Cup or for radio reports where he files stories for radio. He comes on radio and talks about sport. He is across all our platforms as far as sports coverage is concerned. What I want to ensure, and what news and current affairs management obviously want to ensure, is that we get the best use out of Peter Wilkins.

**Senator LUNDY**—There have been allegations in the media that there was a deal done in relation to Peter Wilkins and this national sports bulletin. Perhaps I could ask Ms Levy whether she is aware of any such deal and whether Peter Wilkins staying on was conditional in any way in regard to the introduction of this sports bulletin?

**Ms Levy**—I am the wrong person to answer the question. This is not a television issue; this is a news and current affairs one. He does not work to me.

**Mr Balding**—We were very keen to retain Peter Wilkins in the ABC. We believe he has enormous credibility, experience and benefit as a sports presenter, broadcaster and commentator and in sports analysis. That is why he has been retained. Out of that retaining of Peter Wilkins came this idea for a national sports segment featuring Peter Wilkins. I think we need to get the sequence in the correct order.

**Senator LUNDY**—I am working from media reports, Mr Balding.

**Mr Balding**—You cannot always believe what you read in the media.

**Senator Kemp**—Or what you hear from the media.

**Senator LUNDY**—That is true. But it seems to me a pretty pervasive story, and I am giving you the opportunity to place on the record your knowledge of what is going on.

**Mr Balding**—I believe I have endeavoured to do that here today. There has been a lot of misinformation about this and some from vested interests. Maybe the competition is a bit concerned about the ABC and its excellent coverage of sport. Maybe they are a bit concerned. This is a good initiative. We are looking at it; we are still piloting it. It will be implemented, but we are finetuning it to make sure it works along the criteria I have outlined. There will be no compromise to local sport; in actual fact, it must result in an enhancement to our sports coverage for our Australian audiences.

**Senator LUNDY**—You keep saying that, but I am having trouble understanding how it works, so I will persist. There is also a perception out there that this represents the growing Sydney-centric nature of ABC management and programming. What is your response to that and is this not an example of the further consolidation of the production of news and current affairs by Sydney?

**Mr Balding**—No. I can only answer that along the lines of my earlier answer: it actually frees up resources in other capital cities for those sports reporters to cover the local stories and the local issues in more depth than they would have been able to do otherwise.



**Senator LUNDY**—Okay, I will come back to that point. There was also another story reported yesterday with regard to arts reporting that there is going to be a consolidation of a position back to Sydney from Melbourne. Is that true?

**Mr Balding**—Are you talking about the reporting of arts or arts programming itself?

**Senator LUNDY**—Reporting of arts.

**Mr Balding**—I am not aware of that, Senator.

**Senator LUNDY**—Okay. I will come back to that point shortly. Nonetheless, the point remains that these major bulletins, like the sports report, continue to be drawn to Sydney.

**Mr Balding**—We are talking about one bulletin here. There is a similar national bulletin with Alan Kohler, which comes out of Melbourne; it is not coming out of Sydney. We are charged with ensuring that the ABC resources are best utilised throughout Australia. That is what we are endeavouring to do.

**Senator LUNDY**—Given there has been so much attention specifically around this, and given that Melbourne annually hosts sports events like the Australian Open, the Melbourne Cup, the AFL grand final, of course, and the Grand Prix—very significant major events—why is the ABC moving away from having that national presence in Melbourne, given that strong sporting legacy and culture for national events in Melbourne itself? Doesn't it deplete your ability to report on those effectively?

**Mr Balding**—No, not necessarily. You need to look at each of the sporting events. That is not to say that at some time these bulletins will not come out of Melbourne, depending on the amount of sport that is happening in a particular capital city. Sport happens throughout Australia; it is not just Melbourne, with all due respect to our Victorian colleagues.

**Senator LUNDY**—So will you fly the team for the national bulletin around to follow the national events?

**Mr Balding**—No, they will not be flying to cover each story. I can envisage that there could be a time when, if there is a week of sport that is of national significance in a particular capital city, people like Peter Wilkins could be there. As far as the subediting is concerned, that can happen anywhere. We can edit anywhere and broadcast out of anywhere.

**Senator LUNDY**—So for the AFL grand final you might send Wilko down to Melbourne for the week?

**Mr Balding**—We may; we may not. That becomes an editorial decision. We do not have television coverage of the AFL; we can only report on it from a newsworthiness aspect.

**Senator Kemp**—Just to follow up the point that Senator Lundy has made—

**Senator LUNDY**—I would have thought you would be right on to this issue!

**Senator Kemp**—I am quite unbiased in these things, as you would know.

**Senator LUNDY**—Go on: ask Mr Balding a few questions.

**Senator Kemp**—Given Senator Lundy's comments about Melbourne and the interests in sport, what is the background to a decision where, if you were going to have a national bulletin, you chose to locate it in Sydney rather than Melbourne?

**Mr Balding**—First of all, the presenter is in Sydney, the resources to do it are in Sydney, and we want to make sure that our resources are being utilised properly. Obviously there is spare capacity in Sydney to do it.

**Senator Kemp**—But the staff in Melbourne would say that they had the capacity to do it and they had the skills to do it.

**Mr Balding**—The staff in Perth and Hobart would say the same thing.

**Senator Kemp**—Indeed. That is the interesting point. I think Senator Lundy raised the issue. Given the interest—and I am sure the journalists in Adelaide and Perth could make a case—it is unclear to me why you would then choose to say that this has to come out of Sydney. Given the fact that so much already comes out of Sydney, surely there would be a bit of an emphasis to see what you could do to bring it out of other states.

**Mr Balding**—Again it comes back to the utilisation of our resources and the availability of our technology to broadcast it. I really cannot see what the issue here is, other than to ensure that our product continues to be produced in a high-quality, professional way and the Australian audience continues to receive the sports coverage it expects from the national broadcaster. As I was saying, this is a good-news story. It is not a bad-news story; it is a good-news story. It is not a budget cut issue. It is an issue that news and current affairs management have been looking at for many, many months now, with a view to enhancing our sports coverage. I really think the answer is to sit back—

**Senator LUNDY**—Can you tell me what will happen to people like Angela Pippas, who runs that bulletin in Melbourne at the moment?

**Mr Balding**—Angela Pippas will still be doing local sports coverage. She will not be on air, as with all the other states. At the moment, there are only three states where, during the week, we have an on-air sports presenter.

**Senator LUNDY**—So she will not be on air?

**Mr Balding**—She will not be on air, but she will be continuing to report and cover the local stories. I really think it is an issue of sitting back, waiting and looking. The proof of this product will be in the eating, I can assure you.

**Senator LUNDY**—I think the point you made about the motivation for it—you said that up front in response to Senator Kemp's question—is that that is where the presenter is. I think that really sums it up.

**Mr Balding**—We got criticised for flying a presenter to Adelaide to do a program out of Adelaide, so if the presenter is in Sydney then it is staying in Sydney.

**Senator LUNDY**—Where does this fit in with the ABC strategy of localisation of content that we have heard you talk proudly about previously at this table? What you are doing here is centralising content rather than pushing it out to the grassroots and allowing expertise to grow and develop in reporting those stories.

**Mr Balding**—I do not believe I can explain it any better, and I apologise if I have not got the message across. It actually frees up local sports reporters to concentrate on the local issues. It will enhance local sports content; it will not reduce local sports content.

**Senator LUNDY**—Notwithstanding that, this strategy defies just about every content strategy you have done in the past, where you have had people on the ground feeding into a national pool of content and then editorial makes a decision about what they put out in what state—

**Mr Balding**—Yes, what becomes national.

**Senator LUNDY**—That is right. So you are moving in the opposite direction with this decision from how you have done things previously. Going to the resourcing issue, when you talk about ‘freeing up’ reporters to do other things we have already established that you are downgrading the role of journalists like Angela Pippas. When you say that they will be free to do more local stories, what does that actually mean and will there be any change—not perhaps in staffing or staff losing their jobs, because you keep denying that is going to happen—in those bureaus in those cities? What will change for the sports team that are currently employed—what will change for them as a result of what is going on?

**Mr Balding**—Maybe I have not explained this properly either. There will be state based journalists filing reports for the national segment, so that will still happen. If there is a major national sporting event in Melbourne, say, then local sports reporters will be presenting that. But what this will do is avoid having sports reporters in the six capital cities reporting on and filing the same story. It will free up their time. I do not know if I can explain it any better.

**Senator LUNDY**—How often does that happen at the moment? I understand exactly what you are saying, but how often do you have six reporters in six major cities reporting on the same story? Don’t you have the capability now to organise things in such a way so that you might have two of those journalists compile those stories and then you collate the stories somewhere?

**Mr Balding**—There are two issues here: the first concerns compiling a story and filing it for the national bulletin—making it available to other states to run in their news—and the second concerns identifying a segment that will be applied throughout Australia and therefore concentrating on the local sports stories that will also have a profile in that state bulletin.

**Senator LUNDY**—What is happening with Karen Tighe in Perth? Will she be able to maintain her state bulletin?

**Mr Balding**—Karen Tighe will be unaffected because of the time zone, so there will only be one local sports reporter presenting the sports on a weeknight basis. Karen Tighe is unaffected by this, predominantly because of the time zone.

**Senator LUNDY**—So Perth will not get the national bulletin anyway?

**Mr Balding**—No.

**Senator LUNDY**—So it is not even a national bulletin; it is an Eastern States bulletin?

**Mr Balding**—It is not just the Eastern States. But the time zone is an issue there.

**Senator LUNDY**—So it includes everybody except Western Australia.

**Mr Balding**—Correct.

**Senator LUNDY**—That is not a national bulletin. Why are you calling it a national sports bulletin?

**Mr Balding**—We will call it a national bulletin except for Perth, for WA, then.

**Senator LUNDY**—Except for WA?

**Mr Balding**—Yes.

**CHAIR**—That is outrageous. I mean that seriously; that is outrageous.

**Senator LUNDY**—Off you go, Chair, because up to now I thought it was a national bulletin. Now we have heard that it is not even national; it is just a time zone oriented decision.

**Mr Balding**—I am sure the Perth audience would appreciate up-to-date sports issues rather than being three hours behind.

**CHAIR**—I assure you that they do not want to know about rugby league, but they do want to know about AFL and how the Dockers and the Eagles are going, in particular.

**Senator LUNDY**—Will Karen Tighe have the capacity to report on AFL issues, for example?

**Mr Balding**—Yes, it will be no different from what she is doing now.

**Senator LUNDY**—So she will be doing what Wilko is doing anyway?

**Mr Balding**—It will be no different from what she is doing now.

**Senator LUNDY**—So where is the efficiency that you are trying to achieve there?

**Mr Balding**—Other than for WA, I think I have explained it. The efficiency is in freeing up sports reporters to concentrate on local sports issues.

**Senator LUNDY**—But with less time in their bulletin.

**Mr Balding**—I am assured not.

**Senator LUNDY**—That does not make sense. It does not make sense that you have a national bulletin—

**Mr Balding**—The bulletin already includes national sports coverage. We report on golf, the Davis Cup, the cricket, overseas cricket results and overseas tennis results.

**Senator LUNDY**—But can I put it to you that, if you have that preconstructed bulletin from Sydney covering all the national sport, then at the state level—say, Victoria, the ACT or anywhere else—they will not be able to say, ‘We don’t want all of that bulletin because we have a state issue going ballistic in our own state that we want to give more coverage to.’ They will not have that flexibility, will they?

**Mr Balding**—It comes back to the state editors talking to the national editor on what is happening. Again, I spoke about the newsworthiness. If an issue that is happening in a state is so major, the chances are that it would be of national significance anyway.

**Senator LUNDY**—What if it comes down to a blue between the state sports editor and the national sports editor about how much time there is? Who wins that argument?

**Mr Balding**—These are judgments that they make daily. They are employed to make these decisions and judgments on a daily basis.

**Senator LUNDY**—Does the state have the autonomy to say, ‘We think our state issue is more important than an international golf story’?

**Mr Balding**—If it is that important, they would need to balance that in the overall bulletin.

**Senator LUNDY**—But whose decision is it? Is it Sydney’s decision or is it Melbourne’s decision? Is it Sydney’s decision or is it Hobart’s decision?

**Mr Balding**—I believe it would be the state editor’s decision. I am not talking about not taking the national sports coverage bulletin. If it is such a major event that it requires more time, that does not become a sport related matter; it is a news item and it would be up to the state editor to balance that item in the half-hour bulletin.

**Senator LUNDY**—So the scenario could be that the state editors override the national bulletin by either expanding their local sport—

**Mr Balding**—That happens today.

**Senator LUNDY**—My point exactly.

**Mr Balding**—No, I am talking with respect to news items, not only sport. The state editor will determine the rundown of what will comprise that nightly bulletin, because they are looking at what is of relevance to that particular state. If an item that you are talking about is of such significance and such relevance, they will find a slot for that in the overall bulletin. Something else will have to go; we have got a limited amount of time to do the seven o’clock news, so something will have to go. It comes back to a judgment of the newsworthiness of the particular items.

**CHAIR**—What kind of service are you going to provide to Western Australia if they are not going to get the national service? What are we going to get in Western Australia?

**Mr Balding**—You will get the same service that is currently being provided, with Karen Tighe providing that service.

**CHAIR**—So we will get the existing WA ABC sporting service—

**Mr Balding**—As it is at the moment.

**CHAIR**—excluding the rugby league from Sydney perhaps?

**Mr Balding**—Again, whether or not they see that item as relevant to the WA audience becomes an editorial decision at the state level. If they see it as relevant to the WA audience it would be in the bulletin; if they do not see it as relevant to the WA audience it would not be in the bulletin.

**CHAIR**—I see. So we are not quite part of the rest of Australia; we have our own idiosyncratic needs—is that what the ABC is saying?

**Mr Balding**—The problem is in respect of the time zone.

**CHAIR**—What difference does that make with modern technology?

**Mr Balding**—It is three hours behind.

**CHAIR**—But you could prerecord and rebroadcast.

**Mr Balding**—We could, but it comes back to the actual issue: if something else has happened in the three hours from the time we filed the bulletin and went to air in the eastern states, it is a bit difficult for us to then say to the WA audience, ‘You can’t get the up-to-date sports coverage because of the three-hour time difference.’

**CHAIR**—That is a valid point—I agree with that—and it is probably an argument for watching Foxtel, which is up to date.

**Mr Balding**—I am not here to push the arguments of Foxtel; I would say you should be watching the national broadcaster.

**CHAIR**—The national broadcaster should get into national broadcasting, I suspect.

**Mr Balding**—We are into national broadcasting.

**Senator LUNDY**—Except for WA.

**CHAIR**—Except for WA. We did want to be the independent country of New Holland once, so maybe that is the right way to go.

**Senator LUNDY**—It seems the ABC is leading the secession charge for you, Senator Eggleston.

**Mr Balding**—I am sure we can accommodate your television requirements, Senator.

**CHAIR**—I hope so. I think it is an important issue.

**Mr Balding**—It is an important issue.

**CHAIR**—Western Australia needs to be included in national broadcasts.

**Mr Balding**—Again, this is a good news story; this is not about reducing the ABC’s commitment to the coverage of sport throughout Australia.

**CHAIR**—Will Western Australian stories be included in your national bulletin?

**Mr Balding**—If they are of relevance, of course they will.

**CHAIR**—If they are relevant and of national interest.

**Mr Balding**—Let me give you an example: Western Australia hosts—

**Senator LUNDY**—Will we ever hear about Perth Glory again?

**Mr Balding**—I do not know about Perth Glory—

**CHAIR**—Some people are very interested in the prospects of Perth Glory, I assure you.

**Mr Balding**—I am sure that they are. Again, if it is of relevance to Australian sport, it will appear in the national bulletin.

**Senator LUNDY**—But the issue then is that WA will have to fight for their story to be included in the national bulletin and, if it is, the time zone difference is such that the chances are that either it will be 24 hours late or it will have to be filed so early Perth time that WA have not got a hope in hell of it been included, have they?

**Mr Balding**—I cannot do anything about the time zone difference in WA. But, let me tell you, WA hosts—

**Senator LUNDY**—Well, do not pretend that it is going to cover off that base.

**Mr Balding**—Hang on. WA hosts a very prestigious tennis tournament at the moment.

**Senator LUNDY**—Karen Tighe is a multiple award-winning journalist, is she not?

**Mr Balding**—She is. She is very highly regarded and highly respected. WA hosts a very prestigious tennis tournament in the Hopman Cup. The ABC is the host broadcaster of the Hopman Cup. The Hopman Cup coming out of WA is an issue of relevance not just to WA—of course it is of interest to the WA audience because it is in their backyard and they are very interested in it—but to all Australians, so it would make the national bulletin, again subject to the time zone. I cannot do anything about the time zone.

**CHAIR**—If you go to digital technology and multichannelling, will you have a same-time national broadcast of various sports?

**Mr Balding**—If we were adequately funded—and this is a very good topic you have raised, Senator—to take advantage of digital technology, if we were adequately funded to provide content on the digital channels and if the genre restrictions were lifted in respect of sports coverage, then, yes, we would be in a much better position to provide that via a multichannel. Thank you for asking that, Senator.

**Senator LUNDY**—Take note, Senator Kemp.

**CHAIR**—I think I scored an own goal! But nevertheless it is interesting. Thank you.

**Mr Balding**—It is a serious matter and it is all about taking opportunities of the technology and the infrastructure that is there. It is something that we do need to engage the government and the parliament in. We need to ask: what is the role of the ABC in the digital era? As the managing director of the corporation, I have real concerns that the ABC is vulnerable to being left behind as we head down the digital path. It is a very serious matter.

**Senator Kemp**—While there is a slight pause here, I will just ask another question, Mr Balding.

**Mr Balding**—Thank you, Senator.

**Senator Kemp**—Just going back a bit: having listened to your arguments, I think you are saying that sports coverage will be maintained and, if anything, coverage will be increased. The other concern that particularly ABC journalists have in other states is how this affects them and whether this is, to pick up Senator Lundy's phrase, 'a Sydney-centric' decision. When you decided to make this decision, was any consideration given to whether it should be based in Melbourne, Adelaide or—

**Mr Balding**—I have not gone into the details of that. I know that this concept has been under discussion and consultation for many months. I would be surprised if they had not explored that and asked where it was best to come out of on a cost-efficient basis.

**Senator Kemp**—Tim Lane, an ABC journalist of some 30 years, has made an interesting point. He said that, if there is to be a philosophy of networking, in winter at least it must be done from two centres. I know that Senator Lundy has touched on this point but, given the influence that Tim Lane has, would you like to address that particular criticism that he has made?

**Mr Balding**—I am sorry; I have not read his report.

**Senator Kemp**—He said, in essence, that there is a great deal of difference between the interest in the football codes between the various states, and if you are going to go to a national concept of networking it really cannot be done from one state. Certainly in the winter it would have to be done from at least two centres. That is the point he was making. It is an extension of Senator Lundy's earlier point.

**Mr Balding**—Obviously we would need to look at the logistics of that, but the other thing to really emphasise is that we are talking about midweek here. Most of the sporting results and coverage are in respect of the weekend. We are talking about news stories during the week, not Saturday or Sunday afternoons et cetera. The weekend sports coverage is unaltered. So we are talking about worthy news items which are a part of a national sports coverage during the week.

**Senator LUNDY**—With respect: some of the sports coverage, particularly of local issues, gets pushed out into the weekly bulletins because there is no room for it because of the load of sports news to be reported on the weekend. More often than not, it is women's sport and the local, regional or state based teams or the kids down at the local soccer field or the junior cricket or netball and those kinds of stories that are perceived as being most under threat—the grassroots sport. What is being observed here is a movement by the ABC away from their commitment to those areas of sport.

**Mr Balding**—If that is the perception, it is an unfounded perception.

**Senator LUNDY**—What level of commitment are you able to give that not only will that coverage not be diminished but it will be, as you claim, enhanced under this proposal?

**Mr Balding**—I have given that commitment several times.

**Senator LUNDY**—How are you going to measure it? How are you going to demonstrate to this committee that you have achieved that?

**Mr Balding**—It is a matter of looking at the product when it goes to air and benchmarking that product pre and post its introduction. I am more than happy to come back to this committee at the end of May or June—whenever the estimates are—and provide that information. We are talking about something that has not happened yet, so it is very difficult for me to articulate it in fine detail, but I am more than happy to come back and benchmark the new product.

**Senator LUNDY**—I want you to benchmark what you are currently doing and I want to ask you now whether or not you have in fact done an analysis of how many national stories are compiled from more than one state at any given point in time and the rationale behind the move to a national bulletin. Have you done a study looking at the crossover? What were the results?

**Mr Balding**—The news and current affairs management has.

**Senator LUNDY**—Can you provide that study to the committee?

**Mr Balding**—I can provide an overview of it. I would need to have a look at that document. Let us be a bit careful here: the ABC operates in a very competitive industry and I do not want to be seen to be giving details of our analysis on the public record, which is available for our competitors.



**Senator LUNDY**—But, hang on, this relates directly to how you are expending and allocating your resources.

**Mr Balding**—No, sorry, it relates directly to our strategy for positioning ourselves to cover sport.

**Senator LUNDY**—You just said it relates to being efficient and wanting to cover more sport.

**Mr Balding**—Yes, but—

**Senator LUNDY**—What is secret about that? We have just been through it.

**Mr Balding**—You are asking for the strategic rationale and what we went through in respect of what makes a national bulletin and what does not. I would be loath to make that available to our competitors. I am more than happy to come here and be accountable for our editorial decisions, which I think we have tried to do here today. I am more than happy to come back and benchmark pre and post this new initiative.

**Senator LUNDY**—First of all, we would like to see at least a current benchmark of that analysis, and a subsequent one looking at the new system if, in fact, you are not going to change or reverse the decision in light of the furore.

**Mr Balding**—We are not going to change or reverse the decision. It is a matter of, when we implement it, whether it achieves what we want it to achieve, which is an enhancement of our sports coverage.

**Senator LUNDY**—On notice, can you provide all detail about that study? If you believe you have a case to claim that it is commercial-in-confidence it is incumbent upon you to put that to the committee.

**Mr Balding**—I am quite happy to come back and put the rationale behind our decision. I am a little bit concerned if you are asking for the details of that strategy.

**Senator LUNDY**—I am, and I am asking for the study that led to the strategy being made. I want the benchmark so I know what to compare it with.

**Mr Balding**—I have not seen the details. I am quite happy to take it on notice and then provide advice to this committee as to whether or not—

**Senator LUNDY**—I have asked you the question; if you do not want to provide it you have to present a case to the committee for its being commercial-in-confidence. Otherwise, it is incumbent upon you to provide that information.

**Mr Balding**—I am quite happy to do that.

**Senator LUNDY**—Okay. Otherwise you just find yourself hiding behind what we know as the ‘Telstra defence’ for protecting yourself from providing information, and that is just not good enough.

**Mr Balding**—I think you will find our track record at Senate estimates is one of being very open to this committee, and we will continue it.

**Senator LUNDY**—Going back to the arts issue, my understanding is that the Melbourne based executive producer for the arts, Richard Moore, has been ‘shafted’—I think the report

in the *Herald Sun* said something along those lines—from his position. Is that true? Again, what are the implications for the arts becoming more Sydney-centric?

**Ms Levy**—The arts and entertainment division has a number of executive producers, and there has been a rearrangement of the responsibilities within that department. The arts are well looked after at the moment by a different way of allocating tasks.

**Senator LUNDY**—Is that a long way of saying you are consolidating that position to be managed by another, Sydney based, ABC employee?

**Ms Levy**—No, it is not a longwinded way of saying that at all. It is saying precisely what was said: the arts and entertainment portfolio has been grouped under a combined arts and entertainment department. As a consequence, the people within that combined department are working on a slight rearrangement of their activities.

**Senator LUNDY**—Is this move to combine arts and entertainment new?

**Ms Levy**—It is new in the last couple of years, but it historically has been one of the things the ABC did for many years. It was then taken out of a head portfolio and given an executive producer allocation when—under Jonathan Shier, I think—the executive producers were allocated to the development division away from television. There was no head of arts at that point but, prior to that, there was a head of arts and entertainment. So, over the years of structuring and restructuring, there has been a head of arts and entertainment or an EP of arts. There is now, again, a division called head of arts and entertainment.

**Senator LUNDY**—So the executive producer for the arts position represented a separate management of arts and entertainment, and you have now consolidated?

**Ms Levy**—That was working to factual at that point, yes. There is now a combined portfolio called arts and entertainment. Each of the executive producers within that portfolio has responsibilities across different programs within that portfolio.

**Senator LUNDY**—Is that Sydney based?

**Ms Levy**—There are executive producers in Melbourne and Sydney within that portfolio.

**Senator LUNDY**—What has now happened with the Melbourne based executive producer position?

**Ms Levy**—That executive producer remains within the arts and entertainment portfolio.

**Senator LUNDY**—In Melbourne?

**Ms Levy**—Yes.

**Senator LUNDY**—So this story I am referring to is not true?

**Ms Levy**—The responsibilities for programs for each of those executive producers have been reallocated, but that particular person remains in the arts and entertainment department working on different programs. I do not know exactly which particular programs, but he remains within arts and entertainment.

**Senator Kemp**—Who is the person in charge of the department?

**Ms Levy**—The person in charge of the department is Courtney Gibson.

**Senator Kemp**—Where is that person based?

**Ms Levy**—That person is based in Sydney, but that person has been based in Sydney for many years. The executive producer you are referring to remains in that portfolio based in Melbourne.

**Senator LUNDY**—But not doing arts.

**Ms Levy**—Yes, they remain in that portfolio—arts and entertainment.

**Senator LUNDY**—The portfolio is arts and entertainment.

**Ms Levy**—Yes, exactly. It is a combined portfolio.

**Senator LUNDY**—But is that person still doing arts?

**Ms Levy**—It is a combined portfolio.

**Senator LUNDY**—Is that person doing anything different from what they were doing before?

**Ms Levy**—They have a different allocation of tasks within it.

**Senator LUNDY**—Can you tell me what the difference is?

**Ms Levy**—No, I cannot.

**Senator LUNDY**—Can you take it on notice?

**Ms Levy**—Yes, I am happy to.

**Senator LUNDY**—I am interpreting your answers as not being overly helpful in describing the change. You say that Richard Moore has stayed in the same department, but that department has been consolidated to arts and entertainment. I would like to know what is different and what has prompted one of my colleagues, Victorian arts minister and former ABC host, Mary Delahunty, to say:

I am trying to constrain my rage. The national broadcaster is called the Australian Broadcasting Corporation, not the Sydney Broadcasting Corporation. It is adding insult to injury to have the hosts and the executive producer spending public money when ... there is unlimited talent here in Melbourne.

She was referring to the transportation and location costs.

**Ms Levy**—There is currently no host on *Sunday Afternoon*, so that particular piece of information is incorrect. There is no host of *Sunday Afternoon*; it is an unhosted program. Richard Moore is still within the portfolio of arts and entertainment. I think he is looking after some of the arts documentaries and another program, but I would have to look into it exactly.

**Senator LUNDY**—Can you take it on notice to provide all details about the restructuring that is taking place affecting both the arts and entertainment departments and now combined department over the last 12 months.

**Ms Levy**—I think we have already tabled that to the Senate last time, but I will retable it and add anything else to it that you are requesting.

**Senator LUNDY**—Please do, particularly the precise detail and the responsibilities of the particular executive producer in question.

**Ms Levy**—I do know of another piece of information that is incorrect in that report, which is that there are six presenters working on *Sunday Afternoon* that are based in Melbourne and six in other cities around the country. So that information was incorrect.

**Senator LUNDY**—What is the correct information?

**Ms Levy**—That there are six presenters in Melbourne presenting various segments and reporting on various things to do with the arts on *Sunday Afternoon* and six scattered around the country—some in Sydney and some in other states.

**Senator LUNDY**—Sorry, so what was reported inaccurately?

**Ms Levy**—I think it was reported that there were no presenters in Melbourne.

**Senator LUNDY**—If you could take that on notice, that would be particularly helpful. Finally, just coming back to the resource issue, Mr Balding, you have said on a number of occasions that there will not be any changes to employment. Will staff who have previously done sport reporting for those weeknight bulletins be required to have additional duties added to their role, or any other changes to the role that they play in their occupation with the ABC?

**Mr Balding**—I am not aware that they will be required to do additional duties. It may mean the expansion of some existing duties, as I said, in the local sports coverage, but I am more than happy to come back to this committee to answer that on notice.

**Senator LUNDY**—Okay. I would also like details of the current staffing resources in each of the states with respect to news in each of the states.

**Mr Balding**—Just news and current affairs?

**Senator LUNDY**—In relation to sports coverage. You work out if you think it is affected. I want you to be all-inclusive. If in doubt, please include them into that description so that I can have a good idea about—

**Mr Balding**—We can provide that detail.

**Senator Kemp**—Wouldn't you like to see how this has changed over a number of years?

**Senator LUNDY**—I would like classification, role and duties, and how those will potentially change under the proposed changes.

**Mr Balding**—We can provide that.

**Senator LUNDY**—If it does not work, will you change your decision back?

**Mr Balding**—Yes. We are very confident it will work, but, at the end of the day, if it does not work then we will have a look at it.

**Senator LUNDY**—Do you have a period in which you will review the decision?

**Mr Balding**—I am not across that detail. News management obviously would have a period in which they will assess it. But we are confident it will work, because we are doing pilots for it and finetuning the pilots. When this goes to air, it will not be a situation where it is the first time it has gone to air and it has never been looked at before. It has been very heavily piloted. We have gone through enormous consultation and discussion with it. It will not go to air until such time as management is confident that it will work.

**Senator MACKAY**—Mr Balding, can the ABC confirm that a decision was taken not to broadcast live, as is normal practice, the National Press Club address of Gerry Adams on Wednesday last week?

**Mr Balding**—I am not aware of that, I am sorry.

**Senator MACKAY**—It was not broadcast live, and 90 per cent of the time it is.

**Mr Balding**—I will try to find that out for you.

**Senator MACKAY**—Okay. I am most interested in pursuing that one.

**CHAIR**—So you are taking that on notice?

**Senator MACKAY**—No.

**Mr Balding**—I am going to try and find out now.

**Senator MACKAY**—Just to contextualise that for you, we are advised by representatives of the National Press Club that the ABC decided not to run it because it would be too controversial. Can the ABC confirm media reports last Thursday that it filmed the final television interview ever given by the British scientist at the heart of the Blair government's weapons of mass destruction crisis, David Kelly, and thus far has failed to screen it to Australian audiences despite the fact that, as I am advised, British television interests paid \$120,000 to see this significant interview?

**Ms Levy**—The documentary that you are referring to is called *Deadly Enemies*. It is a documentary looking at the history of the development of chemical and germ warfare across the 20th century, with an emphasis on the Cold War period. It examines the dismantling of the programs in the USA and the former USSR. Doctor Kelly is interviewed in this as a weapons inspector, along with other scientists, including Dr Sergei Popov, Dr Ken Alibek, Dr Bill Patrick and Dr Matthew Meselson. Channel 5 reworked the documentary slightly to place more emphasis on Dr Kelly and gave it a new title. Given the importance of the Hutton inquiry in Britain, it is appropriate that they did so. The film is not a current affairs program. It is a documentary exploring what happens when science and politics collide across a long period of time. In considering the placement in the schedule, we decided it fitted best as part of our history series under the banner *Untold Stories*.

**Senator MACKAY**—So am I correct in my assertion that this is the last major interview given by Dr Kelly?

**Ms Levy**—You may or may not be correct that it is the last major interview. He gave an interview for this program.

**Senator MACKAY**—Given that the ABC got what I am advised is the last major interview, why on earth would the ABC not run that as news?

**Ms Levy**—It is because it is a documentary about the last 50 to 60 years of germ warfare, and Dr Kelly appears for a very small amount of time within the body of the documentary. It is a long and complex documentary that goes back in time significantly—to the forties and late thirties. It tracks the history of germ warfare. It is not about Dr Kelly or the Hutton inquiry. It is not about Iraq. It is about many other things. It is not that kind of documentary; it is not a current affairs documentary. At the time, I believe the independent producers of the

program offered the news and current affairs division one of the extracts of David Kelly, which they used in the news reports. But this program is not about Dr Kelly in that regard at all.

**Senator MACKAY**—So part of the interview was used by current affairs?

**Ms Levy**—I believe it was used by the news department.

**Senator MACKAY**—So presumably part of that interview was germane to current affairs.

**Ms Levy**—Probably about 20 seconds of a 50-minute documentary. It is a very small component of a very long documentary about the history of germ warfare, and only a very small amount of that is part of the interview with Dr Kelly.

**Senator MACKAY**—But you just told me that Channel 5 repackaged it with more emphasis on Dr Kelly. Why wouldn't the ABC have done that?

**Ms Levy**—It is because the Hutton inquiry and Dr Kelly's role in that inquiry is not as relevant in Australia as it was in Britain.

**Senator MACKAY**—Pardon?

**Ms Levy**—I am sorry. The Hutton inquiry was a UK inquiry; it was not an Australian inquiry.

**Senator MACKAY**—But we were one of the three countries that participated in the coalition of the willing.

**Ms Levy**—That is going to the politics of the Iraqi war. What Dr Kelly is talking about in this documentary is the history of germ warfare and his earlier involvement with Iraq, not about the current situation.

**Senator MACKAY**—What part of the interview was given to ABC current affairs and news then? It must have been germane or relevant.

**Ms Levy**—I cannot answer that. I think there was a discussion with news and current affairs as to whether any of it was relevant. One would have to chase it up. But a 20-second piece is not the same as a 55-minute documentary.

**Senator MACKAY**—No, but it is also absurd to say that the issue of the Hutton inquiry is not relevant to Australia or that Australian audiences—

**Ms Levy**—It is not as relevant as the Channel 5 repackaging of the program.

**Senator MACKAY**—It is also not fair to say that Australian audiences could not have benefited from seeing that through their national broadcaster.

**Ms Levy**—They will benefit from it. They will see it, and they will see the entire documentary without the emphasis being on only a very tiny part of the documentary—that being Dr David Kelly. There is an enormous amount of extremely interesting material which is not relevant whatsoever to that particular inquiry: the other 53 minutes.

**Senator MACKAY**—ABC current affairs and news broadcast part of that final interview.

**Ms Levy**—I think they did, but I will check. Can I take that on notice and double check? I know a discussion was held with them as to the material that was in the documentary and whether any of that was relevant.

**Senator MACKAY**—All right. Presumably there was something relevant, or else they would not have used it. It was not all about germ warfare in the 1930s.

**Ms Levy**—I cannot say that they did use it. Let me check that they did use it.

**Senator MACKAY**—Is it the case that it was sold for \$120,000?

**Ms Levy**—Sales would look after that. I have no idea what they did.

**Senator MACKAY**—Does anybody else here know?

**Ms Levy**—It would be a sales contract. It does not come back through television.

**Mr Balding**—It is part of content sales.

**Senator MACKAY**—I find that extraordinary. Anyway, I will wait till somebody gets back to me on that. Do we have any information on Gerry Adams?

**Mr Balding**—I will ask Trevor Burns to come to the table to talk on that.

**Mr Burns**—I have just had some advice that the Gerry Adams speech was on Thursday. Our normal slot for the Press Club coverage is Wednesdays, and we did run our normal slot last week. I have been told that we have recorded the speech and that it will be played in the slot later.

**Senator MACKAY**—Thank you. So it was because it was a Thursday and this appeared on Wednesday. When will it be broadcast?

**Mr Burns**—It was the other way around.

**Senator MACKAY**—Okay. So it will be this week some time, presumably?

**Mr Burns**—I do not have advice on when. It will be when there is no Press Club speech on a Wednesday. We would then use a recording.

**Senator MACKAY**—So sometime this week, we would hope.

**Mr Burns**—It would depend on what is happening at the Press Club.

**Senator MACKAY**—Okay. We will see it at some point. Ms Levy, going back to this issue about David Kelly, what precisely was his input to the documentary? What was his interview about?

**Ms Levy**—As I said, the documentary looks at—

**Senator MACKAY**—What was his interview about?

**Ms Levy**—His interview was his history of his involvement looking at germ warfare.

**Senator MACKAY**—And the ABC took a decision that that was not relevant in Australia—

**Ms Levy**—No.

**Senator MACKAY**—Or that it was not as relevant as it was for the UK?

**Ms Levy**—ABC Television commissioned it as a documentary looking at the history of germ warfare. It is not a current affairs documentary. News and Current Affairs make all the current affairs documentaries, on *Four Corners* and whatever other investigative work they do. This is a general interest documentary which we commissioned for a series that we are

calling *Untold Histories*, which we will be running in our documentary slots, which are Wednesday and Thursday nights. We run a Thursday night 9.30 p.m. documentary slot, and we commissioned this program, along with many other general interest documentaries, for that particular slot. It is not a current affairs documentary. It is a history of germ warfare.

**Senator MACKAY**—So in terms of the ABC's internal categorisation it would have been categorised as history, not current affairs.

**Ms Levy**—It is not current affairs.

**Senator MACKAY**—Don't you think that is a bit overly bureaucratic? Because it is categorised as this—

**Ms Levy**—I do not think it is overly bureaucratic. News and Current Affairs are responsible under the guidelines of journalism to make journalistic investigative programs, as they do. Television does not employ journalists to do that role—we do not do that. We commission documentaries for general interest, and we have a number of documentary slots—one called *Big Picture*; one called *Reality Bites*; one called *True Stories*—in which we show much more broadly general interest programs. This was commissioned as part of our history initiative looking at the history of germ warfare over about the last 60 to 70 years.

**Senator MACKAY**—Let's get this clear from my perspective as a layperson: given that it was probably the last, if not one of the last, interviews with Dr Kelly prior to his tragic demise, firstly I think that is of significant interest in itself, and secondly that would presumably be of interest to Australians with respect to his state of mind.

**Ms Levy**—I will have to look at the entire documentary to get to the interviews with David Kelly, which sit in a program that looks very broadly at a number of USSR, UK and USA initiatives on germ warfare and other initiatives. It is a very different kind of a program. It is not looking at the current situation in Britain.

**Senator MACKAY**—I find that extraordinary, but anyway. I would have thought, essentially, that the ABC had a bit of a scoop in what I am advised is the last interview with Dr Kelly. To characterise that as history rather than current affairs—clearly Current Affairs did have some interest in it, because you have just told me that there was some proportion of it that was run as current affairs—

**Ms Levy**—We discussed it with them. I will have to check whether they actually used any of it.

**Senator MACKAY**—All right. I am going to ask a couple of questions about a program called *Mondo Thingo*. I have not seen this, but I am advised that the program which screened last Wednesday included a product review of a new drink product called the Nicotini, which is a nicotine laced cocktail; is that true?

**Ms Levy**—The program included a short segment about a product that is available in America but not in Australia. Apparently for nicotine addicts in America who cannot drink in bars where smoking has been banned, there is a product that some commercial interest has created called Nicotini. It is not a product available in this country.

**Senator MACKAY**—But it does actually exist—

**Ms Levy**—Apparently it exists.



**Senator MACKAY**—and it was profiled as part of the program?

**Ms Levy**—Yes, as a comment on the impact that the smoking bans have had on drinking behaviour.

**Senator MACKAY**—Mr Balding, would you accept that that may well be in breach of section 15.2.2 of the ABC's editorial guidelines, which states that publicity for products should not be given, or 15.2.3, which states that product placement is not acceptable, or 15.2.5, which states that ABC presenters must avoid endorsing products? I accept that that may not have been the case here.

**Mr Balding**—I do not think it would be a part of product placement. It was commenting on a particular item, as Sandra Levy just explained. I do not believe it would be in breach of the editorial policies.

**Senator MACKAY**—But it was publicity for a product.

**Mr Balding**—A product which is not available in Australia.

**Senator MACKAY**—There is the Internet. You can purchase things from other countries. So you do not accept that it was a breach of the guidelines?

**Mr Balding**—I would have to have a look at it. I am only going on what has been described here. I am quite happy to have a look at it in respect of editorial policy. The programs are run through the editorial policies anyway, but I am quite happy to check it out.

**Senator MACKAY**—Okay. Does the segment on Nicotini breach 15.12.1 of the ABC's editorial guidelines, which ban the promotion of smoking products, or would the ABC contend that, because you drink it rather than smoke it, it is not a contravention of that guideline?

**Mr Balding**—I would have to have a look at that.

**Senator MACKAY**—Prima facie, do you think it may well be at least questionable?

**Mr Balding**—Again, you need to look at it in its entirety and how it was presented.

**Senator MACKAY**—I think people may have expected a bit more from the national broadcaster myself. Anyway, you can let us know what the situation is with that.

**Mr Balding**—We will.

**Senator MACKAY**—Thank you. Given the huge public backlash surrounding the decision to axe *Behind the News*, has the ABC made any plans to reinstate this program or a similar program?

**Mr Balding**—No, we have not.

**Senator MACKAY**—Are you aware or is anyone at the ABC aware of any plans by commercial networks to fill the void left by the axing of *Behind the News*?

**Mr Balding**—Channel 10 is doing a children's news program.

**Senator MACKAY**—Is the ABC selling the rights to *Behind the News* to Channel 10 or anybody else?

**Mr Balding**—No.

**Senator MACKAY**—What has happened with Channel 10? Have they essentially borrowed the concept and filled a gap in the market? Would that be a fair summation?

**Mr Balding**—As I understand it—I have not seen it—they are providing a news service which is applicable to children in primary and secondary schools.

**Senator MACKAY**—That is identical if not extremely similar to what *Behind the News* used to do, is it not?

**Mr Balding**—*Behind the News* was a bit more than that as well. *Behind the News* had a bit more in-depth analysis of particular issues, not just news items on a daily basis. But there is nothing preventing any broadcaster from doing a similar thing.

**Senator MACKAY**—What was the annual budget of *Behind the News* prior to it being axed? The ballpark figure will do.

**Mr Balding**—About \$1 million.

**Senator MACKAY**—What is the budget for the new TV lifestyle program, *Mondo Thingo*?

**Ms Levy**—I do not have that with me, I am sorry. We will take it on notice.

**Senator MACKAY**—Can anyone provide a ballpark figure for the budget of *Mondo Thingo*? Surely somebody must know.

**Mr Balding**—We are trying to find out for you, Senator.

**Senator MACKAY**—Thank you, that would be great. Do you concede that it may well be an embarrassment for the ABC that a commercial network has filled an educational void that the ABC in fact created?

**Mr Balding**—Senator, what was an embarrassment for the ABC, and continues to be an embarrassment, is that we are not adequately funded to continue to deliver the service that the Australian public expects of its national broadcaster—that is the embarrassment.

**Senator MACKAY**—Is the ABC considering creating another type of program that is similar to *Behind the News*?

**Mr Balding**—Not at the moment, again, because of budget pressures. Unfortunately, some tough decisions had to be taken and *BTN* was a very tough decision as a result of budget pressures. That pressure has not been relieved; therefore, we are not in a position to even consider reinstating something like *Behind the News*.

**Senator MACKAY**—Can you confirm reports in the *Australian* on 5 February that the production of *Play School* will be moved to Adelaide?

**Mr Balding**—Again, there is a lot of misinformation about that, but Ms Levy will be able to give you some more precise detail in respect of *Play School* and what is happening with that program.

**Ms Levy**—I issued a press statement which I will repeat here: the ABC has a commitment to both the integrity and the longevity of *Play School* and it is not under threat.

**Senator MACKAY**—That was not my question.

**Ms Levy**—And I added that it would be produced out of Sydney in this current year.

**Senator MACKAY**—What about after the expiration of this current year?

**Ms Levy**—It is too soon to look at an analysis of the studio from which it may be presented in the next calendar year but, at this point in time, *Play School* will continue to be produced as it has been produced.

**Senator MACKAY**—Are there any plans, even at the contemplative stage, to move the production of *Play School* to Adelaide?

**Ms Levy**—Not at this point.

**Senator MACKAY**—Has this been mooted anywhere within the organisation?

**Ms Levy**—As part of our ongoing examination of resources, we look endlessly at whether we are adequately using all the resources we have around the country.

**Senator MACKAY**—That is not the question I asked, Ms Levy.

**Ms Levy**—That is the answer to the question.

**Senator MACKAY**—My specific question is: has the possibility of moving the production of *Play School* to Adelaide been mooted inside the organisation?

**Ms Levy**—ABC television looks continuously at the—

**Senator MACKAY**—That is not my question.

**Ms Levy**—That is the answer.

**Senator MACKAY**—That is not a good enough answer.

**Ms Levy**—Could I continue and finish the answer?

**Senator MACKAY**—Yes.

**Ms Levy**—We have resources in Perth, Adelaide, Hobart, Melbourne, Sydney and Brisbane. They are the only television production facilities we have. We are constantly looking at whether or not we are using them to capacity and whether we are underutilising them. In that process, some discussion at very low levels occurs to see if there is any capacity being underused that might be available to television. That process was at a very low level, at a very early stage and not remotely conclusive. No recommendations arose out of that low-level investigation. I did not receive a single recommendation in any shape or form to follow through on whatever the officers who were looking at resources came up with.

**Senator MACKAY**—Presumably there was some identification in that process that you have outlined that there may be underutilisation in Adelaide. Is that correct?

**Ms Levy**—It is a constant process. Because we are under such enormous budget pressure, one of the concerns we always have is: is there any more capacity in the organisation that is not being used? As part of that constant process, various resources people were looking at that possibility, but no recommendation arose from that examination.

**Mr Balding**—To add to what Ms Levy is saying, it is incumbent upon the ABC to look at the utilisation of its resources in broadcasting. We had a long discussion about the production of the national sports segment coming out of Sydney. We are accused of being Sydney-centric, yet at the time that any discussions take place about moving productions out of Sydney—and in this case we were talking about Adelaide—we tend to be criticised for

moving things to Adelaide as opposed to Sydney. I require my management to keep a continuing look and brief on the utilisation of resources. If we have spare capacity for television production in another capital city, I want a business case looked at that to see whether it is cost justified to move that production out of Sydney—and we will continue to do that. At times, these things happen at a very low officer level. It may not even come to the director of television, as Sandra said, because the business case at that particular point in time may not stack up. Let's not be backward in looking at initiatives to move production out of Sydney.

**Senator MACKAY**—I understand that and, based on what you have just said, I appreciate that you are not ruling out the moving of the production of *Play School* to Adelaide.

**Mr Balding**—Correct.

**Senator MACKAY**—Thank you.

**Mr Balding**—Or other programs.

**Senator MACKAY**—I was only asking about *Play School*, but that is fair enough. Why may there be spare production capacity in Adelaide?

**Mr Balding**—A bit of the spare capacity is a result of the ceasing of *Behind the News*.

**Senator MACKAY**—And sports reports.

**Mr Balding**—But we are also looking at the facilities around Australia. Adelaide facilities have been there for quite some time. They were built at a time when there was more local television being made out of that capital city. Where the studio has spare capacity as a result of underutilisation, I want to look at what productions can be moved there.

**Senator MACKAY**—There is obviously a bit of a hole as a result of the axing of *Behind the News*.

**Mr Balding**—Yes.

**Senator MACKAY**—Fair enough.

**Mr Balding**—We are forever trying to move productions there. In the cases of George Negus *Tonight* and *Dimensions*, the bulk of those come out of Adelaide. We are looking at other productions that we can move to Adelaide. We do productions out of Perth. We are now in the process of building new ABC facilities in East Perth, which will have a television production studio, and we will be looking to do more television productions out of Perth.

**Senator MACKAY**—You are just saying that to suck up to the chair.

**CHAIR**—I am impressed with the new ABC building as it is appearing. I do hope there will be lots of production out of Perth.

**Senator MACKAY**—Mr Balding, how much has the ABC lost in licensing fees from schools as a result of the axing of *Behind the News*?

**Mr Balding**—We can only go on what previous records were.

**Senator MACKAY**—What did you used to get?

**Mr Pendleton**—From *Behind the News* it was about \$250,000 per annum, very roughly.

**Mr Balding**—That was taken into account when we looked at the budget impacts. When we said that the total cost of *Behind the News* was about \$1 million, when we did the business case and the budget analysis we took the net effect, which was about \$800,000 at the time, so we knew that there would only be a net saving in the vicinity of about \$800,000 as opposed to a net saving of \$1 million. We did take into account that foregone revenue.

**Senator MACKAY**—So in gross terms, it was a bit over \$1 million?

**Mr Balding**—Yes.

**Mr Pendleton**—And it will take a while to flow through, because of the way the ABC's revenue flows.

**Senator MACKAY**—I have only got a few more questions for the ABC. I refer to the ABC's potential involvement in the proposed theme park at the Royal Melbourne Showgrounds. Is the ABC committing any money up front to this?

**Mr Balding**—No, that is purely a licensing arrangement. There will be no investment by the ABC whatsoever.

**Senator MACKAY**—Can the ABC guarantee that there will be no commercial risk for the ABC if the ABC joins this project?

**Mr Balding**—I can give that guarantee. But let me also say that nothing formal has come to the ABC. We have been in discussions with the various parties for a number of years, but nothing formal has come to the ABC. We would be looking at all the issues of risk, but, at the moment, under the current concept, it is purely a licensing arrangement—that is, licensing of product.

**Senator MACKAY**—Presumably you will ensure that its involvement in this project complies with any restrictions against the ABC's involvement in commercial organisations' activities and services, as outlined in the ABC's editorial charter?

**Mr Balding**—Yes, and also in accordance with our act. Any involvement of the ABC in this theme park, as I said, is no different than for any other current licensing arrangements we have in respect of licensing ABC product, and we will ensure that any involvement will be in accordance with our editorial policies and the ABC Act.

**Senator MACKAY**—I would like to come back to the Gerry Adams issue.

**Mr Burns**—May I correct a bit of information? I have just received some information.

**Senator MACKAY**—Good.

**Mr Burns**—The program played last week was prerecorded the previous week. The Gerry Adams address was played on Wednesday. It was prerecorded for broadcast at a later date. A decision was made by the EP, giving regard to the timeliness of the issues—

**Senator MACKAY**—The EP?

**Mr Burns**—The executive producer of the program. It will be played in the slot at a later date.

**Senator MACKAY**—With respect to time issues?

**Mr Burns**—The timelessness of—

**Senator MACKAY**—The timelessness of Gerry Adams?

**Mr Burns**—the Gerry Adams address and the timeliness of the address that was played, in terms of the health debate.

**Senator MACKAY**—When else has this occurred?

**Mr Burns**—I am not aware.

**Senator MACKAY**—Has this ever occurred before?

**Mr Burns**—Were programs prerecorded and played later?

**Senator MACKAY**—No, when the issue of timelessness versus timeliness is a consideration.

**Mr Burns**—I do not know the answer to that.

**Senator MACKAY**—As I understand it, Mark Vaile appeared on 12 February, and he was in Sydney, not at the Press Club—is that correct?

**Mr Burns**—I am not sure.

**Senator MACKAY**—If you could aid my confusion, what was the health issue?

**Mr Burns**—George Savvides, who is the Managing Director of Medibank Private.

**Senator MACKAY**—That was on 12 February?

**Mr Burns**—As I understand it, that was prerecorded the week before and played last week.

**Senator MACKAY**—So it was prerecorded the week before and played last week because of the timeliness of the health debate?

**Mr Burns**—I am not sure of the reason it was prerecorded, but the decision of the executive producer was to play it in that slot and to play the Gerry Adams address at a later date.

**Senator MACKAY**—When will the Gerry Adams prerecorded address be run?

**Mr Burns**—I will have to take that on notice and get some more information for you.

**Senator MACKAY**—I am advised that for 90 per cent of the time it is a live broadcast.

**Mr Burns**—I do not have that information but I would be happy to get that for you. There are reasons why the ABC would keep a program in reserve, in terms of possible technical difficulties and the like.

**Senator MACKAY**—Technical difficulties?

**Mr Burns**—Again, I will get some more detail on that for you.

**Senator MACKAY**—So in theory it could have been shown live but it was not—

**Mr Burns**—Yes.

**Senator MACKAY**—as a result of a decision by the executive producer?

**Mr Burns**—That is right.

**Senator MACKAY**—Fair enough. Mr Balding, would you back that decision?

**Mr Balding**—I would have to look at the reasons why they took that decision.

**Senator MACKAY**—Could you also please advise us as to when this type of decision has been made previously?

**Mr Balding**—Yes.

**Senator LUNDY**—Has the ABC done an analysis of the proposals contained in the Australia-US free trade agreement, particularly in relation to the impact on current programming and any other aspects where the ABC may be affected?

**Mr Balding**—I do not believe we have done any formal review of it. We are obviously looking at it with interest, but it is difficult getting information as to precisely what is in the free trade agreement as opposed to what is media speculation.

**Senator LUNDY**—We know the feeling. Does that mean you are unable to analyse it or you are in the process of analysing it?

**Mr Balding**—We are unable to at the moment—we would only be doing so based on media coverage and media speculation. We would be looking to wait for the details of the free trade agreement to become available before we have a hard look at it.

**Senator LUNDY**—We are waiting on the same thing. When will the ABC, on your understanding, be able to get access to that information?

**Mr Balding**—My understanding is that, once it has gone through cabinet, cabinet makes the details available. Again, I am only reading what you are probably reading in the media. That may be a question the department can answer.

**Senator LUNDY**—We will be pursuing it. Do you have any concerns?

**Mr Balding**—I have significant concerns about protecting Australian culture, and I am very concerned about the definition of new media.

**Senator LUNDY**—What is your interpretation of that so far?

**Mr Balding**—My interpretation, in reading various statements from the government, is that it has no impact on our industry at the moment. Then I hear other reports coming out of the US that put a different slant on things. So I am not really in a position to have a full interpretation and opinion until such time as we see the detail of the agreement.

**Senator LUNDY**—Do you have a process in place to initiate that analysis once the information is available?

**Mr Balding**—We are waiting for the details.

**Senator CHERRY**—What is the current outstanding cost to the ABC of staff restructuring, following on from staff changes under the Shier regime? Do you still have an outstanding debt there?

**Mr Balding**—Yes, I do. Can I come back to that?

**Senator CHERRY**—Yes. My next question again seeks an update. At this point in time, how many Australians do not get reliable broadcasts of the five ABC radio networks?

**Mr Balding**—I do not know how many Australians, but you may be aware that in our triennial funding submission last year we proposed extending the reach of two networks—Triple J and NewsRadio—to ensure that population centres of greater than 10,000 have access

to those networks. It came as a bit of a shock to me that there are still a number of pockets throughout Australia that do not have good reception of Radio National and Classic FM; there are a number of black spots. So the submission included taking all of our national networks to population centres of greater than 10,000. We would have to do a bit of research on that. I am quite happy to take that on notice and come back to you as to who does not get all the networks.

**Senator CHERRY**—I would appreciate that. If this has not been covered in earlier questions, could you outline what the ABC's educational program will be post *Behind the News* being axed?

**Mr Balding**—As I said when we announced the decision on *Behind the News*, we are not walking away from children's educational programs. That slot remains and it will continue to remain. What we are unable to do because of funding is produce new programs.

**Senator CHERRY**—So there will be no replacement program and you will simply be purchasing at this stage?

**Mr Balding**—Purchasing or repackaging other programs that we use. For instance, there could be a segment from *Catalyst* that could be applicable to schoolchildren, we might draw on other programs that the ABC has already put to air or we might purchase programs. Again, we are looking to use the funds we have got available to maintain that educational slot on ABC television.

**Senator CHERRY**—What process is in place for prioritising programs to ensure that you best meet the ABC charter?

**Mr Balding**—There are continual processes. Where do you start and where do you stop? It is a tough decision to take just in respect of cutting programs. We forever look at our genre mix and provide reports to the board in respect of meeting our charter obligations in relation to various genres. Recently, we provided a report to the board in respect of education, which has satisfied the board we are continuing to meet our charter obligations in respect of education. We have also provided to the board a report on arts coverage. Throughout the year we continue to look at the various genres and provide detailed analysis to the board. We are also in the process of redeveloping our corporate plan for the next three years and will be engaged with the board again in setting our corporate objectives and the strategy we will be putting in place to ensure that the ABC continues to fulfil its charter obligations.

**Senator CHERRY**—Are you satisfied that the ABC is fulfilling its charter obligations?

**Mr Balding**—Yes, we are. If you go back to a recent ANAO performance audit report on the ABC, the Audit Office found that the ABC was meeting all its charter obligations.

**Senator CHERRY**—Coming back to the issue you raised earlier in estimates about increasing costs of program acquisition, I would be interested in your views on whether the downturn in Australian film production has impacted on acquisition costs. I know you hear a lot of complaints from film companies—the last year has been possibly the worst in Australian history. What impact has that had on the ABC and its budgeting?

**Mr Balding**—Ms Levy might be able to give you a bit more detail, but obviously it does come back to a supply and demand scenario. Particularly in respect of the explosion in the



number of platforms on pay television, there is an increased demand for content out there in regard to digital television and expansion of paid platforms. If supply is contracted in any way then that has a significant impact on the costs of acquisition. Ms Levy would be closer to this subject area than me.

**Ms Levy**—I think there are two parts in answering that question. One is that, in our triennial funding submission, we sought additional funds for drama and comedy, which is the largest area where the independent production sector is active and seeking support and investment from broadcasters. We are currently making less drama than we have for some years—the number of dramas is declining—and our capacity to engage in further commissions with the independent sector on Australian drama is declining. In terms of international acquisitions, which are part of our concerns as well, because there is such a proliferation of smaller stations all around the world, the bidding for programs has intensified and our capacity to compete and acquire programs for the ABC is affected by increasing costs and increased demands from more participants in the systems.

**Senator CHERRY**—How much has that been offset by the appreciation of the dollar in terms of offshore content?

**Ms Levy**—We buy significantly from the UK, and so the depreciation of the dollar is not affecting the problem we have in the UK.

**Senator CHERRY**—Coming back to radio, I have been amazed—and probably other politicians have been as well—wandering around various radio stations, by the slow decline of the species of radio producer. There are an enormous number of programs which increasingly have part-time producers, casual producers or no producers at all. Do you have any figures for or any comments on that continuing decline in terms of actual preparation going into programs that are going out?

**Mr Balding**—No, I do not. I would have to have a look at that. In fact, in respect of radio production, the hours we have produced have increased. That is a result of the national interest initiative funding, where about 8,400 additional hours of local content radio have been produced. We have employed 57 program makers in respect of that content. I am not aware of any general reduction across radio of radio producers.

**Senator CHERRY**—Are you aware of a significant increase in the number of casuals appointed to those positions?

**Mr Balding**—No, I am not, but I am quite happy to have a look at it.

**Senator CHERRY**—I would appreciate it if you could look at that and get back to the committee at some point.

**Mr Balding**—We have an answer from an earlier question.

**Mr Pendleton**—As at December the current outstanding debt is \$12 million.

**Senator CHERRY**—Largely the same as last year, if I recall correctly.

**Mr Pendleton**—It was up around \$20 million at the end of last year.

**Senator MACKAY**—Is there any further information that the ABC wants to provide to the estimates committee, for example, on the budget of *Mondo Thingo*?

**Ms Levy**—We will have to take that one on notice and get back to you.

**Senator MACKAY**—All right. Is it possible to get back to us whilst this estimates committee is still live?

**Mr Balding**—Yes, it is.

**Senator MACKAY**—Good. I have one final issue and I think it is for you, Mr Pendleton. It is with respect to the implications for the ABC of the discontinuation of the capital use charge. What has been the impact of the discontinuation of the capital use charge on the ABC's appropriations, operations and balance sheet?

**Mr Pendleton**—The capital use charge was a source of cash to the ABC and resulted in about \$1 million to \$1½ million worth of interest revenue that we no longer have available to us.

**Senator MACKAY**—I am advised it was \$58.6 million.

**Mr Pendleton**—Yes, in its last year. It was a fortnightly appropriation and paid back at the beginning of June.

**Senator MACKAY**—Okay.

**Senator CHERRY**—I notice that in the various ratings reports from ACNielsen last year the Brisbane radio station continues to lag significantly behind the stations in the other metropolitan cities. Does the ABC have any process in place at a network level to look at the continuing performance of the Brisbane ABC in terms of its ratings and why Brisbane is so different from Sydney, Melbourne or Perth?

**Mr Balding**—First of all, let us take a step back from the actual ratings. We look at the performance of all our networks, particularly in respect of our engagement with the audience. We have an audience research department within the ABC. We are forever commissioning focus groups and forums to get audience feedback. So it is a continuing process, and it is not just ABC local radio in Brisbane.

**Senator CHERRY**—Given the ratings in Brisbane are so significantly below those of other cities, are there any particular efforts that the corporation has made to look into why the ABC is not connecting with Brisbane?

**Mr Balding**—It looks at the actual broadcaster's performance itself and how it relates to a local audience, and that is continuing. So it is part of local radio management; it is forever looking at that.

**CHAIR**—That concludes the evidence of the ABC. We thank you for being here this morning.

**Mr Balding**—Thank you.

[12.43 p.m.]

### Special Broadcasting Service

**CHAIR**—We will now move to the Special Broadcasting Service.

**Senator MACKAY**—Hello, Mr Milan. Could you respond on behalf of SBS to recent criticisms from ethnic communities regarding the direction of SBS television?

**Mr Milan**—Yes. We have met with FECCA. All the objections have been informal at this stage; there has been no written complaint to SBS as such. But following an invitation to FECCA to meet with our executive team, we have agreed to a series of consultations. Separately, my Head of Television, Mr Shaun Brown, has written to the chairman of FECCA asking to attend the next meeting so we can get a more specific sense of what their complaints and concerns are. Indeed, we view them as an important stakeholder in SBS, and we will take their comments very seriously.

**Senator SANTORO**—Welcome, Mr Milan, it is nice to see you again. First of all I would like to thank you for responding as you did as a result of what was raised at the last estimates in November. I wrote to you thanking you and congratulating you on making what I thought was a decision in the public interest and a good decision. Given that SBS got its decision-making process wrong on the issue I have just referred to, that being to broadcast an unedited satellite download material from VTV4, a communist station in Vietnam, what lessons has SBS learnt about the real value of listening to and viewing community's place in consultation offered by SBS? Are there grounds for a significant change in the protocols that govern such consultation? Will SBS now commit to a much greater level of interactive consultation with its audience? I have now received many representations from the Vietnamese community saying, 'How can we interface with SBS to get a news program that is balanced?' They are prepared to contribute intellectual and other capacities to helping SBS. How developed is your thinking on protocols involving local communities to help you put together a balanced news program?

**Mr Milan**—First of all let me say that I agree with the broad thrust of what you are saying and I agree with the comments you have made. We have already changed the code that governs *World Watch* programming to take account of community views and to assess the best kind of program that is most suitable to that community's needs, so there has already been a direct impact on the codes of SBS. As an executive, I can say that we have discussed this and we have agreed to far deeper community consultation before there is any expansion of the *World Watch* line up. So we have learnt from that that, clearly, the consultative process was inadequate.

As to the specificity of our relationship with the Vietnamese community, as often happens in these circumstances of conflict it has probably strengthened the bonds between the Vietnamese community and SBS. Certainly Mr Doan and I are getting to see quite a bit of each other. At the parliamentary hearing we attended for the lower house last week we talked a little about how we might best gather information. There is some American product available on the Internet, but unfortunately it is not available to us on satellite, so there may be a quality issue. Mr Doan pointed out that with MPEG-3 technology it may be possible for us to overcome that. Then of course we have to assess whether it really fits the criterion of the *World Watch* program. The whole idea from its inception was to give people from non-English speaking backgrounds a taste of what they would be viewing on television if they were still living in their country of origin and indeed what their families would be watching.

Given that to a large section of the Vietnamese community that clearly was very upsetting and disturbing programming and we have already been through that process, that is not available from the VTN news. The problem of course is within Vietnam itself there is no

alternative to the VTN news. So, yes, we are meeting with the Vietnamese community; yes, we will explore other alternatives. But whether it actually fits the *World Watch* format and indeed whether we can come up with something that would be acceptable that the organisation can afford is yet to be discovered.

**Senator SANTORO**—But you are very happy and keen to meet with representatives of that community?

**Mr Milan**—Absolutely.

**Senator SANTORO**—In relation to an analysis of SBS documentaries over the past decade, and 2003 in particular, the Australia/Israel and Jewish Affairs Council found a pattern of screenings it claimed was overwhelmingly pro-Palestinian. SBS said in answering the question tabled at the November estimates that it was in the process of addressing the matters raised by the AIJAC in its report and believed that it would be wrong to prejudge the outcome of its deliberations. Can you now supply an answer to that question?

**Mr Milan**—Not yet, Senator. We are about two or three weeks away from formally responding to AIJAC. However, we have met with AIJAC. Indeed our officials have met continuously. It is a very complex and substantial document that they have put in, as you would be aware. As soon as we have actually responded to AIJAC, I will be in a position to respond to this committee.

**Senator SANTORO**—In relation to that same topic, Mr Ali Kazak, the Head of the General Palestinian Delegation to Australia, wrote to me recently and sent me a copy of the Palestinian response to the AIJAC report to SBS referred to in the previous question. I have written to Mr Kazak to say that I entirely agree that international news coverage of events in Israel and the Palestinian territory should be objective and balanced and take account of all the facts. What was the SBS response to Mr Kazak's approach to them on this issue given that he feels that SBS coverage is pro-Israeli by a margin of 75 per cent to 25 per cent? Can SBS provide the committee with copies of its responses to both of these complaints?

**Mr Milan**—I have met with Mr Kazak, and I do not think his submission to us is so much by way of a complaint; it is rather a rebuttal for the AIJAC complaint, which he feels is unjustified.

**Senator SANTORO**—Have you been able to ascertain that what he claims is correct or otherwise? He talks about a margin of 75 per cent to 25 per cent.

**Mr Milan**—One of the reasons that there is a delay of a couple of weeks in our response to AIJAC is that, because this has come in as a submission to us, we are obliged to look into it. So we are in that process now.

**Senator SANTORO**—Would you let me know eventually what response you give to them?

**Mr Milan**—Yes. I am happy to do that.

**Senator SANTORO**—I have many other questions that I will put on notice to you, mainly finetuning the Vietnamese representations and questions that flow from those representations. I have just asked the attendants to give you a letter in relation to that topic. In conclusion,

could you provide the committee with an update on where things stand with the production of the series *Desperately Seeking Sheila*?

**Senator MACKAY**—I have a series of questions on that. Can we leave it until after the break?

**Senator SANTORO**—In view of the time restraints that I am under, I am happy if you perhaps incorporate your thoughts in relation to that question.

**Senator MACKAY**—It may be helpful to do it all together.

**Senator SANTORO**—I am happy with that. In answer to question 31 on notice at the supplementary budget estimates hearing on 3 November 2003, SBS stated:

... the purpose of obtaining transcripts of the Vietnamese *Thoi Su* programme was not to determine whether the broadcasts contained propaganda, but to determine whether the programme complied with the SBS Code of Practice.

In your view, should the code of practice be changed to include a clause proscribing the broadcasting of propaganda in news programs? In other words, should there be a reference to the effect that propaganda should not be broadcast in news services—that news reporting should be objective?

**Mr Milan**—I can only give you a personal view. If we were to change our code it would be a matter for the codes committee, which represents both board and management. My own view on that is no. I think trying to make the judgment between what is propaganda and what is news is sometimes very difficult.

**Senator SANTORO**—But if you take that attitude, could you not have a repeat, more often than not, of what you just experienced with the Vietnamese community? After all, their fundamental objection was that the download was occurring directly from a communist production house in Vietnam and that the news service was propaganda.

**Mr Milan**—Although that was the objection, the issue was really what that actually led to. The reason the board withdrew the program was, as it said in its statement, firstly, because an undertaking for further consultation had been given by the previous head of television that was not honoured, but, secondly, the degree of hurt that was caused to that community. The assurance I want to give you, and indeed this committee, is that where we are dealing with the sensitivities of a refugee community we would never enter into that again. It was not just the issue of the claim that the program was propaganda; it was the impact that it was having in terms of causing hurt to the Vietnamese community. I doubt whether we would find ourselves in that situation again.

**Senator SANTORO**—If you found yourself in a similar situation, where a community thought that there was bias and propaganda within a news service, such as the one under discussion at the moment, would you respond similarly?

**Mr Milan**—Similarly to what I have just said or similarly to how we responded to the Vietnamese community?

**Senator SANTORO**—You seem to make a distinction in this case that it was a refugee community. Irrespective of whether you are a refugee community or some other type of

community that did not settle here mainly as a result of a refugee program, what if a program is causing hurt and upset in the community because it is biased?

**Mr Milan**—I take your point. Under those circumstances, if we were talking about a substantive number within any given community being offended by the program then I think we would have to think very seriously about suspending that broadcast.

**Senator SANTORO**—Are you influenced by numbers, then? You go on the number of representations that you receive in order to activate some remedial action?

**Mr Milan**—I guess what I am saying is that, in my judgment, the social impact is important, given the very peculiar nature of SBS as an organisation—and I mean peculiar in the literary definition rather than the common usage definition. We are there, clearly, for a social purpose, to create a social benefit. Underpinning our act is the whole philosophy of helping Australians understand each other a little better and creating harmony within our society. Clearly, if we are putting a program to air where a substantial number of people at whom that particular program is aimed are discomforted by it and it is making them angry and upsetting them, then, for me, that outweighs the editorial argument about freedom of speech and freedom of argument.

**Senator SANTORO**—I suppose the argument that I am pursuing here is one of balance and lack of bias. I will continue to pursue those points. I think I disagree with your conclusions, but I will pursue this further via correspondence.

**Senator MACKAY**—I have a couple of questions on this issue. With respect to this, in the media statement from SBS released on 5 December, it appeared that SBS was blaming a former SBS manager for failing to honour a written pledge to the Vietnamese community. Who was that former senior manager?

**Mr Milan**—It was Peter Cavanagh, who was the then head of television.

**Senator MACKAY**—Who has that position now?

**Mr Milan**—Shaun Brown, who is here today.

**Senator MACKAY**—Did Mr Cavanagh leave SBS before the screening began?

**Mr Milan**—Yes, he did.

**Senator MACKAY**—How soon before?

**Mr Milan**—Over a year.

**Senator MACKAY**—Wouldn't it be the responsibility of that person's replacement to undertake consultation with the Vietnamese community?

**Mr Brown**—The circumstance of that consultation is that there had been consultation with Peter Cavanagh and the Vietnamese community on two occasions. The last discussion with the Vietnamese community via Mr Cavanagh was on the grounds that he felt no further consultation was necessary, but he did undertake to inform them should the service become available. The first consultation took place when the service was technically unavailable. It was stated that SBS would carry it as soon as it became technically available. I was unaware that there was an additional commitment entered into by Mr Cavanagh to inform the Vietnamese community ahead of that availability so that they could make any fresh

representation. When that was brought to our attention it led to the further consideration by the board and the ultimate decision.

**Senator MACKAY**—So his failure, from your perspective, was to report back to the community after undertaking the consultations. Has any action been taken against Mr Cavanagh?

**Mr Milan**—On what basis would you take action against Mr Cavanagh?

**Senator MACKAY**—On the basis of not fulfilling an obligation or a commitment that he gave to the Vietnamese community, I presume.

**Mr Milan**—But he left before the program was available to come back on air.

**Senator MACKAY**—But presumably SBS would still have an interest in the fact that SBS, and he being the representative of SBS, had not followed through. Have you been in contact with him? Have you written to him or advised him?

**Mr Milan**—I have exchanged emails with him. He is now living in New Zealand.

**Senator MACKAY**—What did you say in your emails?

**Mr Milan**—An email came to me to advise me of some research that he had conducted at the time that he was going through the consultative process, to indicate the numbers in the community for and against the VTN news. I think that information has already been discovered in the previous questioning by Senator Conroy. It was simply to inform me that that research was available in the files. The problem is that we had a handover between heads of television and, at the same time, we had some other staff changes—as far as the research is concerned, a researcher retired—so, unfortunately, the system broke down. The simple answer to your question is that we stuffed up as an organisation.

**Senator MACKAY**—Fair enough.

**Mr Milan**—It happened on my watch and I take responsibility for it.

**Senator MACKAY**—I guess the obvious question would be: how can Mr Cavanagh consult when he is not there? Presumably, as you said, the current manager would have to take responsibility with respect to this. Would that be a fair assessment?

**Mr Milan**—Yes. As I said, I take responsibility for that.

**Senator MACKAY**—Thank you.

**Proceedings suspended from 1.03 p.m. to 2.02 p.m.**

**CHAIR**—I hereby open the second session of the hearing and call Senator Mackay.

**Senator MACKAY**—Thank you, Chair. Mr Milan, I was asking you previously about the recent criticisms from various ethnic communities with respect to the SBS. I think you started to provide a fairly comprehensive answer. I might ask a couple of other questions, so that you can contextualise it and provide an omnibus response. Specifically, how do you feel about the President of the Federation of Ethnic Communities' Council of Australia, Abd-Elmasih Malak, recently stating:

The only people who like SBS now are the cappuccino crowd—well-educated, middle-class people. It is mainly sex and soccer, I think.

I think you started off to explain what you have done with respect to FECCA, so if you could just complete that answer—or had you already?

**Mr Milan**—I had completed my answer. Can I say, if we took the soccer off SBS, I think FECCA could be looking for a new chairman. So I think he was shooting from the hip a bit and probably talking to a journalist in a casual environment. We accept the broader issue of the need to consult more deeply with the communities, particularly for our television division, and we are putting steps in process to do that.

**Senator MACKAY**—So with respect to FECCA in particular, I just want you to reapprise me of what you were saying earlier. You said you were doing something in particular with FECCA, but I did not quite catch it.

**Mr Milan**—He may well be back, but unfortunately the chairman has been overseas, and so we have not had any response to the communications we made over the Christmas period to the chair. But we have offered to discuss a process of mutual consultations—in other words, going around Australia, attending all the regional ethnic community council meetings to enable them to put together interested parties for us to sit down and talk with about what their concerns about SBS are. Quite separately, our head of television has written also to the chair, asking if he might attend the next central FECCA meeting himself, to get some sense of where their complaints are coming from.

One of the problems about working just on what has been reported in the press is that we have had no formal complaint. It is quite the opposite, in fact. We do have our own community advisory committee and that is representative around all of the states. There is a permanent member of FECCA on that committee. We had not had any formal feedback from FECCA until we saw the piece that you are referring to in the newspaper.

**Senator MACKAY**—Had you had any informal feedback from communities or individuals?

**Mr Milan**—No. Clearly there is a need for us to be more sensitive as an organisation and we accept that, but we like to think that we are pretty sensitive. In parable form, it is like me saying that I have an open door policy when the reality is that the managing director is most intimidating to most staff, so, unless you actively go out and meet people, it does not work. I would accept that we have a responsibility to actually push the consultative process along. But we do have a community advisory committee that does have permanent Indigenous and FECCA representation and it is regional.

We do listen to them. Indeed, last year we ran a pilot for regional consultation on the advice of our community advisory committee. That was in Bathurst and Young. So it is not as though we are doing nothing in that area. But I guess all it means—that is, the letter from FECCA and the representation and meeting we have had with FECCA thus far—is that we just have to be better at it and redouble our efforts.

**Senator MACKAY**—Why does SBS Television have far more English language programming than, say, SBS Radio?

**Mr Milan**—I think it is important to look at SBS holistically. What we try to be is both multicultural and multilingual. Being multilingual is very expensive. It is less expensive to do it in radio than it is in television. So we offer a whole range of community specific language



services through our radio division. With television, what we try to be is multicultural. With our television service, what the board has determined is that it is really about cross-cultural understanding. Of course, the common language of our country is English; therefore, there is more English language programming. Everything that is in a foreign language is subtitled back to English, because it is the common currency, if you like, of our nation.

**Senator MACKAY**—Isn't it the case, though, that SBS Television's non-English language programming has in fact declined significantly in the prime time period of 6 p.m. to 10:30 p.m. since SBS began programming in 1980?

**Mr Milan**—I do not believe that to be the case.

**Senator MACKAY**—Do you know that is not the case or is it that you just do not believe it to be the case?

**Mr Milan**—It went up, actually. The statistics I have in front of me are that, from 1993-94 through to 2003, in fact, non-English language programming actually went up from 46.8 per cent to 52 per cent. Recently our new head of television has actually worked hard to put more non-English language drama into our weekend format. So we have been running blockbuster miniseries in French—*Les Misérables* and *Robinson Crusoe* were French programs. My associate has just pointed out to me that our digital multichannel, which is the World News service, is exclusively in foreign language.

**Senator MACKAY**—I am actually talking about specifically in that prime time slot of 6 p.m. to 10 p.m. Ms Eisenberg, are you saying that it has actually increased in that prime time slot?

**Ms Eisenberg**—The statistics we have are that, in 1993-94, in terms of prime time hours, we had 46.8 per cent of those hours in languages other than English. In 2003 that figure was 52 per cent. There are different ways of looking at the statistics—you can look at hours or numbers of programs. But that is certainly in terms of programming hours. As Mr Milan mentioned, at the same time, we run in parallel our World News channel which, around the clock, broadcasts in languages other than English.

**Senator MACKAY**—Is the definition of prime time that you would use the same as mine—say, 6 p.m. to 10 p.m.?

**Mr Milan**—Yes. It is actually 10.30.

**Senator MACKAY**—Can you table that document for us, Ms Eisenberg? Is that permissible, Mr Milan?

**Mr Milan**—I think it has actually already been tabled.

**Ms Eisenberg**—There was an answer to one of the questions on notice in the previous estimates session which actually asked about programs rather than hours. But we can provide the statistics. The document I have is a general briefing paper and it refers just to those two statistics.

**Senator MACKAY**—It does not refer to prime time hours, does it?

**Ms Eisenberg**—It refers to those statistics. They are the only statistics I have for prime time hours in those two years.

**Mr Milan**—Senator, the answer to the question is yes, we will give it to you.

**Ms Eisenberg**—We can provide a document with that information.

**Senator MACKAY**—Do you have any figures from prior to 1993? Has SBS actually undertaken any long-range studies—say from 1980 to now—in terms of languages other than English programming in prime time?

**Mr Milan**—No.

**Senator MACKAY**—Would that be difficult to find?

**Mr Milan**—It might be quite difficult to find. SBS only became SBS in 1990. I can take it on notice, but I will say that we may not have the information because the current corporation only goes back to 1990.

**Senator MACKAY**—The point is, of course, that in 1980 it was almost exclusively languages other than English, so presumably, by definition there would be some substantial diminution over the years. But, if you can find that information for us, we will revisit that.

**Mr Milan**—I think that, since SBS has been the organisation with its current charter from parliament under the current act, the programs in languages other than English have either been stable or have increased slightly. If you go back prior to that, SBS was originally a community based organisation, as you would be aware, and was running under a very different ethos. So it is really through the nineties that it has become the organisation that it is today.

**Senator MACKAY**—Would it be fair to say that you believe that SBS is in fact complying with its charter—

**Mr Milan**—Absolutely.

**Senator MACKAY**—particularly clause E, which requires that the function of SBS is, as far as practicable, in Australians' preferred languages? Do you think that SBS is complying?

**Mr Milan**—Yes, I do.

**Senator MACKAY**—Mr Milan, I noticed that you had some fairly colourful comments in the *Age* on 20 December last year. I am asking you whether you said this and whether you perhaps now reconsider. You said:

We're not going to cover the clog dancing from Brisbane Town Hall.

**Mr Milan**—It was not my finest hour.

**Senator MACKAY**—No. So you think that, in retrospect, that may have been an inappropriate comment?

**Mr Milan**—I was dopey!

**Senator MACKAY**—So you do not think it is appropriate.

**Mr Milan**—It was a totally inappropriate comment from the managing director of SBS.

**Senator MACKAY**—With respect to *Desperately Seeking Sheila*, which I think Senator Santoro was asking about and which he indicated attracted considerable controversial publicity last year—and I have not seen it, but I am advised that it is a reality dating TV show

involving outback Australian men—I refer to Mr Brown’s comments. Mr Brown, you said this program was a ‘great fit’ for SBS’s charter. I am wondering how this program is a great fit for SBS’s charter, given the specific requirements for multiculturalism and multilingualism in the charter.

**Mr Brown**—Firstly, the reason you have not seen the program is that it has not been made yet. So you are not alone in that. It is just entering into production now. It is a co-production with the UK. Looking at the charter, not every program is going to get a tick in every box—and frankly I think it would be impossible to do so. But, if you look at the primary and principal function—to inform, educate and entertain all Australians and, in doing so, reflect Australia’s multicultural society—I believe it does that, because SBS’s involvement means that those people taking part are chosen from multicultural backgrounds. That was at our insistence with the producer. If it were made exclusively by a commercial undertaking in this country, I suspect that would not be the case. That is the difference the SBS brings to the mix.

**Senator MACKAY**—Can you expand on that a little bit more? What do you mean precisely by that?

**Mr Brown**—What I mean is that the people who are responsible for selecting the participants are charged with the responsibility of making sure they come from a diverse multicultural background.

**Senator MACKAY**—So does this mean that they will potentially come from non-English speaking backgrounds or whatever? What does that mean in reality?

**Mr Brown**—I am not sure of all of their ethnic origins, As it is a UK co-production, most of them are coming from the UK. But I cannot tell you yet whether or not they have a non-English-speaking background within the UK, because the selection process has not been completed.

**Senator MACKAY**—What are the criteria then?

**Mr Brown**—The criterion is that they come from a broad and diverse range of cultures and not a singular Anglo-Celtic culture.

**Mr Milan**—I think what Senator Mackay is getting to is that, basically, the program is based around the social problem of young farmers in remote parts of Western Australia finding it difficult to find brides to go out and live in that part of Australia with them. The farmers that have been selected, as I understand it, are not purely from an Anglo background. There has been a big effort by the producers to find others. As you know, a lot of the farming and the development of our farming industry in this country has been done by the Italian, Greek and German communities. There has been a big effort to find young farmers from a diverse cultural background. Then, when it comes to actually recruiting the young potential brides from the UK—and the UK is also a multicultural society because of its connection with the Commonwealth, though their interpretation of it is very different—you will find people from a non-English speaking background. If a commercial channel made this program, it would by and large be looking just to find the most attractive candidates, but when we go and involve ourselves in a production like this it is to find the most culturally diverse candidates. I believe that will give a very true reflection of what rural life is like in Australia.

**Mr Brown**—Secondly, our point to the charter says to make use of Australia's diverse creative resources. This is an independent production commissioned through SBS Independent and part funded by ScreenWest in Western Australia and therefore has a significant involvement in the independent sector there.

**Senator TCHEN**—I hope that does not mean that SBS does not think that culturally diverse candidates would necessarily be attractive.

**Mr Milan**—Can I take that question on notice?

**Senator MACKAY**—It is a pretty good call, I have to say. With respect, one could use that aspect of the charter and fit almost anything within what you have stated. The only thing that makes this different from a normal reality program that may be on commercial stations is the process that Mr Milan outlined, I suspect. Is there anything more than that, other than the multicultural nature of the brides and the participants?

**Mr Brown**—To reflect the changing nature of Australian society is another one of the requirements in our charter, and clearly this is a societal change—actually a societal crisis—according to the Western Australian federated farmers.

**Mr Milan**—There is also an obligation for us to try and encourage co-productions—and I think my colleague has already covered this, because obviously the show is a co-production with some of the funding coming from ScreenWest. We are also trying to tell a multicultural story within regional Australia and within what I suppose we now colloquially refer to as outback Australia. It is my sincere belief that not only does it fit within the charter, but it is a good fit. It is not just a stretched fit within the charter; it is a good fit within the charter. We also have to recognise that, though I would dispute whether this is reality TV—no-one is being voted out of the house—and while this will be made as a relatively serious documentary, hopefully it will be entertaining.

**Senator MACKAY**—It is called *Desperately Seeking Sheila*. It could not be that serious.

**Mr Brown**—Our goal is to try and get people to actually see the message, and in radio it is to hear the message. We have to have a mix of programs, some of which attract people to the channel. Sometimes the title might be a bit more provocative than the actual program itself. I will leave it at that.

**Senator MACKAY**—Quit while you are ahead. How much is the joint venture? How much is SBS up for?

**Mr Brown**—I need to take that on notice. There are three parties to it. There might be more, but there are certainly three: SBS, ScreenWest and Carlton TV of the UK.

**Mr Milan**—On that issue, can we reserve the right to go to our minister? If there is some commercially sensitive information in that, we may need to give that to you commercially-in-confidence. I understand the new system whereby the minister has to request that, so can I just put that on notice?

**Senator MACKAY**—That is fine. Mr Milan, how is SBS Television staffing going? Is it tracking upwards or downwards or is it stable?

**Mr Milan**—I have been privileged to be the managing director for some six years. I would say that, over that period, it has probably drifted up slightly.

**Senator MACKAY**—Is it the case that the two most senior positions in SBS Television—the head of television and the head of programming—have both been turned over in the last year and a half?

**Mr Milan**—That is correct.

**Senator MACKAY**—According to your May 2003 Senate estimates transcript, the former head of television, Mr Cavanagh, left in August 2002 because—I think you indicated—there was a disagreement between the two of you. Is that correct? I have the transcript here.

**Mr Milan**—I think the personal relationship between Peter and me was good, and it remains good, as far as I am aware. Certainly I think Peter felt that maybe there were some aspects of the changed structure that he did not agree with and he felt that there may have been a diminution of his position. We discussed it at great length in a very cordial and amiable way—amiable might be overstating it, but certainly it was in a very cordial fashion—and he decided to leave the organisation.

**Senator MACKAY**—According to the same estimates *Hansard*, Mr Webb also left in May last year, because there was some issue between you, Mr Brown and Mr Webb. Is that correct?

**Mr Milan**—Let me say that I agree absolutely with transparency for us as a public organisation, but the problem with these sorts of staffing matters is that they cross Privacy Act issues in terms of the negotiations you have had. But clearly, when there is a management change in an organisation, that has ramifications down the line. Some people who felt comfortable under the previous management structure may not feel quite as comfortable under the next. The sense of what you are saying is correct, but I would rather not go into detail of who said what to whom and when.

**Senator MACKAY**—We did talk about this last time with Senator Conroy, and there were issues at that point with respect to media coverage which were covered in the estimates, so I guess I am just referring back to that. I am asking for confirmation to ensure that I have not related inappropriate figures. In last May's SBS estimates, the committee was advised of an email that Mr Brown sent to SBS Television staff advising them of a funding squeeze and the need for some retrenchments. Mr Milan, at the time, you stated that this would be likely to be six or seven staff. Can you confirm whether these redundancies have occurred or what is happening there?

**Mr Milan**—There was a handful of redundancies, some cancelling of staff vacancies and, from memory, an even smaller handful of people whose contracts came to an end—because that particular duty had come to an end—and were not renewed. Since then, there has been one small adjustment to staffing levels, caused by a technology change.

**Senator MACKAY**—So, in aggregate, as a result of this funding squeeze how many staff have left in whatever way?

**Mr Milan**—If we include the technology change adjustment, because it was an efficiency gain, the answer is about 20 positions perhaps. That would not be 20 people, because some of the positions were vacant. I think in fact the information in terms of actual redundancies that I gave was approximately right. The number of people that actually left the organisation, that could not be resited in other jobs, was half-a-dozen or so.

**Senator MACKAY**—I have got a series of questions that you may wish to take on notice unless you have the information available. How many staff, including those on contract, were there in SBS Television when you, Mr Brown, commenced your duties? How many staff, including those on contract, are there in SBS Television today? How many staff have left SBS Television since Mr Brown commenced his duties? Can these departures be categorised for the committee according to whether they were voluntary, expired contracts, retrenchments or dismissals? You can answer those now or take them on notice.

**Mr Milan**—I think I would rather take them on notice, for reasons of accuracy.

**Senator MACKAY**—I refer to the recent appointment of Matt Campbell as head of television programming. Are the reports correct that Mr Campbell runs a television distribution company in France?

**Mr Brown**—No, that is not correct. He has dismantled that operation.

**Senator MACKAY**—So he used to run a television distribution company?

**Mr Brown**—Yes, he did.

**Senator MACKAY**—When did he dismantle the company?

**Mr Brown**—Upon being appointed to this position.

**Senator MACKAY**—Did he own the company?

**Mr Brown**—I think he owned the company. I think it was virtually a one-person operation.

**Mr Milan**—Effectively, he was a consultant with a registered company.

**Senator MACKAY**—And he has entirely severed his ties? If it was a one-person show, I guess he would have. Is that correct?

**Mr Brown**—Yes.

**Senator MACKAY**—Mr Milan, I am advised that SBS is currently in the middle of an office reorganisation. Is that right?

**Mr Milan**—In terms of moving people around internally, yes. SBS has grown a bit like Topsy over the years, so we have people in the same department who are at opposite ends of the building. We are trying to organise and rationalise our space more effectively.

**Senator MACKAY**—This is not anything to do with the fact that I am advised that Mr Matt Campbell did not like his old offices and wanted new offices?

**Mr Brown**—The office plan was devised before Mr Campbell was appointed.

**Mr Milan**—That really is nonsense.

**Senator MACKAY**—How much is this costing, Mr Milan?

**Mr Milan**—Jon?

**Mr Torpy**—I do not have the figures with me. I think we will have to take that on notice.

**Senator MACKAY**—I am told it is around \$1 million. Is that right?

**Mr Torpy**—No. I do not think it is \$1 million, but I am not sure.

**Senator MACKAY**—Is it \$200,000 or \$1 million? You must have some idea.

**Mr Torpy**—I do not think we have the final costing in yet. I am not sure.

**Senator MACKAY**—Just give us a ballpark figure.

**Mr Torpy**—I would say it is more like \$500,000. That is if the whole of the project that has been put forward so far is progressed.

**Mr Milan**—From memory, I have signed off on a couple of hundred thousand dollars worth of costs thus far. My recollection is the same as that of my chief financial officer's—that if we implement the full plan it is about \$500,000.

**Mr Brown**—There is a second phase, which is not about relocating offices; it is about relocating a technical group of graphics and promotion producers, which means that the technology needs to move. That is the second tranche which we have had costed.

**Senator MACKAY**—Does the half a million that we are talking about encompass that?

**Mr Brown**—Approximately, yes. The detail is still being worked on.

**Mr Milan**—Senator, it is interesting that you put it down to Mr Campbell, because it pre-dates his joining the organisation, as my colleague has just pointed out. A lot of it is also to do with the fact that we have developed a completely new business within SBS, which is the new media business. Only three or four years ago, we had a series of home pages, getting something like 60,000 hits a month. Now we are getting around four million hits a month and we have a very complex offering on our web site. That is a whole new division that has grown up in the last two or three years. The needs of the business have changed substantially. We torture ourselves over every dollar that we spend on things like moving offices around.

**Senator MACKAY**—Given the email from Mr Brown on redundancies and the parlous fiscal situation of SBS, if you are going to spend half a million on this sort of thing, is it really justified? What are the cost savings as a result of this?

**Mr Berryman**—To take on the infrastructure point, these are essential changes that have to take place. The technology changes that Nigel and Shaun have pointed to have meant that jobs have changed in the past five years. With graphic artists and animators, those tasks are becoming consolidated. The nature of television production has changed, which means that the environment by which television production takes place has to change with it.

**Senator MACKAY**—How long has this been on the drawing board?

**Mr Berryman**—In the last four years there have been a number of investigations into change within the organisation, within the space. We are occupying the same building that we have occupied since 1991, in a changing environment.

**Mr Milan**—Each year it is often put back because of the cost restraints you have mentioned. Not everything we do is aimed at economic efficiency; a lot of what we do is aimed at producing a better product. In a sense, they may mean the same thing, but we are not necessarily changing the structure of the organisation to try to cut down on staff. It is to improve the working relationship with staff so that people who are working in the same area have the opportunity to co-exist and create a better and more effective working environment. There are health and safety issues regarding the number of people we keep in a certain amount of space, which I am sure you would be sympathetic to.

**Senator MACKAY**—Does the head of television programming get a new office as a result of this?

**Mr Brown**—Do you mean the head of television or the head of programming?

**Senator MACKAY**—Sorry; the head of programming.

**Mr Brown**—Yes.

**Senator MACKAY**—Does Mr Campbell get a new office as a result of this?

**Mr Brown**—The whole of programming get a new set of offices.

**Senator MACKAY**—Who within SBS television has accepted responsibility for the significant technical problems at SBS's Walkley Awards telecast last year?

**Mr Milan**—Again, we have a privacy issue because it has resulted in someone leaving SBS after a thorough investigation by management. I do not know if I am obliged to say much more than that. If that satisfies you, I will leave it at that.

**Senator MACKAY**—So, essentially, responsibility has been taken for that and as a result somebody has gone.

**Mr Milan**—Yes.

**Senator MACKAY**—I will now move to the issue of overseas travel. I put a question on notice at the last estimates about overseas travel which was not as fulsome as I would have liked. I was interested in a chart, similar to the ABC's, whereby it was disaggregated by individual overseas trips taken and the person who took them.

**Mr Milan**—We have produced that information for you and we are happy to present it to you.

**Senator MACKAY**—I wrote to you at SBS and they said that there may be some difficulty. So you have it ready?

**Mr Milan**—We have worked hard to get it for you. We are happy to table it.

**Senator MACKAY**—Thank you. Did you find it useful that we contacted you and indicated that we were going to ask this?

**Mr Milan**—Yes.

**Senator MACKAY**—While that is being distributed, I have a question about the naming of the former Yugoslav Republic of Macedonia. Can SBS confirm that a directive was sent to staff advising journalists employed by SBS to refer to the former Yugoslav Republic of Macedonia as the Republic of Macedonia or Macedonia?

**Mr Milan**—I do not think it was—certainly not to the general staff. This is an extremely difficult issue for our organisation because you would appreciate that, on the radio side of our business, we have both a Greek language program and a Macedonian language program. Those two communities have very different views on the naming of that country. At the moment, we are reviewing our policy as a total organisation, and we hope to have a common policy covering the whole organisation within a week or two.

**Senator MACKAY**—Could you please give me some background on that. Was an email or directive sent to certain people on this that prompted a review? What is the time line here?



**Mr Milan**—The email or memo you are talking about was issued by the head of radio and only went to radio staff.

**Senator MACKAY**—So that was distributed. What happened then?

**Mr Milan**—Then we received a number of complaints from the Greek community, and we are reconsidering our position in radio. I have asked my management and Julie's policy people to try and come up with a common policy for the whole organisation. It is further complicated of course, because we take our news on the television side from many different sources, in that policy towards FYROM—or the Republic of Macedonia or Macedonia—varies somewhat around Europe; obviously, the Slavic countries tend to take a different view to the Western European countries. So what would seem to be quite an innocent, simple thing is actually quite complicated for our organisation.

**Senator MACKAY**—So there was a directive—

**Mr Milan**—We will provide you with the final findings.

**Senator MACKAY**—Why did SBS choose to get ahead of, say, the Department of Foreign Affairs and Trade on this issue? Was it based on the number of complaints you had or what?

**Mr Milan**—It was because the Macedonian community made it very clear to us, through our Macedonian language program, that they found FYROM, in particular, deeply offensive and so within our Macedonian language program we were referring to it as the Republic of Macedonia or Macedonia. However, obviously on our Greek language program the Greek community find the alternative deeply offensive and so on our Greek language program it was being referred to as FYROM. Television was a mixture, depending on where the actual news item emanated from. So we are now looking at coming up with a common policy—one that is consistent across the whole organisation.

I have to say that, whatever that policy is, I think within the Macedonian language program it will be referred to as the Republic of Macedonia or Macedonia. Outside of that, I think we will end up with a compromise position. Referring to the former Yugoslav People's Republic of Macedonia seems to be less offensive to the Macedonian community than referring to FYROM and so we may well end up with a process whereby we identify that at the front of a bulletin but, during the rest of the story, then refer to it as Macedonia, having declared the other term at the front. That is where the work is going.

**Senator MACKAY**—That is great. I am waiting on those figures—obviously it is a fairly thick document, is it?

**Mr Milan**—We are not that big an organisation.

**Senator MACKAY**—It is taking a while. My next questions will go to those figures. I move that we accept the tabled document.

**Senator TCHEN**—I second the motion.

**CHAIR**—It is so moved.

**Senator MACKAY**—Thank you very much for these figures, Mr Milan, and I think we will revisit this next estimates because I simply do not have the capacity to absorb all you have given me at this point.

**Mr Milan**—Fair enough.

**Senator MACKAY**—That concludes my questions for SBS.

**Senator LUNDY**—Do SBS have concerns about the proposed US-Australia free trade agreement and have you been able to garner any useful information about what it means for SBS at this stage.

**Mr Milan**—The answer to that is no—at this stage we are not party to the detail of the free trade agreement. When we have the agreement obviously we will look at it and see if it has any impact on our organisation.

**Senator LUNDY**—Have you requested more detail from either the minister or the department about the proposed deal?

**Mr Milan**—No, because we assume it will come into the public domain in a timely way and we will have automatic access to it.

**Senator LUNDY**—And is it your plan to then assess or analyse its impact upon SBS's programming and content management decisions?

**Mr Milan**—If you take the broad thrust of the argument about there being a concern about a diminution of Australian content then I guess we would put to parliament that the best way to counter that would be to have well-funded public broadcasters.

**Senator Kemp**—But you might like to say that this probably is fairly well funded at the moment, Mr Milan.

**Mr Milan**—I would not go that far, Minister.

**Senator LUNDY**—What is your understanding of new media, as far as the definition goes in the proposed trade agreement?

**Mr Milan**—I cannot answer that until we have seen the final detail.

**Senator LUNDY**—So you are as much in the dark as everybody else?

**Mr Milan**—Yes.

**Senator Kemp**—No-one could be more in the dark than you, Senator Lundy.

**Senator LUNDY**—We are all in the dark on this one, Senator Kemp.

**Senator Kemp**—No, we are not; we are following the usual process for treaties. There is no secret but there is a process that you understand that treaties go through.

**Senator LUNDY**—Good, I will look forward to you being most forthcoming when we discuss it later.

**CHAIR**—As that is the end of the questions, I thank SBS for appearing. We will see you again in May.

**Mr Milan**—Thank you.

[2.43 p.m.]

#### **Australian Broadcasting Authority**

**CHAIR**—I welcome the ABA witnesses and ask Senator Santoro to lead the questioning.

**Senator SANTORO**—I have two questions that I would like to ask about the ABA's complaints process. First, regarding ABC news reporting of the so-called Jenin massacre, I understand that the ABA is examining ABC compliance with parts 4.1, 4.2 and 4.3 of the ABC code following an approach by a complainant who had been given no satisfaction by the ABC's own complaints process. The ABA file reference in that instance is 2004/0073. Would you be able to, either today or later—if you would like to take this on notice—advise us what stage your inquiries have reached in relation to compliance by the ABC with its own code of practice? Are you aware of that issue?

**Ms Maddock**—No. We would like to take that on notice if we might and get back to you.

**Senator SANTORO**—Thank you. My second question also relates to a complaint made to the ABA following an unsatisfactory outcome after a complainant's approach to the ABC. The complaint relates to the fact that the ABC simply failed to address the issues he raised and that it relies on the UN list of terrorist organisations as its guide to editorial style. Would it assist the process of dealing with complaints about broadcast news and commentary if the ABA had the power to adjudicate earlier in the process than at present—that is, after 60 days and/or an unsatisfactory response?

**Mr Tanner**—The opportunity for the ABC to have first go at a complaint forms part of the innovations contained in the Broadcasting Services Act, introduced in 1992. The scheme went hand in hand with a move away from mandatory standards towards self-regulatory codes that were developed within industry and, in the case of commercial broadcasters, registered by the Australian Broadcasting Authority. The ABC and SBS codes are not registered—they are developed completely independently by the two boards. The idea, through these initiatives, was to build a direct industry accountability to viewers and listeners for the content of programs. Certainly we have seen some evidence that that has occurred, but one of the corollaries of that—

**Senator SANTORO**—Are you satisfied that that process is working?

**Mr Tanner**—In general, yes, I am. I do believe that there are perhaps a small group of instances—I cannot think of one right now—where in fact a speedy response is very important, and the inability to get straight to government and require it to investigate can be a source of frustration. That is an issue, but in general the move towards codes and initial complaints going to the broadcaster has tended to increase broadcaster responsibility and accountability to viewers. That is certainly the rationale. The ABA stand behind the process. Obviously if complaints are not satisfactorily addressed and resolved, then the ABA have a range of sanctions in the case of licensed broadcasters. In the case of the ABC and SBS we are more in the position of an ombudsman—we do not have any direct power but we can criticise what they are doing and take up the issue in parliament if we are not satisfied with their response.

**Senator SANTORO**—Bearing in mind your express preference that institutions such as the ABC and SBS be directly accountable to people, including those who make complaints to them—and, as a general principle, I would agree with you about that—do you see any value in simultaneous referral of a complaint to, say, the ABA's and the ABC's complaint handling processes? In instances where considerable time lapses, as is currently the case, and unsatisfactory answers are consequently given, if the ABA had to pick up the complaint, do

you see any value in having your finger on the pulse sooner so that the trail does not get too cold?

**Mr Tanner**—I will make two comments. I actually think there is a role for the ABA to intervene directly and urgently when it becomes aware of an issue. I do not think the ABA should be too quick to do that in every case, though, or what will happen is that people will always complain directly to us. If you give people a choice between complaining to the government and going to the broadcaster at the front, in every case you may undermine the intention to build the accountability of broadcasters. What you need then—and in fact the ABA has this—is a discretion to intervene.

If you look back over the major compliance inquiries we have done over the last four or five years, some of those have been commenced without waiting for the formal complaint process to trigger them. They have been commenced because the ABA are aware, through the media, that there is a big issue that requires urgent address. A good case in point would be the commercial radio inquiry which was commenced because of some allegations on *Media Watch* about the commercial arrangements of certain radio presenters. The ABA moved very quickly on that as quite plainly this was an issue of considerable public controversy. I use that as an example of the fact that the ABA do have a discretion to intervene earlier. In general, though, we tend to stand back and allow broadcasters to resolve complaints themselves if they can. We are very keen to build industry responsibility and accountability.

**Senator SANTORO**—I understand—and correct me if you believe that I am wrong—that the ABA currently is not able to rule on alleged breaches of codes of editorial conduct by broadcasters when the offending material has been published on a web site rather than broadcast. Is this an area in which the ABA, with its well-deserved reputation for integrity in dealing with complaints, would wish to operate if given the power to do so?

**Mr Tanner**—The ABA does not regulate the content of newspapers either. There probably is the constitutional power to create a role in broadcasting style regulation for Internet news, but I would suggest to you that we would have to think through why we were doing that as, at present, the broadcasting licensing scheme is really for point to multipoint radio and television transmissions. We do have an Internet regulatory scheme, but it really serves an entirely different purpose. It is really about fighting crime on the Net and giving people somewhere to complain and things to do in the event that they find offensive material. What you are saying raises a number of policy issues on which I would not want to express a view.

**Ms Wright**—Perhaps it is something, too, that the Press Council may be looking at. I believe that they look at web sites for the newspaper industry as well. That might be an alternative approach.

**Senator SANTORO**—Thank you.

**Senator MACKAY**—Mr Tanner or Ms Maddock, can the ABA confirm that a complaint has been received from ex-Senator Alston regarding ABC war coverage in Iraq?

**Ms Maddock**—It is not our policy to identify complainants, if they ask us not to do so.

**Senator MACKAY**—I am sure he would not have made that stipulation, but I could be wrong.

**Ms Maddock**—I would note that Senator Alston has identified himself in the press, in comment, and I would confirm that we do have a complaint concerning the ABC.

**Senator MACKAY**—Has the ABA accepted the complaint for investigation?

**Ms Maddock**—Yes.

**Senator MACKAY**—Is the ABA investigating the findings of the ABC's independent complaint review panel in its investigations?

**Ms Maddock**—I will ask Mr Tanner to elaborate on this. We are obliged to look at the complaints against the original source material. We have not met yet to consider the substantive issues—that is happening in early March, in a couple of weeks time, and at that stage we are going to determine how we are going to do that—but our fundamental remit is to investigate the complaint against the original source material.

**Mr Tanner**—Our role is basically to consider whether or not there has been a breach of the ABC's code. We are not bound in any way by the findings of the independent complaints review process, nor are we reviewing them. That is something the ABC has set up as an alternative path for people who are dissatisfied with internal ABC review. People are entitled to opt in to that, and I think that in this case the ABC initiated the referral to that body. But, in fact, we are not reviewing that body's findings; we will be making a finding *ab initio*, by looking at the actual primary material and evaluating it against the code.

**Senator MACKAY**—So, in layperson's terms, you will be dealing with it as though the independent complaint review panel had not made any determinations. Would that be a reasonable description?

**Mr Tanner**—Exactly. We will certainly have that material before us, but it has no legal effect on our jurisdiction.

**Senator MACKAY**—It has no status. Effectively you are not, therefore, investigating the findings, in that as far as you are concerned—in terms of the way you look at it—those findings were never made.

**Mr Tanner**—No.

**Ms Maddock**—We review it against the code, *per se*.

**Senator MACKAY**—Just out of curiosity, has the ABA ever reviewed an independent complaint review panel finding?

**Mr Tanner**—As we do not review them, I am not certain. The question would be whether or not any matters that we have reviewed were initially or simultaneously referred to the independent complaint panel. Andree may know the answer to that, but it is not germane to whether or not we have to consider it.

**Senator MACKAY**—I understand.

**Ms Wright**—Our process would be, with this complaint as with other complaints, to go to the ABC and ask them for the relevant tapes and for comments on the substantive nature of the complaint, and then it is a matter for them what they make available to us.

**Senator MACKAY**—So effectively you are starting from scratch, as it were, in terms of ex-Senator Alston's initial complaints. I understand that. Will this particular review entail any resources in excess of what you may allocate to a run-of-the-mill complaint?

**Ms Maddock**—Only if it is a large complaint. It will involve resources that are consistent with the size of the complaint. I will look to Mr Tanner for details, but I think it is not unknown for us to have large complaints and to handle them.

**Senator MACKAY**—In terms of dedicated resources, I guess what I am getting at is how many resources the ABA is likely or planning to dedicate to the investigation of this reference by Richard Alston. As you indicate in your own words, it is a substantial case.

**Mr Tanner**—Give me a second here for context. The great majority of the codes complaints we receive relate to quite short snippets of broadcasting. You can generally identify the code issue and review the programming fairly quickly. Every now and then we get complaints that unavoidably involve consideration of quite lengthy amounts of programming. They are logistically more challenging and, in order to do justice to them and dish them up to a board to make decisions, staff often have to do a great deal more work to present the material. In the present case, we are talking about something over eight hours.

**Ms Maddock**—Ten.

**Mr Tanner**—That is logistically quite challenging. It is certainly not unprecedented, but it is quite a large amount of material. For that reason, we will be looking at dealing with it in a somewhat different way than we ordinarily would. That is simply because we are looking at dealing with such a large amount of material in a way that makes it accessible to the board. We were in fact proposing to invite board members to listen to all the tapes to consider a range of material, including what the ABC has said and whatever other information and analysis about the code that the members want and to then discuss it. We will adopt that approach rather than the approach of staff developing an internal view, a preliminary report, and then running the program, which is what we would more normally do. We are doing that simply because we are talking about 10 hours of material rather than the normal two minutes or 30 seconds.

**Senator MACKAY**—When was the last time you had a complaint that was in this range of 10 hours of broadcasting?

**Mr Tanner**—I cannot think of one that takes 10 hours, but I would say that we have had two complaints on a similar scale in the last year with this sort of material. We did a series of investigations into a series of current affairs stories about the Australian Federal Police and sources of information they were allegedly using in Indonesia. We have also received a very large volume of complaints about a particular community radio station in Tasmania. The complaints have come from another community organisation in Tasmania. In that case each snippet of programming is quite short, but the cumulative amount of complaints would be on quite a similar scale to the ABC. But those are the only two examples I can think of in the last year. Generally, we would handle dozens of complaints which relate to quite small amounts of programming.

**Ms Maddock**—Another way of looking at it is that you have a volume of broadcasts to consider, presumably against one or two sections of the code. Sometimes we can have a

complaint with less material to look at but with breaches potentially against quite a large number of sections of the code of practice. So the complexity or the focus can come from either of those. The Federal Police investigation that Mr Tanner referred to is an example of one where there were very complex issues.

**Senator MACKAY**—So, in terms of a hierarchy, this would be regarded as a major impost on the ABA with respect to workload and resource strain. Would that be a fair summation? You can correct me.

**Ms Maddock**—It would be significant but not unknown.

**Senator MACKAY**—Mr Tanner, run me through the process again. The intention is to invite all members of the board to view the 10 hours of footage—or whatever the word is.

**Ms Maddock**—Soundage.

**Mr Tanner**—They will also have transcripts to facilitate discussion, but we have made copies of all the material which has been complained of and all members are invited to listen to the entire thing.

**Senator MACKAY**—And this will occur without the normal procedural advice being provided by ABA staff?

**Mr Tanner**—The normal procedural advice would be that the ABA staff would go to the broadcaster in question and get their comments. They would then produce a preliminary view, and if they felt the issues were at all complicated or controversial, rather than referring that preliminary view to a delegate for ratification, they would then bring it to the board and show the board or play the board the material complained of. That procedure works 90 per cent of the time, because we are talking about little snippets. In the present case, we are somewhat changing the sequence. We are actually inviting members to take this over several meetings and to listen to the material, with some general guiding material and the benefit of the ABC's comments. The intention here though is simply to try to develop a somewhat changed sequence, bearing in mind the enormous volume of the material.

**Senator MACKAY**—So it is going to take an awful lot of time.

**Mr Tanner**—It will take a substantial amount of time, and we have scheduled some additional time when we have the benefit of the board, in order to get through that. We will be beginning that process in early March, and we would like to get through it in as few weeks as possible after that.

**Senator MACKAY**—It seems like an awful lot of trouble to go to. Why is it going to the board? Is this because of its political nature?

**Ms Maddock**—No. Complaints fairly routinely come to the board.

**Senator MACKAY**—But not in this format presumably?

**Ms Maddock**—For final decision, yes, a goodly proportion of complaints do. I do not know the percentage. Andree or Giles will know that. But it is fairly common for the board to be the decision maker on complaints which involve breaches.

**Mr Tanner**—If I can put the problem this way, it is that, given the volume of material, the alternative scenario is that one or more senior officers of the ABA would produce a very

lengthy report and analysis. That would almost certainly be referred to the board because the issues are quite important and the board is likely to take an interest in the matter. The risk is that the board may listen to the material and take a somewhat different view and you have already invested a large amount of work in that delegate going off without any guidance from the board on how it is approaching the core issues in the code. We thought it was better to actually bring the board in during the evaluation phase, given the volume of material, so that staff would have a better idea of the approaches the board was taking towards interpretation of the code.

**Ms Wright**—But it would be fair to say that in the case of all investigations we do, where we are looking at a preliminary breach finding and before we provide that to the licensee for comment, a copy of that report is always provided to board members for their comments and if they wish to consider the matter more completely before the report is released to the licensee for comment we then do that at a formal meeting. But in the case of any proposed breach finding, even at the draft stage before we release it even to the licensee for comment we always circulate it to our board members and, as Ms Maddock has said, it is quite routine for them to come back and have more discussions. If it is of continued interest or it is seen to be in the balance, if you like, we often then go back with a draft of the final report, after we have had the licensee's comments.

**Senator MACKAY**—But this is a fairly unusual procedure that is being embarked on. Who made the decision to do that?

**Mr Tanner**—The board.

**Senator MACKAY**—The board made the decision to handle the inquiry in this way. And who appointed the board?

**Mr Tanner**—The minister.

**Senator MACKAY**—And who was the minister?

**Mr Tanner**—Well, it has changed during the course of the current board—

**Senator MACKAY**—Who was the last minister? Were any of them appointed by Senator Alston?

**Mr Tanner**—so we have a couple of members appointed by the current minister and a number of others appointed by Senator Richard Alston.

**Ms Maddock**—Can I suggest that this is not an unusual way for us to be handling it. With the AFP example, which was of similar complexity, we got a quite early draft, so we got the tapes of the show delivered to all board members, who were able to then look at it in advance of the meeting. We got an early draft of our report delivered to the board to look at the way in which it was being assessed. The board then had several meetings, because that was a very complex case as well. It had several meetings to consider what its findings were going to be on that. As Ms Wright said, when things are either in the balance, sensitive, involve implications for potential future code amendments et cetera, it is fairly common for the board to play that role.

**Senator MACKAY**—Thank you for that. I understand from what has been said here today that the board made a determination on the procedure which would encompass the



investigation of this inquiry. It may not be unusual, but presumably in normal circumstances agency staff would prepare a summary with some recommendations. In this case that is not occurring; it is going straight to the board, at the board's request. Is that a correct summation?

**Mr Tanner**—No. The situation is that the ABA's agenda makes provision for issues which are likely to be of interest to the board to be raised in a relatively informal way as they arise, without a detailed paper, at the start of the meeting.

**Senator MACKAY**—How often does this occur?

**Mr Tanner**—This occurs at all ABA meetings. We would typically raise two to five items a meeting. This is simply a dialogue between the executive of the ABA—that is, the staff, the full-time members and the board, which is dominated by casual, part-time members—about events as they are unfolding. The fact that we had received this complaint and that the complaint had these logistical characteristics was brought to the attention of the board. What followed from that was a discussion. The upshot of that discussion was that we adopted a changed procedure to deal with the amount of material.

**Senator MACKAY**—So, effectively, there is a fast-tracking of this—for want of a better term—in that you are saying that the board makes a final determination. In this case, the board is commencing the procedure itself without being informed by—

**Mr Tanner**—There are actually two different processes. We do have a priority setting process for complaints. That is where the fast-tracking comes in. This is a complaint we would have treated as a priority complaint because, compared to a lot of our complaints, it raises quite important issues which there have been public controversy about. So we give that priority. But the discussion which we have described to you was not about the fast-tracking process; it was really about the logistics of how we consider an unusually large amount of material.

**Senator MACKAY**—I understand why you are saying what you are saying, Mr Tanner. How many members of the current board were appointed by then Minister Alston?

**Ms Maddock**—I think I am the one who was not. I have been appointed by the current minister, so that is six out of the seven.

**Senator MACKAY**—Six out of the seven were appointed by Senator Alston.

**Senator Kemp**—In a technical sense, they were not actually appointed by Senator Alston; they were appointed by the Governor-General.

**Senator MACKAY**—So other than you, Ms Maddock, everybody else was appointed by then Minister Alston.

**Ms Maddock**—They were appointed under the previous minister's regime.

**Senator Kemp**—That is right.

**Mr Tanner**—They were actually appointed by the Governor-General.

**Senator Kemp**—It is not the appointment of Senator Alston. It is an important point.

**Senator MACKAY**—I could be forgiven for making the observation that this is Caesar judging Caesar a little, in that six out of the seven members of the board were appointed by

the then minister, Senator Alston, and the board has made the determination to look at the complaints itself, in a fairly unprecedented procedural sense.

**Ms Maddock**—I do not agree that it is an unprecedented procedural process.

**Senator Kemp**—I think that is an astonishing comment to make, to be quite frank, Senator. When the Labor government is in power the Labor government assists in the appointment of judges, and judges hear cases which relate to the Labor Party. Are you saying that if there is any process of appointment where someone at some stage is actually involved they should not be involved in making a determination? Is that what you are saying?

**Senator MACKAY**—No, I am saying—

**Senator Kemp**—It is a big statement to make.

**Senator MACKAY**—Are you going to let me answer?

**Senator Kemp**—Sure. Fire away.

**Senator MACKAY**—What I am saying is that the then minister, Senator Alston, has put a series of complaints to the ABA. The ABA board has made a determination—which I will characterise as unusual—as to the procedure in which the complaint will be handled. Of the seven members of the board, six were actually appointed by the person who is putting the complaint in—that is, Senator Alston. The point I am making is that as a lay person—I do not know how Senator Bishop feels about this—this does seem rather questionable. Do you have any comment, Senator Bishop?

**Senator Kemp**—But they were not appointed by Senator Alston; that is where the house of cards falls over. Also, of course, there is an inference there—that the board does not act in an independent fashion and has come under the influence of the minister—which I am sure you would wish to correct.

**Senator MACKAY**—I do not know.

**Senator Kemp**—If there is an inference in that case, I think you may care to clear it up.

**Senator MACKAY**—I guess we will see what happens. But there is no getting around it: Richard Alston appointed six out of the seven people on the board that is currently investigating the complaint of Richard Alston in a method which is unusual in terms of ABA complaints processing. They are all—

**Senator Kemp**—But Richard Alston did not appoint the board. The board was not appointed by Senator Alston, on my advice.

**Senator MACKAY**—The government then.

**Senator Kemp**—That is a different matter. Senator Alston may well have had a view. He may well have put names forward, but it was a matter that the government then made a determination on.

**Senator MACKAY**—Six out of the seven were appointed on the recommendation of the minister.

**Senator Kemp**—The government then put those names forward to the Governor-General.

**Senator MACKAY**—I am not going to split hairs on this. What you have said is fair enough.

**Senator Kemp**—Good.

**Senator MACKAY**—What is the time line for the processing of this complaint?

**Ms Maddock**—We are having a meeting in early March to consider it. It will depend upon what the range of views expressed then are.

**Senator MACKAY**—So the board will determine in March as to presumably how long this is going to take?

**Ms Maddock**—Amongst other things, yes.

**Senator MACKAY**—Mark, do you want to ask any questions?

**Senator MARK BISHOP**—No.

**Senator MACKAY**—Ms Maddock, does the ABA have any general policy on asylum seekers?

**Ms Maddock**—Not that I am aware of.

**Senator Kemp**—Do you mean are they in favour of them or against them? What do you mean?

**Senator MACKAY**—I was just asking if there was a policy. Does the ABA have a policy on the issue of the republic?

**CHAIR**—Thank goodness Professor Flint is not here.

**Ms Maddock**—It is not an ABA issue.

**Senator MACKAY**—What about reconciliation? Does the ABA have a policy on that?

**Ms Maddock**—It is not an ABA issue.

**Senator MACKAY**—The ABA does not have any policy position on that?

**Ms Maddock**—It is not an ABA issue.

**Senator MACKAY**—What about the war in Iraq? Does the ABA have a policy position on that?

**Ms Maddock**—It is not an ABA issue.

**Senator MACKAY**—Professor Flint has views on these issues. Does the ABA have a view on Professor Flint's views on these issues?

**Senator Kemp**—I do not think that is an appropriate comment.

**Senator MACKAY**—I think it is.

**Senator Kemp**—No. I do not think that is an appropriate question to ask of an officer at the table, asking her to comment about the chair of her organisation. I think that is an outrageous question actually.

**CHAIR**—It is inappropriate.

**Senator Kemp**—Senator Mackay, I am surprised that someone with your experience and background would ask such a question.

**Senator MACKAY**—Has anybody in the ABA expressed a view to Professor Flint about his public views?

**Senator Kemp**—I do not think that that is an appropriate question either.

**Senator MACKAY**—Why?

**Senator Kemp**—I do not think the conversations which may or may not have occurred between Professor Flint and members of the organisation are matters for discussion at this committee, nor is it appropriate to ask an officer to make a comment on it.

**Senator MACKAY**—I am not asking an officer; I am asking Ms Maddock, who is not an officer.

**Senator Kemp**—Well, you could ask her.

**Senator MACKAY**—I think she is entitled to answer that.

**Ms Maddock**—I do not feel at liberty to discuss what people may or may not have expressed in the confines of the board or the organisation.

**Senator MACKAY**—Let us take it to a more formal level. Has any part of the ABA written to Professor Flint with respect to concerns from the organisation about his public views?

**Senator Kemp**—Again, I am not sure if that is not precisely asking the same type of question.

**Senator MACKAY**—This is permissible because I am not asking for the content of it.

**Senator Kemp**—I am not sure that it is an appropriate question for Senate estimates, to be quite frank. I have no idea whether or not anything has been written, but it just seems to me, as a matter of principle—

**CHAIR**—Wouldn't it be more appropriate if Professor Flint were here himself? He has dealt with these sorts of lines of questioning in the past.

**Senator MACKAY**—With respect, Chair, I cannot help it that he is not here.

**CHAIR**—These letters were written with respect to his views about various issues. Surely, it is a matter for him to answer.

**Senator MACKAY**—I do not even know if there were any letters—that is what I am asking.

**CHAIR**—I said if. On the subject of the republic in the past, he has clearly differentiated his public position from the role he plays at the ABA.

**Ms Maddock**—Should I take it on notice, Chair?

**CHAIR**—If you wish to, but I do not know that you are necessarily required to seek—

**Senator MACKAY**—Ms Maddock, I guess all I am asking is: are you aware whether there has been any formal view put to Professor Flint with respect to his public views and how his public views may impact on the ABA?

**Ms Maddock**—I would like to take that on notice.

**Senator MARK BISHOP**—Professor Flint is still a member of the board, is he not?

**Ms Maddock**—He is the chair of the board.

**Senator MARK BISHOP**—That is right. Has he given any indication whether he intends to participate into the formal complaint process initiated by Senator Alston?

**Ms Maddock**—We fairly regularly deal with conflict of interest questions, particularly because we have part-time members who have full-time jobs. So issues of conflict of interest or allegations of conflict of interest fairly regularly come up; therefore, we have procedures for dealing with them.

**Senator MARK BISHOP**—Procedures to?

**Ms Maddock**—Procedures for dealing with conflict of interest or allegations of conflict of interest. We had some preliminary discussions of this issue last year when it appeared earlier that we may get a reference, although we have not discussed it substantively. We would anticipate that, if that is appropriate, we will be doing that at our March meeting.

**Senator MARK BISHOP**—As you said earlier, the March meeting is essentially a planning meeting as to how you are going to handle the complaint. At that meeting would you anticipate the matter being on the agenda or would it be raised by board members as to how the apparent conflict between Professor Flint's public position on Iraq and Senator Alston's complaint might be handled?

**Ms Maddock**—If it is to be raised that would be the occasion at which it would be discussed.

**Senator MARK BISHOP**—If it is to be raised, how is it to be raised? Would it be raised by officers putting it on the agenda or does a board member have to raise it at the meeting?

**Ms Maddock**—Let me speak from past practice because there is a range of ways in which things are raised. Members self identify and they either stay or the board discusses it. At times, it is appropriate that other members of the board raise issues.

**Senator MARK BISHOP**—Let us cut to chase. You might report, as I am sure you would, to your chairman in due course that at the estimates this week opposition senators raised with interest the issue of the apparent conflict between Professor Flint's views and the process of the independent inquiry by your governing board, drawing to their attention the comments that have been made by Senator Mackay and me. You might ask them to formally address the issue of the apparent conflict and note it for the record, so that we can have a further discussion at another estimates. As Senator Alston is very keen to have a thorough, open and impartial result not challengeable by anyone, similarly we in the opposition are interested in both the process and the outcome. That might be the best way, I think, to have the matter handled properly, instead of us dancing around a pole here.

**Senator Kemp**—It does raise a very delicate issue. I know this would be far from Senator Mark Bishop's mind, but not entirely from the mind of his colleagues. An attempt to intimidate a board like the ABA with that sort of comment, I must say does cause me some concern. If you want my advice, Ms Maddock, you may listen to what the senator says and then you can make a decision to do what you feel is proper. These boards have to act in a

proper fashion. They deal with issues of conflict of interest. They are not to be intimidated by ministers; they are not to be intimidated by any complainant; and they are certainly not to be intimidated by opposition Labor senators. Undoubtedly, you have processes by which you are able to deal with that. I am a little shocked actually that Senator Bishop has got himself into that difficulty. However, that is my view for what it is worth.

**Senator MARK BISHOP**—The reason I asked for that to occur was that Ms Maddock quite properly informed us that conflict of interest discussions have been raised on a number of occasions in the past. One of the issues in the conflict of interest discussion is the role, if any, of the chairman of the organisation. It is probably best to have it all on the public record.

**Ms Maddock**—I was going to note your comments.

**Senator Kemp**—I am not sure you have shown a conflict, but you have raised a question and your comments have been noted.

**Senator MARK BISHOP**—You do not have to show it; you only have to raise it.

**Senator MACKAY**—I can show the conflict.

**Senator Kemp**—I assume the ABA, as has been stated, is well used to dealing with matters of process and ensures that its process is fair and proper. We would not want to be in a position where a Senate committee was seen to be attempting to intimidate or indeed threaten an independent board.

**Senator MARK BISHOP**—No, I am just applying the same test the High Court has.

**Senator MACKAY**—Thank you.

**Senator Kemp**—I am shocked at you, Senator Bishop.

**Senator MACKAY**—According to an opinion piece by Gerard Henderson in the *Age* of 22 July 2003, Professor Flint in his book *The Twilight of the Elites* makes the declaration that a ‘judge must play no part in politics’. Does the ABA share Professor Flint’s views?

**Senator Kemp**—Again I think that is not a fair question. That is simply a matter that goes to the views of Professor Flint.

**Senator MACKAY**—That a judge must play no part in politics?

**Senator Kemp**—I do not think that Ms Maddock is brought before us in a committee to comment on Professor Flint. If we want to question Professor Flint, we are quite entitled to question him. And we have questioned him before and had books waved in the air before. From memory it seemed to me that Professor Flint was quite well able to defend himself. I do not think it is fair to put Ms Maddock in a position where she is becoming a commentator on every word that Professor Flint has uttered.

**Senator MACKAY**—Professor Flint is becoming a fairly prolific commentator himself. In his book he does say that a ‘judge must play no part in politics’. So does the ABA agree with that statement, if not with Professor Flint? If I were to say a judge must play no part in politics, would you agree?

**Senator Kemp**—What does he mean? Does he mean that a judge should not be a member of a political party?

**Senator MACKAY**—That is not what I am asking.

**Senator Kemp**—Well, it depends what you mean by ‘should play no part in politics’. There are innumerable cases where judges have been making comments. In fact even in recent times there have been particular issues on that matter. What we would need to do is have Professor Flint before the committee so Professor Flint could specify exactly what he meant, if you felt this was worthy of the time of the Senate committee. But it is not a matter for Ms Maddock, I do not believe. You are quite entitled—

**Ms Maddock**—I am quite happy to—

**Senator Kemp**—I do not wish to in any way influence you.

**Senator MACKAY**—I would hate to have you intimidating the Deputy Chair of the ABA, Mr Kemp.

**Senator Kemp**—It is entirely up to you, but I do not think you would want to be a commentator on these things, Ms Maddock.

**Ms Maddock**—I think Professor Flint—and I will again leave this to him to reiterate—has made it clear on a number of occasions like this that he has views that are outside the ABA’s remit. I would not want to comment further on the ones that are in those spheres.

**Senator MACKAY**—Going to Senator Bishop’s point, has the issue of conflict of interest ever been raised at the board level with regard to Professor Flint?

**Ms Maddock**—I am not going to comment on what are confidential board discussions.

**Senator MACKAY**—Has the issue of conflict of interest ever been raised at a board meeting with respect to other members of the board?

**Senator Kemp**—I think that is the same question, Senator. What Ms Maddock has said is that the ABA is well aware of issues of conflict of interest. When matters of conflict arise they have a process—presumably a well-tuned and honed process—

**Ms Maddock**—Well practised.

**Senator Kemp**—with which to deal with those issues.

**Senator MACKAY**—What is that well-tuned, well-honed process, Ms Maddock?

**Ms Maddock**—I think I outlined it before. We rely upon three types of procedures: people self-identifying a conflict and absenting themselves, people self-identifying a conflict and asking for the board to make a decision on it, or a board member raising a potential conflict of interest that may exist in the room and having a discussion on it.

**Senator MACKAY**—At its last board meeting, where the board considered how to handle Richard Alston’s complaint, was there anybody there that either self-identified or indicated a potential conflict of interest? Did the board consider in any way any issue of conflict of interest with respect to Richard Alston’s reference?

**Senator Kemp**—I think the point has been made that these are confidential discussions.

**Senator MACKAY**—I would hate to think that you were covering anything up. I am just asking.

**Senator Kemp**—No-one is covering anything up, but these are confidential board discussions. They are matters to be dealt with by the board. If the board believes there is a conflict of interest and people on the board leave, they will undoubtedly make their views known, but that is entirely a matter for the board.

**Senator MACKAY**—Minister, I honestly do think it is up to Ms Maddock to determine whether she answers.

**Senator Kemp**—Of course it is.

**Ms Maddock**—I was about to say that I think those matters are confidential to the board. It is the same answer that I gave before.

**Senator MACKAY**—Minister, given Professor Flint's well-known comments on Iraq, do you think it is appropriate that Professor Flint participate in, and in fact chair, this inquiry on Richard Alston's reference? He does seem to have very strong personal views of his own.

**Senator Kemp**—I do not know whether I should go through the political views on Iraq of every member of the board—

**Senator MACKAY**—Not many of us have written a book about it.

**Senator Kemp**—and, if there are people on the board that have very strong views which are opposed to the government's position, whether I should be making inquiries on that. I just do not think it is appropriate for me to make comments on those things. If there is not a fair process, I am sure that people will make comments on it. It seems to me that these questionings are an attempt to influence the board. Undoubtedly Ms Maddock will be aware of the comments that people have made here, and I am sure that already the ABA is aware of issues of conflict of interest. I think we should leave it to them. I do not propose to be a commentator on Professor Flint's views, nor do I propose to be a commentator on the views that other members of the board may have on things like Iraq or euthanasia or whatever.

**Senator MACKAY**—How can the ABA assure the Senate that this inquiry will be conducted without conflict of interest and in an open, transparent and fair fashion, given Professor Flint's comments, specifically in this book, on Iraq?

**Ms Maddock**—That seems to me to be another way to ask the same question. I have said that I think that the board has fairly well-honed procedures for dealing with that. It will deal with it, if it needs to, at the time of its early March meeting. When it has considered the issue, it will issue a report which will be publicly available for people to judge.

**Senator MACKAY**—Was Professor Flint at the last meeting when the board set down the procedure with which Richard Alston's complaints would be handled, including having the opportunity to listen to the 10 hours of broadcasting et cetera?

**Ms Maddock**—I would think so, yes. He was at the whole of the board meeting.

**Senator Kemp**—Mr Chairman, I would like to seek a clarification, because undoubtedly people will read this in *Hansard*. Is Senator Mackay's objection that people have strongly held, publicly known views on Iraq? Is Senator Mackay saying that anyone who has a strongly held view on that issue cannot be involved in this particular matter?



**CHAIR**—She seems to be questioning whether or not, within the confines of the board, any questions have been raised about Professor Flint's views affecting the working of the ABA, and the reply has been that these are confidential matters.

**Senator Kemp**—It is an interesting point. Is it Senator Mackay's principle that anyone who has strongly held views on the war one way or the other should not be taking part in this process, or is she saying, 'You are quite entitled to have very strong views and, provided that you have not made those views known publicly, you are able to take part'? It is an interesting issue. I am not sure how Senator Mackay would guide us on that matter.

**CHAIR**—Do wish to do that, Senator Mackay?

**Senator MACKAY**—Do what? I am sorry; I was not listening.

**CHAIR**—Do you wish to identify your exact purpose in asking these questions? Are you questioning the objectivity of Professor Flint?

**Senator Kemp**—It goes to the core of your question.

**Senator MACKAY**—Let us go to this book again. Let me read the blurb—I think Senator Lundy did it last time. This is from Professor Flint's book *Twilight of the Elites*. It says:

Australia's media and legal elites wanted us to vote for a republic in 1999. We didn't. They wanted us to change the flag. We wouldn't. They wanted the Prime Minister to say, "I'm sorry". He wouldn't. They want us to hand over power to international elites. We won't. They wanted us to kick out John Howard in 2001. We didn't. They wanted us to support unlimited illegal immigration. We didn't.

How can this person judge a complaint from a Howard government minister in an unbiased fashion? More particularly, how can the board, six out of seven of whom were appointed by then Minister Alston, independently make a judgment on his complaint?

**Senator Kemp**—That is not true—again you make this error. You keep on insisting that this board was appointed by Senator Alston. I think we have been through the process by which this board is appointed, so a key part of your argument falls over.

**Senator MACKAY**—How can this person—

**Senator Kemp**—Hang on, Senator. I am going to respond. The next part of your argument is that anyone who has strongly held views on issues such as Iraq or border protection cannot take part in hearing this complaint. I do not know whether you distinguish between people who hold these views privately or people who have just made their views known publicly, but you are saying that anyone who has strongly held views on these issues simply cannot take part in hearing this complaint. If that is your view, I think you should state it. Or is this just a particular attack on Professor Flint?

**Senator MACKAY**—Given that these are the views in his book, I do not think that any reasonable person can say that Professor Flint can chair an inquiry that is going to look at this in a dispassionate fashion. I rest my case. If this continues, nobody is going to take the ABA's report seriously. End of questions.

**Senator Kemp**—You have made your views known. Some people might see this as just an attempt to put what you regard as a fair argument on the table. Others might see it as an attempt by the Labor Party to intimidate the board. People will draw their own conclusions.

**Senator MACKAY**—Thank you. That is it for the ABA.

[3.35 p.m.]

**CHAIR**—Are there any questions on output 3.2, Policy advice and program management which promote accessible high quality broadcasting services?

**Senator MARK BISHOP**—First off, I want to talk about the impact of the Australia-US free trade agreement on broadcasting. Firstly, can you outline what the outcomes of the FTA with the US will be for the local content regulation for the commercial broadcasting sector?

**Mr Cameron**—The US-Australia free trade agreement contains a chapter relating to trade in services, which establishes a range of general commitments in relation to free trade in services. That chapter also has attached to it a number of reservations that Australia—and, in some cases, the US—has made in relation to particular sectors of the economy. In relation to the audiovisual sector, the agreement includes reservations that preserve, in relation to commercial free-to-air broadcasting, the existing Australian content quota obligations which apply to commercial free-to-air television networks, including the associated subquotas that are attached. It also includes a reservation which would enable—should they be allowed in the future—those Australian quota obligations to be extended to multichannels, up to two channels, or, in circumstances where a broadcaster provides a larger number of channels, they can be extended to three channels where those channels represent no more than 20 per cent of the channels being offered by that broadcaster. There is also a reservation in relation to commercial free-to-air radio services, which enables Australian quota obligations to continue to be applied and to be applied up to a level of 25 per cent of broadcast time. There is also a reservation in relation to advertising on commercial free-to-air television, which reserves the existing Australian content quota of 80 per cent and again would allow that to be extended to up to three commercial free-to-air multichannels.

**Senator LUNDY**—On the issue of subquotas within the definitions across the various media, what detail is available about how the subquota restrictions apply or whether the subquotas have been preserved?

**Mr Cameron**—Subquotas currently apply in relation to commercial free-to-air television, and the reservation allows those subquotas to continue and to be adjusted within the total 55 per cent Australian quota obligation.

**Senator LUNDY**—What about, say, the multichannel, where the FTA identifies a cap for multichannelling? What about subquotas within that percentage?

**Mr Cameron**—Again, those subquotas can be extended to additional channels where free-to-air multichannelling is allowed, up to two channels or three if the three represent no more than 20 per cent of the total number of channels being offered by the broadcaster.

**Senator LUNDY**—So they are constrained to only two or perhaps three additional multichannels. The remainder of the multichannels, if they eventuated, would not have any Australian content requirements. Is that correct?

**Mr Cameron**—It is correct that those channel number limits exist in the reservation, yes.

**Senator LUNDY**—In terms of the detail available, what information are you currently working from and is that more information than is currently available?

**Ms Williams**—The department actually has a draft of the agreement. As you know, the text of the drafts are not available to the parliament or to the public and, as is the normal practice in treaties, both government parties to the treaty need to ensure that the final versions of the text accurately reflect the outcome of the negotiations that were concluded last week.

There is a process which has been commented on already which is known as legal scrubbing. This process has already begun, in order to make sure that there is consistency of language across the chapters negotiated by the different teams of negotiators and to pick up any inaccuracies or typographical sorts of errors. The hope is that this process, at least in its first stage, can be completed quite quickly—a preliminary scrub—and that the text will be available, tabled in parliament and submitted to the Joint Standing Committee on Treaties following this preliminary scrub. It is expected to be concluded by late February or early March.

**Senator Kemp**—My understanding is that those involved can claim that this will be what they call historically a comparatively rapid process compared with other treaties of similar importance and complexity. My understanding is that what is happening here is a normal process and that we have to go through this process of legal scrubbing and do the things that Secretary Williams indicated. There is no attempt to hide information, but we have got to make sure that both sides have an agreed text. That text will then be tabled in parliament, as Secretary Williams said. My understanding is that the text will also be available on the DFAT web site, with plain English explanatory notes. There is no attempt not to inform people; obviously, we understand it is important for certainty that this text be out as soon as possible, but it has got to be the version that both sides agree on.

**Senator LUNDY**—Thank you, Minister, and thank you for that overview. I have a series of questions about each form of media in relation to the current provisions. The most efficient way for me to get through this is to go through each of those questions and get you to provide a yes or no answer if that is possible but also describe any conditions.

**Senator Kemp**—Sometimes it is not always possible to provide a yes/no answer.

**Senator LUNDY**—I appreciate that; I am just trying to keep things moving. The first question is in relation to future digital television channels. Will Australia maintain the ability to enact local content provisions of its choice for future digital television channels?

**Mr Cameron**—The reservation that I just described applies to commercial free-to-air television channels so, to the extent that there will be future commercial free-to-air television channels that are digital, the reservations will apply as I have described them.

**Senator LUNDY**—You have described the reservation and the limits that are placed on that. Is it possible to vary that in any way by, for example, initiating negotiations with the US, or is it not possible under the terms and conditions of the proposed agreement?

**Mr Cameron**—Are you talking about the limits on the number of channels that an Australian code of content could apply in the future?

**Senator LUNDY**—Both the percentages—the cap—and the number of channels.

**Mr Cameron**—In relation to the percentages of Australian content, the reservation identifies the existing 55 per cent as an upper limit but the government and future

governments clearly would have the capacity to adjust that downwards in the future should they decide to.

**Senator LUNDY**—Stop right there: so there is downward flexibility but not upward flexibility?

**Mr Cameron**—That is correct.

**Senator LUNDY**—What sort of scenario would you envisage as leading to those caps being reduced? Can that be done on the initiation of the US as a partner to this agreement?

**Mr Cameron**—No, the US would not be able to make a reduction and there is no specific mechanism within the agreement for the US to force such a process to commence.

**Senator LUNDY**—Are you sure about that?

**Mr Cameron**—That is my understanding of it.

**Ms Williams**—That is my understanding of it as well.

**Senator LUNDY**—So, if the US wanted to reopen negotiations with Australia generally about the content provisions in the FTA, it is not open to them to place on the table a further claim to reduce our content provisions?

**Mr Cameron**—I am not sure whether you are suggesting a circumstance in the future where the US might want to renegotiate the agreement itself—

**Senator LUNDY**—Yes, I am.

**Mr Cameron**—I think that sort of question is probably best referred to the Department of Foreign Affairs and Trade. That obviously relates to some future change to the agreement itself, which is not a matter on which we—

**Senator LUNDY**—But there is no mechanism in the current reservation to allow the US to initiate such a claim.

**Mr Cameron**—No.

**Ms Williams**—Not in the bit specifically relating to audiovisual, and not, we presume, altogether, because this is an agreement that has been negotiated and is sort of agreed.

**Senator LUNDY**—So, in that sense, if the negotiations were going to be reopened, theoretically that cap of 55 per cent could be negotiated upwards. Is that a possibility?

**Mr Cameron**—If the entire agreement were to be renegotiated, then presumably any aspect of the agreement could be renegotiated.

**Senator LUNDY**—So it would only be government policy that could possibly allow that content cap to be reduced?

**Mr Cameron**—It would take a decision by the government of the time to adjust that cap.

**Senator LUNDY**—Minister, is it the government's intention to reduce that cap?

**Senator Kemp**—The government policy is 55 per cent. We are not proposing any change to it. I do not know if the Labor Party has any rules, but I am not aware of any. The deal on the FTA has just been completed. Essentially both sides have agreed, and the terms, as you

know, have been widely debated already. To have that reopened might be Labor Party policy, but it is not our policy.

**Senator LUNDY**—Will there be a restriction on the amount of local content able to be regulated for on digital television channels?

**Mr Cameron**—Again, when you refer to digital television channels, where they are commercial free-to-air digital television channels then the reservations as I described would apply. There would be an upper limit of 55 per cent in relation to a transmission quota, and a capacity to apply subquotas within that 55 per cent limit.

**Senator LUNDY**—Is there anything in the FTA about how those subquotas would be applied?

**Mr Cameron**—I have not got the text in front of me, but the text indicates that the subquotas can be applied within that 55 per cent limit and in a manner consistent with the existing subquotas.

**Senator LUNDY**—I know you have been through—in brief, at least—whether or not Australia will be able to maintain the ability to enact local content restrictions for future television multichannels. Can you just go through specifically what the reservation is in relation to multichannels again, please?

**Mr Cameron**—The reservation in relation to multichannels—again, just for clarity—refers to commercial free-to-air television. What it indicates is that, if in the future a single broadcaster offers more than one television channel, the Australian content quota obligations can be applied to up to two channels, or, in the circumstances where it represents no more than 20 per cent of the number of channels they offer, up to three. In relation to those channels, the quota obligations can extend up as far as the 55 per cent Australian content rule which currently exists.

**Senator LUNDY**—On two channels?

**Mr Cameron**—On two or potentially three—and there is also reserved that capacity for the subquotas to apply in relation to those two or three channels.

**Senator LUNDY**—You just mentioned the 20 per cent in relation to the third channel. Am I interpreting it correctly to say that the third channel is only required to have up to 20 per cent, or, if there are three channels, it can be spread across—

**Mr Cameron**—No. What that means is that the quota obligations can be applied to a third channel, up to the 55 per cent, if the application to three channels represents an obligation on no more than 20 per cent of that broadcaster's television services.

**Senator LUNDY**—I do not understand. Can you explain that please?

**Ms Holthuyzen**—A broadcaster would have to run 15 channels, and 20 per cent of those would be three. If you ran 15 channels, you could have local content requirements on three.

**Mr Cameron**—That is correct.

**Senator LUNDY**—What if they are only running three additional channels, three multichannels? Is it the full 55 per cent?

**Mr Cameron**—If they are offering three channels only then the obligation could apply to two of them.

**Senator LUNDY**—So it only goes to three if 15 channels are being provided.

**Mr Cameron**—That is correct.

**Senator LUNDY**—What is the minimum? Say 10 channels are being provided; would the restrictions apply only to two channels?

**Mr Cameron**—That is correct.

**Senator LUNDY**—What about beyond 15 channels, when we have infinite bandwidth?

**Mr Cameron**—There is a limit of three under any circumstances.

**Senator LUNDY**—So even if there are 20 multichannels, only three can have Australian content restrictions?

**Mr Cameron**—That is correct.

**Senator LUNDY**—Have you cross-referenced the implications of these provisions for foreign ownership of Australian broadcasters and the availability of overseas content? What are the department's thoughts about the implications for that?

**Mr Cameron**—I am not sure what you mean by cross-reference, but I can indicate that there are reservations.

**Senator LUNDY**—Extrapolate the scenario. What if our commercial free-to-air broadcasters were able to source content and provide it in a multichannel environment up to, say, 15 channels? I am trying to clarify whether, regardless of ownership, we could be facing a scenario where only three of a multitude of digital channels are required to have Australian content provisions applying. So a very small percentage of that service offering would in fact ultimately be Australian content.

**Senator Kemp**—You could express this in a different way. You could say that there are up to three channels. We have one channel at the moment with 55 per cent, then we will have three more. You might well say that Australian content is being very substantially increased. It depends on how you look at this.

**Senator LUNDY**—Do you think it is a glass half empty or half full scenario?

**Senator Kemp**—At the moment we have one channel with 55 per cent. We can go up to three under certain circumstances. That is potentially a very substantial expansion of local content.

**Senator LUNDY**—But it means potentially a far diminished actual percentage of content being delivered across the free-to-air network.

**Senator Kemp**—You are saying that as the local content significantly expands the demand on local resources significantly expands.

**Senator LUNDY**—But as a proportion of the overall content being provided on commercial free-to-air television it would be a vastly diminished percentage. It would not be 55 per cent at all.

**Senator Kemp**—It is up to three per provider too.

**Senator LUNDY**—What I am having difficulty with is that at the moment it is represented in percentage terms and if you increase the amount of content overall, through multichannelling, then that overall proportion or percentage of Australian content inevitably decreases because it is capped to the number of channels as well.

**Senator Kemp**—But the amount of Australian content, assuming you move to the 55 per cent, is substantially increased, isn't it?

**Senator LUNDY**—That depends on who is seeing it, Minister, because it will be spread across a far greater variety of audiences.

**Senator Kemp**—It depends on who is producing it. If you have one channel and you go to two channels and insist on the same 55 per cent rule, then the local content would be doubled.

**Senator LUNDY**—But you can see that the overall percentage will have potentially reduced.

**Senator Kemp**—What we are talking about is the amount that you are able to regulate. Of course, you could have more.

**Senator LUNDY**—Sorry? You could regulate more channels?

**Senator Kemp**—No. You could regulate along the lines that the officer has talked about. But those channels could conceivably have local content at any level and perhaps in some cases total local content.

**Senator LUNDY**—In terms of the scenario of 15 multichannels and three channels having 55 per cent, would you be able to spread that 55 per cent across more than just three channels? Could you have one channel with five per cent and one channel with 10 per cent, provided the 55 per cent on three channels was made up across the 15?

**Mr Cameron**—My understanding of the agreement is that our capacity to regulate could not be spread across all those channels.

**Senator LUNDY**—So you could only regulate three channels.

**Ms Holthuyzen**—Which is not to stop the service provider from providing Australian content on those additional channels, but the government could not regulate it to be provided.

**Senator LUNDY**—So if they were seeking to satisfy the regulations it is a possible scenario that they could just provide all their Australian content on the three channels and have a free-for-all on the rest?

**Ms Holthuyzen**—Yes.

**Senator LUNDY**—Just going briefly to pay television, will subquotas be provided for on the proposed cap for Australian content on pay TV?

**Mr Cameron**—In relation to pay television, there is an existing obligation on—

**Senator LUNDY**—Ten per cent—and it is going up to 20 percent?

**Mr Cameron**—predominantly drama channels to expend at least 10 per cent of their program costs on Australian content. The reservation allows that type of expenditure quota to be extended to other genres—that is, channels which are predominantly arts, children, documentary, drama or educational, where the cap can extend up to 10 per cent.

**Senator LUNDY**—Up to 10 per cent?

**Mr Cameron**—Yes. There is also a reservation enabling the government to extend the expenditure quota in relation to drama channels up to 20 per cent, where it finds that such an increase is necessary to meet its policy objectives.

**Senator Kemp**—Mr Chairman, I have to go to another meeting. I hope it will be a brief meeting. If it is not, I may be delayed. If the officers are comfortable, I am comfortable for this section to continue without me, provided, of course, that proper courtesies are applied and observed.

**CHAIR**—Thank you, Minister. We are going to continue without a 4 o'clock tea-break, so that we can get on with these estimates, because we have got a little behind.

**Senator LUNDY**—In the application of the subquotas, under the agreement to pay television what capacity beyond what is currently provided for subquotas will be able to be put in place?

**Mr Cameron**—There is no concept of subquotas in pay television content obligations. What there is is an expenditure obligation—that is, an obligation to spend a certain amount of your total program expenditure on Australian content. The capacity the government has reserved is to be able to extend such an expenditure obligation to those four other genres in addition to drama and, where it considers it necessary to do so in order to meet its policy objectives, to increase the exponential quota in relation to the drama genre to up to 20 per cent.

**Senator LUNDY**—So it is only drama up to 20 per cent and up to 10 per cent in the other three genres?

**Mr Cameron**—That is correct.

**Senator LUNDY**—Those are children's, documentaries and arts?

**Mr Cameron**—And educational.

**Senator LUNDY**—Arts and education—so there are four new ones?

**Mr Cameron**—Yes.

**Senator LUNDY**—Do you have to get approval from the US to do that?

**Mr Cameron**—There is no obligation for the US to agree to those changes. Clearly, the government will consult and is obliged to consult widely with affected parties. But there is no US government power of veto over the decision.

**Senator LUNDY**—What is your understanding of new media under the terms of the proposed agreement?

**Ms Williams**—Can I just come in here and explain a bit. I know the 'new media' term has been causing some issues. You spoke to Kim Dalton about this at last estimates. The term 'new media' is not used in the agreement. We use 'interactive, audio and/or video services', which makes it rather easier to understand.

**Senator LUNDY**—And what current existing services fit into that definition?



**Mr Cameron**—A clear example of a service which would exist now is a point-to-point video on demand service over the Internet, or any form of video or audio service delivered over the Internet.

**Senator LUNDY**—What about over a cable network, like TransACT or Foxtel?

**Mr Cameron**—Some of those services may well fit within the subscription or pay television definition, but where it is an interactive audio or visual video service then that service may well come within the definition. Clearly, it would depend on the circumstances, but it is not platform specific. It certainly could apply to cable, satellite or any other platform.

**Ms Williams**—It is really just intended to be a catch-all of things that are not caught elsewhere and could come up in future.

**Senator LUNDY**—My understanding is that currently in the agreement there are no provisions relating to Australian content for those services currently and that Australia will not be able to put in place Australian content provisions on those services. Can you describe what the terms and conditions would be under the proposed agreement if the Australian government were to make a policy decision that in fact Australian content provisions were required for those types of services?

**Mr Cameron**—I think is worth noting there are currently no regulatory obligations—

**Senator LUNDY**—I said that.

**Mr Cameron**—in the area and so no specific reservation is necessary in relation to that.

**Senator LUNDY**—That is correct.

**Mr Cameron**—In relation to the government's capability to act in the future, the government has reserved the capacity to intervene on those interactive audio and video services if it finds that Australian content is not readily available to consumers. In doing so, it can intervene to ensure that Australian content is not unreasonably denied to Australian consumers over those sorts of services.

**Senator LUNDY**—How would that be done?

**Mr Cameron**—There is an obligation on the government to consult during the process of coming to a conclusion that Australian content is not readily available over those services and to implement measures which are transparent and not unreasonably burdensome.

**Senator LUNDY**—But effectively Australia has to get US approval if they want to—

**Mr Cameron**—No.

**Senator LUNDY**—Then I do not understand what you just said.

**Mr Cameron**—The agreement essentially sets out some procedural commitments—

**Senator LUNDY**—Like what?

**Mr Cameron**—To consult, to implement any measures in a transparent manner, to make any findings that services are not readily available against objective criteria and to implement measures which are not unreasonably burdensome or more trade restrictive than necessary.

**Senator LUNDY**—Can you be more specific about what is meant by 'to consult' and with whom the consulting should be done?

**Mr Cameron**—The obligation is to consult with affected parties.

**Senator LUNDY**—So the providers of any content that could be affected?

**Mr Cameron**—They clearly would come within that ambit, yes.

**Senator LUNDY**—Are you aware of any other trade agreements with US where a government has made such an approach? Canada is the example I am thinking of. I understand that they have a similar provision and have sought to consult with affected parties and have got absolutely nowhere in that attempt to negotiate effectively with the media or content companies themselves and get their approval to put those provisions in place.

**Mr Cameron**—My understanding is that the reservation here does not require the government to get the approval of any party to implement measures. It merely places a procedural obligation to consult.

**Senator LUNDY**—In that procedural obligation to consult, is it not worth the paper it is written on? There must be some mechanism by which the consulted parties get to express their view.

**Mr Cameron**—Clearly, the parties can express their views, but in the end it is a matter for the government to make the decision in relation to the circumstances in front of it.

**Senator LUNDY**—Can you take on notice providing any examples of other countries where they have attempted to do that and details of what the outcomes were?

**Mr Cameron**—We can take that on notice, but I suspect that might be a question best directed to the Department of Foreign Affairs and Trade.

**Senator LUNDY**—I am asking you because I presume that this department has done the research in order to understand the implications of that particular provision of the proposed agreement.

**Ms Williams**—We are certainly doing the research, Senator Lundy, but you can understand—

**Senator LUNDY**—I presume you know what you are letting yourselves in for?

**Ms Williams**—Well, I think what the agreement has done here is really reserve the government's ability to act, and the provisions that have just been explained to you really do go to a transparent, objective and consultative basis. Certainly we have not set down or yet put to government the sorts of procedures that that would go through, but it is not unusual to have a transparent and objective process.

**Senator LUNDY**—What do you say to the fact that the Motion Picture Association of America, the MPAA, has already expressed the following view:

We fervently hope that Australian policy makers will never conclude that introducing restrictions of this type are necessary to meet their cultural or industrial policy goals.

They are, of course, referring to the new types of content on channels carried by satellite, cable and Internet delivered programming. So you have the major content provider—and Jack Valenti is pretty used to flexing his muscle across jurisdictions around the world—saying that. That gives a clear indication that they do not want to talk and they do not want to give approval or negotiate.

**Ms Williams**—From what I heard you say, they said, ‘We fervently hope,’ which seems to me to show that in fact the Australian government has got that ability. You can understand that they would prefer nothing to happen, but they seem to have admitted in that statement that it is one for the Australian government. There is no approval of the Motion Picture Association of America.

**Senator LUNDY**—Don’t you think that is a little naive, given some of the power that this organisation has flexed on policy makers, certainly in the US.

**Ms Williams**—I did not think it was naive, no.

**Senator LUNDY**—Finally, in the context of the free trade agreement—and perhaps this is something I need to go back to the minister about—what is the federal government doing now to ensure that Australia continues to monitor the availability and provision of Australian content and stories and our cultural heritage through the media, as this free trade agreement negotiation continues, and what capacity does this department or Australia have to back out, if, through the legal scrub process, the terms and conditions are in fact proven to be undesirable for Australia?

**Ms Williams**—I have not been involved in a legal scrubbing process before, but my understanding is that it is not a case of it being to do with backing out; it is really just a case of fixing up the legal words, making sure our understanding is the same, and making sure the understanding reached with the parties is reflected in those words. So it is not a renegotiation; it is actually a very careful look at the words, in a legal sense, and what they imply.

**Senator LUNDY**—Okay. Just one final question: going back to the role of the MPAA recently in regard to the Mexican film industry, my understanding is that the Mexican government initiated a levy to help boost local film production, and the response from the MPAA to the Mexican president was that:

... the adoption of such a measure without previously consulting the MPAA could force us to cancel our backing for the Mexican Film industry ... this also would cause difficulties to our mutual relations.

What is your response to that sort of expression from the MPAA in a scenario where they say they have not been consulted but clearly have a very strong attitude and apply threats of withdrawing investment from that particular country? Is Australia vulnerable in that way too, if we embark on a scenario of consulting, with the idea of improving our own support for our local film industry? How vulnerable are we?

**Ms Williams**—Obviously it is one for different associations to deal with as suits their own interests, but it is quite clear from the agreement that the government is able to continue to give subsidies or provide tax incentives for the industry in the way that it previously has done.

**Senator LUNDY**—But don’t you think we will get the same response if we try and strengthen those policies in the future?

**Ms Williams**—We do that now.

**Senator LUNDY**—I appreciate that, but what if governments of any persuasion wanted to do more? Could we increase the financial support to Australia’s film industry?

**Ms Williams**—I believe we could.

**Senator LUNDY**—So there is no reservation in that regard?

**Ms Williams**—No.

**Senator LUNDY**—Thank you. I will be placing some questions on notice.

**Senator MARK BISHOP**—I want to turn now to the progress of implementation of various programs that were part of the government's commitment to the Australian people at the last election and get an update of where they are at. One of the government's commitments at the last election was to extend SBS Television to all population areas with between 5,000 and 10,000 people. Where are we at in the implementation of that proposal?

**Mr Buettel**—That program is virtually complete. By April we will have completed the roll-out in all the locations concerned.

**Senator MARK BISHOP**—So all locations with populations of between 5,000 and 10,000 as at September-October 2001 will have access to SBS TV by April this year?

**Mr Buettel**—Yes—or the transmission areas with 5,000 to 10,000 people.

**Senator MARK BISHOP**—What does that mean—the transmission areas?

**Mr Buettel**—When we talk about populations of 5,000 to 10,000, we look at the population in terms of the area that can be reached from a transmission site. We had a list of those transmission areas.

**Senator MARK BISHOP**—So it does not automatically follow that every town in New South Wales and Victoria that had a population of between 5,000 and 10,000 in September 2001 will be receiving SBS TV by April this year?

**Mr Buettel**—It is more likely to be the case that some towns with fewer than 5,000 people are also included, and that is because in the surrounding region there are also people.

**Senator MARK BISHOP**—Yes, because the smaller towns would be in the transmission area.

**Mr Buettel**—Yes, that is right.

**Senator MARK BISHOP**—But, if we do not have a transmission tower that covers all the nearby towns of between 5,000 and 10,000 people, does that mean that there will still be some towns in all parts of Australia with populations of between 5,000 and 10,000 that do not receive SBS TV?

**Mr Buettel**—I do not think there should be any.

**Senator MARK BISHOP**—Can you take it on notice and provide me with a list of transmission areas where that 2001 election policy has been implemented since October 2001, and then provide me with a list of towns with a population of between 5,000 and 10,000 that will not be in receipt of SBS TV at the close date of the program, which I think you identified as April this year? Is that distinction clear?

**Mr Buettel**—Yes, that is fine. We will provide that on notice.

**Senator MARK BISHOP**—Thank you. I will move on to the second thing I wanted to talk about. I think the government said they were going to spend something in the order of

\$23 million in black spot TV funding, to fix up reception in identified areas. Where are we at with that particular program?

**Mr Buettel**—Do you mean the Television Black Spots Program or the Television Black Spots—Alternative Technical Solutions Program?

**Senator MARK BISHOP**—That is a good question. We might take advantage of your clear knowledge of this: you might outline both of those programs and how they are different and answer the same question with respect to both.

**Mr Buettel**—The original program was called the Television Black Spots Program. It was designed to fix between 200 and 250 black spots in areas of poor reception around the country. In terms of progress with that program, new services have already been established in 166 black spots. A further 59 projects have had budgets approved and are awaiting construction. Eleven projects are being assessed for ministerial approval. There are another 15 projects which are expected to present fully costed proposals for approval—we are still waiting for the communities to get back to us with their budgets.

**Senator MARK BISHOP**—So that rounds out the 250. What sort of time frame are you talking about there in terms of implementation? Is that all since 2001?

**Mr Buettel**—It may have been earlier than 2001 that the program originally commenced; it may have been late 2000.

**Senator MARK BISHOP**—But from what you say, that first program is by and large coming to a conclusion?

**Mr Buettel**—Yes.

**Senator MARK BISHOP**—What was the second program called?

**Mr Buettel**—The second program was called the Television Black Spots—Alternative Technical Solutions Program. One of the things we found as we dealt with the first program was that there are certain areas of the country that have very congested spectrum usage and where there are very few frequencies available for new analog transmission sites. So in those locations the government decided to have a new program which would look at finding alternative solutions. The main solutions we are looking at are, in some locations, direct-to-home satellite reception and, in other locations, digital retransmission solutions. This is instead of putting in a transmission site with a number of analog services where there may be frequencies available to put in digital services. So are looking at digital solutions to that.

**Senator MARK BISHOP**—I understand what you are talking about now. Going back to that first program, what was the cost of it? Does the ballpark figure of \$22 million sound right to you?

**Mr Buettel**—I think the original announcement was that it was \$35 million.

**Senator MARK BISHOP**—The bulk of that is going to be spent by this year. How much has been allocated for the alternative technical solutions program?

**Mr Buettel**—It is about \$13 million all up. In the original election context it was about \$23 million, and I think that is where the \$23 million figure comes from. That was based on an estimate at the time of the number of black spots for which there would not be spectrum

available for solutions. As we continued to work through the program we actually found spectrum for solutions in a lot more black spots than was expected, and so the number dropped and the amount needed for the program was less.

**Senator MARK BISHOP**—So the \$23 million I am talking about is from the government's 2001 election platform and was intended to cover those alternative technical solution problem areas?

**Mr Buettel**—Yes.

**Senator MARK BISHOP**—Of that \$23 million, you have only been required to spend \$13 million because you found, upon more detailed analysis, additional spectrum which could be used?

**Mr Buettel**—For the analog black spots, yes.

**Senator MARK BISHOP**—Is the figure of \$13 million expenditure to date or is that likely to be the sum?

**Mr Buettel**—That is the overall program expenditure. So that will be the final sum we spend once we have solved all of those.

**Senator MARK BISHOP**—When do you think this Television Black Spots—Alternative Technical Solutions Program will be concluded?

**Mr Buettel**—It is currently budgeted to be concluded at the end of next financial year. I think the realities are that there may be some slippage in the delivery of the program because the program is dependent on digital signals being available, and there have been some delays in the roll-out of digital signals.

**Senator MARK BISHOP**—So, if you were being a cautious man, you would be aiming to give a report to the minister that this alternative technical solutions program will be finished towards the end of next year.

**Mr Buettel**—It is quite possible that we will push to roll it out for an extra financial year.

**Senator MARK BISHOP**—Can you provide a list of the communities that now have improved TV reception as result of this program? Do you have it with you, Mr Buettel?

**Mr Buettel**—I do not have a full list with me, no.

**Senator MARK BISHOP**—Do you mind taking it on notice and supplying that for us?

**Mr Buettel**—Is that of the original program or the alternative technical solutions program?

**Senator MACKAY**—Both.

**Senator MARK BISHOP**—Do it for both.

**Mr Buettel**—It is a long list for the first one.

**Senator MARK BISHOP**—The first one is going to be a very long list. Could you do that, and the second one as well.

**Mr Buettel**—Sure. Could I correct an answer I gave a bit earlier. It has just been pointed out to me that, in the additional estimates, money has already been rephased into 2005-06 for

the ATS program. I was suggesting that that was the likely outcome, but it has already been recognised.

**Senator MARK BISHOP**—It has been decided. Did the May budget papers or the PBS attached to the May budget identify how much was spent on television black spot funding in 2003-04?

**Mr Buettel**—Yes, it did.

**Senator MARK BISHOP**—Do you have a page reference? Take on notice how much money was to be allocated in the 2003-04 budget for television black spot funding in both the budget papers and the PBS and if there has been any additional funding or variation funding since the 2003-04 budget papers. Let us get our figures right. I presume those figures have the forward estimates figures as well. Could you take that on notice?

**Mr Buettel**—Yes.

**Senator MARK BISHOP**—In relation to future TV black spot funding, the first program is coming to its conclusion. The technical solutions program looks like it is going to be pretty well finished by the end of December 2005. Is the bulk of that being spent on digital or analog?

**Mr Buettel**—All the funding for the original television black spots program was spent on analog.

**Senator MARK BISHOP**—Once we fully go over to digital, are the same black spot problems likely to arise again?

**Mr Cameron**—There is an obligation on commercial television broadcasters to replicate their analog television coverage in the digital environment and so, to the extent that issues may exist in the future, they will not represent a fall-back from the analog services offered by those commercial broadcasters. There are a number of what we generally call self-help communities out in many parts of the country that fund their own retransmission of commercial television and national television broadcasting services, of which the TV black spots funding is a subset. They will need to convert to digital at some point in the future but, again, should they do so, the extent of any continued lack of television coverage for some communities will be no more than in the analog world.

**Senator MARK BISHOP**—I am advised that the government's election policy again last time around committed \$6.5 million to radio black spots funding. Has that policy been implemented? If the answer is yes, where is it at?

**Mr Cameron**—In its 2002-03 budget, the government announced the funding of a \$5 million program to address commercial radio black spots. That amount reflected an adjustment as a result of the Charter of Budget Honesty consideration of that \$6.5 million commitment.

**Senator MARK BISHOP**—Does that mean they did not need the full \$6.5 million to do the job?

**Mr Cameron**—That was the assessment in that process, yes. On 9 May last year the former minister announced the first round of projects to be funded in that program, which represented 37 projects in the 36 communities that had been originally identified. The

program is intended to assist up to 142 communities that were identified in the initial commitment. We expect the government will make further announcements about future successful rounds in due course.

**Senator MARK BISHOP**—So we had the commitment in their 2001 election platform. The first commitment of money was in the 2002-03 financial year. In May 2003, Minister Alston identified 37 radio black spot problems to be funded in the 12 months from May of 2003. Is that correct?

**Mr Cameron**—Yes.

**Senator MARK BISHOP**—We are now into February 2004. Have those 37 programs all gone ahead?

**Mr Neil**—We understand so. For most of them there is a nine-month lag between the time we pay the first payment and when they come back to us for the rest of the money. In some cases, they have asked for extensions of time to do that. None of them have refused the funding. There is a process by which they have to apply. Nobody has handed it back.

**Senator MARK BISHOP**—Let me understand this. Minister Alston made an announcement on 9 May last year to fund 37 radio black spot problem areas. What is the nine months that you are talking about?

**Mr Neil**—The first payment is made as soon as they have given us the grant form. The first payment is 50 per cent. Then, nine months later, they should get the second payment. We can give you details of which ones have—

**Senator MARK BISHOP**—Before I waste hours of time asking for a question on notice, if I can get this clear in my head we might avoid it. Minister Alston made the announcement in May of last year about the 37 radio black spot funding areas. Presumably the forms have been received, analysed and ticked off and they should have got their first 50 per cent cheque within a reasonable period. Is that right?

**Mr Neil**—They confirm an expression of interest then, after the announcement, we send out the contracts. They sign the contract, we get it back and process it, then we make the first payment. So there is a lag between his announcement of his approval and the process of the grant.

**Senator MARK BISHOP**—All right, we are going to do it the hard way, then. Do you mind taking on notice, firstly, the 37 areas that were identified by Minister Alston for funding for the radio black spots program; secondly, when each of the areas applied for approval; thirdly, when approval was given; fourthly, when that approval was communicated to the applicant organisation; and fifthly, the progress in terms of payments and work that has been commenced up to conclusion of each of the 37 programs? Is that clear, Mr Neil?

**Mr Neil**—Yes.

**Senator MARK BISHOP**—Okay, we will do our own work on that. So that was 37: how many were you suggesting originally?

**Mr Neil**—The original commitment was to 142. That has been reduced because some of them have been found to be out of area, so they could not be approved.



**Senator MARK BISHOP**—What is the real figure now?

**Mr Neil**—I shall have to get you that. I do not think we have that here. But it is somewhat reduced from that number.

**Senator MARK BISHOP**—All right. Take it on notice then: the number of areas that have been deleted from the original figure of 142, and the reasons for those deletions. That suggests that there are probably around about 100 left to be done. To do some or all of the other 100 programs, do we need a further allocation of moneys in this year's budget or in subsequent years' budgets?

**Mr Cameron**—There is a commitment made in this year's budget for funding projects, which will include making final payments in relation to projects already approved and approving additional projects approved by the minister during the course of the year.

**Senator MARK BISHOP**—Okay, so let us go back a bit. We had 142 areas that were originally identified. Of those, 37 were given the tick off in last year's budget, and some others have been deleted for technical reasons.

**Mr Cameron**—Yes.

**Senator MARK BISHOP**—So we will say there is, rule of thumb, about 100 left. Have those other 100 program areas been approved? Is it just a matter of funding in particular years, or do they have to come forth in budget negotiations in the forthcoming years for funding approval?

**Mr Cameron**—The community areas have been identified. There is funding in the budget for this program and that funding can be used for those communities. However, the funding of specific projects does depend on the relevant broadcaster making certain commitments in relation to such a project—for example, to actually accept the costs of operating the service for a period after the commencement of the service. There are also a number of technical factors that need to be addressed—most particularly those related to there being, in similar terms to the television black spots program, spectrum available for the particular solution in that community. But, subject to those commitments and circumstances existing, those projects can be funded.

**Ms Williams**—There is no need for another new policy.

**Senator MARK BISHOP**—All right. Take this on notice: can you give us details of which communities now have improved radio reception as a result of this program?

**Mr Neil**—Yes.

**Senator MARK BISHOP**—How much was going to be spent on radio black spot funding in 2003-04? Was that the figure of \$5 million?

**Ms Holthuyzen**—No, that is the total.

**Mr Cameron**—The figure of \$5 million is for the course of the program.

**Senator MARK BISHOP**—Okay. What is the 2003-04 figure?

**Mr Neil**—It is a further \$2 million. It was \$1 million in the first year, \$2 million in the second year and \$2 million in the third year, split between grant costs and administration.

**Senator MARK BISHOP**—So for year one, 2003-04, it was \$1 million?

**Mr Neil**—Yes. For 2002-03, it was \$1 million; this year should be \$2 million; and the following year should be \$2 million. That is the estimated expenditure pattern.

**Senator MARK BISHOP**—Okay. So the forward estimates only go forward three years on this?

**Mr Neil**—It is only a three-year program.

**Senator MARK BISHOP**—As part of the election platform commitment in October 2001, the government undertook to maintain community broadcasting funding in real terms. Do you recall that, Ms Holthuyzen?

**Ms Holthuyzen**—Yes.

**Senator MARK BISHOP**—Where is that at?

**Mr Buettel**—It has been maintained.

**Senator MARK BISHOP**—Can you take this on notice and give me a table showing the funding allocation in the 2000-01 financial year? Can you update that in real terms for each successive financial year since then and then can you put in the table the amount that has been allocated, the PBS reference and the amount that has been expended in each of the subsequent years? I know our analysis will just confirm what you say.

**Mr Buettel**—The amount allocated equals the amount expended, but we will give you a table of the amount expended in each of those years.

**Senator MARK BISHOP**—Sometimes the amount allocated does not equal the amount expended. Do you understand what I am asking for?

**Mr Buettel**—Yes. We will provide that.

**Senator MARK BISHOP**—The government also promised to allocate an additional \$8 million in funding for the purchase of international programs on the SBS. Has that been honoured in the breach or in the observance?

**Mr Buettel**—The commitment was definitely honoured.

**Senator MARK BISHOP**—Can you tell us where we can find those particular outlays? Is there a specific line reference or does it just get subsumed in the general operational costs and grants to the SBS?

**Mr Buettel**—We will have to check. There should be a reference in the portfolio budget statement. We will just have to find that reference and let you know.

**Senator MARK BISHOP**—But off the top of your head you do not recall whether it is line item funding or whether it has been subsumed in the grants to SBS.

**Mr Buettel**—We are going to have to check.

**Senator MARK BISHOP**—The question then is this: how much additional funding has been allocated to the SBS for the purchase of international programs subsequent to the financial year 2000-01? Could you provide copies of the reference material in either the budget papers or the PBSs to support that?

**Mr Buettel**—We will provide that on notice.

**Senator MARK BISHOP**—Thank you. The government, also as part of its 2001 election commitment, had an undertaking to oversee a smooth transition to digital broadcasting. What steps have been implemented to give effect to that fine commitment?

**Mr Cameron**—Since the digital television regime has been put in place, the government has been working, including through the Australian Broadcasting Authority, to ensure that spectrum channel planning is complete to enable the commercial and national broadcasters to roll out their digital television services in accordance with an agreed and coordinated time frame. The broadcasters were required to commence digital transmission in capital cities at the beginning of 2001 and in all regional commercial licence areas by the beginning of 2004. Those time frames were met. The Australian Broadcasting Authority has largely completed channel planning work in relation to the major transmission sites across the country and is now turning its focus on channel planning for what are generally called ‘translators’, that is, the smaller sites that infill gaps that might exist because of terrain and other matters. The Australian Broadcasting Authority and the department are also in discussions with remote commercial broadcasters at differing stages about a digital conversion framework which should apply to remote broadcasters. The government has also committed to, and is fulfilling, its commitment to fully fund the digital television services of the two national broadcasters, the ABC and SBS.

**Senator MARK BISHOP**—You say that is done, fine. I remember this when I was doing it in the Senate: when is the government due to review the issue of a fourth TV licence? Is it 2007?

**Mr Cameron**—There is a moratorium on the issue of new commercial television licences, which ends on the 31 December 2006. So from the 1 January 2007 the moratorium will not exist. There are a number of statutory reviews that exist in the Broadcasting Services Act primarily relating to digital television matters which need to commence this year or, in the case of a couple of reviews, next calendar year. Some of those will go to issues associated with the post-2006 broadcasting regulatory environment. But under the current legislative framework the moratorium ends at that date.

**Senator MARK BISHOP**—There is a moratorium on the issue of the fourth television licence and that moratorium ends at December 2006.

**Mr Cameron**—That is correct.

**Senator MARK BISHOP**—That is almost three years away. Is there any consideration being currently given to the matter at the moment by government?

**Mr Cameron**—As I indicated, there will be the requirement for a number of reviews which will affect aspects of the post-2006 framework, which will need to commence at this time. The government has not taken any decisions in relation to that matter at the current point.

**Senator MARK BISHOP**—Has the ABA given out its response to the anti-siphoning matter or is that still under review?

**Mr Cameron**—The ABA conducted a review and produced a report in 2001, I think, in relation to the existing list. The government at the time of the election gave the commitment to extend the operation of that list for one year, that is, until the end of 2005, for time to consider the post-2005 arrangements, and the government is considering those matters now.

**Senator MARK BISHOP**—So the list was extended until December 2005?

**Mr Cameron**—The list generally relates to events conducted up until the end of 2005. There is one additional event, that is, the 2006 Soccer World Cup, which is also listed. But, yes, as a general rule the list was extended to the end of 2005.

**Senator MARK BISHOP**—Has any decision been made as yet to what is going to happen at the end of 2005?

**Mr Cameron**—No.

**Senator MARK BISHOP**—Is it currently under review or is that something later on?

**Ms Holthuyzen**—It is under consideration.

**Senator MARK BISHOP**—When can we expect a decision by government? Do we have any idea on that?

**Ms Williams**—I would say in the not-too-distant future. It is currently under consideration, Senator.

**Senator MARK BISHOP**—Where is the government with its plans to develop an appropriate framework for the introduction of digital radio in Australia? Has the work been done there?

**Mr Cameron**—The government announced I think in about May of last year the establishment of the Digital Radio Study Group, which has membership from this department, the Australian Broadcasting Authority and the Australian Communications Authority. That study group was tasked primarily with the job of looking at current commercial and technical developments in digital radio internationally and, where relevant, in Australia to provide a fact base on which the government can consider whether and, if so, how it might want to pursue the introduction of digital radio services in Australia. That study group will report to the government in the near future and it will then be a matter for the government to decide how to respond.

**Senator MARK BISHOP**—The policy options—yes. That study group has concluded its deliberations?

**Mr Cameron**—The study group has concluded the bulk of its deliberations. It conducted a one-day forum in late September, I think it was, in Sydney. It also released last year two discussion papers which provided a factual description of, on one hand, the commercial developments overseas and, on the other hand, technical and technological developments in relation to digital radio, and it sought comments from industry members through both of those processes. The report of the review is being finalised.

**Senator MARK BISHOP**—So was that joint committee essentially tasked to establish what the technical facts are in this area?

**Mr Cameron**—The technical and commercial facts. It was not a policy development exercise.

**Senator MARK BISHOP**—The policy development comes after the technical and commercial facts are established?

**Mr Cameron**—That is correct.

**Senator MARK BISHOP**—So that will be the next task? That is for the government to choose, I suppose. So, having established the technical and commercial background to the possible introduction of digital radio, a framework for its implementation has not been developed as yet, has it?

**Mr Cameron**—Not as yet, no.

**Senator MARK BISHOP**—That would essentially come after the policy has been decided?

**Mr Cameron**—That is correct.

**Senator MARK BISHOP**—I think the government made some commitments to the community TV sector in the context of the digital TV environment in the lead-up to the last election to ensure that sufficient spectrum was reserved to the community broadcasting section as licences were allocated in future years. How much spectrum has been put aside for the community sector?

**Mr Cameron**—The government conducted a review of community television in 2002 looking at the future development of that sector which, at that time, was operating under essentially a long-term trial process. The conclusions of that review led to the legislation of a permanent or long-term licensing framework for the community sector but also to a conclusion that the issue of the digital conversion of those services should appropriately be considered around 2007, when a clearer idea of the progress of the commercial and national conversion arrangement has taken place. Clearly, the community sector would have difficulty providing a simulcast of digital services in the way that commercial and national broadcasters do, for obvious commercial reasons, and it would make sense to consider their conversion when the final turn-off of analog services is closer and a clearer understanding of that time frame exists.

**Senator MARK BISHOP**—So the issue of a grant of spectrum access to the various community TV operators has been put off for about another three years—that is the long and short of what you are saying?

**Mr Cameron**—Yes.

**Senator MARK BISHOP**—Outside of the community sector the spectrum is achieved by auction, isn't it, so it has a commercial value. If the government reserves a particular amount to the community sector or other areas, is that reservation of the spectrum a negotiable instrument or is it just something that is reserved to the operator of that TV? It has value.

**Mr Cameron**—The allocation of that spectrum licence is something which would be regulated under the Radio Communications Act, and there are mechanisms for regulating on a price base or a negotiated process. The decision about how that would be handled for a particular service is generally made on a case by case basis. In relation to commercial radio

services, that spectrum is generally auctioned. In relation to community radio, a competitive price based process is generally not pursued. So it depends on the particular circumstances and the particular service being considered for that piece of spectrum.

**Senator MARK BISHOP**—We have gone essentially from temporary licences to effectively permanent licences to operate these, haven't we?

**Mr Cameron**—The ABA is currently completing a process of licence allocation for the community TV services, and those licences would continue until the end of 2006, I believe. I might need to take that on notice.

**Senator MARK BISHOP**—Is there any planning being done for community TV in the digital environment, or is that really to occur post 2006?

**Mr Cameron**—It is an issue which would be considered at that time.

**Senator MARK BISHOP**—So there is no work being done now?

**Mr Cameron**—Not at this stage, no.

**Senator MARK BISHOP**—The government also had in their election policy in 2001 to examine and strengthen the Indigenous broadcasting sector. What happened arising from that undertaking?

**Mr Cameron**—We might need to take the details of that on notice.

**Senator MARK BISHOP**—Does anyone know anything about the commitments to the Indigenous broadcasting sector?

**Mr Cameron**—We are aware of those commitments, but some of the work has been conducted by ATSIIC, and we might need to confirm the details with them.

**Senator MARK BISHOP**—I understand what you are saying. If you could take these questions on notice: flowing from that commitment, what examination was conducted; who participated in that examination; who was the author or who were authors of any reports; when were the reports, if any, delivered to government; are the reports publicly available; if not, could copies be provided to the committee; has there been any outcome deriving from an examination; if so, what is that outcome; what processes have been put in place to give effect to it; what funding allocations, if any, have been provided to give effect to government commitments in the Indigenous broadcasting sector area; and where can we find those budget allocations in the budget papers or the PBS if they do exist.

**Mr Cameron**—I am happy to take that on notice.

**Senator MARK BISHOP**—Essentially it is a status report, I think.

**Dr Pelling**—Amongst the digital TV reviews to be conducted this year is a review into the viability of creating an Indigenous television broadcasting service and regulatory arrangements that should apply to the digital transmission of such a service using spectrum in the broadcasting services band. That is one of the digital TV reviews which are to take place this year.

**Senator MARK BISHOP**—Has that review started?

**Dr Pelling**—No, it is one of the reviews which have to be conducted by the end of this year.

**Senator MARK BISHOP**—Does that derive from the government's election platform in 2001 or does that derive from the amendments we made to the Broadcasting Act back at that time?

**Dr Pelling**—I think that arose from the amendments to the act done in 2000.

**Senator MARK BISHOP**—In 2001 we had the whole datacasting debate, the digital debate.

**Dr Pelling**—Yes.

**Senator MACKAY**—What has happened to the government's 2001 policy on strengthening the Indigenous broadcasting sector and the review which, as you have admitted to Senator Bishop, emanated from something entirely different? What is happening? What is the story?

**Ms Holthuyzen**—I think that—

**Senator MARK BISHOP**—They have done nothing.

**Senator MACKAY**—Have they done nothing?

**Ms Holthuyzen**—No. What we are saying is that ATSIC has been involved in this as well, so we do not have all the details.

**Senator MACKAY**—Putting ATSIC's role aside, what has happened?

**Ms Holthuyzen**—But you cannot put ATSIC's role aside because it is integrated.

**Senator MACKAY**—What has happened with it?

**Ms Holthuyzen**—We do not have all the details, so we have agreed to take it on notice.

**Senator MACKAY**—So nothing has happened?

**Ms Holthuyzen**—No, we are not saying that. We are saying that we have agreed to take on notice the question and come back to you with the information.

**Senator MACKAY**—Has anything happened?

**Ms Williams**—The thing is that we have been working with ATSIC. We have not got the relevant officer here. Can we get back to you?

**Senator MACKAY**—Okay.

**Ms Williams**—Thank you.

**Senator MACKAY**—Fair enough. In that case, something has happened but we just do not know what it is.

**Senator MARK BISHOP**—Nothing has happened. They just do not want to say it. That is what they are saying, and they are going to give us a detailed report!

**Senator MACKAY**—The relevant officers are hiding in the corridor.

**Senator MARK BISHOP**—Nothing has happened, but we might be wrong. We will see.

**Senator LUNDY**—I know we will have departmental officers here later, but I am interested in getting from you a list of what is classified as interactive audio/video for the purposes of the definition under the free trade agreement. If you could provide that this evening, that would be most helpful.

**Ms Williams**—I think it is very hard to provide a comprehensive list. We can give you some examples.

**Senator LUNDY**—That would be helpful. We have one, which is video on demand, but I was hoping for as comprehensive an insight as you could possibly provide this evening.

**Ms Holthuyzen**—There is no definition in the agreement.

**Senator LUNDY**—Why would we have agreed to something with no definition?

**Ms Williams**—As I said before, the whole idea is that, yes, there are some things that we can think of that will now come under the heading, but it is meant to move forward to things that as yet may not be in existence or comprehended.

**Senator LUNDY**—What I am after then is what would be captured by that definition now.

**Ms Williams**—We will give you what we can.

**Senator LUNDY**—Thank you.

**ACTING CHAIR (Senator Mackay)**—As there are no further questions to the department, I thank the officers very much for attending today.

[5.00 p.m.]

### **Telstra**

**ACTING CHAIR**—Senator Bishop will start things off. We are on Output 3.1, Policy advice and program management which encourages competitively priced and reasonably accessible telecommunications and postal services.

**Senator MARK BISHOP**—I welcome the officers of Telstra again. The first thing I want to talk about is an old favourite: the closing down of some call centres in Victoria and New South Wales. What were the reasons for Telstra's decision to close down the Horsham and Hamilton call centres last month at the cost of 58-odd jobs?

**Mr Scales**—As we made it clear at the time, those particular call centres are involved in directory assistance services. That market has declined markedly over the last few years. We now have roughly half the number of calls to that particular service. Not only have we received something like half the number of calls to that service; people are now using more online services. It is one of those normal transitions in an industry like ours where some services are required and others are not required. As a result, we have closed some of those call centres.

**Senator MARK BISHOP**—Were those two call centres in Horsham and Hamilton exclusively dedicated to directory assistance?

**Mr Scales**—Yes.

**Senator MARK BISHOP**—Was that for all of Australia?



**Mr Scales**—The way these call centres work is that calls can often be diverted from one call centre to another. We have a number of other call centres that are involved in directory assistance. Those centres were two of the network of call centres associated with that.

**Senator MARK BISHOP**—How many centres were in the network?

**Mr Stirzaker**—Are you talking about the number of call centres now in directory assistance?

**Senator MARK BISHOP**—I am talking about the number of call centres prior to the closure of those two.

**Mr Stirzaker**—For directory assistance?

**Senator MARK BISHOP**—Yes. I understood Mr Scales to say that there was a network of call centres that were responsible for directory assistance. We now have two closed. My question is how many call centres were responsible for directory assistance prior to the closure of those two?

**Mr Stirzaker**—The number prior to closure was either five or six, but I will check that.

**Senator MARK BISHOP**—We now have three or four. Is that correct?

**Mr Stirzaker**—Yes, as far as I know.

**Senator MARK BISHOP**—Are those three or four centres doing 100 per cent of the incoming directory assistance calls?

**Mr Stirzaker**—To my best recollection there are calls which are what we call straightforward directory assistance calls, there are international directory assistance calls and there is other traffic in some other centres as well.

**Senator MARK BISHOP**—Where is the work that was being done prior to the closure of the Horsham and Hamilton centres, because demand has reduced by half in recent years, being done now?

**Mr Stirzaker**—The work is being done in the remainder of the call centres. There are also some outsourced call centres, which I should have added in, within the network. I do not have the numbers.

**Senator MARK BISHOP**—We will not go to outsourced call centres just yet. We had a level of work that was going to the five or six call centres for directory assistance. We know that that has been cut in half in the last few years. We know that reduction in the quantum of work has necessitated the closure of those two centres in Horsham and Hamilton. We also know that the work that was still being done, the reduced amount of work, has been reallocated.

**Mr Stirzaker**—That is correct. But the work continues to decline. The number of calls that are being handled for directory assistance has been declining at a rate of 200,000-plus calls per month. Between the time of announcing when a centre will ultimately close and its closure there is an ongoing decline of traffic, and that traffic gets balanced out amongst the remaining call centres.

**Mr Scales**—The remaining call centres are in Wangaratta, Kempsey and Goulburn.

**Senator MARK BISHOP**—So there are three left.

**Mr Scales**—That is correct.

**Senator MARK BISHOP**—So the outstanding work, which is still declining in volume, is allocated to those three centres. Is it allocated elsewhere as well?

**Mr Scales**—Not to my knowledge. They are the three call centres that are involved in directory assistance work.

**Senator MARK BISHOP**—One hundred per cent of that outstanding, albeit declining, work has been reallocated to those three named centres? Is that your advice, Mr Scales?

**Mr Scales**—That is correct.

**Senator MARK BISHOP**—You also closed a centre in Tamworth last week—is that correct?

**Mr Stirzaker**—Yes, that is correct.

**Senator MARK BISHOP**—Was that also a directory assistance centre or was that something else?

**Mr Scales**—Yes, that was a directory assistance centre.

**Senator MARK BISHOP**—What were the reasons for closing the Tamworth centre?

**Mr Scales**—The same reason.

**Senator MARK BISHOP**—Essentially, we have closed three and have just phased in the close-down periods.

**Mr Scales**—There were three—Tamworth, Hamilton and Horsham.

**Senator MARK BISHOP**—Are there any more to be closed?

**Mr Scales**—With the reduction in demand for directory assistance we will be more likely to switch people in those larger call centres to other work. It will very much depend on the capability of those call centres to be able to accommodate different forms of call centre work.

**Senator MARK BISHOP**—So that I get some idea of the scale of this issue, Mr Stirzaker, did you say that the number of calls was reducing by the amount of 200,000 per month on an ongoing basis?

**Mr Stirzaker**—It has been, yes.

**Mr Scales**—Let me give you a sense of the change. From roughly April 2001 through to October 2003 the monthly number of calls has declined from around 40 million per month to around 20 million per month and there has been a corresponding increase over that same period of online applications—that is, people going online to seek that same information—of roughly the same figure. So there has almost been a direct substitution of people using a telephone to get that information and people using online services to get that very same information. So it is a very rapid change in people's preferences about how they get this information.

**Mr Stirzaker**—On top of that, there are also the number of phone numbers that people store in their mobiles these days compared to years ago. Then there is the use of PDAs and

PCs and also SMS traffic. When someone sends you an SMS you have obviously got their number and you can reply, so it includes the way people are actually communicating because of the rapid growth of SMS and emails.

**Senator MARK BISHOP**—That decline in the trend over that almost three-year period, is it still declining at that rate or is it accelerating or decelerating?

**Mr Scales**—It is still declining at quite a consistent rate.

**Senator MARK BISHOP**—Would you anticipate that in another 2½ years you could go down from 20 million to 10 million?

**Mr Scales**—I am not sure we could extrapolate to that point. As with all changes like this in demand for any service or good, you often get to a point of where it stabilises. I do not think that any of us are exactly sure at what point this particular service will stabilise, albeit at a much lower level of demand.

**Senator MARK BISHOP**—But you do not think you are there yet?

**Mr Scales**—It does not seem to be there but I think I would have to be honest with you and say that it is not clear at what point it will get to the stage at which it stabilises.

**Senator MARK BISHOP**—But the principle reason appears to be a consumer shift to using various online services to access that information.

**Mr Scales**—That is correct. I think it is online plus other forms of services. For example, picking up the point that Mr Stirzaker mentioned, if you were to ring 12456, for instance, they will then SMS back to you that number, which you can then store on your mobile phone. So you get all of those changing technologies which are taking place.

**Senator MARK BISHOP**—You told us there were three directory assistance call centres remaining and you gave us the locations. Can you take on notice, if you do not have it, the number of staff in each of those three centres?

**Mr Scales**—Sure.

**Senator MARK BISHOP**—How many non-directory assistance Telstra call centres are there remaining around Australia?

**Mr Scales**—Senator, I do not think we have got that information. Rather than give you a comment off the top of our head, I would prefer to take it on notice.

**Senator MARK BISHOP**—Would you mind taking on notice the name of each location and the number of staff currently employed in them, Mr Scales? Thanks. Can Telstra offer any guarantees that those centres will be kept open for the next five years?

**Mr Scales**—Senator, I am not sure that any organisation would be able to offer a form of guarantee like the one you are suggesting. What we try to do, of course, is use our staff in the best way possible. It is not our preference to close call centres when we can find alternative work for people, so it is very difficult for us to give that guarantee. The guarantee we can give you, though, is that, if we find changes like this taking place, we will do everything we can to use existing staff in the best way possible, including on other Telstra work.

**Senator MARK BISHOP**—Off the top of your head, Mr Scales, how many call centres do you currently operate?

**Mr Scales**—No, I am sorry, Senator. I just do not know the answer to that.

**Senator MARK BISHOP**—Would it be a three-figure number?

**Mr Scales**—You mean in the hundreds?

**Senator MARK BISHOP**—Yes.

**Mr Stirzaker**—No.

**Mr Scales**—No, I would not think so.

**Mr Stanhope**—There are about 6,500 Telstra staff in call centres around Australia. I have four credit centres under me, and then there are inbound and outbound sales centres and so on. How many centres, we will let you know, but there is that number of staff. Then there is agency staff also engaged in those centres for the peaks.

**Mr Scales**—I think it is also true to say, Senator, that the size of call centres is increasing. Small call centres are not easy to run.

**Senator MARK BISHOP**—You are consolidating them.

**Mr Scales**—It is much harder to provide good occupational health and safety, good training and all of those things which you can do that much more easily in a larger call centre. So there is a consolidation of call centres.

**Senator MARK BISHOP**—How much of Telstra's call centre work is now outsourced?

**Mr Scales**—I do not have the answer to that in front of me. To conceptualise it for a moment, it is not a static number. If you take today as an example, where we have announced some changes to some broadband pricing, we will often hire external call centres to assist us with outbound calling or seeking advice that people might make. We try to use a stable work force normally, and then we supplement that with various forms of other call centre staff, often from agencies. It is one of those figures which move around quite a bit as a result of that.

**Senator MARK BISHOP**—I understand those introductory remarks, Mr Scales. Could you take on notice how much call centre work is currently outsourced?

**Mr Scales**—Yes. We have a range of ways by which we use staff. We often bring staff into our own call centres as well, so there are almost three conceptual frameworks which we use. One is our own staff—roughly 6,000 or so of our own people. We also bring agency staff into those call centres. We also have some outsourced call centre activities where we simply use the activities of a homogeneous organisation which simply provides that call service.

**Mr Stirzaker**—Can I also add, to build on Bill's point, in recent times insourcing and converting agency staff in certain locations is actually building up the staff numbers. In a number of centres there has been a net increase in the number of jobs, either through permanent or part-time, where we have changed the mix altogether.

**Mr Scales**—And that is going on all the time, Senator, as we make different choices around what is strategically important to us.

**Senator MARK BISHOP**—Which companies does Telstra outsource its call centre work to?

**Mr Scales**—We have a range of companies, and I can get you those names.

**Senator MARK BISHOP**—On notice, could you provide us with the names of the companies you use to outsource call centre work and the geographic locations where they carry out those tasks?

**Mr Scales**—Yes.

**Senator MARK BISHOP**—Off the top of your head, do you have any idea how much—by percentages of volume—of Telstra's customer call centre activity is outsourced? Is it five per cent or 30 per cent?

**Mr Scales**—No, it would certainly be more than five per cent and it would vary from time to time, but it could be around 30 per cent.

**Mr Stanhope**—It fluctuates, but it is around a third.

**Senator MARK BISHOP**—Is that by volume? The question is: a third of what?

**Mr Stanhope**—It is about a third of the number of staff, which is obviously a third of their activity.

**Senator MARK BISHOP**—Could we now have a discussion on your level of FTEs. The number has been declining in recent years. I remember having some lengthy discussions with you, Mr Stanhope, a couple of years ago. Can you give us an update for 2003-04? Is the number stabilising, are you hiring more, or are the figures going down?

**Mr Stanhope**—The number of full-time staff, as reported in our half-year results announced last week, declined by 1,880, I think.

**Senator MARK BISHOP**—And the number of non full-time staff?

**Mr Stanhope**—There are just over 2,000 equivalents.

**Senator MARK BISHOP**—So there are almost 4,000 bodies.

**Mr Stanhope**—The figures are not additive—you cannot add the 1,800 and the 2,500. There are 2,500 FTEs, which include full-time staff. So there are 1,800 full-time staff and then what we call full-time equivalents—those that are part-time, casual and so on. As the word implies, they are equivalent to full-time staff. So the figures are not additive.

**Senator MARK BISHOP**—Just so that I have it right: there were 1,800 full-timers in the last six months and about another 700 FTEs?

**Mr Scales**—The number of FTEs has gone up.

**Mr Stanhope**—The number of FTEs has gone up. There has been a 1,800 full-time staff reduction, but the number of FTEs has risen. So, in other words, there has been a transition—as we were pointing out in the call centres, for example—to permanent part-time employment.

**Senator MARK BISHOP**—Regarding the figure that you were just looking at in front of Mr Scales, was that for the six months ending in February?

**Mr Stanhope**—No, that was to 31 December.

**Senator MARK BISHOP**—So that was for the six months ending 31 December.

**Mr Stanhope**—Yes, they are our public figures.

**Senator MARK BISHOP**—And they show 1,800 fewer full-time jobs and, in terms of FTEs, there has been an increase—

**Mr Scales**—An increase of about 1,900.

**Senator MARK BISHOP**—So is it fair to say that there has been a direct shift from full-time employment to non full-time employment or is the displacement occurring in different areas?

**Mr Scales**—A combination of non full-time employment and contractors make up the number of full-time equivalents.

**Senator MARK BISHOP**—And where the 1,800 full-time jobs have gone and there has been an increase in non full-time employment, is there a direct correlation or is it occurring in unrelated areas?

**Mr Scales**—No, it is not correlated one for another, certainly not. You get the sort of thing, which we were talking about earlier, where, for example in the call centre environment or alternatively in the field work force environment, you are trying to get a degree of variability to cope with changing circumstances. So you get that going on. There might be other areas, for example in my own area, where you are becoming more productive and therefore doing more with less and so as people leave you are not replacing them. It is not possible to say one replaces the other.

**Senator MARK BISHOP**—Do you expect that decline in the number of full-time jobs to continue throughout this year or do you think it has stabilised? What is your forward planning?

**Mr Scales**—It is not possible for us to make those sorts of comments. We have tried not to speculate on that in the past. As I think Mr Stirzaker has said we have effectively 43,000 people either employed directly by Telstra or as contractors working for us every day. We have a quite fertile mix of how we work within that labour market.

**Senator MARK BISHOP**—Those 1,800 jobs that you reported as lost on 31 December occurred over the previous six-month period, didn't they?

**Mr Scales**—Yes, they did but you cannot extrapolate that for a full year. The last time we were here it might have been Senator Mackay who appropriately asked that question and I made the point then that what occurred was that there were a number of people who just happened to have been made redundant early on in that financial year. That would have distorted the numbers if one had tried to extrapolate that over a full year. It is not possible for us to make that comment.

**Senator MARK BISHOP**—Are any particular areas more affected than others in terms of reduction in full-time jobs? Where was the bulk of the reduction occurring?

**Mr Scales**—I can give you a general run down of the areas that have been affected. For example, we have increased staff in our BigPond and online and media group. We have reduced staff in our business and government area and our consumer and marketing area. We have reduced some staff in our technical field work force and in our international area. We

have increased staff in Telstra Country Wide and there has been movement between various business units. It is not consistent from one part of the business to another.

**Senator MARK BISHOP**—Are those tables you were just reading from available?

**Mr Scales**—I would be happy to make them available.

**Senator MARK BISHOP**—Are they from your annual report?

**Mr Scales**—No, this is to the end of the half year which picks up the figure that Mr Stanhope raised, which was 1,866.

**Mr Stanhope**—It is an extension of the question we were asked on notice last time. It is a table covering the last six months, so it is an extension of that.

**Senator MARK BISHOP**—You will provide that to us then?

**Mr Scales**—Yes, I am happy to provide that. As Mr Stanhope said it is an extension of the table which we provided as a result of your request to us last time.

**Senator MARK BISHOP**—What is the decline in your capex budget for the 2003-04 year?

**Mr Stanhope**—We are only halfway through the year. Our guidance for the full year is that we will spend around \$2.9 billion. This is domestic capital expenditure. Last year we spent about \$3.2 billion, so it is \$300 million.

**Senator MARK BISHOP**—Is that a consistent trend now over a three- or four-year period?

**Mr Stanhope**—It was about \$3.5 billion the year before, so yes, it has been.

**Senator MARK BISHOP**—It means you are knocking off \$200 million or \$300 million a year over a three- or four-year period. You are talking serious amounts of investment, aren't you?

**Mr Stanhope**—Yes, we have been but, of course, technology is cheaper, prices are getting more competitive for technology as vendors around the world have run into some difficulties and so on. There are various reasons including productivity and better targeted capital spending.

**Senator MARK BISHOP**—So vendors are in trouble, technology is cheaper and there is more choice in the marketplace. What are the other reasons for the decline?

**Mr Stanhope**—We do not spend so much on circuit switching anymore because the technology is also changing.

**Mr Scales**—In addition to that, over the years we have been putting in, for example, very extensive mobility networks. We do not do that every year so those patterns will change as a result.

**Senator MARK BISHOP**—Mr Stanhope, on the basis of your argument, there is little reason to suggest that that decline in capex probably will not continue into the foreseeable future?

**Mr Stanhope**—Given the things we have in front of us and as we move from circuit switching to IP platforms and so on, we are suggesting that over the next couple of years it will be at about the same levels.

**Senator MARK BISHOP**—About the same levels in future years?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—So you might have bottomed out?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—All right. That concludes my questions.

**Senator MURPHY**—I want to follow-up on some questions I asked last time, particularly in regard to ADSL connections in Tasmania. We had a discussion about this and I got an indication from Mr Free in Tasmania that of the 4,000 ADSL connections in Tasmania there were about 1,600 in Launceston. However, I found it interesting to read a full-page ad in the *Examiner* that suggests there are now 2,500 homes and businesses in Launceston that are connected to ADSL. This was a full-page ad run by Telstra last Friday. Can you enlighten me about this?

**Mr Scales**—I will ask Mr Mullane to maybe cover this question off in some detail. Since you last asked that question, of course, there has been quite an attempt by Telstra to stimulate demand for various forms of high-speed Internet. So it would certainly not surprise me if we have had that sort of take-up not only in Launceston but in other parts of Tasmania.

**Mr Mullane**—I would have to go and check the exact numbers. I have not got the figures for Launceston with me here today, but we can do that fairly readily and I am happy to provide the information.

**Senator MURPHY**—I want to ask you again about the extended zones offer. At the last estimates on 3 November, in response to a question about how the extended zone offer was to be made a free offer, particularly the satellite connection, Mr Pinel said:

By mail-out. There was plenty of publicity around it at the time. We were obliged to publicise it very broadly.

In reply I said:

Mail-outs to customers?

Then Mr Pinel said:

Mail-outs to our customers and advice to other ISP wholesalers and a request for them to advise their customers. We could only directly communicate with those customers who are actually Telstra customers. We were reliant on—

I replied:

You did not send me one.

He said that he was not sure about my residential location. I went on to say that that was explained and I checked the map further. He took the question on notice. I got a response back that says:



There was no Telstra mail-out to extended zone customers in Tasmania as there are no exchanges located in the two Tasmanian extended zones.

I would be interested to get some explanation about that, given that I was really referring to the free offer that was supposed to be given in respect of satellite connection. I am not quite sure whether or not having an exchange is relevant; it may well be because my technical knowledge in that respect is not that great. Perhaps we can get an explanation today.

**Mr Scales**—I might ask Mr Pinel to cover that because he answered your original question.

**Mr Pinel**—In Tasmania there are two extended zones which are defined as geographic areas—they are geographic lines on a map—and which equate to exchange boundaries. The two extended zones in Tasmania are vacant zones; there are no residential areas there. They are remote parts of the country. At this stage there are no services there, so no-one would qualify as an extended zone customer—hence no mail-outs.

**Senator MURPHY**—Plenty of people live in them.

**Mr Pinel**—Perhaps I should provide you with the definition of the extended zones. I cannot quote them to you exactly, but the information I have is that there are two EZs in Tasmania, but there are no services there.

**Senator MURPHY**—For the purpose of the exercise, I know it is a relatively small map but can I suggest to you that, from what I can see, a significant area of the west coast of Tasmania is covered by the extended zone, in which there would be at least three reasonably large towns that would have a population in excess of 1,000 people—and some in excess of 2,000—and I would be curious as to why they would not count. There is a small dot in the middle of the map which covers a reasonable area, which is where I live—along with a few other people, I have to say. I would not consider it necessarily totally remote—certainly not as remote as what would appear to some of the customers that have been offered it elsewhere in Australia.

**Mr Pinel**—I would have to get details of Tasmania and provide them to you to give you the background information.

**Senator MURPHY**—The ACA report says, among other things, that all customers in extended zones are entitled to the free offer of a two-way satellite Internet service.

**Mr Pinel**—That is my understanding.

**Senator MURPHY**—It does not say, ‘You are excluded if somebody considers that not too many people live in that area of Tasmania.’ I could not find an exclusion anywhere. The answer I received before was: ‘all our customers’. I am a customer of Telstra.

**Mr Pinel**—The issue is whether you live in an extended zone or not. I cannot be authoritative about that.

**Senator MURPHY**—I do, on the basis of this map. There are a lot of people that live in the west coast areas of Tasmania that I think would fall within that category. I am just not sure as to the answer I got last time as justification because there are no exchanges.

**Mr Pinel**—I think the best answer at this stage is to say we will provide you with clear maps of the extended zones and the definition of those and work with you to provide the answers. My understanding is clear: all customers who lived in extended zones were entitled to the offer.

**Senator MURPHY**—They were entitled to be advised about it.

**Mr Pinel**—Certainly our customers were advised by us. The information was made available to other wholesalers for advice to the customers. We mailed directly to our own Telstra customers.

**Senator MURPHY**—If you discover that people are identified within the extended zones in Tasmania, will the offer be made to them?

**Mr Pinel**—I would have to take that on notice. The offer was couched by the federal government in terms of our contractual arrangement with them. I would be both surprised and disappointed if there were customers in extended zones that were Telstra customers that we had not extended the offer to. We went to great lengths to produce detailed and extensive lists of all of our customers in the extended zones. As I say, I would be disappointed if we had not contacted them all.

**Senator MURPHY**—I want to raise an issue with regard to phone coverage and GSM and CDMA mobile phone coverage. The CDMA announcement that was made for the central plateau area of Tasmania was made with significant fanfare but, as I indicated before, it does not seem to work too well. I am told that it is operated on its lowest output when, in fact, it can be tweaked to operate at a better output, which would give better coverage for that service. Is that right?

**Mr Scales**—I might ask Mr Pinel to also cover that issue of coverage.

**Mr Pinel**—There is generally some control over the variability of output and that is used to control interference between other base stations, but there would be no logical reason for us not to provide the best possible service at the optimum power setting. So, once again, without knowing the specifics of that site, I will have to take it on notice.

**Mr Scales**—If you can give us the details of that particular site, we have been asking people to ring in. As you know, radio waves travel in a direct line and so what we are trying to find is where these black spots might happen to be. We can theoretically determine that these things should work well, but it is not until people have direct experience of it that it helps us to modify where we put base stations and other things. If you want to provide the details of that, we would certainly follow it through.

**Senator MURPHY**—With regard to the CDMA services more than GSM services in an area of Tasmania around Mole Creek, significant concern is developing with regard to the coverage that they get. I wonder, again, if it is the case—and I say ‘if it is the case’ as this has only been asserted to me—that the problem is that these things are not running at the output that would give a far better coverage. If that is the case then I am curious as to why it is the case.

**Mr Scales**—The first thing for us to do would be to check to see that it is the case. That is particularly helpful feedback for the reasons I mentioned earlier. We will take that on board;

we will take a note of that particular area and Mr Pinel and his team will follow that through. That sort of feedback is very important to us.

**Mr Pinel**—The site selection and all aspects of establishing mobile towers is meant to provide the greatest coverage possible, obviously, for both our own economic purposes and for societal issues as well. It would seem quite strange to me to take a suboptimal position, but we will pursue it for you.

**Senator MURPHY**—Thank you.

**Mr Scales**—Do you know if there are any other areas that your constituents are raising and that we should be aware of?

**Senator MURPHY**—I have raised my own experiences before in relation to the CDMA services. The CDMA service is supposed to work better in the more remote areas, where it is working. The Longford, Cressy and Campbell Town areas are, again, in the flatter areas so, therefore, you should get a better transmission but it is often the case that the GSM service works better than the CDMA service. When I have raised this at a local level, they say it should not be the case and I have asked people why it might be the case.

**Mr Scales**—Often that is the case, particularly if people are using, for example, motor vehicles that do not have the right aerial configuration. We have found that from time to time. It does very much depend on the circumstances. We can certainly follow this through and do some testing of the signals in those areas, but often it is not only the signal but also the receivers that people use.

**Senator MURPHY**—I guess I am talking about two hand sets; not in the car, just outside—one compared with the other. I know there are variations in handsets. I am talking about one GSM handset and one CDMA handset; where one will work and one will not—and, of course, vice versa if you are out of a GSM area. But where GSM works it is certainly the claim of Telstra that, in the main, CDMA will work. In saying that, I am curious as to why, in some of those flatter areas, it is the case that it will not work where GSM will.

**Mr Pinel**—There is considerable information on the web site about footprints of coverage. That may be a point of reference for you.

**Senator MURPHY**—I have printed it all off.

**Mr Pinel**—Good. We will follow it up for you as well.

**Senator MURPHY**—I have printed it off, and it tells me that it should work at the back of Cressy. The GSM will work, but the CDMA will not.

**Mr Pinel**—I have made notes. We will get back to you.

**Senator MURPHY**—Thank you.

**Senator CHERRY**—I have a very small number of questions. I understand Senator Bishop has already dealt with some of these issues, so if it has already been asked let me know. I am interested in Telstra's response to the articles in the *Financial Review* this week about outsourcing of IT. I have read your responses—the press release that you put out and the other things that have been put out. Dr Switkowski commented that Telstra had no program to outsource work to cheaper countries, but he said, 'Over time I expect we will do

more of it.' Have you given any more detail to the committee to date, or are you planning to, on what your forward plans are for looking at the outsourcing of Telstra work at this stage?

**Mr Scales**—We actually gave details three Senate estimates ago as a result of a question put by Senator Murphy. Senator Murphy raised this issue late one night at Senate estimates. If I am correct, it would have been two back from this one. We made the very point then, and we have been consistent ever since, that what we were doing was looking for the very best IT companies in the world. We made it clear then, again as a result of a comment made by Senator Murphy at the time, that we were working with a number of companies, including IBM and EDS. There were two other companies that we mentioned that we were dealing with—Satyam and Infosys, two Indian companies. We made it clear at the time that we were dealing with those companies because they are very good companies, not because they were located anywhere in particular and not because they were American.

**Senator CHERRY**—What makes them good? Is it primarily cost?

**Mr Scales**—No, it is not primarily cost. The issues are threefold. There is a question of quality. In fact those two very high-quality Indian companies have a quality standard of a level only rarely seen in this country. That is not to say that IT and, particularly, software companies cannot achieve that standard—they are rapidly getting to that point. These are high-quality companies. To address your point quite particularly, our position has not changed over that whole period of time. We made it very clear, three Senate estimates ago, what we were doing. We did not hide anything. We notice that there has been speculation around numbers of jobs. We simply do not know where those numbers have come from. This is the same issue that we addressed in front of this committee some many months ago.

**Senator CHERRY**—So there are three issues?

**Mr Scales**—Quality, delivery and cost.

**Senator CHERRY**—In terms of cost, does Telstra have a model that takes into account multiplier effects of activity? I am thinking of the fact that, if an IT company is doing its work in Australia, obviously a lot of its spend is likely to come back to Telstra, as the principal telco in this country. Do you take those things into account in your cost models?

**Mr Scales**—It depends on what you mean by multiplier. Certainly we take into account the effect on Telstra if we are not competitive. The effect on Telstra if we are not competitive is relatively straightforward: we lose opportunity, we lose sales and we lose, effectively, the opportunity to employ people. So to that extent we do take it into account, and we take it into account very directly.

**Senator LUNDY**—Mr Chair, I have some questions in this area, and I am hoping to have the opportunity to ask them.

**CHAIR**—Senator Cherry has got the floor at the moment.

**Senator CHERRY**—I do not have many questions. I thought you would have a lot more than me.

**Mr Scales**—So to that extent we take it into account—certainly we do.

**Senator CHERRY**—But you are talking about your competitiveness, which suggests to me that you are only talking about the immediate cost saving of the immediate up-front price

as opposed to future knock-on effects in terms of whether any of that company's business will come back to Telstra as a provider in this country.

**Mr Scales**—In a very general sense, the organisation that does the most work in that area is the ACA when it puts out its very general reviews of the industry. The ACA has said that, as a result of the productivity gains and the reductions in costs in telecommunications, something like 50,000-plus jobs have been created across the economy other than would have been the case. It is often independent agencies like the ACA that do that sort of work rather than Telstra.

**Senator LUNDY**—Does Telstra believe it has any obligation, as the dominant carrier in Australia, to keep these jobs in Australia to provide that contribution to a developing IT cluster, particularly in applications development but also in other areas of service? Australia traditionally performs well in the area of IT service provision, so what is compelling Telstra to go offshore, given that we arguably offer the best of the best here in Australia?

**Mr Scales**—Thank you for that question. The answer is yes, of course we do.

**Senator LUNDY**—Then why don't you keep the jobs here?

**Mr Scales**—That is why we employ over 43,000 people in this country. That is why the majority of our IT spend is in Australia. What we are talking about—

**Senator LUNDY**—Sorry, Mr Scales. Do you understand the importance of the development of a large IT services cluster here and the synergistic benefits that that growth will provide to the whole industry and indeed the economy?

**Senator Kemp**—Mr Chairman—

**Senator LUNDY**—I am sorry; I thought he had finished.

**Senator Kemp**—I think it is important that when senators ask a question they give the witness at the table a chance to reply in full.

**CHAIR**—I agree with that.

**Senator Kemp**—I noticed there has been a tendency in recent questions to butt in. If Senator Lundy could allow Mr Scales to provide an answer, then a follow-up question could be forthcoming.

**Mr Scales**—Senator Lundy, as I was saying, you have been here for the three times that this issue has been raised, and we have made it very clear that these particular applications that are going to both Infosys and Satyam are a very small proportion of our total IT spend. They are primarily around software development and maintenance. Telstra employs in total somewhere in the vicinity of 2,500 people directly and indirectly in the IT area, so we do take that obligation very seriously. As you would be aware, we are also a fully paid-up member of the IT Skills Hub and we participate in that fully. We are trying to encourage an increased performance right across the IT sector. Telstra is fully involved in all of this.

**Senator LUNDY**—It seems to me that you are contradicting your policy in that regard. Is it not true that Telstra does have industry development obligations under the act?

**Mr Scales**—Yes, we do, and we achieve our industry development obligations.

**Senator LUNDY**—Is it true that you are also considering offshore outsourcing for other back office type operations?

**Mr Scales**—No, and thank you for raising that; I appreciate it, because we released a press release today with the headline ‘Telstra rejects article in the *Australian Financial Review*’. I will read the first couple of sentences—I will not take up too much of the Senate’s time:

Telstra today rejected reports in the *Australian Financial Review* that it was proposing to outsource accounting, payroll and purchasing functions to India.

Telstra’s human resource, payroll and accounting functions are performed and managed by Telstra’s own specialist teams. This will continue and there is no proposal to change current arrangements.

The *Australian Financial Review* article today was completely without foundation.

**Senator LUNDY**—Is it true that there were memos posted on crikey.com that allegedly articulate these plans?

**Mr Scales**—I do not know what is on crikey.com. I cannot answer that.

**Senator CHERRY**—So what was Dr Switkowski referring to two days ago when he said, ‘Over time, I expect we will do more of it’?

**Mr Scales**—To give some completeness to that commentary, I think Dr Switkowski had made the point a number of times that Telstra was looking for the very best suppliers around the world to be able to supply high-quality services to Australian consumers. He has never shied away from the fact that we were working with both Satyam and Infosys because they are very good suppliers. In particular, I think what he was referring to here was that, where there are excellent suppliers around the world, we will work with them. We have no choice. We are competing against huge multinational corporations. We have no choice but to compete with them by finding the best suppliers around the world.

**Senator LUNDY**—Just how many jobs have you sent offshore to India in relation to your IT outsourcing?

**Mr Scales**—Telstra has sent no jobs offshore.

**Senator LUNDY**—What about IBM, your contractor?

**Mr Scales**—We outsource to IBM—

**Senator LUNDY**—And what did they do with those jobs?

**Mr Scales**—I was trying to answer your question, and I am quite happy to answer it.

**CHAIR**—Senator Lundy, I think you should give Mr Scales the opportunity to answer.

**Mr Scales**—IBM are a supplier of ours. The services which I think you are alluding to are ones which have, in fact—to my knowledge anyway—never been provided internally. They have been provided by a number of external providers—and you would be aware of some of those.

**Senator LUNDY**—Here in Australia.

**Mr Scales**—Certainly those suppliers have been here in Australia. It is true to say that there is a new dynamic that has emerged, and that new dynamic is that those Australian companies are now competing with some excellent Indian companies. The dynamic has

changed. It is true that IBM, it is true that Deloitte, it is true that EDS and it is true that every other IT company that is involved in this area will find themselves—if not now then in the future—also confronted with the same dynamic, and that dynamic is that there is a new kid on the block, and they are very good at what they do. They are excellent at what they do. We make no apologies for dealing with excellent companies.

**Senator LUNDY**—So how does Telstra measure what you cite as cost issues—and I have seen a number of international reports gauging the economic benefits of offshoring to respective clients—against the synergistic benefits of Telstra’s IT spending here in Australia, which provides employment for people in this country, and the contribution that that has to the IT services cluster? How do you factor that in to your consideration, or do you choose not to?

**Mr Scales**—No, we take all of those things into account—

**Senator LUNDY**—So in this case none of that matters—is that what you mean?

**Senator Kemp**—Senator Lundy, let us hear the answer before you butt in.

**Mr Scales**—As I said in response to a question from Senator Cherry—and I think, if I heard you correctly, you said that we take price into account—there are three things which we take into account. They are all important to us. They are: the question of delivery, the question of quality and the question of price. Let me give you another example—and I would prefer not to talk about the actual company that is involved here—about what we are now finding with one of those two companies that I spoke about. One of those companies is now delivering to us IT software at half the time that we were getting it from some other suppliers. That is not a direct cost issue, but it is a go-to-market issue that really does affect us. That is the first point I want to make. The second thing I want to say to you is that, in terms of the way in which they work with us, we have had an unprecedented response from those companies around the way in which they work with us as partners. For example, we had one of those companies say to us: ‘This was the contracted price that you worked out with us, but we have found that we can do it cheaper. Here is a rebate.’ That is unprecedented. What we are dealing with here are high-quality companies that are doing an excellent job, and we want to deal with them in the future.

**Senator LUNDY**—I suggest to you that the lesson out of the federal government’s whole-of-government IT outsourcing—a model which you, Telstra, deployed in your original contract with IBM GSA—was, by your own account in walking away from it and certainly by the federal government’s account in ditching that debacle in the end and going to strategic sourcing, that it was demonstrably flawed. What is your response to the suggestion that this is just the latest trend and that companies pitching for this type of work are doing it with the same optimism that some of those original clustered IT outsourcing contracts were done? The structural weaknesses in that model were only shown over time. What makes you so sure that Telstra is not going to be exposed and vulnerable to what you say are extreme cut-price deals where the company offers you money back? That is preposterous. It is very interesting, but where do you think this is going to end?

**Mr Scales**—Let me try and answer each of your questions as honestly and openly as I can. Do I believe that this is some trend? No, I do not believe it is a trend. If it is a trend, it has been going—

**Senator LUNDY**—It is a trend.

**Mr Scales**—Sorry; you are quite right. Is it a fad? No, it is not a fad. Is it a trend? Yes, it is a trend that has been going on now 50 years. It is a trend that shows that, in most sectors of the economy, we are now living in a global marketplace and that most of us, including Telstra, have to compete in that global marketplace.

**Senator LUNDY**—You do not even compete on the ground in Australia. Why is competing in this market so important to you?

**Mr Scales**—To answer that first part of your question, no, it is not a fad and, yes, it is a long-term trend. I presume your question is: do Telstra believe that the risks are well enough covered by Telstra? Yes, we do. Satyam and Infosys—and let's call a spade a spade; those two Indian companies are what you are talking about—are only two of the companies that we deal with. We deal with a range of companies overseas and in Australia, and we have the ability to judge both. We are able to maximise our ability to use all of those different companies. So, if the question is whether we have the risks covered, the answer is, yes, we do. Are we watching this to make sure that we have this well covered? Are we trying to work with these particular Indian companies to make sure that this is not some, to use a colloquialism, flash in the pan? Yes, we are. So far, the results have been excellent.

**Senator LUNDY**—Given that you have absorbed Telstra Enterprise Services, which was the remnant of Advantra—also originally an IBM GSA lend-lease entity similar to IBM GSA, who provided your services, which had lend-lease involved as well—why didn't you use the expertise provided by your own services company in TES to provide these services to Telstra? Aren't they good enough? Wouldn't that have meant local jobs could have filled these positions?

**Mr Scales**—If my memory serves me correctly, you asked the same question at the last Senate estimates. I think you will remember that we provided you with a response to that on notice. Our response at the time—and it is the same one now—was that TES, Telstra Enterprise Services, did not provide the services I mentioned earlier. These particular software services have been provided by IBM and others for a long period of time, so they are in a different category. To answer your question about the reintegration of Telstra Enterprises Services: we came to the view that that model was not working. There were about 2,500 people involved in Telstra Enterprise Services. In fact, that was one of the issues that Senator Bishop was alluding to earlier—that is, to what extent are we not only outsourcing but insourcing? This was an example where we felt that the right approach was to jettison, in that particular circumstance, an outsourcing approach and integrate back into Telstra—as we have done with NDC in recent times—a company that can provide us with those services.

**Senator LUNDY**—Going to the actual detail with Telstra's new deal with IBM, are you able to tell the committee how many Australian IT jobs will be going to India as a result of that arrangement with IBM, Infosys or Satyam?

**Mr Scales**—No, but nobody can.



**Senator LUNDY**—Can I just clarify this: is that because you do not know or you do not want to know?

**Mr Scales**—It is not that we do not know; nobody knows. The reason that nobody knows is that IBM themselves have said that, even if there are some applications that go to IBM's facility in India, they are most likely to reabsorb those staff into their existing operations. They have said that publicly; that is on the public record. IBM were very careful in their press commentary to make the quite precise comment that there will be 450 positions affected—underline the word 'affected'—

**Senator LUNDY**—Doesn't that mean they are just covering up the detail?

**Mr Scales**—and then they went on to make very clear that the number of jobs that will be lost will be far less than that because they will be absorbing those staff back into other IBM operations over a period of time. That is an issue that IBM have been very vocal about.

**Senator LUNDY**—Isn't it incumbent upon you, as the client in this case, to insist upon that knowledge and to demand that IBM tell you exactly what they are doing, and then for Telstra to provide a view? You are probably aware that the Treasurer has had a few things to say about this, and indeed Mr Hockey has expressed the view that it would be better for these jobs to stay onshore, to stay in Australia.

**CHAIR**—I think we are going to have to wind up now because it is just after six. If you would answer that question, Mr Scales, we will conclude.

**Mr Scales**—We cannot manage IBM's business for them.

**Senator LUNDY**—But it is your risk. You cannot outsource risk. You are handing over to IBM and allowing them to do what they want. If you do not even know what they are doing offshore, how can you manage that risk?

**CHAIR**—Mr Scales has answered the question.

**Mr Scales**—I do not think anybody can expect a company that is contracting out to another company to manage that company for that particular group.

**Senator LUNDY**—It is the same trouble the department has got into.

**Mr Scales**—We certainly asked IBM what was the likely effect, and the likely effect was what I have just said to you. What they said to us was that, initially, 450 jobs would be affected but the number of jobs lost would be many less than that.

**CHAIR**—We will have to finish there. We will resume with Telstra after dinner. Thank you.

**Proceedings suspended from 6.02 p.m. to 7.05 p.m.**

**CHAIR**—We shall proceed.

**Senator LUNDY**—I have a few more questions on the offshoring issue. I would like to know when the federal government was made aware of Telstra's offshoring initiative and specific details about that, please.

**Mr Scales**—I am not sure I can give you the exact dates, but it certainly is true, as we mentioned the last time that we were before the Senate, that we had briefed the department

and the federal government about our general plans. They were plans to look for high-quality IT providers in this software application and maintenance area. From memory, it probably would have been as early as July or August of last year. There would have been a series of discussions in line with our normal discussions with the government around our broad strategic direction over that period. I am not sure that we would be able to give you the exact dates, but it would be through that general period.

**Senator LUNDY**—Could you take on notice to find the exact dates? I presume you would have some minute or memo about that meeting.

**Mr Scales**—We will certainly do our best to do that. Clearly, we have minuted various meetings we have had to brief the department on a range of issues, so I think we could do that. If I could take that on notice, I will do my very best to do so.

**Senator LUNDY**—As you said, previous statements have pegged that date at around August 2003.

**Mr Scales**—Yes.

**Senator LUNDY**—Do you remember specifically what the government's reaction was to your offshoring plans or any suggestion you raised about the prospect of offshoring?

**Mr Scales**—In a very general sense, the government's response is that it is the responsibility of Telstra and its board to run its business. As you know, we are subject to various acts which require us to do that in the best interests of all shareholders. Certainly, the general proposition that was put to us was that that was our obligation, and we accept that as our responsibility.

**Senator LUNDY**—Was there any effort by the government or the minister to discourage Telstra from proceeding down this path? You say the government said that it is up to Telstra, but did you get any sense that there was some level of discomfort or opposition to your plans to offshore?

**Mr Scales**—If I could be completely frank about this—

**Senator LUNDY**—I presume you are always completely frank about everything, Mr Scales.

**Mr Scales**—I am, but when you ask a question like that you could imagine how it would be easy to obfuscate. I think we are all a bit nervous about this issue, because we are aware that it is an emotional issue. We are all aware that people would misinterpret what our objectives are and what our motives are. Not surprisingly, I think it is also fair to say that—certainly, with regard to my discussions with the department—that same sense of unease would have also been prevalent.

**Senator LUNDY**—‘Unease’ is what you describe the reaction as?

**Mr Scales**—Yes.

**Senator LUNDY**—For both the government and—

**Mr Scales**—Unease from the point of view of understanding that this would be a difficult issue to explain, as you could observe even from this forum.

**Senator LUNDY**—Did that lead to Telstra and the government strategising about how to manage this proposal publicly or politically in any way?

**Mr Scales**—No, not at all. I think the overarching view that I got out of any discussions was that this was a matter for Telstra. Telstra is expected to manage these things appropriately. Telstra takes the risk. Telstra takes any acrimony that might emerge. We accept that and understand that, but we know that that is our responsibility.

**Senator LUNDY**—Given that at least two ministers have now publicly expressed their concern, and given your reaction back in July-August last year, did that surprise you? What was Telstra's response to publicly stated concerns—and more than just unease—from one very senior cabinet minister and another minister just recently?

**Mr Scales**—I do not think it is appropriate for me to make any comment about that, Senator.

**Senator LUNDY**—Were you surprised?

**Mr Scales**—I do not think it is appropriate to make any comment.

**Senator LUNDY**—I do not think it is an unreasonable question. Are you able to quantify the exact savings Telstra is making by offshoring your IT in the way that is proposed?

**Mr Scales**—I do not think I can, but John might be able to give a general indication of that issue.

**Mr Stanhope**—We have publicly stated that we have an aim over three years to reduce our IT expenditure by 50 per cent. Whether we are able to do that in totality will unfold in time. The application outsourcing is only one part of that. The other part is maintenance and support.

**Senator LUNDY**—Of what?

**Mr Stanhope**—Of our systems, as distinct from the application development of software.

**Senator LUNDY**—Doesn't that have to be done here?

**Mr Stanhope**—Yes, all of it has to be done here. It is about how those cost reductions will come about, albeit primarily by having fewer systems. Telstra has a lot of legacy systems. What happens over time is that we build new systems and we get rid of legacy systems and, therefore, the maintenance and support costs reduce.

**Senator LUNDY**—Can you take on notice providing a dollar figure? If you want to reduce it by half, what is your current IT budget? I am trying to get an idea of the numbers.

**Mr Stanhope**—Let me give you some feel for it. Probably over five years the application savings would be about \$200 million. That is over a five-year period.

**Senator LUNDY**—What about in the three years that you hope to reduce your costs by 50 per cent?

**Mr Stanhope**—Most of that will be in three years.

**Senator LUNDY**—A saving of \$200 million?

**Mr Stanhope**—In applications development.

**Senator LUNDY**—What is your overall IT budget?

**Mr Stanhope**—The overall IT budget sits now at about \$1.3 billion. That is total cash; capital and expense.

**Senator LUNDY**—Have you factored into those savings the additional costs relating to monitoring and quality assurance of those services being provided offshore—

**Mr Stanhope**—Yes.

**Senator LUNDY**—given what we now know about the government's outsourcing; that those compliance costs and contract management costs were far in excess of what was originally anticipated or, indeed, budgeted for?

**Mr Stanhope**—It is all factored into those cost savings. Also factored into it is the fact that we are bringing some functions back in-house, like the architecture functions. This is a whole transformation, as we tried to describe before. Some of the functions are coming back into Telstra as well.

**Senator LUNDY**—With that \$200 million, what are the total savings and what are the offset costs set against that to arrive at that total of what I presume are net savings of \$200 million over five years?

**Mr Stanhope**—Those net savings I am talking about are from applications development. We expect to get some savings out of there being fewer systems, as I described before.

**Senator LUNDY**—Beyond the \$200 million?

**Mr Stanhope**—Sure. One is capital and one is expense.

**Senator LUNDY**—How much do you expect to save out of the capital?

**Mr Stanhope**—We have started that. We are looking for 50 per cent savings. That is 50 per cent of \$1.3 billion, which is \$650 million. As I said to you right at the start of this, whether that is achievable will unfold over that period of time, but that is our aspiration or our aim.

**Senator LUNDY**—So \$200 million is part of that \$650 million?

**Mr Stanhope**—Yes, it is.

**Senator LUNDY**—So what about the other 450 million?

**Mr Stanhope**—We hope to get that from having fewer systems and less maintenance and support costs.

**Senator LUNDY**—Is it \$450 million in maintenance and support costs?

**Mr Stanhope**—When we scoped this project we thought that was a possibility. I will repeat what I said before: whether that is fully realisable will unfold over time as we try to reduce the number of systems we rely on.

**Senator LUNDY**—What about issues relating to the security and privacy of the type of work and the development that is going on offshore? What is the application of laws that apply in the Australian jurisdiction to that work?

**Mr Stanhope**—I think we mentioned on a previous occasion—and I think we sent you the particular clauses we place in the contracts with these and all our suppliers of application development—those clauses which are enforceable contractually in those contracts. That is our safeguard; that security and privacy issues will be addressed by those contracts. If they do not, there is a breach of contract and it can result in termination.

**Mr Scales**—If the substance of your question is have we addressed this with these various contractors, the answer is yes. Have we made a point of making sure that we are comfortable that they can live up to their obligations and understand their obligations? The answer is yes. We are confident that is not an issue, but your point is a reasonable one—that we should monitor it and make sure that is the case, and we will.

**Senator LUNDY**—Does Telstra accept that you do have a role to have a say in where these jobs go with respect to IBM or any other contractor you engage? Or do you still maintain, as I think you were quoted, Mr Scales, in communications day on 15 January, that you have no control over where IBM outsources its Telstra related computer work?

**Mr Scales**—That is the case. IBM are a company and they, for all intents and purposes, can decide where they do this work. They will be competing, like all other companies in this area. If they decide to do it all in Australia they are quite entitled to do so but, if they decide to do some in the United States or elsewhere, they are also entitled to do so. We do not try to stand in their way.

**Senator LUNDY**—Are there any particular advocates within Telstra to push the work offshore as a cost-saving measure?

**Mr Scales**—There are certainly advocates within Telstra for cost savings. I think it is fair to say all of the senior management team are advocates for cost savings. I do not think there are particular advocates for doing the work offshore, no.

**Senator LUNDY**—What about within departments and agencies? Not necessarily DCITA, but I recall reading, I think a trade paper, some years ago, produced by the federal government, suggesting that offshoring to India was a prospect worth considering. Has there been any advocacy from the government?

**Mr Scales**—No, certainly not. I simply do not know the answer to that and I have had no experience of government departments acting as advocates for doing that.

**Senator LUNDY**—I will be putting some further questions on notice in relation to that. I would like to go to one of the issues I always like to quiz Telstra on and that is pair gains. It has come to my attention that Telstra does not have a program to replace some of the older types of pair gains in accordance with their recommendations and agreements under the TSI. Indeed, these types of pair gains—and again my understanding is that it is the six by 16 and five by 16 pair gain systems—are not being replaced on a proactive basis; rather Telstra is awaiting complaints about congestion or faults before they replace those services. Is that true?

**Mr Scales**—I might just pass that on to my colleague Mr Mullane to cover that off. The last time we were here we did talk about a particular set of circumstances where a form of pair gain was being used in an area where ADSL or high-speed Internet was not in fact the particular application. I am not sure whether that is the one you are referring to or something beyond that.

**Senator LUNDY**—No. My understanding is that these are very old types of pair gains which provide very limited services; can only provide six or five services to 16 customers at any one time, and that they have a specifically inhibiting effect on connection speed.

**Mr Scales**—I certainly know that we do have an active program to remove pair gains when we do not believe they are going to be able to provide services. Let me ask Mr Mullane if he could provide some more information. If we are not able to, I am only too happy to take that on notice, as you would expect, and get the information.

**Senator LUNDY**—With all due respect, Mr Scales, this committee waits an extraordinarily long time for answers. That may or may not be Telstra's fault. The fault may lie in the minister's office.

**Senator Kemp**—Senator, don't be provocative. I made no comment about you raising pair gains again.

**Senator LUNDY**—Nor should you, because they are legitimate questions on behalf of the citizens of Australia.

**Senator Kemp**—I have never heard more questions on one particular topic than from you on pair gains. I thought we would have covered every conceivable question on pair gains, but clearly we have not.

**Senator LUNDY**—They still exist, Minister, and they are still being installed.

**Senator Kemp**—So let's waste some more time. Let's go to it.

**Mr Mullane**—Certainly I would like to give you an update on the Telstra situation regarding the MLC systems. We do have a proactive program in operation to improve the total performance of this base of systems. That encompasses a number of pretty important initiatives. Firstly, we have an undertaking with the government now, following the Estens review, that we will lift the performance of the base of the MLC types of systems to a point where 95 per cent or more of the base will be meeting the targets for congested performance. We started that proactive work back in about late 2002 and the main initiatives we are undertaking are to actively monitor the congestion levels within the system. We do that through an online process that comes back into the CEMC centre in Brisbane, which I think you visited some time ago. That centre has got the task to do two things: one is where there are individual circuits or individual customers that are causing particular issues on the system; their job is to correct that. They will get any—

**Senator LUNDY**—I am aware of that, Mr Mullane. Can you just get to the point.

**Mr Mullane**—That is a very important part of what we are doing. The second part of what they do is, where systems have moved into a position of performance over a three-month period that looks like it is a consistent trend—and that is generally due to changes in customer behaviour on the systems and there is no alternative action to fix by removing an individual customer, if there is no other copper there to do it—the system is then referred to the planners to take it out of service and provide an alternative arrangement. Those alternative arrangements may be provision of copper solutions to take the place of the system, or some other more modern type of system, like a CMUX-AU. In the course of that work, since late

2002, the performance of that whole system base has, in fact, passed the 95 per cent mark. We have already exceeded the target that we agreed with the government.

**Senator LUNDY**—What does 95 per cent performance mean? Does that mean faster than 19.2 kilobits?

**Mr Mullane**—No, this has got nothing to do with dial-up speed. This is about congestion.

**Senator LUNDY**—But is it true when they get congested that that slows the connection speed?

**Mr Mullane**—No, absolutely not. The way these systems work, they are like a little switching system; the trunk circuits between the remote unit out in the field and the exchange. Those circuits are shared between whatever number of customers is on the system. When you have a call in progress you have a copper circuit end to end. Generally speaking, the dial-up performance on those systems is quite good. The congestion relates to the ability to get access to one of those trunk circuits when you require it. In the course of doing that work we have removed about 670 systems, last time I looked.

**Senator LUNDY**—How many are left?

**Mr Mullane**—There are about 5,600 left. We are not putting any more in.

**Senator LUNDY**—You are only removing them when people's services degrade to a point that it is not particularly a quality service.

**Mr Mullane**—We remove them when there is a very clearly agreed set of criteria based around the congestion performance. We have managed to improve the overall performance of the basic systems quite markedly in that period.

**Senator LUNDY**—Minister, is that in accordance with your understanding of the TSI recommendations about the removal of older pair gain systems?

**Ms Williams**—Apparently that is the case.

**Senator LUNDY**—That what Mr Mullane has described does conform with the accepted recommendations?

**Senator Kemp**—That is the advice we have just received.

**Senator LUNDY**—Excellent. I am sure all those people on those 5,000 archaic pair gain systems will not be too impressed on hearing that. I have a series of specific complaints I would like to move through now. If you are able to answer, that would be helpful. If not, could you take these specific complaints on notice. The first one relates to a constituent in Mawson Lakes in Adelaide. The local exchange is Gepps Cross and that is well within the limit for the distance of ADSL. This constituent was aware, in moving to this new estate, that the Telstra name and logo appeared on the sign for the development. He assumed that the housing estate would be wired accordingly; that is, for broadband or at least not having a broadband inhibiting RIM in place. Can you tell me what plans Telstra has to resolve this RIM at Mawson Lakes in Adelaide?

**Mr Mullane**—I can tell you some facts about Mawson Lakes. We do have a number of different initiatives to facilitate the ADSL provision of service in those RIM areas. There are a number of RIMs in that exchange area. To date two or three, from memory, have a copper

presence in place so they are able to access transpositions. That solution does not apply for all the RIMs in that exchange area because some of the RIMs are beyond the transmission limit for the copper. In that case we have installed I think two miniMUX in RIMs in that circumstance. There are a number of RIMs remaining which have firm plans in place. We are installing more copper to a further two RIM locations. The final piece of the solution in that fairly complex exchange area is that we are installing a CMUX-AU at the most distant part of the exchange area to provide ADSL services from that CMUX-AU via copper to those RIM customers.

That work is virtually complete. If it is not quite done yet, it is very close. The good news for the people in that area is that they will be able to access broadband very soon, if they are not already able to.

**Senator LUNDY**—Turning to the Tugun exchange in the Gold Coast, our understanding from a related inquiry into broadband competition says that:

Telstra has determined that the Tugun exchange does not present a commercial opportunity for Telstra.

Can you tell the committee why Telstra has decided that the Tugun exchange is not worthy of upgrading to ADSL, particularly in this case because there is a hospital nearby also in need of a broadband service and unable to get one.

**Mr Mullane**—Yes, I am aware of the Tugun exchange on the Gold Coast. It is quite a small exchange. I think there are fewer than 400 lines in service. That makes a very difficult economic equation for the provision of ADSL under most circumstances, unless there happens to be a particularly high take-up. We have the ADSL demand register in place. When I checked the demand level at Tugun, it was not all that high. I cannot remember what it was, off the top of my head, but it was less than 15, or something of that nature.

We have had another look at the situation at Tugun to see if there was any possible way we could find an economic outcome there. I have discussed it with the local Country Wide representatives in the Gold Coast office. We are looking at whether we might be able to provide an early installation of one of our new ADSL multiplexer technology types there that is sized more appropriately for a smaller installation. Coupled with that we are thinking that if we were able to elicit sufficient demand from the customers in the exchange area there and find a lower cost solution that is deployable, we might have an equation that if the customers there were to work with us we could provide the service. That work is ongoing at the moment and my understanding is the local people up there are in touch with the people of Tugun.

**Senator LUNDY**—I think there is a high level of frustration in that those discussions have been ongoing but the people up there have been advised unequivocally that Telstra is not interested in making that investment. That is why I brought the issue here.

**Mr Mullane**—We have resurrected the issue since it was raised again the other week. This potential for new technology type with a change in the economic base was not something that was possible previously. Even now, we still have to work out whether we can get it in, in a reasonable time frame.

**Senator LUNDY**—Does Telstra give it any higher priority because a hospital is in need of a service, or doesn't that factor in?



**Mr Mullane**—We are conscious of the types of customers that are interested. There is a hospital there but it is also my understanding that the main grouping of people that are interested in the service are in fact individual medical practitioners or health workers who are working in that building complex in their individual capacities. Of course they are very important customers and they are business customers, so that lends extra weight to it. We are very conscious of that situation there now.

**Senator LUNDY**—I am sure they will read this *Hansard* with interest. St Peter's Square estate in Mount Claremont, Western Australia, have written to me, as well as to the minister for communications, with their petition. They are calling on the Australian government to acknowledge the important role that broadband will provide to their local economy. They are hoping that the signing of this petition will alert Telstra, and indeed the government, to the requirements of the St Peter's Square residents for ADSL. Are you able to provide an update to the committee on what is happening in this particular area, given the very organised frustration being expressed by quite a significant number of residents in that area?

**Mr Mullane**—I am unfamiliar with the name St Peter's Square estate but I am sure we can have a look at the situation now that it has been brought to our attention. We would require a little bit more information, like a telephone number or a telephone exchange area et cetera. I will undertake to have a look at that area now that you have raised it with us.

**Senator LUNDY**—Thank you. The letter has also been forwarded to Telstra Internet products and services, sales and account inquiries. They obviously have not received any response. It is also addressed to Minister Daryl Williams, to me, to Mayor Laurie Taylor of the Nedlands shire, and obviously was aimed at the residents of St Peter's Square estate. I am presuming, by reading this detail here, that they are affected by a RIM.

**Mr Scales**—What is the date of that letter?

**Senator LUNDY**—I received this about 2½ weeks ago, but there is no date on the copy that I carry with me. I am certainly happy to provide this document to Telstra so that you can track it down.

**Mr Scales**—That would be helpful. Thank you.

**Mr Mullane**—That would be helpful.

**Senator LUNDY**—But also take into account that there are so many signatories on this I would hope and expect that that would constitute at least formal consideration for the upgrading of the exchange to ADSL, if that is in fact the barrier, or the provision of technology that will bypass the RIMs to allow those residents to get ADSL.

**Mr Mullane**—I am sure it will be useful information to bring before us. Let me add, Senator, that I would urge anybody who is in a situation of this nature to register their interests on the ADSL demand register.

**Senator LUNDY**—Yes. I am going to come to the broadband register.

**Mr Mullane**—Yes, I know, but I want to make that point. Even for people in these suburban areas on RIMs, it is a key input to Telstra.

**Senator LUNDY**—Can I tell you, with all due respect, that I receive a lot of these complaints because people have no sense of Telstra responding to the broadband register.

Indeed, we know now that Telstra have set the bar so much higher with the number of residents needed to even trigger a response from them. That is not solving people's frustration. But I need to continue. This one was referred to me by my colleague Ann Corcoran. This is a note from Telstra to a staff person in her office:

I have had my ADSL technical expert check Mrs Duncan's ability to get the product. He advises that probably not available on the number you provided—

and there is a number here—

as it is an Optus number and there seems to be some blockage there. On a brighter note, there is a second number at the address that belongs to Telstra.

The number is included.

We will need to do some technical work, but ADSL could be provided on that number. The constituent would need to go to her Internet service provider and have them approach us with the request. Eighteen months ago we told Mr Graham that he could not have ADSL on—

the second number that I mentioned, the number that belongs to Telstra—

but events have moved on and now we will provide a cable transposition, if we are approached by an ISP with an ADSL request. Hope this helps. Ring me if you have further questions.

Obviously this is a particular complaint, but my curiosity arose at the flippant way in which there is reference to the Optus number, and 'some blockage there' is articulated in this letter. Can you provide an explanation for what is going on with this particular complaint? If not, I will provide you with the reference number of this particular minute and you can pursue it specifically on behalf of the constituent Mrs Duncan.

**Mr Mullane**—Thank you. We will certainly do that. I can only surmise, without looking at the detail. There are two possible types of Optus telephone numbers. There is one that may be on their HFC cable, in which case there is no ADSL possible. If it is an Optus resale number—that is, Optus as a wholesale customer of Telstra basic access service—the way that the service works, depending on the date of that letter—Optus, I believe, have only just launched their ADSL service so they probably could not provide the service until now as a broadband ADSL provider, but perhaps they could go and have a very good shot at it now.

**Senator LUNDY**—If you could get back to the committee with details of that specific complaint and whether or not it has been resolved and how.

**Mr Mullane**—Sure. How will we get the details, Senator?

**Senator LUNDY**—I am happy to provide you with a copy of your own minute.

**Mr Mullane**—Thank you.

**Senator LUNDY**—I have another complaint in relation to Forest Lake, in the Inala exchange area. Are you familiar with that, Mr Mullane?

**Mr Mullane**—I know of it, yes.

**Senator LUNDY**—This particular constituent moved from one area within the Inala exchange area to another address within that area and was told that ADSL was not available. Eventually, because of pair gain cabling, the activations department of Telstra told this person they were putting in a transposition report request. But, after contacting Telstra many times

after the four-week time period that they were told it would take to complete, they were told that the answer was a flat, 'No.' This was some 10 weeks later. This person has a business and spends between \$300 and \$500 per month with Telstra on phone and Internet charges. You can imagine the frustration here. Can I also refer this particular complaint to you, given that this constituent has taken up a petition in their community and plans to lobby vigorously.

**Mr Mullane**—I can add something to that immediately. Inala is an area that requires a substantial amount of investment to resolve. There are a lot of RIMs in that area. We are going to provide what we call a remote DSLAM solution there. We are required to physically put a remote building in place—a small building, a hut of some sort—with DSL multiplexing equipment inside the hut. We have to acquire a site. It is quite a substantial program that we have to undertake.

**Senator LUNDY**—Can I suggest that you coordinate with local member Bernie Ripoll in that area, because he has also had this brought to his attention and is keen to see it resolved as soon as possible.

**Mr Mullane**—We do have a new structure in the metropolitan areas similar to the TCW structure—that is still evolving—and we do have a manager in the Brisbane area who is quite familiar with the Inala area. I am sure he could give that MP a brief.

**Senator LUNDY**—I have another complaint with respect to iiNet: having a client apply for ADSL with iiNet three times in nine weeks but being rejected on each occasion; was twice told the rejection was for 'transposition under way with another provider' and the third rejection was 'transmission loss too high'. The applicant insists he had no application with another provider. Can you explain how that would have occurred: how the customer would have been advised that a transposition was under way with another provider with regard to that application through iiNet?

**Mr Mullane**—I would not want to speculate. Without checking the records of what happened in that case, it would not be helpful to make too much comment. We will check that out thoroughly. Generally speaking, when we look at these complaints that are brought to our attention, there are reasons for what happens.

**Senator LUNDY**—Can I just finish this example. The third time it was rejected for transmission loss on 5 August 2003, but then he was contacted by Telstra in September and told that he could get ADSL with them. The concern is that, despite no application having been made by this customer to Telstra for an ADSL, he was contacted by Telstra. That implies that information sharing is going on between whoever iiNet were talking to in Telstra and Telstra's ADSL retail service. Can you provide an explanation for that scenario?

**Mr Mullane**—That certainly would not have been the case. They do not talk; they would not know who to talk to. It would be a case that blind marketing happened to pick that customer up the fourth time around. That is as simple as it would have been. We have very tight processes around all of this. These issues have been raised with us so many times that we are extremely diligent on that matter and have been for quite a long time. We will have a look at it, and I think we will be able to find out enough information to give you a response as to what happened.

**Senator LUNDY**—Going back to the broadband register generally, how many people have registered on the broadband register overall?

**Mr Mullane**—It is about 9,000 expressions of interest on the system.

**Senator LUNDY**—Across how many exchanges that are not currently ADSL enabled?

**Mr Mullane**—I could not work it out really quickly. I have some information here, but if I could take that on notice it would be quicker.

**Senator LUNDY**—Also, how many of those people registering on the broadband register are in fact in the exchange service areas for exchanges that are already ADSL enabled?

**Mr Mullane**—What happens with the register, anybody who is in that category—in other words, they are in an existing enabled exchange but cannot get it for other reasons—does not appear on the register as such but we do keep that information in a database because, as I said before, we take that information and are actively using it now in our planning activities, because we have quite a large program of work under way now to enable RIMs and such.

In the situation with transmission loss exclusions, because we are adjusting the transmission limit at the end of March, where those users are registered, we will go back to those ISPs and get them to contact those customers again. The information we get out of that system is extremely valuable. We are going to put more meaningful information in the front page of the system as soon as we can sort out a couple of ways we need to work with the ISPs who are participating in it; but that should happen fairly soon. That will make it much clearer for those people in that situation. The long and short of it is that we do have quite a lot of registrations from people in enabled exchange areas. I do not know the number, but in terms of those that show on the system there are about 9,000 in non-enabled exchange areas.

**Senator LUNDY**—Do you compile that information about the register and give feedback to registrants; and, if so, how regularly?

**Mr Mullane**—My understanding is that for those who register through BigPond, Telstra Country Wide are typically going back to them and giving them whatever the most appropriate piece of information is. Anybody that is not in the Country Wide areas, I think BigPond themselves in the metro areas are doing that. The ISPs have information to go back to those that register through them and give them the same sort of feedback.

**Senator LUNDY**—You do not have any direct way of communicating with them yourselves?

**Mr Mullane**—There are different groups involved. That is my point.

**Senator LUNDY**—On Whirlpool today, in response to BigPond's announcement of dropping their DSL entry product to \$29.95, there were at least two Internet service providers who made the comment that the \$29.95 service is considerably less than the wholesale price. Is that true?

**Mr Mullane**—I could not tell you what all the wholesale prices are because they are set on a negotiated basis with individual players and they do vary from customer to customer to some extent. The whole issue of what the pricing levels are set at is a much wider issue than just looking at an individual plan. You have to look at the whole range of plans.

**Senator LUNDY**—I am just commenting on comments that were publicly made today.

**Mr Scales**—The issue in general is that we are required by arrangements with the ACCC to ensure that there is an adequate opportunity for our wholesale customers to sell competitively to a market. We believe that is the case. We are always negotiating with our wholesale customers. It is fair to say we are not surprised by those sorts of suggestions, given that we are now, as you well know, in a highly competitive market with our major competitor. What we are hoping is that this will stimulate the market and do exactly what you have been suggesting all the way along—that is, that we stimulate a market with lower prices and enable other people to take up broadband.

**Senator LUNDY**—Can you tell me if it is also correct that this product has a download cap of 200 megabytes but that rather than have a choke on it you have a premium megabyte download rate after the maximum has been reached—that is, going back to the old style that could mean customers get hit with an unexpected big, fat bill at the end of their first month?

**Mr Scales**—I will let Mr Mullane comment on the specifics of the plans, but all these plans have various elements to them. What we try to do is give sufficient choice to our customers so that they make their own decisions about which plan they want to operate under. Mr Mullane might want to comment on the specifics of the qualitative elements of that plan.

**Senator LUNDY**—I want to know whether it is a choke or charge approach to exceeding your download limit on this new product.

**Mr Mullane**—A range of plans have been announced. There is one plan at \$29.95 with a 200 megabyte per month limit and 15c per megabyte thereafter. There are three other plans with unlimited downloads but where the speed may be slowed to 64 kilobits.

**Senator LUNDY**—Are they also \$29 a month?

**Mr Mullane**—No, there is a whole range of plans.

**Senator LUNDY**—Are any of them \$29.95 or whatever it is per month that have a choke on it rather than a charge?

**Mr Mullane**—There are three unlimited plans which have the choke: 64 kilobits after 10 gigabytes. Those plans range from \$59.95 for a 256/64 kilobit service to \$89.95 for a 512/128 service to \$119.95 for a 1500/256 service.

**Senator LUNDY**—So the more expensive services have the choke on them, but the cheapest service has the charge if you exceed the download limit. That also has the smallest download limit. Correct?

**Mr Mullane**—There is a range of plans. There are other plans with 500 megabytes, two gigabytes, three gigabytes et cetera.

**Senator LUNDY**—I appreciate that. I am trying to get a clear idea. Have you informed the TIO of this product so they can prepare their resources to manage the plethora of complaints that will inevitably arise as people get charged for something they were not aware of because they did not read the fine print about this new product?

**Mr Mullane**—We have a range of stakeholder communications. I have not been personally involved in this one, so I will need to either take that on notice or seek some advice. I cannot tell you for sure.

**Senator LUNDY**—Are you planning to warn potential customers about this risk, particularly given the lessons of products previously structured in this way?

**Mr Scales**—Senator, in fact we are trialling a program right now to do exactly that. I think you have raised this issue with us a number of times.

**Senator LUNDY**—I cannot believe you are going back to what is seen as a very risky and exploitative form of charging.

**Mr Scales**—What we are doing is trialling a process where, when individuals exceed their normal limit, we are calling them and letting them know that so that they are aware of it. We are certainly not trying to decide—

**Senator LUNDY**—Trying to upsell them perhaps, Mr Scales?

**Mr Scales**—Certainly not. I understand in the trial that we have been involved in, many of our customers have been most appreciative of the fact that we have rung them and warned them. As you could imagine, there are a number of families that have given mobile phones, for example, to their children. They are most appreciative when we ring up and ask whether they are aware that they have gone twice their normal limit? The answer to your question is, yes, Senator, we do have programs in place to do that. I understand, in fact, that we are the very first to do it, so maybe it is something you want to keep in mind.

**Senator LUNDY**—Thank you. That is all I have.

**Senator MACKAY**—I have starred it.

**Mr Scales**—An elephant stamp will be sufficient, I think, Senator.

**Senator MACKAY**—I will put further questions on notice.

**Senator Kemp**—I would have thought that what would be sufficient for Senator Lundy to say, ‘Congratulations,’ or something positive.

**Senator MACKAY**—She did. I heard her, sotto voce.

**Senator Kemp**—It was pretty sotto voce.

**Senator MACKAY**—Thank you, Chair. Mr Scales, of the \$240 million bad debt booked on the latest half-year results, how much of this is the result of billing system errors? Can somebody answer that for us?

**Mr Scales**—Mr Stanhope will cover that.

**Mr Stanhope**—The accuracy of our billing is quite good. Our provision for doubtful debt is nothing to do with inaccurate billings. The way we determine our provision for doubtful debts is in the consumer market on history of payment; in our wholesale market it is on an individual customer basis and their creditworthiness and how they pay, individually.

**Senator MACKAY**—Just to cut to the chase, is the answer none?

**Mr Stanhope**—None.

**Senator MACKAY**—How many people were affected by the last cleansing of bad debt, which was \$600 million in 2002-03. Do you know?

**Mr Stanhope**—Are you talking about the sale of debt?

**Senator MACKAY**—How many people were impacted with respect to—

**Mr Stanhope**—I am not sure of the point of your question.

**Senator MACKAY**—The cleansing of bad debt: how many people did that impact on?

**Mr Scales**—Maybe I can help you. What happened was there was a series of debts that were on Telstra's books.

**Senator MACKAY**—'Write off' or whatever the right term is.

**Mr Scales**—What we did was to sell those debts. Is that what you were referring to?

**Senator MACKAY**—Yes, it is.

**Mr Stanhope**—As to how many were affected, I think we went through this last time. Over one million accounts were impacted by our total sale of debt. We are a long way along with that sale of debt. We have been through the issues of complaints with the TIO. We have sent to this committee our undertakings to the TIO, to make sure that process is a good process. We have not sold any debt in this half-year just gone.

**Senator MACKAY**—How many consumers? Did we go through that previously? I cannot recall. If we did, then you will have to indulge me.

**Mr Stanhope**—We did.

**Senator MACKAY**—How many consumers?

**Mr Stanhope**—It was all in an answer, Senator. I will see if I can recall that information for you. As I said, it was over one million. There were 921,460 consumer customers and 101,933 commercial customers. We do not have a breakdown of the mobile accounts for which the debt was sold. They are included in those consumer and commercial numbers. That was an answer to a question.

**Senator MACKAY**—Fine. Thank you for reminding me of that. I noticed in the *Fin Review* today there was a big article, which Mr Scales referred to earlier, with respect to IT jobs offshore. Inter alia, it also talked about fault levels. Mr Scales, could you comment? It appears, according to whatever email the *Fin Review* has obtained, that faults are running at an extremely high volume as of 2 February. Sydney, Melbourne and Brisbane seem to be running at very high fault levels and, inter alia, the article also states that it simply cannot be blamed on inclement weather. Can you respond to the allegations?

**Mr Scales**—It is difficult for me to respond to the particular email, obviously, because I do not know what it is. It has been a very difficult time for Telstra over the last month or so. There is a reference in that same article to what I think it describes as 'inclement weather'.

**Senator MACKAY**—That is my term.

**Mr Scales**—The largest proportion of the faults, I think, over that period are as a result of the weather. You would be aware, as we all would be, of the incredible rain that has deluged Brisbane. You would also be aware of the very significant rains that affected Melbourne. We

were affected by all of that. I will ask Mr Rix to cover the details but, as you know, Senator, we have not in any way hidden from these facts. We have been out there on the radio in Brisbane almost every day letting the community of Brisbane know that we have a number of faults as a result of this, and we are making it very clear what they are.

**Senator MACKAY**—Mr Rix, can you confirm that the number of faults in Brisbane is of the order of 7,000-odd?

**Mr Rix**—The number of faults in Brisbane as of today was 3,500.

**Senator MACKAY**—Was there any point at which it was 7,164?

**Mr Rix**—Yes, there was—last week.

**Senator MACKAY**—Let me go through this sequentially.

**Mr Rix**—Certainly.

**Senator MACKAY**—It was at some point last week 7,164 and is currently—

**Mr Rix**—I have not done the update all day, but as of this morning it was 3,739.

**Senator MACKAY**—I am advised that the normal range is somewhere between 650 and 949. Is that correct?

**Mr Rix**—Yes, what we would call the normal range of faults would be around 850 to 1,050 in Brisbane.

**Senator MACKAY**—So at one point it was seven to eight times the normal range.

**Mr Rix**—Exactly right.

**Mr Scales**—To put that in context, Senator, and to get back to the point I made earlier, the context of this is the rains in Brisbane.

**Senator MACKAY**—I understand that, but our issue is—as you know, Mr Scales—that the network is dilapidated. Every time there is a deluge, the network is under such pressure that you have an absolutely massive increase in fault levels.

**Mr Scales**—I will ask Mr Rix to comment on that.

**Senator MACKAY**—Can we go through it in Melbourne first? Then you can give us the overall explanation. I just want to get the figures down.

**Mr Scales**—Sure.

**Senator MACKAY**—In Melbourne I am advised that the faults got up as high as 2,696.

**Mr Rix**—That sounds right.

**Senator MACKAY**—What is it today in Melbourne?

**Mr Rix**—Two thousand and seventy-three.

**Senator MACKAY**—There has not been such a big diminution as there was in Brisbane.

**Mr Rix**—No, but also, Melbourne being a larger capital city, the normal load of work is between 1,200 and 1,500, so 2,000 faults is certainly not an extreme number of faults for the Melbourne metropolitan area.



**Mr Scales**—Again, the context of those high fault numbers in Melbourne was the very heavy rains which they had.

**Senator MACKAY**—When did it rain heavily in Melbourne? I do not think Melbourne would regard itself as having been deluged recently, would it?

**Mr Scales**—It was. In fact, the weather bureau said that it was, at the least, moderate and, at the worst, the heaviest rains in 25 years and probably the heaviest rains in 50 years. That was in mid-December.

**Senator MACKAY**—We are going back that far?

**Mr Scales**—Yes. That was the peak I think you were talking about—

**Senator MACKAY**—I see. I do not have that context.

**Mr Scales**—Yes, that is the context of that.

**Senator MACKAY**—That figure was germane as at December? Okay. For Sydney I have a figure of 3,669, when the normal range is somewhere between 1,000 and 1,200.

**Mr Rix**—What we would call the normal range of faults in Sydney would be between 1,400 and 1,750.

**Senator MACKAY**—Was there a deluge of rain in Sydney as well?

**Mr Rix**—If you would like me to give a full explanation now of Sydney, I would be happy to do that. It is not so much the deluge of rain—and I will make this point as a general point—but the consecutive and follow-up rains. It is a deluge of storms. I think Brisbane is the area in which there have been major impacts, so I will talk about that. As a general comment, that puts into context the situation we have at this particular time of the year. From 24 January through to 3 February there was a series of devastating storms that cut through Brisbane. Those six storms over seven days hampered the region. Over 400,000 people, for example, had power cuts. Telstra, as an infrastructural organisation, is clearly open and very vulnerable to these types of situations.

Across those days, whilst we have had more rain in Brisbane in the past, we have not had it for an extended period of time; that consecutive rain over one week. The Bureau of Meteorology reported that it was the most rain in 30 years. Over 10,000 homes suffered blackouts. Some of those were reportedly without electricity for days. The sheer number of power lines that were down hindered a lot of the emergency services repairing not only power but also other forms of emergency services into homes.

I would like to thank you for giving us the opportunity here to clear up the accuracy of some of the reporting that was done on this. The claim that faults rise due to network neglect and the decline in staff numbers is a myth, and we can state some fact on this. The faults have not risen dramatically over the last five years, but Telstra's performance in repairing these faults has risen dramatically over that period. Five years ago in the same situation we were repairing, within CSG guidelines, about 70 per cent of those faults within that time frame. Today we are repairing consistently, quarter on quarter, over 90 per cent. We also now have performance measures in place and locked in with the ACA with regard to the network reliability framework. What that does for us is give us a chance to go in and target specific areas. The current unforeseen volumes, due to the severity of storms that have come through

across the eastern seaboard, have given us an opportunity to increase and double our output. As of today, our output for fixing these faults has doubled in Brisbane and we are fixing at about 1,500 faults per day. We have moved from the 7,000 you spoke about, down to 3,500 or so today and, similarly, right across Sydney and Melbourne at the same time.

**Senator MACKAY**—But that is not under contention, Mr Rix. My contention is that the inquiry Senator Lundy and I were on knew that this was going to happen; that essentially when there was a big deluge, irrespective of whether it was a Noah's Ark type of deluge, it was always going to be this way. We did say that at the time. Is it not the reality that the network is not able to cope with Australian weather currently?

**Mr Rix**—No, that is not the case at all. No network is able to cope when you have the severity of lightning strikes that we had. That is not a network issue. That is just a physical issue when you have had lightning strikes. Also, as I said, faults themselves have not grown dramatically over an extended period of network degradation or time. What has actually occurred here is that when you have six storms in the period of seven days it restricts our ability to go out and fix these faults. That is the issue.

**Senator MACKAY**—Is that because there are fewer people employed?

**Senator LUNDY**—Can you move them around the country, to follow the storms?

**Mr Rix**—No, irrespective of how many people we have here—I need to make this point very clearly—

**Senator LUNDY**—One storm at any one time in any one state.

**Mr Scales**—You do make quite an important point. We do quite deliberately, as you have heard us talk about before, have a variable work force that enables us to shift people around, because Senator Mackay is right: these are Australian climatic conditions. What we have learnt to do over the years is try and accommodate those climatic conditions by having a work force that will enable us to repair the network quickly. What Mr Rix is talking about is repairing it quickly.

**Mr Rix**—Mr Scales, if I could just continue for one moment talking around degradation of network, which Senator Mackay alluded to. Over that period of time—and we have spoken in this forum and many forums about main cables and air pressure and the CPAS network—there was no evidence of main cable failure. That means that one major component of our network, which was under contention through the network inquiry and through this, stood up the whole time.

**Senator MACKAY**—Thank God for that!

**Mr Rix**—That is a very important point when you start to talk about degradation of network. The other point that needs to be made is that all the faults are not related to network. A lot of the faults we get are very much in what we call the CPE, or the plant inside customer premises. There are a lot of elements that actually impact when you look at these faults and it is not all about network. But in closing, Sydney had three storms during January and Melbourne had three storms during January and in each of those cases we did recover very quickly. Brisbane is the one, as I said, which had six in seven days. That, in itself, no matter how many staff we had means that we were not able to physically get to those for reasons of

safety and the reason there was flash flooding occurring. No matter how many staff we had, we would not have been able to—

**Senator MACKAY**—I understand that Brisbane may be exceptional, but that does not explain Melbourne, for example, in terms of the increased fault levels in Melbourne. Were they all fixed within CSG time frames?

**Mr Rix**—I do not have the breakdown of those CSG time frames for that particular quarter. I quoted the numbers in Melbourne at 2,073. The normal volumes are between 1,200 and 1,500. Our capacity to clear each day—that means between 1,200 and 1,500—is with our normal work force; with varying our work force as well we are able to ramp up further. That is not an extreme situation that we are in, when we are carrying 2,073 faults in Melbourne.

**Senator MACKAY**—I have been advised that normal range is somewhere between 750 and 1,399. Is that not right?

**Mr Rix**—I have the information. We have been down this path before about what is a normal range of full clearances. For Melbourne I have that between 1,200 and 1,550.

**Senator MACKAY**—Anyway, it was at its peak tracking at around 2,696 and it is currently at 2,073.

**Mr Rix**—That is correct—and coming down.

**Senator MACKAY**—That is just Melbourne. Let us go to regions now: with Vic/Tas it looks like the faults at one point were 2,140.

**Mr Rix**—When was that?

**Senator MACKAY**—I have no idea.

**Mr Rix**—No, I do not, either. I have not got that information.

**Senator MACKAY**—Is there any point at which Vic/Tas was tracking at 2,140?

**Mr Rix**—I would suggest that at some point Vic/Tas has probably had 2,140.

**Mr Scales**—Senator, we just do not know. We will need to take that on notice.

**Mr Rix**—Over what extended period of time I am not sure.

**Mr Scales**—We will need to take that on notice.

**Senator MACKAY**—I am advised that Western Australia, South Australia and the Northern Territory at one point were tracking at 1,594. I am advised that Queensland, outside of Brisbane, at one point was tracking at 4,085; New South Wales, excluding Sydney, was tracking at 6,257. This is just a continuing story. There is a pattern emerging here in relation to the state of the Telstra network. It is not coping.

**Mr Rix**—I have tried to state, whilst there is an inference that it is not coping, that these particular volumes are not uncommon to Telstra.

**Senator MACKAY**—They are not likely to get better when the CAPEX has been cut so substantially. I do not expect you to respond to that, Mr Rix.

**Mr Scales**—You asked a quite appropriate question: were these repaired within CSG time frames? We do not have the details yet of the ACA report for the December quarter, but our

back of the envelope understanding is that clearly we have a rough idea of what they might look like and it is, yes, they were.

**Senator MACKAY**—I do not excuse that, but I do appreciate you answering the question.

**Mr Scales**—From our point of view, what we are trying to understand is the extent to which these things will inevitably happen and then the extent to which we respond. Of course, what you quite rightly put your finger on is the key issue that others have attempted to address—and we do, too—and that is how quickly we can do that. We are very finely monitored on that. My understanding is that we did, in all of those circumstances, meet the CSG time frame.

**Senator MACKAY**—That is one issue. We have had this argument over years and I suspect we will have it in years to come. With the regions I have just read out, all of the regional figures are described as extremely high.

**Mr Scales**—Mr Rix was trying to allude to was that if you pick a point—any point at any time—then you will get those variations. The real issue is how quickly any of those faults are repaired and the extent—

**Senator MACKAY**—No, it is not. It is the fact that the levels are continually higher than Telstra's own range of acceptability, not simply in Brisbane but everywhere.

**Mr Scales**—No. I think that what we would argue is that you will always get faults in a system.

**Senator MACKAY**—In the whole of Australia they are all extremely high.

**Mr Scales**—Again, if you pick a particular point in time, you may be able to do that.

**Senator MACKAY**—But it is irrelevant what point of time you pick. The reality is that fault levels are extremely high, or very high, irrespective of whether it is Brisbane—where I think there is a case—or in places like Sydney or Melbourne, or the regional areas, where it is still tracking way too high. I appreciate your position. You did not make the decision to cut the capital expenditure budget, Mr Scales. I do appreciate that. But it is impossible to run a company like this with major cuts to the CAPEX budget and the level of staffing cuts that Telstra has. I do not expect you to answer that; that is just my contention. I do not blame anybody at this table for it.

**Mr Rix**—But as an observation on that, there is certainly no evidence we have seen in the case studies we are currently doing that any level of further investment in capital would have reduced that particular fault at that time as well, because it is spread across.

**Senator MACKAY**—But then we come to a ridiculous argument where I say to you, Mr Rix, 'What impact has the major cut on CAPEX had?'

**Mr Rix**—A major cut on CAPEX, network CAPEX?

**Senator MACKAY**—Yes.

**Mr Rix**—Is that what you are specifically talking about?

**Senator MACKAY**—Plus the staff cuts. You cannot wish these things away.

**Mr Rix**—We have been down this path before, where we have not made that major cut on—

**Senator MACKAY**—There have been major cuts in CAPEX. There are major cuts in staffing. Clearly it is having an impact. It is a no-brainer.

**Mr Rix**—Senator, if I could just for the record ask: when you brought Perth, Adelaide and the Northern Territory together you lumped that as one number.

**Senator MACKAY**—Yes.

**Mr Rix**—All of those are within normal fault volumes and have been for the past few months, from the information I have in front of me. If you put them all together there is nothing in those areas which is seen to be high.

**Senator MACKAY**—I did not mention Perth.

**Mr Rix**—I thought you threw that in with Adelaide and the Northern Territory.

**Senator MACKAY**—I did Brisbane, Melbourne and Sydney.

**Mr Rix**—Sorry, my mistake. With regard to clarifying what we describe as normal, that means the amount of faults that come in and, as you would be aware, that is classified through averages. Sometimes they are a bit higher and sometimes they are a bit lower. In this case here, our capacity to clear faults at this moment is about 9,000 a day. We currently have, and we are open about this, about double that in the system. In saying that, clearly we have got plans in place to reduce those as soon as possible.

**Senator MACKAY**—Thank you, Mr Rix. Mr Scales, has Telstra made a strategic decision to run down the copper fixed line network?

**Mr Scales**—No. In fact, we are investing significantly in the copper network. Mr Stanhope might be able to give you some numbers on that.

**Senator MACKAY**—Mr Scales, are you able to advise what information Telstra provided to the Department of Foreign Affairs and Trade with respect to the FTA, specifically? What was requested and was it provided, solicited or unsolicited?

**Mr Scales**—I am not sure that I can provide you with complete details of that. We certainly provided information about what might be impediments to us being able to compete in the United States. There was one particular issue which was of concern to us which I understand was addressed but we do not know the details of, which was our ability to be able to bid for US government procurement. That was the major issue for us, Senator.

**Senator MACKAY**—That was communicated to Foreign Affairs and Trade?

**Mr Scales**—Yes, it was.

**Senator MACKAY**—Presumably that information was solicited by Foreign Affairs and Trade, was it?

**Mr Scales**—I think it was both ways. Once we knew that there was the potential or the possibility of a free trade agreement, we considered what might be the issues that we were potentially most concerned about. There was one other major issue which I will mention just for completeness. The other one was effectively the chapter 11 issues in the United States. It

would come as no surprise to you that with the company Reach, we are a 50 per cent partner with PCCW, we are competing in that market with other US companies that are subject to chapter 11 and we believe that was an international trade impediment which put us at a competitive disadvantage. It was a relatively small number of what we thought were significant issues.

**Senator MACKAY**—I am interested because the Singapore-US Free Trade Agreement, for example, did go to the issue of SingTel and the ownership thereof. Was Telstra asked or did Telstra proffer any view with respect to the current ownership regime of Telstra?

**Mr Scales**—No, it did not, Senator.

**Senator MACKAY**—Are you aware that the issue of who owns SingTel was actually a feature of the Singapore-US Free Trade Agreement?

**Mr Scales**—No, I am not, Senator.

**Senator MACKAY**—In fact, so you do know, it was with respect to the Singapore government pledging to fully privatise SingTel if the FTA was entered into. Very briefly, can I run through a list of services that I understand Telstra provides to low-income earners. I want to ask some questions on that. These are particular.

**Mr Scales**—If I cannot answer them, Mr Stirzaker will be able to answer them with completeness, I am sure.

**Senator MACKAY**—The sorts of things I am interested in here are the range of payment methods, including prepayment of Centrepay; the free message box system for people who are not in secure accommodation; concessions on phone bills for pensioners; the Budget Home Phone Package which is a relatively, as I am advised, lower line rental cost but a higher call charge for people who do not make many calls; the Bill Assistance Program where selected emergency relief agencies are provided with vouchers which have been given to people in financial crisis et cetera to help pay the phone bill; and the In Contact service where people on health care or pension concession cards can access a free home phone service which allows incoming calls but also allows emergency 000 outgoing calls, but that is it. That is what I am interested in—and the rest, for the sake of time. What research, if any has Telstra undertaken to ascertain the effectiveness and uptake of these services?

**Mr Stirzaker**—Telstra does market research in conjunction with the LIMAC. That research was tabled recently at a number of LIMAC meetings. We look at awareness and uptake. For example, we looked at whether there was much utilisation of the message box facility by homeless people and whether they were aware of it. The research is done with those constituents by people going out and interviewing them, inclusive of Indigenous communities. We have done two sets of research, from memory.

**Senator MACKAY**—What are the conclusions, broadly?

**Mr Stirzaker**—On a number of them there have been increases in utilisation of those facilities. Probably the biggest conclusion that we are continuing to work on in conjunction with the LIMAC is ongoing communication and awareness, particularly on certain numbers of those services that are made available. For example, in the Indigenous community, we

tailor our communications for ethnic communities of low-income groups so that it reaches those communities in a way that they fully understand what is available.

**Senator MACKAY**—Are these services advertised in Centrelink offices which I presume would be an ideal area to reach that cohort?

**Mr Stirzaker**—I know we have talked about Centrelink services but I think it was more around some of the bill payment and some other issues. I am happy to take it on notice.

**Senator MACKAY**—I do not think it is. I do not think any of them are advertised in Centrelink. I am happy to be corrected. Do you think that is a bit of an oversight, if I am correct?

**Mr Stirzaker**—I do not know if it is an oversight. I would like to understand whether or not we are promoting it in there. It would be one of those areas that we would want to promote.

**Senator MACKAY**—That is right. There would not be an impediment, from the organisation's perspective, to advertising in Centrelink, would there?

**Mr Stirzaker**—I would not have thought so but we have been in lengthy discussions with Centrelink, as I understand it, around the ability to make that bill payment mechanism available to the people who need it.

**Senator MACKAY**—What percentage of potentially eligible consumers are accessing these products?

**Mr Stirzaker**—I would have to take that on notice.

**Senator MACKAY**—Do you have the capacity to answer that question? Has research been undertaken that may provide an answer to that?

**Mr Stirzaker**—The research certainly does give us an indication of take-up or take-up growth. I do not recollect seeing the research telling us the total accessible population of potential candidates for the services, but again I can take that on notice.

**Senator MACKAY**—It is a worthwhile thing to find out.

**Mr Stirzaker**—Sure.

**Senator MACKAY**—How does Telstra promote the availability of these products? Let me give you a very quick example, because I am aware of the time here. If you look at In Contact, which struck me as a very good idea, on the Telstra web site, it does not list In Contact under 'Home Phone Plans'. It is only accessible if you scroll down the main screen and select 'Access for Everyone'. It is described there as 'Information about Telstra and affordability, accessibility, priority assistance and language assistance', so you really have to know what you are looking for to find it.

**Mr Stirzaker**—That is one method, I am sure, under that raft of facilities available through 'Access for Everyone'; that is why it is there. I also know that the call centres very actively promote the use of In Contact services to those people who require it, and that includes communication to pensioners. I am happy to stand corrected, but in Telstra shops et cetera you would find that sort of material is freely available.

**Senator MACKAY**—How does that assist people who may be eligible to find out about this? How does Telstra market it to the section of the population that may be able to avail itself of these offers?

**Mr Stirzaker**—Through the various agencies that provide a range of services.

**Senator MACKAY**—If I am right, and it is not advertised in Centrelink, then which agencies?

**Mr Stirzaker**—Through ACOSS, the Salvation Army and the various groups that do that. I would be quite happy to furnish the advertising program details to you.

**Mr Scales**—A number of those not-for-profit organisations are members of LIMAC. We often take their advice around how best to market these to that particular group within the community.

**Senator MACKAY**—If a particular organisation were to say to Telstra, ‘These aren’t being marketed adequately. The take-up is declining in some areas,’ then Telstra would do something or would have done something if that had been done?

**Mr Scales**—Yes. That is the sort of issue that is on the agenda of LIMAC meetings.

**Mr Stirzaker**—In fact, there was a meeting today which I would have normally been at, and I am sure we would have reviewed and taken feedback. The Indigenous community is very top of mind, because that is exactly the topic we talked about last time we met—how do we shift the nature of our communication so that that particular community can more rapidly relate to what is on offer?—and that feedback was coming directly through the LIMAC members.

**Mr Scales**—Having said that, you make a fair point that we should be absolutely certain about—

**Senator MACKAY**—I am not used to being killed with kindness, Mr Scales! I am making a lot of fair points tonight, apparently.

**Mr Scales**—You make an appropriate point that we should be looking at how we are marketing these services. They are good services, as you alluded to.

**Senator MACKAY**—Yes, they are.

**Mr Scales**—Therefore, we should be making sure that we are marketing them appropriately. We will go back and make sure of that. You make a sensible point when you say, ‘Are you marketing in various Centrelink offices?’ We do not know the answer to that, but we will find out, and we will review that.

**Senator MACKAY**—That would be great. There is some evidence that is coming through to us that the marketing is not as pervasive as it ought to be and a lot of organisations do not know about these services. If you are able to, give us the information and give us an update, because they are good packages—that is correct—and it would be great to get the information out there. It would be good for everybody, including the organisation.

**Mr Stirzaker**—It is a topic of discussion at every LIMAC meeting.

**Senator MACKAY**—Have you had any feedback that these services are not being marketed well?



**Mr Scales**—No.

**Senator MACKAY**—No feedback at all?

**Mr Scales**—In fact, I just happened to be sitting next to the chairman of LIMAC recently, and he was saying how well it works. That does not mean that we are not focusing on the right things, so we will go back and have a look at it.

**Senator MACKAY**—Did he talk about the marketing side?

**Mr Scales**—No, not generally. That is going too far. We were talking about the generality of it.

**Senator MACKAY**—Has anybody raised the issue of the marketing side with Telstra, that it is inadequate?

**Mr Scales**—Certainly not to my knowledge, but Darian would know better than that.

**Mr Stirzaker**—The point I am trying to make is that at the LIMAC meetings we sit down and review the lift in awareness of the various programs through various constituencies. That is what the research is for. Then we come back and take action to improve the penetration of awareness and knowledge through various groups, and we keep trying different things to get the message across.

**Senator MACKAY**—At the LIMAC meetings has any member or stakeholder raised this with you?

**Mr Stirzaker**—It is raised through the research.

**Senator MACKAY**—No, has anybody raised it with you through LIMAC? Has any organisation raised it with Telstra?

**Mr Stirzaker**—They are a member of LIMAC, so—

**Senator MACKAY**—‘No’ is the answer. Is that right?

**Mr Stirzaker**—Only in the sense of the example I keep giving: the likes of the Indigenous community. The member in LIMAC who represents that group says that there are ways that we can do this better, so that is what we go back and keep working on.

**Senator MACKAY**—That is great, thank you. You will give us the information. I am pleased that Telstra is happy to take on board any comments and look at that for us. As far as I am concerned, that is it for Telstra. Thank you.

**CHAIR**—I thank Telstra for appearing. We will see you back here in May; it is not so far away. We now call Australia Post.

[8.33 p.m.]

#### **Australia Post**

**CHAIR**—I welcome Australia Post to these supplementary additional estimates.

**Senator MACKAY**—Mr McCloskey, we are running short of time, so I will be speedy with my questions and we will see how we go. I wonder whether you could inform this committee of details of the cost of managerial fraud in the Australia Post Victorian parcel network over the past few years.

**Mr McCloskey**—The details of cost of managerial fraud?

**Senator MACKAY**—Yes.

**Mr McCloskey**—I do not have any information on that.

**Senator MACKAY**—Have there been any incidences of managerial fraud?

**Mr McCloskey**—I believe there was someone in our Victorian administration who was fired last year, and I understand that it is the subject of a DPP inquiry. I believe it has been referred to the DPP.

**Senator MACKAY**—Was that the Australia Post Victorian manager, parcels and transport business unit?

**Mr McCloskey**—Yes, I believe it was.

**Senator MACKAY**—He was terminated mid last year, you were saying. Is that correct?

**Mr McCloskey**—That is correct.

**Senator MACKAY**—Have you ballparked the cost to the organisation of the fraud? That is where I am going to, really.

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

**Senator MACKAY**—In the investigations surrounding this, were any other managers or staff found to have taken part in these activities? This is the investigation into Mr Page's activities. Were there any other staff involved?

**Mr McCloskey**—I believe there were some other staff involved.

**Senator MACKAY**—Was it widespread or fairly localised?

**Mr McDonald**—Some staff were dismissed. I am not sure of the exact numbers but it was a small number of staff.

**Senator MACKAY**—It was not just one person? There were two or three involved? How many?

**Mr McDonald**—I think it might have been about four or five who were investigated.

**Senator MACKAY**—And that was surrounding this investigation, I take it. There was Mr Page and there were four or five in addition who were dismissed?

**Mr McDonald**—When the issue came to our notice and action was taken to dismiss Mr Page, there was a full investigation about any other people who were involved.

**Senator MACKAY**—Who conducted the investigation?

**Mr McDonald**—The investigation was conducted by Australia Post within its own investigatory procedures, under its disciplinary provisions. Where relevant the matter was handed to the DPP, and the Australia Post security section was also involved.

**Senator MACKAY**—As far as Australia Post is aware, are any of those people still in Australia Post or have the five or six who have gone cauterised this issue within the organisation?

**Mr McDonald**—When I said five or six, there were five or six investigated. I think there were about three that were dismissed. As far as we are aware, the investigation is completed and there is no further investigation by Australia Post.

**Senator MACKAY**—Is it true that at the time this fraud was discovered that Mr Page was head of the project planning group for the parcels network renewal project, responsible for the purchase of land and the building of the new Melbourne parcel facility, Ardeer? Is that correct?

**Mr McDonald**—Mr Page was the manager in charge of parcels and transport for Victoria. There were other people involved in the actual planning of the new parcels network.

**Senator MACKAY**—Was he head of the project planning group for parcels network renewal project, responsible for the purchase of land of the new Melbourne parcel facility at Ardeer?

**Mr McDonald**—No. The purchase of the land for the new parcel facility was bought quite some years ago.

**Senator MACKAY**—What about the project planning group for the parcels network renewal project?

**Mr Howard**—The planning group in Victoria primarily managed the relocation of one network to the new network so they were not involved in the procurement of the land and are involved in the purchase of the new equipment. They are primarily there to plan the transition from the old transport capability—in other words, the network for transport, the network for gathering of parcels and the network for distribution. As we collapsed one network to go into a new network, that management team were responsible for putting forward plans for their state to manage that component of the network.

**Senator MACKAY**—Was Mr Page a member of that management group?

**Mr Howard**—Yes, Mr Page was a member of that management team.

**Senator MACKAY**—Is it the case that the fraud discovered included the channelling of Australia Post vehicles to West Melbourne Panels in Stanley Street for repair work at inflated prices? Is that true?

**Mr Howard**—Senator, from my perspective, I have played no part in that investigation. I have no details, sorry.

**Senator MACKAY**—Thank you. Is there anybody here who could respond to that?

**Mr McDonald**—I understand part of the investigation included some panel work that was done. I do not know the full details, but it was certainly investigated.

**Senator MACKAY**—What about the payment of admin officer grade 5 rates, overtime payments and the use of Australia Post mobile phones and cars by people who were not entitled to these benefits?

**Mr McDonald**—The investigation covered use of a mobile and, to my recollection, did cover a higher duties payment. I am not sure whether it was AO5 or a lower level.

**Senator MACKAY**—Did it cover Australia Post staff engaged in building Mr Page's holiday home while supposedly performing work for Australia Post?

**Mr McDonald**—I am not sure of all the details. It was a very full-scale investigation which involved the security area. I guess we can get further details, if need be, but there was some inference of work being improperly done. I am just not sure of all the details of that.

**Senator MACKAY**—Did it refer to Mr Page's holiday home or was it something else? You are not sure?

**Mr McDonald**—The holiday home certainly came into investigations, I understand.

**Senator MACKAY**—Did it include materials being purchased for this holiday home and other private use at Bunnings with the Australia Post corporate credit card, to the value of \$20,000 at a time?

**Mr McDonald**—I do not know the details of the amounts involved.

**Senator MACKAY**—Nobody else knows on that one? Did it include Mr Page's 40th birthday party being paid for with his Australia Post corporate credit card?

**Mr McDonald**—I am not aware of that.

**Senator MACKAY**—You are not aware of that one?

**Mr McDonald**—No, I have not heard that one.

**Senator MACKAY**—Did it include the property of Australia Post, including up to 100 chairs, an ATCO hut, motorbikes, a TV video player, being discovered to be in Mr Page's possession?

**Mr McDonald**—I know part of the investigation included an ATCO hut and—sorry, Senator, what was the other thing you mentioned?

**Senator MACKAY**—100 chairs, presumably for the birthday party.

**Mr McDonald**—Sorry, I am not aware of anything to do with chairs.

**Senator MACKAY**—The hut. Motorbikes?

**Mr McDonald**—I think there was a motorbike and a hut that, to my recollection, were mentioned. The rest of the details I do not know.

**Mr McCloskey**—The brief has been referred to the DPP. Perhaps we need to be careful that nothing is said or asked that might prejudice the outcome of the DPP's consideration of that brief.

**Senator MACKAY**—I do appreciate that, and I guess it is up to Australia Post to think about how it answers the questions. What about forged cheques? Was there any evidence that the fraud investigation may have included forged cheques?

**Mr McDonald**—I do not know.

**Senator MACKAY**—If you have anything you would like to add, you could take it on notice or provide the committee with the information. Is it true that Australia Post management are currently trying to cut wages and conditions to the staff engaged at the Melbourne parcel facility at Ardeer?

**Mr McDonald**—No, it is not, Senator. There is some change in shift arrangements which attract different penalty rates but people will continue to get their base rate of pay, subject to the appropriate shift penalty.

**Senator MACKAY**—That is not Australia Post code for, ‘Yes, the wages will be cut. We’re just restructuring the shifts in a different way’?

**Mr McDonald**—No.

**Senator MACKAY**—Is anybody likely to be disadvantaged as a result of these rearrangements, in a financial sense?

**Mr McDonald**—Some people may commence a shift at a different time, which would attract a lower shift penalty, so in that way, yes, there would be a lower shift penalty if the shift starts at a time that is not as late as the shift that would attract a night shift penalty. The Ardeer facility is a new facility that Australia Post has built, which is using some new technology which has different work configurations.

**Senator MACKAY**—Is it the case that these changes are a cost saving issue for Australia Post? One would presume it would be.

**Mr McDonald**—No. The parcel facility is aimed at improving the efficiency of the service we give customers.

**Senator MACKAY**—Is there any cost benefit in respect of savings to Post?

**Mr McDonald**—The major objective, as I said, is the service to customers and the efficiency of the operation. It is using technology which does have different labour demands on it.

**Senator MACKAY**—Has Post ballparked the savings that may result as a result of these changes or is there a savings objective?

**Mr McDonald**—Any investment program of course looks at a range of factors, which includes financial viability but, as I said, the essential driver is the efficiency of the service to our customers.

**Senator MACKAY**—That was not my question. Has Australia Post estimated the costs that may derive to the organisation as a result of this initiative?

**Mr McDonald**—I am not able to answer that.

**Mr Meehan**—Yes, there will be savings. I do not have those figures in front of me, but we could take that on notice.

**Senator MACKAY**—Thank you for that. Is it the case that the new Melbourne parcel facility at Ardeer will only process small and large parcels 13 hours a day, as opposed to a virtually 24-hour operation at the previous state parcel centre?

**Mr Howard**—The processing time frame for the original facilities around Melbourne, including the Melbourne main centre, was much longer because of all the processes being manual. With the automation of equipment we are able to shorten the processing time frame. Therefore, probably the work shifts will shorten. In other words, we are able to process the workload more quickly.

**Senator MACKAY**—Is it or is it not 13 hours?

**Mr Howard**—I do not know the exact time. We can take the question on notice.

**Senator MACKAY**—Is it less than 24 hours?

**Mr Howard**—It would be less than 24 hours because we have a 24-hour service standard to meet. Therefore, we have to process parcels within the one-day standard.

**Senator MACKAY**—Presumably there would also be a savings benefit derived there because there are the less wages to pay.

**Mr Howard**—As I said, we will take that on notice so we can identify the correct number.

**Senator MACKAY**—Just to be quite explicit about what you are taking on notice: what savings in staff costs will the reduced hours realise for Post. Can somebody update us on the state of play of the postal outlets franchising plan, Post shops.

**Mr McCloskey**—Senator, we are continuing to consult with both the Post Office Agents Association and with the CEPU in relation to the implementation of the franchising program. There is a joint briefing of those organisations being scheduled for later this month.

**Senator MACKAY**—That is where you are at in relation to consultation but where is the whole thing up to? Or has that answered the question?

**Mr McCloskey**—We are still in the consultative process. Once that process is successfully concluded, we expect to be in a position to roll out the first phase of the franchising program.

**Senator MACKAY**—Has Post commenced any conversion of LPOs or corporate offices into franchised Post shops yet?

**Mr McCloskey**—No, we have not.

**Senator MACKAY**—How many franchised outlets are there now in operation, and where?

**Mr McCloskey**—There are the four pilot outlets, three of which are in Sydney and one in Victoria.

**Senator MACKAY**—What is the target for the number of franchised outlets over the next few years?

**Mr McCloskey**—I think in previous evidence that we gave to the committee we were speaking of the first phase, which ran over about a three-year period, of around 150. We expected that 50 would be through voluntary buybacks from existing licensees and that around 100 would come in the form of converted corporate outlets.

**Senator MACKAY**—That estimate has not changed since the last time?

**Mr McCloskey**—That estimate has not changed.

**Senator MACKAY**—Does Australia Post have plans for the redeployment of staff employed in corporate offices earmarked for conversion to franchised outlets? We will keep asking these questions time and time again.

**Mr McCloskey**—Were an outlet to be converted, similar to the process that has applied for the last 10 years where many outlets have been converted to licensed operations, the staff

affected in the corporate outlet are subject to retraining, redeployment or possibly voluntary redundancy at the end of the day. In most instances we would seek to redeploy staff.

**Senator MACKAY**—Are wages and conditions of staff in franchised outlets comparable with those of staff in corporate post offices?

**Mr McCloskey**—I think the CEPU has an award which covers licensed outlets and franchised outlets but Australia Post is not party to that award.

**Senator MACKAY**—Is there any wage and condition differential between the two?

**Mr McCloskey**—I am not aware, Senator. I would have to take that on notice.

**Senator MACKAY**—Thanks. Have any post offices changed from corporate to franchised post offices? If so, were staff involved in the move forced to accept redundancies, transfers or reduced wages and conditions?

**Mr McCloskey**—As I indicated previously, the only four franchise outlets we have are those that were part of the pilot program which commenced about four years ago.

**Senator MACKAY**—In the annual report, Post states on page 93 that nine corporate post offices closed down during the period the annual report spanned. Can you provide, on notice if necessary—but it would be great if you could answer it now—the details of where these closures occurred, why they closed, the level of public consultation before they were closed, whether any of these corporate post offices were replaced by franchised operations and, if so, which ones.

**Mr McCloskey**—I would have to take that on notice. Certainly the detail would not be available. I am just looking for the numbers that it is suggested may have closed—say nine.

**Senator MACKAY**—Do you know which ones they are?

**Mr McCloskey**—I would not know the particulars.

**Senator MACKAY**—Does anybody know? This is something that should be available here. This is the estimates that looks at the annual report.

**Mr McCloskey**—The particulars that lie behind that figure are something that we would have to take on notice.

**Senator MACKAY**—All right. In establishing the Australia Post franchise system, what provision has been made by Post to ensure adequate superannuation entitlements—a hot topic—for franchisees and their employees?

**Mr McCloskey**—I am not aware of any particular arrangements in place. I imagine that the normal superannuation requirements for employees of the franchisee would apply.

**Senator MACKAY**—Is there a level of portability? You can take it on notice if you like.

**Mr McCloskey**—I would prefer to take that on notice.

**Senator MACKAY**—Will conversion of LPOs to franchised outlets be voluntary?

**Mr McCloskey**—Absolutely.

**Senator MACKAY**—There will be no forced conversions?

**Mr McCloskey**—There will be no forced conversions. We have said many times that it will always be voluntary.

**Senator MACKAY**—How will Australia Post ensure that licensed post office operators do not lose value of their licence as a result of the change to the franchise system? Will you take that on notice or can you answer that?

**Mr O'Bryan**—As said in this forum beforehand, we do not believe there will be any effect on the licensees value due to franchising.

**Mr McCloskey**—I might just supplement what Mr O'Bryan said. Australia Post believes that licence values are and will continue to be determined by prospective buyers in the marketplace, based on site specific business history and growth potential, cash flow forecasts and the overall strength of the Post brand and the perceived risk in the business. Post, for its part, has no intention of locating Post shops, either corporate or franchised, next to or near to an LPO. The issue of direct competition between outlets and possible loss of licence value should not arise in the circumstances.

**Senator MACKAY**—I do have a series of questions. It might be an idea if I just put them on notice because that way Post will be able to give a comprehensive response. We will continually revisit this in every estimates round. Things do tend to change, so we may ask the same question over and over again, just to ensure things have not changed. Other than putting questions on notice for Post, I am finished with Australia Post.

[8.54 p.m.]

**ACTING CHAIR (Senator Tchen)**—We will move to outcome 3.1.

**Senator MACKAY**—I have a couple of quick questions and then Senator Lundy will ask some questions. Can the department state whether it has any idea what the outcomes of the Australia-US FTA will be with respect to ownership and regulation of Telstra?

**Ms Holthuyzen**—The government has agreed, I think, to have a side letter which notes that it is the government's policy intention to sell Telstra. It is not a binding commitment; it is an intentional letter which states the government's policy position.

**Senator MACKAY**—Is that similar to the commitment given by the Singapore government in the Singapore-US Free Trade Agreement?

**Ms Holthuyzen**—I am not aware of what the commitment is there, Senator, but in this one it is not a binding commitment; it is simply a statement of government policy.

**Senator MACKAY**—It just says that it is current government policy to sell the remainder of Telstra?

**Ms Holthuyzen**—Yes, that is the intention.

**Senator MACKAY**—Other than an 'NB' or, 'This is our position,' is there any impact with regard to the FTA, other than simply stating it is government policy?

**Ms Holthuyzen**—No.

**Senator MACKAY**—Why did the government put it in there?



**Ms Holthuyzen**—I was not involved in discussions, but I presume that there were discussions about ownership issues. The US was interested and the government just stated its policy intention.

**Senator MACKAY**—Will Australia be able to maintain Telstra majority public ownership with foreign ownership restrictions?

**Ms Holthuyzen**—Yes.

**Senator MACKAY**—Will Australia be able to maintain Telstra's status as the universal service provider with an all price and standard controls on Telstra?

**Ms Holthuyzen**—The agreement does not go to those issues, Senator.

**Senator MACKAY**—Is there any impact as a result of the agreement with respect to the ownership and regulation of Australia Post?

**Ms Holthuyzen**—No. There are some issues in relation to express services, but they are the only ones.

**Senator MACKAY**—What are those issues?

**Ms Holthuyzen**—There is a provision in there about express postal services. There is some intentional language relating to ensuring that there is no cross-subsidisation between anti-competitive services and monopoly services consistent with current legislation. It simply states the government's commitment in terms of existing law.

**Senator MACKAY**—In respect of current legislation or proposed legislation?

**Ms Holthuyzen**—No, currently existing law. The free trade agreement is consistent with current law.

**Senator MACKAY**—It is simply a statement of the status quo. Would that be a fair assessment?

**Ms Holthuyzen**—Yes.

**Senator MACKAY**—Will Australia be able to maintain Australia Post in full public ownership with a non-contestable reserve service, including the maintenance of government price and standard controls on Australia Post, as is the case now?

**Ms Holthuyzen**—There is no issue with regard to that, Senator.

**Senator MACKAY**—Thank you.

**Senator LUNDY**—I have a few additional questions in relation to the ability of the government to regulate for industry development under the proposed free trade agreement, particularly in the context of ICT industry development and the multitude of programs that the government currently engages in and, for the purposes of this department specifically, the ID commitments under the IT outsourcing contracts. Will those ID commitments under the existing contracts be able to continue if the FTA comes into force.

**Ms Holthuyzen**—Senator Lundy, that is under 3.3. Do you want us to leave it?

**Senator LUNDY**—I can wait. I thought that proceeding on the FTA issues following Senator Mackay, that we could do it now. But if you want to wait till 3.3, that is fine by me. Going back to 3.1 and the provision of Networking the Nation grants, last time the department

told us that an evaluation was due in the first quarter of 2004. That, to me, says the end of March. Is that evaluation on track and when will it be released?

**Dr Hart**—Yes, the evaluation is on track.

**Senator LUNDY**—Is it expected to be made publicly available?

**Dr Hart**—That is an issue for down the track. We are still working through the process of the evaluation itself. The normal process would suggest that it would be.

**Senator LUNDY**—Will it be completed by the end of March, as your answer implied or stated?

**Dr Hart**—Probably not. We are making good progress, but it is unlikely to be completely finalised by March.

**Senator LUNDY**—How long has NTN been operating?

**Dr Hart**—Seven years.

**Senator LUNDY**—Is this the first full evaluation of the program?

**Dr Hart**—No. There have been a number of different kinds of evaluations. This is the first full qualitative assessment of program achievements.

**Senator LUNDY**—Could you either point the committee to or provide the committee with the specific evaluations conducted to date, in their consecutive date order, or provide the references for that?

**Dr Hart**—On notice?

**Senator LUNDY**—I would prefer it sooner than that. If you can provide that information to the committee this evening, that would be helpful.

**Mr Barr**—There has been some work done covering the first two or three years of the NTN. That evaluation work was published on our web site perhaps even 18 months ago. That is the sum total of the work that has been made public to date.

**Senator LUNDY**—How many of the funded projects did that evaluation cover?

**Mr Barr**—It would have been a progress report in terms of the outcomes that had been achieved to that point in time.

**Senator LUNDY**—How many?

**Dr Hart**—I am trying to recall the number of actual projects that were funded up to that date.

**Senator LUNDY**—Can you help me out?

**Mr Barr**—Not to that actual date.

**Senator LUNDY**—Well, in relation to that evaluation.

**Mr Barr**—It probably would have been about 450 to 500 projects, and now there would be approximately 750 projects funded through all of the different programs that fall under the NTN umbrella.

**Senator LUNDY**—At the last estimates we asked about the proportion of NTN funds spent on regional telecommunications capital expenditure on infrastructure—things like mobile phone towers, cable et cetera—compared to administration, staffing, web sites, computers and the like. I think it was question 137. You stated that a more complete answer would be available when the evaluation was finalised. Notwithstanding that the final evaluation is not finished, are you able to provide the committee with more information now, given the evaluation process is proceeding?

**Mr Barr**—The answer to question 137 provided something of the situation and I really cannot go beyond the detail that we included in that answer.

**Senator LUNDY**—You will only be able to provide that complete answer when you do the final evaluation?

**Mr Barr**—Yes, that is correct.

**Senator LUNDY**—We will have to look forward to that at the budget estimates. I am presuming it will be released by then.

**Mr Barr**—Yes, possibly.

**Senator LUNDY**—Is that likely to be available by the budget estimates round, Dr Hart?

**Dr Hart**—It is difficult to say at this point. It is a very comprehensive piece of work. What we could do is tell you a little bit about the methodology, if that would be helpful.

**Senator LUNDY**—You could take that on notice, thank you. According to an answer given from the November round of estimates, \$305 million has been spent so far on NTN initiatives—the general fund, BARN, local government and so on; \$46 million has been earmarked to have been spent—totalling \$351 million. Given that \$424 million has been allocated, what has been done with the remaining \$73 million? Obviously \$35 million of that has gone to HiBIS. There is \$38 million that I cannot account for in your answers to questions on notice. What is that money being used for?

**Mr Barr**—Those funds have been redirected to other programs, or they have been realised as savings at various times over the period of the life of the program.

**Senator LUNDY**—Can you identify where the savings have appeared in the budget documents?

**Mr Barr**—There is a total of \$14.4 million of savings and a total of \$64.3 million of redirected funds.

**Senator LUNDY**—\$64.3 million and \$35 million of that, I presume, goes to HiBIS.

**Mr Barr**—Yes, that is correct.

**Senator LUNDY**—How much are the savings—\$14.4 million?

**Mr Barr**—Yes.

**Senator LUNDY**—Can you point me to the reference in either the portfolio budget statement or budget papers where that figure is highlighted, or made available?

**Mr Barr**—It has certainly been included in past portfolio budget statements, but I will need to take it on notice to give you the exact reference.

**Senator LUNDY**—If you take away \$35 million from \$64.3 million you get nearly \$30 million—or \$29.3 million.

**Mr Barr**—Yes.

**Senator LUNDY**—What has that been spent on?

**Mr Barr**—\$15 million was redirected to the National Communications Fund; \$6 million was redirected to the Internet Assistance Program and \$8.3 million was redirected to TAPRIC, the Telecommunications Action Plan for Remote Indigenous Communities.

**Senator LUNDY**—How much of those amounts has been expended to date?

**Mr Barr**—It would be very hard to give you that figure because the programs would be the sum of some of those redirections and some additional funding in some instances. Mr Bryant might like to answer the TAPRIC question.

**Mr Bryant**—In relation to TAPRIC I guess it would be between \$1 million and \$1.5 million to this point in time. I cannot be exact because there are a number of programs being rolled out as we speak and I have authorised payments recently for a number of milestones. I am happy to take that on notice and give you an exact amount. That might be the best way. But it is of that order, I would suggest.

**Senator LUNDY**—What about the National Communications Fund?

**Mr Bryant**—That is not my program.

**Mr Barr**—It is about \$5.5 million.

**Senator LUNDY**—Spent to date?

**Mr Barr**—\$6.5 million, I think.

**Senator LUNDY**—Has all of it been allocated?

**Dr Hart**—I understand \$50 million has been allocated and \$35 million remains to be paid.

**Senator LUNDY**—What is the total amount of funding in the NCF?

**Dr Hart**—\$50 million.

**Senator LUNDY**—So \$35 million remains to be allocated?

**Dr Hart**—Yes.

**Senator LUNDY**—There has been a significant underspend on the IAP, the Internet Access Program fund. I think \$38 million was originally allocated. That was reduced then to \$36 million. The answer to question 130 from November explains that another \$21 million was reallocated, leaving \$15 million. Given the program has wound up, spending only \$3 million, what happened to the remaining \$12 million, particularly since you identified that \$6 million had been reallocated out of the remaining \$64.3 million on the other programs?

**Mr Lyons**—I just need you to ask that question again because your reference there to \$38 million was a reference to Telstra spending up to \$38 million.

**Senator LUNDY**—All right. Perhaps you could tell me with respect to the answer from question 130—I will just make sure my references are correct. It says here that the

government announced an increase of \$174 million in NTN funding from the social bonus in 1999; \$36 million of this was allocated to the Internet Access Program.

**Mr Lyons**—I have to look at the answer you are referring to. That does not reflect the information I have.

**Senator LUNDY**—That is the answer provided by the department in question 130.

**Ms Holthuyzen**—Senator, you are talking about the Internet Access Program and Mr Lyons is talking about the Internet Assistance Program. Mr Barr, I think, might have the information on the Internet Access Program.

**Senator LUNDY**—Yes, thank you.

**Mr Barr**—Could you repeat the question again, please?

**Senator LUNDY**—There was a significant underspend in the Internet Access Program as opposed to the Internet Assistance Program—there are two IAPs. I recall that \$38 million was originally allocated to the Internet Access Program fund and then it was reduced to \$36 million, or was it \$36 million in the first instance?

**Mr Barr**—\$36 million, yes.

**Senator LUNDY**—All right, let us work with \$36 million. The answer that was provided in question 130 indicates that another \$21 million of that \$36 million was reallocated.

**Mr Barr**—Yes. That is the \$21 million I referred to before.

**Senator LUNDY**—You did not refer to \$21 million before.

**Mr Barr**—I am sorry: \$15 million went to the National Communications Fund and \$6 million went to the Internet Assistance Program. That is the \$21 million.

**Senator LUNDY**—So that is accounted for. That still leaves \$15 million.

**Mr Barr**—That has gone to the National Communications Fund.

**Senator LUNDY**—The \$21 million reallocated went to the NCF and \$6 million to the Internet Assistance Program. Is that correct?

**Mr Barr**—To the Access Program.

**Senator LUNDY**—Of the \$21 million that was reallocated from the Internet Access Program, \$15 million went to the National Communications Fund and the \$6 million went where?

**Mr Barr**—To the Internet Assistance Program.

**Senator LUNDY**—Thank you. That is what I thought. However, that still leaves \$15 million in the Internet Access Fund.

**Mr Barr**—Yes.

**Senator LUNDY**—Given the program wound up spending only \$3 million, what happened to the other \$12 million?

**Mr Barr**—I will have to take it on notice to give you the exact break-up, but I suspect that some of that is funds that have been saved.

**Senator LUNDY**—But we already found the \$14.4 million in savings somewhere else.

**Mr Barr**—\$8.9 million of the total savings has come from the Internet Access Program.

**Senator LUNDY**—Of that \$14.4 million, \$8.9 million came from the Internet Access Program?

**Mr Barr**—Yes, that is correct.

**Senator LUNDY**—Working on the basis that that fits in with the previous answer, that still leaves just over \$3 million to account for. Where would I find that?

**Mr Barr**—I think some of that will be the actual running costs for the program.

**Senator LUNDY**—Will you be able to point to that in the budget papers or the PBS?

**Mr Barr**—The original program funding was \$36 million. From that, you should deduct \$3 million for running costs to get a net figure of \$33 million.

**Senator LUNDY**—It cost you \$3 million to allocate \$3 million? Congratulations!

**Mr Barr**—As it turns out, on this occasion, that is—

**Senator LUNDY**—That is absolutely appalling! What do you say about that, Minister? It cost \$3 million to allocate \$3 million. Do you think that is a pretty poor performance or what?

**Senator Kemp**—I think before I respond to that I would take some advice and make sure I had the full story.

**Mr Barr**—The point to understand is that the funding that supports the program goes to what was then the Networking the Nation secretariat. The \$3 million identified as running costs goes to the secretariat as a whole. It helps run the total business.

**Senator LUNDY**—Everything?

**Mr Barr**—It helps run the total business of the secretariat and the NTN board.

**Senator LUNDY**—Can you provide me with a full breakdown of how the department has allocated its resources to the management of all of these separate funds, to the best of your ability? If, indeed, one unit has managed all of them, could you put that in writing for the committee and explain how that resourcing of support for these programs is distributed across the department?

**Mr Barr**—Funding is always identified for the running costs of all of the programs. Within that, there is a measure of funding that goes to the NTN secretariat, the NTN board and then departmental overheads.

**Ms Williams**—We will do the best we can.

**Senator LUNDY**—Thank you. I also asked for information about NTN expenditure by project and by federal electorate. Your response is in question 145. Having read the response, or the department's reason for not answering—bearing in mind this explanation—can the department provide a list of all NTN expenditure by project and by federal electorate based on the address of the funding recipient? I am sure that will resolve your issues.

**Mr Barr**—It does not provide a very meaningful figure though. That is why we answered in those terms, because—

**Senator LUNDY**—I would like more information than that. I am trying to help you by making a suggestion about how you go about that. I think it is completely absurd that you cannot provide an electorate by electorate breakdown of how NTN funding is spread across the country. I have heard in other inquiries—in fact, from one of my Labor colleagues in the Queensland government—concern about the way in which this funding is expended. I would imagine it would be an opportunity for the department to demonstrate the equity and principles by which NTN funding is spread around the country.

**Dr Hart**—I think the answer to the question explained that our database is not organised along that principle. We can make certain assumptions, but they would only hold in relation to small projects. They certainly would not hold for large projects, which are spread across a number of electorates. We tried to give you the best answer we could, based on the way that we actually collect information, which is not by electorate.

**Senator LUNDY**—I would like the department to have another go at providing that information. If you cannot provide an electorate, provide a geographic region. If you cannot provide a geographic region, provide a state. I would like a best effort by the department to provide this essential information for public accountability.

**Ms Williams**—We will do the best we can. Where we cannot, we will give you an explanation.

**Senator LUNDY**—Thank you.

**Dr Hart**—I think we have provided previous breakdowns by state.

**Senator LUNDY**—I have had the list of all of the projects, but I am asking the department to compile that breakdown in the best way that you possibly can. I believe, based on the information provided for individual projects, that it is possible to go through each project and categorise them one way or another into electorate. I am having trouble believing that the department cannot do that.

**Mr Barr**—To provide an explanation, if a project reaches all over a state, its impact is likely to be in each and every electorate in that state, but I cannot quantify the impact. If the project was \$1 million and there were 10 electorates, I cannot assume that the impact in any one electorate is going to be \$100,000.

**Senator LUNDY**—I think I provided you with a strategy for dealing with that, if you want to identify it on a state basis or a geographical regional basis. If that makes it easier for you, go ahead, but I think the question is still valid and I do not accept that you cannot provide me with anything.

**Mr Barr**—We provided an answer in question 142, for example, that provides a breakdown by state.

**Senator LUNDY**—I think we have the state breakdown.

**Mr Barr**—Yes.

**Ms Williams**—I think the problem—and my colleagues will correct me if I am wrong—is that, to some extent, we cannot provide the electorate breakdown. We will just have to provide you with what we can—

**Senator LUNDY**—I am sure in some cases you can provide me with an electorate breakdown, just not all.

**Ms Williams**—I gather it is a very large task, but we will do what we can.

**Senator LUNDY**—There are about 700 projects, all of which are being evaluated at the moment. I am sure there is a nice big database out there somewhere that could facilitate the exercise. I would like to move on to the government broadband programs. Why were the guidelines for eligibility for applicants to the HiBIS program reopened for public consultation?

**Mr Bryant**—As you may recall we put out an initial draft of those guidelines in October, at the time of the regional communications forum. It is probably best to characterise that particular version as more of a discussion document rather than a detailed set of draft guidelines.

**Senator LUNDY**—Was it called a discussion document?

**Mr Bryant**—No, I think it was called a set of draft guidelines, and I think the latest version has been called a further set of draft guidelines, but there is a great difference between the two. The most recent version of the guidelines that was released, I think, on 23 January was much more detailed in terms of the proposed rules for service providers and the proposed rules for eligibility of customers, services, areas, locations and so forth. In addition, of course, they had the proposed numbers for incentive payments, so we thought it was quite essential that we have a process of further consultation, particularly with industry, to try and assess whether they viewed the guidelines as reasonable and sufficiently attractive to participate in the program.

**Senator LUNDY**—In a different inquiry, we heard evidence about issues relating to a conflict between the guidelines of eligibility between the CCIF and HiBIS. Is it true that there was a difference between the eligibility guidelines for both of those programs and that that did, in fact, cause confusion with applicants and is it true that you had applicants prior to the draft guidelines being finalised?

**Mr Bryant**—No, we have not had applicants at all for HiBIS. I cannot speak for CCIF obviously.

**Senator LUNDY**—But you have CCIF.

**Mr Bryant**—The CCIF, as you are probably aware, has called for expressions of interest. We have obviously discussed the interaction between HiBIS and the CCIF with our colleagues in NOIE. The guidelines and draft guidelines that were released on 23 January have a set of protocols as to how we would ensure there was not duplication of funding between the CCIF and HiBIS. I guess the major focus of the CCIF is more sectoral and targeting different parts of network development than HiBIS, which is really focused on the last mile and providing local infrastructure. Nevertheless, I understand there may be some applicants to CCIF who are interested in developing local infrastructure for broadband access as part of their applications. We would need to assess final approved applications from CCIF in that line. Our principle has been really that, where there is complete duplication, locations that benefited from CCIF funding would then be ineligible for HiBIS, but where it was a case



of providing some other element of network infrastructure that would enable further leverage through HiBIS we would certainly allow that.

**Senator LUNDY**—Just going into those details, what changed as far as eligibility criteria between the first draft of the HiBIS guidelines and the second draft?

**Mr Bryant**—I do not think there was any substantive change.

**Senator LUNDY**—I think that is probably a matter of opinion. What were the changes?

**Mr Bryant**—The major differences between the two documents has really been detail and clarification of what was set out in the October guidelines as a general approach. For example, the eligibility guidelines detailed requirements of what we would want from registered service providers, detailed proposals for how registered service providers would be registered and assessed—those kinds of issues.

Mr Cheah has pointed out one change we have made is to expand. In the October document we talked about eligibility guidelines for small business and not-for-profit organisations and that it would be five full-time employees or less, which is the accepted definition for a microbusiness. There were a number of representations to us both from service providers and also community groups, that that was too small and there would be a number of small businesses and not-for-profit organisations that should benefit from HiBIS, who had a larger number of employees than that, so that was one that changed.

**Senator LUNDY**—The original criterion in relation to geographic eligibility has remained the same, has it not?

**Mr Bryant**—Pretty much, I think, yes.

**Senator LUNDY**—What do you mean by ‘pretty much’? Has it changed at all?

**Mr Bryant**—Not that I am aware, no.

**Senator LUNDY**—With regard to the CCIF, has the geographic eligibility changed at all since you first called for expressions of interest?

**Mr Bryant**—That is a NOIE program, so we are not able to answer that, but our colleagues from NOIE might be able to.

**Senator LUNDY**—Are you aware of the problems related to the CCIF eligibility criteria?

**Mr Bryant**—No, I am not aware of those problems.

**Senator LUNDY**—Have you received any complaints about it?

**Mr Bryant**—No.

**Senator LUNDY**—None at all?

**Mr Bryant**—No.

**Senator LUNDY**—Has the department received any complaints about the CCIF?

**Mr Bryant**—I certainly have not.

**Ms Holthuyzen**—Senator, I think any issues regarding the CCIF should be directed to NOIE. They certainly have not come to the department that we are aware of.

**Senator LUNDY**—My understanding is that Telstra will be eligible to access HiBIS funding directly. Can you confirm that they will be able to access funding to upgrade exchanges to ADSL?

**Mr Bryant**—Yes, within the rules.

**Senator LUNDY**—Can I ask the minister, when he is ready, given we know that Telstra foreshortened or ceased their ADSL roll out, whether or not he thinks it is an appropriate concept, given Telstra's cessation of their ongoing ADSL upgrade program, that Telstra should now be able to access government subsidy to upgrade their exchanges to be able to provide ADSL services? Do you think that is a useful spend of taxpayers' money?

**Senator Kemp**—Sorry, are you speaking to me?

**Senator LUNDY**—Yes, I am. I have been.

**Senator Kemp**—As you might have noticed, I was speaking to—

**Senator LUNDY**—I did try to get your attention several times.

**Senator Kemp**—Just hold on. Do not try to talk over me.

**Senator LUNDY**—As *Hansard* will show.

**Senator Kemp**—Do not try to talk over me. As you might have noticed, I was otherwise engaged. If you would like to repeat your question we will see what we can do.

**Senator LUNDY**—Do you think it is appropriate, given that we have just heard that Telstra is eligible to access HiBIS funding, taxpayers' funding, to upgrade exchanges to ADSL, to provide ADSL services? Do you think that is an appropriate spend of taxpayers' money, given that Telstra have recently ceased their ongoing roll out of upgrading ADSL exchanges and have set their bar very high in establishing a commercial argument for installing those exchanges? What it looks like is that this program has been designed to effectively subsidise Telstra to do something that they were doing anyway, until this program came on to the books.

**Senator Kemp**—Senator, I think probably that is an interesting question and the details of that question I might have to—

**Senator LUNDY**—You don't have a clue, do you?

**Senator Kemp**—I might pass it back to the department to see if they have any observations they wish to make.

**Senator LUNDY**—It is a political question; that is why I asked you.

**Senator Kemp**—Let's see.

**Senator LUNDY**—It is a matter of policy.

**Senator Kemp**—You might not have actually focused on this, but I have many responsibilities and this does not happen to be one of them.

**Senator LUNDY**—Perhaps you could take the question back to the minister.

**Senator Kemp**—Unlike you, I do not claim to be an expert on the issues.

**Senator LUNDY**—I do not claim to be an expert.

**Senator Kemp**—Probably, unlike you, I make sure I am well briefed before I make a comment.

**Senator LUNDY**—I ask that you at least take this question back to the minister, because it is a very important policy question.

**Senator Kemp**—I will take that question back to the minister. I am sure that he will consider whether or not he wishes to give you an answer.

**Senator LUNDY**—Given such a significant proportion of the HiBIS funding was actually a reallocation—in fact, arguably all of it—from earlier NTN funding for which Telstra was ineligible to apply for these types of subsidies, does the minister also think it is an appropriate public policy to change the way in which this money is expended, to allow Telstra access to taxpayer funded infrastructure?

**Senator Kemp**—Let me just say that you have made an observation and I will draw it to the attention of Minister Williams.

**Senator LUNDY**—Can I ask what the timetable is for the calling for submissions for HiBIS funding?

**Mr Bryant**—As I previously stated, we issued the further draft guidelines on 23 January and at the time gave until 6 February for responses. We are in fact still talking to service providers who are contacting us and wanting to talk about the detail of the guidelines. But our intention is to issue the final guidelines in early to mid-March and, at that time, call for registrations by service providers to register both themselves as providers under the program and also to register services to offer to eligible customers.

We are hoping that that process will enable us to launch the program for consumers to apply for services from registered HiBIS service providers in perhaps late April, early May. We are somewhat uncertain of that timetable because of how long it will take for service providers to come back and re-tariff services and register them under the program. That is something which is a bit difficult to answer.

**Senator LUNDY**—All right. I will place the rest of my questions on that on notice.

[9.35 p.m.]

**CHAIR**—We will move to output 3.4.

**Senator LUNDY**—What analysis has been done in relation to the proposed free trade agreement? In particular, what elements of the free trade agreement, as it is proposed, will require legislative change in order for Australia to comply?

**Dr Hart**—We are clearly in the process of assessing what the impact will be on the legislative program, but we do envisage that there will be an impact. Some of the things include new rights legislation and the review of the digital agenda act.

**Senator LUNDY**—Going to that review first, at what stage is the digital agenda review? The Phillips Fox issues paper I know was released. Can you tell me what the next stage of that review is?

**Dr Hart**—I am not sure whether we have received the final Phillips Fox report, but we have received a draft copy. That is a major input to the review.

**Senator LUNDY**—What is the timetable for the review and, I presume, the program of legislative amendments arising from it?

**Dr Hart**—The main thing is that we will need to take stock now, in light of the US FTA and the impacts that it does have on that review.

**Senator LUNDY**—The advent of the US FTA overrides or takes precedence of what was an ongoing review agenda?

**Dr Hart**—No, it does not take precedence. There are some overlapping issues. People have been asked to provide input on the basis of a piece of legislation which is now going to be affected by further developments. Together with our colleagues in Attorney-General's, we will need to take stock of what the implications are. We simply have not had an opportunity to do that yet.

**Senator LUNDY**—Minister, was it the government's intention to bring forward legislative amendment as a result of the digital agenda review prior to these overlapping issues relating to the FTA?

**Senator Kemp**—My advice is that it would depend on what the outcome of the review was whether or not amendments would be required.

**Senator LUNDY**—Going back to the issues that will require some legislative amendment, my understanding is that there are a number of specific issues, including that relating to liability of ISPs for copyright infringement. What is the government's view on this issue and what is the current approach to this issue in the context of the free trade agreement in particular?

**Dr Hart**—As you say, it is one of the areas that will require legislative amendment. Basically what the US FTA provisions do is provide for an expeditious process that allows for copyright owners to engage with ISPs and subscribers to deal with allegedly infringing material. It also provides for other certain processes. Until we have had time to fully work through the implications of the provisions, it is very difficult to go much further.

**Senator LUNDY**—Can you provide the committee with an update as to what is happening with the proposed industry code of practice in relation to this issue?

**Dr Hart**—We understand that at this stage the industry has not come to an agreement on the code of practice.

**Senator LUNDY**—Are they attempting to negotiate one and is the department involved in any way in that process?

**Dr Hart**—The department is not currently involved.

**Senator LUNDY**—What is your understanding of that negotiation process?

**Dr Hart**—It is not something we have a lot of current information on. We were aware some months ago that it was under active consideration, but it really is a matter for the industry.

**Senator LUNDY**—Because it is now a condition for Australia to validate, don't you think that, to proceed with the free trade agreement, it is incumbent upon the government to consult directly with the stakeholders affected by the issue?

**Dr Hart**—That is one of the processes which I think was mentioned earlier. The way the agreement is drafted, it provides for considerable flexibility in terms of implementation. Part of the normal process in working out how we can implement the provisions in terms of Australian law is to talk with affected groups.

**Senator LUNDY**—Do you think an industry code of practice would satisfy those provisions as they are currently drafted in the FTA?

**Dr Hart**—That is one of those unanswerable questions until we have both worked through the further detail of the agreement and also what might be in a code of practice.

**Senator LUNDY**—I would have thought in particular the department would be very sharply focused on these aspects of the free trade agreement, given the considerable attention that is paid to them and the sensitivity of this area of policy.

**Dr Hart**—We are sharply focused.

**Senator LUNDY**—You just haven't done it yet?

**Dr Hart**—No, it is just that what you are asking is about an industry code of practice.

**Senator LUNDY**—Is it a fair observation to say that the government is more likely to proceed down a legislative path than perhaps a coregulatory framework incorporating an industry code?

**Dr Hart**—Our understanding at this stage is that the agreement will require legislation.

**Senator LUNDY**—Another aspect of the free trade agreement relates to extending the period of copyright protection from 50 to 70 years. That is obviously another element of the free trade agreement, that you are charged with determining what is the appropriate action on behalf of the government. Can you describe the nature of your consultations leading up to the government's agreement for that? I think it is known as the Mickey Mouse amendment in the US.

**Dr Hart**—In general terms the Department of Foreign Affairs and Trade organised all of the consultations on the broad options and issues which were going to come up in the FTA, so all interest groups would have been consulted on that, along with other matters.

**Senator LUNDY**—Another issue relates to the prohibiting of tampering with technologies designed to prevent unauthorised copying and distribution. Was any consultation done with the affected industry sector there on your behalf?

**Dr Hart**—Yes.

**Senator LUNDY**—By you?

**Dr Hart**—That was part of the same process.

**Senator LUNDY**—What analysis, if any, has the department done on the impact of these changes to the copyright regime in Australia, on the sectors directly affected: the artists, the content producers, the owners of copyright. What analysis informs the negotiation process?

**Dr Hart**—There have been a number of analyses which fed into the negotiations. The Department of Foreign Affairs and Trade has indicated that there will be some additional ones going forward in assessing the overall costs and benefits.

**Senator LUNDY**—Can you point to any specific analysis or study done by this department on the impact on content and creative producers as a result of these changes, or did the government make these agreements without being informed by advice from the section that are the experts?

**Dr Hart**—We had an involvement and discussions with Foreign Affairs and Trade all the way through the process.

**Senator LUNDY**—Is it your conclusion that all of these changes represent positive outcomes for Australia?

**Dr Hart**—There clearly are a number of positive benefits from the agreement in terms of closer harmonisation with the US.

**Senator LUNDY**—No, not relating to harmonisation—the benefits to creators of content in Australia.

**Dr Hart**—Over time, in terms of strong protection for their IP.

**Senator LUNDY**—Can you point to any specific study that quantifies that benefit in any way?

**Dr Hart**—I think the only specific area where there has been work done is in relation to extension of copyright term, but there was consultation on all of the other areas of the agreement.

**Senator LUNDY**—What was the consultation that you undertook?

**Dr Hart**—We were involved in the consultations with interest groups which were organised by the department of foreign affairs.

**Senator LUNDY**—Are you aware of—or have you been made aware of, either via representations or just through your own investigations—any detrimental effects that could arise as a result of these changes on any aspect of content creators in Australia?

**Dr Hart**—I think I mentioned before that, whilst the agreement certainly provides for tighter controls, it also provides a considerable degree of flexibility in interpreting the agreement for Australian interests, and using that flexibility is something that we will be looking at.

**Senator LUNDY**—Using flexibility in the process of working out the final wording of the free trade agreement?

**Dr Hart**—In turning the agreement into Australian law. There is opportunity to discuss how the agreement will be implemented, having regard to the full range of interest groups, including users and creators.

**Senator LUNDY**—One of the issues relates to patents. Are you involved in that at all?

**Dr Hart**—No.

**Senator LUNDY**—So just copyright. Are you aware of any implications for open source software as a result of the proposed changes?

**Dr Hart**—I do not think it changes the situation whatsoever.

**CHAIR**—Thank you very much.

[9.49 p.m.]

**CHAIR**—We now call output 3.3, Policy Advice and Program Management that assist the development of the Information and Communications Technology Industry.

**Ms Williams**—Chairman, Senator Lundy earlier asked for some examples of the meaning of ‘interactive audio and/or video services’. Could I table a short piece with some examples?

**CHAIR**—Thank you. Proceed.

**Senator LUNDY**—In relation to the Intelligent Island program, which federal agency will be administering the unspent funding earmarked for six other initiatives, putting aside the centre of excellence for the moment?

**Mr Allnutt**—The Intelligent Island program has a board and there is a secretariat to that board. That secretariat is currently being administered by the Tasmanian Department of Economic Development, so that department will be administering the funds.

**Senator LUNDY**—A state department as opposed to a federal agency?

**Mr Allnutt**—That is right, yes.

**Senator LUNDY**—What is happening with the centre of excellence?

**Mr Allnutt**—The current situation is that the board has announced its in-principle decision to go ahead with the centre of excellence and a deed is currently being negotiated between the University of Tasmania, the Tasmanian Department of Health and Human Services and the Department of Economic Development in Tasmania.

**Senator LUNDY**—How much of the funding is allocated to the centre of excellence at this stage?

**Mr Allnutt**—Of the \$40 million, \$20 million has been allocated.

**Senator LUNDY**—And the other six initiatives?

**Mr Allnutt**—The allocation for those?

**Senator LUNDY**—Yes. Could you break those up and provide the details.

**Mr Allnutt**—I can. The incubator has allocated \$8 million. That is In-tellinc. The Enterprise Development Fund has allocated \$7.1 million, skill development \$2 million, investment attraction \$2.2 million, telecommunication study \$0.3 million, and marketing \$0.3 million.

**Senator LUNDY**—What involvement does this department have with the ongoing expenditure of those funds? Any at all?

**Mr Allnutt**—The department is a member of the board and so the funds are currently being administered by the board through the secretariat. The department, as a member of the board, is responsible.

**Senator LUNDY**—The department is still responsible for the accountable and appropriate expenditure of all of those funds?

**Mr Allnutt**—The board is responsible. The department is a member of the board, and the secretariat provides the ongoing administration.

**Senator LUNDY**—If I want to keep asking questions about how this money is being spent, it is appropriate for me to keep asking you?

**Mr Allnutt**—Yes, certainly.

**Senator LUNDY**—What is the nature of the Tasmanian centre of excellence?

**Mr Allnutt**—The centre of excellence is proposed to be a centre of excellence in bioinformatics and health informatics. It is probably broadly comparable to a cooperative research centre under the ARC funding program. It would have a number of research and education activities, and also it would conduct a range of industry development activities.

**Senator LUNDY**—I know there have been some questions raised about the viability of this centre. Are you still satisfied, as a member of the board, that that project is indeed viable?

**Mr Allnutt**—The board considered the viability. The board believes that, with the funding available for it—the \$20 million—plus the money which is being offered by the partners, the centre will be viable for the period which is envisaged—that is, up to the period of about 2007-08.

After that time, as is the case with any cooperative research centre, its ongoing viability will depend upon the success with which it has moved through that period. Not all CRCs survive at the end of the time. Many do go on to get extra funding and survive.

**Senator LUNDY**—Clearly, there will not be a program in your area for this centre of excellence to continue to access funding. What plans have been made for it to be able to transfer into the CRC program, if indeed that is where it fits?

**Mr Allnutt**—There are a number of options for funding for it in that period, in about five years time. It could be looking for additional funds from industry. It could look for funds from the health area, either the Commonwealth department of health or the Tasmanian department of health. There could be ongoing funding from the University of Tasmania. It could look for applications through other Commonwealth research programs, such as the ARC CRC or centre of excellence programs. One of the tasks of the CEO would be to in fact try to make the centre as viable as possible during that period.

**Senator LUNDY**—Last time I asked questions about this, the expenditure of that money had been extended to 2007 to allow for a significant underspend. At some point between hearing that evidence and now—I understand this happened over Christmas—the whole strategy changed. Can you point to any announcement by the federal minister about the changes in relation to the underspend and the previous announcement that the money was going to be pushed out in existing programs and be spent across the out years into 2007?

**Mr Allnutt**—I am not aware of any substantive change. The funding was originally envisaged to be funded by the end of 2004, but I think we advised in our response to the question on notice that the intention is that that will be extended to 30 June 2007.

**Senator LUNDY**—That is correct. And so there has been quite some change in terms of the previous programs that were running under Intelligent Island, has there not?

**Mr Allnutt**—There have been some adjustments in the allocation of funds to those seven initiatives that I read out to you, but they have not been particularly large. The centre of excellence is \$20 million. The incubator's \$8 million is unchanged. The Enterprise



Development Fund has had some extra funds allocated to it from other funds, particularly the skill development and investment attraction. There has been some movement of funds between some of those initiatives but not particularly substantial.

**Senator LUNDY**—Who is the chairman of the board?

**Mr Allnutt**—Mr Neville Roach.

**Senator LUNDY**—Can you explain the membership of the board to the committee, please?

**Mr Allnutt**—I will just see if I have a list here. The members of the board are the chairman, Brian Gibson, who was formerly Senator Brian Gibson; Senator Brian Harradine; Linda Hornsey, who is the secretary of the Department of Premier and Cabinet in Tasmania; an industry representative is currently Mike Nermt; a member from the University of Tasmania, Chris Keen; the acting secretary of the Department of Economic Development, Rhys Edwards; Michael Vertigan; and the secretary of our department, Helen Williams.

**Senator LUNDY**—Why did the organisation, the Intelligent Island board, shut down the Intelligent Island web site?

**Mr Allnutt**—The situation there was that there was a full-time separate secretariat in the Department of Economic Development but it was a separate secretariat, and its function came to an end on 16 December last year. The functions were transferred from that special secretariat to another secretariat within the Department of Economic Development. What happened was that the web site from the first secretariat was closed down and then the new web site was opened within the Department of Economic Development, and so there was a hiatus, you might say, of a day or so while there was a transfer.

**Senator LUNDY**—Isn't this an example of ill thought-out allocations originally, resulting obviously in a severe underspend, but also I guess the centre of excellence was due by 2001. How are you able to reflect upon the fact that so little of these initiatives were able to actually get off the ground?

**Mr Allnutt**—The board made a conscious decision over the period of its meetings to take the time necessary to make sure that it undertook projects which would be sustainable and which would have long-term benefits for the Tasmanian industry, so there was a process involved. In the case of the COE, there was a lot of preparatory work involving in commissioning studies and looking at options and developing a business plan. That went through a number of iterations until the current proposal, which has been agreed.

In the case of the individual initiatives, the enterprise development, the investment attraction and skills development, there has just been a time of process involved in calling for applications, assessing them and then implementing them. It has necessarily been a complex process of running those particular individual programs.

**Senator LUNDY**—Has the department ever asked the board to account for these delays from time to time, and can you point to evidence of your efforts to improve accountability?

**Ms Williams**—Part of it was before my time, but I think the department has been really with the board to some extent in the fact that it should only fund quality projects and only put the money in when it is quite certain that that money will achieve results. Although it is

regrettable that some of the expenditure has been delayed, I think it is better targeting something that will achieve results.

**Senator LUNDY**—But now the program has changed such that it has now being effectively run by a state administration.

**Ms Williams**—No. The board decided exactly what would happen, but the movement of the funds across the years has been managed by a secretariat in the state administration. It has not been handed over to the state administration to make basic decisions.

**Senator LUNDY**—So the board still has full accountability for the expenditure on all of those funds?

**Ms Williams**—It does at this stage, yes.

**Senator LUNDY**—Is that likely to change or is a change being discussed?

**Ms Williams**—A change is being discussed. The basic decisions are virtually made and therefore the board may decide that that particular board may wind up.

**Senator LUNDY**—And what would happen in that scenario?

**Ms Williams**—The funds would be paid according to decisions by the secretariat.

**Mr Allnutt**—By the secretariat, but what we envisage is that the board would be replaced with a project executive which would have a member of the Department of Economic Development from Tasmania and a member from the Australian government department. There would be a project executive which would supervise the authorisation of the expenditure by the secretariat.

**Ms Williams**—I think I am right in saying that, on the authorisation of the expenditure, the major decisions would be made by the board.

**Senator LUNDY**—So there still would be a board?

**Ms Williams**—No. The board is considering basically abolishing itself, or it believes it has come to an end. What Mr Allnutt is talking about—you will excuse me for turning to him but he was my alternate at the last meeting; I couldn't go—is the secretariat being provided by the state department, and there would be that two person executive that would decide how the money was put out.

**Senator LUNDY**—So with the board in that scenario abolished, that decision making and accountability would fall jointly on this department—

**Ms Williams**—The accountability would.

**Senator LUNDY**—and the state government?

**Mr Allnutt**—Yes.

**Senator LUNDY**—Is that proposal on the books of the board at the moment?

**Ms Williams**—Yes.

**Mr Allnutt**—Yes.

**Senator LUNDY**—What is your expectation?

**Ms Williams**—I expect that will probably happen because, as I said, the major decisions have been made and the two-person executive based in the state department will really be doing the remaining decisions, which are more minor, and actually accounting for the expenditure of those funds, or watching the accountability of the expenditure of those funds.

**Senator LUNDY**—When is the board likely to wind up—in the next month; in the next two months?

**Mr Allnutt**—In the next few months.

**Senator LUNDY**—That won't change the accountability trail either, will it?

**Mr Allnutt**—No.

**Senator LUNDY**—I will be able to keep asking you these terrific informative questions, Mr Allnutt. I will look forward to that at budget estimates, to get an update.

**Senator Kemp**—I do not think I would describe the questions like that, Senator.

**Senator LUNDY**—I am enthusiastic, Minister, as you know. Turning to government IT outsourcing, I noticed today that the industry development report was miraculously tabled. Sorry, I am ready to move on to the IT outsourcing and industry development. Chair, I know you are concerned that Corporate Services cross over, but it is not my plan at this stage to call Corporate Services.

**CHAIR**—What would you like to do? Can they leave?

**Senator LUNDY**—I said that about two hours ago.

**CHAIR**—We are very grateful. Senator Mackay thought they should stay, but it sounds as though—

**Senator LUNDY**—No, the point you made was that they might be needed across other things.

**CHAIR**—So you are not going to call them now at all?

**Senator LUNDY**—No. I said that.

**CHAIR**—All right, Corporate Services can depart.

**Senator Kemp**—That is certainly a help, Mr Chair, but again, I make my point: I wish these decisions could be made earlier because we have had officers—

**Senator LUNDY**—I did try, Senator Kemp.

**Senator Kemp**—You have not been trying too hard, I have to say. Senator, you speak about the efficiency of everybody else, but to me it is not very efficient to keep officers in this room on the pretence they are going to be called and then, at the last moment—

**Senator LUNDY**—There is no pretence, Minister. I advised the committee earlier that I would not be calling Corporate Services. It was the view of other senators and the chair that they may be needed. I made my intentions very clear, to assist officers specifically.

**Senator Kemp**—I record that we have to sharpen up on making sure that we have a clearer position on who is needed and who is not. It is not very efficient.

**Senator LUNDY**—What role does the department have in monitoring the continuing overspend on federal IT outsourcing? I cannot remember that very complicated formula—we are definitely not going through it this evening. Can you just tell me whether the SME participation rates, as you just described, form part of what constitutes the AVA or Australian value add?

**Mr Allnutt**—I believe they are calculated separately.

**Senator LUNDY**—So we are back to square one anyway.

**Mr Allnutt**—I could take it on notice. I have the other statistic here in the report, on page 7 of the report. The AVA is actually 81 per cent for inscope AVA.

**Senator LUNDY**—Sorry, can you tell me which page you are looking at?

**Mr Allnutt**—Page 7 of the report. So for inscope achievements the AVA was 81 per cent, which implies to me—you would multiply that. If that AVA is \$1 billion, then the total value of the contracts would be \$1 billion divided by 81 and multiplied by 100. You could work it out. It would be about one point something.

**Senator LUNDY**—Can you tell me whether the target figure as contained in that first table on page 7 is weighted to reflect the increase in expenditure.

**Mr Allnutt**—No.

**Senator LUNDY**—As it is achieved in the second—

**Mr Allnutt**—No, it would just remain the same, as I understand it for AVA and also for proportion to SMEs. So the percentage each time remains the same.

**Senator LUNDY**—So the target reflects the original. The percentages in the original target figure relate to the original targets and original percentages but the second column, which is achievement, relates to the increased expenditure. Do you not think that is a bit—

**Mr Allnutt**—No. There happens to have been an increased expenditure, but what they are also saying is 81 per cent of the expenditure—whatever it was—was AVA.

**Senator LUNDY**—So it does take into account the increased expenditure, that second column?

**Mr Allnutt**—Yes. There happens to have been increased expenditure.

**Senator LUNDY**—How does that relate to the second item, payments to SMEs, in raw dollar terms as opposed to percentages? The \$72 million was the original target but the \$168 million reflects the increased expenditure as a proportion. What it looks like is that payments to SMEs have doubled. Whilst in dollar terms that might be the case, there has also been a huge increase in expenditure; the mystery figure we are yet to be informed. I would put to you that that is highly misleading in the way it is currently formatted. In fact, the document is characterised by that formulation in each of the tables. Until we actually know what the raw dollar figures are that are informing the percentages and thereby what the increased expenditure is for each of those tables, we are not really getting a true sense of the proportionality of any additional expenditure at all. Is that a fair point?

**Mr Allnutt**—I think the percentage achievement was the original criterion. There is a separate issue as to what was the actual total value of the contracts and how they changed. I do not have that figure with me.

**Senator LUNDY**—I know.

**Mr Allnutt**—I would have to provide that for you.

**Senator LUNDY**—But can you see my point: without having that figure the data as it is currently collated forms a misleading picture about the increase in the in-scope targets and achievements and the out of scope combined targets, as it is expressed. Perhaps I should issue a general warning to anyone reading this document that until those figures are provided it could misinform people and overstate the performance of these IT commitments.

**Dr Hart**—Senator, as I understand it, there is no doubt that these contracts have actually delivered those outcomes.

**Senator LUNDY**—I am not saying that. But what is misleading—

**Dr Hart**—I am not sure why it is misleading.

**Senator LUNDY**—is that this document does not say how much by which the contracts have been increased, or the expenditure has been increased.

**Dr Hart**—That is certainly something we can look at providing. I am not sure how it will really add to the picture, but we are certainly happy to do that.

**Senator LUNDY**—I can tell you perhaps in percentage terms it puts the increased achievement into perspective. Also it places in perspective the increased achievements with regard to payment to SMEs. At the moment—and let us look at the ATO—of the payments to SMEs the target was \$22.6 million and the achievement was \$87.2 million. But can you tell me how much increased expenditure the tax department paid on their IT and how that impacted on their proportion for those dollar figures? I think I probably have a pretty good idea off the top of my head.

**Mr Allnutt**—Sorry, which page was that?

**Senator LUNDY**—Page 13.

**Mr Allnutt**—Which table?

**Senator LUNDY**—In-scope achievements for the ATO, EDS Australia.

**Mr Allnutt**—The payments to SMEs worth—

**Senator LUNDY**—Yes, but can you tell me also how much beyond the original contract value of \$490 million has been expended in tax?

**Mr Allnutt**—I cannot tell you offhand, no.

**Senator LUNDY**—No, but that is the question, isn't it? When you look at that increased proportion, that will put that \$87 million figure in perspective.

**Mr Allnutt**—But I think the perspective to look at is the percentage. The target was 78 per cent, and they achieved 79 per cent.

**Senator LUNDY**—I appreciate that.

**Mr Allnutt**—I think these statistics accurately reflect the industry development commitments and achievements. The separate question is how much did each of the dollar values of those five contracts change? I can certainly provide that. You would probably do it using a reverse calculation from these statistics, but I would need to provide that separately.

**Senator LUNDY**—All right. Let's go to Health Group, page 18, just to make the point. Obviously, there has been an increase in expenditure there, but the achievement in payments to SMEs in the inscope table goes from—the target is \$19 million and the achievement is \$19.1 million. Presuming there has been an increase in expenditure, that has not been reflected in that instance in payments to SMEs. Although, on the surface of it, it looks like they have achieved their outcomes, perhaps they have not. Unless we understand what the proportional increase of payments to SMEs would have been, arguably they have underperformed as far as payments to SMEs go, but your report does not even say that. Your report does not say anything but how wonderful it all is. Anyway, I think I have made my point.

I want to put a couple of things on notice. In relation to the original value of the contract and the eventual value of the contract, I know those original contract values are in various Audit Office reports and so forth, but could you provide them and cross-reference them with the figures you used to inform these percentages on an annual basis for each of the five contracts or wherever you have applied these formulae? In relation to the impact of the free trade agreement on the industry development provisions, such as those we have just been discussing, can you tell me whether or not the introduction of the proposed FTA, as it stands, will mean that the existing industry development commitments under the program we have just been discussing will have to cease?

**Dr Hart**—No.

**Senator LUNDY**—They will continue on in duration?

**Dr Hart**—They will.

**Senator LUNDY**—Is there a special reservation in the free trade agreement that allows that to occur?

**Dr Hart**—Yes. The SME provisions are specifically excluded from the government procurement chapter.

**Senator LUNDY**—What about the Australian value-add component?

**Dr Hart**—The whole of the existing arrangement will not be affected.

**Senator LUNDY**—Is that because the Australian value-add component has a link with SME involvement?

**Dr Hart**—Yes.

**Senator LUNDY**—Under the free trade agreement, which particular clause of what of you are dealing with provides for that reservation?

**Dr Hart**—I do not have the text, Senator. The department of finance was the lead agency on this issue, and we do not have text at this time.

**Senator LUNDY**—Are there any outstanding Partnerships for Development programs?

**Dr Hart**—No. There is ongoing reporting against the existing ones.

**Senator LUNDY**—Yes, but a number of them graduated.

**Dr Hart**—Yes, they have continued to graduate. Where they have concluded, they have been given certificates.

**Senator LUNDY**—Can you provide me with information on the ones that are continuing?

**Dr Hart**—Sorry, no, they are not continuing.

**Senator LUNDY**—There are not any continuing?

**Dr Hart**—No.

**Senator LUNDY**—They have all graduated?

**Mr Allnutt**—At the time the program was ended in June 2002, some—but not all—had graduated. Since the program has come to an end, they are now given certificates of recognition for the work that they have done.

**Senator LUNDY**—Have any of them ended prematurely?

**Mr Allnutt**—The program was discontinued in June 2002.

**Senator LUNDY**—I appreciate that. Were there any outstanding commitments that were waived under that program as a result of it being brought to a conclusion?

**Dr Hart**—If you are asking the question in the context of the FTA, the FTA is prospective and it does not apply to existing contracts.

**Senator LUNDY**—I know that, and I am not. I am asking generally whether or not there are any commitments under the Partnerships for Development program that were waived as a result of that program being wound up?

**Mr Allnutt**—I understand that the PFD program made yearly commitments rather than forward commitments.

**Senator LUNDY**—My question still stands.

**Dr Hart**—There would not be, because of its yearly nature. That is what I understand.

**Senator LUNDY**—Can you confirm that there were no Partnerships for Development commitments waived as a result of that program having been wound up? No-one can tell? If you would like to take it on notice, please say.

**Dr Hart**—We will take it on notice.

**Senator LUNDY**—Would Partnerships for Development be eligible under the proposed free trade agreement, given it is described as an offsets program and that offsets programs have been specifically outlawed?

**Dr Hart**—I think that is something we would have to take up with the department of finance, in terms of the scope of the offsets provision.

**Senator LUNDY**—Are you aware of any offset style programs run by this department that are potentially in breach of the proposed FTA in terms and provisions?

**Dr Hart**—No, not run by this department.

**Senator LUNDY**—Are you able to outline the specific impact of the proposed free trade agreement on ICT industry development generally?

**Dr Hart**—As we said before, the ICT industry development measures are specifically excluded, so we do not see that it has any direct impact on the industry development arrangements.

**Senator LUNDY**—That is with that specific program, but I am asking the question more broadly now, given it is output 3.3 that is charged with the responsibility of ICT industry development generally. What level of analysis has been done by this department in relation to the impact on that particular industry sector as a result of the FTA?

**Dr Hart**—Are you speaking about broader benefits? There are certainly broader benefits. Just in terms of the specific impact on industry development, our assessment is that it will have no impact, which is not to say that there will not be significant benefits for the ICT industry in being able to access the largest procurement market that there is.

**Senator LUNDY**—You are starting to sound like the minister.

**Senator Kemp**—That would be regarded as a compliment, Dr Hart. All I can say is congratulations!

**Senator LUNDY**—Given the promised access to the US market, what analysis has the department done on the Buy America bill and the various state legislatures in the US that could continue to prevent market access by Australian companies in the US?

**Dr Hart**—As I said before, the department of finance has the main carriage of this but I understand some costings were done on potential benefits to Australia from being able to access the market. It is both the federal market and the potential to access state markets. That is something that is still being developed between the two parties.

**Senator LUNDY**—It is my understanding that there was a neat little caveat at the bottom of the minister's statement which said that state legislatures still needed to have those discussions or take those initiatives.

**Dr Hart**—I will just check but I think there are already a number of states' governments that are included. It is a question of how long the list is.

**Senator LUNDY**—I would like to know how long the list is and how many US state legislatures do have laws that could prevent market access by Australian companies.

**Dr Hart**—I have confirmed my understanding that in previous agreements there have been about 33 states. The two parties are still looking at the extent of the list but we expect it would be 30-plus.

**Senator LUNDY**—Do 30-plus states in the US have potential barriers to Australian—

**Dr Hart**—No, potentially are included in the agreement.

**Senator LUNDY**—Potentially are included?

**Dr Hart**—Yes.

**Senator LUNDY**—So 20-something states aren't.

**Dr Hart**—That is right.



**Senator LUNDY**—Are you able to provide a list?

**Dr Hart**—Not at this stage.

**Senator LUNDY**—When will you be able to provide a list?

**Dr Hart**—I would imagine when the details of the agreement have been finalised. As you know, the infamous legal scrubbing is continuing, plus the final details of the agreement are being completed.

**Senator LUNDY**—Can I ask the minister if he thinks it is just a tad misleading to promote this agreement as full access to the American market by Australian companies when in fact it is very unclear. There might be a majority of states that are included in the agreement but a number in the high 20s that are not.

**Senator Kemp**—I am not sure it is promoted that way. I thought Dr Hart explained it very well actually.

**Senator LUNDY**—I am reflecting on previous ministers' statements and public statements put by the Howard government, as opposed to Dr Hart's answers.

**Senator Kemp**—I have not seen those statements. When I have taken a quote from a Labor senator about what some Liberal minister has said, I have found myself often being burnt because it was a misquote and taken out of context. Unless you have the exact quote there, I do not propose to make any comments on it; but that is not how it was promoted. I do make the other point that the six states in this country are very keen on the FTA as well.

**Senator LUNDY**—That is a better proportion.

**Senator Kemp**—The only section of the Labor Party which does not appear to be keen on the FTA happens to be the federal opposition.

**Senator LUNDY**—That is a far better proportion than the proportion of American states that have the capacity to provide access. I think it is highly misleading—

**Senator Kemp**—Well, 100 per cent of Labor states and 100 per cent of Labor premiers are now keen on the free trade agreement.

**CHAIR**—Let's move on.

**Senator Kemp**—Senator Lundy, you are completely out of kilter.

**CHAIR**—We are approaching 11 o'clock when these estimates conclude and there is still NOIE to deal with.

**Senator LUNDY**—Have you quantified the potential benefit to Australian companies in relation to ICT exports to the 33 states that are in fact a party to the US FTA?

**Dr Hart**—No. As I said, there was general costing work done. The Department of Foreign Affairs and Trade has indicated that some more work is going to be done, but at this stage I am not able to give you any further information.

**Senator LUNDY**—Can you tell me whether the current provisions of the proposed FTA specifically exclude either an offsets program or an industry development program that identifies a proportion of involvement of Australian companies as opposed to SMEs?

**Dr Hart**—I do not think I can elaborate on the previous answer, which is that there are some offsets implications but SMEs are specifically excluded.

**Senator LUNDY**—Yes, no SMEs, but I am asking you whether you are aware that industry development policies that favour Australian companies, that being the definition, will now be specifically prevented as a result of the FTA?

**Mr Sutton**—It would depend very much on the detail of the actual industry development policy that was proposed, together with the final detail text of the FTA.

**Senator LUNDY**—That tells me absolutely nothing because we have not seen the detail.

**Mr Sutton**—We are just not able to answer that question.

**Dr Hart**—We are not able to speculate.

**Senator LUNDY**—Can you take that on notice?

**Dr Hart**—It may be some time because until there is a final text it is very difficult to speculate about those things.

**Senator LUNDY**—When that text is available—and I am sure there will be a process of it being made public—could you take on notice to provide the committee with the answer to that question then?

**Dr Hart**—Indeed.

**Senator LUNDY**—Finally, will existing agreements like those relating to Australian value add and small business be renewed under the FTA?

**Mr Sutton**—Certainly as it relates to SMEs. There will be a clear exclusion of those. The provisions in relation to other AVA type measures or the like will depend on looking again at the detail of the particular arrangements and the detail of the final text of the agreement.

**Senator LUNDY**—In other words, you cannot tell me anything. Just finally, the Buy America Act, which is a federal act in the US: how will that impact upon or affect Australian companies trying to sell to the US government? Can you specifically tell the committee how that act operates and how it will affect Australian companies?

**Dr Hart**—It will no longer act as a barrier, basically. Companies will now be able to sell direct to the US government and will not be discriminated against through US legislation such as the Buy America Act.

**Senator LUNDY**—I have some more questions, Chair, but I will place them on notice. Just a couple more on BITS incubators: the incubator program, I am sure everyone is aware, is coming to a conclusion. Many in the sector are still waiting for a government decision on whether or not there is going to be any additional funding. When will the final evaluation by Allen Consulting of BITS be released by the government? When does the government plan to make an announcement about the future of BITS?

**Senator Kemp**—My understanding is that it is actually an input into the budget process and it would have to be considered in that context. It is not generally usual to issue working papers which are going to the budget process but we can always refer your request, if you would like, to Minister Williams.

**Senator LUNDY**—Indeed. How many BITS incubators are currently operating?

**Mr Allnutt**—There are 10 through the incubators program, and the 11th through the Intelligent Island program.

**Senator LUNDY**—They are all still operating?

**Mr Allnutt**—Yes, they are still all operating.

**Senator LUNDY**—How do news reports of incubators closing their doors cross-reference to what you are saying?

**Mr Allnutt**—You are probably referring to item 3, which is still in existence. It is no longer taking on new incubatees, so you could say it is in a holding pattern, but it is still technically operating.

**Senator LUNDY**—Minister, are you worried that because of the uncertainty facing many of these incubators and the fact that at least one we know is in a holding pattern—I have read a number of media reports, as I am sure you have, about the difficulties facing others—the sooner you make an announcement, one way or the other, the better the outcome for these incubators?

**Senator Kemp**—Senator, of course certainty is always to be valued and one understands that, but there is a budget process and I think people are aware of it.

**Senator LUNDY**—Do you value some of the intellectual capital that is built up through the exercise of the BITS incubators? Do you think that is important to the innovational landscape of Australia?

**Senator Kemp**—I would not be someone who would describe himself as an expert on these matters. One thing I have learnt in politics is to be very careful about speaking at length about things that you are not fully briefed on. If any officer at the table would like to make an observation, they are more than welcome to.

**Senator LUNDY**—Can I put to you that certainly the draft evaluation by Allens—and I think there was an Econtech evaluation as well—had very positive reflections on the program.

**Senator Kemp**—That is good. I am sure that will be taken into account, Senator.

**Senator LUNDY**—I will place some further questions on notice about that and I guess they will all have to keep on waiting.

**Senator Kemp**—They also serve who only stand and wait, Senator. You know that.

**Senator LUNDY**—Thank you.

[10.41 p.m.]

#### **National Office for the Information Economy**

**Senator LUNDY**—Chair, I understand Senator Humphries has some questions. I would like to indicate that I have questions specifically on the CCIF and other elements of the broadband strategy, and also on the e-security program being run by NOIE. I am hoping I will be allowed some time to ask those questions.

**CHAIR**—Senator, the estimates are scheduled to end at 11. You have to exercise more discipline in the way you ask questions.

**Senator LUNDY**—I am always disciplined, and I am used to running a tight time frame for this portfolio, Chair.

**CHAIR**—There is no evidence of that, Senator.

**Senator LUNDY**—What I am not used to is other people taking up my time.

**CHAIR**—None at all.

**Senator LUNDY**—I ask you to make sure other senators maintain their discipline as well.

**Senator Kemp**—Senator, you have been asking questions now for over 12 hours. I think it is very uncharitable of you to complain about the few questions that Senator Humphries may wish to ask.

**Senator LUNDY**—We have all of tomorrow in front of us, Senator Kemp.

**CHAIR**—We welcome NOIE.

**Senator HUMPHRIES**—Thank you, Mr Chairman. I would like to ask officers from NOIE about some aspects of the policies and the programs that they run. Could I have someone describe for me the role that NOIE plays in respect of the National Broadband Strategy? Could you give me an idea of the number of people involved in that strategy within NOIE, its implementation and development and, if possible, the number of dollars associated with that activity?

**Senator LUNDY**—Senator Humphries might ask all of my questions for me.

**Senator HUMPHRIES**—I might, if you are very nice to me, Senator.

**Senator Kemp**—I am not sure I would bet on that.

**Senator LUNDY**—It could save us all some time.

**Ms Lansdown**—We have responsibility for the National Broadband Strategy and the programs that are contained in the strategy, with the exception of the Higher Bandwidth Incentive Scheme which is looked after by our colleagues in DCITA. The funding that has been provided to NOIE is approximately \$30 million and that covers—

**Senator HUMPHRIES**—Thirty-one million dollars, did you say?

**Ms Lansdown**—Approximately \$30 million. It is about 31 point something million. That covers a range of activities: the administration of the National Broadband Strategy Implementation Group; the CCIF program; the Demand Aggregation Broker Program. I think your question related specifically to the strategy itself.

**Senator HUMPHRIES**—You mentioned the number of dollars. How many people does that \$31 million employ?

**Senator LUNDY**—And over how many years?

**Ms Lansdown**—In staffing terms, it is about 11 people over four years. It actually starts off at 11 in the first year and reduces over the life of the program.

**Senator HUMPHRIES**—I understand every state has signed up to the National Broadband Strategy, except for Victoria.

**Ms Lansdown**—That is right.

**Senator HUMPHRIES**—Can you describe to me the consequences if the Commonwealth were to withdraw from its involvement with the National Broadband Strategy?

**Ms Lansdown**—It would seem unlikely, given that the Commonwealth has been the chief protagonist in the whole process, in terms of consulting with the states and territories to try and come to some sort of agreement for a national strategy.

**Senator HUMPHRIES**—Let's assume for the moment that the government decided suddenly to withdraw funding from the strategy and the Commonwealth could not play a role in it any more. What would be the consequence for the strategy across Australia?

**Ms Lansdown**—I am not sure that that is for me to answer, Senator.

**Mr Grant**—That is hypothetical. It is something that we really cannot answer.

**Senator HUMPHRIES**—I see. Do you think it is possible to devolve the National Broadband Strategy to the states? Is it really a necessity for the Commonwealth to be running a strategy like that?

**Mr Grant**—The Commonwealth has acted as a facilitator and an encourager in bringing together the National Broadband Strategy. In terms of the programs that have come out of that work, it continues to fulfil that role.

**Senator HUMPHRIES**—Could states fulfil that role separately as a series of state based strategies?

**Mr Grant**—There is a possibility, I suppose, that you could create a cooperative approach amongst the states, but it always helps to have a facilitator there.

**Senator HUMPHRIES**—You see a Commonwealth role as being very important in that?

**Mr Grant**—That is the Commonwealth's role in this program, yes.

**Senator HUMPHRIES**—Can you describe NOIE's role in respect of e-security measures in Australia? What is NOIE doing in that respect? How many dollars are associated with that function and how many people are associated with that function?

**Mr Grant**—Regarding e-security, I might start, and then I will ask Mr Cross to add some information. NOIE deals with e-security at a number of levels. One is inside government and one is in government's dealings with outside government. We also have participated in things like the Critical Infrastructure Group. Again, what NOIE brings is a level of expertise and strategy to the application of information and communications technologies. In addition to that, we are a relatively independent participant in many of these discussions.

**Mr Cross**—NOIE does play a role in terms of the government's trusted information-sharing network and runs a coordination group on the e-security national agenda, where we provide a facilitation and coordination role for a range of Commonwealth government agencies in the area of e-security.

**Senator HUMPHRIES**—Why can't those agencies play that role themselves? Why do we need to have a coordinating agency to do that?

**Mr Grant**—There are a range of agencies who in fact play a role in there and, while NOIE provides coordination in some areas, other agencies provide coordination in others. In fact, it is, I suppose, a cluster of interests, a community of interests, who work together to try to

cover the gamut of the issues and each brings their expertise to the relevant aspect that is being dealt with at the time.

**Senator HUMPHRIES**—Can you tell me how many dollars are associated with that function and how many people are associated with that function?

**Mr Cross**—In terms of the e-security roles that NOIE undertakes, there would be a team of four people.

**Mr Grant**—I think we have to add to that: internal to government, there would be at present approximately two or three additional people who deal with e-security. There is no program funding associated with it, and a lot of the work we do is in fact contributing to the development of approaches.

**Senator HUMPHRIES**—What about the similar issue with respect to the anti-spam legislation that was passed last year? What is the level of resource commitment within NOIE to that, in terms of people and dollars?

**Mr Cross**—The online regulation team, of which the spam is one part of their duties, is a team of four people again. They are currently working to promote awareness and understanding of the spam legislation, international activities in relation to the spam sphere, and to basically provide a broad range of advice to a lot of stakeholders in the lead-up to the legislation coming into force on 10 April.

**Senator HUMPHRIES**—Can you tell the committee how you think NOIE is perceived across government in its role as coordinator of strategy in respect of broadband outlay, e-security and issues like that? Is it well regarded in your view? Is it seen by stakeholders with whom it works as having done a good job?

**Mr Grant**—I think NOIE is well regarded. Like all central agencies or coordinating agencies, there are times when many of our colleagues would rather not hear from us, but overall I think that over the last two or three years the role that NOIE has played has been viewed as valuable and that the contribution that we have made to providing a focus on the productive use of information and communications technologies and the Internet, to create value both inside government and external to government, is beginning to be recognised.

**Senator HUMPHRIES**—Do you think the functions currently performed by NOIE could be performed equally well by the department proper, as an overlay to the roles played by officers within areas, desks within the department? Why have an agency of the kind which is freestanding outside the department?

**Mr Grant**—I do not think that is a question that I can answer. It is really a decision for government.

**Senator HUMPHRIES**—Given the changes in technology that we can see coming down the pipeline over, say, the next 10 years, do you think that the work of an agency like NOIE is likely to increase or to decrease in size and complexity?

**Mr Grant**—That is an interesting question because the technology is there and it can do things and it keeps progressing quickly. Something we all recognise is that the technology alone is not going to create the value or drive the productivity. In fact, what you need to have is the concurrent change in the way we go about our business practices and, I suppose, a move

away from traditional thinking; so, over the period, you might find different focuses. You could have technology when the technology is new. You might move to organisational change and productivity creation as the technology becomes well understood and you are able to adapt it into your business processes. So, as the environment changes, the role of agencies like NOIE does change.

**Senator HUMPHRIES**—But given the complexity and the multiplication of issues around things like e-security and the large number of transactions taking place on the Net and things like that, you assume that the role that NOIE programs play in that exercise would get larger and more complex, wouldn't you?

**Mr Grant**—NOIE has a positive contribution to make. I should add that NOIE is an organisation that is made up of a series of functions that have often come from other agencies, so consequently it is part of that cycle.

**Senator HUMPHRIES**—Finally, you have mentioned some of the component parts of NOIE's job being quite small units. If those units were to be dispersed across Australia and to different areas outside Canberra, do you think they would be as effectively performed as they are at the moment?

**Mr Grant**—I do not think I can answer that because it is hypothetical. As we have seen, the nature of NOIE does change as the environment changes, so it is something that I would be talking about without a base of knowledge if I were to give you a direct answer.

**Senator HUMPHRIES**—Let me rephrase the question then. Do you think that NOIE's role as a coordinating agency is enhanced by its proximity to other agencies of the federal government based in Canberra?

**Mr Grant**—The answer to that is yes, but that is only one element of the NOIE activity. We also do a lot of work with state and territory governments, with a view to creating interoperability and a client focus. We work with industry in terms of helping businesses understand how they can apply this technology productively and efficiently so it improves their bottom line. So NOIE does act, in its current formation, in a range of areas already. As you move down the path of innovation and implementation, the nature changes. I think we have been effective and can still continue to be effective, but the actual organisation structure and the focuses that we have will change as the environment changes.

**Senator HUMPHRIES**—Those are all my questions. Thanks, Mr Chair.

**CHAIR**—Senator Lundy?

**Senator LUNDY**—Thank you, Chair. I note that I have about three minutes to ask questions.

**Senator Kemp**—Senator Lundy, you have had 12 hours to ask questions and I think you got off very lightly. That would be my view.

**Senator LUNDY**—With respect to the e-security agenda, my understanding is that the original budget allocation to NOIE was not in fact a budget allocation; that you were asked to contribute to that program by finding quarter of a million dollars from within your existing budget over a four-year period. Has that changed at all and have you received any additional money for your role in the e-security agenda?

**Mr Grant**—The nature of NOIE is that we are a project based organisation and we do shift our resources around to reflect changing priorities. I am not aware whether we allocated \$250,000 early on. What I do know is that e-security is a significant issue and we thought we needed to participate in a positive way. In terms of additional moneys—

**Senator LUNDY**—I am conscious of time. I have a few quick questions. Could you take that question on notice, if there has been any additional allocation, but also what is the staff resourcing allocation against that particular project of NOIE's? Chair, given the time, I would like to place on notice questions relating to all of NOIE's programs: the funding allocation against all of them for the current and forthcoming financial years, just to keep a bit of a fence around it; the staffing allocations; the classification of staff allocated to those outcomes; and, please, if there are any flowing projects or flexibility or moving resources, if you could identify them specifically in those answers, that would be most helpful.

**Mr Grant**—We will see what we can do, Senator. The classification is a really difficult one because it is going to require a real degree of subjectivity about the allocation. In terms of numbers it is much easier to do.

**Senator LUNDY**—How many people, in terms of NOIE's expenditure, are external consultants?

**Mr Grant**—We have in broad terms about 140 or 145 permanent employees. We have approximately 20—but it might be 25—non-ongoing employees.

**Senator LUNDY**—Like contracted project officers?

**Mr Grant**—People contracted as public servants, not as contractors or consultants.

**Senator LUNDY**—But on limited term contracts?

**Mr Grant**—On limited term contracts; that is right. In addition to that we do, from time to time, engage consultants to do specific work.

**Senator LUNDY**—In relation to the broadband strategy—I think Senator Humphries asked the question there about the allocation, staffing resources and funding—if you could also cover that as part of the complete response to this question, that would be most helpful. Thank you, Chair, and I will be placing other questions on notice.

**CHAIR**—Thank you very much. That concludes today's hearings. Thank you all for being here.

**Committee adjourned at 11.00 p.m.**