



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ENVIRONMENT AND COMMUNICATIONS  
LEGISLATION COMMITTEE

**Estimates**

TUESDAY, 18 OCTOBER 2011

CANBERRA

BY AUTHORITY OF THE SENATE

## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

**<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:

**<http://parlinfo.aph.gov.au>**

**SENATE**  
**ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE**

**Tuesday, 18 October 2011**

**Senators in attendance:** Senators Abetz, Bilyk, Birmingham, Bishop, Boswell, Cameron, Colbeck, Edwards, Eggleston, Fisher, Humphries, Joyce, Ludlam, Macdonald, McKenzie, Nash, Siewert, Singh, Waters, Williams, Wright and Xenophon



## **BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY PORTFOLIO**

### **In Attendance**

Senator Conroy, Minister for Broadband, Communications and the Digital Economy and  
Minister Assisting the Prime Minister on Digital Productivity

#### **Department of Broadband, Communications and the Digital Economy**

##### **Management and Accountability**

Mr Peter Harris, Secretary

Mr Abul Rizvi, Deputy Secretary, Digital Economy Services Group

Mr Daryl Quinlivan, Deputy Secretary, Infrastructure Group

Ms Nerida O'Loughlin, Deputy Secretary, Broadcasting and Digital Switchover Group

##### **Program 1.1 Broadband and Communications Infrastructure**

Mr Daryl Quinlivan, Deputy Secretary, Infrastructure Group

Ms Pip Spence, First Assistant Secretary, NBN Implementation Division

Ms Joanna Grainger, Assistant Secretary, NBN Policy and Program Branch

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

Mr Daniel McCarthy, Assistant Secretary, NBN Shareholder and Governance Branch

Mr Rohan Buettel, Acting First Assistant Secretary, Networks Policy and Regulation Division

##### **Program 1.2 Telecommunications, Online and Postal Services**

Mr Abul Rizvi, Deputy Secretary, Digital Economy Services Group

Mr Keith Besgrove, First Assistant Secretary, Digital Economy Services Division

Ms Sylvia Spaseski, Assistant Secretary, Digital Initiatives Branch

Mr Andrew Maurer, Assistant Secretary, Spectrum and Wireless Services Branch

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

##### **Program 1.3 Broadcasting and Digital Television**

Ms Nerida O'Loughlin, Deputy Secretary, Broadcasting and Digital Switchover Group

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

Ms Karen Toole, Assistant Secretary, Household Assistance Branch

Ms Di Stewart, Assistant Secretary, SSS and Supply Chain Branch

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

Mr Paul Vincent, Assistant Secretary, Technical Implementation Branch

Ms Ann Campton, Assistant Secretary, Broadcasting and Switchover Policy Branch

##### **Corporate and Business**

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

Ms Karen McCormick, Assistant Secretary, Communications and Media Branch

##### **Finance**

Mr Simon Ash, Chief Financial Officer, CFO Group

##### **Special Broadcasting Service Corporation**

Mr Michael Ebeid, Managing Director

Mr Bruce Meagher, Director, Strategy and Communications

Mr Jon Torpy, Chief Financial Officer

##### **Australian Postal Corporation**

Mr Ahmed Fahour, Managing Director and Chief Executive Officer

Mr Paul Burke, Corporate Secretary and General Manager, Government Affairs

Mr Steve Ousley, Executive General Manager, Mail Services  
Ms Christine Corbett, Executive General Manager, Retail Services  
Ms Catherine Walsh, General Manager, Human Resources  
Mr Paul Urquhart, Financial Controller  
Mr Alex Twomey, General Manager, External Affairs and Reputation

**Australian Broadcasting Corporation**

Mr Mark Scott, Managing Director  
Mr David Pendleton, Chief Operating Operator  
Mr Michael Millett, Director, Corporate Affairs

**Australian Communications and Media Authority**

Mr Richard Bean, Acting Chair  
Ms Andree Wright, Acting General Manager, Digital Economy Division  
Ms Rebecca Burdon, Principal Economist, Regulatory Futures Branch  
Mr Giles Tanner, General Manager, Digital Transition Division  
Ms Maureen Cahill, General Manager, Communications Infrastructure Division  
Mr Allan Major, Executive Manager, Infrastructure Regulation Branch  
Mr Andrew Kerans, Executive Manager, Spectrum Infrastructure Branch  
Ms Jennifer McNeill, Acting General Manager, Content, Consumer and Citizen Division  
Mr Brendan Byrne, General Manager, Legal Services Division  
Ms Clare O'Reilly, Executive Manager, Public Inquiry—Reconnecting the Customer  
Ms Dianne Carlos, General Manager, Corporate Services and Coordination Division  
Dr Derek Ambrose, Chief Finance Officer and Executive Manager, Finance and Facilities Branch  
Mr Stuart Wise, Manager, People and Coordination Branch  
Mr Mark Loney, Executive Manager, Operations

**NBN Co. Ltd**

Mr Mike Quigley, Chief Executive Officer

**Committee met at 09:00**

**CHAIR (Senator Cameron):** I declare open this public hearing of the Senate Environment and Communications Legislation Committee. The committee will begin this morning with the examination of the Special Broadcasting Service Corporation in the Broadband, Communications and the Digital Economy portfolio before resuming its examination of the Sustainability, Environment, Water, Population and Communities portfolio. These are supplementary budget estimates proceedings and the agencies heard during these estimates are only those which have been nominated by various senators.

The Senate has referred to the committee the particulars of proposed expenditure for 2011-12 for the portfolios of Broadband, Communications and the Digital Economy; Climate Change and Energy Efficiency; and Sustainability, Environment, Water, Population and Communities and related documents. The committee has set Friday, 2 December 2011 as the date by which answers to questions on notice are to be returned. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice.

Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention

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

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

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

**Special Broadcasting Service Corporation**

[09:02]

**CHAIR:** I welcome officers from the Special Broadcasting Service. Mr Ebeid, welcome to your first estimates hearing. Would you like to make an opening statement?

**Mr Ebeid:** Yes, I would. Thank you very much. I might start by saying that in the four months that I have been managing director I have been struck by the depth of passion and commitment by all employees at SBS. I think we are truly a unique organisation and one that is an important cultural and creative institution. Although our TV network is run on about 20 per cent of the average of the other four networks in Australia, we absolutely make sure that our Australian content really counts and makes a difference. Recent programs like *Immigration Nation* and *Go Back to Where You Came From* demonstrate our ability to tell Australian stories, to push boundaries and be thought provoking, ultimately contributing to social cohesion. There are also great examples of how we have used social media to not only extend the reach of our content but also connect with new and younger audiences.

In addition, our language services in radio and online have been piloting some really good initiatives. Our virtual Chinese community centre online has really enabled Chinese audiences to congregate online and to get news and current affairs and to share their Australian stories and experiences online. That has been very well received. We have also had a *Mandarin News Australia* program, which is a 30-minute news and current affairs program done in Mandarin with Australian subtitles, to share Australian news and current affairs with that community. Those two services have been very well received and, off the back of those two successes, we believe that we should be doing more Australian news and current affairs in language for our various communities—at least for our top half-dozen or so languages—to contribute to social inclusion. I have also been quite heartened by community support from our culturally diverse communities. I have had the opportunity to meet many of their leaders and stakeholders to hear first-hand just how important SBS is to those communities and the impact that it has on their lives. It has really led me to believe that SBS is truly more relevant today than it ever has been in its last 35 years of history, mainly because of our cultural complexity in Australian society.

As always, resources and funding is very much the key issue for us at SBS. Our content costs have been increasing dramatically over the last few years, despite the fact that we have been helping ourselves in funding by increasing our advertising revenue. But as we all know advertising revenue for a public broadcaster is very much a double-edged sword. Our ad revenues now are continually under pressure because of the advent of multichannels. They really have not recovered since pre-GFC levels. Unfortunately, the outlook for advertising revenue is not optimistic either, given the state of the retail sector and business confidence.

However, I am very encouraged by Minister Conroy's and other parliamentarians' support of SBS and our SBS services. I am very grateful to Senator Scott Ludlam and Steve



Georganas and Paul Fletcher for recently co-convening a bipartisan group of the Parliamentary Friends of SBS, which we hope will make a difference to gaining further support for SBS.

I very much look forward to continuing our positive conversations about SBS and our continued funding needs as we head into consideration for our important triennial funding year. Thank you.

**CHAIR:** Thank you.

**Senator LUDLAM:** Thank you for your opening statement and for joining us this morning. Welcome to your first estimates round. I would like to pick up on some of the things that you raised, particularly the budget question and your advertising revenues. My understanding is your forward estimates show that revenues from advertising will fall—not simply that growth is stalling, but that it will decline.

**Mr Ebeid:** That is right, yes.

**Senator LUDLAM:** What is your plan or proposal to offset those declines?

**Mr Ebeid:** Our advertising revenues have seen a forecast decrease of about \$16 million from this time last year when we were setting our budgets. The organisation has worked really hard to find about \$12 million of savings to offset that \$16 million drop, but there is still a gap there that we are unable to find. We have basically been going through looking for not only productivity improvements across the organisation but we have had to drop certain services. We have had to cut Australian drama. Recently we cut the *Dusty* program that was on our slate, which was worth several million dollars. That has meant that we now do not have any Australian drama left on our content slate, which is unfortunate. We have stopped several other initiatives as well as capital programs. A few language services as well have gone into recess as a result of those budget cuts.

**Senator LUDLAM:** You ran a pretty lean organisation already. Is it fair to say that you are now starting to chop into some of your core activities?

**Mr Ebeid:** Yes, I think that without a doubt that is fair to say. Shaun Brown, the previous managing director, and the management team have done a really good job in making sure that the organisation is run very lean and there is very little left to cut other than actually take programs and initiatives out.

**Senator LUDLAM:** So the next budget round, obviously, is really the crucial one. Obviously you have the core activities of the broadcaster. Do you have a view, if there is an increase on your base funding—and I put this to Shaun on a couple of occasions—of using some of that increased public funding to retire some of the in-program advertising?

**Mr Ebeid:** It would obviously depend on what the funding increase was. But, at the end of the day, whatever we get in our funding increase we would be standing still unless we had a material increase in our funding. I really cannot see us retiring our advertising revenues without a material increase in funding.

**Senator LUDLAM:** Is it too early to talk about what a 'material increase' would look like? At what point are you not standing still?

**Mr Ebeid:** Standing still would be about \$50 million, because that is what we are doing in advertising revenues at the moment. The forecast has now dropped to about \$45 million for this year. That would be the standing-still position.

**Senator LUDLAM:** Whereby you do not have to cut further services or anything along those lines?

**Mr Ebeid:** That is right.

**Senator LUDLAM:** No further attrition.

**Mr Ebeid:** But, if we were given that money, then obviously we would not be able to increase any services either, which is a key issue for us.

**Senator LUDLAM:** I just wanted to see, depending on the amount of funding that is granted and if there is any increase in a tight budget, whether you think it is a legitimate use of some of that funding to start withdrawing some of the commercialisation of the station.

**Mr Ebeid:** There probably could be a mix, again depending on the level of funding. I would be more inclined to want to increase services to our audiences at the moment. The issue with advertising is that we have not really seen a drop-off in our audiences. In fact, when advertising revenue started we actually had an increase in our audience numbers. Audiences now really understand that our advertising revenues do contribute to getting better programming. There are a lot of other services that we would like to be able to offer our audiences than necessarily just cutting advertising, which, I might remind you, is limited to only five minutes an hour compared to the commercial networks where it could be up to 15 minutes.

**Senator LUDLAM:** Do you still exercise any quality control on the ads, apart from your legal obligations?

**Mr Ebeid:** We do have absolute quality control around the production of the ads themselves and we do stop any ads that would have any conflicting points to our charter or our editorial independence. Otherwise, if they are legal and they pass the self-regulatory test of the advertising industry, then we let them go through.

**Senator LUDLAM:** There used to be some quality control and now we have anything—Harvey Norman screaming at us at random intervals. The station used to exercise quality control. When did that drop?

**Mr Ebeid:** I am not sure I could tell you that. I think we have always had the same quality controls on our ads. You have probably just seen an increase in some different advertisers.

**Mr Meagher:** I am certainly not aware of any policy change in relation to that. There has been a discretion. There are certain products. For example, we will not advertise the 1800 sex lines and various things like that. In terms of retail advertisers and the like, I do not think we have ever explicitly said that we would or would not take particular people. It is more a case of what the market throws up.

**Senator LUDLAM:** That is interesting. That is not what I was aware of.

**Mr Meagher:** I can double-check whether there was a policy prior to my time, but that was five years ago.

**Senator LUDLAM:** Maybe I was just wearing some rose tinted glasses. Is SBS participating in the convergence review discussion? Is a paper in preparation or something that you have submitted?

**Mr Ebeid:** Yes, we are preparing our submission as part of the convergence review. We have already had a conversation with some of the members of the convergence review. That was just before my time. I think the previous managing director and Bruce had conversations.

**Senator LUDLAM:** Part of your mandate is about enhancing social cohesion. In this day and age, I think there is growing tension. We are seeing more migrants from more countries and different countries than people are used to. The political rhetoric around asylum seekers is, in some sense, being calculated to expand or enhance hostility, so your role becomes more important. Can you tell us what in particular you are doing to address that kind of political raising of the temperature around multiculturalism?

**Mr Ebeid:** We do that through our programs. *Go Back To Where You Came From* and *Immigration Nation* are two good examples of where we did some surveys of audiences after the programs. The surveys told us that those programs garnered a lot of discussion in the community and got people to think differently about the issue. The programs put up different perspectives for people to make up their own mind about issues and really understand perspectives that they may not have otherwise known. I think those examples also helped the issue of social cohesion and for people to understand the plight of some of the refugees.

**Senator LUDLAM:** I would like to congratulate you on both of those programs. I will ask just one more question. I understand there is potential in the offing for some kind of either amalgamation or joining of forces with NITV.

**Mr Ebeid:** Yes.

**Senator LUDLAM:** What are you able to tell us about those negotiations, if they are afoot?

**Mr Ebeid:** A few months ago, the minister had requested that SBS and NITV discuss the possibility of SBS starting a free-to-air Indigenous network. Those discussions are continuing. We have been having very fruitful discussions with the NITV management team and board. I am very hopeful that we might be able to put together a proposal to the minister to consider later this year, but we will be taking something to our board very shortly on those discussions.

**Senator LUDLAM:** Will there be an additional budget component to that? You are fairly stretched with the resources you have at the moment, without taking on more obligations, I would have thought.

**Mr Ebeid:** Yes. My understanding is that the NITV budget at the moment is \$15 million and that those funds would be transferred to SBS to start that service. We are looking at whether \$15 million would be enough to put together a quality Indigenous service, based on our public broadcasting standards, and we are going back to the minister with various pros and cons of that budget.

**Senator LUDLAM:** Around other Indigenous broadcasters—one that comes to mind is IRCA, the Indigenous Remote Communications Association that runs out of Central Australia—are you including other broadcasters, whether it be IRCA or perhaps Goolarri in the north-west of WA, so as not to replicate the perception at least that an NITV is very south-east focused?

**Mr Ebeid:** Those sorts of discussions will, I think, happen further down the track. I think it is a little early for us to start including some of those other organisations and bodies, but our intent is that we will garner support from different parts of the Indigenous communities. I think those names you mentioned are on our list to speak to at a later point, yes.

**Senator LUDLAM:** I wish you well with your budget submission.

**CHAIR:** Mr Ebeid, I was remiss; we should congratulate you on your appointment and welcome you to your first estimates.

**Mr Ebeid:** Thank you, Senator.

**Senator BIRMINGHAM:** I echo those compliments to Mr Ebeid.

**Mr Ebeid:** Thank you.

**Senator BIRMINGHAM:** I will touch on a few of the issues that Senator Ludlam was covering. The first is in relation to advertising. Obviously every extra dollar you can get out of government—to supplement loss in advertising revenue as a result of the downturn but, hopefully, go beyond that—is a dollar you can apply to extra services, regardless of what you have for advertising, is it not?

**Mr Ebeid:** That is correct.

**Senator BIRMINGHAM:** The advertising income is a supplementary addition as such and allows you to do more—whether it is \$45 million of advertising or \$450 million, which you might dream of.

**Mr Ebeid:** Exactly. I think it is important to remember that the reason, of course, we have the advertising revenue is to supplement the very stagnant government funding that we have had over the past years, when costs have obviously grown to considerably more than that.

**Senator BIRMINGHAM:** It was years, Minister. It probably goes back more than three or four.

**Mr Ebeid:** Decades.

**Senator Conroy:** It was a long, long time. There was actually an increase in funding from us in the last round.

**Mr Ebeid:** That is correct.

**Senator BIRMINGHAM:** It was relatively marginal, if my memory of Mr Brown's description of that increase is correct. The annual report, Mr Ebeid, indicates SBS Regional delivered 34 per cent growth and was the fastest-growing regional network in Australia for the 2010-11 year. This is in the section about television advertising. I assume that is correct because it is in your annual report. I assume SBS Regional is a description of composite advertising across your regional distribution facilities.

**Mr Ebeid:** Not knowing what you are referring to, I am assuming that is advertising revenue from our regions. That would probably be correct because I do not think we really focused on advertising revenue from the regions in the sort of way we are now. So, yes, we have had some increases there but it has clearly not offset the decreases in revenue that we are getting from the metros.

**Senator BIRMINGHAM:** I was quoting from page 48 of the report. If you need to update anything there, please feel free to do so. I will jump to NITV, which Scott touched on.

Minister, I think you proposed inclusion post 1 July 2012. Is that the time line that people are working towards?

**Senator Conroy:** Sorry?

**Senator BIRMINGHAM:** The NITV integration into SBS.

**Senator Conroy:** That sounds about right.

**Senator BIRMINGHAM:** Is that the time line agencies are working towards, Mr Ebeid?

**Mr Ebeid:** That is correct, yes.

**Senator BIRMINGHAM:** It is your understanding, Mr Ebeid, that all of the existing \$15 million will be shifted across, and in being shifted across it will be isolated for exclusive Indigenous TV production?

**Mr Ebeid:** That is currently the plan. Yes, that is how we are looking at it.

**Senator BIRMINGHAM:** Along with real funding increases, or the like, for the future?

**Mr Ebeid:** We would hope so. Yes.

**Senator Conroy:** I think they know they would never get it under your government.

**Senator BIRMINGHAM:** NITV was seeking an increase in annual funding, as I understand it, but their budget appears to be relatively static. Is there any expectation that as part of this integration into SBS there will be an increased funding for NITV or the new format for Indigenous production?

**Senator Conroy:** It is, just for the record, funded in a stand-alone way until 30 June 2012—that is, next year.

**Senator BIRMINGHAM:** Thank you, Minister.

**Mr Ebeid:** Really that matter is yet to be determined. We have not, obviously, accepted the challenge as yet. We are working through those in discussions with the department, the minister and NITV. So I think it is a bit early to comment on that.

**Senator BIRMINGHAM:** How are you going about working out plans for editorial control and appropriate arrangements for how you would have, in a sense, a currently separate organisation shifting into SBS but maintaining its own level of independence and operational standards?

**Mr Ebeid:** There is no doubting that one of the benefits of bringing it into SBS is that the new Indigenous service will benefit from the scale of SBS and our resources. So we definitely would not want to keep it as a separate organisation. We would want to be able to integrate it into SBS but we would definitely have a separate unit that would have editorial control over the programming that goes out. We are looking, at the moment through the working parties, at what that would look like and what form it would take in terms of the governance. The minister has already mentioned that we may have an Indigenous board member added to our board. We may or may not develop a separate advisory committee. They are all things that we are discussing and looking at at the moment.

**Senator BIRMINGHAM:** With regard to the broadcast of the NITV service, are there opportunities as a result of integration to expand the reach of the broadcast to more parts of Australia, or to integrate that into the technical aspects of SBS's broadcast activities?

**Mr Ebeid:** Obviously the reach will expand instantly overnight, because it will be a free-to-air channel. At the moment it is only on Imparja in the north and on FOXTEL and AUSTAR. So its reach will, by definition, expand instantly with the free-to-air service. Hopefully, that answers your question.

**Senator BIRMINGHAM:** It does. More generally speaking, having taken over the role and looking at SBS's use of the existing licences and broadcast opportunities available to it, do you believe SBS is getting appropriate value at present from its multichannels?

**Mr Ebeid:** I think there is a lot more that we could do. A lot of what we have on our multi-channel now is a direct reflection of our budgets. We are doing a good job, I think, of making sure we have a high level of languages other than English on SBS TWO. That is big part of our charter, obviously. So I think we are meeting our charter well on that.

Overall, yes, I think we have got good value for money from that but we would probably like deeper and more Australian content as well. If we were able to put more Australian content on there I think we would get better value for that spectrum.

**Senator BIRMINGHAM:** In your opening statement you talked about producing more in language, news and current affairs. Is that an objective across SBS in terms of radio and television or is it a specific objective that you have for television in particular?

**Mr Ebeid:** When I was talking about *Mandarin News Australia*, that was definitely a TV objective. I think we already do a very good job on radio and online in terms of language. But the problem with radio and online in language, in my view, is that we are not addressing all the new languages that we have in terms of new migrant groups in Australia, and they are the high-needs groups that probably need us the most. We should be expanding the number of languages that we have, given our cultural complexity at the moment; but what is happening in reality is that our number of languages have been shrinking, not expanding, at a time when we have new language groups coming into the country.

**Senator BIRMINGHAM:** There has been some criticism in relation particularly to the length of time taken to replace the head of television, Mr Campbell, since his departure. What are the reasons for that delay? What is the process in place? Is this hindering the development of next year's program or, indeed, your bidding for triennial funding and where you will go in the future?

**Mr Ebeid:** Firstly, I would probably say that those who would criticise the delay would probably not understand the process of recruiting a senior executive of that level. We have been working quite hard at finding the right executive, and there have obviously been lots of challenges in doing that. It is a tough role and also, given the budgets that we have, our salaries are not as high as what the commercial sector are offering. So I make no apology for the amount of time that we have taken to fill that role, because I absolutely want to get the right person in that role, and I will continue to look for the right person and I hope to have somebody announced. We actually came very, very close, I must say, to announcing somebody recently, but that person had to pull out of the race at the last minute due to family reasons, and that set us back. But I will continue to find the right person, not the best person at the time.

To answer the second part of your question—around its impact on the schedule—I do not believe it is impacting on the schedule at all, actually. I am very, very confident in the

management of our TV division. I have been working very closely with them on the schedule and the slate for the next 12 months, and I am very confident that actually it is a great line up.

**Senator SINGH:** Congratulations, Mr Ebeid, on your new appointment.

**Mr Ebeid:** Thank you.

**Senator SINGH:** What do you see as the core business of SBS?

**Mr Ebeid:** I think the core business of SBS is really to broadcast to Australian audiences, to reflect to Australians our multicultural and diverse society and to give them news and current affairs—and particularly in a way that we can tap into different languages and give our bulletins in language as well as in English for all Australians.

**Senator SINGH:** That would be done through both acquiring programs from overseas—

**Mr Ebeid:** Overseas and commissioning.

**Senator SINGH:** as well as commissioning. What would be the breakdown, roughly, of the acquisitions compared to the commissioning?

**Mr Ebeid:** It is probably about 80/20 at the moment, and I think the main reason for that is that obviously acquired content is a fraction of the cost of commissioned content. We would love to be commissioning a lot more content, and, to tell Australian stories the way our charter sets us out to, we need to be commissioning more content. But we just do not have the funds at the moment, and therefore we do acquire far more than we commission.

**Senator SINGH:** I understand that SBS was recently compelled to cancel the commissioning of a new Australian drama series called *Dusty*.

**Mr Ebeid:** Yes—we talked about that earlier.

**Senator SINGH:** Was that a funding reason? What were the reasons behind that?

**Mr Ebeid:** It was definitely a funding reason. A couple of things on *Dusty*: when I came into the role and looked at the forward commissioning slate, it was oversubscribed, so we were a little bit over budget on that; also, the budgets for the program itself came in higher than our initial estimates, so we just could not afford the increase that the program was needing. It is a full drama production, and therefore it is at the top end of what you would expect to pay for that sort of drama, so we just felt that financially we could not afford to keep it. But the money that we did cancel from the show we will be re-investing in other programs.

**Senator SINGH:** So, despite that, you hope to maintain that 80/20 balance that you currently have?

**Mr Ebeid:** Absolutely—the money that was allocated to *Dusty* will go to other commissioned content; it will not go to more acquired content.

**Senator SINGH:** In the case of *Dusty* and other programs that are commissioned, is it because the full costing gamut has not been realised at the beginning of the commissioning process that you end up no longer able to commission a program?

**Mr Ebeid:** Yes. The commissioning slate is obviously a complex one. We sign up to various programs, and they get delivered over different financial years. So you have to manage the budget tightly as you get closer and closer to the end of each year. Programs sometimes slip into the following financial year, and you just have to manage that process.

**Senator SINGH:** With digital radio coming onboard across the country, I understand SBS believes that that will improve audio services. How do you see that taking place—through more SBS digital channels? How do you see that occurring?

**Mr Ebeid:** Digital radio just allows us to do more programming, particularly language programming, should we want to launch additional radio channels. We also have the opportunity to do that online with fast broadband. So, with that combination, we have recently launched *PopAsia* on one of our digital channels, and that has been very successful in reaching Asian youth in Australia, and we have converted that into a TV program, which is on for two hours every Sunday morning. That has also been very well received by our audiences.

**Senator SINGH:** At the moment, I think on SBS Radio there are certain times of the day that are designated to various—

**Mr Ebeid:** Languages.

**Senator SINGH:** Yes. Would the programs on those multilingual channels be able to be rolled out on their own or would they have to be rolled out under a different—

**Mr Ebeid:** We could do that if we had the funding, but at the moment there are no plans to increase any digital radio channels. We just do not have the money for more content there, so there are no plans to do that.

**CHAIR:** Thank you, Mr Ebeid. That concludes the questioning of SBS. The committee will now resume its examination of the Sustainability, Water, Population and Communities.



## **SUSTAINABILITY, ENVIRONMENT, WATER, POPULATION AND COMMUNITIES PORTFOLIO**

### **In Attendance**

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

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

Dr Paul Grimes, Secretary

Ms Kimberley Dripps, Deputy Secretary

Mr David Parker, Deputy Secretary

Mr Mark Tucker, Deputy Secretary

Mr Malcolm Thompson, Deputy Secretary

#### **Environment Assessment and Compliance Division**

Ms Mary Colreavy, Acting First Assistant Secretary

Ms Carolyn Cameron, Assistant Secretary, Strategic Approaches Branches

Ms Barbara Jones, Assistant Secretary, Environment Assessment Branch 1

Mr James Barker, Acting Assistant Secretary, Environment Assessment Branch 2

Mr Richard McAllister, Assistant Secretary, Environment Assessment Branch 3

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

Mr Michael Smith, Acting Director, Compliance and Enforcement Branch

#### **Land and Coasts Division**

Ms Claire Howlett, Acting First Assistant Secretary, Land and Coasts Division

Mr Mark Flanagan, First Assistant Secretary, Land Sector Taskforce

Mr James Shevlin, First Assistant Secretary, Tasmanian Forest Taskforce

Dr Charlie Zammit, Assistant Secretary, Biodiversity and Conservation Branch

Mr Bruce Edwards, Assistant Secretary, Indigenous Policy and Coordination Branch

Dr Matty McConchie, Acting Assistant Secretary, Policy and People Branch

Dr Jane Campbell, Acting Assistant Secretary, Finance and Aquatics Branch

Ms Peta Lane, Acting Assistant Secretary, Land Sector Taskforce

#### **Corporate Strategies Division**

Ms Michelle Wicks, Acting Chief Operating Officer

Ms Lily Viertmann, Chief Financial Officer, Financial Services Branch

#### **Environment Quality Division**

Dr Diana Wright, First Assistant Secretary

#### **Heritage and Wildlife Division**

Mr Peter Burnett, First Assistant Secretary

Ms Vicki Middleton, Assistant Secretary, Regulatory Reform Branch

Ms Deb Callister, Acting Assistant Secretary, Wildlife Branch

Mr Paul Murphy, Assistant Secretary, Heritage North Branch

Mr Theo Hooy, Assistant Secretary, Heritage South Branch

#### **Housing, Population and Communities Division**

Ms Catherine Skippington, First Assistant Secretary

Ms Mary Wiley-Smith, Assistant Secretary, Communities and Housing Affordability Branch

Mr James Tregurtha, Assistant Secretary, Policy, Housing Supply and Rental Affordability Branch

Mr Sean Lane, Director, National Rental Affordability Scheme, Policy, Housing Supply and Rental Affordability Branch

**Information Management Division**

Mr Geoff Richardson, Acting First Assistant Secretary

Mr Al Blake, Chief Information Officer

Ms Michelle Semmler, Acting Chief Information Officer

**Marine Division**

Mr Stephen Oxley, First Assistant Secretary

Ms Christine Schweizer, Acting Chief Advisor International Biodiversity and Sustainability & Australia's Commissioner to the IWC

Ms Lara Musgrave, Assistant Secretary, Tropical Marine Conservation Branch

Mr Charlton Clark, Assistant Secretary, Temperate Marine Conservation Branch

Mr Peter Komidar, Acting Assistant Secretary, Marine Initiatives Branch

**Parks Australia Division**

Mr Peter Cochrane, Director of National Parks

**Policy and Communications Division**

Mr Sean Sullivan, First Assistant Secretary

Ms Rachel Parry, Assistant Secretary, Communications and Ministerial Services Branch

Mr Andrew McNee, Assistant Secretary, Strategic Advice Branch

**Supervising Scientist Division**

Mr Alan Hughes, Supervising Scientist

Mr Keith Tayler, Acting Assistant Secretary, Office of the Supervising Scientist

**Water Efficiency Division**

Ms Mary Harwood, First Assistant Secretary

Mr Colin Mues, Assistant Secretary, Water Recovery Branch

Mr Richard McLoughlin, Assistant Secretary, Irrigation Efficiency Northern Branch

Ms Suzy Nethercott-Watson, Assistant Secretary, Irrigation Efficiency Southern Branch

Ms Lucy Vincent, Acting Assistant Secretary, Basin Communities and On-Farm Branch

**Water Governance Division**

Mr Ian Robinson, First Assistant Secretary

Mr Steve Costello, Assistant Secretary, Environmental Water Branch

Mr Craig Bradley, Acting Assistant Secretary, Urban Water Security Branch

Mr Robert Gehrig, Acting Assistant Secretary, Project Management and Governance Branch

**Water Reform Division**

Mr Tony Slatyer, First Assistant Secretary

Mr Tim Fisher, Acting Assistant Secretary, Water Resources Branch

Mr Derek White, Acting Assistant Secretary, Aquatic Systems Health Branch

Dr Tony Bigwood, Acting Assistant Secretary, Water Policy Branch

Mr Aidan Dalgliesh, Assistant Secretary, National Water Market Systems Branch

**Agencies**

**Bureau of Meteorology**

Dr Rob Vertessy, Acting Director of Meteorology

Dr Neville Smith, Acting Deputy Director, Corporate

Dr Dasarath Jayasuriya, Acting Deputy Director, Climate and Water  
Dr Ray Canterford, Deputy Director, Services  
Mr Trevor Plowman, Assistant Director, Finance and Budgets  
Mr Alasdair Hainsworth, Assistant Director, Weather Services  
Dr Sue Barrell, Acting Deputy Director, Research and Systems

**Great Barrier Reef Marine Park Authority**

Dr Russell Reichelt, Chairman  
Mr Peter McGinnity, General Manager, Environment and Sustainability  
Ms Margaret Johnson, General Manager, Communication and Policy Coordination  
Mr Bruce Elliot, General Manager, Corporate Services  
Mr Andrew Skeat, General Manager, Marine Park Management

**Murray Darling Basin Authority**

Dr Rhondda Dickson, Chief Executive  
Dr Fraser MacLeod, Executive Director, Basin Plan Division  
Mr Frank Nicholas, Executive Director, Corporate Services  
Ms Jody Swirepik, Executive Director, Natural Resource Management  
Mr David Dreverman, Executive Director, River Murray

**National Water Commission**

Mr James Cameron, Acting Chief Executive Officer  
Ms Kerry Olsson, Acting Deputy Chief Executive Officer

[9:32]

**CHAIR:** We will go to outcome 5, program 5.1, Conservation of Australia's Heritage.

**Senator ABETZ:** Can we revisit Macquarie Island and the culling that has taken place. Last time I was told that, as at 17 July 2011—when I say 'last time', I mean in a written answer to a question I asked last time—932 birds were found dead. Is there any update on that figure?

**Mr Hooy:** Yes.

**Senator ABETZ:** What is the casualty list now?

**Mr Hooy:** The number of birds that have died in total for two years, 2010 and 2011, is 2,190.

**Senator ABETZ:** So this is now a cumulative total?

**Mr Hooy:** The total figure for 2010-11 is 2,190.

**Senator ABETZ:** Can you give me a breakdown of the species as you have done before—not now but on notice, because time is very short?

**Mr Hooy:** I can certainly do that.

**Senator ABETZ:** Previously I was told that the birds that died had done so as a result of feeding off the corpses of the animals that had been poisoned.

**Mr Hooy:** That is correct.

**Senator ABETZ:** Are we saying that the 110 ducks actually fed off corpses?

**Mr Hooy:** I see what you mean.

**Senator ABETZ:** I would have thought petrels might but I am not sure ducks do. So I am wondering whether the ducks in fact partook of the pellets and whether that was foreseen by any of the people administering this scheme.

**Mr Hooy:** I cannot speak for the ducks—

**Senator ABETZ:** That is reassuring—especially the dead ducks! Although Senator Conroy can speak for the magpies!

**Senator Conroy:** Sing for them!

**Senator BILYK:** Please don't!

**Senator Conroy:** After Bob Katter I am in the clear!

**CHAIR:** Senator Conroy, you have united the committee: no singing!

**Mr Hooy:** I will not speak for the ducks. I cannot confirm whether the ingestion by the ducks had been anticipated. I do know that there was concern about the ingestion of bait by albatross chicks and that was looked at very, very closely.

**Senator ABETZ:** Albeit we do not have any albatrosses on our mortality list.

**Mr Hooy:** There are only a small number of wandering albatross on the island and people were stationed in the immediate vicinity when the bait was dropped, so it was able to be moved from the nests.

**Senator ABETZ:** I will put further questions on notice. Thank you.

**CHAIR:** We have a very big list of senators who want to ask questions. You are very popular. I will try to keep each senator to five minutes to give everyone a fair go. Senator Eggleston.

**Senator EGGLESTON:** I understand there has recently been a heritage listing of the West Kimberley. Is that true?

**Mr Burnett:** Yes.

**Senator EGGLESTON:** Can you tell us when that was announced?

**Mr Burnett:** I believe it was announced on 31 August.

**Senator EGGLESTON:** That is a blanket listing, I understand. What are the dimensions of it? How far inland does it go?

**Mr Burnett:** Perhaps we can get you a map. But in general terms it is 19 million hectares. It includes the north Kimberley coast and islands from Cape Leveque to Cambridge Gulf, the Kimberley plateau, the King Leopold Ranges, the Devonian Reef, the Fitzroy River and its floodplain. I know that a verbal description like that is not very easy to visualise.

**Senator EGGLESTON:** That is okay; I know the area. There are a few questions arising from that. First of all, is that a blanket coverage of the whole area?

**Mr Burnett:** No. The way national heritage listings work is that there is a delineated boundary—so in that sense you can point to an area—but what is protected under the Environment Protection and biodiversity Conservation Act, which is where the list occurs, is the listed heritage areas. That does not mean everything inside the boundary is heritage protected. You have to read the boundary in conjunction with the listed values to understand what is protected.

**Senator EGGLESTON:** One of the points of discussion that was occurring in that area before the heritage listing was made was that there would be just islands of heritage value areas listed, not the entire area. Is that concept of island listing satisfied under your heritage values classification of areas of higher value?

**Mr Burnett:** I can see what you are getting at. Because there are particular values protected, those values do manifest themselves in particular places. For example, there are some Indigenous heritage values in the listing and that includes the Beagle Bay church. In that sense, the Beagle Bay church is a focus of the values and, in some senses, you could include it as an island, although that is not the terminology that we use.

**Senator EGGLESTON:** No, but that is the concept. Beagle Bay should be listed, I have to say. But I am thinking more of other Indigenous points of interest and culture, because it is quite a huge area of the west Kimberley and quite clearly there are many parts of the west Kimberley encompassed by that boundary which are not of particular heritage importance.

**Mr Burnett:** Yes, and there would be particular locations within the boundary that do not have any particular heritage values, if that is your point.

**Senator EGGLESTON:** That is my point exactly.

**Mr Burnett:** Nevertheless, there is a boundary but, as I said, that does not mean that everything inside the boundary has heritage protection.

**Senator EGGLESTON:** There is concern about developments in that area, which might include the Mitchell Plateau, where there is a very large alumina bauxite deposit. Does this preclude development of the Mitchell Plateau bauxite deposit?

**Mr Burnett:** It is not possible to say in a yes/no way. In order to work out what might or might not be permitted, one would have to know the exact nature of the proposal and its location. Then we would have to do an assessment against the listed values. So I am afraid there is no black-and-white answer to that question.

**Senator EGGLESTON:** Do the Indigenous people of the area accept your heritage listing as what they wanted?

**Mr Burnett:** Yes.

**Senator EGGLESTON:** That was approved by Wayne Bergmann.

**Mr Burnett:** The heritage listing was supported by the Kimberley Land Council.

**Senator EGGLESTON:** Thank you.

**Senator SIEWERT:** Can I please ask about the listing and King Sound. Can you confirm where the boundary is on King Sound? Is it the high-water mark or the low-water mark?

**Mr Burnett:** I am sorry but I do not have a map with me so I cannot answer that question.

**Senator SIEWERT:** I am asking because we have been trying to get the maps. The minister's office has said they are not trying to stop us—but it is getting access to information, so I am not putting that on the record. But we are finding it very hard to find out whether it is the high-water mark or the low-water mark around the mangroves. I want to know what area of mangroves are in or out. To date we have not been able to find out. Is it possible for someone to find that out before I leave here today and not take it on notice please?

**Mr Burnett:** I will do what I can. There would be a detailed description of the area on our website but it may be expressed in technical terms that do not give you an obvious answer to your question.

**Senator SIEWERT:** It is not just me looking. People have looked who are more technically savvy on some of these things than me and they cannot tell.

**Mr Grimes:** Yes, I think we can have a look and see if we can get that information to you and provide it before the end of the hearings today. If that is not possible we will take it on notice.

**Senator SIEWERT:** With all due respect, I do not want to wait until the answers come back just before or after Christmas. I am not being rude, but when things get taken on notice that is generally what happens.

**Mr Burnett:** We will do what we can. Just to clarify: King Sound and the high- or low-water mark?

**Senator SIEWERT:** And what area of the mangroves system there is included in the listing. In my remaining little bit of time, could we go on to the dinosaur footprints. Could you go through the process. As I understand it, we do not have a full understanding of the extent of the dinosaur footprints. Is that correct or not? What is the current understanding of the extent of the dinosaur footprints, not just around James Price Point but that whole region.

**Mr Burnett:** The dinosaur footprints that were included in the listing were as recommended by the Australian Heritage Council. Those dinosaur footprints, as I understand it, are found in the intertidal zone in the strip running up and down the Dampier peninsula. But the individual dinosaur footprints are not all known and are, therefore, not all mapped, so it is not as though there is a precise measurement of this footprint and that footprint.

**Senator SIEWERT:** I take that on board. I understand that the EPA in Western Australia is doing further work on that. Are you involved in that further work that is being undertaken to get a better understanding of the extent of the footprints?

**Mr Burnett:** Yes, but that might be a question to ask Environmental Assessment and Compliance Division, because that work is not in relation to the heritage listing, which is now complete; it is in relation to the strategic assessment of James Price Point, so we can perhaps come back to that.

**Senator SIEWERT:** Okay, I will ask them. So in terms of the heritage process for the west Kimberley your work is done?

**Mr Burnett:** The listing work is done. There is an ongoing correspondence between the federal and WA governments about management arrangements, but the listing is complete.

**Senator SIEWERT:** What are those management arrangements?

**Mr Burnett:** They have not been agreed to yet. We are waiting for a response from Western Australia.

**Senator SIEWERT:** So, when you say you are in correspondence about management arrangements, will there be some form of agreement as to how Western Australia manages the heritage values?

**Mr Burnett:** It is too early to say. We have raised it with them because it is the next step in the process, and we are waiting for a reply.

**Senator SIEWERT:** What is the time frame for developing that understanding and arrangements?

**Mr Burnett:** There is no time frame.

**Senator SIEWERT:** So I could be here at the same time next year asking you about the arrangements.

**Mr Burnett:** I cannot predict how it is going to play out.

**Senator SIEWERT:** Okay; thank you.

**Senator BOSWELL:** The minister has said that a World Heritage listing will only occur with the consent of the traditional owners. Will this consent be by way of Indigenous land use agreements under the Native Title Act? I am asking the question about Cape York.

**Mr Burnett:** I do not think that the government has enunciated a position on exactly what constitutes Indigenous consent in a technical sense. The government's policy is that there should be full and informed consent from traditional owners before any nomination is put in. There is no government policy that that should be in a particular form such as through an Indigenous land use agreement.

**Senator BOSWELL:** Is the Commonwealth pursuing blanket listing of Cape York for World Heritage? If not, what areas is the Commonwealth targeting?

**Mr Burnett:** The Commonwealth is not targeting anything in particular; the Commonwealth is looking at Cape York as a whole. So the area that is under consideration as a possible area for a World Heritage nomination is essentially the entirety of Cape York, but there is no preconceived view as to which parts of Cape York would or would not be included in the nomination.

**Senator BOSWELL:** I take it that you read the minister's statement that he was not going for the whole of Cape York and that he would do it on a piece-by-piece basis.

**Mr Burnett:** I have read the transcript of the minister's media conference that he gave when he was in Cape York, yes.

**Senator BOSWELL:** So you would say that Shelburne Bay, Cape Melville, McIlwraith Range and Aurukun Wetlands are definitely not going to be targeted?

**Mr Burnett:** I would say that there is no preconceived view as to the final form of the nomination—as to whether any particular place is part of that nomination or not part of it.

**Senator BOSWELL:** When the minister says he is not going to go for the listing of the whole of Cape York but will do it piece by piece—

**Mr Burnett:** I am not sure he has said that.

**Senator BOSWELL:** He did say it. He said, 'I am not going to try to list Cape York as a whole.'

**Senator Conroy:** Do you have a transcript?

**Senator BOSWELL:** No, but that is my—

**Senator Conroy:** I am sure the officer is not trying to deliberately mislead you or even to inadvertently mislead you; but he seems to have a different understanding of the facts, so a transcript on your part might help move us along.

**Senator BOSWELL:** Mr Burnett knows very well what the minister said. That is why he is paid quite a considerable amount of money—to find out. The minister said he would not approach Cape York as a complete listing. He then said, 'I will do this by selecting certain areas.' I want to know what those areas are.

**Mr Burnett:** I am not aware of the statement you are referring to in the terms in which you are putting it, so I think you should—

**Senator BOSWELL:** If I can find the statement, I am going to be very annoyed, because it was the front page of the *Australian*, and I—

**Senator Conroy:** It was the front page of the *Australian*! That must be true then—my goodness!

**Senator BOSWELL:** I know you do not like the *Australian*—

**Senator Conroy:** Let's just shut up shop right now! The front page of the Aus—that's conclusive! Lock us up!

**Senator BOSWELL:** That was the statement he made—he was going to list a patchwork. The word that he used is 'patchwork', and you are aware of that as much as I am. He used the term patchwork, and I am asking what the patchwork is.

**Senator Conroy:** They will get around to you one day. Don't you worry, Senator Birmingham: they will hunt you down one day. You just do not fit the ideological model.

**Senator BOSWELL:** He used the term 'patchwork'. I am asking: what is the patchwork?

**Ms Dripps:** I think you are correct in terms of the reportage in the *Australian*. The minister has embarked on a process of working with Indigenous communities to undertake country planning. In that country planning, the heritage values from an Indigenous perspective will be identified. Where those heritage values meet the standards for National and World Heritage listing, they will be put forward for consideration by those decision makers. As to precisely what they are at this point in time, it is not possible to identify them.

**Senator BOSWELL:** What kinds of activities will not be permitted within the World Heritage areas?

**Senator Conroy:** The usual sort?

**Ms Dripps:** The World Heritage considerations exclude mining extraction and oil and gas exploration and extraction.

**Senator BOSWELL:** What about farming?

**Ms Dripps:** Farming is generally compatible with World Heritage listing depending on the prior use in the area.

**Senator BOSWELL:** What discussions has the department had with the Greens or conservation groups about World Heritage listing on Cape York?

**Mr Burnett:** None, to my knowledge.

**Senator BOSWELL:** I suspect there have been discussions. I would be very surprised if the green groups have not talked to you about it. Are you aware of any discussions with green groups?

**Senator Conroy:** They consult all the time, I am sure.



**Ms Dripps:** We consult with green groups all the time. Consultation on Cape York in particular is being managed in tight collaboration with the Queensland government. Perhaps the officers involved might like to speak further on how that consultation with Queensland is being undertaken.

**CHAIR:** Senator Boswell, I am going to have to move to Senator Birmingham.

**Senator BOSWELL:** Before you go to Senator Birmingham, five minutes ago is not really—

**Senator BIRMINGHAM:** You can have my five minutes, Bos.

**Senator BILYK:** Sort it out amongst your own party.

**Senator BOSWELL:** Thank you.

**Senator Conroy:** You are just kind. That will not save you from the *Australian* when they come after the wets.

**Senator BOSWELL:** Is this coming of my time?

**Senator SIEWERT:** Yes, like you cut off mine.

**Senator BILYK:** Yes, it is.

**Senator BOSWELL:** What consultation is the department planning to conduct with Indigenous groups about World Heritage listing on Cape York?

**Mr Murphy:** The Queensland government has the Cape York Peninsula Heritage Act, under which two committees are formed. One of those is the Cape York Peninsula Regional Advisory Committee, and that brings together through its membership people from Indigenous, conservation, pastoral, tourism, local government and mining sectors. The key engagement on developing—

**Senator BOSWELL:** I am not interested in the state government; I am interested in what consultation the department, your department, is planning.

**Mr Murphy:** The department attends that committee meeting as an observer and participates in the meeting. At the general level of progressing the assessment, the department attends that meeting. We also plan to engage closely with Indigenous communities as part of the country planning that was mentioned before.

**Senator BOSWELL:** What funding or other support has been provided by the department to the state of Queensland for the proposed World Heritage listing of Cape York?

**Mr Burnett:** The minister recently announced a grant of \$3 million to Queensland to assist with that consultation.

**Senator BOSWELL:** And the state government put in another \$3 million—is that correct?

**Mr Burnett:** I think that is correct.

**Senator BOSWELL:** Please detail exactly the programs funded and other support provided. You put \$3 million in; where is that \$3 million going?

**Mr Burnett:** It is to support the process that Mr Murphy was outlining. As he said, Queensland have established two committees under the legislation. One is a general regional

advisory committee; one is more a science based committee. Those committees are embarking on a process of consultation.

**Senator BOSWELL:** What funding or other support has been provided by the department to any non-government organisation in relation to the proposed World Heritage listing of Cape York?

**Mr Burnett:** None that I am aware of, other than the \$3 million.

**Senator BOSWELL:** So no other money has gone to any conservation group on World Heritage listings?

**Mr Burnett:** Not specifically to support a World Heritage assessment, to my knowledge.

**Senator BOSWELL:** Could you check that please?

**Mr Burnett:** Yes.

**Senator BOSWELL:** I find that very difficult to believe; I suspect there are. My next question was going to ask you the nature of the funding, the type of programs et cetera. If there are, would you take that one on notice too?

**Mr Burnett:** Yes.

**Senator BOSWELL:** Does the department work with other Commonwealth departments on the proposed World Heritage listing of Cape York, and what is the nature of that collaboration?

**Mr Burnett:** At the moment it is principally our department working with the Queensland government. We will involve other Commonwealth departments as necessary. I do not know whether Mr Murphy is aware of anything specific at this stage. It is relatively early days. The involvement of other Commonwealth agencies would typically occur later in the process once details of any nomination were beginning to firm up.

**Senator BOSWELL:** Noel Pearson and Ritchie Ahmat met are adamant that a listing should not occur while Wild Rivers is on foot. How do you intend to process this World Heritage listing when the Aboriginal leadership is totally against World Heritage listing?

**Mr Burnett:** I cannot really add to what we have already said. The minister has made it clear that there would be no nomination without traditional owner consent. The government has embarked on a process, in partnership with the Queensland government, of consulting Aboriginal people, and that consultation process will continue.

**Senator BOSWELL:** Does the department work collaboratively with non-government agencies in the pursuit of World Heritage listing of Cape York?

**Mr Burnett:** As a general proposition, yes. But I am not quite sure what you are driving at.

**Senator BOSWELL:** I am asking very clearly: does the department work with other Commonwealth departments on the proposed World Heritage listing, and does the department work collaboratively with any non-government agency on the pursuit of the World Heritage listing of Cape York?

**Mr Burnett:** In the course of a process like this we would talk to lots of different bodies and we would try to be as collaborative as possible. There are none that I am aware of where we have formally partnered up with them. The consultation process is being run principally by Queensland through the committee process that Mr Murphy referred to.

**Senator BOSWELL:** I ask you to take that question on notice.

**CHAIR:** Thank you, Senator Boswell. Senator Waters.

**Senator WATERS:** What advice did heritage officials give the minister about the impacts of dumping 11 million cubic metres of dredge spoil from Gladstone Harbour into the World Heritage area?

**Ms Dripps:** The officers who can answer that question are in the Environmental Regulation Section and that is scheduled to start in about half an hour.

**Senator WATERS:** The World Heritage people do not advise on World Heritage impacts?

**Ms Dripps:** Can I just continue. The process that is run by the Environment Assessment and Compliance Division is to seek advice from relevant experts across the department and government—

**Senator WATERS:** Which I am seeking.

**Ms Dripps:** That is Geoscience Australia, the Great Barrier Reef Marine Park Authority, the Heritage Division and others.

**Senator WATERS:** Okay. I am seeking a copy of the advice provided by the heritage officials to the minister in the course of making the approval decision to dump 11 million cubic metres into the harbour. Could that be supplied?

**Ms Dripps:** Certainly. As we indicated last night, we would need to check what was in the 20 boxes that were tabled in the Senate late last year. We suspect that it might be among that, but if it is not we will provide it.

**Senator WATERS:** Thank you. If you could facilitate that, it would be great.

**Senator BOSWELL:** I would like a copy of that too.

**Senator WATERS:** I note the World Heritage Committee's extreme concern in June about the impact of the LNG export facility in Gladstone and the fact that it might impact on the World Heritage status of the Great Barrier Reef. They have called for a strategic assessment of all coastal assessments impacting on the reef. What advice will the heritage bods be giving the minister about the need to suspend existing assessments and the need to suspend existing approvals?

**Mr Burnett:** Did you ask what advice we will be giving?

**Senator WATERS:** Or have you given.

**Mr Burnett:** I cannot answer a question about advice we have not yet given.

**Senator WATERS:** Have you not turned your mind to it yet? It has been a few months.

**Mr Burnett:** We are preparing a comprehensive response.

**Dr Grimes:** Senator, I think you are venturing into the realms of seeking policy views from officials.

**Senator WATERS:** No, I am asking what advice you have or will provide to the minister on the need to suspend the assessment or existing approvals?

**Senator Conroy:** One of the rules is: you are not allowed to ask what information has been provided. You can ask when, how, but not actually—

**Senator WATERS:** I am asking: have you already? If so, may I have a copy of the advice?

**Senator Conroy:** No. The rules are that you are not allowed to ask for or require information that is given as advice to ministers.

**Senator WATERS:** That is not my understanding of the rules. I have been advised to challenge that and I am so doing.

**Senator BOSWELL:** I support Senator Waters if it comes to a vote!

**Senator WATERS:** Thank you, Ron.

**Senator Conroy:** I have been doing estimates for 15 years. You cannot ask for the information that is provided to ministers.

**Senator WATERS:** So what is the heritage section of your department doing about the World Heritage Committee's concern about the delisting of the reef? Surely you are doing something. Please tell me you are doing something.

**Ms Dripps:** The heritage division is preparing a comprehensive response to the recommendation to the World Heritage Committee and some of the other divisions in the department and the Great Barrier Reef Marine Park Authority are also contributing to that in relation to their roles.

**Senator WATERS:** When is that due?

**Ms Dripps:** That is due on 1 February 2012 and that is when that will be submitted to the World Heritage Committee. In responding to that, the Queensland government and the Australian government have begun work on a comprehensive strategic assessment of Queensland coastal developments.

**Senator WATERS:** Which I hope entails a pause on existing assessments, if not approvals. That was my question originally. However, I will move on to my final question. Are you tracking—and I certainly hope you are—the cumulative figures of both approved and applied for dredging in the World Heritage area, up and down the coast? It is not just Gladstone Harbour; there are all sorts of new coal ports proposed which entail millions and millions of cubic metres of dredging within the World Heritage area. I am keen to know the exact figures on that—what has been approved; what has been applied for; what is being dumped offshore; and have you notified UNESCO of those applications and approvals as per the requirement to do so?

**Ms Dripps:** We are certainly aware of the range of different proposals. I suggest that we take on notice the tabling of the specific figures about the volumes. Again, it will come from the environmental assessments and compliance branch.

**Senator WATERS:** Thank you very much. I have many other questions, but I suspect I will be shut down if I seek to ask them. I can ask another one if I have time.

**CHAIR:** No—if you are finished, that is great. You cannot ask another one. Thank you very much. I now call on officers from the Office of the Supervising Scientist.

**Office of the Supervising Scientist**

[10:03]

**CHAIR:** Mr Hughes, do you have an opening statement?

**Mr Hughes:** No, thank you.

**Senator LUDLAM:** Mr Hughes, it is nice to see you again. I will get straight into it because time is pretty short. Can you tell us what your role was in the approval of the Olympic Dam expansion?

**Mr Hughes:** The supervising scientist division provided advice to the Environmental Assessment and Compliance Division of the department at a number of stages through the assessment process.

**Senator LUDLAM:** Have you had an officer based down there or do you still do all your work out of Darwin?

**Mr Hughes:** All our work is done in the Darwin office.

**Senator LUDLAM:** What was your office's view on the application of in-pit tailings management at Ranger being used at Olympic Dam—the key distinction being that at Olympic Dam the company proposes to leave the radioactive material on the surface? At Ranger, as you would be well aware, the requirement is to return that material to the pit.

**Mr Hughes:** These things need to be taken in their context, and the regional context, the geological context and the meteorological context are quite different in those two locations.

**Senator LUDLAM:** That argument has been heard a bit and, to be honest, I do not buy it. Do any of those factors matter when the threshold question is whether the material stays above ground or is returned to the pit?

**Mr Hughes:** We have assessed the proposals that were put forward, and it is my belief that the conditions that have been imposed as a result of that assessment process will ensure that the environment remains appropriately protected.

**Senator LUDLAM:** With a cubic kilometre of radioactive tailings left on the surface, it will be appropriately protected? On what basis do you make that judgment, Mr Hughes?

**Mr Hughes:** Sorry, Senator: I think you should ask the details about the approval conditions of the environment assessment and compliance division, who have carriage of that particular aspect of the work.

**Senator LUDLAM:** I absolutely intend to, but they will be seeking your expert advices as one of the best-qualified people in the country to make judgment calls on the management of this kind of material.

**Mr Hughes:** Yes, and a number of the conditions in that approvals process will enable assurance that those tailings will be made safe.

**Senator LUDLAM:** Made safe for how long?

**Mr Hughes:** I understand it is more or less in perpetuity.

**Senator LUDLAM:** In perpetuity this brand-new radioactive mountain range be made safe. By what means, given that you are, I believe, currently involved in a \$7 million assessment of a vastly smaller radioactive hot spot at Rum Jungle that was mined out half a century ago? How, when we cannot even look after a tiny little deposit that was mined out in

the 1950s—we are still working out how to rehabilitate that 50 years later—can you speak with such enormous confidence about a vastly larger mine with vastly larger quantities of waste?

**Mr Hughes:** The major difference between what is occurring now and what occurred in the fifties is that we are now planning for closure, and that is a part of the conditions of the approval.

**Senator LUDLAM:** I will come back to this if we have got a bit of time, but I want to take you to Kakadu, which is your main area of responsibility. Can you provide us with an update of Ranger's start-up—both mining and milling operations were closed for quite a period of time—and the process water management status.

**Mr Hughes:** The milling operations recommenced in June. I think it was 15 June, from memory. I am not sure when the mining operations recommenced in the pit, but I guess there were a number of different areas within the pit that were accessible. And there are still some areas in the pit which are not accessible; however, they are currently mining and transferring ore. But, in any case, there is adequate stockpiled ore on the site to enable the mine to continue with processing.

**Senator LUDLAM:** I find it a little bit odd that you are not sure of when mining started up. Is that not a fairly major event in your calendar—or the work of your office?

**Mr Hughes:** I think the milling operations are really more important than the actual digging operations in the pit.

**Senator LUDLAM:** That is interesting. Okay. During the last session we had quite a lengthy exchange on this. You indicated that ERA's main management option to avoid the near miss that occurred last wet season was for a further four-metre lift of the tailings dam and that that had to be completed prior to the coming wet season. Is it complete? What is its status?

**Mr Hughes:** I think it is probably almost complete.

**Senator LUDLAM:** 'It is probably almost complete.' That sounds a bit conditional. Are you 100 per cent confident that that tailings dam lift will be finished in time for the onset of the next wet?

**Mr Hughes:** I am very confident that the tailings dam lift will be finished to a point to enable the environment to remain protected over the coming wet season.

**Senator LUDLAM:** What was your involvement in assessing the potential of that four-metre lift?

**Mr Hughes:** The proponent, which in this case is Energy Resources of Australia, has to provide a proposal to the day-to-day regulator, which is the Northern Territory Department of Resources. The Northern Territory Department of Resources refers these things to the Minesite Technical Committee members for comment and considers the comments that are put forward by Minesite Technical Committee members. We provided input into that process through the Minesite Technical Committee.

**Senator LUDLAM:** Were you asked to consider, or did you volunteer to consider, the implication that it has for rehabilitation beginning at Ranger by 2021 if the company is still charging ahead with rises on the dam?

**Mr Hughes:** Sorry, could you repeat the question?

**Senator LUDLAM:** The company at the moment are supposed to be starting to pack up their operations and leave in 2021. Was there any consideration of the impact that this additional lift on the tailings dam would have on their closure proposals?

**Mr Hughes:** I was not aware that there was a requirement for the company to be packing up at this stage. My understanding is that they are authorised to operate until 2021.

**Senator LUDLAM:** And then what?

**Mr Hughes:** Then they will be undertaking the rehabilitation program, as required during the rehabilitation program phase.

**Senator LUDLAM:** Can you tell us what further role you will play in the assessment or oversight of the planned expansion of Ranger 3 Deeps? When is work expected to start on that project?

**Mr Hughes:** The latest advice I have had from the company is that they intend to start earthworks on the box cut for the exploration decline in May 2012.

**Senator LUDLAM:** What is your understanding of the sequence of events and timing of the project, and are there any further regulatory hurdles in the way or is it now just over to the company to get on with it?

**Mr Hughes:** Do you mean to construct the exploration decline for exploration purposes?

**Senator LUDLAM:** Yes.

**Mr Hughes:** There are no further impediments to the company. The timing is now entirely up to the company—

**Senator LUDLAM:** It is up to them. Okay.

**Mr Hughes:** on putting that piece of infrastructure in place.

**Senator LUDLAM:** You were choosing your language very carefully there because, I understand, to transition that decline—that very same hole in the ground—from an exploration facility to a production facility will require further regulatory work.

**Mr Hughes:** It would require further regulatory approvals, yes.

**Senator LUDLAM:** I think since we spoke ERA have abandoned plans for an acid heap-leach plant at Ranger, which was wonderful news. I hope you played a part in that. The company has stated that it will continue to explore methods for recovering uranium in the low-grade material in the stockpiles, which sounds a bit like some kind of heap leach, if they are still trying to recover material. What is your understanding of what is being considered by the company?

**Mr Hughes:** I am not aware of any proposals for any form of heap-leach activities at all on the site.

**Senator LUDLAM:** How else would the company get the low-grade or recoverable uranium out of the waste rock stockpiles? Is it just by feeding it into the mill or is there some other technique?

**Mr Hughes:** I would be speculating on what the company might do, and that would be inappropriate, but if you are asking me a technical question I could answer that?

**Senator LUDLAM:** The technical question is: are you aware of any proposals to recover further uranium from the low grade in the waste rock stockpiles?

**Mr Hughes:** No, I am not.

**Senator LUDLAM:** Did OSS provide any advice that led to ERA recently significantly increasing its financial provision for rehab and closure at Ranger? I will offer you congratulations if you did.

**Mr Hughes:** I might invite my colleague to comment on this.

**Mr Tayler:** As I am sure you are aware, ERA faced some challenges over the previous wet season with water management. The infrastructure that will be required going forward to manage their water inventory was going to be quite expensive. We work with ERA to ensure that their water is managed appropriately. So in that regard I guess we did have some input but we did not provide any direction to the company to do anything, other than guiding them to protect the environment.

**Senator LUDLAM:** Okay, but on your advice that was going to cost them more than their existing rehabilitation arrangements would have provided for.

**Mr Tayler:** We tend to work with outcomes rather than telling the company how to manage their business.

**Senator LUDLAM:** Not 'how' but 'what'—the fact that they were going to need to do more than their existing rehabilitation provisions.

**Mr Tayler:** I am sorry, I was not talking about the rehabilitation provision. I thought we had moved from there.

**Senator LUDLAM:** All right; let's backtrack a bit. Did you provide advice that led to ERA significantly increasing its financial provision for rehabilitation and closure? It sounded as if you said yes. That is fine. I will move on if that is the case.

**Ms Dripps:** I think Mr Tayler already answered the question and I think the answer was yes. Whether there is a causal link as direct as you are suggesting is the matter we are discussing now, I think. Mr Tayler is making it clear that we prescribe environmental outcomes and conditions. The way things need to be done are the decisions of the company. So any financial decision is a decision for the company.

**Senator LUDLAM:** As to the cause and effect, we can speculate. Has OSS provided or been asked to provide or formulate any advice on possible mechanisms whereby Australia might best comply with the recommendation of the recent UN multiagency system-wide review of the nuclear power industry post Fukushima? I might break this up into a couple of parts. Are you aware, firstly, that that UN review did make recommendations on uranium mining; it went further than strictly considering nuclear power?

**Mr Hughes:** No.

**Senator LUDLAM:** In that case, I guess your answer to my second question would also be no: did the government tap you on the shoulder and ask you to evaluate what the UN had said?

**Ms Dripps:** It may be that the resources and energy department may have considered this matter. I think it is possibly slightly beyond the scope of Mr Hughes's role.



**Senator LUDLAM:** I would rather it was the OSS. I commend that document to you, Mr Hughes, and come back to you in February or March estimates. There are, on page 14, specific recommendations around the management of local impacts of uranium mining.

**Mr Hughes:** Certainly.

**Senator LUDLAM:** Much appreciated. Ms Dripps, can I ask you: who would the lead agency be? I am happy to put it to DRET later in the week. But it is around the environmental impacts of mining fissionable material, which I would have thought fits squarely within Mr Hughes's mandate.

**Ms Dripps:** We are happy to take your advice to consider that report before next estimates.

**Senator LUDLAM:** Thank you. I will put it to Minister Ferguson's officials as well. I am not sure who to direct this one to: can you tell us the current status and the process for extending the OSS advisory role to uranium proposals across Australia? There is one recommendation of the Hawke review that I think the Australian Uranium Association said would not be necessary, would be unwise, terrible and awful. To me it sounded like a perfectly sensible recommendation. Mr Hughes, do you have a view of where that is going?

**Mr Hughes:** I am aware of the recommendation. It was recommendation 63 of the Hawke review. The government response to that recommendation was to agree to that, in general terms. The situation currently is that under the Environment Protection (Alligator Rivers Region) Act, there is already the provision which allows the minister to ask us to comment or to provide services or advice on activities outside of the Alligator Rivers Region. That has been used in the past for my division to provide advice to the environment assessment and compliance division. That will essentially be formalised through answering that recommendation.

**Senator LUDLAM:** Does that require a legislative change?

**Mr Hughes:** It probably does not require a legislative change but I think there is a view that it is worth making a legislative change to the EPBC Act, in order to make it quite clear.

**Senator LUDLAM:** I would concur with that. Can you tell us about any advisory role that your office has played or is playing to the Western Australian government or Western Australian industry, including participation in conferences or anything of that sort, on the introduction of commercial uranium mining into WA?

**Mr Hughes:** We have provided no advice whatsoever to the Western Australian government nor to Western Australian industry on developments in Western Australia. We have continued to provide advice to the environment assessment and compliance division of our own department on proposals that come across their desk.

**Senator LUDLAM:** So you have not been invited by the WA government, and your advice has not yet been sought by WA industry?

**Mr Hughes:** Correct.

**Senator LUDLAM:** That is a bit scary. So probably the sooner we make these amendments to EPBC the better.

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

[10.20]

**CHAIR:** As there are no further questions for the Office of the Supervising Scientist, I propose now to move to 5.2, environmental regulation. We have actually extended this program by 10 minutes. So there is 40 minutes and I have 10 senators seeking the call. I would not think those 10 senators will get the call. That is the reality. I am proposing to open up with Senator Boswell and then move to Senator Waters and then Senator Birmingham.

**Senator LUDLAM:** Can I put myself fourth on that list?

**CHAIR:** Fourth on the list. I did not have you on the list. That is 11 senators.

**Senator McKENZIE:** You do have coalition senators.

**CHAIR:** I do have coalition senators. Before we got to questions, can I indicate to senators that, as far as I am concerned, we need to sit down before the next estimates and discuss the processes. I think the process of trying to give some certainty to the ministers and the officers about what time frame they come in is not working too bad, but I think we still have to get better at allocating appropriate times for the interest of various senators on particular aspects of the program. I am happy to sit down and do that. There is no use people whinging and complaining about it in the background or vocally at the moment. This is how the program is working. I am determined to keep to the agreed program. I am being a bit flexible but, if we are going to try to get through it, I think next time we need to work it out as to what the interest is in various aspects of the program.

**Senator BOSWELL:** What responsibilities do you have under the EPBC Act regarding the dredging and so forth going on in the Gladstone harbour?

**Ms Colreavy:** I am sorry, Senator, but I could not hear the question.

**Ms Dripps:** Senator, was the question what responsibilities we have under the EPBC Act for overseeing dredging in Gladstone Harbour. Ms Colreavy will address that question.

**Ms Colreavy:** The dredging program in Gladstone Harbour was approved under the Western Basin Dredging Program in October 2010. The ongoing oversight of compliance with the conditions that were imposed by the minister at the time is the responsibility of my division.

**Senator BOSWELL:** Have you had testing done? Are you receiving the results of the testing of the water?

**Ms Colreavy:** The conditions that were imposed with regard to the dredging program involved a number of steps to be taken by the Gladstone Ports Corporation, who is the proponent, including—

**Senator BOSWELL:** I have to interrupt you because I am on a very short time frame. Are you receiving the testing of the water?

**Ms Colreavy:** We are receiving reports from the Gladstone Port Corporation, including water quality reports, which involve regular testing of water quality in Gladstone Harbour.

**Senator BOSWELL:** Do you have in your possession or have you seen a full report of the Gladstone Area Water Board?

**Ms Colreavy:** The Gladstone Area Water Board is not someone that we have any—

**Senator BOSWELL:** But they do monitor the harbour.

**Ms Colreavy:** I understand so, Senator, but that is not a matter for my jurisdiction. It is not a matter that we are actually responsible for.

**Senator BOSWELL:** You are responsible for the fish and the habitat under the EPBC Act.

**Ms Colreavy:** In this matter, we are directly responsible for the implementation of the conditions associated with a particular project: the Port of Gladstone western basin dredging project.

**Senator BOSWELL:** Why is the toxicology report on the water not being released? Have you seen it?

**Ms Colreavy:** I believe that the toxicology report you are referring to is one undertaken by state government and is not our report.

**Senator BOSWELL:** I understand the state government is doing a lot of this stuff, but you have a responsibility too under the EPBC Act. Your responsibility, I would say, is to test these water reports. Do not just rely on them to give you something. If you are going to be responsible you will have to take an active interest in getting the reports and studying them.

**Ms Colreavy:** We have received the first report from the Gladstone Ports Corporation on their water quality testing. They have also gone beyond the immediate task set them and gone back and obtained historical data on water quality to provide comparison. We are satisfied that the water quality results in Gladstone Harbour have not changed significantly over the last several years. We have also sought advice in respect to this from expert panels that have been established to oversee the carrying out of these conditions. The chair of the expert panel as recently as last week assured us that—

**Senator BOSWELL:** Who was that?

**Ms Colreavy:** The chair of the panel is Dr Rick Morton.

**Senator BOSWELL:** Are you aware that the prognosis for the fish in Gladstone Harbour is not red spot and are you aware of what the disease affecting the fish is?

**Ms Colreavy:** No. I understand—only from what I have read more broadly—that there is expectation there is some parasite affecting the fish.

**Senator BOSWELL:** What is in the spoil that is being dumped? Do you have any tests on that?

**Ms Colreavy:** All of the advice we have received to date is that there is no evidence to suggest the dredging is contributing to the fish deaths.

**Senator BOSWELL:** It is just miraculous—we happen to dredge and the fish happen to die and it all happens at the one time.

**Ms Colreavy:** Only a relatively small amount of dredging has occurred, to date.

**Senator BOSWELL:** There are two million cubic feet. That is not relatively small; that is relatively large. Two million cubic feet is a lot of spoil going out. The impression I am getting on this—and I got it last night too—is that both the GBRMPA and yourselves are taking as gospel what the state government are handing you. It is not your responsibility to just get some sort of information; you are supposed to be in there investigating this.

**CHAIR:** Are you asking the department if they are taking it as gospel or if they are doing something else? We have to stick to some questions here.

**Ms Colreavy:** We are in receipt of reports from the Gladstone Ports Corporation—the actual monitoring that they are doing themselves—we have seen reports from the state government and we have sought the advice of the technical experts. They have all assured us that there is no cause at this point to believe that the dredging is contributing to any impacts on the fish in Gladstone Harbour.

**Senator BOSWELL:** Are you confident that the spoil is being appropriately confined or is it the opinion of your department that it should be capped?

**Ms Colreavy:** At this point in time, our view is that the Gladstone Ports Corporation is handling the dredge spoil effectively. There has been a small amount of silt escaping through the bund wall. This led to some heightened turbidity levels, some peaks, which were reported in the press and they voluntarily stopped their dredging while they attended to that. Our view is that this demonstrates the effectiveness of the conditions and that they are continuing to monitor very closely the impacts of their work. They are seeking to improve the bund wall to prevent any loss of silt. In my view, that is demonstrating that the conditions imposed are effective and they are continuing to improve and upgrade their measures as they go.

**Senator BOSWELL:** I asked you about capping the spoil. Are you concerned that the spoil is not being capped 400 metres off the marine park?

**Ms Dripps:** I think Ms Colreavy has responded to the question in terms of reporting that the bund is controlling all but a small amount of the finest silt. That is being actively investigated and will be—

**Senator BOSWELL:** The bund wall has nothing to do with the dredging. The bund wall was put around a reclaimed area of 300 hectares. But I am asking about the dredging. There are 15 dredges working in the harbour, and they are big ones. They are taking the spoil out and dumping it within 400 metres of the marine park. What I am asking you is: should that spoil be capped?

**Ms Dripps:** With respect, Ms Colreavy's first response was that the bund, as it has been approved, is doing what it needs to be doing.

**Senator BOSWELL:** The bund is not. What I am talking about—

**CHAIR:** Senator Boswell, I would ask you not to enter into an argument. I am going to move on now.

**Senator Conroy:** Would you like to put some questions on notice to follow up?

**Senator BOSWELL:** No, I would not because—

**CHAIR:** Senator Waters, you have the call.

**Senator WATERS:** I have a few questions on a number of issues. Firstly, the EPBC assessment of Rio's bauxite mine expansion in Weipa on Cape York is currently underway. When is the final decision due to be made?

**Mr Barker:** The proponent is currently finalising its environmental impact statement for that project. When that is finalised it will be provided to the department and the process and the time frames will continue from there. There will be a 30 business day period from the

receipt of their final environmental impact statement until a decision is due on the project unless further information is needed.

**Senator WATERS:** Have they given you any indication of when they will submit the EIS?

**Mr Barker:** They are currently preparing responses to public submissions that have been made on that statement. We expect that to occur in the coming months but they have not nominated a particular date.

**Senator WATERS:** I too am a Queensland senator. I want to ask about Gladstone. As you know there has been a huge increase in dead wildlife, including dugongs and turtles, and there have been sick fish—and, for that matter, sick fishermen. Some believe that it is from the floods. But given the most recent turbidity data from September, which the Ports Corporation itself collected, which showed extreme turbidity at three different sites within the harbour, what are you as the regulating body doing about it? I understand that the conditions required the submission of a dredging and construction management plan. Are there turbidity parameters in that plan and have they been breached with this most recent September data from the Ports Corporation?

**Ms Colreavy:** Yes, the Ports Corporation was required to provide a dredge management plan and also establish an expert panel to oversee the implementation of that plan. As I answered to Senator Boswell, we are of the view that they are complying with that dredge management plan. The peaks in turbidity that were reported abated very quickly. They ceased dredging immediately when those peaks were reported. The view offered initially was that the peaks were partially due to the very high tidal movements at that time. The second set of reports were a result, as I mentioned earlier, of the movement of some very fine silt through the bund wall. In both those cases, we were satisfied that the ports authority responded very promptly, that they ceased operations until the water quality returned to acceptable levels and that they have maintained their operations within the levels of acceptability that were approved.

**Senator WATERS:** So, if turbidity is already peaking after only two million cubic metres have been dredged and there are 44 million cubic metres to come, when will you be recommending to the minister that the dredging stop, and what are you doing about all of the dead fish, dugongs and turtles? How much more wildlife has to die before the dredging will stop?

**Ms Colreavy:** The peaks in turbidity levels were very localised; they were not broad scale. We do not believe that there is any evidence at this stage that the dredging itself is causing a long-term problem. The minister can review his conditions if he believes that there is new information to point to that. At this stage, we have not been presented with any substantial new information in terms of considering that.

**Senator WATERS:** It is interesting that you say there is no evidence of the dredging causing the problems—unfortunately, the department is not undertaking its own studies. Be that as it may, what advice will you be providing, or have you provided, to the minister regarding whether or not any existing approvals in the World Heritage area should be suspended during the UNESCO requested strategy assessment of development in the World

Heritage area? Will anything stop while you are looking into what is going on in this area and you are preparing the strategy assessment, or will it be business as usual?

**Ms Dripps:** As we mentioned, we cannot answer a question about what we will advise the minister. However, I can report to you that each of the cases that are currently under assessment in Queensland are being carefully considered in terms of any potential impact on any matters of national environmental significance and assessed according to those potential impacts. We will expect—

**Senator WATERS:** Will any of those assessments be stalled while the strategic assessment is prepared?

**Ms Dripps:** We will expect to develop transitional provisions for the strategic assessment when the Queensland government has formally signed off on that strategic assessment.

**Senator WATERS:** So none of the existing assessments will be paused while the strategic assessment is prepared?

**Ms Dripps:** I do not believe that the act includes a provision for pausing—

**Senator WATERS:** What will the strategic assessment cover? What will be left for it to cover if everything is already going to continue to be approved? That is a genuine question.

**Ms Dripps:** There are a range of proposals for development along the coast of Queensland. It would be expected that a strategic assessment would take between 18 months and two years—three years at the outside—to complete. Any proposal for development along the coast of Queensland that was likely to occur after that point would be included in the strategic assessment.

**Senator WATERS:** So, if you are a coal port, get your application in now. Thanks very much.

**Senator BIRMINGHAM:** I have a few issues I would like to jump through. The first is the Olympic Dam approval of the other day. Can I check as to whether a full report of SARDI, the South Australia Research and Development Institute, was undertaken into the impact of the operation of the desalination plant at Point Lowly?

**Mr Barker:** The primary assessment of the desal plant at the state level was through the state assessment report, which combined input from a range of state and also Commonwealth agencies. That report was taken into account by the minister in making his decision on the project as a whole. I cannot comment on the detail of the state agency contribution to that process. I am not aware of at what point what particular state agency provided input to that.

**Senator BIRMINGHAM:** So you are not able to tell me whether the report provided to the Commonwealth either included a report from SARDI on the implications of the desal plant or was informed by a report from SARDI on the implications of the desal plant or what input they necessarily had?

**Mr Barker:** The South Australian assessment report would have involved contributions of all relevant state agencies but I would need to pursue further detail about the extent at which SARDI may have contributed to that report.

**Senator BIRMINGHAM:** If you could pursue that detail, Mr Barker, and provide that to us on notice that would be much appreciated. With regards to drawing from the Great Artesian Basin approvals, I note in the conditional approval granted by the minister that it

states, 'Extractions from the Great Artesian Basin should not have a significant adverse impact on groundwater.' It does not really seem to define what necessarily will be an 'adverse impact' but my understanding is that BHP will continue to be entitled to use around 42 gigalitres of water under this arrangement. What independent analysis or otherwise was undertaken about the groundwater impact?

**Mr Barker:** The assessment of groundwater has been undertaken by a range of expert agencies at the state and Commonwealth level, including Geoscience Australia. The condition that you refer to in relation to extraction of water from the Great Artesian Basin reflects an existing licence arrangement that BHP have in place to draw water from the GAB. The conditions that the minister imposed on this project roll together conditions that apply to the proposed expansion as well as the existing operations at Olympic Dam. The drawing of water from the GAB relates to the existing operation. The conditions do not allow that take to be increased. However, they draw those conditions into one package that the minister imposed in approving the project.

**Senator BIRMINGHAM:** Given the development of the desal plant, was there an assessment undertaken as to the need for BHP to maintain its existing 42 gig access to the Great Artesian Basin, or in fact are they being licensed and approved to have access to potentially more groundwater than is necessary?

**Mr Barker:** No, the licence that they have is to draw an amount of water from the GAB, and that will not be increased. The desalination plant will provide water for the expansion and, in addition, an amount of water that may be used by third parties.

**Senator BIRMINGHAM:** Sorry, I missed the last few words.

**Mr Barker:** The desalination plant is to provide water that may be necessary for the expansion. There will be an additional amount—a surplus—from the desalination plant that may be available to third parties.

**Senator BIRMINGHAM:** Is there any expectation at the department that, if the desal plant is producing surplus to what is required for the expansion, that water may be used to reduce BHP's need to draw on the GAB?

**Mr Barker:** BHP has undertaken to reduce the amount of water that it uses for the mine. However, the existing licence arrangements it has remain in place. The licence arrangements it had with the state were entered into prior to the EPBC Act coming into force. That is an arrangement that, for regulatory simplicity, is rolled into EPBC conditions in relation to groundwater dependent matters that are protected by the EPBC Act.

**Senator BIRMINGHAM:** If I could jump to the removal of the Clayton regulator in the Lower Lakes in South Australia. Is the South Australian government now in breach of its EPBC Act requirements and obligations?

**Ms Jones:** They are not currently in breach. The South Australian government requested a reconsideration of their EPBC Act decision, which was a not controlled particular manner decision to extend the timeframe for their removal. That reconsideration has been made. I can look up to date for you, if you would like it.

**Senator BIRMINGHAM:** Perhaps while I am asking questions you can be looking, Ms Jones. 'Reconsideration' as in you varied the terms of the original approval to give the South Australian government more time to remove the regulator. Is that correct?

**Ms Jones:** That is correct. That decision was made on 26 June.

**Senator BIRMINGHAM:** So you if you had not made that variance on 26 June the South Australian government would have been in breach of its original approval conditions?

**Ms Jones:** The decision was delayed to a small degree. The department was actively considering the proposal, so we did not consider the South Australian government to be in breach while they had a submission with the department and we were actively considering it. There was a delay in terms of the previous timeframe of the previous decision and when the revised decision was made.

**Senator BIRMINGHAM:** What action has the Commonwealth taken, given that it always put in place a condition that these regulators would have to be removed—in fact, had put in place a fixed time line condition not even conditional upon it raining. But lo and behold, it did rain and the lakes did fill. All of that happened last year and when that happened and the time line for removal of the regulators came close it suddenly became apparent that the South Australian government did not have a clue as to how it was going to actually remove the regulators. Doesn't it make a farce of the original condition?

**Ms Dripps:** You touch on a very important point, given that it did rain at the end of last year. The actions that the department took were undertaken with consideration of the fact that there was ecological connectivity across the regulator at that particular point in time. I do not think we can speculate on what actions would have been taken if there was still ecological separation, which was the matter that the original condition was intended to address.

**Senator BIRMINGHAM:** Yes, it did rain and they did manage to break part of the regulator down and provide for some basis of water flows. I do not know whether you could say it was full ecological connectivity, but they at least let some flow of water between the two parts. That does not get away from the fact, though, that the condition was for the removal of these regulators. At would appear that it was a lack of planning, a lack of funding, a lack of willpower—a range of things—as to why the SA government failed in its duty to adhere to the conditions that the Commonwealth imposed. Has the Commonwealth expressed its displeasure at all at this to the South Australian government?

**Ms Dripps:** Again, the key point is that the interests of the EPBC Act is in the continued survival of particular species and particular matters of national environmental significance. As Ms Jones has indicated, because the South Australian government had a proposal before us that was being considered and because we did not believe that there was a substantive risk to the matters of national environmental significance we took the actions that have been taken.

**Senator BIRMINGHAM:** Shouldn't it be incumbent upon the applicant in these matters to make sure that, if they need longer, if it is going to take longer or if they have come up with a better alternative plan, they make application in a timely way that ensures they do not ultimately run the risk of falling into breach with the EPBC obligations?

**Ms Dripps:** That would be an ideal set of circumstances.

**Senator BIRMINGHAM:** I should just check, Ms Jones: when does it have to be removed by?

**Ms Jones:** The Clayton regulator must have imported materials removed by 29 February 2012, and, in terms of Currency Creek, return to preconstruction bathymetry by 30 March 2013.



**CHAIR:** Senator Birmingham, I have six senators seeking the call. It is not going to be possible. Could I ask you to make this your last question?

**Senator BIRMINGHAM:** Yes, sure. My last question is one about the Sugarloaf Pipeline. I draw your attention to a question on notice No. 127 in which the department kindly pointed me to the Melbourne Water website to attempt to give me an answer! That website is not particularly clear on the questions that I asked, so I will put them on the record now. If you can answer them now, great; if not, if you could actually provide an answer this time and not a web link that would be appreciated.

As I understand it, water is not currently being sent down the north-south pipeline. I am seeking to confirm that is the department's understanding; to check what reporting conditions remain on Melbourne Water while no water is being extracted; and to find out whether the government is aware of how the water allocated to the pipeline is currently being used—whether it is being used for environmental flows, irrigator activities or what is actually happening to the 75 gig allocated for pipeline usage.

**Ms Dripps:** We will have to take those questions on notice.

**Senator BIRMINGHAM:** Thank you.

**Senator LUDLAM:** I want to discuss the proposed Olympic Dam expansion, which was assessed by your department. Would you confirm, firstly, the magnitude of the expansion as approved relative to the size of the project that was proposed in the EIS. I understand that the EIS covered a facility capable of producing up to 750,000 tonnes of copper per annum, with the associated environmental impacts. What we appear to have now is a project that would produce up to one million tonnes of copper per annum. Would you confirm whether there is a discrepancy there. Or am I misreading that?

**Mr Barker:** The project was varied in 2008 to clarify some parameters around the scope of the proposal. The proposal, however, was substantially the same as that which was referred and assessed.

**Senator LUDLAM:** What tonnage of copper was proposed to be produced by the facility in the EIS that hit your desk more than a year ago now?

**Mr Barker:** By recollection, it was in the order of what you have referred to.

**Senator LUDLAM:** I referred to two different figures. What figure was it in the order of?

**Mr Barker:** I am going by recollection. I would have to take on notice the detail of the variation, but by recollection it is in the order of the first figure that you referred to.

**Senator LUDLAM:** Seven hundred and fifty thousand tonnes is what was proposed. What has been signed off on is a facility that can produce one million tonnes or more of copper a year. Is that correct?

**Ms Dripps:** It sounds like there might be some value in us taking that question on notice and checking, if you do not mind.

**Senator LUDLAM:** It is a fairly simple thing. Could we turn that around fairly quickly?

**Ms Dripps:** We will endeavour to do so over the course of the day.

**Senator LUDLAM:** Greatly appreciated. Can you also confirm—and I put this question to your minister through Senator Conroy a week or two ago—that the minister's decision

approving this expansion, based on the model of actually exporting a copper concentrate rather than a product that had been smelted in Australia, is not sanctioned by bilateral agreements and actually pre-empted a treaty process that is yet to commence?

**Mr Barker:** As with any decision that is made under the EPBC Act, it is separate to any other regulatory requirements that may apply to the project, including any export requirements.

**Senator LUDLAM:** So it is entirely separate. You do not see that as being pre-emptive at all, because the company has put up a model for export that would not be lawful under Australian law at the moment.

**Mr Barker:** It regularly occurs that decisions are made under the EPBC Act that are subject to other regulatory decisions being made by other levels of government.

**Senator LUDLAM:** Did your minister assess the alternative of a project configuration that would involve producing the copper product on site and doing the smelting here in Australia?

**Mr Barker:** What was assessed was the project that was referred, which was for the export of copper concentrate.

**Senator LUDLAM:** Is it not part of your act to assess viable alternatives to a particular model that might have been put up by a proponent?

**Mr Barker:** If alternatives are put forward by the proponent, yes, there is a requirement for those alternatives to be assessed. If alternatives are not put forward by the proponent, there is a statutory obligation for an assessment of the proposal that is put forward by the proponent.

**Senator LUDLAM:** All right. So you can confirm for us that BHP Billiton at no stage put up any alternative model apart from what is on the table?

**Mr Barker:** The model on the table is substantially the model that was referred, subject to some variations that were made in 2008.

**Senator LUDLAM:** BHP Billiton is being given freehold over an expanded mining lease at Olympic Dam of 497 square kilometres—a gift, it seems, of half a million square kilometres of land—which is a 180 per cent increase in area over that of the existing lease of 17,000 hectares of Crown land. Was the Commonwealth a party to the decision to hand that land over for free to the largest mining company in the world? Or was that strictly a decision of the South Australian government?

**Mr Barker:** That is a state decision.

**Senator LUDLAM:** Entirely a state decision? I have a further question. The increase of the tailings storage facility is something truly monumental now. It will be 4,000 hectares and up to a height of 65 metres. I think it will be the largest in the world; it will certainly be the largest radioactive tailings dam anywhere in the world. Only four per cent of it was required to be lined. How on earth could you justify that as being world's best practice? How did you arrive at the area of four per cent being lined? You would obviously be well aware that the extraordinary volume of eight million litres a day at the peak of radioactive water will be falling out from the bottom of that dam. Could you tell us how on earth we ended up with a situation like that?

**Mr Barker:** This proposal, as you would appreciate, has been subject to very detailed review over a very long period of time, including detailed review by Geoscience Australia.

**Senator Conroy:** I saw the Premier of South Australia saying there was nearly six years worth of reviews.

**Senator LUDLAM:** So why is it such a debacle if they have been thinking about it for six years? Eight million litres of radioactive water a day.

**Senator Conroy:** Is there any mining project you would ever agree with, even after six years?

**Senator LUDLAM:** I have not come across one.

**Senator Conroy:** I did not think I have ever seen you come across one. I appreciate the honesty of the answer.

**Senator LUDLAM:** This one absolutely takes the cake. I would not approve of an asbestos mine either. There are some things that we close down after the body count gets too high.

**Senator Conroy:** I have distracted you from your question. I apologise, Senator.

**Senator LUDLAM:** I put the question.

**Mr Barker:** I was just saying that this project was first referred in 2005. It has been subject to very detailed review by state and federal agencies, including Geoscience Australia, the Supervising Scientist and ARPANSA.

**Senator LUDLAM:** I am aware of the process. Just to short-circuit: how did we end up with a decision to not line 96 per cent of the tailing structure?

**Mr Barker:** In relation to the tailing facility, the assessment that was reviewed and the modelling that was undertaken, which was also reviewed, indicated that radioactivity levels at the tailings facility would be very low, and by that I mean at a level well below levels identified in the national code of practice for radiation in mining.

**Senator LUDLAM:** Chair, if there is time, I will come back later.

**Senator IAN MACDONALD:** I have three issues relating to EPBC that I want to very quickly raise in the very limited but generous time given to me. One relates to the Pacific Reef Fisheries EPBC Act application for their \$10 million Guthalungra prawn farm, which I discussed with GBRMPA at some length last night. Perhaps some of the officials might have seen the interaction with GBRMPA. Regarding the other two issues, I just give notice that if people have information they can perhaps get it ready. One is about a quarry on the Gold Coast proposed by Boral which is in the middle of a Ramsar wetland, in the middle of one of the few bits of greenery left on the southern Gold Coast. The other issue is about the Abbott Point multicargo facility and whether an EPBC Act application has been referred to UNESCO. Perhaps I could start with that one. That might be the simplest to answer. Is there any truth in the comment that the Abbott Point multicargo facility proposed by the Queensland government has been referred to UNESCO?

**Ms Dripps:** 'Referral' might not be quite the right word. UNESCO does not have a decision-making role in considering that facility. What the World Heritage Committee requested of Australia last year was that we improve our performance in notifying the World Heritage Centre of proposed decisions under the EPBC Act. We are in the process of

determining how to do that. I am not aware that the Abbott Point multicargo facility has been advised to UNESCO in that regard.

**Senator IAN MACDONALD:** That will happen to every EPBC Act application henceforth?

**Ms Dripps:** No, that will happen where there is concern about potential impacts on the outstanding universal value identified in the World Heritage area. My staff are in the process of determining precision around the policy about when that will occur.

**Senator IAN MACDONALD:** So anything along the Queensland coastline, because it is relative to the Barrier Reef, will be advised to UNESCO.

**Ms Dripps:** That is not what I said, Senator.

**Senator IAN MACDONALD:** Isn't the Great Barrier Reef Marine Park a World Heritage area?

**Ms Dripps:** Yes it is. Where there is a proposal that is likely to have an impact on the outstanding universal value of the reef that is when it is required to be notified to UNESCO.

**Senator IAN MACDONALD:** I would have thought they would not be applying for EPBC Act approval unless there was the potential for some impact.

**Ms Dripps:** Sometimes people apply for EPBC Act approval when they do not need to.

**Senator IAN MACDONALD:** Nobody that I know. Why would you go through the process? With regard to this process at Abbot Point I am advised that departmental officers told the applicants that the application would be finalised by February 2011. Does anyone know about that? If not, could you take it on notice?

**Ms Jones:** The proposal is still under assessment. The proponent, North Queensland Bulk Ports, provided a final EIS document to the department on 6 December last year. The department is still considering the content of that document and assessing it with a view to briefing the minister in the near term.

**Senator IAN MACDONALD:** This next question relates to that but it equally applies to the next one on the Pacific Reef Fisheries. The offsets being sought seem to be much greater than is required by the Queensland Department of Environment and Resource Management, who are never noted for the lack of rigour in their assessments. Why aren't the requirements the same?

**Ms Colreavy:** I might take that question. The proposal from Pacific Reef Fisheries was approved under the EPBC Act in March last year. At the time, there was no indication that there was any problem with the approval conditions. Sometime later, the proponents came back with a request for a variation. That initial request for variation was declined and the proponents have submitted a further request. That is under consideration now.

The department has had numerous meetings with the proponents to discuss the issue. The primary issue is around whether the offsets need to be in Abbot Bay, and that is what the department and the minister, in his decision, have required. The proponents initially said that they thought that was going to be very difficult to achieve. They have now come back with a revised proposal to us indicating that they do believe that they will be able to achieve offsets that will contribute to the water quality in Abbot Bay.

**Senator IAN MACDONALD:** If they can convince you of that the conditions will be altered, and after 10 years they might be able to go ahead.

**Ms Colreavy:** That is correct. If they are able to convince us that they can achieve those offsets then that proposal will be put to the minister.

**Senator IAN MACDONALD:** Is your advice about water quality and mitigation at Abbot Point and Upstart Bay principally taken from GBRMPA?

**Ms Colreavy:** No, GBRMPA is one of the bodies that we go to for advice. They are a key source of advice for us but not the only source of advice.

**Senator IAN MACDONALD:** I was just wondering whether, if GBRMPA can come to some arrangement in their permitting system with the applicants, that would be a big step forward in your—

**Ms Colreavy:** This is a matter I believe you discussed with GBRMPA last night.

**Senator IAN MACDONALD:** Yes.

**Ms Colreavy:** That is a matter for GBRMPA.

**Senator IAN MACDONALD:** What I am asking is: if hypothetically GBRMPA were absolutely happy that there could be mitigation of nitrogen outputs into Upstart Bay then that would be a big influence—not the only one—on whether the conditions could be—

**Ms Colreavy:** We would be reassured by such advice from GBRMPA.

**Senator IAN MACDONALD:** Can I quickly go to the Gold Coast quarry application. Is anyone aware of that?

**Mr Barker:** I am sorry, Senator—do you know the name of the quarry?

**Senator IAN MACDONALD:** It is a Boral quarry in Currumbin Valley. Boral proposed it and the Queensland state government have approved it subject to EPBC, but it impacts upon the Currumbin Valley wetlands, which I understand are RAMSAR listed. It is one of the few bits of mass greenery left on the southern Gold Coast. You are not familiar with the application?

**Mr Barker:** I am sorry, Senator—I do not have details of that project in front of me. We would need to take that on notice.

**Senator IAN MACDONALD:** Are you the one that would?

**Mr Barker:** I expect I would be, yes.

**Senator IAN MACDONALD:** Could you give me on notice some advice about it—where it is at, what is happening, what needs to be done, when decisions are likely to be made—because it is an issue that is very strongly opposed by all the residents in the area.

**Senator COLBECK:** I just want to ask some questions in relation to the Tasmanian forest process that is occurring at the moment.

**Ms Dripps:** We are not the right officers for Tasmanian forests.

**Dr Grimes:** Unless it relates specifically to EPBC environmental approval matters—

**Ms Dripps:** Yes, that is right. We will try the question and see how we go.

**Senator COLBECK:** I was wanting to know how the assessment process that was occurring at the moment might be going.

**Ms Dripps:** For which project?

**Senator COLBECK:** Of the forests that are involved in the Tasmanian forest agreement.

**Dr Grimes:** I think you are referring to matters that are handled under a previous outcome that we covered. The officers that could assist you are not here for this section.

**Senator COLBECK:** Okay—I am done.

**Senator SIEWERT:** Can I go to Fitzgerald River National Park. I have had a letter from the minister around the TAP. Can you take me through the process as to where things are up to with the further development of that?

**Ms Jones:** As you know, the Western Australian environment minister is yet to make a final decision on the EPA's recommendation and report. In terms of your previous question at last estimates about reviewing the EPBC Act decision, we will be in a better position to do that once we have received advice about the federal minister.

**Senator SIEWERT:** You have foreseen my second question, so let us go there. You are still waiting for WA to work out what they are doing?

**Ms Jones:** Yes—we need to have advice about the minister's final decision, and then we will be in a better place to look at whether the EPBC Act particular manner requirements are appropriate.

**Senator SIEWERT:** Do you have a time frame from WA on that?

**Ms Jones:** No, I do not.

**Senator SIEWERT:** So I will be asking next estimates. The threat abatement plan—should I have asked that somewhere else?

**Ms Jones:** Yes, I believe so.

**Ms Colreavy:** It is marine division, Senator.

**Senator SIEWERT:** I always forget that. I should have asked that under 1.2. All right, I will put that in on notice. I have one more question: have you had any involvement with the Busselton Hospital redevelopment process which affects nationally listed species?

**Ms Jones:** Yes, that would be me.

**Senator SIEWERT:** You have decided not to assess that?

**Ms Jones:** No, we actually have a referral for that project. The project was determined a controlled action on 25 July. The proponent is currently preparing preliminary documentation, because the level of assessment set was on preliminary documentation. They are currently preparing that documentation.

**Senator SIEWERT:** What is the time frame for that?

**Ms Jones:** It is with the proponent, so there is no particular time frame upon them. It will then be submitted back to the department for approval to publish for public comment.

**Senator SIEWERT:** Thank you.

**Proceedings suspended from 11:10 to 11:31**

**Murray-Darling Basin Authority**

**CHAIR:** Welcome to estimates, Ms Dickson. Would you like to make an opening statement?

**Dr Dickson:** No, thank you.

**CHAIR:** We will go to questions. I call Senator Joyce.

**Senator JOYCE:** When is the draft plan going to be released?

**Dr Dickson:** Currently we are looking at around mid-November. We have not set a date yet.

**Senator JOYCE:** We have been waiting for the plan for quite some time now. Is that an absolute guarantee?

**Dr Dickson:** That is currently what we are proposing.

**Senator JOYCE:** Is there any possibility that it could be released next year?

**Dr Dickson:** We have expectations that we will be releasing it around mid-November, as I stated.

**Senator JOYCE:** Have there been any discussions by the MDBA board members about the potential to delay the plan beyond November?

**Dr Dickson:** No, there hasn't.

**Senator JOYCE:** Is the work basically complete?

**Dr Dickson:** We are still continuing to work on a range of the activities. Our last meeting with the state under the current schedule of meetings with the state basin plan working group is this Thursday. We may be having other meetings with states on specific issues over the next period. We are also undertaking quite a number of other consultations with a range of groups, so there is still quite a lot of activity going on. By and large we are finalising the work.

**Senator JOYCE:** Can you give me an example of those consultations that you are doing right now that are impeding the process to the final release?

**Dr Dickson:** Yes. I have actually got quite a long list. It might be simpler if I just table it.

**Senator JOYCE:** Could you give me the form of those consultations. Are they happening in Canberra? Are they happening out in the regions? Where are they?

**Dr Dickson:** They are happening in Canberra and out in the regions. The chairman is having a number of discussions in individual communities with the groups that he has been talking to over many months. We are also participating with the state-established consultation groups in Victoria, New South Wales, Queensland and South Australia. We are having briefings of peak stakeholders in small groups and in larger groups, holding those forums. We have held quite a few in Canberra as well as one in Sydney. So there have been a range.

**Senator JOYCE:** What regional towns are you having these discussions in?

**Dr Dickson:** I will table the full list, but the towns include Griffith, Deniliquin, Shepparton and Goolwa. I am not sure about the Queensland ones—I will check—but I know there is a meeting in Brisbane today, for example. There will be meetings in a number of towns as well as in the northern part of the basin.

**ACTING CHAIR:** Is the committee happy for that document to be tabled?

**Senator JOYCE:** Yes.

**ACTING CHAIR:** Thank you.

**Senator JOYCE:** Seeing we only have a month to go and you will have to get the document printed, bound and out, you would have to be just about at the conclusion of all your consultations now, wouldn't you? Is there anything that is going to dramatically change the content of the document that you are going to find between now and—

**Senator Conroy:** You will just have to wait until you see the new document.

**Senator JOYCE:** Ms Dickson?

**Dr Dickson:** We are still having discussions with a number of groups, so we are still saying that the numbers that we have provided to a number of groups are our current thinking.

**Senator JOYCE:** What is the current timing for the expected release of the final plan?

**Dr Dickson:** If you work through the statutory timetable that is set out in the Water Act, it is roughly around the middle of next year or perhaps a little later than that. Sorry; I do not have the timetable in front of me. A lot of it depends on how long particular parts of the exercise take. The consultation we are looking at is 20 weeks, as we have advised, to cover the fact that we are going over Christmas. That brings you into March or April for the end of the consultation period and then a—

**Senator JOYCE:** On what date will you release the proposed plan?

**Dr Dickson:** As I said, we are releasing the proposed plan around the middle of November, and it will be 20 weeks from then—

**Senator JOYCE:** I noted that Mr Knowles has been quoted as follows:

... a lack of cooperation—

with the states—

has hindered the drafting of the plan for the management of the Murray-Darling.

He said that at the Murray-Darling Association conference, which I attended, back on 8 September. Is the reason for the most recent delay in the plan a lack of cooperation with the states?

**Dr Dickson:** Sorry; what do you mean by 'the most recent delay'?

**Senator JOYCE:** We have been meaning to release the plan that we have at the moment since about the middle of the year and it keeps on getting delayed and delayed and delayed. There have been a number of statements—it was going to be released in October, then it was going to be released in July and then it was going to be released in November. There are considerations and discussions, and you have confirmed today that it is not necessarily nailed down to the middle of November; it is widely hoped it will be the middle of November, but you did not rule out that it could actually be released next year. So I am asking: is that delay by reason of cooperation with the states?

**Dr Dickson:** I would have to say we are having very good cooperation with the states. It has been quite an exhaustive activity over the last three months. As the chair said in the statement that we released in, I think, early August, the reason we wanted to take the extra time—and we did clarify that in a second statement—was that we needed probably another



three months to work through many of the issues the states had raised. All of them were legitimate and important issues that we needed to give a proper hearing to. That has been the process over the last three months, and I think it has been a very good process. We have engaged with the states on the draft plan itself, on the communication—

**Senator JOYCE:** You are saying that you are having good relationships with the states?

**Dr Dickson:** Yes, it has been a productive process. I think the chair was actually referring, in that statement made up in Dalby, to his concerns with the lack of engagement last year with the states rather than in the process we are undertaking right now.

**Senator JOYCE:** So it was a previous problem they had with the states that they are not having now?

**Dr Dickson:** Right now, I think it has been a very good process.

**Senator JOYCE:** Obviously we have had leaks, and I think quite strategic leaks, of what is in the plan. It has been very frustrating. We seem to be receiving all this information second hand. The last one was on 15 September. Are you making any investigations as to where these leaks are coming from?

**Dr Dickson:** We have not had any leaks. We provided all that information to stakeholders when we had discussions with the peak stakeholders, with the Basin Community Committee, with all the people we have been engaging with and when we provided that information through those forums we agreed for them to provide it to their members, which they did.

**Senator JOYCE:** You are saying that nothing has been leaked; it has all been part of a strategy.

**Dr Dickson:** Nothing has been leaked. It has all been part of our consultation, where we have made all our deliberations open to all stakeholders.

**Senator JOYCE:** The discussions that are generally held are that the number is 2,800 plus or minus 400, which is a pretty broad number. That number has not been leaked to anybody.

**Dr Dickson:** We provided the information on the catchment-by-catchment breakdown of our current thinking on the SDLs, the sustainable diversion limits, which aggregate up to 2,800. We advised that we are also doing sensitivity modelling around that number.

**Senator JOYCE:** You say there are no leaks. Could you confirm with me or otherwise, when we hear about a number of 2,800 gegalitres plus or minus 400, that is a strategically released piece of information that you stand by, or is it fictitious?

**Dr Dickson:** No, that is the information we provided to the number of groups we have been having consultations with. I think some of those groups have provided it to their members and have it up on their websites.

**Senator Conroy:** It has been leaked onto a public website.

**Senator JOYCE:** So 2,800 plus or minus 400 gegalitres. If 3,000 gegalitres started pretty close to almost a riot in some towns, how is 3,200 gegalitres going to go?

**Dr Dickson:** The estimates you are referring to, I assume, are the estimates that were put out in the guide to the Basin Plan last year. That was a 4,000 to 3,000 range. This situation is very different with the proposals we have out. As I said, they are just out for discussion. They are not yet the final proposals.

**Senator JOYCE:** If you put that 2,800 plus or minus 400 out to other people, why do you not just put it on your own website?

**Dr Dickson:** Because they are not final numbers yet. As I said, we have not finalised our thinking and the position out on the proposed plan. Again, it is only going to be a proposed plan open for consultation but we were happy for stakeholders to share our current thinking with their broader constituency.

**Senator JOYCE:** It is not a leak but it is not a final figure either.

**Dr Dickson:** That is right and we have been very clear that that is the case.

**Senator JOYCE:** So what are you doing? Are you just testing the social marketplace to see what will happen next?

**Dr Dickson:** We are being consistent with the strategy of making sure there are no surprises and that we have talked through our estimates and the background to those with stakeholders. Clearly we cannot reach everyone at this stage, but as many groups as we can in advance of release.

**CHAIR:** Ms Dickson, there is a document you want tabled. Could you table that?

**Dr Dickson:** I was going to provide the list of stakeholder briefings. I can provide that to the committee right now, if you like.

**CHAIR:** Sure. Thank you.

**Senator JOYCE:** Will the plan exempt New South Wales groundwater sources from further cuts on the basis that the Achieving Sustainable Groundwater Entitlements, ASGE, program did, in fact, achieve sustainability? There is a media release from the NSW Irrigators' Council which discusses it, so will the plan exempt New South Wales groundwater sources?

**Dr Dickson:** The plan will have a number of proposals on groundwater. Nothing is being exempted in that way. We have had a lot of discussions with the states and have got significantly more scientific information on groundwater over the last six or more months. So we have revised the groundwater proposals, and I think the New South Wales Irrigators' Council release you are talking about was referring to one of the discussions that we have had and provided our current thinking on the groundwater proposals to that irrigator group.

**Senator JOYCE:** They state:

The NSW Irrigators Council has welcomed the "current thinking" of the Murray-Darling Basin Authority to acknowledge sustainability of groundwater sources in the State and to exempt them from further cuts.

Would that statement be correct or wrong?

**Dr Dickson:** I am not quite sure what you mean by 'exempt them from further cuts'. The proposals do not involve any reductions in groundwater use in New South Wales.

**Senator JOYCE:** What about groundwater from coal seam gas? Is that included or not included?

**Dr Dickson:** I might get Dr MacLeod to address the coal seam gas?

**Dr MacLeod:** Coal seam gas is merely another form of extraction of water resources. So any extraction of water resources would be considered to be required to be handled within the

sustainable diversion limits proposed. Clearly, the proposals for groundwater are not looking at individual extractive industries; they are looking at the overall sustainability of aquifer.

**Senator JOYCE:** So are you taking into account the tens of thousands of megalitres—and, over time, gigalitres—that coal seam gas is going to take out of the system?

**Dr MacLeod:** In terms of the aquifers themselves, there are a significant number of aquifers across the basin where there is currently very little extractive use of water. As a result, when we have assessed the sustainability of those aquifers in the long term, we have identified a number of aquifers where there is potential to extract greater volumes of water, either saline or poor quality. Some of that may be utilised in the context of coal seam gas but it could be used in the context of other industries as well. We are not identifying which industries may or may not utilise that extraction. That is really a decision that is ultimately for state government.

**Senator JOYCE:** If the state government allows them to extract as much as they want, what are you going to do about that?

**Dr MacLeod:** The sustainable diversion limits that are specified for any aquifer, upon the accreditation of a new state water resource plan, the SDL becomes an enforceable limit for extraction in that aquifer, and all forms of extraction would be expected to be managed within that limit.

**Senator JOYCE:** So, with the explosion of coal seam gas, you have got a really good handle now on how much water they are going to take?

**Dr MacLeod:** There are very active discussions ongoing with state governments, particularly New South Wales and Queensland, to understand the extent of the proposals that are currently in development, and that is one of the issues that we have been exploring with states over recent months. We have put forward proposals for SDLs for those groundwater areas and we have been discussing those with the states as well. We believe that the current thinking of the authority represents a reasonable balance between long-term sustainability—

**Senator JOYCE:** I do not know what that means—a reasonable balance? So tell me how much water they are going to take out of the aquifer, seeing as we have had this discussion? I just want to know what amount is now thought of as a reasonable balance. In your mind, how much is coal seam gas going to take out of the aquifers?

**Dr MacLeod:** I do not have the numbers with me to hand. We have put forward proposals for sustainable diversion limits for all of the aquifers that are within part of the area of the authority—bearing in mind that the Great Artesian Basin is not one of the Basin water resources. So we as an authority do not have any—

**Senator JOYCE:** What about the Condamine alluvium? That is part.

**Dr MacLeod:** Again, from memory—and I do not have these numbers specifically to hand—I believe that the current proposals that Dr Dickson has indicated have been discussed with stakeholders and state governments indicate that the proposal for the Upper Condamine alluvium is to reduce the extractive limits, in line with the proposals that were being discussed with the Queensland government.

**Senator JOYCE:** I do not see how you can arrive at a comfortable balance when we do not actually know how much they are taking out.

**Dr MacLeod:** Through the receipt of information over the last 12 months and over the last few years, we have been able to establish what we understand to be the current extraction limits that exist in that aquifer.

**Senator JOYCE:** But you would have to take into account the licences that have all been issued.

**Dr MacLeod:** Yes.

**Senator JOYCE:** And seeing they are not actually licensed, they can just take out as much as they want. You can see the frustration of farmers when they are about to go through an extremely arduous period, yet they see an industry which—we cannot even quote here at estimates exactly how much they are going to take. Apparently they can take as much as the want and all we can say is that we are comfortable with where they are at.

**Dr MacLeod:** We have analysed the information available to us in terms of the entitlements that exist to extract water from each of the aquifers. We have considered that in the context of the requirements to develop an environmentally sustainable level of take and we have put forward proposals to place limits on the level of extraction.

**Senator JOYCE:** Where are those numbers?

**Dr MacLeod:** Those numbers are the ones that Dr Dickson indicated we have been discussing with stakeholders from state governments. They will form part of the proposed basin plan—

**Senator JOYCE:** Are all those numbers going to be in a draft plan—about how much they are going to take?

**Dr MacLeod:** The numbers that will be presented in the legislative instrument will present a sustainable diversion limit for each of the aquifers.

**Senator JOYCE:** I really want to know: in the draft plan that we are going to see, hopefully in the middle of November, are you going to be stating exactly how much the mining industry—

**Senator Conroy:** Stop trying to pre-empt the contents, Senator Joyce.

**Senator JOYCE:** I am just asking—

**Senator Conroy:** No, you are asking them to pre-empt what is going to be in the report.

**Senator JOYCE:** I am asking the question: is the amount of water that the coal seam gas industry is going to take out in the draft plan—yes or no?

**Senator Conroy:** You may just have to wait and find out.

**Senator JOYCE:** That is hardly a way to run a government. So we are just going to tell all the farmers out there, 'Sorry, you're going to have to wait'? You cannot even answer a question—not 'how much' but whether it is going to be in there or not. You cannot even answer that. Read the note you are being passed, and then answer me. Here we go. Yes? No? It is all getting a bit complicated.

**Dr Dickson:** Senator, we can provide the information that we have provided to all of the stakeholders that I mentioned before. We can make that available to you now on the basis that it is just our current thinking.

**Senator JOYCE:** If we could have it now, that would be great.

**Dr Dickson:** We might have to get it for you on notice. I do not think we have it available today.

**Dr MacLeod:** I do not think we have it here right now.

**Senator JOYCE:** So is the submissions process closed now, Ms Dickson?

**Dr Dickson:** We do not have a submission process at the moment. The submission process will start at the release of the proposed plan. Then there will be a 20-week consultation period and that is when we will be calling formally for submissions.

**Senator JOYCE:** I want to refer to another comment by Mr Knowles, from the *Griffith Area News*, 14 September 2011:

He said the 2800-gigalitre figure the authority was working with at the moment could only be reduced as socio-economic impact modelling and efficiency gains were factored in.

But other reports say the MDBA is considering cuts of 400 gigalitres above and below, so which is the right answer?

**Dr Dickson:** If I can clarify, as I said before, we are currently modelling the implications of 400 above and 400 below 2,800, which means we are looking at what the effects are on the achievement of environmental targets as well as looking at some of the other information that contributes to that. That is what we are currently doing in informing our decisions for the proposed plan. I think Mr Knowles was referring to the transition pathway, which is basically between the time when the plan comes into effect, hopefully some time in 2012, until 2019, when the sustainable diversion limits will be enforced. Over that period, we are proposing a pathway with a review point around about 2015, which will look at new evidence on how we can improve the achievement of the objectives, say, with environmental works and measures, that might look at achieving the same outcomes with less water. We will have new science. We will be looking at a whole range of other things. So this pathway, which is part of the new policy approach that we have been talking to stakeholders about, is going to enable us to look at new information before the SDLs come into effect, and so we may be able to change those.

**Senator JOYCE:** I am really focusing on the report that was given to the people of Griffith. What is the expectation? Is what Mr Knowles said about it only being able to go down from 2,800 right or wrong?

**Dr Dickson:** There is a lot of evidence that says that we may be able to achieve outcomes with less water, but we will not know that until we have done that assessment.

**Senator JOYCE:** So it is not certain? It is not right?

**Dr Dickson:** It is a reasonable estimate, but we need to the analysis over the next number of years.

**Senator JOYCE:** It is a reasonable estimate that it should go down?

**Dr Dickson:** It is a reasonable assumption on the basis—

**Senator JOYCE:** It is a reasonable assumption that it should go down?

**Dr Dickson:** of some of the advice that we have been given on the effect—

**Senator JOYCE:** Is it a reasonable assumption for Griffith or for everywhere?

**Dr Dickson:** We are looking at it across the board. It is the potential to achieve the same environmental outcomes with less water, which is effectively what the chairman was talking about.

**Senator JOYCE:** To use your own words, is it a reasonable assumption that, when you release the draft plan in the middle of November, it is going to be less than 2,800 gigs?

**Dr Dickson:** No, he was talking about the pathway. Say we start with 2,800 in the proposed plan, which is not certain—as I said, that is our current thinking—the time period from when a plan is finalised and we have a consultation period, so there may be a different number, is over the next seven years. So we are talking about the analysis and the evidence gathering that will happen over seven years, which may change the final number before it is enforced in 2019.

**Senator JOYCE:** I do not quite know what that means. Dr MacLeod, is the Great Artesian Basin in or out?

**Dr MacLeod:** The Great Artesian Basin is not considered to be part of the basin water resources. It is quite explicit in the act.

**Senator JOYCE:** The Great Artesian Basin is not considered to be part of the basin water resources. Why not?

**Dr MacLeod:** I am afraid I cannot really answer that question.

**Senator JOYCE:** It would make sense that the Great Artesian Basin is in the Murray-Darling Basin and would be part of the basin water resources.

**Dr MacLeod:** As I have indicated, the act is quite explicit that the basin water resources are all water resources in the basin excluding the Great Artesian Basin.

**Senator JOYCE:** Do you think any water from the Great Artesian Basin goes into the basin?

**Dr MacLeod:** As I have said, the provisions are set out within the act.

**Senator JOYCE:** Do you think any water from the Murray-Darling Basin goes into the Great Artesian Basin?

**Dr MacLeod:** Again, I cannot really comment on that.

**Senator JOYCE:** Yes, you can, you are a doctor.

**Dr MacLeod:** I am not sure that that qualifies me to comment on that particular question.

**Senator JOYCE:** I would suggest, with my very modest understanding of hydrology, that if water falls in the Great Artesian Basin there is a pretty good chance it will end up in the Murray-Darling Basin.

**Dr MacLeod:** I am sure that is a possibility; however, as I said—

**Senator JOYCE:** A possibility?

**Dr MacLeod:** the Great Artesian Basin is excluded from the basin water resources for the purpose of the basin plan.

**Senator JOYCE:** Obviously a huge section of the Great Artesian Basin is covered by the Murray-Darling Basin. It is just self-evident that that water is going to go into the Great Artesian Basin. We cannot dance around that one, for goodness sake, can we?

**Dr Dickson:** We are restricted in our purview by what is required in the act. If you want any further information on the Great Artesian Basin—

**Senator JOYCE:** You are not allowed to talk about the Great Artesian Basin?

**Dr Dickson:** It is just not within our assessment—

**Senator JOYCE:** Would you like it to be in your purview?

**Dr Dickson:** given that the Water Act has excluded it. If you wish to seek more information on the Great Artesian Basin, we will see what we can find and provide it to you on notice.

**Senator JOYCE:** Do you acknowledge that a large section of the Great Artesian Basin as a resource is in the same area as the Murray-Darling Basin?

**Dr Dickson:** My point is that the assessment that we are doing as defined under the Water Act does exclude those resources, but if you are seeking information on that we can look to see what is available and provide it to you.

**Senator JOYCE:** Do you think it is a little strange that you are not able to talk about the Great Artesian Basin—that you have been excluded from it?

**Senator Conroy:** You are asking for an opinion, Senator Joyce. You might want to reword your question.

**Senator JOYCE:** Where is a pathway mentioned in the article? In the article in the Griffith *Area News* there is no mention of any discussion about a pathway. Mr Knowles just says it is going to be fewer than 2,800 gigs.

**Dr Dickson:** Sorry, I do not have that article with me. I know that the chairman talked about that quite explicitly.

**Senator JOYCE:** I can table a copy of the article, if you like. Do you want me to do that?

**Dr Dickson:** That would be fine. Could I just explain. He did spend a lot of time talking about that pathway at the meeting. He also posted on the MDBA website a video of a whiteboard exercise where he was explaining the pathway. It has been in all our presentations that we have made to stakeholders.

**Senator JOYCE:** Quite obviously, it sounds like he is saying one thing in Griffith and something else in Canberra.

**Dr Dickson:** No—it was made quite clear in the meetings he had in Griffith. He explained that pathway.

**Senator JOYCE:** Was the minister or the minister's office informed of the delay prior to the announcement by Mr Knowles on 11 August?

**Dr Dickson:** Yes. The minister was informed, as well as all the other state ministers.

**Senator JOYCE:** Can you explain how the social and economic work that was commissioned in October last year and released in July this year has been integrated into the way in which SDLs are determined? I am looking for some practical examples, not a theoretical concept—'We got this piece of information and this is how it worked.'

**Dr Dickson:** I am sorry to hesitate. It might be simplest if I just talk in broad terms. The social and economic assessments were done. You were referring to the EBC report. There have been many other studies commissioned as well as drawing on work that has been

commissioned elsewhere. They clearly show that in many communities—those heavily dependent on irrigation—there are some significant social and economic impacts in the short term. The responses that have been made to those impacts have been to do with two major things. The first one is to look at the transition pathway—that is, instead of having things happening all at once, that will be over a seven-year period. The second key issue has been in the level of change. In the range finding exercise that was undertaken in the previous work of the authority looked at the bottom end of the range that would have the least of the economic impacts. They used that as the basis. As well is that, through our assessments in looking at modelling the outcomes of that level of volume reduction, we have been trying to maximise the efficiency of those reductions. That means you get as much achievement of environmental targets through the most efficient use of water—in the recovery as well. So there has been a range. It is quite a long process, but we could give you—

**Senator JOYCE:** It is quite a long answer. Are you saying that all the work that is going on with regard to social and economic impacts is just affecting the timing of the cuts, not their size?

**Dr Dickson:** No, as I said in my answer, it is the timing and I also said it is the size. We are looking at the lower end of the range.

**Senator JOYCE:** Could you just give me one practical example? Obviously, if someone is listening to us—and they will be, Ms Dickson—they want to know exactly—

**Senator Conroy:** No-one is listening to you, Senator Joyce.

**Senator JOYCE:** When they listen to you it does not make any sense. I am looking for a practical example. There was information commissioned in October last year about the socioeconomic impacts. How is it actually going to affect anything? Give me one practical example.

**Dr Dickson:** I have outlined two examples.

**Senator JOYCE:** That was more on the theoretical side. I would like you to say: 'We went to Griffith. We went to Deniliquin and we realised we were going to shut down the rice industry, so we decided we would not.'

**Dr Dickson:** What we looked at is choosing from the lower end of the range, in terms of socioeconomic impacts. We have also looked at some of the policy opportunities to be able to reduce the impact.

**Senator JOYCE:** That is not really a practical example, is it? That is the process that you are following but it is not a practical example: 'We went to this town and we saw this effect and this is the change we decided to make.'

**Dr Grimes:** I think it might be appropriate to recognise that the authority at this stage has not determined SDLs. Decisions have not been made at this stage.

**Senator JOYCE:** You are only a month away from it, Dr Grimes.

**Dr Grimes:** So it is difficult for Ms Dickson to be answering the sorts of questions you are asking. Decisions have not been taken on the SDLs.

**Senator JOYCE:** But you will be able to answer it by the middle of November.

**Dr Grimes:** I might hand back over to Ms Dickson—



**Senator JOYCE:** I thought you might.

**Dr Grimes:** and she will explain the process of the material that we released with the proposed—

**Senator JOYCE:** Are you saying that by the middle of November you will be able to put SDLs out and you will have done all this work?

**Dr Dickson:** I will now follow on from Dr Grimes. As I said, our current thinking is that we will be putting out a proposed plan at about the middle of November. Then there will be five months consultation on those proposals. That is the additional opportunity—as well as what we have been doing in putting forward our proposals—to get social and economic issues—

**Senator JOYCE:** When you say the middle of November is that from the 10th to the 20th?

**Dr Dickson:** I am sorry; I cannot be more precise than that.

**Senator JOYCE:** The middle of November being the 10 days lying in that middle of the month.

**Dr Dickson:** That is the middle of November, you are correct, but in terms of—

**Senator JOYCE:** Okay. Let's say that the middle of November is somewhere in the 10 days that lie in the middle of the month. What you are saying, Dr Grimes, is that although you cannot give this information now you will have it all wrapped up in less than a month's time.

**Senator Conroy:** Stop putting words in Ms Dickson's mouth. If you have a question, please ask it.

**Senator JOYCE:** Ms Dickson is completely capable of not—

**Senator Conroy:** Of not being verballed by you? You are a professional and it is her, I think, first estimates.

**Senator JOYCE:** I will take that as a compliment. Thank you very much, Minister Conroy. Can I refer to the presentation made by Tony Webster on 6 September 2011 to the authority titled *An Update on the Social Work Program*. Can the MDBA explain why this presentation makes no mention of the economic and social work that the MDBA released in July?

**Dr Dickson:** I am sorry, I do not have the presentation to hand. The work program does include a whole range of the studies that have been commissioned and released already as well as some new work that has been commissioned.

**Senator JOYCE:** Do you find it surprising that it makes no mention of the economic and social work?

**Dr Dickson:** I do not know the slide pack that you are looking at, Senator, but the ones that I have seen and the ones that have been discussed in the authority have a significant amount of economic and social work that has been commissioned and been sourced.

**Senator JOYCE:** Why is it not mentioned in the presentation of Mr Tony Webster, *An Update on Social and Economic Work Program*?

**Dr Dickson:** I am sorry. I would need to have a look at the presentation that you are talking about because all of the ones that we have seen—and knowing the work that Mr Webster does—

**Senator JOYCE:** The problem is that nothing has changed with regard to social and economic work from where the MDBA was last year.

**Dr Dickson:** There has been significantly more assessment and more consideration of the social and economic issues over this past year.

**Senator JOYCE:** The presentation also makes no mention of the House of Representatives inquiry which was part of the terms of reference that it was meant to cover. All it says is 'Overall, aggregate costs will be small.' Can I confirm that the conclusion is largely based on the general equilibrium model of the SDLs?

**Dr Dickson:** The reference there is to the macro-economic modelling, which is both long term and broad scale. That is the conclusion, but a lot of the other work that you mentioned—the EBC work—was extensive work that looked at the local impacts. There was also Sobels's work, which was up on the website recently. That looked specifically at local impacts in South Australia. As well as that there has been some other work ongoing looking at particular case studies. So there is a range of work that is looking both at the detailed local level, as far as the data will allow and as far as the information will allow, as well as the broader macro work that is being undertaken.

**CHAIR:** Could I indicate that I am supposed to go to Senator Xenophon at 12.15, to give you some idea where you are. I can come back to you.

**Senator JOYCE:** I was looking at the leaked figures—which you say are not leaked figures; they are figures that have been put out on websites, but not your government website, Minister; other websites. If we want to find out what the government is doing now, we have to go to the *Upper Tumut Gazette* and not your own website. Do you find that a little bit peculiar?

**Senator Conroy:** It is called a consultation process, Senator. Perhaps you are unfamiliar with it.

**Senator JOYCE:** It is called 'ineptness', when you cannot get the information through the central location.

**CHAIR:** Senator Joyce, do you have a question?

**Senator JOYCE:** Yes, I do. Why is it that the leaked figures in the media on the 15th of 2011—

**Senator Conroy:** Surely you can change the text on the run, Senator Joyce.

**Senator JOYCE:** With regard to amounts to the Paroo, Warrego, intersecting streams on the Gwydir, Nambung, Mooni, Barwon, Darling, Murrumbidgee in the ACT, Ovens, Kiewa, Broken and Lachlan, why is that 12 out of 26 valleys have reductions exactly equal to the amount of water recovered so far under the buyback program? Is this just an amazing coincidence?

**Dr Dickson:** I am just trying to think of those river valleys. A couple of them do not have any additional reductions. Dr MacLeod, can you recall? Senator Joyce, I did offer about a month ago a briefing for yourself and also Senator Birmingham, which I think has now been

set up for this Thursday morning. As part of that, I was going to provide you with the same information and briefing that we provided to stakeholders, starting probably about six weeks ago. I am very happy to talk through those detailed figures more fully.

**Senator JOYCE:** I commend you for having a briefing with us, Ms Dickson, but this is estimates, where we talk to the Australian people. They actually want to know what is going on here, not just us. Were these values worked out completely independently of the amount of water brought back so far, or was there some massaging to come up with these figures?

**Senator Conroy:** Could you repeat that question?

**Senator JOYCE:** Were the figures that were worked out completely independent of the buybacks, or were they massaged just to make—

**Senator Conroy:** That is just an outrageous suggestion. Perhaps you would like reword your question, Senator Joyce.

**Senator JOYCE:** You tell me what parts are outrageous. Were these values—

**Senator Conroy:** Suggesting that the figures have been massaged by an independent authority is not a reasonable frame for the question. I am sure you can manage to reword the question or wander back off to Finance estimates where you think you belong.

**Senator JOYCE:** Incredible. Why is it that they are exactly the same as what the buyback is already?

**Dr Dickson:** To answer your first question, they were independently derived. We provided information on the SDLs—

**Senator JOYCE:** So it is just a coincidence that they are the same.

**Dr Dickson:** I do not have the figures in front of me. Mr MacLeod might be able to—

**Senator Conroy:** Possibly it is another conspiracy in your mind, Senator Joyce.

**Senator JOYCE:** It is an amazing coincidence that, to the gigalitre, they are exactly the same as the amounts recovered so far.

**Senator Conroy:** Senator Joyce, just because you are paranoid, doesn't mean someone is not out to get you. So that is okay. You can have all the conspiracies you want.

**Senator JOYCE:** Minister, do you actually know the question I have asked?

**Senator Conroy:** I am just waiting for you to ask—

**Senator JOYCE:** You haven't got a clue! Do the figures for water cuts reported in the media on the date reflect the MDBA's latest thinking on the basin plan, or have things changed since?

**Dr Dickson:** They are our current thinking.

**Senator JOYCE:** How did the MDBA go about sharing downstream amounts identified for the northern and southern basins?

**Dr Dickson:** We are proposing that the downstream volumes are not going to be allocated to particular catchments, because there is no scientific basis as to whether they should come from one catchment or another. So the proposal is that the most efficient way of doing it, with the least economic and social impact, is to have that from using a market based approach.

**Senator JOYCE:** What would be the process for consultation after the release of the Basin Plan?

**Dr Dickson:** The next five months after we release the proposal we will be using a whole range of fora to make stakeholders aware of the information.

**Senator JOYCE:** So you would go around the country doing that?

**Dr Dickson:** We will probably be talking very much to the same groups we are already consulting with and make opportunities available to the broader community, depending on the particular way each community would like to be consulted. We have spent quite a lot of time over the last few months talking to communities across the basin to identify how they best want to be consulted. Some communities prefer smaller meetings and some want larger. So there is a whole range of different ways that we are trying to meet community needs.

**Senator JOYCE:** Seeing how they want to be consulted, how do the people of Deniliquin want to be consulted?

**Dr Dickson:** I will have to take that one on notice, because most recently the chairman was in Deniliquin talking to them about how they would like to be consulted.

**Senator JOYCE:** How about the people of St George or Goondiwindi? Tell me how they would like to be consulted.

**Dr Dickson:** Can I take those specific questions on notice? I do not have the details with me.

**Senator JOYCE:** What about the people of Mildura? How do they want to be consulted?

**CHAIR:** Senator Joyce, you are asking the same question, and I expect you will get the same answer. Senator Xenophon, you have the call.

**Senator XENOPHON:** Ms Dickson, I would like to follow up some questions I asked of Mr Freeman, your predecessor, on 25 May at the last estimates in relation to the issue of early adopters, particularly in the Riverland in South Australia, in terms of water saving measures and the extent to which that will be taken into account in determining the SDLs. I am trying to establish how far down the track the authority has gone down to take into account those early adopters of water efficiency measures who, in large part, cannot access the \$5.8 billion fund set up for water efficiency measures because they had previously undertaken those measures. How is that being taken into account at this stage with respect to determining an appropriate SDL and, in a sense, rewarding those early adopters of water efficiency measures?

**Dr Dickson:** The issues have been taken into account in terms of previous effort with regard to the amount of water reductions. That is certainly true across the basin. But the SDLs will be determined on the basis of the environmental needs on a catchment basis. In South Australia where a large part of the water needs are going to be delivered by the downstream component which Senator Joyce was talking about earlier, there is a fair amount of discretion about where that water recovery is going to come from. So it is not going to be specific to any particular area.

The framework is about identifying the catchment needs on the basis of the environment requirements rather than on being able to factor in those efficiency gains. They effectively enable you to reach a target more quickly, recognising previous effort, but not necessarily on how an SDL might be determined.

**Senator XENOPHON:** I guess the heart of my question goes to issues of equity—that is, if it can be shown that a previous catchment has undertaken water efficiency measures well before the \$5.8 billion was established, to what extent, on an equity basis, is that taken into account? When I raised this with Mr Freeman back on 25 May, as I understand it, the guide at page 214 specified that about 500 gigalitres could be sourced anywhere in the basin in terms of any savings. Could that 500 gigalitres form the basis of an equity dividend, if you like, for those irrigators and for those communities that have done the right thing previously?

**Dr Dickson:** If you are referring to the savings that need to be required in the downstream component—

**Senator XENOPHON:** Yes.

**Dr Dickson:** it is really a matter of where the market is going to be most able to achieve savings there, rather than specifying any particular group. We do not want to constrain the capacity of individuals for that recovery in that way. So I think the answer to your question might be no.

**Senator XENOPHON:** Sure. I might invite you to take this on notice further.

**Dr Dickson:** I think that might be a good idea.

**Senator XENOPHON:** I am happy for you to do that, but there is a concern. The case in point is that there is a \$110 million fund set aside—an infrastructure fund—for water in the Riverland. I asked Ms Harwood questions on this. There was a very small amount of that fund spent because, in order to fill the criteria of water efficiency measures, the hurdle was too high—water efficiency measures were already in place. That is something I should perhaps ask Ms Harwood, but it dovetails onto this issue of where you deal with equity issues, where farmers have already done the right thing previously. How is that taken into account? That is a fundamental issue into the Riverland. When it comes to these cuts they are saying that you cannot squeeze blood out of a stone, if they have already undertaken water efficiency measures. Minister, could I ask Ms Harwood—if she is still the responsible person—to indicate what has happened with that PIIPSA funding? How much of that has actually been spent?

**Mr Parker:** In respect to your question, I think it is important to understand the context of the question. It is certainly the case that over a long period of time—

**Senator XENOPHON:** Are you suggesting I did not put the context fairly?

**Mr Parker:** Yes. I want to add an additional dimension to the context, if you do not mind, Senator.

**Senator XENOPHON:** Certainly not.

**Mr Parker:** Over a long period of time there has been investment in water-saving programs in South Australia and it is one of the more efficient parts of the basin.

**Senator XENOPHON:** Is the department able to say which parts of the basin are more efficient than others? On an empirical basis they are able to state that, are they not?

**Mr Parker:** We could take that specific question on notice.

**Senator XENOPHON:** If you could—in efficiency measures that have been implemented, issues of productivity and the like in terms of water evaporation or water wastage through inefficient techniques.

**Mr Parker:** Certainly. We will do what we can to provide that factual information. I think it is important to recognise and understand the equity issue—which is the premise of your question—to note that substantial parts of that investment have previously been government funded, not only funded by the irrigators themselves, although that is sometimes not stated. The second point—

**Senator XENOPHON:** No, that has been stated. On 25 May Ms Harwood made the point that it was 40-40-20: 40 per cent Commonwealth, 40 per cent South Australia and 20 per cent industry. But it is quite different from the \$5.8 million fund, isn't it?

**Mr Parker:** Yes, and there are also a number of differences relating to what happens to the water; that is correct.

**Senator XENOPHON:** So you acknowledge that.

**Mr Parker:** Yes, and there have been a range of government programs over many years. So, Ms Harwood, the PIIPSA program.

**Senator XENOPHON:** It may assist you, Ms Harwood, that your answer at page 110 of the *Hansard* on 25 May, on the \$110 million fund, was:

There was \$3.4 million, from memory, for grants in the first round of PIIPSA. The second round of PIIPSA is underway and that is under assessment at the moment. We are near the end of assessment in the second round.

That is what you said then. Can you update the committee as to where we are at now on that PIIPSA fund?

**Ms Harwood:** Yes. The second round of PIIPSA has been announced. I am just looking for the figure—it is about \$11 million in total, from memory. That is the total funding under round 2. Those projects are going to contract now.

**Senator XENOPHON:** In terms of the PIIPSA fund, of the \$110 million, it has taken the best part of two or three years to spend about \$13 per cent of the funds set aside, has it not?

**Ms Harwood:** The program itself has not been going that long. It was initiated over a shorter time frame.

**Senator XENOPHON:** It has been about two years.

**Ms Harwood:** Yes. It forms part of the state priority project for South Australia.

**Senator XENOPHON:** What was anticipated at the time the project commenced for the amounts that would be spent and in what period? Can you take that on notice, in terms of any documents, any material, as to what was anticipated for the \$110 million fund?

**Ms Harwood:** Yes. I would say two things. We can do that. I do not think we had precise predictions in terms of the take-up for the program.

**Senator XENOPHON:** I am not asking for precise predictions. Were there estimated predictions for the take-up?

**Ms Harwood:** The other point I would make is that, between round 1 and round 2, the return on investment, the water return—essentially the value for money proposition from the projects—has improved. For the second round projects, which total around \$11 million—I will check that figure—the actual cost of the water return for the environment was lower to the Commonwealth than for round 1. So our water efficiency improved there.

A point to make in relation to your previous question about different parts of the basin and efficiency is that, within any area of the basin the level of efficiency will vary from farm to farm and region to region et cetera. There will be very efficient operators in an area and perhaps less efficient operators. The system delivery will vary around the basin where there is an irrigation distribution system, but it is not possible to say, 'This part of the basin is better or worse,' in that there is such heterogeneity within the level of efficiency of the operations that are occurring across the basin.

**Senator XENOPHON:** You talk about the heterogeneity of the basin, but isn't it a fact that, in terms of irrigation districts—the Central Irrigation Trust in the Riverland; the Renmark Irrigation Trust—they had a pipe system many years ago in terms of water efficiency measures, which are now being done out of the \$0.5 billion fund. So you are able to compare some areas to others, aren't you?

**Ms Harwood:** Yes—pipe systems in general provide much more efficient delivery than channel delivery systems, but there are pipe systems elsewhere. But you are right: pipe systems provide for more efficient water delivery. There is also the issue of on-farm delivery—that is, the techniques being used on-farm—and the techniques that are being used in the Riverland are used elsewhere in the basin by farmers on-farm.

**Senator XENOPHON:** I only have a couple more minutes, so I will ask: can you take on notice what assessments are being undertaken in terms of the efficiency—Mr Parker made reference to that—in terms of which areas have a pipe delivery system, a more efficient delivery system than others? My observation is that in the Riverland, at the very least, that has been one significant area where there has been some homogeneity in issues of having a pipe system, where it delivered efficiencies across the board in that area.

The final line of questioning I would like to go to is in relation to the Great Artesian Basin. Senator Joyce raised some issues in relation to that. I will ask the department particularly in the context of the questions that Senator Joyce was asking about coal seam gas and also with respect to the Olympic Dam expansion and BHP's licence to take water out of the Great Artesian Basin. What has been put to me by those who are concerned about the long-term health of the basin is that under current federal legislation there is a constraint in what you can look at. This would also apply to coal seam gas, in terms of the long-term impact on the basin, in the sense that any environmental assessment is constrained by the current legislation, which does not necessarily look at precautionary principle issues and the potential long-term impact of water extraction and also potential contamination by coal seam gas.

**Mr Parker:** I will ask Mr Slatyer to answer that question. The people responsible for the administration of the EPBC Act have stayed behind in case there are questions that they could answer.

**Senator XENOPHON:** Sure. Thank you.

**Mr Slatyer:** As I heard the question, it really was about the workings of the EPBC legislation.

**Senator XENOPHON:** Yes, whether it is adequate in the context of both the coal-seam gas issue, potential contamination, and also the impact of long-term extraction, because we know with the Olympic Dam expansion there will be long-term extraction and increasing extraction from the Great Artesian Basin.

**Mr Slatyer:** Yes, understood, but your question is basically about the adequacy of the EPBC legislation to deal with that?

**Senator XENOPHON:** Yes.

**Mr Slatyer:** That is an area our colleagues who administer that legislation would have to answer. They can be brought in if you require, or we can take it on notice.

**Senator XENOPHON:** If they are able to respond now.

**Ms Dripps:** We were coming up to the table. I just wanted to check that we understood the question. The question was about the adequacy of the EPBC Act?

**Senator XENOPHON:** It has been put to me by those who have environmental concerns for the long-term health of the Great Artesian Basin that the act may constrain, either in terms of environmental impact or in terms of ongoing monitoring, the potential long-term impacts of coal-seam gas extraction—fracking and the chemicals used in fracking—and also the long-term impact of a sustained withdrawal of water from the basin and in particular in the context of the Olympic Dam expansion.

**Ms Dripps:** The matters that can be considered under the EPBC Act are matters of national environmental significance. The EPBC Act comes into play in assessing a proposal where we have a species or an ecological community that is listed, or a Ramsar wetland that is likely to be impacted. Where that is not the case, the EPBC Act does not come into play at all.

**Senator XENOPHON:** So, for instance, in the event that there is a concern as to what impact this could have on the long-term health of the basin from salinity or other matters with respect to sustained significant extractions from a proportion of the basin, and in the absence of those factors that you have listed, there would not be a role for the EPBC Act to be involved?

**Ms Dripps:** That is correct.

**Senator XENOPHON:** In relation to the issue of coal-seam gas Senator Joyce has raised the impact of seepage. As I understand it, as a result of fracking for instance and the chemicals used in fracking, it is that very slow movement of the water table and impacts on adjoining properties which may take many years. Is that something that the act is not able in its current form to look at?

**Ms Dripps:** The act in its current form does not consider the impact on farming land, for example. But what we have in the situation of the three very large Queensland coal-seam gas projects is very conservative conditions set around repressurisation and reinjection of aquifers because of the connection to the mound spring ecological communities. Ms Colreavy might add to that.

**Ms Colreavy:** Thank you. There are two issues that you have raised here that I might be able to assist with. First, in relation to the extraction of water in relation to the Olympic Dam expansion you asked about, the conditions for Olympic Dam require limits set as per the agreement between South Australia and BHP Billiton. The EPBC conditions reflect the agreement that exists. Therefore, the extent to which the Great Artesian Basin is protected by those conditions is that no further water is allowed to be drawn down beyond those agreed limits. The power of the act to protect species, including the mound springs of the Great



Artesian Basin, is that any potential impact on those springs or protected matters could trigger the act.

Going to the broader issue and the example of coal-seam gas extraction, the act does allow for precautionary conditions to be set, and they have been in the case of the three projects that Ms Dripps mentioned. There is a complex set of conditions that manage it. In respect of the possible movement of waters between different aquifers—that may happen at either a slow pace or a fast pace—the coal seam gas companies are required to test for aquifer connectivity in all cases. So wherever they are drilling they need to test and publish and provide to us reports of connectivity between the aquifers. If there is a detected movement of water, the established methods that are well known within the industry will show that, and they are required, as Miss Cripps said, to take steps to address that. If what results is a very slow movement that is harder to detect, the conditions also require them to set up monitoring bores. They have to have a very detailed management plan in place and continue to monitor the impact of their drilling within the vicinity of all of their drill holes. Those threshold limits are actually very, very conservative, so we should be able to see, well before any movement that might impact on a protected matter would get to that point. We should be up to see very early in the period of time if there is in fact a draw-down.

**Senator XENOPHON:** Because of time constraints you can provide some more details on notice in relation to that. Also, if you rely on the companies to provide those reports of connectivity is there a capacity to do spot checks to audit that?

**Ms Colreavy:** Yes.

**Senator XENOPHON:** If what your independent assessment shows is different from what the company says is there any penalty in respect of that?

**Ms Colreavy:** Yes. The conditions require them to both monitor and report. We have an expert panel to oversight that. The minister can seek advice from any expert he wishes to advise him in relation to the reports he receives.

**Senator XENOPHON:** If the company is patently wrong in terms of their assessment—and I am not saying that they are—is there a penalty for the company?

**Ms Colreavy:** If there is evidence that they are providing false or misleading evidence then yes, there would be. Generally, if their results were indicating something of concern, the first step would be to address the matter of concern. If there was some sort of breach involved then we certainly do have capacity to take action.

**Ms Dripps:** And there is a further penalty: the companies are not able to proceed with the development of their coal seam gas activities until they have satisfied the minister that their water management plans are satisfactory.

**CHAIR:** Senators Xenophon can you put any further questions on notice. It has been a very lengthy response and we are running out of time.

**Senator XENOPHON:** I will get further details on notice thank you.

**Mr Barker:** It is important to understand that both state and territory legislation impacts on this as well, where the EPBC Act is not triggered. Of course, almost all of those jurisdictions seek extraction under some of their own regimes.

**Senator BIRMINGHAM:** Ms Dickson, congratulations on your appointment and welcome to your first estimates hearing in this role. The MDBA minutes on 19 April 2011 state that the chair, Mr Knowles, reported that the tabling of the House of Representatives committee inquiry report into the impact of the Murray-Darling Basin Plan in regional Australia (the Windsor report) might be delayed, and suggested that if it was delayed the authority could not delay the release of its proposed Basin Plan. That was on the 19 April. At that point, the release of the proposed Basin Plan was publicly expected around July. Why could the release not be delayed in April when it was scheduled in July but can now be delayed until at least mid-November?

**Dr Dickson:** I was not at the meeting. I will take that on notice and give you a response.

**Senator BIRMINGHAM:** You can do that on that particular matter, but in general what has occurred that has caused these delays with the release of the draft Basin Plan?

**Dr Dickson:** To take your first point, I could certainly report on discussions that we have had in the authority since I have been there with the chair and the other members in relation to the Windsor report. It was always very clear that we needed to get the report and assess the outcomes and look at the recommendations and how that might have affected our proposed plan. That is in fact what we have done and we have met with Mr Windsor and his committee subsequent to the release of his report on that. So that is what I can report at least on that issue. In relation to the delays, as I outlined to Senator Joyce, the reason we want to take extra time—we announced that time early in August—was principally to have enough time to work through the issues that the states had raised and to have enough time to do both the discussions on the draft plan, which is quite a lengthy and detailed legislative instrument, and some additional scientific modelling and analysis, and work that through in some detail with the states. That was the primary reason and that is what in fact we have spent the last few months doing.

**Senator BIRMINGHAM:** Was this work not either satisfactorily done or factored into the work plan satisfactorily prior to your arrival?

**Dr Dickson:** There were a number of issues that were raised with the states that came up in meetings I was involved in and also in some early briefings that the chair, with a couple of other people, had with the state ministers, where they raised particular issues they wanted to pursue in more detail. That was really the basis of the decision to give ourselves enough time to work those through.

**Senator BIRMINGHAM:** You indicated some time lines to Senator Joyce in response to his questioning and that it is still the expectation that the proposed Basin Plan will be released in mid November. Can you quickly take me through what your expectation is for the finalisation of the Basin Plan from that mid-November release of the draft?

**Dr Dickson:** I can take you through as much as I can without a calendar in front of me. If it is a release in mid November, that five months from there gets us to about April and that point would be the end of the public consultation. There needs to be then a period of time when we assess the submissions and address the issues raised in those submissions as well as what has come through from all the meetings we expect to have over that period. As part of the preparation of the final plan, we will pull together the summary of the issues that are raised and how we intend to address them in the proposed plan. That then goes forward to the

ministerial council. As an estimate of how long that would take, it would take at least a month I would think to pull all that and give proper consideration of all the issues that came through. The ministerial council then has six weeks to consider it, the proposed plan, the report and a regulatory impact statement of that period. Then there is a period where we can consider the views of the ministerial council and provide a plan to the minister. The minister has some options then of whether or not he wants to pursue particular issues backwards and forwards over time. All of that leads you to probably the middle of next year before we would be in a position of having a final plan put to parliament.

**Senator BIRMINGHAM:** My noting of what you have there probably got me past the middle of next year.

**Dr Dickson:** It may be a bit later than that, yes.

**Senator BIRMINGHAM:** If end of public comments et cetera is looking at April and then you have a month or so for consideration and compilation of those, and then you have the Ministerial Council and then you have another six-week or so period and then there is some uncertainty at the end of that, it is safe to say that there is probably a 40 week time line or thereabouts from go to whoa assuming everything goes smoothly.

**Dr Dickson:** 40 weeks—where does that take you to on your timetable?

**Senator BIRMINGHAM:** From November that is going to take us to about, at best, late August/September.

**Dr Dickson:** I think that is probably the estimate—that is right.

**Senator BIRMINGHAM:** What implications does that have for the states and their handling of complying water-sharing plans?

**Dr Dickson:** The proposal we are putting forward is to have the SDLs not enforceable until 2019. During that period each state has a different timetable for when their water resource sharing plans are up for renewal, and it is actually that transition period that has been one of the main topics of discussions with the states, because we need to have an arrangement where each state can renew their water resource plans to be consistent with the Basin Plan over that period. I think Victoria is 2019, New South Wales is starting 2014—I do not have the exact dates, but if you want some more detail on the process I can ask Russell James to come to the table.

**Senator BIRMINGHAM:** It may be helpful, just to ensure that we are going to have a situation where the states are actually able to meet their obligations given the far-later-than-scheduled Basin Plan process.

**Dr Dickson:** That is right—it has been quite a detailed discussion over the last couple of months. Russell James will be able to fill you in.

**Mr James:** We have been having some very good discussions with the states in the last month or two about exactly the process you are talking about. As you would expect, each state has their own current schedule for reviewing their state water resource plans, and I guess the Water Act had been done on the assumption of the Basin Plan being finished at a particular time. Where we have got to—and it is not fully landed yet—is that we will have a mixed arrangement where some plans will just be revised as currently proposed by states in the timing that they were always intending. For example, you can think of some areas where

the SDLs are unlikely to require much change—there are some catchments where not much change is being proposed—and we expect that those arrangements can probably just continue on. In other catchments it might be necessary to delay the revision of those state plans, in which case we will make sure that, from a certainty point of view, those plans are given coverage under the act; in effect, they can be taken as being extended under the act. One of the things that we have been discussing with states is the importance of making sure that for states and—more importantly—for water users, there is a certain arrangement and a certain transition from the old world into the new world from 2019.

**Senator BIRMINGHAM:** Are changes to the act being contemplated at all to ensure that either the states or the MDBA do not find themselves in breach of any requirements under the act for how these plans may be developed and how they interact with a Basin Plan that is or is not finalised?

**Mr James:** There are no amendments being proposed about the Water Act for the moment that I am aware of. We expect that the arrangements that I have been talking about—these transitional arrangements—can all be dealt with through regulation.

**Senator BIRMINGHAM:** Ms Dickson said that the SDLs were not going to be enforceable until 2019. In terms of the water sharing plans developed by the states, what will they be considered against or assessed against if the SDLs themselves are not enforceable in 2019? Are there interim SDLs that will be set for each of the years leading up to 2019? How will we ensure that there is actually progress from the states in moving towards those SDLs?

**Mr James:** In essence, the state plans before 2019 will just be giving effect to the current cap arrangements. The way in which we are moving towards the SDLs in 2019 is effectively through the government's water recovery program. As we move forward and more water is purchased or recovered through more efficient infrastructure, we will be moving towards those SDL numbers.

**Senator BIRMINGHAM:** So the current cap arrangements will be what all water-sharing plans are based on until 2019?

**Mr James:** That is right.

**Senator BIRMINGHAM:** Thank you.

**Senator McKENZIE:** I would like to follow up the questioning from Senator Joyce about a particular system in my home state of Victoria. I refer to the figures that were reported in the media on 15 September 2011. The in-valley figure for the Goulburn region, around Benalla, identifies 344 gigalitres as an in-valley reduction. When we look at the draft, it is hardly any different from the 349 indicated under the 3,000-gigalitre solution for local environmental assets for the Goulburn region. Why hasn't the figure for the Goulburn region changed when, after the guide was released, it was made clear that the economic and social effects of such cuts would be very severe, particularly in this region in Victoria, which is reeling from the social and economic impacts of local food processors closing and the like? I want to know why it has not really changed given how important it is.

**Dr Dickson:** In Victoria we adopted the recommendations of the Northern Region Sustainable Water Strategy, the NRSWS. We adopted those figures for the in-catchment reductions. The assessments being done by Victoria were very thoroughly researched and

based, so we saw there was no reason to change those. They had also been through a significant process in Victoria, I understand.

**Senator McKENZIE:** So, despite wanting to look at the social and economic effects of the policy, you took that group from Victoria's word that the social and economic effects of taking that water out of the region and the system itself did not matter?

**Dr Dickson:** As I said to Senator Joyce, the two large changes we have made to address the social and economic effects have been to take from the lower end of the range, the minimal estimate—again, these are all estimates, which is why we are proposing a transition phase, so we can do a lot more work on these issues—and also provide a long period of adjustment, seven years, to be able to work gradually to these changes. But the work that was done by Victoria was to identify the sustainable level of take for that particular catchment, and that is the basis on which we also needed to act. We saw no reason to change the Victorian estimates.

**Senator McKENZIE:** I have a couple of questions around NVIRP. I understand \$1 billion was committed by the Victorian government before the election last year to be used on stage 2 and there will be announcements this week about the rest of it going through. When will the agreement be finalised for the funds to be paid?

**Ms Harwood:** I understand that the announcement was made this morning of the package of initiatives around a restructured NVIRP stage 2. That is a total of \$1.2 billion. The contractual funding schedule for the main NVIRP stage 2 project was also signed this morning, so that is now basically a live contract for delivery of the stage 2 project. Also in preparation is agreement to fund an on-farm project totalling \$44 million, which is to be integrated with NVIRP2.

**Senator McKENZIE:** How much of that funding you just discussed is allocated for Victoria itself?

**Ms Harwood:** The project is entirely in Victoria. From the Commonwealth for the main NVIRP project there is \$953 million of funding agreed. Victoria is to contribute \$106 million.

**Senator McKENZIE:** Who will audit the savings of water from NVIRP stage 2?

**Ms Harwood:** There are quite rigorous processes in Victoria for the NVIRP project in terms of how the water savings are audited as the project proceeds. That is a Victorian responsibility to assess each part of the system as it is built and to assess the water savings that have been achieved. Then those are converted to water shares for transfer as to savings from the project.

**Senator McKENZIE:** Will the purchase price for the water to the environment be at the set value—and if so, what?—or at the prevailing market price?

**Ms Harwood:** Included in the package of elements for NVIRP is a water purchase transaction, where the Victorian government has offered for sale the second half of the water savings from the project to the Commonwealth. A price has been agreed for that transaction of \$219 million for 102 gegalitres long-term cap equivalent of water.

**Senator JOYCE:** You said a second ago that the Goulburn cuts were based on the sustainable take for the Goulburn. Does this mean that you did not take into account the socio-economic circumstances of it?

**Dr Dickson:** As I said, they were based on the Northern Region Sustainable Water Strategy.

**Senator JOYCE:** Does that take into account socio-economic circumstances?

**Dr Dickson:** I will have to take that on notice. It is the basis on which Victoria developed their strategy. I will take that on notice and provide you advice on Victoria's process.

**Senator JOYCE:** After the release of the draft will you advertise meetings around the countryside about how this plan is going to happen?

**Dr Dickson:** Once we have settled the arrangements we will certainly advise communities in enough time when there will be particular meetings in their areas. That will be once we have settled it. As I said, we are still—

**Senator JOYCE:** So you will go to Griffith, Deniliquin, Mildura and Goondiwindi and have public meetings so that the public can have some input into where their life is going from that point forward.

**Dr Dickson:** As I said, we have not finalised with the communities how they best want to have the consultation. But if there are going to be public meetings then certainly we will be advertising those.

**Senator JOYCE:** Are you suggesting that there might not be public meetings?

**Dr Dickson:** If that is what communities want we will be having public meetings. We have made that clear. There have been a range of different ways that people have wanted to have their consultation.

**Senator JOYCE:** So you will have public meetings if the community wants public meetings.

**Dr Dickson:** If the community wants public meetings we will have them.

**Senator JOYCE:** How does the community let you know that they want public meetings—because they are watching at the moment?

**Dr Dickson:** We have been having many discussions with various community groups over the last several months. As well, the chair has been having many meetings with community groups.

**Senator JOYCE:** So to the people who are emailing me right now, saying that they want public meetings, how do they get the public meetings?

**Dr Dickson:** I would ask them to be in contact with the authority to put their views on how they want to have consultation undertaken in their areas.

**Senator JOYCE:** Right. So they will just send a letter to you saying, 'I want a public meeting at Griffith,' and you will facilitate that meeting happening?

**Dr Dickson:** We would like to get the view across all of the people in Griffith. Certainly we have been having a lot of discussions with Griffith. So they could let us—

**Senator JOYCE:** Do you think there are people who do not want a public meeting after this comes out?

**Dr Dickson:** We have certainly had a number of people who have advised that they did not want public meetings because they found it very difficult to get their views across. So

they have sought a range of different ways of having discussions and getting their views to the authority.

**Senator JOYCE:** One might suggest that politically there would be a few people in this building who do not want public meetings.

**Senator Conroy:** If you promise not to go and talk, people might turn up.

**Senator JOYCE:** That is hilarious!

**Proceedings suspended from 13:00 to 14:02**

**Senator JOYCE:** Will the minister be attending the consultations after the draft plan is released?

**Senator Conroy:** I am not sure the officers would actually know the answer so I will take that on notice.

**Senator JOYCE:** Has there been any consultation with the minister about attending consultations after the release?

**Dr Dickson:** No, there has not.

**Senator JOYCE:** Do you think the minister should?

**Senator Conroy:** That is an opinion.

**Senator JOYCE:** Has the community asked for the minister to attend consultations?

**Dr Dickson:** I am not aware of it.

**Senator JOYCE:** If Mrs Smith of Condamine—

**Senator CONROY:** It sounds like a hypothetical is building, Senator Joyce.

**Senator JOYCE:** Is it legal for a person to put down a bore and extract water from the Condamine alluvium after the plan is released if they do not have a licence?

**Senator Conroy:** I know little about it but it sounds like the licence condition could perhaps cover that issue. We will take it on notice if I am wrong. I suspect I am not.

**Senator JOYCE:** No, I think you are dead right. Is it illegal for a coal seam gas operator to put down a bore in the same alluvium and take as much water as they want?

**Dr Dickson:** As was mentioned before, when we were discussing some of the other aquifers, most of these are exercised through state legislation. So it would be a matter of whether it is legal or not under the state legislation, which I suspect—

**Senator JOYCE:** Does the Murray-Darling Basin cover the extraction of water by coal seam gas operators and the amounts they extract?

**Dr Dickson:** I think we covered that question before by saying it covers the extraction of all water that is covered by the resources of the Murray-Darling Basin.

**Senator JOYCE:** So how much does coal seam gas extract?

**Dr Dickson:** I do not have the answer to that question.

**Senator JOYCE:** Can you take it on notice?

**Dr Dickson:** Yes.

**Senator Conroy:** To see if there is any information we can provide for you.

**Senator JOYCE:** Is there anything prohibiting you from getting that information? Do you think that information is accessible—to the extent that mining licences have been granted at the moment?

**Dr Dickson:** We will explore that and get you the answer.

**Senator JOYCE:** Do you think there is something rather strange about the fact that such a substantial extraction of water is not actually within your purview?

**Senator JOYCE:** Do you think there is something rather strange about the fact that such a substantial extraction of water is not actually within your purview?

**Dr Dickson:** The extraction of any water within the basin, as described, is covered by the SDLs we are developing for ground water.

**Senator JOYCE:** You acknowledged, just through the questions I have asked, that there is rather a paucity of information about anything to do with coal seam gas and yet it is one of the largest extractors of water in the northern part of the basin.

**Dr Dickson:** I will get that information for you, Senator.

**Senator JOYCE:** I refer to a media release put out by Mr Knowles on 11 August, in which he stated:

That's why I've proposed that it'll be 'pens down' in mid-October—

Which is now—

to allow a few short weeks to finalise our collective endeavours, get our work to the printers, and have the draft ready for exhibition in November ...

Are pens down for you guys?

**Dr Dickson:** As I mentioned, the final meeting we have with the state basin working group is this Thursday.

**Senator JOYCE:** So all those things that Dr Paul Grimes was telling me about 'we haven't quite got to the end yet' and 'there's a bit more time up our sleeve'—that seems to be working completely counterintuitively to what Mr Knowles has said. He says it is 'pens down'.

**Dr Dickson:** That is in relation to the draft legislative instrument. As I said, that is a very detailed instrument. It covers water quality and salinity plans, environmental watering plan, the monitoring evaluation framework, the risk assessments, the details of the water resource plan accreditation requirements and so on. So it is a very detailed instrument and that is where the main focus of the activity with the states has been.

**Senator JOYCE:** If your last meeting is this Thursday, it is going to be pens down this Thursday.

**Dr Dickson:** In relation to as far we have got to on the draft legislative instrument, there are the actual SDLs which have not been finalised—

**Senator JOYCE:** Have you got them in a draft form ready to be finalised?

**Dr Dickson:** We have the draft form that was made available to stakeholders at the meetings we have had over the last month.

**Senator JOYCE:** That was rather a large number—12 out of 26 or something. So you have not got many to go, have you?

**Dr Dickson:** We provided them for the whole set. We provided for stakeholders.



**Senator JOYCE:** So 12 out of 26 means you have got 14 left to go.

**Dr Dickson:** We provided all catchments.

**Senator JOYCE:** What other influences do you think might be on the actual reporting date? Are there any other influences that you think might affect your reporting date, since it is pens down this Thursday, and you have said 'most likely' the middle of November. Are there any things you can foresee that would push it out into next year?

**Dr Dickson:** There is nothing on our schedule at the moment that we would see.

**Senator JOYCE:** You would not be influenced by, let's say, Newspoll or Nielsen poll?

**Dr Dickson:** No, of course not.

**Senator JOYCE:** Are there any discussions about an opportune time to release something to reduce the political impact?

**Senator Conroy:** Senator, you have asked a very loaded question. I am sure there will be considered discussion about the timing of the release, which will not be impinged on by the sort of National Party thinking that pervades your question.

**Senator JOYCE:** So you give a guarantee about that, Minister?

**Senator Conroy:** I am not involved, but I am sure there will be a sensible discussion—

**Senator JOYCE:** You just made a warrant then that nothing political would impinge on it.

**Senator Conroy:** I said nothing will impinge on it in the way that the National Party naturally assumes things do, because that is the way they always operate.

**Senator JOYCE:** We assume that it might be affected by politics, so you are confirming that it is not going to be affected by politics.

**CHAIR:** Senator Joyce, if you have got questions of the officers, you should ask the questions. Otherwise I will move on.

**Senator JOYCE:** I have a couple of questions with regard to the On-Farm Irrigation Efficiency Program. Is anybody here able to answer them? I want to ask some questions about the On-Farm Irrigation Efficiency Program to irrigation efficiency partners. Do any individuals or organisations of the irrigation efficiency partners consortium directly supply or install irrigation equipment?

**Ms Harwood:** Yes, Senator. Some members of the consortium to do with IEP. The requirement under the program is that the delivery partner is not a supplier of such goods and services, and that is the case with the IEP. They are not such a supplier.

**Senator JOYCE:** Have you placed any conditions on the funding to prevent the consortium contracting with any companies associated with the Irrigation Efficiency Partners consortium to directly supply or install irrigation equipment?

**Ms Harwood:** It is rather the other way: the delivery partners cannot require the use of a particular supplier for providing equipment—that is, for the farmer projects that they are bringing together, the farmers can use whichever supplier they wish to use for their on-farm works in all cases.

**Senator JOYCE:** Have any other organisations that have been granted funding under the On-Farm Irrigation Efficiency Program been involved in directly supplying or installing irrigation equipment?

**Ms Harwood:** Some of the other delivery partners in their consortium have had entities in their consortium that are suppliers of equipment, but the delivery partners themselves are not suppliers.

**Senator JOYCE:** Who were they?

**Ms Harwood:** From memory, at least one is Murray Irrigation, but I would need to check that and give you a correct answer.

**Senator JOYCE:** Were there others?

**Ms Harwood:** I will take that on notice just to be sure.

**Senator JOYCE:** There might have been more than one.

**Ms Harwood:** Yes, possibly.

**Senator JOYCE:** Has the department placed any restrictions on organisations that have been granted funding under the On-Farm Irrigation Efficiency Program before in terms of their ability to contract with specific irrigation equipment companies?

**Ms Harwood:** As I said, it is the other way around. Under the program, the participating irrigators can use the suppliers of their choice to do their works.

**Senator JOYCE:** The department has no discussions or say in that?

**Ms Harwood:** In terms of what, Senator?

**Senator JOYCE:** In terms of any procurement, in terms of any involvement, in terms of in any, way, shape or form? Has your department—

**Ms Harwood:** We have made it clear to delivery partners that they cannot mandate the use of particular suppliers, if that is what you mean. Delivery partners cannot insist that people use a particular supplier of irrigation equipment.

**Senator JOYCE:** You placed nothing in your funding agreement? You have had nothing to say about it?

**Ms Harwood:** I will just check in terms of the funding agreement.

**Senator JOYCE:** I think you had better.

**Ms Harwood:** The funding contract makes clear that they cannot mandate the use of particular suppliers. So the contract between the Commonwealth and the delivery partner states that. So, yes, there is a requirement.

**Senator JOYCE:** Has the department ensured that the grant for Irrigation Efficiency Partners complies with the conditions in the On-Farm Irrigation Efficiency Program guidelines? I quote: 'Organisations that will directly supply or install irrigation equipment are not eligible for funding.'

**Ms Harwood:** Yes. In the case of that applicant, the applicant themselves are not a supplier of irrigation equipment, so they meet that criterion. The works that the IEP will be doing are not yet under contract because they are at their second assessment stage of having

their participant farmer projects being assessed. Once those have been assessed, that project would go to contract.

**Senator JOYCE:** Are there any restrictions on whether they can promote certain irrigation suppliers under this funding?

**Ms Harwood:** As I said, in the contracts that apply to delivery partners, there is a requirement that they cannot mandate the use of particular suppliers. We have actually sought and received a written assurance from IEP, the Irrigation Efficiency Partners, that they do not mandate the use of particular suppliers.

**Senator JOYCE:** The guidelines say:

- be financially viable as demonstrated through the provision of audited financial statements and related documents ...

How did the department establish this condition, given that the Irrigation Efficiency Partners consortium was formed only 10 days before the grant applications closed on 31 March?

**Ms Harwood:** In the assessment process for assessing the applicants under the program in round 2, there was an assessment panel that included expertise relating to financial matters but also the use of an external financial and auditing expert. In the view of the external financial and auditing expert, IEP met the eligibility criteria as they demonstrated financial viability through the documents that they provided and that they could be reasonably expected to provide.

**Senator JOYCE:** What documents did they provide?

**Ms Harwood:** I would have to take that on notice in terms of the detailed documents that they provided with their applications.

**Senator JOYCE:** You managed to get all that information in 10 days from a new organisation.

**Ms Harwood:** The organisation submitted sufficient documentation to satisfy the financial and auditing experts.

**Senator JOYCE:** You just said 'sufficient documentation'. What is it? What is sufficient documentation?

**Ms Harwood:** As I said, the precise documentation I will take on notice.

**Senator JOYCE:** How did you come up with the statement that they provided sufficient documentation?

**Ms Harwood:** That is the case. You have asked me for the specific documentation.

**Senator JOYCE:** But how do you know? I have asked you what it is and you cannot provide it for me.

**Senator Conroy:** Do not verbal the officer and do not badger the officer.

**Senator JOYCE:** This is the same process that—

**Senator Conroy:** The officer is in the process of answering all your questions, so a little bit of politeness will not go astray.

**CHAIR:** Senator Joyce, if you could just stop talking for a minute, if you allow the officer to respond to your question we might make some progress.

**Ms Harwood:** You have asked me for the precise documents that IEP provided.

**Senator JOYCE:** Any form of documentation at all.

**CHAIR:** Senator Joyce, if you continue like this, there are other senators with questions who will take a more constructive approach.

**Ms Harwood:** We can provide you with a description of the documentation provided by IEP. In answer to your question—'Was that the assessment panel and the external financial and auditing expert advising the panel?'—we are satisfied that the documentation provided by Irrigation Efficiency Partners was sufficient to establish their financial viability.

**Senator JOYCE:** Who was that external auditing panel or auditor?

**Ms Harwood:** I will get the name for you. I have two sources of advice on this matter: one is a financial adviser called Ian Brooks, an expert, and the other is the firm KPMG.

**Senator JOYCE:** Where is Ian Brooks from?

**Ms Harwood:** He is from Brisbane, I understand.

**Senator JOYCE:** Who does he work for?

**Ms Harwood:** We will get you the company name and provide that on notice. I do not have that documentation with me, I am sorry.

**Senator Conroy:** You said you would take that on notice.

**Senator JOYCE:** Would you be able to table the document also from KPMG?

**Ms Harwood:** We will get you the description of the financial assessment and the stuff that was provided by both Ian Brooks and KPMG.

**Senator JOYCE:** Also in the guidelines, it says:

In their application delivery partners must provide evidence in support of their project management capability, including copies of the delivery partner's annual reports and audited financial statements for the last three full financial years.

How was this requirement met by Irrigation Efficiency Partners, since they formed only 10 days before the application closed on 31 March?

**Ms Harwood:** The reference to three years of documentation was provided by way of information in the guidelines to assist people in preparing applications, but the actual guideline requirement is to 'be financially viable as demonstrated through the provision of audited financial statements and related documents'. That is the criterion against which this application was assessed and against which the external advice was provided.

**Senator JOYCE:** Could you please direct me to where it says in your guidelines that, on some occasions, this issue of the last three financial full years of audited financial statements are not required and that exemptions will be made?

**Ms Harwood:** It is not in the character of an exemption and we can provide you with a copy of the guidelines for the program.

**Senator JOYCE:** Can you tell me where in the guidelines it infers that a person does not need to provide any of that information on certain occasions?

**Ms Harwood:** It does not expressly say that in the guidelines.

**Senator JOYCE:** What form does it say it in any substance?

**Ms Harwood:** What the guidelines do say is that the applicants under the assessment criteria must 'be financially viable as demonstrated through the provision of audited financial statements and related documents'.

**Senator JOYCE:** Did they provide you with audited financial statements?

**Ms Harwood:** They provided financial documentation, audited financial statements, sufficient to satisfy the external financial and auditing expert that they were financially viable, and the panel as well.

**Senator JOYCE:** Did they provide you with 'audited financial statements'?

**Ms Harwood:** As with other applicants to the program, they provided financial statements in an unqualified audit opinion. The documentation they provided was sufficient to enable assessment of their financial viability, in the view of the external financial and auditing experts and in the view of the panel making the assessment.

**Senator JOYCE:** So they did provide you with audited financial statements, did they, Ms Harwood?

**Ms Harwood:** They provided an unqualified audit opinion and financial statements relating to the company.

**Senator JOYCE:** Why did we say in other areas that we wanted the annual reports and audited financial statements for the last three financial years? Did we give everybody a chance then to have the same latitude that was obviously given to this organisation?

**Ms Harwood:** The reference to three years of audited accounts and financial records is in the context of the guidelines but not a requirement of the application per se, and it is applicable where an entity has existed for three years and is a reasonable requirement in that case. The determination of financial viability, as I have said before, was done by the panel with external expert advice and confirmed the view of those experts that the firm was financially viable on the basis of the documentation provided by the firm.

**Senator JOYCE:** Did the department have any correspondence with IEP after the closing date but before the projects were announced?

**Ms Harwood:** I would have to confer. I do not believe so but we will take that on notice in terms of whether they made any follow-up or whatever. They would have submitted an application which was then assessed and the results of the assessments announced. That is the process.

**Senator JOYCE:** How much was the grant given to Irrigation Efficiency Partners?

**Ms Harwood:** It was \$32.291 million excluding GST.

**Senator JOYCE:** That is a lot.

**Ms Harwood:** But it is not given to them yet, I should say. It is an in-principle approval for that amount of money. They are at the stage where delivery partners have to bring together the tranche of on farm projects that they are going to do within the valued proposition which has won them their in-principle approval. Those undergo a rigorous technical and legal due diligence assessment and then, when the package of acceptable projects is pulled together, that is the point at which we contract with the delivery partners. So under round 1 those contracts are up and running and the tranches of projects are rolling out. But under round 2 we are at the stage of assessing the tranches of individual farmer projects brought together by the

various delivery partner proponents who were successful in getting in-principle funding in round 2.

**Senator JOYCE:** So we have Twynam, which we paid too much for; we have Toorale which does not actually put water into the system; and then we have an organisation which in 10 days managed to get their hands on \$32 million—or is in the process of getting their hands on \$32 million of taxpayers' money. How much water are they offering to give us for that?

**Ms Harwood:** On the first two, Twynam was assessed within the bounds of value and fully within the compliant guidelines of the tender process for the water purchase program and the price paid was within the guidelines and the procurement processes for that program; and the Toorale purchase has provided substantial quantities of water towards environmental watering in the Murray Darling Basin system since the acquisition.

**Senator JOYCE:** It does not actually go into the river, though. You have not answered the final question. How much water is being offered to the Commonwealth for the \$32 million of taxpayers' funds—that they managed to get their hands on without three years of audited financial statements? I wish I could get that. I wish I could get my hands on \$32 million in 10 days.

**Ms Harwood:** I can get you the precise value proposition which was the basis for the in-principle approval of their funding. But it is a key component of the assessment of projects and they provided a water return at a good value proposition, which is why they were granted the equivalent figure.

**Senator JOYCE:** How much water is being offered to the Commonwealth?

**Ms Harwood:** I am sorry, I just do not have that figure with me.

**Senator Conroy:** We can take that on notice.

**Senator JOYCE:** Could we have a copy of the funding efficiency agreement with Irrigation Efficiency Partners?

**Ms Harwood:** There is no agreement yet with the partners. As I explained, they have in-principle approval for a grant. They are now at the stage of submitting a tranche of on-farm projects which all undergo technical and legal due diligence. They must bring that tranche of projects within the value proposition which essentially was the basis for the in-principle approval of a grant and then we contract in a legal contract for them as a delivery partner to manage and bring all those projects to fruition and cause the water to be transferred to the Commonwealth.

**Senator JOYCE:** It sounds like financial Creation. In 10 days they managed to formulate all this. We have \$32 million here and you cannot inform us of how much water they are going to get. We have some dubious statement about how we came to their financial viability. They never provided three years of financial statements.

**Senator Conroy:** Do you have a question in among this stream of consciousness?

**Senator JOYCE:** I refer to the minister's media release from 10 June 2011, which stated that the Commonwealth will deliver 150 gegalitres to the Murrumbidgee wetlands. How much water per day were you planning to deliver in this event?

**Ms Harwood:** I am sorry, is that a question for the—

**Senator Conroy:** Who is that a question to? There is bit of confusion.

**Senator JOYCE:** I am finished. There is no information there.

**Mr Robinson:** I am the Commonwealth Environmental Water Holder. If I can confirm your question, I think you asked about our watering action in the Murrumbidgee. Is that right?

**Senator JOYCE:** Yes.

**Mr Robinson:** And you asked about the flow rate.

**Senator JOYCE:** I referred to the ministers media release of 10 June, which stated that the Commonwealth would deliver 150 gigalitres into the Murrumbidgee wetlands. How much water per day were you planning to deliver in this event?

**Mr Robinson:** It varies. It started slowly and increased, but it was 150 gigalitres over approximately 10 days and comprised water from, I believe, the Living Murray program and our own water.

**Senator JOYCE:** It caused a bit of damage—you realise that.

**Mr Robinson:** The main issue we are aware of is that there was a low-level bridge near Gundagai that was temporarily closed. That occurred because the managers of the river, the New South Wales State Water Corporation, basically exceeded their licensed maximum flow rate at that part of the river. I am not aware of any damage to the bridge, but it was closed for two days.

**CHAIR:** Senator Birmingham, you have the call.

**Senator BIRMINGHAM:** One final question, perhaps, to Ms Harwood on the matter Senator Joyce was pursuing. Did the department have any correspondence after the closing date with the parties involved but before the announcement of funding?

**Ms Harwood:** I think that is the same question that Senator Joyce asked and I will take it on notice. I do not believe so, but I will take it on notice and confirm. This is whether there was any written correspondence between the department and IEP after the closing date—

**Senator BIRMINGHAM:** Or any communication at all.

**Ms Harwood:** Any communication at all?

**Senator BIRMINGHAM:** It can be in a form other than written correspondence.

**Ms Harwood:** I will ascertain that and get back to you.

**Senator BIRMINGHAM:** There was no communication between you and the party involved?

**Ms Harwood:** Not me personally, no.

**Senator BIRMINGHAM:** So you can take it on notice with regard to other departmental officials. Thank you. I turn to the statement by the chair of the MDBA of 15 September 2011. In that statement the chair talks about there being a further three to four years of analysis and the basin plan then being reviewed in 2015. When did the MDBA make the decision to have this two-stage approach to the basin plan?

**Dr Dickson:** I think I would have to take the exact date on notice. In fact, I think it was part of a developing discussion over a number of weeks, probably around July-August. We had been discussing for some time with the states the idea of how you would manage the

transition period and look at potential changes to the SDLs as new information came to light. As a result of those discussions, for practical reasons it seemed that the midway point, about 2015, would be the most appropriate. I think it was around that time that the authority made that decision. If you would like a little more detail, I can take on notice.

**Senator BIRMINGHAM:** Thanks. What can we expect in terms of the basin plan? It will be released and it will have a 2,800 gigalitre target overall for 2019—the Easter yield will stack up to that—with the caveat that there could be a plus or minus 400-gig deviation set in 2015?

**Dr Dickson:** At the 2015 mark there could be a plus or minus change to the overall SDL, which could be made up of one, two or more catchments. But the sensitivity modelling we are doing at the moment, with the plus or minus 400, is really testing issues such as the delivery constraints in the system and how they might affect the achievement of some of the environmental objectives. It is looking at sensitivity around those numbers; it has no relationship to what might be changes in the future. The changes that we would be contemplating at the 2015 review point would be based on any new information or the results of analyses—of the environmental works and measures program, for example—that we would look at.

**CHAIR:** Before you go on, we have a photographer here. Are there any objections to the photographer taking pictures? Since there are not, provided it is not done too close to the witnesses—

**Senator Conroy:** Only if he gets the picture right this time! Peter Garrett is not here; it is okay!

**CHAIR:** I think the important thing for the photographer is that there is no sound if Senator Conroy starts singing!

**Senator Conroy:** It's just discrimination!

**Senator BIRMINGHAM:** Does the review in 2015 constitute a total review of the basin plan as envisaged in the Water Act, which would require the MDBA to go back to the basics of the consultation process that we talked about before and essentially release a new basin plan? How is it envisaged that this will actually apply?

**Dr Dickson:** At the moment we are envisaging an amendment to the SDL, but there are also some requirements for other elements of the basin plan that will be reviewed during that period. I will ask Mr James to elaborate.

**Mr James:** The SDL review by 2015 is really, if you like, a technical assessment. If there is anything flowing out of that assessment, either a plus or minus change to SDLs, the step will be for an amendment to the basin plan to be made. The intention is that that would occur by 2017. At the same time, the draft of the basin plan calls for reviews of two of the active elements of the plan that do not necessarily relate to SDLs—that is, the environmental watering plan and the salinity and water quality plan—within five years. So I expect that we would bring all of those pieces of work together for an amendment by or in 2017.

**Senator BIRMINGHAM:** So it would not be a new basin plan per se—it would be a process that would require you to go through the same consultation to amend the basin plan that will be approved, we assume, by some time late next year?



**Mr James:** That is right. The Water Act sets out an amendment process which includes a public consultation period and so on.

**Senator BIRMINGHAM:** In terms of the potential volume to be adjusted at that point in 2015 and the potential adjustment to SDLs, what will be considered then? What factors and what potential variation to SDLs could people be looking at? They might think they have certainty at the end of next year but then be told that three years hence there will be another review.

**Mr James:** I guess the important thing here is to note that not all of these things are within the gift of the authority; a lot of these things are within the gift of state river operators and state governments. The sorts of things that we would be looking at are things like the rules against which the rivers are operated, which were mentioned in the Windsor inquiry, which was mentioned earlier. There is also the potential for investment in new works and measures that could achieve the environmental outcomes sought by the basin plan using less water. There is of course the great body of knowledge out there in the community about how wetlands can be watered more efficiently, and we are hoping to tap into some of that information as well.

**Senator BIRMINGHAM:** Will the proposed draft Basin Plan, when it was released—we hope next month—outline what reviews, what mechanisms, will be in place, what data points will be considered et cetera ahead of that review in 2015 so that everybody has some certainty as to what will actually be looked at and therefore what changes may flow from it?

**Mr James:** There will be some of that information around. Some of this work has already been going on with the states for some time—these discussions about how to manage the river more efficiently—so it is not as if we are starting from a zero base here. But yes, at the time the proposed plan is released we would expect to have some information about the types of matters we would be wanting to focus on in the next few years and the process for doing that.

**Senator BIRMINGHAM:** What scientific underpinning is there to work on the 'we will get halfway of what still needs to be recovered' basis that Mr Knowles has outlined? He has basically said: 'There is 2,800 gigs and there is the 900 we have already got. That means there will be 1,900 left. We'll just split it down halfway and say we'll get halfway by 2015 and worry about the other half after 2015.' What is the scientific rationale for that half and half approach?

**Dr Dickson:** It is not a scientific rationale. It was really just looking at the timetable over the transition period and knowing the time if we were to make an amendment to the SDLs in that time in enough time to allow states to incorporate it in their water resource plans we would have to take about a halfway mark so that we would be able to do the assessment of the new evidence and go through the process of consultation that is laid out in the Water Act in enough time to get it through parliament in time. So it is really a timetable issue, but it is about having enough time to be able to get that evidence. So the three years before 2015 would be enough time to get enough evidence for that review. That is not to say there is not a continuing process of getting new evidence and information. Part of the Basin Plan is that it is going to have to be reviewed in any event going out into the future.

**Senator BIRMINGHAM:** This question may apply just as much to the department as to the MDBA. When the proposed Basin Plan is released will there be an implementation plan

released with it at the same time so that we do not just have a series of numbers put out here on the amount of water we have to get back from communities but actually have some detail for those communities that says here is how it is going to be obtained at the least pain and the least cost? Either body can answer—or both say no if you have no idea.

**Mr Parker:** I will take that question. Yes, there are discussions occurring amongst the basin jurisdictions and the Commonwealth—they are taking place amongst ministers and government officials—about explanatory material to be released around the Basin Plan.

**Senator BIRMINGHAM:** 'Explanatory material'. Well, I expect that there will be some explanatory materials around the Basin Plan. Will they go to the point of delivering an implementation plan of how the plan will actually be achieved—at least, the cost to communities?

**Mr Parker:** Discussions are occurring on that.

**Senator BIRMINGHAM:** Will there be something released with the Basin Plan?

**Mr Parker:** Discussions are occurring about the potential for an implementation plan to be made between all of the jurisdictions involved. The time for that implementation plan is most likely around the final Basin Plan—in the second half of next year—and there may be communication material about how that implementation plan may be prepared.

**Senator BIRMINGHAM:** In fairness, the Water Act was passed in 2007 and there has been plenty of time to think about having an implementation plan. Half the problem when the guide was released last year was that a figure was thrown out there and communities were told, 'Here's how much water you are going to have to give up,' but there was not actually any real outline of how they were going to be eased through that process or any reassurance for them. But now you are saying we are going to have a proposed Basin Plan released next month but communities are still going to have to wait until the end of next year to see some sort of coordinated implementation plan. Isn't that just asking for the same negative reaction again?

**Mr Parker:** Sorry, Senator: I did not detect the question. I am a little hard of hearing at the moment.

**Senator Conroy:** It was rhetorical. He wants you to speculate on something that may or may not happen.

**Senator BIRMINGHAM:** I am asking basically: have we learnt any lessons from releasing the guide?

**Mr Parker:** The short answer to that is yes.

**Senator BIRMINGHAM:** It does not look like it if we are not actually going to provide some sort of process for people—

**Senator Conroy:** That is an opinion.

**Senator BIRMINGHAM:** I am entitled to voice an opinion, Minister.

**Senator Conroy:** You are. Do you have a question?

**Senator BIRMINGHAM:** I will move on to another question, Minister, certainly, because time is tight. I go back to the MDBA. You indicated before the break that some extra

scientific advice had been commissioned in the period of this time frame. What is that advice and does that include work by Bill Young from the CSIRO?

**Dr Dickson:** What I was referring to was the additional modelling we were doing—the sensitivity and the modelling of the river constraints. Those are the operational rules that Mr James was talking about. In relation to Bill Young, yes, back in July—I would have to get the exact date—we asked a review panel, which is led by the CSIRO but has a number of other scientists on it, to review the current state of our science that underpins the sustainable diversion limits and the approach to the ESLT. We put that advice up on our website which describes the background to the science and also puts up the terms of reference for the review and the reviewers. It is all up there.

**Senator BIRMINGHAM:** Is that review complete?

**Dr Dickson:** It is not complete just yet, but it is pretty close.

**Senator BIRMINGHAM:** The result of that review will also be published?

**Dr Dickson:** The result will be published.

**Senator BIRMINGHAM:** What prompted that review?

**Dr Dickson:** We have undertaken reviews all along the way. I think there were three reviews last year of just this particular method. I will have to get you the details on that. We have undertaken a number of reviews in the past of the method. This is just part of our ongoing process of making sure we get good scientific exposure to the methods that we are using.

**Senator BIRMINGHAM:** Did the Wentworth Group's departure from participation in this process in particular prompt this review by Bill Young in CSIRO?

**Dr Dickson:** It is very disappointing that the Wentworth Group chose to leave. I think that was back in April, though.

**Senator BIRMINGHAM:** And the commissioning of Professor Young came subsequent to that. Was that a concern the Wentworth group expressed, that they made public their concerns, and of course then there was probably a flow-on of public concerns—is that what prompted this latest review?

**Dr Dickson:** The review was something we wanted to do. We had a preliminary review. The authority undertook one earlier in 2010 which looked at the method. A lot more evolution of the method had happened since then, so it was really appropriate to have another review. Before I started, there was a science forum that the Wentworth Group, amongst a number of others, were part of, and there was—

**Senator BIRMINGHAM:** I think that was the point at which they exited stage left.

**Dr Dickson:** It may well have been. They did raise the need for a review there as well. It met a number of needs.

**Senator BIRMINGHAM:** You are down a board member at present, aren't you?

**Dr Dickson:** At the moment there is one less.

**Senator BIRMINGHAM:** A state nominated position?

**Dr Dickson:** Yes.

**Senator BIRMINGHAM:** That has been vacant since February this year?

**Dr Dickson:** So I understand.

**Senator BIRMINGHAM:** Awaiting agreement from the states for a collective nomination?

**Senator Conroy:** My understanding is that finally the Victorian and New South Wales Liberal governments have stopped fighting and a name has been agreed and that will be announced shortly. It is good to see that the Baillieu government and the O'Farrell government have stopped fighting, long enough to reach an agreement.

**Senator BIRMINGHAM:** Senator Conroy, we heard earlier that it is all sweetness and light between the states on this process, but apparently not so much.

**Senator Conroy:** Apparently, Liberal governments, much like your South Australian Liberal Party, is splintering, sort of like a *Life of Brian* episode—split up.

**Senator BIRMINGHAM:** Apparently there is not so much sweetness and light between the state governments assisting on this matter. Speaking of sweetness and light and other matters, is the Commonwealth still providing funding for the pipeline between Orange and the Macquarie River?

**Ms Harwood:** Yes, it is. That project is proceeding.

**Senator BIRMINGHAM:** Why is that funding being provided when I thought that was conditional or part of the deal and the MOU signed relating to the Menindee Lakes project?

**Ms Harwood:** It was not conditional; it was part of the original MOU, which was basically an agreement to provide the funding for that project. It was not contingent—

**Senator BIRMINGHAM:** Part of the MOU was also that the NSW government would actually assist with delivering the re-engineering of Menindee Lakes.

**Ms Harwood:** No, it was not conditional or contingent; it was an agreement to provide the funding at the time that the agreement was made, and the project is proceeding.

**Senator BIRMINGHAM:** And that funding comes out of the \$400 million that has historically been earmarked for the Menindee Lakes redevelopment?

**Ms Harwood:** Yes.

**Senator BIRMINGHAM:** So we are not getting the Menindee Lakes redevelopment, but we are spending money out of that \$400 million on the Orange to Macquarie River pipeline?

**Ms Harwood:** As I understand it, yes.

**Senator BIRMINGHAM:** How on earth is that justified given that every other term of the MOU seems to have been torn up?

**Ms Harwood:** Sorry, I think I confirmed too many parts of your question at once there—that is, you said we are not getting a Menindee project. My yes was not to that; it was that the \$20 million came from that allocation.

**Senator BIRMINGHAM:** Sure, \$20 million is coming from that allocation, and cooperation on Menindee Lakes looks to be a million miles away at present.

**CHAIR:** Senator Birmingham!

**Senator BIRMINGHAM:** Senator Cameron?

**CHAIR:** The witness has finished. You are getting good at studiously ignoring the chair, and I will not allow you to do it. So that concludes—

**Senator BIRMINGHAM:** We all have selective deafness occasionally.

**CHAIR:** Yes, you have demonstrated that—and I will have to deal with that. That concludes the water reform questioning. Thanks very much. Dr Dickson, on behalf of the committee, congratulations on your appointment. I am sure you have found that your first estimates is not as bad as people say. I now call officers from the National Water Commission.

#### **National Water Commission**

[14:47]

**CHAIR:** We have about 12 or 13 minutes. I welcome Mr Cameron. Do you have an opening statement?

**Mr Cameron:** No, Senator; I am happy to take questions.

**Senator JOYCE:** In your view, what has been your engagement in regard to the Murray-Darling Basin Authority guide to the draft?

**Mr Cameron:** Are you talking about the guide released in October of last year?

**Senator JOYCE:** Yes. What has been your engagement thus far in that process?

**Mr Cameron:** Senator, throughout the work MDBA has been undertaking in developing the plan, we have provided information to the authority on the various projects we have undertaken which has information which may be relevant to assisting them to develop the plan. We have engaged in discussions with them on issues to ensure that we are aware of the process, and we have been available to them to provide any advice that they wish. But we are not a party to the development to the plan itself, so our role at this stage is primarily as an interested observer.

**Senator JOYCE:** Have there been any requests from the MDBA to you for further information prior to the middle of November?

**Mr Cameron:** Between now and the middle of November?

**Senator JOYCE:** Yes.

**Mr Cameron:** I am not aware of any specific information requests, no.

**Senator JOYCE:** Can you expand on your statement in the biennial assessment of the National Water Initiative that the Queensland government's arrangements for coal seam gas 'remain outside water planning and management frameworks'?

**Mr Cameron:** In Queensland the approvals processes for coal seam gas development and the regulatory arrangements that apply to their interaction with water resources are generally covered by legislation outside the National Water Initiative water planning and management systems and structures, and for that reason it is the commission's view that those arrangements sit outside the NWI arrangements. I should note that under Clause 34 of the NWI, there is provision that says that in special circumstances it may be appropriate for mining and extractive industry development processes to be managed outside the formal NWI structures; however it is the Commission's view that that should be the exception rather than the rule.

**Senator JOYCE:** Can you give me what you believe are the interactions between the Murray-Darling Basin catchment and the Great Artesian Basin?

**Mr Cameron:** I cannot give you a technical—

**Senator JOYCE:** Hydrologically.

**Mr Cameron:** I cannot give you a detailed hydrological answer. I would need to take that on notice.

**Senator JOYCE:** Is there anybody here who can?

**Mr Cameron:** The answer to that is quite complex. We are talking about a significant area of overlap between the two basins. I am not sure it would be possible to give a generic answer that would be particularly useful.

**Senator JOYCE:** Let us make it simple, then. Is there a relationship between the water that falls in the Murray-Darling Basin and the water that ends up in the Great Artesian Basin?

**Mr Cameron:** I think it is fair to say that there are interactions between aquifers and surface-water systems across the country, and that would include areas that are covered by both the MDBA and the Great Artesian Basin. However, the nature of those interactions are quite geographically specific.

**Senator JOYCE:** Is there or isn't there a link between the two?

**Mr Cameron:** There is in some circumstances, yes.

**Senator JOYCE:** Of course there is. I want to talk about the environmental assets in the Murray-Darling Basin and your knowledge of the water that is required to water them. I refer you to the same report, the biennial NWI report, where you said:

The necessary science to link environmental watering with ecological outcomes is generally weak and there is a lack of transparent reporting results.

How do we determine how much water is needed for certain environmental assets—for instance, the wetlands south of Dirranbandi as opposed to the water that goes from the Condamine down to the Lower Lakes? What is actually present at the moment to determine that sort of science? What is out there to say: this is what you need for the Narran Lakes? Is there a proper link, as you see it, between what the environment will hold and the watering of these assets?

**Mr Cameron:** That comment in the biennial assessment was made in the context of a broader assessment of water management and specifically in relation to science. What the commission observed in relation to science and knowledge is that, since the NWI, there has been a significant investment and substantial improvement in the amount of knowledge we have about water resources across the country and that that has led to an improvement in the quality of objective setting and management arrangements for water plans more generally.

However, we made the observation that there is a continuing need for investment in science and we identified that there are a number of specific areas where there should be a prioritisation of that effort. One of those areas is understanding the specific linkages between environmental watering activities and ecological outcomes. There is also the need for greater effort and investment in the monitoring of those activities in order to provide reasonable time series and reasonable information about the practical outcomes of those activities.

Your question related to how we understand watering requirements for individual ecological assets. The simple answer to that is that, generally, there is a need for appropriate investment in the science at the appropriate scale to understand those circumstances. So, while in the general sense there is a broad improvement of our scientific knowledge, that investment of the right scale to be able to effectively manage individual assets and individual watering requirements is not as strong as that broader picture.

**Senator JOYCE:** Does the National Water Initiative require equal weighting of economic, social and environmental outcomes?

**Mr Cameron:** The National Water Initiative has as an objective optimising economic, social and environmental outcomes.

**Senator JOYCE:** Do you see any differentiation between that and what the Water Act for the MDBA has—

**Mr Cameron:** The Water Act also has an objective of optimising the economic, social and environmental outcomes, and it acknowledges the National Water Initiative as a provision or an arrangement that should be considered in the context of developing the basin plan.

**Senator JOYCE:** With all this water that the Environmental Water Holder is going to hold, it is going to be the largest licence holder in the system. Where is it going to actually store this water? At times it will be storing it in dams and using up the space that would otherwise be used by irrigators. How is it going to store it? Is it going to interfere with other people's usage of the asset? Is there a capacity to just at times let the water spill so that it goes through? If it played its hand badly, it could have massive disruptive effects not only on the irrigation but on the environment itself.

**Mr Cameron:** The Commonwealth Environmental Water Holder will be holding entitlements for water like any other water holder in the system. Those entitlements are not new entitlements that have been created; they have been acquired on the market or otherwise achieved through savings. So in that sense there are no third-party impacts of the water assets being held by the Commonwealth Environmental Water Holder.

**Senator BIRMINGHAM:** Congratulations, Mr Cameron, on your appointment. You seem to have had a few of those today. The National Water Commission released your biennial report very recently; you were fairly scathing of the progress being made by parties to address overallocation and meet sustainable levels of extraction. You were equally scathing in your previous biennial assessment, I think, of that progress. Are you frustrated that your reports do not necessarily seem to be spurring a sense of urgency?

**Mr Cameron:** I think that this biennial assessment—which, in a sense, is a different review to the previous one—is a broader assessment of the operation of the National Water Initiative since 2004, and our comments in relation to overallocation should be viewed in the context of the broader assessment—that, where implemented, there have been significant improvements in the water management, in the security, in the sustainability and the efficiency of water use across Australia. But it is fair to say that the commission remains frustrated that the core issue of overallocation and overuse has not been fundamentally addressed in the way committed in the NWI: that is, that substantial progress would be made by 2010. We continue to call for greater priority in that area. Obviously, it would be desirable to see movement faster than we have seen. We have not seen all of those commitments

delivered on time. But I think it is also fair to say that the nature of the job is probably bigger than many of the parties to the original agreement had contemplated or understood, and that the sorts of challenges in terms of water management continue to increase with the impacts of climate variability, population growth and other factors.

**Senator BIRMINGHAM:** Have governments generally just been let off the hook, in the sense that it has rained and therefore the sense of urgency has, pardon the pun, evaporated somewhat?

**Mr Cameron:** I think obviously the fact that it has rained has changed some of the public perception and dynamic in relation to water reform. But, from the commission's perspective, we do not think the urgency has gone away. The fact that it has rained is a great opportunity for water managers across the country to address some of those fundamental challenges and to look at some of the new hurdles and issues that are facing water management in the future, whether that be urban water reform or thinking about some of what we call the boundary issues between water management and other areas of public policy, such as natural resource management, mining and coal seam gas, as we have mentioned before, and land-use planning. So I do not think the urgency has gone out of it, and certainly our report highlights a program of priorities for the future.

**Senator BIRMINGHAM:** The Productivity Commission recently concluded their report on their review of the urban water sector, and amongst various things that they recommended was an easing, I guess, of restrictions on recycling or reuse of water and a perhaps more grown-up debate in that space. Are they views that the commission shares?

**Mr Cameron:** The commission has long held the position that, in relation to addressing our water supply needs, all options should be on the table and considered on their merits, whether that is recycled water for potable or non-potable purposes or whether it is desalination or other options, dams or otherwise. So, in our view, in that sense, yes, we would agree that there should be a fair consideration of the economic, social and environmental costs and benefits of each of those options and that the optimal solution should be pursued on that basis. In relation to recycled water, obviously there are community perceptions and concerns about how recycled water is used, and that means that governments need to be actively engaged in talking to communities about the implications of those sorts of options. In the end, the judgments that are made should be made having regard to those community views.

**Senator BIRMINGHAM:** Is there sufficient engagement by governments in developing that community understanding of the implications of using recycled water and the potential for use of recycled water?

**Mr Cameron:** I think that we see good examples across Australia in that area. In Perth, for example, there is a managed aquifer recharge project underway which is involving the use of recycled water and injecting that into aquifers. As part of that, there is a public information facility there where members of the public can go in and understand how the water is used and how it is managed and get a better understanding of the risks and benefits of that. So there are good examples of that, but there are always opportunities for a greater level of discussion, and, in our future directions report on urban water reform, which we released a few months before the PC, we have made the comment that there is room for governments more generally to be more actively engaged with communities about how we manage our urban water



challenges—the objectives, the security, the supply security objectives, the alternative options which are available and what communities expect out of their water supply services.

**CHAIR:** Mr Cameron, on behalf of the committee I congratulate you on your appointment and your first appearance at estimates.

**Mr Cameron:** Thank you.

**Dr Grimes:** There are two matters which senators asked today whether we could come back with responses on, and I would like to report back on those. The first one was Senator Siewert wanting some quite precise advice on national heritage boundaries and how they relate to high and low watermarks. We have not been able to confirm that today because it requires detailed checking of coordinates, but we will take that on notice and provide that information.

The second one was a request from Senator Ludlam to confirm the level of copper production assessed in the Olympic Dam EIS process. We can confirm that the level contained in that process was 750,000 tonnes per annum of copper.

**CHAIR:** That concludes the examination of the Sustainability, Environment, Water, Population and Communities portfolio. I thank the minister and officers for their attendance.

## **BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY PORTFOLIO**

**CHAIR:** The committee will now recommence its examination of the Broadband, Communications and the Digital Economy portfolio. Minister, are there any opening statements?

### **Department of Broadband, Communications and the Digital Economy**

[15:04]

**Senator Conroy:** We both have opening statements because we want to keep you fully abreast of the latest developments as they are happening. I should start out by noting the result of the Telstra annual general meeting today. The Telstra-NBN Co. deal, subject to regulatory approval, received 99.01 per cent of the vote. Also, the Prime Minister today announced sites of approximately 485,100 homes across Australia which will commence construction over the next 12 months, and I am happy to table the list of those sites for senators' interest. I have not got them with me right this second, but I am sure Mr Quigley might want to talk about that a little bit more when he is on tonight.

I would also like to make a short statement about the government's reforms to arrangements for the delivery of universal service outcomes and other public interest services in the NBN environment. The government is committed to ensuring that key consumer safeguards, including reasonable access to basic telephone services and pay phones, the National Relay Service—a service for people who have a speech or hearing impediment—emergency call services, and arrangements for handling calls to triple zero continue to be delivered during the transition to the NBN and beyond.

While the efficient rollout of NBN and the structural separation of Telstra have been the focus of public attention, the government's reforms to universal service policy have not attracted the attention they deserve. The government announced reforms to universal service arrangements on 20 June 2010 and subsequently announced it had reached an agreement with Telstra, on 23 June this year, which will provide a smooth transition to the new arrangements and important safeguards for consumers. I am pleased to say that bills to reform universal service arrangements are almost finalised and I expect the legislation will be introduced later this sitting period. Currently Telstra has legislated responsibility for the USO of the emergency call service. This is based on Telstra's historical position as a vertically-integrated operator of a national network. The National Relay Service is provided by two other parties under contracts with the Commonwealth.

With moves towards Telstra's structural separation and the rollout of a national, open-access, wholesale-only telecommunications network, it is no longer appropriate that Telstra remains the solely-regulated provider that is required to fulfil the universal service obligations and other key safeguards in the telecommunications sector. Therefore, the government has announced it will establish a new statutory authority, the Telecommunications Universal Service Management Agency—TUSMA—which will have responsibility for entering into contractual and grant arrangements with third parties for delivery of the USO, the National Relay Service and emergency call services.

**Senator McKENZIE:** Just a question: how much longer will you be?

**Senator Conroy:** No more than another two or three minutes, I would hope. I am going as fast as I can. TUSMA will also have a role in implementing safety net arrangements for migration of voice-only customers from Telstra's copper network to the NBN in fibre areas. If necessary, TUSMA could also have a role in the development of any technology solutions required to support the continued provision of existing public interest services like traffic lights and public alarms that are provided on the copper network. These reforms address important, unfinished business from the privatisation of a vertically-integrated incumbent, a decision taken against the advice of experts for its own political benefit at the expense of every Australian. They provide a flexible, accountable and transparent model for delivering public policy objectives in the telecommunications sector, with associated benefits for industry and consumers.

Importantly, under this approach, the realistic costs of important services will be appropriately recognised and TUSMA will be encouraged to work closely with industry and service providers to investigate where appropriate, implement cost savings and efficiencies while ensuring high-quality outcomes for consumers that meet the government's overarching policy. The new legislation will provide for TUSMA to have a board structure and require the minister to ensure that TUSMA includes members who have substantial experience or knowledge of and significant standing in the operation of the telecommunications industry and business or financial management. These members will be expected to take a strong role in managing the costs of TUSMA activities.

I would also note that for the first time government will also be making a substantial contribution towards TUSMA's costs and delivery of key telecommunications public interest safeguards to provide a smooth transition to industry. The budget contribution will be at least \$50 million in 2012-13 and 2013-14 and then \$100 million each financial year thereafter. These reforms are a robust delivery framework for the future which will provide greater scope for innovation and enable a transition to competitive supply of basic telecommunications services. The government's agreement with Telstra provides certainty that all Australians will continue to be able to access key basic services such as voice and payphone services and to support the National Relay Service and emergency call handling arrangements. The legislation and the USO agreement reached with Telstra are important reforms for ensuring telecommunications consumer safeguards will continue to be delivered in the transition to the NBN under transparent and accountable arrangements. I thank you for your tolerance and I am sure, Senator Abetz, you would note that is the first time I have ever given an opening statement. I appreciate your patience.

**Senator ABETZ:** Hopefully it will be the last.

**Senator BIRMINGHAM:** It is done; it has happened; but, to be frank, most of that was an announcement by the minister. He is welcome to make an announcement at a press conference, during a ministerial statement in the Senate and in all manner of ways, but estimates is not the place for ministers to read written statements making lengthy announcements.

**Senator Conroy:** How can I phrase this? Tough! Not to put too fine a point on it, it is called an opening statement—tough. It is the first one I have done. Now the secretary has an opening statement.

**Mr Harris:** I do not have an announcement, Chair; I have a statement to make.

**Senator Conroy:** That would be what an opening statement is; it is not an opening announcement.

**Mr Harris:** My opening statement is in relation to the temporary suspension of the satellite subsidy scheme, the SSS, in Queensland, an issue which I think will be of interest to the committee. The government's new VAST satellite TV service is providing, for the first time, many regional and remote parts of Australia access to the same number of TV channels as are available in the capital cities. Already, better picture quality and choice of 16 channels have been made possible for almost 40,000 households. The overwhelming majority of the VAST installations under this service have not been funded by the government or installed through government programs.

As our satellite subsidy scheme—the scheme I want to refer to today—is generally tied to the progressive rollout of switchover around Australia, phased over the period till the end of 2013, householders in remote Australia are instead choosing to invest in satellite reception equipment to get the government's new satellite service before switchover arrives in their region. The SSS is available to households in areas which have been previously served by local self-help transmitters that are not being upgraded to digital. This assistance recognises the prior investment of these communities, usually through their rates, in maintaining local facilities.

To date, the SSS has helped install VAST into 5,453 households—note I referred earlier to 40,000 households taking it up—in regional South Australia, Victoria and Queensland as part of switchover, around 13 per cent of total installations. The program has worked generally well, with the total number of complaints very low, less than one per cent of all installations. Today there are 11,000 eligible households in regional and remote parts of Queensland for this program. Installations in regional Queensland are in an early phase. Around 6,900 households have opted into the subsidy program to date and about 2,800 installations have been completed. Again, complaints have been very low.

The issue that caused us to voluntarily suspend the installations recently in Queensland arose from a decision by the Digital Switchover Taskforce in our department to take a different approach to rolling out the SSS in remote Indigenous communities. That decision proved not to be as robust as our general process has been for SSS. Queensland is the first state in which the SSS has needed to service remote Indigenous communities on a large scale. The task force's approach in these communities was varied to seek to identify and obtain blanket approvals from the owners of housing, predominantly the state government, rather than asking individual tenants to obtain these approvals, as is normally the case. The task force considered this would be a more efficient process for our contractors in those areas given that the housing is predominantly publicly owned.

Our processes, however, for obtaining these approvals were deficient. We did not approach all the relevant departments individually and, as a consequence, we went ahead with 55 installations in properties belonging to the Department of Education and Training without its formal approval. When we discovered this, we were also advised by DET in Queensland that there were indications that some installations may have been undertaken in housing where asbestos-containing material was present. Our contractors were experienced in such installations, but, in our and DET's view, suspending installation while we not only reviewed

our installation processes but also undertook any necessary testing of premises was a necessary step.

To address these issues, the task force took the following actions. Installations were suspended immediately in both Indigenous and non-Indigenous locations as a first precaution. We then worked closely with DET by agreeing to fund precautionary cleaning in 29 remote Indigenous community residences where installations had occurred and asbestos material may have been present. Twenty six other DET owned properties at which an installation—

**CHAIR:** Mr Harris, I am sorry to do this, but how long is this opening statement?

**Mr Harris:** A page and a half.

**Senator Conroy:** I am sorry, Chair, but this is actually a serious matter that needs a substantive and robust response.

**CHAIR:** That is okay. Senator Conroy, I am not arguing it is not a serious matter but we are running over time and I have to try and manage the time. I am simply interested in how much longer the opening statement will take.

**Mr Harris:** I will cut out the steps we took. There were five or six other steps we took—

**Senator ABETZ:** Chair, I raise a point of order. I understand that you have been abiding rigorously by the timetable, cutting off opposition senators from continuing to ask questions. If that is the way the committee is to be run, that is fine, but, if that is the case, ministers and departmental heads will also need to be cut off mid-stream in their opening statements. I note that three o'clock to 3.15, which was allocated for cross-portfolio questioning, has been taken up by opening statements and I suggest we move on to Australia Post.

**CHAIR:** That is not a point of order.

**Senator ABETZ:** The point of order is that we move on, according to your timetable, to Australia Post.

**CHAIR:** That, again, is not a point of order and if you had been in attendance you would know—

**Senator ABETZ:** I have been watching.

**CHAIR:** that what you said is not accurate. There has been flexibility, and that has all been done through consultation and negotiation with the coalition senators. That is how I have operated today and I object to you coming in here, not having the facts at hand, and making those statements. It is not correct.

**Senator ABETZ:** It is.

**CHAIR:** We will hear the rest of Mr Harris's opening statement.

**Senator BIRMINGHAM:** Chair, can I make a suggestion?

**CHAIR:** No.

**Senator Conroy:** We would have been finished by now.

**Senator BIRMINGHAM:** It was technically the end—

**CHAIR:** Order, Senator Birmingham! Mr Harris, you have the call.

**Mr Harris:** We also discussed with SSS, the lead contractors, improvements to their practices to address the unique circumstances of remote Indigenous communities. They agreed to alter their safe work methods for installing satellite TV systems—

**Senator BIRMINGHAM:** Chair, I would like to request a private meeting.

**Senator ABETZ:** Yes, this is just a disgrace.

**Senator Conroy:** What is a disgrace is you interrupting what is a serious issue which the committee—

**Senator BILYK:** Guys, you would have had a lot less question time if we had asked questions. We have given up all our question time when you have asked questions so you can—

**CHAIR:** We will have a short suspension.

**Proceedings suspended from 15:17 to 15:21**

**CHAIR:** Mr Harris, can you conclude your statement, please?

**Mr Harris:** Continue, Senator?

**CHAIR:** Conclude, I hope.

**Mr Harris:** Yes, we will try to. We appointed an OH&S adviser to review these requirements before we signed off on them. Contractors also undertook further training of their installers so the new practices are well understood. We also engaged KPMG to give an external risk assessor's view on SSS processes in relation to household approvals and risk management practices.

We do not know of any grounds to believe that the health of any resident has been jeopardised. That said, we are very conscious that disturbing asbestos-containing material at any level is not acceptable practice—if, indeed, it has occurred.

The breakdown in our procedures was a direct result of our new approach to seeking blanket approvals. Once we had established that this is the limit of the problem and after considering the matter with KPMG, the task force recommenced installations in non-remote Indigenous community areas from last Saturday, 15 October—that is, for the majority of regional Queensland. Nevertheless, to err on the safe side, the Queensland Department of Public Works has also advised all other relevant state government departments of installations that have taken place in Queensland government owned households, whether in remote Indigenous community areas or not. This is because our efforts to get permissions from tenants from government housing can be strengthened by talking directly to the landlord in this category of homes, as can our understanding of any issues relating to the property itself. To date, no other department has raised any issues in relation to the installations, but we remain prepared to support a review in testing procedure if they ask.

The task force expects to recommence installations in remote Indigenous communities this week, after we have finalised our work obtaining formal approvals from government department and with the new OH&S procedures. No eligible Queensland residents will miss out on installations under the program as a result of this delay. The task force remains confident that all eligible residences will be fitted with the satellite reception equipment prior to the switch-off of analog television signals in regional Queensland on 6 December 2011 and remote Queensland in the second half of 2013.

**CHAIR:** Thank you. Could both those opening statements be tabled as soon as possible?

**Mr Harris:** Yes.

**CHAIR:** What I propose to do is now move to Australia Post. We will have a five-minute afternoon tea break. So we will run through extra time from 4pm to 4.10pm, with a break from 4.10pm to 4.15pm. I now call Australia Post.

**Australian Postal Corporation**

[15:23]

**CHAIR:** Welcome, Mr Fahour. Do you have an opening statement?

**Mr Fahour:** I did have an opening statement until I heard what just happened.

**Senator McKENZIE:** You might just table it.

**Mr Fahour:** I would like to take up the senator's offer and I think I will just table this in the spirit of that. If you could just indulge me, I will just make two short comments.

**CHAIR:** That is fine.

**Mr Harris:** I would really appreciate it, especially given what happened at the AFL grand final, which I am sure our minister would—

**Senator Conroy:** Carlton fans should just hang their heads.

**Mr Fahour:** Senators, thank you very much for your time. As always, it is a pleasure to be here and to answer the questions. I would like to say on behalf of Australia Post how proud we are of our announcement in our annual report of the profit that we achieved. This is the first time in a number of years that we have actually managed to get the profit to go in a different way. Why that is important is that these solid financial results, which are called upon in our act, allow us to exceed our community service obligations. So it is quite satisfying that we managed not only to achieve solid financial results but also to exceed our community service obligation with no taxpayer funding to support us along the way.

The second comment I would like to make is that what was really terrific in addition to the financial success is that we were able to increase our dividend. We doubled our dividend from this time last year and we support 4,419 post offices. That is an increase on last year and I do not think there have been very many Senate estimates where a chief executive of Australia Post has come and said, 'We actually have more shops this year than we had last year'.

**CHAIR:** Did you re-open Glebe?

**Mr Fahour:** No, but we opened many more than the one that we closed. In addition to that, since the 30 June annual report closure we have opened up a further eight shops, and our support of regional and rural Australia, particularly some of the urban growth that we have in Western Australia and Queensland, is being supported by Australia Post so that we can reach all Australians.

Finally, can I take the opportunity to pay tribute to our many important stakeholders that have helped us achieve these results when all around the world we have seen post offices falling over. The fact that we can swim against this tide is a real tribute to the staff, POAAL and the CEPU, who have all worked incredibly hard to achieve these results. Senators, I am in your hands to answer any questions.

**CHAIR:** I have a couple of opening questions. I had a look at your interview on the ABC the other week and you indicated that the extra profit that had been made was on the basis of a long-term strategic change within Australia Post and that your predecessors should take some credit for where we are today. Do you stand by that position?

**Mr Fahour:** Absolutely.

**CHAIR:** Given that your predecessors had a lot to do with it and, you also concede, the staff and the CEPU, can you advise me what the staff salary increases have been in general for CEPU members in Australia Post? What is your current agreement?

**Mr Fahour:** The outcome of what we have at the moment is the following: award worker wage increases as agreed were up to two per cent, made up of two components. The first component was a wage increase of one per cent and then there is a performance based element. This financial year the wage increase was four per cent, so I should say there are two parts to that question. Firstly, you asked about the agreement, but the amount that was actually paid this financial year, in the one that has been reported, was four per cent. Secondly, in addition to the four per cent wage rise that we gave in this financial result that you have seen, we also announced that we are awarding to our award workers up to \$500 of wages as a reflection of being part of this result. I might add that for the management staff the wage increase was zero per cent.

**CHAIR:** Can you then explain to me why your salary is reported to have increased from 2009 to 2010 by 146 per cent?

**Mr Fahour:** That is because they inadvertently added five months in my first year and the second one is a 12-month amount. If you take the five months and you annualise it, I think you will find the number is actually lower.

**CHAIR:** How much lower?

**Mr Fahour:** I have not done the mathematics but there is an error in that newspaper.

**CHAIR:** Would it bring you back to the ballpark of the CEPU members?

**Mr Fahour:** As I said, my salary was negative in total if you annualised it year on year. The CPU, as I just indicated, got four per cent.

**CHAIR:** Yours was negative?

**Mr Fahour:** I am sorry, Senator, but you cannot believe everything you read in the newspaper, unfortunately. They do make errors occasionally.

**CHAIR:** No, I am not just going with that. I am going on your salary for 2010-11 of \$2.89 million. Is that correct?

**Mr Fahour:** I think that is correct. Yes.

**CHAIR:** Is any of that salary at risk?

**Mr Fahour:** I think you will find that the majority of that salary is at risk.

**CHAIR:** Have you taken any steps to try and correct the *Australian Financial Review* article that puts you at the top of the agency and departmental head salary increases?

**Senator Conroy:** I think he just did.

**CHAIR:** Did you do anything before coming here?



**Mr Fahour:** The newspaper did not bother to check.

**CHAIR:** Okay.

**Senator ABETZ:** In the latest *Post Journal* we have an interesting article on page 18: 'The carbon tax: what does it mean for Australia Post.' We are told about the carbon tax having a significant impact on your operating expenditure. It says that this means that costs would grow across your entire supply chain.

It is a very good article and I would commend it to all senators. Has Australia Post done any analysis as to the impact on your contractors and licensees, who will be similarly faced with costs, but often, with your products, are in a fixed-price contract?

**Mr Fahour:** Senator, I did not know you were an avid reader of our journal.

**Senator ABETZ:** Somebody has it. In opposition you have plenty of idle time.

**Mr Fahour:** I will have Alex Twomey look at this issue but we do not think the carbon tax is an issue for us, because, on first reading, it does not look, at face value, that we will be within the scheme. We are not big enough to be within the scheme but Mr Alex Twomey will give you some information regarding that issue.

**Senator ABETZ:** Mr Trot has given a very good analysis in the latest edition of the *Post Journal*.

**Mr Twomey:** We have been looking at the carbon tax and, as the managing director stated earlier, we do not come into the first part which has the permit requirements due to the size of our facilities. A lot of our contractors, LPOs et cetera therefore do not have a direct impact like that—including fuel not being part of it in the beginning. We started to do some looking at the impact but at the moment there are so many variables we cannot really see it.

**Senator ABETZ:** Sorry, are you saying that you cannot—

**Mr Twomey:** Sorry, I meant that we do not have a final modelling or figure for you.

**Senator ABETZ:** But you acknowledge that Mr Trot has faithfully set out the consequences for Australia Post.

**Mr Twomey:** We believe that there will be an obvious impact. That is the point of it. We also see that where the impact is taking us is something that we are tackling with our carbon reduction program. So for us this just fits in with where we are strategically heading.

**Senator ABETZ:** Your head of sustainability is Mr Andy Trot?

**Mr Twomey:** Yes.

**Senator ABETZ:** *Post Journal* is the official journal of Australia Post?

**Mr Twomey:** Yes.

**Senator ABETZ:** So we can rely on his *Post Journal* of September.

**Mr Twomey:** Yes; as I said, Senator Abetz—

**Senator ABETZ:** Right, thank you.

I move on to the issue, Minister, of the board of Australia Post. Are there any people on the board of Australia Post that, prior to their appointment, had postal industry experience? If you do not know, take it on notice.

**Senator Conroy:** Let me think: how would you get postal industry experience. I am happy to take that on notice.

**Senator ABETZ:** The Prime Minister has indicated that she wants to see 40 per cent of board members of Australia Post to be women by the year 2015. That, of itself, is not a bad aspiration, other than it will be foisted. If we are concerned about gender equity I am just wondering why the government does not also consider postal industry experience as being something that may be of benefit to Australia Post.

**Senator Conroy:** I will just check the 11 years of appointments you made on that basis.

**Senator ABETZ:** We did not seek to impose quotas on the board—

**Senator Conroy:** No, you are talking about something entirely different.

**Senator ABETZ:** whereas, you are. If gender becomes so important, one wonders why postal experience is not as important. Have you entered into a memorandum of understanding with a financial institution?

**Mr Fahour:** Which one?

**Senator ABETZ:** Rural Bank.

**Mr Fahour:** Sorry, we have 71 financial institutions that we have entered into an agreement with.

**Senator ABETZ:** Sorry, I should say partnership with Rural Bank? Is that the correct term?

**Mr Fahour:** No, it is a contractual relationship that we have with all 71 financial institutions where we act in an agency capacity.

**Senator ABETZ:** Have you entered into a non-binding heads of agreement for the distribution of banking services with Rural Bank?

**Mr Fahour:** Yes.

**Senator ABETZ:** How has this developed? This was as of the beginning of August, so two months have elapsed. Has this non-binding heads of agreement morphed into a full contract?

**Mr Fahour:** We are substantially into the relationship with Rural Bank to provide the services to regional and rural Australia. In terms of progress, we are getting quite close to finalising all aspects, but there are still a few i's to dot and a few t's to cross.

**Senator ABETZ:** When do you think this will be?

**Mr Fahour:** We are anticipating, and hope, prior to Christmas.

**Senator ABETZ:** Before Christmas? Thank you for that. Is it correct that there is a proposed \$100 annual account fee for small business and non-profit bodies if they want to pay their Australia Post account by cheque?

**Mr Fahour:** That is correct, yes.

**Senator ABETZ:** Why have we imposed this on small businesses and non-profit bodies?

**Mr Fahour:** We developed a strategy around how we can work with our suppliers for payments of services that we have rendered. We do not collect the money up front; we are collecting it either as we go or towards the end of account. But I might ask one of my

colleagues to talk you through what we have done about that, particularly what we have done to look after those smaller organisations to ensure that they are capable.

**Senator ABETZ:** You can take that on notice and provide us with a detailed answer. You can indicate what consultation with any groups occurred prior to making this announcement which, for the small community non-profit organisations, sometimes is a bit of a hit.

**Mr Fahour:** Yes. We have made some arrangements since that date to take care of as many people as we can.

**Senator ABETZ:** Excellent. If you can set that out in the answer I would be much obliged. I understand Australia Post recently sold its Post Logistics operation. Is that correct?

**Mr Fahour:** Correct.

**Senator ABETZ:** During that transfer of business how much stock went missing during the consolidation of warehouses?

**Mr Fahour:** I can take that on notice, but there was nothing that was out of the ordinary.

**Senator ABETZ:** Was it a problem that came up on your radar at all?

**Mr Fahour:** Nothing came up.

**Senator ABETZ:** In that case, take it on notice and we will get the detail. How many franchised Australia Post shops are there at the moment?

**Mr Fahour:** There are 29.

**Senator ABETZ:** Are there any plans to set up franchise Australia Post shops in greenfield sites?

**Ms Corbett:** There are no further plans at this stage.

**Senator ABETZ:** I understand that some years ago there were going to be 150 of these, but there are fewer than 30. What is happening with this program? Are we going to give it up or is it just going to keep limping on at about 30 instead of the projected 150?

**Ms Corbett:** We began franchising a number of years back and I think that was under a different business model than what we are proposing under our Future Ready strategy. As part of our Future Ready strategy, as you would be aware, we have set up different business units and we are currently looking at our retail offering to really look at how we open up access, convenience and choice for customers, and that will involve looking at different service delivery methods to make sure that the format and the ownership model is appropriate to community needs now as their channel preferences change and their access preference changes.

**Senator ABETZ:** Right, so the franchise—

**CHAIR:** Can I just indicate that there are four of your colleagues seeking the call and we have got limited time so—

**Senator ABETZ:** I will finish on this one. The franchise model was promoted at one stage and people actually bought into it?

**Ms Corbett:** That is correct.

**Senator ABETZ:** Yes, on the promise that Australia Post would develop that as part of its business model, that there would be 150 of these and there would be a tradeable commodity,

whereas now Australia Post seems to be walking away from it and we have got 30 punters that have invested their money in a model that is no longer going forward. What are we doing to ensure that their financial security and their financial investment is fully protected?

**Ms Corbett:** As part of our retail network we have got a variety of different service formats and ownership types. We have some corporate post offices that obviously are company run, we have the franchise model and we also have our licensed post office model. All of those formats are actively supported by Australia Post. We have area management in place to make sure that we are generating both new revenue streams and we are diversifying those revenue streams right across the retail network and that really is independent of whether you are a franchise operator or a licensed post office or a corporate outlet. It is really looking about bringing new growth opportunities to the retail business.

**Senator ABETZ:** I am not sure the franchise holders would agree with that assessment but can you pass on my regards, if it is not too late, to Mr Walter, who I understand has retired? Will retire?

**Mr Fahour:** No, not yet. He will retire in the future.

**Senator ABETZ:** Yes, but shortly.

**Mr Fahour:** Near future.

**Senator ABETZ:** Yes. Like all of us, but I thought his was imminent. Thank you.

**Senator SINGH:** Mr Fahour, I wanted to ask you about Australia Post's approach to safety in the workplace. Can you outline to me what the organisation's approach to safety is in the workplace?

**Mr Fahour:** Last year when I came to the Senate, I mentioned that one of the key priorities of the Future Ready strategy that we had outlined was not just to stabilise the business but actually to look after our people and safety was going to be a really important indicator of whether we have been successful or not because there is no use being financially successful and workers are unfairly or inappropriately treated, so we took this as a key priority. We created a new program called 'I am for Zero' and that was really about trying to get the number of incidences significantly down in our organisation. If I could just have Ms Catherine Walsh just give you an indication at the high level, but the really good news result is that we started the year at 3.3 safety incidences per person and we finished the year down at three, so it was a real turnaround in a statistic that had been going the wrong way—like our financials, quite frankly—and we have really driven this as probably one of the most fundamental parts of our strategy.

**Senator SINGH:** Just before that, can I just ask in relation to that—because I understand you have introduced a new delivery sorting system and that system requires posties to sort mail during their delivery rounds, which is a new way of operating; therefore there would need to be a new safety system put in place. I am concerned whether Comcare have reviewed this new delivery sorting system and, if they have, what are their conclusions about that?

**Mr Fahour:** Okay.

**Ms Walsh:** The issue with respect to separate bundle delivery, which is the delivery method you were just referring to, is one that we have been working with the unions and our employees with extensively. Importantly, both the CEPU and Australia Post approached

Comcare to do a joint review of the process and we are pleased to say that Comcare reported at the end of the process that Australia Post has applied a systematic, thorough and comprehensive approach to considering the OH&S impacts of separate bundle delivery. They have also given us a tick with respect to the rollout process. Importantly, in that rollout process, which is going on at the moment, there is a review process which of course involves our employees and the unions in reviewing those safety undertakings that we have made and getting feedback on how that is going. We also have three groups who are meeting regularly at the moment to review those safety issues on an ongoing basis through this process. So we are very confident that the process that we have put in place for separate bundle is a safe one, but of course we must continue to work with our employees and the unions to ensure that safety is ongoing.

**Senator SINGH:** How long has the new system been in place?

**Ms Walsh:** The rollout commenced in August 2011, so just recently.

**Senator SINGH:** So it is a bit early to tell how it will play out.

**Ms Walsh:** Correct. That is why the review process that we have committed to is such an important part of that rollout.

**Senator IAN MACDONALD:** You will recall that I have been pursuing the great, almost criminal inconvenience to people who live in Dalrymple Street in Rockhampton because of the activities at the Rockhampton Mail Centre. Minister or Mr Fahour, is there any movement on action to relocate the mail centre out of a residential area into a place where it is appropriate for an industrial centre like that?

**Mr Fahour:** I will initially respond. I really believe it is not in that community's interest for us to relocate, because relocate really means shutting. We do not have a need for another one around the corner, because there are other residential areas there and there will be other people who are inconvenienced. Quite frankly, with the amount of mail and the way it is going in our society—the two-speed business that I have been talking about, where mail is going down and we have parcels going up, which are bigger, bulkier and more active—the last thing in the world that I believe is in the interests of our community is to close that centre. Therefore, what we have been trying to do—and we have made offers time and time again—is come up with abatement methodologies that reduce the amount of noise. As you know, we have offered acoustic fencing and a range of things. I know you are running out of time and you do not want me to go through huge detail. There is only so much we can continue to do, but at some stage we really would appreciate it if the community would accept at least some of these offers. One of the things that I do not believe is in the interests of the corporation and our community and our workers is for me to close that centre.

**Senator IAN MACDONALD:** I am not suggesting you should close it; it should be taken to an industrial estate where trucks can come in and out at 3 am in the morning. Mr Fahour, how would you and all your senior executives like it if right next door to your house, where you had been for long before Australia Post was taken there, there were trucks coming in at 3 am and all the way through the night? Your officers have seen it. There is loud reversing beeping and there are steel cages being dropped on the floor. I acknowledge, as I always do, that your people have tried to something about it.

An email dated 10 October from one of the residents says, after a preamble, 'Nothing much has changed. Australia Post—only less trucks, same noise during the night. A truck backed through the fence near Stan's place, broke pickets, which have not been replaced—lucky the brakes worked. Had the Main Roads stop B-doubles coming into Elphinstone Street from midnight to 6 am, but they are still working all night with trucks leaving early hours of the morning.' If you applied for approval from the Rockhampton Regional Council, you would not get it. It is only because this is a Commonwealth government activity that this atrocious situation is allowed to persist. These are older people and they have been in the street for long before the post office became a major mail centre. I am not suggesting you should close it, but there are industrial estates—you could downsize; you could get a purpose-built place and sell this place for the cost of what a new mail centre would do. The council are dealing with it. If you are not going to do anything—and I take that from your answer—then we will have to see if we can get the Queensland department of main roads to prevent the trucks crossing the major Bruce Highway into this small street, and there will be a continuing series of actions. If you are not going to do anything I will encourage the people there to take an action for nuisance against Australia Post. It is a long time since I did any law, but I think they would have a classic case for a nuisance injunction against Australia Post. We have resisted that because I had hoped that there might be some movement, but if you are going to play hardball then I will encourage them to do that.

**Mr Fahour:** You know us very well and you know that that is not what we want to do. We are not interested in playing 'hardball' in any shape or form. That is not the kind of company we are. That is not what we stand for. You say, 'How would you feel?' Well, that is exactly how I did grow up; I did grow up living next to a train and a tram—

**Senator IAN MACDONALD:** Pretty awful, wasn't it?

**Mr Fahour:** and I can assure you that it is not necessarily something that I would wish to impose on anybody. But we are dealing with consequences for a lot of people's jobs and an important part of our activity, and the simple answer of moving around the corner to an industrial estate does not exist. If it did exist and it was an easy answer, I can assure you we would have taken it in 10 seconds flat. There are no easy answers—

**Senator IAN MACDONALD:** I can do it for you. I will find you the place.

**Mr Fahour:** We will close the place and we will use the other centres around it, because that will be far more efficient for the decreasing volume that we are experiencing in our business. What I am trying to say is: can we at least take on board the several offers that we have made—

**Senator IAN MACDONALD:** Hang on—

**Mr Fahour:** None of those have been taken up.

**Senator IAN MACDONALD:** No, hang on—

**CHAIR:** Senator MacDonald, I am just conscious of the time, so—

**Senator IAN MACDONALD:** So am I, Mr Chairman, but this is why this approach: there is no other way that these people can make their points known to Australia Post.

We have had the conferences. We have had offers of big walls that will not make any difference and will just cut off the breeze, so you will just exacerbate one complaint and

create another. There is a clear solution. They were there before you. If you were not a Commonwealth instrumentality, you would have been thrown into jail long before this; I am just surprised the government does not give you some directions to be a good corporate citizen. I know you are; you have tried, but whatever you have tried has not worked. You know from the way I have interacted with you, I accept that you are good. I just ask you to have another look at that.

I have two quick local matters that perhaps can be taken on notice. There is a place called Nabilla. I am not quite sure where it is—north of Rockhampton and south of Mackay. It used to be in the electorate of Capricornia and is now in Dawson. It is a new estate. Australia Post does not have a mail contractor to deliver the mail. Is it fair that residents have to pay for post office boxes? And it appears that there are no post office boxes available. So what they tell me is happening is that people have to go to the post office and say, 'Have you got any mail for me?' and they look under the counter and see if there is a bundle there for them and hand it out. Can we have a look at that for them? And also, from Bucasia, which is near Mackay, Australia Post has decided to remove a post office. Bucasia is a growing community; has that been taken into account? What services will be put in place for local residents?

**Mr Fahour:** Thank you; we will take both of those on notice.

**Senator HUMPHRIES:** On the last occasion, in May, I asked a number of questions about mail deliveries to tenants in Belconnen mall in Canberra. I asked particularly about a policy of discontinuing delivery of mail to shops in shopping malls, and asked whether there was a policy to that effect on the part of Australia Post. Mr Ousley said:

... it is not a policy to cease delivering to shopping centres and retailers within shopping centres.

I asked a second time:

So, as far as you are concerned, if a shop owner or lessee has an identifiable address ... and you can identify where that is, you will still deliver to such addresses?

Mr Ousley said, 'That is correct.' I asked the question a third way and was again told there was no policy to prevent that from occurring. I have since discovered that there is something called the 'Australia Post point of delivery policy', which says: 'The point of delivery policy provides for mail in each shop or business in a shopping centre to be delivered into one mail box or a single group of letterboxes located at or near the entrance to the shopping centre.' With great respect, I think that I was misled in the last committee when I was told that there was no such policy and that there was no problem with individual tenants in the centre receiving mail at their shop. Why was I not told about the point-of-delivery policy?

**Mr Ousley:** I am the person you refer to who responded to your question in May, and I will respond again today. I apologise for the confusion. I will come to the aspects that I was not aware of but subsequently became aware of in a moment. The way the question in May was framed in my mind and the way that I received it was, 'Is there a unilateral policy that Australia Post is adopting to cease delivery to retail businesses within shopping centres?' That certainly is not the case.

The situation at Belconnen, which I later learned of, was that Belconnen had been the subject of a major refurbishment by Westfield, and under those circumstances it is part of Australia Post's policy to engage with the developer and the retailers to move towards a single point of delivery. That would have prompted quite a different response by me at that time if

that was made known to me, but I was not aware of that. I do apologise for that lapse, but it was certainly not my intent to mislead you or this committee. I think you have since had a visit from Mr Elliott, and prior to that from Mr Trennerman, and I think they have explained that in greater context.

**Senator HUMPHRIES:** They have. But they have failed to explain one thing yet to me—that is, at whose initiative the delivery of mail to individual tenants within the mall has now ceased. Westfield have insisted to me that at no point have they asked Australia Post to cease those deliveries; Australia Post tells me that Westfield has initiated the ceasing of delivery. You talked about engaging with the retailers; nobody has engaged with the retailers about this from Australia Post. Can you assure this committee categorically that, based on the knowledge you now have about this situation, Australia Post did not initiate the point-of-delivery policy to cease delivery of mail to individual tenants at Belconnen mall?

**Mr Ousley:** In putting a full stop on this whole issue, what I will do is supply you with a chronology on notice of what we say were the events that led to the change in delivery arrangements for the Belconnen shopping centre. I understood that, from the conversation and the explanation you received from Mr Elliott, those questions had been answered. If that is not the case, then I will certainly provide that. But what I wanted to do was to indicate to you—having had the feedback from Mr Elliott, who visited you—that it was not my intent or Australia Post's intent to mislead you.

**Senator HUMPHRIES:** That is not the question I have asked you.

**Mr Ousley:** I understand that, and I—

**Senator HUMPHRIES:** I will repeat the question. The question is: can you categorically assure this committee, knowing what you now know about this situation, that it was indeed Westfield that initiated the policy of ceasing delivery to individual tenants and not Australia Post?

**Mr Fahour:** Senator, can I just jump in? In light of the misunderstanding that occurred the first time, I am not prepared for us, as Steve Ousley has just said, to just give you an answer on the spot, because I want it to be 100 per cent right—it is a case of once bitten, twice shy. We have offered to take it on notice. I hope you will accept our offer, and we will give you an exact answer to your question which will be 100 per cent right.

**Senator HUMPHRIES:** Fantastic. There is just one more thing that you can take on notice with that: if you come back and say to me, 'It was Westfield that initiated this policy and asked for the deliveries to cease,' would you be kind enough to table the correspondence, which undoubtedly you had with Westfield, in which that arrangement was—

**Mr Fahour:** Sure—there would be have to some information to support that assertion. That is absolutely accepted, Senator.

**Senator HUMPHRIES:** That would be very acceptable. Thank you very much.

**Senator NASH:** Mr Fahour, can I briefly take you to your tabled opening statement. You say in that document, as you did in your comments, that the profit had been achieved:

... while exceeding our Community Service Obligations.

You go on to say:

Our parcel business is booming ...



... ..

Parcels are the new core of our business representing 1.4 billion dollars in revenue with approximately 70 per cent of our parcel revenues generated by the click of a mouse.

This is an issue that has been raised with me by a number of licensed post offices. How many LPOs do you actually have?

**Ms Corbett:** We have just under 3,000 licensees.

**Senator NASH:** Can you very briefly outline for me the mechanisms by which LPOs are paid for maintenance and delivery of parcels?

**Mr Fahour:** Senator, just before we do that, can I thank you for at least getting to air a few of those points about our business. I hope you will also see that there is a huge acknowledgement that all 4,400 shops contribute to our success, and we contribute to their success because a licence is an agreement to a partnership where you share the economics of the upside—

**Senator NASH:** I am so sorry; I have four minutes, and I have a few more questions.

**Mr Fahour:** This is an important context point. I think it is critical that it is understood that, unlike with our workers, who get a fixed wage, our licensees share in the economics when they occur. Christine will give you the specific answer to your question.

**Ms Corbett:** Licensees can receive up to three separate payments for parcels. Firstly, when they assess postage and take that parcel over the counter, there is a commission that is payable to them on the amount of postage that is generated. Secondly, when they stream or sort that parcel, they are paid an additional commission based on the amount of postage that is paid. Lastly, there is an element, where there is delivery of that parcel to the customer, known in the business as a 'carded parcel payment'. That payment is either part of a management fee or it is based on volume.

**Senator NASH:** The following has been raised with me as a real issue, and the great thing about estimates is that you actually get the opportunity to hear the other side as well. What has been raised with me by many of the LPOs and referenced by others is the fact that the payment they receive for the parcel work that they do is nowhere near enough. I put that in the context that, as we heard in the opening statement, Australia Post has now made a significant profit. Parcels are part of that profit, and yet, at the other end of the scale, we are hearing from licensed post office operators that they feel they are being completely duded—that is the way I would have to put it—in terms of the payment that they are receiving. Perhaps I could get your comment on that.

Again, not that we believe everything we see in the media, I also want your comment on a story run on 20 May by the ABC stating:

... licensed post offices that are the backbone of many communities across the country say under-remuneration, undercutting and customer poaching by Australia Post's corporate arm is squeezing them dry.

It also states that they 'surveyed more than 50 licensees' and:

The key findings include:

- Three-quarters of licensees who were willing to go on the record say they are severely underpaid to process parcels

- Seventy-five per cent also report being undercut by Australia Post corporate
- Half allege they had customers poached by Australia Post corporate

It says there were others who:

... expressed concerns but declined to participate for fear of reprisal

It also states that there are claims of difficulty in dealing with Australia Post in negotiating arrangements. Obviously this is only media reporting, but there seems to be a significant groundswell out there in the local communities. Do you have a response to those claims?

**Mr Fahour:** Firstly, we categorically deny that that is a representation of what is really going on, that the people that—

**Senator NASH:** Can I just clarify, too, that I am not working off this media report as much as off the issues that have come directly to me.

**Mr Fahour:** I am not sure that this was the finest moment for the ABC, but the survey was of less than two per cent of the situation. We pay a fairly large sum of money, something like \$350 million, to the various licensees in Australia, and 2,500 of those are in regional and rural Australia in the mail side of the business. This is quite important because a post office does mail and parcels. We lose money doing mail, but we do not pay the licensees as a percentage of the profit—we do not pay them a fixed fee—they get a percentage of the revenue. So, whether or not a letter loses money—

**Senator NASH:** Can we just not talk about the letters, sorry—I only have two minutes.

**CHAIR:** Let him finish.

**Mr Fahour:** Senator, this is important. It is like saying, 'Here is the whole situation but let me look at the left-hand side.' The situation is in total. If you make your money here but say you are losing money over there, that is really quite an unfair statement. What I am saying is that, if you look at the totality of the payment, if we were not making the kinds of payments we are making there are 2,500 regional and rural post offices that would cease to exist. We are in effect subsidising their livelihood. If we are going to pay them more for parcels and keep losing money on letters then we are not sustainable anymore, so what good are we to anybody?

**Senator NASH:** I will ask some questions and I will put some on notice. Do you say the LPOs should cross-subsidise their parcels, which they say they are not getting paid enough for, through the payments they are getting for letters?

**Mr Fahour:** No, I am saying that we are. We are offering support to many, many post offices. We think the payment that we make is fair and reasonable because the total amount of return that we make is negative.

**Senator NASH:** I will put the rest of my questions on notice.

**CHAIR:** Senator Williams.

**Senator WILLIAMS:** I believe your profit last year was \$241 million, up from \$90 million the year before. Great figures.

**Senator Conroy:** Excellent management. They should be congratulated.

**Senator WILLIAMS:** I am following on from Senator Nash. We have the Bundarra post office closing on 30 December. I do not know the population of Bundarra—perhaps 400

people—but they just cannot make a go of it. And we have Attunga, outside Tamworth, closing in November. Your profits have more than doubled while these little regional post offices are closing because they simply cannot make a go of it. Yet half an hour ago you said how much you support regional Australia. Isn't that in conflict?

**Mr Fahour:** Thank you for raising that point. While on the one hand we are pleased with the increase in profit for the whole corporation from 2010 to 2011, the reality is that that result only takes us back to where we were in 2009. Secondly, the mail business lost \$90 million this year and last year it lost \$250 million. It is the primary effort of what we are talking about; it is the largest part of our interaction with these people. We have a very serious and structurally difficult situation that is not going to reverse very easily. For the years to come, these losses will be there, and what is going to occur is inevitable. While this two-speed business that we have is going down—

**Senator WILLIAMS:** So you have a two-speed business. You are losing money on letters and you are making a fortune on parcels.

**Mr Fahour:** We are losing money on letters and we are making money on parcels. At the moment, with the digital economy that we have, online shopping is only just beginning. We are hoping this will continue over the next few years. As one side comes down and the other side comes up, the idea is to redeploy resources from that side and put them on this side.

**Senator WILLIAMS:** This is all fine, but what about those communities that lose their post office?

**Mr Fahour:** I will take on notice your question about those communities.

**Senator WILLIAMS:** Well, take it on notice, but the fact is they cannot make a go of it. Mrs Esma Garrad, at Bundarra, paid \$180,000 for her business.

**Senator Conroy:** You are not suggesting there should be a cross-subsidy?

**Senator WILLIAMS:** A 55c stamp, or whatever they cost these days, can send a letter from here to Broome or from here to around the corner.

**Senator Conroy:** So you are in favour of cross-subsidies?

**Senator WILLIAMS:** No, what I am saying is that a post office is an essential service for a small community—not only to get their mail but to pay their electricity bills, phone bills et cetera.

**Senator Conroy:** So it is an essential service?

**Senator WILLIAMS:** Yes, it is.

**Senator Conroy:** With a cross-subsidy?

**Senator WILLIAMS:** Whatever the subsidy required, the point is this: losing a post office is the death knell for a community.

**Senator Conroy:** We are happy to give them a voucher, like with our telco policy.

**Senator WILLIAMS:** Have you finished? Can I speak now, Chair? He is a bad minster, isn't he.

**CHAIR:** I would not agree with that.

**Senator WILLIAMS:** The point I make is that it is a nail in the coffin for those communities and the contractors simply cannot make a go of it. I want to get to another point.

I sent out 62,000 survey forms in the seat of Lyne and 57,000 in New England just a few weeks ago. They were supposed to go out on 19 September. We were getting replies on 15 September. Many people did not get the survey forms. People were bringing packets of them into my office that they had found on the ground. In a place like Uralla they got them 13 days later. I will give you the details on notice, but as much as I really admire the people who work in Inverell Post Office—they are great people and I have known them for many years—I think my mail-out was a monumental mess.

**Mr Fahour:** If that is the case first of all I apologize on behalf of them and the organisation. As you well know these are good people out there—

**Senator WILLIAMS:** Absolutely they are good people.

**Mr Fahour:** and they do a fantastic job. Our success in delivery performance, which is measured scientifically, says that we deliver at 96 per cent and we are at 98.9 per cent success rate. So let me apologise when these occasional errors occur. I will investigate what caused that particular incident. I acknowledge what you said, as well. They are normally pretty good people.

**CHAIR:** That concludes the questioning of Australia Post.

#### **Proceedings suspended from 16:11 to 16:14**

#### **Department of Broadband, Communications and the Digital Economy**

**CHAIR:** I now call on officers from the department in relation to program 1.2: the digital economy and postal services.

**Senator BIRMINGHAM:** I quickly turn to question on notice No. 175 relating to the rather short-lived Voluntary Internet Filtering Grants Program in which you identified that, in 2010-11, \$190,679 was spent on the program, excluding corporate overheads. Just what was nearly \$200,000 spent on for a program that never reached the stage of offering grants?

**Mr Rizvi:** That money was spent largely on salaries associated with undertaking a range of work on consulting with the ISPs that had volunteered and on the development of a draft industry code that would facilitate the implementation of voluntary filtering.

**Senator BIRMINGHAM:** Was that code ever finalised?

**Mr Rizvi:** The code is still being developed.

**Senator BIRMINGHAM:** And this is being developed for the industry's own voluntary filtering activities rather than for the grants program that was envisaged?

**Mr Rizvi:** That is correct. The grants program did not proceed, so there is no further money being spent in that space.

**Senator BIRMINGHAM:** I might follow up a little bit more on notice. I go to the industry voluntary filtering program that is being voluntarily undertaken by industry. How many ISPs are now participating and who are they?

**Mr Rizvi:** Consultations on that voluntary program are continuing. To date, my understanding is that two ISPs have begun filtering the Interpol list of child abuse material. Regarding, the issue of filtering the ACMA list of child abuse material, discussions between ourselves, the ISPs and the ACMA are ongoing.

**Senator BIRMINGHAM:** I think last time we met it was indicated that there were about five ISPs, or thereabouts, looking to participate. Is that still the case?

**Senator Conroy:** There were three that announced on the day, which were Telstra, Optus and iPrimus. There were subsequently two other relatively small companies, comparatively speaking. At this stage, as the officer has indicated, two have introduced voluntary filtering, and the industry, the IIA, has put forward an alternative filtering plan. It is fair to say that there is a fair bit of activity in this area at the moment.

**Senator BIRMINGHAM:** Mr Rizvi, which two ISPs are filtering the Interpol list?

**Senator Conroy:** Telstra and Optus. Remarkably, the internet has not ground to a halt. Have you noticed that—the internet is still working?

**Senator BIRMINGHAM:** Thank you, Minister. Are the other three ISPs still engaged in discussions with the department about—

**Mr Rizvi:** Not yet, but the discussions with the others are continuing, as well as with Telstra and Optus.

**Senator BIRMINGHAM:** What issues need to be overcome for filtering of the ACMA list as against the Interpol list?

**Senator Conroy:** Let us be clear: the ACMA list was not what was agreed. The ACMA list is the lengthy list that the Howard government created, so let us not forget that. This is a list which, to be fair—

**Senator BIRMINGHAM:** Mr Rizvi indicated just before that discussions were continuing about the filtering of the ACMA list.

**Senator Conroy:** For historical perspective, so that people are very clear: the industry currently voluntarily blocks a range of sites that the Howard government put in place on the ACMA list. How many and how much? I do not know, but the voluntary blocking that we talked about was not of the full ACMA list. We made that clear. We have said that the classification RC is being reviewed and there are ongoing discussions. If you were to look at the differences between what the industry has proposed in its standard—IIA have proposed this as an alternative—it does not contain some of the protections that are contained in what we have been discussing with the companies we have been talking to. For instance, there is a blocked page, it tells you where to go to, there are appeal rights and all those sorts of things. A variety of issues are being discussed at the moment.

**Senator BIRMINGHAM:** Excellent. Mr Rizvi in his answer identified that there were discussions going on around filtering of the ACMA list. If that is not filtering of the ACMA list as we currently know it to be and what those discussions are about, I am trying to find out exactly the end point you are seeking to achieve with these ISPs.

**Senator Conroy:** Let us be very clear: a list of child abuse content is what was agreed to be blocked, not the full ACMA list. That was not the announcement. I am sure you know that; you have trawled over it with me on many occasions. What was agreed to be started, which two companies have now started and three others are finalising preparations for or are in discussions about, was the child abuse list.

**Senator BIRMINGHAM:** The child abuse list as in the Interpol list or are you talking—

**Senator Conroy:** No, the child abuse content that was identified by the ACMA's component on the ACMA list. It is not the full list, but there are classifications. Personally, I have not compared the lists, but I am told they are different.

**Senator BIRMINGHAM:** Telstra and Optus are currently filtering against the Interpol list—correct?

**Senator Conroy:** Yes.

**Senator BIRMINGHAM:** The government is working towards those two ISPs and other ISPs filtering against a segment of the ACMA list which deals with child abuse websites. Correct?

**Senator Conroy:** Yes.

**Senator BIRMINGHAM:** What hurdles are there or what issues are trying to be overcome at present to achieve that objective?

**Senator Conroy:** Those discussions are ongoing. I do not want to pre-empt them. A range of meetings are scheduled to take place over the next few weeks to continue those discussions. I do not want to pre-empt what those ongoing discussions are about at this stage.

**Senator BIRMINGHAM:** You must be facing some impediments. On face value, if they are voluntarily filtering against one list, it does not seem, of course—

**Senator Conroy:** They are different lists, as I think we have established, though, as I said, I do not have a copy of either list, so I cannot tell you what the differences are. There are differences in the appeals mechanisms—that is my understanding; Mr Rizvi might be able to correct me on this. The government's proposal has a higher degree of transparency if people are unhappy about what has been blocked than is currently being done, but they are the sorts of issues that, as I said, we are canvassing with the companies involved. There are some meetings scheduled in the not too distant future, but I would not want to pre-empt them. It is always better to have those sorts of discussions face to face rather than between competing senators on the floor of a Senate committee process.

**Senator BIRMINGHAM:** Is it still the government's objective to implement this policy as you have described it today—filtering undertaken voluntarily by companies of the child abuse component of the ACMA list? Or in fact are you positioning to move towards these negotiations over the next couple of weeks—

**Senator Conroy:** No, look, as I said—

**Senator BIRMINGHAM:** Minister, if I can finish the question. Or are you positioning towards these negotiations over the next couple of weeks to have an alternative policy of some description?

**Senator Conroy:** My concern is that there are a couple of differences about the lists that are there, the ACMA list is based on Australian law and they are URLs, the Interpol list is not based on what is child sexual abuse under Australian law, and is domain based. As an example, domain base blocking can lead to greater number of over blocking scenarios, so the current proposal that has been put forward can lead to a greater level of over blocking, something I know you have had concerns about. It also does not have the same protections, so I would not be comfortable to moving to a system that is more likely to accidentally block material, does not meet Australia's laws in terms of Australia's legal definition of child abuse,

and does not have appeal mechanisms, but what the industry has done is taken a step forward, which is something I have called for, and it is a worthy step forward. We welcome Telstra and Optus introducing it, it is put to bed, finally, not that it needed to be put to bed anywhere else in the world, but it is put to bed finally, the completely bogus argument that filtering in the manner we are talking about slows the internet down. I have not seen one report, anywhere by anybody on any blog or website suggesting the internet has been slowed down by Telstra's and Optus' voluntary filtering, so I am hoping that we will not hear that debate again.

So what the debate then moves to is our policy of wanting to put in place blocking child abuse, so that we are dealing with that so that we are able to put into place the proper appeals mechanisms if people are unhappy, but we are also awaiting the outcome of the Classification Review Board's review of the RC category. They have also decided off their own bat to review all of the classification system which does not affect us, but the for the RC material we will see where outcome of that review takes us to.

**Senator BIRMINGHAM:** It is sounding like whilst you have concerns with the IIA proposal itself, that you are preferring a move towards an industry body, sanctioned industry wide approach than a company by company approach.

**Senator Conroy:** Unfortunately, there is at least two major RSP's that have said they will not block anything unless they are required to by law, so they are not interested in supporting the industry's position either, they have both said they will not support the industry bodies, and they are major RSP's in this country, so we are in a situation where the industry have taken a good step forward and you have heard me call for it, but unfortunately two companies have said, 'No. unless we are required to by law, we will not block anything.' So there is an inherent flaw that some of their own members are refusing to comply with their own code.

**Senator BIRMINGHAM:** In terms of the process going forward, what is the timeline for the government to have at least a segment of the ACMA list as the filtering mechanism and how quickly do you think you can achieve that for the companies that are willing to voluntarily comply?

**Senator Conroy:** I would probably say I would be able to give a better answer after those discussions are held over the next few weeks. If there is anything more I can answer, I will pass it on, but I will have a better indication in a few weeks. But I will make the point again, two companies have stepped up and are currently blocking child abuse material, it is a voluntary scheme, and they are doing that right now, and the internet has not slowed down.

#### **Australian Broadcasting Corporation**

[16:35]

**CHAIR:** Mr Scott, do you have an opening statement?

**Mr Scott:** I am pleased to be able to speak to you again about the ABC. At the outset I note the report of the Senate committee released late last week on issues related to television production at the ABC. As you would appreciate, we are still reviewing the findings and recommendations and we look forward to hearing the formal response of the government to the report in due course. I want to thank the senators for their active interest in the operations of the ABC and its role in Australian life.

Before moving to questions I would also like to take this opportunity to place on the record the appreciation of everyone at the ABC for the outpouring of support we received in August

after the helicopter crash at Lake Eyre which took the lives of three much loved and greatly valued colleagues. We were touched and affirmed by the messages we received, not just from the Prime Minister, the opposition leader and members of parliament, but from thousands of Australians. It meant so much to those at the ABC who had lost their colleagues, but also, I know, to the families as they suffered the shock and grief of the sudden loss of their loved ones. Paul Lockyer, John Bean and Gary Ticehurst will be irreplaceable; they embodied the ABC at its finest. They were craftsmen at the peak of their skills and they worked together to find remarkable Australian stories and tell them to the Australian people. The extensive tributes at the time of their deaths showcase their character, the quality of their work and their importance to the ABC. I was delighted to see that they were nominated for a Walkley award when the nominations were released last night.

August also saw the loss of two other fine news men at the ABC. Bernie Keenan, the chief of staff in our Sydney newsroom died suddenly. He was at the very centre of our news activities in Ultimo and was an admired, respected and experienced colleague. We lost one of our most experienced executives, Ian Carroll, also in August. In his career Ian had been at the helm of nearly all of our major current affairs programs on television. He was the founding executive producer of *Lateline* and in recent years, as director of innovation, was the driving force behind many of the new services much appreciated by our audiences in recent years, like iView and our mobile applications. He was a wise, generous and passionate man who gave so much of his life to the ABC.

Together, these men spent well over a century in service to the national broadcaster. They believed in the unique place of the ABC in Australian life and were working to secure its future in the digital world. Thank you for this opportunity to pay tribute to the men they were, the work they did and their vital contribution to the ABC over so many years. Thank you.

**CHAIR:** I have two areas of questioning. One is in relation to the report in the *Australia Financial Review* on 17 October. I do not want to take the *Financial Review's* report as gospel, but the headline is 'Top public servants in pay bonanza' and you are in the bonanza group. It says that your pay has gone up 17.3 per cent to \$758,059. I understand that in 2010 a fair slice of your salary was in bonuses, like a performance bonus. I think it was \$184,000. From what I can see, in 2011 that has all been rolled into salary to lift your salary to \$733,139 plus allowances of \$24,920. Can you explain why there has been that increase when there has been pressure on funding within the ABC and why there seems to be no salary at risk?

**Senator IAN MACDONALD:** Mr Chairman, can I just raise a slight point of order? Some years ago in this committee I tried to get details of the salary of certain journalists and was blocked at every turn. We eventually did get a group thing on salaries. I agree with your sentiments about this, but I wonder if we are being fair to Mr Scott in the way of doing this when we were so reticent to have the salaries of any journalist even mentioned, let alone asked to be justified.

**CHAIR:** I do not think I have to explain my question, but can I say I see a significant difference. The salary is on the public record, in the annual report, and it has been reported widely in the media, and I think Mr Scott is entitled—given that it is in the public arena—to say either, 'It is none of your business,' or, 'It is a decision of the board,' or whatever. I would just like to hear his answer.

**Senator IAN MACDONALD:** I just wanted to make the point, Mr Chairman.



**CHAIR:** I do not think the point is relevant.

**Mr Scott:** I can simply say: my remuneration is determined by the Remuneration Tribunal. The Remuneration Tribunal did a salary position review for me some time ago, and the structure and the remuneration level that I receive—as the senators' remuneration level is—are set by the Remuneration Tribunal, and the board implements that.

**CHAIR:** Coming back to the inquiry, one of the recommendations in the inquiry was that you implement processes which ensure value for money, transparency and skill retention. As you would be aware—and I am sure you followed the inquiry and have had people look at the *Hansard* of the inquiry—a consistent complaint was the redundancies in areas of production, both regionally and centrally, and the need for transparency in the awarding of contracts to external producers. Have you had any time to consider this recommendation and can you advise us what is going to be done about that?

**Mr Scott:** Yes. As I indicated in my opening remarks, we do need and want more time to consider the significant report that was released by the Senate committee. We are also somewhat in the hands of the government on this. The next process, I understand, is for the government to respond to the report, and we have not yet had a chance to discuss it at all with the government. I would say, though, that, if you look at the *Hansard* and, I think, the evidence that I gave on that day, the ABC is still undertaking very significant levels of internal television production. We make television every day in every state and territory capital. A lot of that is for news and current affairs, but not exclusively for news and current affairs. But I would still argue we have a strong range of skill sets on offer.

I would say, about the commissioning process: we have a very extensive and rigorous commissioning process that we are involved in when we work in co-production. There are numbers of people who are involved in that. That is subject to internal scrutiny through internal auditing processes and also by external auditors. Reviews of that have gone to the audit committee of the board. So we feel that we do have good processes in place, although I would say that when you are dealing with co-production you are also involved in a competitive environment, and so there needs to be some confidentiality around that. We will look carefully at the report. We look forward to advice from the government on the report, and I expect that, next time we meet, we will be able to outline a more detailed response than we can at the moment with this report just out for a couple of days.

**Senator BIRMINGHAM:** Mr Scott, I would like to turn to the issues surrounding the Australia Network contract. My understanding is that the ABC was advised on 24 June that it could extend its contract by six months to 8 February 2012. Is that correct?

**Mr Scott:** That is correct. We have extended it for six months, but I do not have the precise dates in front of me.

**Senator BIRMINGHAM:** That is quoting from the annual report, so I assume that it is correct. In terms of your staffing resources for Australia Network, have you lost staff in the period of time of prolonged uncertainty?

**Mr Scott:** I do feel constrained about discussing Australia Network. It is currently under a tender arrangement, as you know, and confidentiality is part of that. As a result of that, I have not been speaking extensively on Australia Network. We have staff who are working there

who have been continuing to do a good job as we were waiting for the future of the network to be resolved.

**Senator BIRMINGHAM:** I understand that in terms of the bid that is underway. I was asking a question, though, about the implications of the delay of the bid and the implications for the organisation. Have you had difficulties with maintaining staff contracts, losing staff or otherwise because of the prolonged uncertainty?

**Mr Scott:** I think our staff would be keen for the resolution of the tender process, and we await news.

**Senator BIRMINGHAM:** Mr Scott, I respect the sensitivities of the tender process, but I do not know that it goes to the actual internal operations of the ABC if I simply asked you a question that is unrelated to the tender but simply said: have you lost staff over the last couple of months in the Australia Network areas?

**Mr Scott:** I am not particularly aware of any staff turnover. I am aware of anticipation. If there is a change to that I will let you know.

**Senator BIRMINGHAM:** Have you been advised of a recommendation from the review panel on the Australia Network tender?

**Mr Scott:** No information, Senator.

**Senator BIRMINGHAM:** You have not been advised?

**Mr Scott:** No, I have not been advised.

**Senator BIRMINGHAM:** Mr Scott, did you have your knuckles rapped for speaking to ministers about the contract, as was reported by media outlets?

**Mr Scott:** I have nothing to add to what I said publicly. We believe we have complied with all the tender processes.

**Senator BIRMINGHAM:** Mr Scott, have you discussed issues surrounding the Australia Network with your minister or has the board of the ABC discussed them with Minister Conroy?

**Mr Scott:** The minister and I have had very little discussion in recent months around any matter as the Australia Network matter is being discussed.

**Senator Conroy:** We are almost not speaking.

**Senator BIRMINGHAM:** That may be wise. In fact, Mr Scott, do you or the ABC board feel somewhat constrained in the sense that the minister, who you are responsible to—the minister for communications, who you would hope would be the ABC's champion or adviser in some way—actually now finds himself conflicted as the minister also responsible for allocating this tender or advising on this tender?

**Senator Conroy:** Every decision I make in the communications media sector is a potential conflict of interest. I have to deal with issues around free-to-air television networks and balance that against the interests of the ABC. I struggle through, as has every other previous communications minister.

**Senator BIRMINGHAM:** Very valiant of you, Minister.

**Senator Conroy:** It just comes with the territory.

**Senator IAN MACDONALD:** With an emphasis on 'struggle'!

**Mr Scott:** We are just continuing to run the ABC as we wait for tender result.

**Senator BIRMINGHAM:** The ABC had to submit a revised tender document?

**Mr Scott:** Yes. As has been reported, there was a request for additional information, which we provided.

**Senator BIRMINGHAM:** Were all the requests for additional information made public?

**Mr Scott:** I believe so.

**Senator BIRMINGHAM:** On page 18 of the annual report there is a section about the Australia Network and international diplomacy. In that section you state, amongst other things—or the board states, because this is a Board of Directors statement:

Dual independence from both government and commercial agendas is rare amongst broadcasters. As such, governments throughout the world have recognised international broadcasting through public broadcasters as the ideal means of ensuring the independence of the broadcaster's editorial agenda, uninfluenced by commercial considerations or consequences, is protected.

Looking through this column, is it the belief of the ABC board that it was a mistake of the government to go out to commercial tender for the Australia Network?

**Mr Scott:** That is the board of directors statement. I think it speaks for itself. We have always been aware that the decision to go out to tender would be a matter for government. It was a matter for the previous government when they put it out to tender and it is a matter for the current government.

**Senator BIRMINGHAM:** It sounds like the board thinks that it was a mistake by whichever government in turn does it.

**Mr Scott:** I think you are making an interpretation, Senator. I think the words are there in black and white, and people can read them as they see fit.

**Senator BIRMINGHAM:** The words there in black and white essentially state that only a public broadcaster can effectively deliver such diplomatic services.

**Mr Scott:** I am in a position to speak about what the public broadcaster can offer in these circumstances, but I am not in a position to speak to that now. Perhaps at some point in the future I can talk about the role of public broadcasting and international broadcasting, but I am not in a position to do so now, as you will understand.

**Senator BIRMINGHAM:** In terms of advice that you may or may not have been provided with previously, was the ABC ever advised that it had been a recommended or successful bidder, or a unrecommended or unsuccessful bidder for the Australia Network?

**Mr Scott:** We received no advice either way.

**Senator BIRMINGHAM:** You received no advice either this time around or in the first incarnation of the bid?

**Mr Scott:** No advice, Senator.

**Senator BIRMINGHAM:** In terms of advertising and sponsorship revenue that is derived on the Australia Network, what proportion of that comes from sports programming?

**Mr Scott:** I would have to take that on notice.

**Senator BIRMINGHAM:** Is it fair to say that it is a substantial amount?

**Mr Scott:** I think there will be times in the year when we run sporting events that generate significant attention and there will be some advertising revenue that goes around that, but I do not have the precise details. I could take that on notice.

**Senator BIRMINGHAM:** Do you believe that the public commentary surrounding the Australia Network, either stories about your involvement, stories about the involvement of a former government staffer on behalf of Sky, or otherwise have compromised the integrity of this process?

**Mr Scott:** I am not in a position to talk about the tender process, as you will understand.

**Senator BIRMINGHAM:** Let us jump off the Australia Network then and perhaps go to community sentiment. Actually, just before we jump off, can I just check something with the minister. Minister? Minister? Earth to Minister? We need broadcasting assistance to get to the minister.

**Senator Conroy:** My apologies; I was just checking some updated information.

**Senator BIRMINGHAM:** Minister, you will be available at foreign affairs estimates as the responsible minister for that part of the Department of Foreign Affairs and Trade to answer questions?

**Senator Conroy:** I have some terribly disappointing news for you. I am actually leaving the country tomorrow night. I will be coming back. I regret to inform you that the more terrible news is I will be coming back.

**Senator BIRMINGHAM:** In that case, Minister, we might need to take the opportunity—obviously not when Mr Scott is at the table—when we come to the broadcasting area of the Department of Communications to talk about the Australia Network contract.

**Senator Conroy:** You can feel free, but could I predict that your answer will be: 'It's an ongoing process and there is nothing more I can say'—and you may hear that a few times. But you are welcome to waste the committee's time, seeing that you are all so upset about it.

**Senator BIRMINGHAM:** I am used to you stonewalling, Minister.

**Senator Conroy:** No, it is actually legally prudent; it is not a stonewall. It would be my legal advice.

**Senator BIRMINGHAM:** That of course will depend on the questions we are asking, will it not?

**Senator Conroy:** It will be my legal advice to—

**Senator BIRMINGHAM:** In particular as to why Mr Rudd was ditched for you, particularly seeing as I think you are a supporter of Mr Rudd's nowadays.

**Senator Conroy:** I cannot keep up myself.

**Senator BIRMINGHAM:** Many people cannot keep up with your Prime Ministers.

**CHAIR:** Senator Birmingham, if you are running out of questions there are other senators with questions.

**Senator BIRMINGHAM:** I have questions on community satisfaction, Mr Scott. The survey results published in your annual report indicate a decline in community satisfaction, particularly in radio. Are you concerned by that?

**Mr Scott:** We review this closely every year. Can I say that overall the approval figures are remarkably high for the ABC and they remain consistently so. I think we would be the envy of every other media organisation in the country and virtually every other public service division in the country as well, given these.

Radio approval, quality of radio, was at 64 per cent—a very, very, very high figure—and it was 69 per cent in 2010. But there has not been a corresponding increase in negative sentiment; rather, the number of people who did not have an opinion or did not know has increased. But, all in all, I think the figures around the performance of the ABC remain very, very strong in this Newspoll survey, as they have been year on year.

**Senator BIRMINGHAM:** Your aggregate audience share in radio has declined in the two largest capital city markets. Do you think there is a relationship between that declining share of audience in the Melbourne and Sydney markets and this decline in reported satisfaction?

**Mr Scott:** No. If you look, all in all, at the radio surveys—we have eight radio surveys a year—we are in a very strong position in ABC Radio, local radio and our national networks. There is sometimes some variation from survey to survey and even from year to year, but the reach of ABC Radio remains very strong. It is a competitive market space as well, I must say. Audiences in all the sectors have increased choice and, if you are choosing to listen to content, more content is available from that city, from around the world, from online and from personal devices as well. We believe that ABC Radio, ABC Local Radio and national networks remain very strong, and their strength has been increased with our offering on digital radio that we recently expanded with Triple J and Earth Station which we announced just a week or two ago. So, no, we are not concerned at the state of ABC Radio. We think it is very healthy.

**Senator BIRMINGHAM:** A lot of the organisation's focus of late has gone into expanding online capacity, iView and the new multichanneling that is occurring at a television level. Is there a neglect of radio occurring, particularly in the traditional areas of radio—

**Mr Scott:** No, not at all. I think there are numbers of examples that we can point to where radio is doing a very strong job. The emergency broadcasting that we did last summer indicates the strength of Local Radio. With Local Radio we are No. 1 or No. 2 as a talk station in every market that is surveyed. That remains strong. We are doing some very extensive work, including detailed consultation with staff around the Radio National format for next year to continue to keep that specialist broadcasting expertise strong but also to make sure it is appealing for our younger audience as well. I want to pay full credit to our radio executive. I think they are doing a wonderful job. The radio team is very committed and we are very, very pleased with what is being delivered on ABC Radio.

**Senator BIRMINGHAM:** I am not doubting the commitment of the team; I am wondering, from the most senior levels and from the board level and so on, whether there has been enough focus given to maintaining that radio share and, in particular, are you concerned about the decline in share in the Sydney and Melbourne markets?

**Mr Scott:** No. If you look at it all in all, different markets perform differently from time to time. All in all, our radio performance has been very good. I would point to South Australia where Local Radio 891 has had an outstanding year with ratings again. I note that some questions were raised about some of the programming decisions that were made. I am

delighted that they have been vindicated by the changes that were put into place earlier in the year. Again, there has very strong audience response to Local Radio. I would say that 891 is as strong as it has been in the last five years.

**Senator BIRMINGHAM:** To stray into that area briefly, there is the syndicated hour that is the Richard Fidler Conversation Hour, from 11 till 12, which of course is not local radio content. Recently, Mr Fidler took leave—perfectly reasonable—but, in fact, he was—

**Mr Scott:** He was on a scholarship, actually—the Churchill Fellowship.

**Senator BIRMINGHAM:** Excellent. Good on him. I think John Faine replaced him for some or all of that time.

**Mr Scott:** Yes.

**Senator BIRMINGHAM:** Was consideration given to perhaps putting that hour back in the hands of locals or undertaking local conversations during the time of Mr Fidler's leave?

**Mr Scott:** It is a national hour and—

**Senator BIRMINGHAM:** It never used to be a national hour until—

**Mr Scott:** Mr Faine was carried into Sydney and Brisbane, as well as into Adelaide, so it is a national hour. I am not sure of the precise decisions that were made to replace Mr Fidler while he was away, but we are delighted with the response to Mr Fidler's Conversation Hour in that Adelaide market and with growing audiences around that as well. He will be back on air shortly.

**Senator BIRMINGHAM:** So it will still be a national hour next year?

**Mr Scott:** The full schedule for next year has not been determined yet, but I would expect that. It is interesting: Mr Fidler's program is now regularly the top downloaded podcast produced by ABC Radio around the country, which I think is a reflection of its quality and the sense that, when people miss it, they want to catch up with it. I think it is a fine area of radio, but it is a national hour of radio. What we do in Local Radio is a mix of local and national and the best international content as well.

**Senator BIRMINGHAM:** Quickly, in relation to local sports coverage, have you locked down contracts with local leagues around the country to continue local sports coverage?

**Mr Scott:** As I indicated in my announcement, and as we discussed at the other Senate hearing, we are interested in negotiating further two-year contracts. We are looking to do that at the moment. Conversations are underway but they have not been concluded, to this point.

**CHAIR:** Senator Birmingham I ask you to move on.

**Senator BIRMINGHAM:** Lastly, is it correct, Mr Scott that the axing of technical support staff has been undertaken to boost resources to News 24? Will that actually see an increased budget for News 24 to undertake its—

**Mr Scott:** No. We are not cutting staff in some areas to provide increased funding to News 24. We funded News 24 through a clear program we had to overhaul our television production process. That is where the funding occurred for News 24 and that is what is funding News 24 now. We are not implementing further cuts or further restructuring or changes elsewhere in the organisation to provide additional funding for News 24.

**Senator BIRMINGHAM:** So News 24 is not receiving additional funding.

**Mr Scott:** News 24 is receiving the funding that we budgeted and allocated to it.

**Senator BIRMINGHAM:** I would like to come back to that if I can.

**Senator SINGH:** Thank you for your opening tribute to those colleagues that were lost on the fateful day. I think it is a good reminder of the breadth of talent and good people that were lost. Obviously there is a breadth of talent in the ABC.

I started with a similar question to the SBS. Are you able to provide a breakdown of programs that are acquired overseas as compared to those commissioned in Australia?

**Mr Scott:** We can do that on notice; we should be able to do that.

**Senator SINGH:** In relation to ABC1, you have news and current affairs, factual programs and arts and entertainment. Is that correct? There are kind of three—

**Mr Scott:** Genres? I would add drama, children's programs. We have quite a wide array of programming on ABC1.

**Senator SINGH:** Are you able to provide a breakdown, again, of those areas of broadcasting for ABC1?

**Mr Scott:** Yes, broadly speaking. It will vary through the year but we can take a snapshot for you, of that.

**Senator SINGH:** What do you see as ABC's core business?

**Mr Scott:** That is a big question. I would refer back to the charter. The charter is our core business. There are a number of principles that are outlined in the charter. Providing highly distinctive content, of course, would be core business. I think the charter summarises it well.

**Senator SINGH:** So there are things like reflecting Australia's national identity and cultural diversity.

**Mr Scott:** Yes, as the charter suggests. That is absolutely right.

**Senator SINGH:** Obviously you have a good understanding of what prime time means. I think, it is referred to in your annual report.

**Mr Scott:** One of the things the charter talks about is programming of wide appeal and specialist interest. So part of what we try and do is put together a schedule that reflects the breadth of interest in the community. There are some specialised programming that only the ABC would show—I am thinking of programs like *Catalyst* and *Compass*—and other programs of a specialist nature, such as arts programming. But of course there will be programming of broad appeal, too. That is also under our charter.

**Senator ABETZ:** Like *Question Time*.

**Mr Scott:** *Question Time* is a staple of our schedule, as you know. Some of our programming will be popular. Some of our programming will draw in big audiences, as well. When some of our programming gets very popular that is when commercial networks come sniffing around and are keen to take some of those programs and some of that talent. That has happened for decades.

**Senator SINGH:** I understand that. I understand that prime time is that time when you have the maximum viewing audience.

**Mr Scott:** Yes.

**Senator SINGH:** I went on-line here to have a look at ABC1's prime time for Friday and Saturday nights. I cannot find anywhere in there any commissioned content or any Australian content. I think Friday and Saturday night must be one of the most prime times of the week and yet it all seems to be fairly much BBC and overseas programs. Do you look at the fact that it is fitting with your charter—some of those things you covered and reflecting Australia's national identity and cultural diversity—that you have your maximum viewing audience on Friday and Saturday night and yet all that is available is buy-ins.

**Mr Scott:** Let's talk about the maximum viewing audience. The maximum viewing audience for us on most nights comes at seven o'clock, when we run Australian content. In fact, the block from seven until eight on a Friday night is Australian content every night.

**Senator SINGH:** But you are not just a news provider.

**Mr Scott:** But it is Australian content and it is local content. It is content that is targeted to meet our audience's needs and interests. I do not dismiss our news and current affairs content as Australian content. It clearly, overwhelmingly is. Then if you go later on in the evening on a Friday night we run *Lateline*.

I think also when you look at the schedule you can take a snapshot from time to time, but we have run Australian drama at 7:30 on a Saturday night, we originally ran *The Chaser* late on a Friday night. It depends a little bit on the mix. We are now running far more Australian drama on a Thursday night than we have before.

**Senator SINGH:** Do you review your program scheduling from time to time to ensure that you are reflecting the charter as such and not just on a Friday and Saturday night when you have the maximum primetime viewing audience, having a lot of buy-in programs and potentially losing audiences?

**Mr Scott:** I suppose I take your point about different nights of the week, but I think we look at the entirety of the offering. We currently have some Australian programs that are commissioned that we think might run on a Friday night, where we have run a lot of crime and mystery and we are trying to develop some more local examples of that. As I recall, the largest viewing audiences of the week are often Sunday and Monday nights. On Monday night we run Australian content from 7:00 till 11:30. So there will be some levels that have strong levels of Australian content. Again on Thursday night from 8:30 till 10:30 is first-run Australian drama. Now I do not think we think 'Let's pull stuff out of Monday night so we can have some Australian content on a Friday night or a Saturday night and mix it all up'. We try to program a schedule that is of interest to our audience. What we look at overall is whether we are fulfilling our charter—programs of broad appeal and specialist interest. We would be interested in increasing the levels of Australian content if we could afford to do that. We have a budget and we try to invest that as widely as we can on as wide a range of programming as we can.

**Senator SINGH:** On a positive note, I know that in your annual report you highlight that obviously some of your buy-ins have done very well as far as ratings goes, such as *Gruen Nation* and the like. I cannot remember what night that was on.

**Mr Scott:** Wednesday night.

**Senator SINGH:** That has done very well. Do you think that it was a wise purchase to buy the outsourced comedy program *At Home With Julia*?



**Mr Scott:** It was not outsourced; it was a co-production—as were *Gruen Nation*, *The Chaser* and other programs—delivered for the ABC. It polarised our audiences, as humour and satire often do. It was a cartoon-like program in some respects. I suppose it is similar to a cartoon, and I suppose some people enjoy that and some people do not. It got quite strong audiences, and I think our audiences can make up their own mind. It did follow the tradition of *The Gillies Report*, *Rubbery Figures* and Norman Gunstan. We have done satire and we have done satire that plays on politics for a long period of time and it was the latest example of that.

**Senator SINGH:** I disagree entirely with you that *The Gillies Report* and *At Home With Julia* can even be put in the same sentence. I mean one was satire and one is completely crass, and I do not think it belongs on our national broadcaster. But anyway, we differ on that.

**Mr Scott:** And as I said, the audience did differ on it.

**Senator ABETZ:** You are sounding very conservative, Senator Singh.

**Senator SINGH:** I will never be as conservative as you, Senator Abetz. Do you believe that *At Home With Julia* fits with the ABC charter?

**Mr Scott:** I think we have a long tradition that is involved with satire. That program did involve satire and part of it was about the modern political process here. I think we have long broadcast programs that involved satire and political satire and that was but the most recent example.

**Senator SINGH:** Was that a yes or a no?

**Mr Scott:** We commissioned it, we showed it and we were aware that it was a modern political satire. It had drawn on elements that we had already broadcast on *Q&A* and that had been part of satirical review that had toured the country. We appreciated that some of our audience would like it and some of our audience would not, and that is what the upshot of the program was. I note that you did not, but many did—

**Senator SINGH:** So what are the ratings looking like for the program at the moment?

**Mr Scott:** That is the nature of satire. Sorry, Senator?

**Senator SINGH:** What are the ratings looking like? I am thinking about how *At Home with Julia* is going to look next year in the annual report of the ABC compared to *Gruen Planet* at the moment.

**Mr Scott:** It was one of our highest rating debut comedy programs of the year. The ratings ebbed away a bit.

**Senator SINGH:** A bit!

**Mr Scott:** But it still performed quite well. It probably exceeded expectations, frankly, when it comes to audience.

**Senator SINGH:** Thanks, Mr Scott.

**Senator ABETZ:** I have some quick questions. In relation to the ABC news section, is there currently an employment freeze in that area?

**Mr Scott:** We are continuing to pay attention to our budget, as we should.

**Senator ABETZ:** Yes, that is fine. Time is short. Is there a freeze or not?

**Mr Scott:** I think we are looking carefully at our recruitment levels and, if in fact there are vacancies that we do not feel we need to fill, we are not filling them.

**Senator ABETZ:** All right. I will take that as a freeze. Can I ask about performance reviews. They are usually undertaken in December, I understand, and then new payments are made in January. Has that been the normal—

**Mr Scott:** Actually, around the organisation we are now bringing it to a common annual cycle, but there were different cycles through the year up until very recently.

**Senator ABETZ:** It is now done in March and paid in April—is that correct? Take it on notice.

**Mr Scott:** Yes, I will take it on notice.

**Senator ABETZ:** It has been suggested that that delay has in fact gained the ABC about a quarter's worth of pay rises to help meet the cost of ABC 24.

**Mr Scott:** No, I do not understand that. I will take that on notice.

**Senator ABETZ:** Let us take that on notice. Thank you for your answer to question No. 226. I simply put it on the record that it highlights that the minister had sitting in his office for over two months questions that you had supplied to the minister and that the minister did not bother to return to the committee. So the fault did not lie with the ABC but with the minister's office; they just sat there and deliberately waited for two months.

I turn to question No. 81 from last time, taken on notice, in which we were talking about my allegation of anti-Israel bias. I asked about the number fully matching mentions of 'Egypt blockade', as opposed to 'Israeli blockade', and partial matches. In that answer, 'Egypt blockade' got 150 hits and 'Israeli blockade' got 399. On partially matching, it was 3,400 to 8,444. So being very conservative, as I am, Israel gets done over twice as often as Egypt. Does that suggest any indication of bias in the ABC's reporting of the complex Middle East situation?

**Mr Scott:** We would say it is a complex situation. That is an online search engine result. I think that, to really get into any detail of it, you would need to look at the specific examples in the stories.

**Senator ABETZ:** This is what we are told every time. We have been through this time and time again.

**Mr Scott:** I think it stood last time and it stands now.

**Senator ABETZ:** I asked for the numericals. We now have the numbers, and they clearly show that there is a factor of two to one. Can you provide for us the links to the 150 'Egypt blockade' examples. Take that on notice.

**Mr Scott:** I will take that on notice.

**Senator ABETZ:** See if you can, because if I google 'abc.net.au' and 'Israeli blockade' then I get 187 results. If I do it with 'Egypt blockade', I get only five results. I give that to you by way of information.

**Mr Scott:** Thanks.

**Senator ABETZ:** I turn to the ABC program *Compass* and, once again, the issue of balance. I think it was on 6 July 2011. 'Marriage right vs rite' was featured, with Ms Doogue,

and there were six guests sitting around the dinner table discussing same-sex marriage. Out of the six dinner guests, only one was defending the dictionary definition of marriage; the other five were against it; and the host was seen at times laughing while the sole voice for the dictionary definition of marriage was trying to make his case. Is this another example of the ABC taking a completely balanced, unbiased approach to the issues of the day?

**Mr Scott:** The ABC does not have a point of view, and part of our—

**Senator ABETZ:** Yes, but why can't it reflect the points of view on an equal basis? We have got it in Israel. We have now got it here.

**Mr Scott:** I did not see the program and I cannot speak in any detail on it, but I would suggest that the critical test is: are the arguments coming through in that conversation? Did the other five have a uniform view or were there different arguments or nuances that they were making? Was the spectrum being reflected in the conversation? I cannot speak about in the abstract because I did not see it. I note your concern about it.

**Senator ABETZ:** Look, take it on notice and see if you want to give a more detailed response.

**Mr Scott:** Sure.

**Senator ABETZ:** Also on marriage, on 16 August, 1,000 people crammed into the Great Hall to celebrate and defend the traditional definition of marriage. Did the ABC cover that on TV that night?

**Mr Scott:** I will have to take that on notice.

**Senator ABETZ:** I know the answer, but take it on notice. On 13 August, just three days earlier, the ABC evening news had a story on a pro homosexual marriage demo, where there were 10 to 12 people. Once again, can you tell us how that is indicative of the ABC's balanced reporting?

I then move on to the ABC's promise, as I understand it—and correct me if I am wrong—to broadcast the IPA-*Spectator Australia* debate on the carbon tax on Sunday, 28 August and then on 4 September, both at 1 pm. Can you take that on notice, whether such a promise was made. Instead, we had a broadcast about overpopulation and the perils of tough border protection. Finally, ABC 24 did broadcast the event but at 4 am on 29 August when undoubtedly the viewing audience would have been huge! Why couldn't the ABC bring itself to broadcast this quite important debate and presentation to the Australian people at a time when there would have actually been some viewers?

**Mr Scott:** Let me check the record on that.

**Senator ABETZ:** So take that on notice.

**Senator Conroy:** You need to put it on before Senator Abetz's bedtime!

**Senator ABETZ:** Why is Mr Milne no longer appearing on *Insiders*?

**Mr Scott:** The decision on Mr Milne was made by, I think, the editorial team involved with that program—

**Senator ABETZ:** On what date?

**Mr Scott:** I do not have the date in front of me, Senator. There had been a number of issues, I think—one issue related to *The Drum*, another issue related to another column—and I think the feeling was—

**Senator ABETZ:** Another column? Which was that?

**Mr Scott:** I think it was a column in the *Australian*, but I do not have the dates in front of me. But the feeling was—

**Senator ABETZ:** So, unrelated to his duties at the ABC—

**Mr Scott:** I do not want to go into detail about Mr Milne. But it is a live program, *Insiders*, and a judgment was made, just as an ongoing judgment is made about who is the right fit and who has the skills to do the program. I can further detail on the decision behind that.

**Senator ABETZ:** Well, *The Drum* is not live, is it?

**Mr Scott:** *The Drum*? Yes, it is live.

**Senator ABETZ:** It is also live; sorry. Was it coincidental that these decisions were taken after the column to which you referred appeared in the *Australian*?

**Mr Scott:** There had been other matters, though, prior to that, Senator, that had caused some levels of concern. I can get further detail on that for you.

**Senator ABETZ:** Clearly, it was the column in the *Australian* that precipitated his demise, because up until that time, despite those unstated concerns, he was still kept on, was he not?

**Mr Scott:** I think there had been discussions, but I can get that on notice for you.

**Senator ABETZ:** How was he told that he was no longer going to appear?

**Mr Scott:** I will have to get that on notice for you.

**Senator ABETZ:** You have no idea?

**Mr Scott:** No, it was not—

**Senator ABETZ:** And none of your personnel do?

**Mr Scott:** No, this was a decision made at the production and the news division level. I was not consulted on this.

**Senator ABETZ:** Did Ms Gillard or anybody from her office ring the ABC about Mr Milne's column?

**Mr Scott:** I believe that no-one called the ABC.

**Senator ABETZ:** No-one called the ABC?

**Mr Scott:** On that matter.

**Senator IAN MACDONALD:** So it was just that an ABC journalist decided to get rid of him because they did not share his political views; it was not that there were huge complaints from the public.

**Mr Scott:** No. I understand that matters had been raised before about some of the writings and commentary of Mr Milne that had caused concern—one to do with the Leader of the Opposition and then this later one that had caused concern and so a decision was made.

**Senator IAN MACDONALD:** They do not agree with his point of view, so they get rid of him?

**Mr Scott:** No, it is not about the substance; it is to do with editorial judgment.

**Senator ABETZ:** So how does Mr Ellis survive? He was found to have defamed the Leader of the Opposition and the former Treasurer?

**Senator Conroy:** You mean Bob Ellis?

**Senator ABETZ:** Yes.

**Senator IAN MACDONALD:** He is a lefty, that is why. Don't you understand?

**Senator ABETZ:** Mr Bob Ellis. How does he survive in these circumstances on the ABC? Once again, a wonderful display of even-handedness by the ABC. Mr Scott, you trot out your answers in relation to Mr Milne; I then give you the example of Mr Ellis. What is our response to that?

**Mr Scott:** Mr Ellis has been writing for a considerable period of time.

**Senator ABETZ:** As has Mr Milne.

**Mr Scott:** There is editorial judgment that is made, but the issue about Mr Milne was that these were live programs. This was a decision that was made around live programs.

**Senator ABETZ:** Has Mr Ellis appeared on *The Drum*?

**Mr Scott:** I am not aware.

**Senator ABETZ:** Can you take on notice how Mr Milne had it communicated to him that his services were no longer required?

**Mr Scott:** Yes, I will do that.

**Senator ABETZ:** On 18 November 2010 an article appeared in the *Age* about getting an extra funding for the ABC. You were quoted as saying:

I think you've got to couch the arguments—

in favour of extra funding—

in terms of what we are in a unique position to deliver that is in the interests of government of the day.

**Mr Scott:** Absolutely. Let me explain that.

**Senator ABETZ:** You have done that well with Mr Milne.

**Mr Scott:** No. Let me explain that. The ABC as the public broadcaster is in a unique position given its reach and impact with the Australian community to do a number of things. I think the previous government in agreeing to fund the children's channel could see the unique role the ABC could play in increasing the take-up of digital television. I am delighted that the current minister and the current government similarly encouraged the ABC to lead Australia into digital television. The opportunities that come with fast broadband have been demonstrated by ABC initiatives around programs like iView. The ABC is in a unique position to help establish a renaissance of quality Australian drama on television because of the kind of programming we can put to air. These are all strong public policy benefits that come from funding initiatives at the ABC.

Of course I put my arguments to the government of the day in terms of the public policy benefits—the benefits to the Australian people—that come from the initiatives that we put

out. So, if in fact it has been an aim and desire of government, as it has been on both sides, to increase the take-up of digital television and lead to the switch-off of analog television, then of course I will couch arguments in that way. I did that with the previous government and I have done that with the current government.

**Senator ABETZ:** We will leave that there. Who drew the ABC's attention to Mr Milne's column on the day in question?

**Senator Conroy:** It was fairly well publicised.

**Mr Scott:** I will have to take that on notice.

**Senator ABETZ:** You can take on notice to provide us with as much information as possible as to why Mr Milne's services on *Insiders* and *The Drum* were cut and why a non-ABC matter was, to quote Alan Sunderland, 'the obvious catalyst for his removal'.

**Mr Scott:** I will take that on notice.

**Senator ABETZ:** So you were not prepared or briefed to talk about this matter? You did not think, Mr Scott, that that might be a topic of interest at these Senate estimates?

**Senator Conroy:** You caught me by surprise, Senator Abetz.

**Mr Scott:** It has been six months. There have been a range of issues that have come before the ABC in recent times.

**Senator ABETZ:** This happened only a few weeks ago, did it not—last month?

**Senator Conroy:** I did not think you would go trolling in this area, to be honest.

**Senator ABETZ:** I am not worried about what you think.

**Senator Conroy:** Oh, aren't you?

**Mr Scott:** I am happy to take it on notice. On the precise details of who spoke to who—which you have asked me about before, Senator—and who brought it to our attention, I do not have any of that detail.

**Senator ABETZ:** That is quite obvious.

**Mr Scott:** But I will be able to get that on notice for you.

**Senator Conroy:** You cannot expect us mere mortals to fathom your intellect at all stages and second-guess you, Senator Abetz.

**CHAIR:** Order, Senator Conroy!

**Senator WILLIAMS:** Mr Scott, I want to talk to you about news and editorial standards at the ABC, particularly regional radio. As I understand, journalists should abide by the creed of fair and balanced coverage. Is that correct?

**Mr Scott:** Yes, we have clear editorial policies that are applied to all our broadcasting.

**Senator WILLIAMS:** Yes, fair and balanced coverage. So when journalists start with the ABC are they reminded of this or even instructed about it?

**Mr Scott:** Yes, they are. People who work for the ABC are aware of our editorial policies. They are available online for them. We have them in hard copy, and our clear expectation is that people adhere to the editorial policies.

**Senator WILLIAMS:** Yes, fair and balanced coverage. How often is this reinforced to them?

**Mr Scott:** I would hope it is a regular part of what they do. Certainly when we review programming or have performance reviews, or if there are complaints and errors that come to our attention, we can reinforce it there as well. Is there a specific issue that has caused you concern?

**Senator WILLIAMS:** So you do look at transcripts of news stories or listen to audio pieces?

**Mr Scott:** The one thing I would say is that I believe I am correct in saying that, on any given weekday morning, there are 65 live microphones broadcasting ABC radio content. At the same time we are broadcasting four television channels and broadcasting into the region on Radio Australia and Australia Network. So it is difficult for us to know everything that is said at any given time on any given outlet.

**Senator WILLIAMS:** I would imagine that that would be the case.

**Mr Scott:** But, when complaints come to our attention, we treat them seriously. We have a more rigorous, detailed and systematic complaints review process than any other Australian broadcaster, by far.

**Senator WILLIAMS:** Could you give us some more detail. When you do get a complaint—say, about regional radio—

**Mr Scott:** If someone writes in and complains about what happens on regional radio, we have an Audience and Consumer Affairs division that operates separately to the radio division.

**Senator Conroy:** We have the chief censor!

**Mr Scott:** They will investigate the complaint, and they will often ask for advice from the radio division on what has happened. They will try to get hold of a transcript or a tape. The radio division will have input, but finally the Audience and Consumer Affairs division will reach a judgment. They should reach that judgment within 60 days. Our reports on the findings of Audience and Consumer Affairs are aggregated, they come to me and they come to the board. If someone is found to have breached our editorial policies then that issue is taken up with them by their manager. It is a very thorough and comprehensive process.

**Senator WILLIAMS:** Finally, when you have a situation where, say, regional radio is doing the local news, you might have two in a newsroom. One might be transferred or might leave. We have had a situation in the north-west where I believe one of the journalists left Tamworth, which has left one journalist to do the work. So we were getting the midday news et cetera out of the Central West, which was nothing to do with—

**Mr Scott:** Yes, sometimes—

**Senator WILLIAMS:** Hang on—let me finish. What is the normal procedure? Do you have people who can fill in when you have a vacancy in the newsroom to assist the one that is already there, or do you just go to broadcasting news from another region or state that has no interest in where you live?

**Mr Scott:** No, in the main we try as best we can to keep the local news broadcast on air. There might be some occasions when there is illness or difficulty in finding a replacement when we struggle to do that, but in the main we would look to keep local news broadcasts. Localism is what we do.

**Senator WILLIAMS:** Thanks.

**Mr Scott:** And one of the things about ABC local radio, I think, is that in regional and rural Australia we have a unique commitment to local news and local voices delivering into local communities.

**Senator WILLIAMS:** Good. Thank you.

**Senator LUDLAM:** I want to direct my first question relating to Mr Mark Willacy and his, I think, superb reporting for the ABC from Japan since the tsunami there. I wonder whether you might pass back our collective thanks.

**Mr Scott:** I will, Senator. Thank you for that. I think Mark and the others who worked there have done an extraordinary job and I was delighted that in the Walkley nominations last night that was richly acknowledged by the committee. We wish them every success on the awarding of the Walkleys late in November.

**Senator LUDLAM:** How big is our bureau there?

**Mr Scott:** I do not have the precise number. It is quite small. There are some local staff and also the crew that we have put in with Mark.

**Senator LUDLAM:** He has followed some pretty hair-raising stuff since the tsunami and nuclear disaster there. Has he got access to health and radiation monitoring offered by ARPANSA?

**Mr Scott:** Yes, I believe he does. And, as to the decisions that are made around where he goes and what he does, he is not acting unilaterally on that. We have quite a detailed process back in our news division to work with him about where he is going, what is safe to do, and what kinds of other procedures we have put in place. That is to do with occupational health and safety matters. Also, we have peer-supported counselling and other kinds of emotional support for our journalists, who often have to go to very demanding places and see and report on terrible things.

**Senator LUDLAM:** Are there ARPANSA staff? I am specifically interested in the radiation protection aspect. Does he carry monitoring equipment?

**Mr Scott:** I think there is monitoring. I have seen reports where he has specifically referred to monitoring equipment. I can get further detail on that for you, Senator.

**Senator LUDLAM:** If you could, on equipment and what support is provided by, I suspect, ARPANSA and things like that.

**Mr Scott:** Let me get some more detail on that for you.

**Senator LUDLAM:** I am just interested to ask you briefly about the ABC's relationship with and processes around think tanks and some of the pieces that get up, for example, on The Drum. You publish a lot of material by the Institute of Public Affairs, which is a private company, the Centre for Independent Studies and a number of others that are think tanks, basically, effectively working as lobbyists for corporate interests. I am wondering how you evaluate those kinds of institutions. Do they come to you and pitch material for those websites?

**Mr Scott:** It is a bit of both, I think you will find. One of the great things about The Drum and one of its contributions to public debate is the range of voices who are on The Drum.



**Senator LUDLAM:** I know. You even print my stuff.

**Senator Conroy:** No standards, though!

**Mr Scott:** Over 1,000 different people have contributed to The Drum. It is meant to be a place that showcases a plurality of viewpoints and ideas. I think the editor of The Drum will receive quite a lot of unsolicited material and at times, as an opinion page editor, he will go out and solicit material as well. There are a range of think tanks that have popped up regularly on The Drum representing a range of viewpoints and opinions.

**Senator LUDLAM:** I am not worried about that. I agree; it is certainly a raucous forum that takes material from all points of the compass. I am not worried about representing the viewpoints. I am worried about representing particular corporate interests and then not disclosing that. If the IPA, for example, comes to you with a piece that is quite clearly advocating for a particular corporate position, do you go back to them or is that ever identified?

**Mr Scott:** Let me take that on notice, if I can, and I will find out what our processes are on that.

**Senator LUDLAM:** I am interested to know. The public interest in a diverse debate is obviously clear, but some issues are run up, particularly those two. I draw your attention back—and I think there has been some coverage of this, so sorry if I am going over some of the same ground—to the Senate report. I think Senator Birmingham or Senator Cameron put a couple of questions to you before. I trust that you have taken the time to read the minority report that we put up as well as the majority report of the committee.

**Mr Scott:** Yes, I have. What I said in my introductory remarks was that, as you know, it only have landed late last week. We have had a read of it but we want to undertake a more detailed consideration of it. The next stage in this process is for the government to respond to the report in the statutory period. We look forward to getting the government's perspectives on it. I expect that in February, when we meet again, I will be able to come back and provide a more detailed response on behalf of the ABC.

**Senator LUDLAM:** That would be helpful. One of the issues that the majority report did not recommend was some form of transparent audit on the costs of commission and content from external providers, as opposed to getting material produced by ABC's internal staff. It was, I think in evidence that you gave, treated just as an article of assumption that outsourced material would almost always be cheaper.

**Mr Scott:** I suppose, Senator, what I feel I said was that there have been occasions when the ABC have elected to do programming, in recent times, in-house, where we believed that there were some financial advantages in doing that or we believed that we brought some particular skills to bear that meant we were in a unique position to do it. I think, when the children's channel started, a lot of the drama and factual programming we did was done with the independent production sector. But with things like *Giggle and Hoot*, which has proven to be enormously popular with preschool children, we do all of that in-house, and we are doing a lot of the ABC3 work that Kayne and Amberley do with the team down there in Melbourne in-house as well. *Q and A* is something that in recent years we have taken up and done in-house. So we do look for the mix.

One of the things I think is very clear in the evidence, Senator, is that there are a whole series of financial incentives that are put in place through the ecology of the Australian television production industry that mean we are disadvantaged by doing things in-house compared to in co-production. We cannot access Screen Australia money, we cannot access money from state funding bodies, we cannot access producer rebate money—all of which is available when we work in co-production. So we do look at where we can do things efficiently and effectively and where it make sense to operate externally, but it is not always one or always the other.

**Senator LUDLAM:** Okay. Maybe I will put to you on notice, and we can take this up later, the proposal that we raised in the minority report by Senator Wright and me for some form of audit to lay bare when it is cheaper to do this sort of work in-house and when it is cheaper to do it externally.

**Mr Scott:** We will respond to that on notice.

**Senator LUDLAM:** I would greatly appreciate that. Carla de Jong, the ABC's commissioning editor of children's material—is it true that she resides in Canada?

**Mr Scott:** That is correct. At the moment she does. She has proven to be a very valuable staff member to us, critical to the establishment of our children's network, and for personal reasons she needed to relocate there for a period of time and we have taken advantage of technology to enable that to happen.

**Senator LUDLAM:** You make it sound like that is a temporary matter.

**Mr Scott:** I believe it is temporary. I do not have the latest detail. I can get more detail to you on notice about that.

**Senator LUDLAM:** If you could.

**Mr Scott:** I think it was something to do with a sick relative.

**Senator LUDLAM:** Okay. So it is not necessarily a permanent arrangement?

**Mr Scott:** No. It was a sick relative.

**Senator LUDLAM:** This is not intended to be a reflection on her value to the station.

**Mr Scott:** We had to make a decision about whether we believed she was a valuable employee with skills that we were keen to keep; and, with the capacity of using technology like videoconferencing to enable us to utilise her effectively, that is what we are currently doing.

**Senator LUDLAM:** They are reporting that the ABC TV's business and operations second most senior person has gone across to be CEO of Matchbox. If that has not yet been canvassed in this committee—

**Mr Scott:** No, it has not. I am happy to raise it. He is an outstanding staff member for us, Chris Oliver-Taylor. He played an important role for us in recent times in the television division and we are sorry to lose him. He has played an important role in working with us. We do face competition for our best people from commercial networks, from other broadcasters and from independent production firms. I must say, though, that he has had really very limited involvement with Matchbox in his role at the ABC. He has not been involved in budgeting or deal negotiation with them around any projects, and he certainly has no involvement with them as he serves out his notice period for us.

**Senator LUDLAM:** Okay. I might let others take up some of these issues. Thanks, Chair.

**CHAIR:** Senator Xenophon.

**Senator XENOPHON:** I refer to Senator Ludlam's question about Mr Oliver-Taylor. Maybe I will put this on notice, because I am conscious of time: what protocols are in place to deal with those circumstances so that there are no conflicts?

**Mr Scott:** Absolutely. We put those processes in place immediately, and I am happy to document them for you.

**Senator XENOPHON:** And at what point does that happen—presumably, when somebody gets a job?

**Mr Scott:** Yes, when he got the job. But he had not been involved at all in any of the projects we currently have in development with Matchbox.

**Senator XENOPHON:** Sure. Can I just go to an email I received from a New South Wales news department about cutbacks in terms of overtime—I think you are familiar with the email from the New South Wales news director?

**Mr Scott:** Yes.

**Senator XENOPHON:** It is about cutbacks to overtime, rostering, travel—basically cutting back on a whole range of things. Is that something that has occurred in other states?

**Mr Scott:** Yes, it has happened in other states—and, believe me, from my experience, it happened prior to my time at the ABC and it certainly happened in other newsrooms that I operated in. News is expensive business. News costs regularly kick a head higher than CPI. Sometimes you get big news stories, like some of the news stories we have covered in the last year; that puts your costs under pressure, and costs need to be brought back in. What you often do at those times is you look to not fill positions, you put a very close eye over your travel, you try and reduce your level of overtime. You try to bring that budget back into the shape it needs to be in. I think our news team have done a tremendous job. They have covered big and important stories. But we have finite funding and we need to be responsible in how we manage it, and that is exactly what we are doing.

**Senator XENOPHON:** Sure. Again just broadly, because of time constraints: is there a formula for determining how newsrooms are affected, both in metropolitan and regional areas?

**Mr Scott:** I think it is mainly done on a state based level, and it is mainly the state managers who have done it in association with the news—

**Senator XENOPHON:** So they have to deal with the pool, the resources?

**Mr Scott:** Yes, the executive. They look to the budget as it applies to the pool of staff who work for them.

**Senator XENOPHON:** Senator Birmingham raised questions about local radio and I think I raised, a couple of estimates ago, the 11 to 12 show—

**Mr Scott:** I note that, but I also do note the strong performance of 891, a local radio station, in the ratings this year, Senator.

**Senator XENOPHON:** Although there is the issue of regional South Australians in particular feeling that they missed out on that *Soapbox* hour—

**Mr Scott:** Yes, I appreciate that.

**Senator XENOPHON:** It was very important for issues such as the Keith hospital, which is a big issue in South Australia, that they had that platform—that soapbox, as it was called. I think you said that it was something that was being considered or would be reviewed. Has it been reviewed? Are we seeking to—

**Mr Scott:** I would just say about the program we put in place there, which goes around a lot of the nation, that its audiences have improved strongly through the year. As I said to Senator Birmingham, for a number of months now it has often been our No. 1 downloaded podcast of all ABC Radio, which shows audience engagement as well. I understand *The Soapbox* argument, Senator, but the audience has also embraced Richard Fidler's *Conversations* hour.

**Senator XENOPHON:** So can I take it from that, given that you said you would look at it, that it is obviously the case that the ABC has looked at it and you are sticking with Fidler?

**Mr Scott:** The full schedule for next year has not been announced yet, but I am not anticipating changes around the *Conversations* hour.

**Senator XENOPHON:** Okay. So no *Soapbox* for 891 for a while?

**Mr Scott:** We continue to look for ways of engaging with our audiences around a range of local issues, but there are opportunities for national programming as well. We think the *Conversations* hour is a wonderful asset of ABC Radio.

**Senator XENOPHON:** I have a question out of left field that was put to me quite recently and it relates to community service announcements. I do not know if it has been raised in the last 45 minutes or not. On ABC1, at approximately 5.57 pm on 10 August this year, ABC screened what was labelled a community service announcement. It featured the Garvan Institute of Medical Research and, during the announcement, apparently it said, 'Finding a cure depends on financial support from people like you,' and then they gave a phone number and a web address. Now, the Garvan Institute does terrific work—

**Mr Scott:** They do.

**Senator XENOPHON:** but I guess I am just trying to work out—

**Mr Scott:** We have policies and processes around—

**Senator XENOPHON:** Could you provide on notice information on how that actually works, because I am sure that, for every worthy institute that gets aired—

**Mr Scott:** I know. We get a lot of requests and we have a process we work through, and I am happy to outline for you how that works.

**Senator XENOPHON:** If you could. Finally, during the recently completed inquiry into the ABC's recent programming decisions, a number of concerns were raised relating to the way potential conflicts of interest in the commissioning process were handled, and we have touched on some of those. One such potential conflict—I emphasise 'potential'—related to Cheryl Bart's role on the ABC Board and as Chair of the South Australian Film Corporation. On notice, could you tell me just how you deal with those issues, because I understand that these issues do arise from time to time.

**Mr Scott:** Sure.

**Senator XENOPHON:** Thank you.

**CHAIR:** Thanks, Senator Xenophon. We are just about out of time.

**Senator BIRMINGHAM:** I would like to do a couple of quick ones, if I can, Chair.

**CHAIR:** You can do one quick one.

**Senator BIRMINGHAM:** Mr Scott, you know I do not usually ask some of these, but on Saturday just passed, I think every major newspaper—the *SMH*; the *Age*; yes, the *Australian*, Minister; the *Herald Sun*; the *Courier-Mail*; and the *West Australian*—ran stories about cabinet leaks. I am sure the minister no doubt was not one of those. Ten ran it as their third story, Nine ran it as their sixth story, Seven ran it as their second story, but the ABC did not run it at all on the 7pm news bulletin. The ABC did run stories about protesting scientists in Moscow and young Australians watching TV on the internet and how this is worrying TV executives. Was a story filed relating to those cabinet leaks and why was that not considered to be newsworthy?

**Mr Scott:** I will take that on notice.

**CHAIR:** That concludes the questioning of the ABC. I now call officers from the Australian Communications and Media Authority.

#### **Australian Communications and Media Authority**

[17:47]

**CHAIR:** Welcome. Mr Bean, would you like to make an opening statement?

**Mr Bean:** Thanks, Chair. If I may, I would like to convey personally Chris Chapman's apologies for not being able to attend today. I think this is the first hearing that he has missed.

**Senator Conroy:** Ever missed.

**Mr Bean:** He sends his apologies.

**CHAIR:** Thanks.

**Mr Bean:** I would like to introduce the division of general managers to whom, if I may, I will refer questions from time to time: Andree Wright, Jennifer McNeill, Giles Tanner, Maureen Cahill and Dianne Carlos.

**CHAIR:** Thank you. Senator Bilyk has the call.

**Senator BILYK:** I was in Melbourne a couple of weeks ago with the minister and a number of people at the table, in fact—

**Senator Conroy:** I deny that. I deny that emphatically.

**Senator BILYK:** at the launch of the *Tagged* video. Can someone give me an update on how that is going and what the reception for it has been?

**Mr Bean:** That was very well received. We are very pleased with the reception that *Tagged* has got. Andree Wright would be happy to give you some more details on that.

**Ms Wright:** Since the launch of *Tagged*, we are very pleased to say that there has been a strong demand for the distribution of the DVD and the poster. About 2,500 requests have been made through our Schools Gateway for copies of that resource. We have now also made it available online and it has been watched approximately 6,000 times already. We are about

to do a national mail out to all secondary school principals this month, which will further draw attention to this resource.

We are very pleased to say that there has been the strongest international recognition for this program of any of the cybersafety programs that the ACMA has launched to date, both in New Zealand and in the UK. NetSafe, which is a well known and well respected NGO in New Zealand have asked to license *Tagged* and to provide it for use in all New Zealand schools. In their newsletter consulting with their stakeholders, they have described it as the best cyberbullying resource for secondary-aged students available today and that they highly recommend it. In the UK, another very well respected NGO, Childnet International, has also spoken very highly of the production and undertaken to ensure that the UK Safer Internet Centre website links directly to *Tagged* so it can be available for everybody in the UK.

But nearer home we have some exciting developments too. The Witness Assistance Service at the Commonwealth DPP has been distributing *Tagged* to young victims of Commonwealth crime, in particular in relation to grooming offences, and victims have found the film to be very enlightening and strongly related to its content. That was a quote that we got back from the DPP. The Victorian Department of Education and Early Childhood Development have also put on record that they consider this a fantastic resource and they wish to host *Tagged* on FUSE, which is their digital repository and sharing website for teachers. We are also aware that the Australian School Library Association conference will be featuring *Tagged* and it is also being featured by the New South Wales Curriculum and Learning and Innovation Centre.

We think that is a terrific result within just one month, but it is lovely also to hear from the kids themselves. A young male student in one of the schools has come back to us. We have been told by teachers that he said that the program works for him. He can relate to the film and the characters, and the part that I liked was that he said: 'It's well made and it's not cheesy.'

**Senator BILYK:** I would have to concur with that, having been at the launch. I was most impressed with it, actually. How long has it been—a month?

**Ms Wright:** In fact, less than a month and it is going around the world.

**Senator BILYK:** It is a pretty good take-up rate. Is ACMA doing anything else internationally? Do you have any other projects that are international?

**Ms Wright:** Traditionally what we have done is work with NGOs such as NetSafe and Childnet International to license materials that they have developed that are considered world's best practice and adapt those for Australian standards. For example, one of the videos we put out on cyber-bullying with its accompanying lesson plans, *Let's Fight it Together*, was an adaptation of Childnet International's program. Therefore, we are very pleased that for the first time the tables have turned, if you like, and our international partners, who are known to provide leading programs, wish to take our program.

**Senator BILYK:** It is good to hear. Are you able to tell me what else we might be doing with regard to the \$125.8 million cyber-safety plan?

**Ms Wright:** Yes. I am pleased to say that we have launched five new programs this year and they complement our existing suite of 15 key programs already available. We have done this since the launch of Cybersmart in 2009. If I could take a moment to give you some of the statistics we have for our Cybersmart website, which is now two years old, we have had well

over one million—in fact, I think is 1.2 million—visits and 11.2 million page views. We have, I think, had 30,000 primary school students participating in our live interactive shared learning programs in over 700 schools. We have had actual face-to-face presentations or professional development courses for teachers in over one-half of all Australian schools since the beginning of the 2009 school year. Of those in excess of 10,000 teachers who have done that one-day professional development workshop, 99 per cent have rated the programs over a five-point scale as either excellent or very good. Again, hard-copy resources fly out the door. We have strong distribution in that area, but we are also having strong take-up by an area that we are focusing on, which is for teachers in training. More than 70 per cent of universities with a faculty of education have already taken up our pre-service teacher program since its launch in June last year. To date we have done 57 of those events in 38 different university campuses and we have reached, I think, close on 6,000 teachers in training.

**Senator BILYK:** There has been a bit of a demand, I understand, for people going into schools and talking to students. I understand there is a bit of a backlog there; I read a media article earlier today. Are you able to comment on where we are at with that and how we might get around that?

**Ms Wright:** Certainly. I think it is important to state here that we actually have that broad range of programs. We have 20 different major programs that focus on cybersafety and particularly cyberbullying, which I think was the subject of that article. One of the things we offer is the face-to-face one-day professional development workshop for teachers or the seminars in schools for teachers, parents and students. But we realised early on that it would be important in this very wide brown land of ours to provide online training modules for teachers as well, and we launched a program in May this year called Connect.ed, which has been recognised by many of the state and territory education authorities as counting towards professional development accreditation for teachers. It allows people to refresh the training they have done as professional development for teachers, it allows casual relief teachers who might never otherwise have access to this type of training to do it and it also allows access to people who live in very far-flung geographical areas. We are finding that there has been a strong take-up for that already. I think 3,000 teachers have registered for that online module since May.

As I said, when you think that we also target teachers in training through the education faculties at universities, we are positioning the demand for our programs, both face-to-face and online modules. All of this is available through our cybersmart portal, which takes a very granular approach to the audience. We are aware that for young people in primary and secondary schools there is no one-size-fits-all for a program. So if you go into that website you will find that we look at and provide resources for primary school and secondary school students, in each case for lower-mid-range and higher primary schools or secondary schools. Each of those resources, which are often interactive, are accompanied by lesson plans that teachers can download and use immediately.

**Senator BIRMINGHAM:** I turn firstly to some issues that I have pursued on various occasions relating to al-Manar television, which is affiliated with the Hezbollah. As officials would recall, ACMA instituted a revision of its anti-terrorism standards for narrowcasting in December 2010, and as I understand it those revised standards came into effect from July this year. Is that correct?

**Ms McNeill:** That is correct.

**Senator BIRMINGHAM:** Does that essentially then mean that in the wake of these changes narrowcasting of al-Manar is effectively banned in Australia?

**Ms McNeill:** There is no facility to ban narrowcasting, as you call it, in Australia. What the standards do is proscribe certain material being broadcast. They do not pertain, for example, to a particular channel. It is not assumed, for example, that all content broadcast by al-Manar or any other narrowcaster would necessarily fall within the ambit of the proscription.

**Senator BIRMINGHAM:** What then, is the review mechanism or basis on which such services as al-Manar are assessed or checked for whether they contain such proscribed content?

**Ms McNeill:** It is essentially a complaints based mechanism, and since the standards commenced on 1 July this year we have not received any complaints, in relation to al-Manar or any other narrowcaster, raising issues under the new standards.

**Senator BIRMINGHAM:** In a summary sense, what is the content that is proscribed and would trigger action were a complaint to be upheld?

**Ms McNeill:** The sort of material which it is proscribed to broadcast is the activity of indirectly counselling or urging the doing of a terrorist act—things of that nature. It is not proscribed to promote the beliefs or opinions of terrorists. The distinction between those two sorts of broadcasts, proscribed and permissible, was something that was pursued by the Senate Standing Committee on Regulations and Ordinances.

**Senator BIRMINGHAM:** So essentially it is direct recruitment to activities, direct fundraising, direct call to arms, as such, that is proscribed, and that is about where the line is drawn?

**Ms McNeill:** Direct and indirect; that is right.

**Senator BIRMINGHAM:** There were reports, I gather, around 6 August that a Sydney-based company, Intervision, was supplying al-Manar to homes via a set top box service that connected through an internet-supplied basis. Has ACMA seen those reports?

**Ms McNeill:** I am not familiar with them.

**Senator Conroy:** You are not suggesting putting a filter on the net, are you?

**Senator BIRMINGHAM:** No, Minister, let us just take one question—

**Senator Conroy:** Just to put a filter on something else?

**Senator BIRMINGHAM:** We will take one question at a time here.

**Senator Conroy:** Just a filter on something else, though?

**Senator BIRMINGHAM:** Well, Minister, you would not want me to say that you are suggesting that you are happy to see services like al-Manar easily and readily available in every home around Australia.

**Senator Conroy:** You know full well my position on this.

**Senator BIRMINGHAM:** I do indeed. Is there any action ACMA is able to take in relation to such services being provided?



**Ms McNeill:** If the service is provided over the internet, our role in relation to classification and material online is activated. So, potentially, if we received a complaint that was to the effect that the material should be refused classification because it was promoting terrorism, something of that kind, then our usual online role would prevail. The narrowcasting codes affect narrowcasting rather than transmission over the internet.

**Senator BIRMINGHAM:** These are presumably challenges that—and perhaps this is more one for the minister—the convergence review would consider and look at to some extent? Minister?

**Senator Conroy:** My apologies; the question was, Senator Birmingham?

**Senator BIRMINGHAM:** There we go. You were well tuned in when you thought you could take a swipe at me.

**Senator Conroy:** I was just getting an update on Telstra's AGM vote. The yes vote is now 99.45 per cent in favour of the deal. It has moved up from 99.01 to 99.5 per cent.

**Senator IAN MACDONALD:** Why wasn't it 100? You are giving \$13 million away.

**Senator BIRMINGHAM:** Senator MacDonald makes a valid point but, Minister, look, even you have never stacked a factional meeting quite that—

**Senator Conroy:** Not even I have ever got close.

**Senator BIRMINGHAM:** We all envy a vote of that level.

**Senator Conroy:** I know you were not signing their shares out front of the—

**Senator BIRMINGHAM:** Minister, Ms McNeill was just highlighting the challenges of different regulatory standards that may apply to al-Manar that is accessed via a narrowcasting method versus al-Manar services that is potentially accessed via internet-based methods. I posed the question as to whether these were factors that may be considered by the convergence review.

**Senator Conroy:** In the convergence review—absolutely. That is exactly the sort of issue that the convergence review should be considering. I look forward to your submission.

**Senator BIRMINGHAM:** Thank you, Minister. If I find the spare time I am sure you will get a submission.

**Senator Conroy:** Well, try not spending so much time standing at O-Week signing Liberal Party membership forms.

**Senator BIRMINGHAM:** We need all the good warriors who can fight the waste of your government.

**Senator Conroy:** Yes, but not fighting Senator Fisher's people; that is the only thing.

**Senator BIRMINGHAM:** Not at all, never! I would like to turn to Vodafone and the investigation that ACMA launched into VHA and associated companies, trading as Vodafone, in February of this year. Assuming we have the right officials at the table, has this investigation been concluded?

**Mr Bean:** No, it has not been concluded. It is well known that the ACMA has been investigating Vodafone companies for potential breaches of the telecommunications consumer protection code. The investigation has focused on the nature and timeliness of information provided to Vodafone customers about the network difficulties Vodafone was

experiencing, the related complaint-handling practices of the company and concerns around the same time about the privacy of customer information. The investigation is close to being finalised but has not been at this point. The companies have been cooperative with the investigation throughout the process and I think it is fair to say that they have put considerable effort into addressing the network issues which were, at least in part, causes of that spike in complaints at the time. As I say, the investigation is not quite complete.

**Senator BIRMINGHAM:** Was it the spike in complaints that sparked ACMA initiating this investigation?

**Mr Bean:** Yes, that was one of the reasons for it.

**Senator BIRMINGHAM:** By what means has the investigation been undertaken? Has it simply been an ACMA internal investigation of Vodafone's activities in addressing those issues that were identified in the complaints? Have you received submissions? What is the approach?

**Mr Bean:** I might ask Ms McNeill to give you details of that.

**Ms McNeill:** The investigation has taken the form of gathering evidence from the Vodafone companies and dealing with the particular code breaches which we have been investigating. We have collected records pertaining to the breach and, in the course of that, naturally, Vodafone has drawn our attention to the measures that it has taken to address the concerns, irrespective of whether those concerns amount to telecommunications consumer protection code breaches.

**Senator BIRMINGHAM:** What recourse is available to ACMA as a result of these issues that have been investigated?

**Ms McNeill:** In the event that code breaches are found, the ACMA may engage with Vodafone to secure undertakings for improvements it might make, through a process of agreement. The ACMA might give a direction to the Vodafone companies formally requiring them to comply with the provisions of the code or with the code in its entirety. They are the two key options. There is not, for example, an option of fining the company or something of that nature, if that is what you are asking.

**Senator BIRMINGHAM:** In the finalisation of your investigation, does Vodafone have an opportunity to comment in the process of that finalisation? Do you present your findings to Vodafone before they are published? What is the process undertaken by ACMA?

**Ms McNeill:** Vodafone will have at least two opportunities to comment on slightly different issues. Firstly, if the ACMA generates a written investigation report, Vodafone will have the opportunity to comment on aspects of that report which it regards as particularly prejudicial. So it will have an opportunity to comment on those and the ACMA would naturally reflect on any submissions it received in that regard and make a decision on whether and in what form an investigation report should be published. That is common to all the investigations that the ACMA undertakes across a range of areas. We have that obligation to afford natural justice.

Depending on the remedy that is proposed, Vodafone will also have the opportunity to request a reconsideration. For example, if the ACMA gave a direction requiring compliance with the code, it would have the opportunity to request a reconsideration. Again, the ACMA would naturally consider that matter. But that is a right that springs from the legislation.

**Senator BIRMINGHAM:** Mr Bean indicated that he expected the investigation to be completed relatively soon. How quickly can the public expect to see findings of this investigation?

**Ms McNeill:** Certainly before the year's end and I am optimistic about it happening sooner than that.

**Senator BIRMINGHAM:** Earlier this afternoon we were asking the department some questions about voluntary internet filtering and there was an indication that there are discussions taking place with ISPs about the application of voluntary internet filtering, and in particular the application of it to the subset of the ACMA blacklist that deals with child sexual material. Can you give us an update on those discussions and how ACMA is progressing in being able to provide the appropriate list to those ISPs willing to participate, compared with the Interpol list that two of them are currently using?

**Ms McNeill:** I suspect that your question has two components to it. The first is a question about the ACMA's readiness to facilitate voluntary filtering of the kind foreshadowed in the minister's announcement last year, and the answer to that question is that we are ready. We have developed systems for the delivery of the secure machine-to-machine transmission of a URL list which would comprise the child abuse material subset of the family-friendly filter list that we generate, but also some additional URLs to which we have access through our In Hope memberships. We have relationships with other overseas agencies who have a similar interest in child abuse material on the internet and so we are able to incorporate URLs which they provide to us into that list as well. So on that side we are—to use a vernacular expression—good to go. What we are waiting on, obviously, is an indication from the ISPs that they are ready to go. There are two matters outstanding from our perspective: comfort around the confidentiality of the URLs provided to the internet service providers involved and comfort around the security of the transmission methods. We have been engaged with the ISPs on those issues. Our understanding is that the ISPs have a separate set of concerns which are largely unrelated to those.

**CHAIR:** Is the Channel Nine investigation that is being undertaken under the Commercial Television Industry Code of Practice or is it a breach of the Broadcasting Services Act?

**Mr Bean:** It is the latter, because a potential breach of the act amounts to a breach of the license condition of the licensee and that is where the investigation arises.

**CHAIR:** What are the penalties for a breach of that act?

**Ms McNeill:** Those were flagged, I think, in the media release that the authority issued on 4 August. In short, we can agree measures or accept an enforcement undertaking from the licensee in those circumstances; serve the licensee with a remedial direction requiring it to take action directed to ensuring there are no further breaches; we can impose an additional license condition; and the act also contemplates suspending or cancelling the broadcaster's license.

**CHAIR:** What is the time frame for your investigation?

**Ms McNeill:** It is early days, and because of the natural justice sorts of obligations that I flagged to your colleague in the context of the Vodafone investigations, it can take some months.

**CHAIR:** Another area that has been an issue is radio. For people who say they are broadcasters, like Alan Jones, is there a difference between a broadcaster and a journalist? Do they not need to be bound by the truth? Can they just put their own opinion?

**Ms McNeill:** There is a difference between a licensee and someone employed by a licensee in the regulatory regime, and a lot of the obligations in the legislation and the codes attach to the licensee rather than to the employees. But the expectation of the legislation is that the licensee will secure its employees' or contractors' compliance so that the licensee itself will not be in breach of particular obligations.

**Mr Bean:** There are some distinctions in the codes between the types of programs. There are sometimes different provisions relating to news and current affairs programs from other types of programs. But the precise distinction you refer to does not.

**CHAIR:** It does not exist? There is no distinction?

**Mr Bean:** Not in the codes, there is not anywhere that says, 'If you are a journalist this applies; if you are not a journalist that applies.'

**CHAIR:** A 'broadcaster' is still bound to not deliberately mislead or misrepresent?

**Mr Bean:** As Ms McNeill says, the obligations relate to the licensee's compliance with the code.

**CHAIR:** So in the case of Alan Jones, it is the employer who has the responsibility to make sure that there is no deliberately misleading information going out?

**Mr Bean:** Yes, I suppose so. It is the licensee which is bound by the code.

**CHAIR:** Have you had any complaints about misleading information or misrepresentation in terms of some of these so-called broadcasters?

**Mr Bean:** Yes, we have.

**Ms McNeill:** Indeed. Typically, the code obligation is an obligation to present factual material accurately. There is slight nuancing between the codes, but typically that is an obligation that attaches to licensees when they are broadcasting news or current affairs shows.

**CHAIR:** Can we expect an investigation of some of the deliberate misrepresentations that are going on?

**Ms McNeill:** You can expect an investigation where complainants have pursued their code issues with the licensees involved in the first instance, as the co-regulatory scheme contemplates, and then where the complainants are dissatisfied and they escalate it to us. It is quite, can I say, a relatively common obligation for us to investigate and has been so historically.

**CHAIR:** You do not initiate any action, do you?

**Ms McNeill:** From time to time we do commence own-motion investigations, but it is very much the exception rather than the rule. We generally reflect a perception of some time urgency. That is because the co-regulatory scheme contemplates that licensees will have the opportunity to address complainants' concerns in the first instance.

**CHAIR:** If you are aware of a continued misrepresentation, continued misleading of the public and continued action that is designed to push a certain political position, you would just let that run or would you initiate some control measure on that?

**Ms McNeill:** That would depend very much on the factual circumstances.

**CHAIR:** I might get you some questions on notice on that. We have just run out of time. I thank you.

**Proceedings suspended from 18:30 to 19:17**

**Department of Broadband, Communications and the Digital Economy**

**CHAIR:** I now call officers of the department in relation to program 1.3, Broadcasting and digital television, and invite questions.

**Senator IAN MACDONALD:** Thank you for your answer to question No. 124 from last estimates, where I was asking for some figures on how many households in Queensland have converted to digital TV. Can you tell me what the current figure is on that same question?

**Ms O'Loughlin:** Yes, Senator. The current figures across regional Queensland indicate that 84 per cent of regional Queensland households have converted to digital. That was at the end of quarter 2.

**Senator IAN MACDONALD:** The end of September 2011?

**Ms O'Loughlin:** It would have been the end of June. The end of September figures are very close to being finalised and will be released very soon.

**Senator IAN MACDONALD:** You have not done the metropolitan areas yet—is that correct?

**Ms O'Loughlin:** We have done the metro areas. I do not believe I have that in my pack, as we have concentrated on regional ones, but we can certainly get that information for you.

**Senator IAN MACDONALD:** There were some media reports earlier this month about the government suspending digital TV satellite rollout.

**Senator Conroy:** Senator Macdonald, were you here at the beginning? You might have missed the opening statement. We covered a lot of that in an opening statement, if you have not already seen it. I am happy to have questions on it; I just wanted to let you know we have an opening statement on that.

**Senator IAN MACDONALD:** I heard only the argument about the length of the opening statement.

**Senator Conroy:** We gave quite a comprehensive opening statement, but hopefully it has been circulated.

**Senator IAN MACDONALD:** If you have covered this, please tell me and I will read the *Hansard*. I was watching it on TV but I do not remember this. Were the satellite subsidy schemes suspended because of an asbestos scare?

**Mr Harris :** Not because of an asbestos scare. The original proposition was as I outlined in the statement—perhaps I can give you 30 seconds of context for this. In moving into Queensland to do the Satellite Subsidy Scheme verses what had happened in regional Victoria and South Australia, we had a series of remote Indigenous communities to deal with—the bulk of housing which was publically owned. So, instead of the procedures we had used previously for this scheme—where we would expect the householder to nominate and put up a proposition, and we would get permission from the householder and if the householder was a tenant they would get permission from the landlord—we instead went to the Queensland

government and asked: 'Could we convert all of these properties in remote Indigenous communities?' However, in practice, the department failed to get permission from all the relevant departments and, as a result of that, we were not conscious of some circumstances that applied, including that some premises out there had asbestos containing material. But our original failure in this was a failure to get permission and therefore not to necessarily have knowledge of the premises.

**Senator IAN MACDONALD:** Failure to get permission from whom?

**Mr Harris :** From all the departments we approached in Queensland. Our contractors are meant to manage the potential presence of asbestos; that is part of our procedures with those contractors. They work in those districts normally and they know the nature of the premises out there but, because of the failure to get permission in the first place, we then encountered advice from the Department of Education and Training, in particular in Queensland, which said they wanted to review the nature of the installation. As a result of that review of the nature of the installation in Queensland, they reviewed, I think, fifty-odd premises and decided that a number of them—29—would need to have some testing done on them to see whether there had been, or was, a presence of disturbed asbestos and, if so, whether a clean-up was required.

Subsequently we have worked with the Queensland government to expand this to the full suite of public housing—in other words, not just the Department of Education and Training but the full suite of public housing that is involved here—and asked other departments if they wanted us to go down a similar path, and we are awaiting advice. So we are quite happy—in fact, we are obviously obliged, given the original mistake was ours in not getting permission in the first place—to work with the Queensland government to address issues that they see as being necessary in this area. A suspension occurred across both the regional Indigenous community, across the bulk approvals that we tried to do, and the remainder of regional Queensland where these were also taking place by individual householders still being able to volunteer that they would like us to come out and put satellite reception equipment in for them. We suspended both parts of the program. So the total thing was suspended, I think, on 23 September. On Saturday just passed, 15 October, we resumed for private housing across Queensland but not for the regional Indigenous communities. I read into my opening statement, at risk of boring the committee again, the series of steps we took to assure ourselves that we could start again with private housing—

**Senator IAN MACDONALD:** When does the analog switch off?

**Ms O'Loughlin:** On 6 December for regional Queensland and 2013 for remote Queensland.

**Senator IAN MACDONALD:** Will anyone be without the opportunity of a signal?

**Ms O'Loughlin:** Our intention is to make sure that in the first instance we focus on any installations in regional Queensland so that they are all done by 6 December this year. As the secretary said, the broader issues we have faced have been in remote Indigenous communities, and those signals do not turn off until 2013, so we will have things resolved.

**Senator IAN MACDONALD:** In the remote Indigenous communities, is every single residence entitled to some form of government assistance for whatever is necessary to receive the digital signal?

**Ms O'Loughlin:** With the remote Indigenous communities all households are eligible to receive the Satellite Subsidy Scheme, so they are eligible to receive an installation to convert to VAST.

**Senator IAN MACDONALD:** Because they are remote or because they are Indigenous?

**Ms O'Loughlin:** Because they are remote and Indigenous.

**Senator IAN MACDONALD:** What is it for non-Indigenous remote?

**Ms O'Loughlin:** For non-Indigenous remote, it will depend on where they are. The Satellite Subsidy Scheme is there to support if a local self-help transmitter is not being converted to digital and that community needs to go to VAST. Then they can apply for the satellite subsidy. In many areas in remote Australia, though, and particularly in remote Queensland, we find that a lot of people are converting from the Aurora signal. A lot of people in those communities have been on a satellite driven service for many years. With Aurora they have been getting four channels. With the new VAST service they are getting 16 channels plus local news. So we are already seeing a lot of people self-converting to VAST. The Satellite Subsidy Scheme will also go in and help those where their local transmission tower is not being upgraded.

**Senator BIRMINGHAM:** In terms of co-payment or gap payment where the Satellite Subsidy Scheme does not meet the whole cost of the installation, for these areas of public housing, is it still the householder who meets that gap?

**Ms O'Loughlin:** In regional areas generally it is the householder, but in these remote Indigenous communities they are fully funded.

**Senator IAN MACDONALD:** What about remote non-Indigenous communities?

**Ms O'Loughlin:** They would fall under the household paying the small amount of money to convert.

**Senator BIRMINGHAM:** Is it the case for all public housing in remote areas or is it only Indigenous public housing where the gap is covered?

**Ms O'Loughlin:** In remote Indigenous communities the installation of the VAST systems into those households is free of charge.

**Mr Harris:** We have a specific program for remote Indigenous communities.

**Ms O'Loughlin:** So they do not have to pay the co-payment.

**Senator BIRMINGHAM:** And nobody else has that gap payment waived under any other conditions.

**Ms O'Loughlin:** No, except under the Household Assistance Scheme if they come in through that scheme as well.

**Senator Conroy:** That is not VAST.

**Ms O'Loughlin:** That is not VAST, but if they are eligible for the Household Assistance Scheme, which you will remember is for people on maximum rate pensions, they may also get a completely free installation. So they work in tandem.

**Senator IAN MACDONALD:** So it is true to say that in Indigenous communities everyone will get the ability to switch over to digital without cost.

**Ms O'Loughlin:** In households in remote Indigenous communities, yes.

**Mr Harris:** They will have the opportunity to do that. They are entitled to do so.

**Senator IAN MACDONALD:** And you say for households as opposed to—

**Ms O'Loughlin:** Businesses. Each of our programs is based around households.

**Senator IAN MACDONALD:** So Indigenous businesses in remote Indigenous communities will not get this assistance.

**Ms O'Loughlin:** The support that we provide all over Australia does not provide support to business. It is based around households.

**Senator IAN MACDONALD:** But if they are Indigenous businesses in remote Indigenous communities? Perhaps you should take that on notice.

**Mr Harris:** I am pretty sure we are not doing businesses, Senator, but we will take that on notice.

**Senator IAN MACDONALD:** You mentioned in your answer a self-help central transmitter—or whatever you rightly call them. Are any of them being assisted in remote Indigenous communities?

**Ms O'Loughlin:** No, Senator. The programs that are available, as I mentioned, are to households. We are aware that there have been a number of councils across regional and remote Queensland who have chosen to upgrade their own facilities. A lot of these self-help transmitters in regional and remote Queensland have been traditionally run by local councils. The local community usually picks up the cost of that through their rate payments. So what the Satellite Subsidy Scheme supports is if those councils are not upgrading their local transmitters, we will assist that community to move to the VAST satellite service.

**Senator IAN MACDONALD:** So you will assist individual households to put a dish on top of their house—

**Ms O'Loughlin:** Yes. They move from a terrestrial transmission facility. Traditionally they have got their services via terrestrial transmission. They will move across to receiving the new VAST digital service with the 16 channels and the local news service on it.

**Senator IAN MACDONALD:** Can you explain to me and to others the rationale for not subsidising councils to have the central transmitter, thus not only saving the government from all those individual assessments but also facilitating tourists, namely, grey nomads who go through those areas in their caravans and motels which have multiple receivers, with those difficulties?

**Ms O'Loughlin:** We look very carefully at the previous history of supporting those terrestrial transmission towers. As you will remember, successive governments had programs around filling in black spots into those areas. With the shift to digital and the opportunity of the VAST service, it was a way of actually getting a pretty future proof and much more robust system into those communities whereby they could convert once to a satellite system. A satellite system is reliable, it allows the capacity to carry the current suite of digital channels, plus any future additions, to those channels. It was an efficient way of getting the same number of services into these areas as have traditionally been available in the metropolitan areas.



**Senator IAN MACDONALD:** Correct me if my understanding is wrong, but my understanding is that what councils were seeking was to take the satellite into a central repository and for them then to transmit it to their community and to travellers—

**Ms O'Loughlin:** Some councils have chosen to do that. The difficulty is—

**Senator IAN MACDONALD:** But who is paying for that?

**Ms O'Loughlin:** They are paying to do that.

**Senator IAN MACDONALD:** And you do not then have to pay the individual households in that community?

**Ms O'Loughlin:** In terms of upgrading, the councils can make decisions themselves.

**Senator IAN MACDONALD:** It is a skinner for the government. You are not paying for the dish on everyone's house.

**Ms O'Loughlin:** We have been encouraging people and those councils to make them shift to the VAST system. We think that is a more robust system going forward. We still provide HAS to people in those communities.

**Senator IAN MACDONALD:** You still provide what?

**Ms O'Loughlin:** The Household Assistance Scheme for the maximum rate—

**Mr Harris:** In other words, when you switch your self-help transmitter from analog to digital, if you qualify as a full-rate pensioner for HAS you still get the HAS assistance as an individual household which, effectively, means you get a set-top box.

**Ms O'Loughlin:** Many of these communities that we were looking at are very small communities. Even pooling any available funds from government would not have covered the expected costs of a digital upgrade to their transmitters nor the ongoing maintenance and additional costs.

**Senator Conroy:** The expenses—and we have written to councils—in actually doing this are much more than they were quoted. Let us be very clear about this. They were quoted for retransmitting the existing signal rather than the expanded signal. You cannot get the interactivity, the localised news, the weather and the other things that are on the red button service. Importantly, people will be paying higher rates every year because the councils have chosen to go down this path.

**Senator IAN MACDONALD:** They will if the government cheats them by not providing the—

**Senator Conroy:** We are not cheating them. The councils have decided they want to keep charging people higher rates, rather than reducing the rates, which is an annual charge every year.

**Senator IAN MACDONALD:** Indeed, Minister, if you knew these areas, not many people pay rates. If the money that the government would have spent on putting individual dishes, at taxpayers' expense, on every house could have been pooled and given as a subsidy to the council to have their single transmitter, most of them would have been very happy.

**Senator Conroy:** I am sure they would have been happy, but they still would have been paying and charging their local residents more. And they would not have been delivering the same quality of service.

**Senator IAN MACDONALD:** That is a choice they made.

**Senator Conroy:** That is a choice they made.

**Senator IAN MACDONALD:** But if they do that and you have said that some have—and, on notice, can you give me the councils that do have a central transmitter going for the digital—

**Ms O'Loughlin:** None of them, as yet, have one up and running.

**Senator IAN MACDONALD:** Which have indicated that they are going to?

**Ms O'Loughlin:** A number of them have indicated that they are going to. I have that material. I will just find it for you.

**Mr Harris:** While Ms O'Loughlin is finding the material, just to clarify, we did do a calculation for at least some of the councils, showing there was a very limited, likely expense to running the SSS subsidy and the ongoing cost to councils would have been much higher, thus it would be clearly more efficient, as Ms O'Loughlin said, to go down the path of the SSS. In addition, even if they wanted us to pool it would not have offset their costs and—

**Senator IAN MACDONALD:** But it would have been a substantial subsidy towards the cost.

**Senator Conroy:** It would not solve your problem of the grey nomad, who can put a satellite dish on the roof of a caravan and have coverage anywhere.

**Senator IAN MACDONALD:** But if they do not happen to have a—

**Senator Conroy:** It also does not save people when the homes are built outside the existing terrestrial footprint. In other words, when areas expand, when new homes get built further out from the tower they lose the signal. With the VAST signal you do not have to worry about moving populations in both senses I have just described.

**Senator IAN MACDONALD:** Minister, we have named an airport after you. You should go out there—

**Senator Conroy:** That is very kind of you. Did you take a photograph to prove that statement?

**Senator IAN MACDONALD:** You would not make these silly sorts of statements about houses being outside the signal. These are very small, very remote communities. Do not argue with me. As people know, my understanding is very limited, but the Mayor of Carpentaria Shire, who actually knows what he is talking about and who has called—

**Senator Conroy:** Actually, he has misled the parliament, with your help, on a number of occasions.

**Senator IAN MACDONALD:** I would like you to have a debate with him.

**Senator Conroy:** I have written to him on a number of occasions, far more than he actually chose to admit.

**Senator IAN MACDONALD:** The last meeting I was out with the Gulf Savannah Development Association, which included all the mayors, they were unanimous in their condemnation—well, not in their condemnation of you, Minister, but—

**CHAIR:** Senator Macdonald, just question him. We have to move forward.

**Senator IAN MACDONALD:** Can you give them now or on notice? We are on time.

**Ms O'Loughlin:** Cairns, Carpentaria—

**Senator IAN MACDONALD:** Cairns?

**Senator Conroy:** Are you sure? Cairns is a very large town.

**Ms O'Loughlin:** Cairns. Sorry, there are two parts to this. There are councils and there are towers. Cairns, three towers; Carpentaria, two towers; Diamantina, two towers; Isa, three towers, Murweh, three towers, North Burnett, three towers; Paroo, three towers; Quilpie, three towers; Tablelands, two; Barcaldine, four towers; Richmond, one tower; and Burke one tower.

**Mr Harris:** We can supply you with a list.

**Ms O'Loughlin:** Just to clarify, some of them are going to take the VAST signal and retransmit and some of them are taking what is called an off-air feed. So it is not coming from VAST; it is coming from another source. We can give you a table.

**Senator IAN MACDONALD:** I have run out of time. Could you perhaps tell me on notice: these towers are being constructed by individual local governments, with absolutely no subsidy or assistance from the federal government but, as a result—

**Mr Harris:** I do not think so. I want to check this myself, but I believe some of these towers would have historically been supported by federal government programs.

**Senator IAN MACDONALD:** They have been and they are going to continue to be supported?

**Mr Harris:** I think your statement was 'with no federal government assistance'. I am saying that, in the past, some federal government assistance would have been devoted to these self-help facilities.

**Senator IAN MACDONALD:** But now?

**Mr Harris:** What we are basically saying is that you can choose to have the satellite signal, as it is raining down, as individual consumers—

**Senator IAN MACDONALD:** So these councils have decided to spend their own money to do this, because they know it is better for their people. They do not get any subsidy, but they are relieving the Commonwealth of individual subsidies for people who would otherwise have got a dish or some other form of subsidy?

**Ms O'Loughlin:** The aim of the VAST satellite is to provide a permanent solution for those people in those areas who have traditionally had difficulty getting signals. It is reliable and it is available to everybody—

**Senator IAN MACDONALD:** As for the grey nomads, I invite the minister to go and see what he is talking about. A lot of them do not have the dish—

**Senator Conroy:** If they get one—

**Senator IAN MACDONALD:** It destroys tourism. You have no idea.

**Senator Conroy:** No matter where they are, they will be able to watch.

**CHAIR:** Order! Senator Ludlam, you have the call. We will probably run 10 minutes over in this session. We will just take it off 1.1.

**Senator LUDLAM:** I will be brief. I am actually following up some of the issues that Senator Macdonald and Senator Birmingham have raised already. I would like to thank the minister and the department for the answers to some of the detailed questions that I put on broadcasting and the Satellite Subsidy Scheme. My questions relate to the issue of Aboriginal language programming in remote communities and the interesting fact that some of these small terrestrial self-help transmitters have actually been narrowcasting to small audiences Aboriginal language content to relatively small footprints and small audiences. Those services, not by any intention I understand, are actually, to a degree, under threat by what is occurring at the moment where people are being offered 16 channels of digital TV broadcasting from the capitals, which will effectively wipe out some of that niche language programming. Can you tell us what you have in mind to ensure that does not happen in the short term. And what potential solutions do you have for the longer term?

**Ms O'Loughlin:** As you are aware, this came up in the recent Stevens review into Indigenous broadcasting. We are looking very carefully at the issue in the context of the government's broader response to that review. It has been quite difficult—and I think the Stevens review found this as well—finding out which particular communities do local content, what type of local content they do, how they distribute it and how does it get around the communities? We are very aware of the issue coming out of that review. We understand the concerns of local communities and we will be looking at it in that broader context.

**Senator LUDLAM:** I would be completely satisfied with that, except that we have these looming series of rolling deadlines as some of these transmitters are simply going to go off air. Suddenly people will find they are getting 16 channels of crap out of Sydney or Brisbane and will actually lose the only language service that they have. What sense of urgency or timing do you have that these issues will be solved in time for some of these transmitters to go off air? Or can we think a bit creatively about them not going off air?

**Ms O'Loughlin:** Our understanding is that most of those transmitters are in remote areas, so they have a window of 2013 before those transmitters are technically required to turn off. We believe that we have time to consider this issue in depth and look at possible solutions coming out of it. Another thing with the VAST service is that, once a decision is made to put new services up on VAST, it is pretty instantaneous and can go out to everybody who has already signed up for the service. There is a sense of urgency about it, but we do have time to consider it thoroughly.

**Senator LUDLAM:** Is there a terrestrial solution that you have in mind or do you think it will be possible to retransmit that niche material over the satellite?

**Ms O'Loughlin:** Those are the matters that we need to look at in depth because, as you said, these are very small communities. They have narrowcasting services and we need to look at how that translates into either a VAST service or another service. Those are very much the issues we will be looking at.

**Senator LUDLAM:** I do not want to play rule in, rule out games but is the government committed to those language services not going off line? Is the government committed to the maintenance of those narrowcasters? I guess I am now asking a policy question.

**Senator Conroy:** We will put out a response to the Stevens review.

**Senator LUDLAM:** When is that due?

**Senator Conroy:** I do not think there is any actual deadline on that. I have not yet finished considering all the implications.

**Senator LUDLAM:** Do you want to give us an idea, to the nearest year, when you think there will be a response to that? Can you understand the concerns that some of these folk—

**Senator Conroy:** I think you are raising a very valid point.

**Senator LUDLAM:** But I will not be getting an answer to my valid question.

**Senator Conroy:** I have said when the government produces a response to the Stevens review. We do not yet have a time frame on that. I am not trying to mislead you, but it is imminent. I am saying it is imminent, but I am not saying it is imminent.

**Senator LUDLAM:** There will not be an answer soon. But can we just be clear: the question I am putting to you and your response to the Stevens review is that you will have a solution for these narrowcasters in very remote communities broadcasting services in language, either terrestrial or satellite?

**Senator Conroy:** The government will address the issue in its response to the Stevens review.

**Senator LUDLAM:** This is a bit *Yes Minister*, Minister!

**Senator IAN MACDONALD:** Without the solution that they will address the issue!

**Senator LUDLAM:** We are joking around, but—

**Senator Conroy:** On one hand you are trying to trap me into saying that we already have an answer—

**Senator LUDLAM:** No, I respect that you do not.

**Senator Conroy:** And Senator Macdonald is just being Senator Macdonald, which is to attack from both the left and the right in the same sentence and hope no-one notices.

**Senator LUDLAM:** You do not have to worry about me doing that!

**Senator Conroy:** I do not think you could ever attack me from the right, Senator Ludlam!

**Senator LUDLAM:** My last question is going to be more in the form of a statement. I just hope the minister will treat it with the urgency it deserves. These languages are precious. They are under threat on all sides. The last thing we want to do is wipe them out with 16 channels of generic rubbish from the capitals that they would probably rather not have if they could keep their own language services.

**Senator Conroy:** I would also make the point that, as you know, NITV and SBS opens up capacity for something far broader. This is one of the great criticisms of NITV, which I know you are very across—that it was not taking onboard enough Indigenous content from outside their own narrow areas.

**Senator LUDLAM:** Outside of the south-east.

**Senator Conroy:** Yes. So I think there are a number of different ways that this can be addressed.

**Senator LUDLAM:** I will come back to this in future sessions.

**Senator BIRMINGHAM:** Perhaps I can turn the department's attention to the answer to question on notice number 119, related to the Household Assistance Scheme. It purports to

provide a breakdown of costs—the Centrelink costs and the departmental costs—and how they apply on a per-eligible-customer basis or a per-installed-household basis. I am hoping you can confirm what the department costs are actually for. The \$24.5 million earmarked for the departmental costs, of which—

**Senator Conroy:** Now you are sounding like the Department of Finance! And you do not want to be there, let me tell you.

**Senator BIRMINGHAM:** From that \$24.5 million, 561,000 estimated households will receive an installation. Will this be for people to receive and have installed the set-top box?

**Ms O'Loughlin:** No, Senator. The question states that the departmental cost is simply the cost derived from dividing the forward estimate funding by an estimate of the number of households taking up the program's assistance. So it is the cost for the department running the program. The Centrelink costs are slightly different because they apply to potentially eligible customers—that is, the broader pool of everybody who could apply for the HAS. Centrelink writes to all those people and handles inquiries. The departmental costs are for when people have signed up, and the costs of running the program for the department.

**Senator BIRMINGHAM:** So the administered costs, or the operational costs of actually installing the set-top box and providing the set-top box, are in addition to that \$43.68 per household—which is what I assumed they would be. Is that correct?

**Ms O'Loughlin:** That is correct.

**Senator BIRMINGHAM:** Are you able to tell me what the average cost is there?

**Ms O'Loughlin:** No. As we have discussed previously, there is not really an average cost for a HAS installation. The answer to the question on notice includes a table at the back, which, I hope, adds to the understanding of how we cost the HAS. We cost it by particular elements, which is written into the contract, and we cost it by different areas, which is written into the contract. The contractor, post-insulation, will advise what was needed at the time, and that forms the basis for us paying the contractor. That could be a mix of things. It could be a very simple set-top box installation in an area that is close to a major town.

**Senator Conroy:** We have gone about this conversation about 20 times, but hopefully the *Daily Telegraph* is listening this time!

**Ms O'Loughlin:** Or it could be a much more complex installation in a far-flung area. It is not possible for us to give an average because it varies so considerably.

**Senator BIRMINGHAM:** Is it correct that you expect the total estimated number of households to receive assistance under the HAS to be 561,000?

**Ms O'Loughlin:** Yes.

**Senator BIRMINGHAM:** What will be the total cost of the HAS?

**Ms O'Loughlin:** It was \$308 million in the 2011 budget allocation and \$69.5 million in the 2009 budget allocation. I would just clarify that, as a demand led program, if we get lower take-up than expected then the money is returned.

**Senator BIRMINGHAM:** If that \$308 million plus the \$69.5 million are the budget allocations earmarked on this question on notice, are the amounts of \$42.247 million for Centrelink and \$24.052 million for the department inclusive within those figures or additional?

**Ms O'Loughlin:** They are inclusive

**Senator BIRMINGHAM:** That will suffice for now. Has the planned review about the allocation of new commercial television broadcasting licences commenced yet?

**Senator Conroy:** With the agreement of your party, we are on the verge of bringing in an amendment to put that off until after the convergence review. I think that has already been agreed by your party.

**Senator BIRMINGHAM:** If the act is suitably amended that may negate the need for you to conduct a review before 1 January 2012. Let us go to some spectrum allocation, in particular what is happening with the 2.5 gigahertz mid-band gap spectrum, which I understand is used.

**Senator Conroy:** It is an ACMA matter. We suspect they may have left the building.

**Mr Harris:** To give you a general feel for it, the 2.5 is going to be included in the auction of digital dividend spectrum to occur in the latter part of next year. I believe the ACMA has put out a statement to that effect—I am conscious of a piece of paper. I cannot guarantee you it has been put out, but I am conscious of a piece of paper having been developed for that purpose. That is consistent with the government's policy announcements in last year's election process.

**Senator BIRMINGHAM:** Will any portion of the spectrum be allocated exclusively to the free-to-air networks, particularly for OB facilities.

**Mr Harris:** There is a continuing functionality in that spectrum area.

**Senator Conroy:** We have found somewhere else to move them to.

**Mr Harris:** There is a slice being taken out of 2.5.

**Senator Conroy:** There has been a range of different options about whether or not they end up with a sliver or they have found an alternative piece of spectrum to move to which is just as functional.

**Mr Harris:** My recollection is that it is the sliver approach but, again, I am not conscious of what has been publicly announced here.

**Senator Conroy:** I do not know if there has been a final decision on that.

**Senator BIRMINGHAM:** I assume this is a decision of yours or the cabinet as to how that spectrum is or is not carved up.

**Senator Conroy:** It is an ACMA technical decision, but whether or not it goes to auction is a decision that the government would make. Technically, ACMA would say this bit is for whatever, and then we would say to them to go and auction off this bit or go and auction off that bit.

**Senator BIRMINGHAM:** Because of the overlap of policy and departmental objectives, this is probably why we always end up getting confused as to where to ask spectrum questions as to how you go about auctioning or disposing of spectrum versus how it may be particularly carved or allocated. I can put some specific questions to ACMA, but whether it is a sliver or otherwise has the government made a final determination on that and, if it has, as to how it will be allocated?

**Senator Conroy:** If I am incorrect on that I will happily correct the record, but as you can see the secretary and I both have slightly different recollections of where the process is up to.

**Mr Harris:** Yes, that is true. I do not think we should provide you with—

**Senator Conroy:** Give you a definitive answer at this point. If we have made a decision and we have incorrectly advised you, we will let you know.

**Senator BIRMINGHAM:** Stepping beyond ACMA's carving to your dishing or allocation, has any decision been made on what basis it might be allocated, whether it is via auction or via administrative allocation, or how that may occur?

**Mr Harris:** As I said earlier, 2.5 will be combined with the digital dividend for auction.

**Senator BIRMINGHAM:** In its entirety or as in—

**Mr Harris:** That part which is to be reallocated as a result of the government's decision will be reallocated via an auction process. Are we on the same ground here, Senator?

**Senator BIRMINGHAM:** I think so. If part of it is to be preserved for the free-to-air networks, would that then simply be preserved in—

**Mr Harris:** Sorry if I have misread your question. No, the free-to-air networks retention arrangements will not be an auction arrangement. I am not sure what it will be. That will be a matter for ACMA. The auction I was referring to was obviously for the part that, for efficiency purposes, can be reallocated.

**Senator BIRMINGHAM:** So, if part of it were designated for them, it would not then be a limited bidder auction back to them.

**Mr Harris:** I cannot imagine how you could conduct it, but it is a matter for ACMA, so at this point—

**Senator Conroy:** You missed out on the chance to ask ACMA about the combinatorial clock. You missed your chance. You would have loved it! You had the chance; they were here. The combinatorial clock would have sent you to sleep like you would not believe.

**Senator BIRMINGHAM:** I will take that as a question on notice from the minister that he would like them to give us a briefing.

**Senator Conroy:** It will take more than one.

**Senator BIRMINGHAM:** Lastly in this area, noting the time, can I turn to the Australia Network. Does the department still have a representative on the assessment panel?

**Mr Harris:** On the tender evaluation board, yes.

**Senator BIRMINGHAM:** Who is the representative?

**Mr Harris:** Greg Cox is the branch head. He works in the broadcasting division.

**Senator BIRMINGHAM:** Has the evaluation panel made a recommendation?

**Senator Conroy:** I am not sure that we are in a position—

**Mr Harris:** That is a confidential matter.

**Senator Conroy:** This is an allegedly confidential process. We are not in a position that we can comment.



**Senator BIRMINGHAM:** Minister, as the responsible minister to whom a recommendation will be made in your capacity as a partially de facto minister for foreign affairs, have you received—

**Senator Conroy:** I have been appointed the approver and the process is ongoing. It is a tender for many hundreds of millions of dollars.

**Senator BIRMINGHAM:** I think about \$200 million.

**Senator Conroy:** Yes, 200. I am not in a position where I can speculate in any way, shape or form with where that process is up to. I have seen much speculation, some of it at times wildly incorrect, but I am not in a position—

**Senator BIRMINGHAM:** I am not asking you to speculate, Minister. I am asking for a simple fact on whether a recommendation has been made to you.

**Senator Conroy:** No, you are asking me to speculate on the process. I am not in a position—

**Senator BIRMINGHAM:** No, I am not asking for speculation; I am asking for facts.

**Senator Conroy:** I am not in a position to comment on an ongoing process.

**Senator BIRMINGHAM:** The simple factual matter has—

**Senator Conroy:** It is not a simple factual matter; it is an ongoing process and, frankly, it is outrageous that you think you can ask questions about ongoing processes when there are hundreds of millions of dollars at stake. This is a confidential tender for hundreds of millions of dollars. You are not reviewing it backwards; you are trying to ascertain information out of the middle of a process. You know you are out of line. You are just having a good time.

**Senator BIRMINGHAM:** Decision—

**CHAIR:** Senator Birmingham, I indicate that I will be moving on.

**Senator BIRMINGHAM:** I have one final question. You said decision maker was your title in this regard, essentially, Minister.

**Senator Conroy:** Approver.

**Senator BIRMINGHAM:** If it is inappropriate for me to ask process questions about this matter, why was it appropriate for the Prime Minister to change the approver halfway through the tender?

**Senator Conroy:** Unfortunately you are ill-informed. Cabinet took a decision and I am not going to speculate to you on the debates around cabinet.

**Senator BIRMINGHAM:** Why was it appropriate for cabinet to change who the approver was halfway through when you cannot even comment on a basic fact?

**Senator Conroy:** As I said, I am not going to speculate about the discussions in cabinet. But it is factually correct that cabinet took a decision to consider—

**Mr Harris:** There was an additional criterion.

**Senator Conroy:** There was an additional criterion added. Cabinet took a decision that cabinet—

**Senator BIRMINGHAM:** That was a fig leaf for the decision.

**Senator Conroy:** Cabinet made a decision on it and I was appointed the approver when cabinet makes an ultimate decision. We are in the middle of the process, and I am not going to speculate on where it is at.

[20:01]

**CHAIR:** That concludes questioning on program 1.3 I propose to move to program 1.1, broadband and communications infrastructure.

**Senator BIRMINGHAM:** I am advised that the department held its community forums on the NBN in Perth, Toowoomba, Smithton, Ballarat, Broken Hill, Darwin, Emerald, Gladstone, Victor Harbor and Nuriootpa. That is in answer 228.

**Senator Conroy:** I did not think that we had done quite that many. Well done.

**Senator BIRMINGHAM:** Each forum was at a cost of between \$2,000 and \$4,000.

**Senator Conroy:** We are extravagant, aren't we?

**Senator BIRMINGHAM:** Firstly, have any further community forums been held around the NBN other than those identified in answer 228.

**Senator Conroy:** Did you see that we are rolling out fibre to Yankalilla? They would be pretty excited about that.

**Senator BIRMINGHAM:** I think that the good folk of Yanka have issues with their digital transmission.

**Senator Conroy:** Not anymore. It is all fixed.

**Senator FISHER:** The member for Mayo helped there.

**Senator Conroy:** The member for Mayo could possibly have been one of the reasons for that, representing his community well. I would not want to say that he wants the NBN, because I am sure that he will be there telling people not to sign up to it. He will be standing there saying: 'Hold back the NBN. Don't connect these houses in Yankalilla.'

**Senator FISHER:** He will be saying, 'Try it but don't wish too hard.'

**Senator Conroy:** 'Don't connect to the NBN in Yankalilla,' is what he will be saying. 'It's a socialist plot.'

**Senator BIRMINGHAM:** You do not actually have a contractor to deliver it in the state yet.

**Senator Conroy:** That is true. Hopefully, we will sort that soon. But that is true.

**Senator BIRMINGHAM:** At the moment the only way it will get there if I get out and dig the hole.

**Mr Harris:** The relevant officer who is responsible for these is not here, so we do not have any further information to answer your question at the moment, Senator. I can say in a generic sense that we have run a series of forums. We have run them through chambers of commerce, which is the program that is currently extant. Once or twice a month we do explanatory forums with chambers of commerce. This set of forums was run preceding the program that we are now running, and I believe it was run—but the relevant officer is not here to confirm this for me—via the broadband coordinators who were appointed at the time we did the blackspots program and have been used subsequently. A blackspots program preceded the NBN and they have been used subsequently to run community forums in their districts,

where they are also working on the blackspots program related issues. That is what I believe to be the case, but the relevant officer is not here to confirm that.

**Senator BIRMINGHAM:** For these particular fora I will put some questions on notice. In terms of the forums you might currently be running on other activities, I assume they are part of the \$23.4 million implementation budget that the department has been granted.

**Mr Harris:** Again I think the answer to that will be in two parts. The forums I referred to with the chambers of commerce were started by us as a department. Effectively we were doing them out of our own resources but they have now become part of our communications strategy that I think previous estimates hearings have asked questions on. You might recall the latter part of last year we allocated some funds to get a communications strategy designed. This was done with internal departmental funds and the program has been designed to have the broadband champions and these forums via chambers of commerce and the development of a video and a number of items that I am sure Mr Rizvi will be able to provide in more detail. That strategy is now being funded as of the recent budget via an allocation that was provided by the government as part of an overall digital hub strategy. Mr Rizvi may be able to give you more detail on that. In other words, my answer to your question, Senator, is: it is in two parts. We started the ball rolling with no resources and it has now been taken up as part of a formal communications strategy.

**Senator BIRMINGHAM:** Is that formal communications strategy that is now being taken up funded out of this \$23.4 million allocation, or is it additional to it and funded out of existing or reallocated resources?

**Mr Rizvi:** The communication activities that Mr Harris is referring to are separate to the \$23.4 million for the NBN implementation budget.

**Senator BIRMINGHAM:** However they are funding community information of some description or information and communications that relate to the NBN?

**Ms Spence:** In terms of the \$23.4 million for the three years from 2011-12, that covers providing information to consumers and small businesses about the NBN rollout and support for the migration from copper to the fibre network, providing technical and policy advice to government on the implementation of the NBN policy objectives—

**Senator BIRMINGHAM:** And establishing the new entity responsible for the delivery of the universal service obligation and legislative scheme for changes to the USO arrangement.

**Ms Spence:** Yes.

**Senator BIRMINGHAM:** I am reading off the same dot points.

**Mr Harris:** If I can clarify that, obviously noting what you have just said: these funds are devoted to implementing Telstra related agreements. So the communications strategy is, if you like, a generic device which Mr Rizvi is responsible for and comes under the digital hubs investment that the government funded in the last budget. What Ms Spence is referring to—this \$23.4 million—is effectively the implementation of activities which have been agreed as part of the commercial deals with Telstra and therefore is designed to support the policy that was inherent in that. For example, it will explain to consumers what it actually means when we put fibre in, we get to a certain level of fibre being rolled out in a district and we then move to close down the copper phone service. That is one of the elements that Ms Spence was just referring to. The TUSMA setup is another issue related to Telstra. As you know, we have

taken back responsibility for the universal service obligations and we are going to house them in TUSMA and have a special working arrangement for that. So with that \$23.4 million and the departmental funding that you referred to—advice and all that sort of thing—it is the same sort of arrangements. They are all to do with the implementation of the Telstra deal.

**Senator BIRMINGHAM:** Knowing that and given the plan for migration of customers that does exist over the four years that this funding applies, is this all of the funding that the department requires to be able to fulfil its obligations to inform and assist consumers in the transition from the copper network to new services ultimately?

**Mr Harris:** That is our intention. To implement the Telstra deals, they are the arrangements that we will need to put in place. NBN Co. itself has different investment priorities, also relating to the Telstra deal. I do not want to mislead you. When you say the department, the answer is, yes, that is what we need. But NBN Co., for example, has a major responsibility under the Telstra agreement to promote change to businesses. That is particularly change in relation to types of equipment that businesses own and operate which have been dependent on an analog system and will have to switch to a digital system. There are other investment options, as I said, similar to these which are NBN's responsibility rather than ours.

**Senator BIRMINGHAM:** The department will presumably require funding beyond that four-year period to continue these activities, given the time line for migration.

**Mr Harris:** The set-up of TUSMA, for example, will be done, and therefore, no, we probably will not need to continue much with that. TUSMA will be responsible for its own costs. In terms of ongoing policy advice, yes, to some extent it will be relevant. In terms of information campaigns, they will have to go on through the period of the rollout.

**Senator BIRMINGHAM:** Which goes well beyond the forward estimates.

**Mr Harris:** The four years, yes.

**Senator BIRMINGHAM:** In relation to establishing the new entity responsible for the delivery of the universal service obligation, once upon a time colloquially known as 'USO Co.' and now apparently known as TUSMA—

**Mr Harris:** I have a particular view on that, Senator, but I am in the minority!

**Senator BIRMINGHAM:** 'TUSMA' is not doing much for me either, Mr Harris! Does this \$23.4 million in funding cover the costs related to establishing TUSMA and then its operation once established or does it purely cover the establishment costs that the department face in getting it up and running?

**Mr Harris:** I think the answer to your question is yes, but I am just going to consult my colleague here.

**Senator BIRMINGHAM:** I am not sure my question was a yes/no one on this occasion. I think it was an either/or.

**Mr Harris:** I thought you were asking—

**Senator BIRMINGHAM:** Does it cover, over the four years, the operations of TUSMA as well as its establishment or is it adjusted—

**Mr Harris:** Oh, no. Operations, no. Sorry; I thought you meant set-up. Operations are quite separate to that. In terms of operational costs for TUSMA, even though it does not

always gain instantaneous acceptance, we do not expect this to be a large bureaucracy in any form. So its actual operational costs—not things like delivering the maintenance budget to support the copper and the last seven per cent and things like that but its actual costs as a small new bureaucracy—are planned to be quite small in our current allocation of the costs that we expect to impose via the new levy system. We do not want this to be a large bureaucracy. We in fact want it to be run by the industry, so it is going to have a structure behind it with a chair and a board which have the specific ability to consider, for example, new and better ways to deliver the same sets of services, the whole idea being: if we can deliver USOs more efficiently in the future, we should give the industry the chance to be the board of the entity and drive that cost down, because after all they are paying the levy and therefore they would have every incentive to do so, rather than leave it set internally with us. The wrinkle with that, if you like, is the fact that we have to contract with Telstra firm funding arrangements in order for them to decide that this is a good arrangement for them to enter into. So we have a structure behind the TUSMA which enables both things to continue—fixed contracts for Telstra but the ability to share in benefits should the board come up with new and more efficient ways of implementing the USO over time.

**Senator BIRMINGHAM:** So taxpayer dollars going towards TUSMA will be limited purely to the establishment period, and then it will be taken over by the levy funding mechanism?

**Mr Quinlivan:** No, the share of the \$23.4 million that you referred to is essentially the set-up costs, so prior to 1 July when TUSMA will probably come into existence, legislation willing and so on. And then there is probably a minor expense for the department included in that post 1 July, but after that time it will be a self-funded entity, as Mr Harris has just described. There is a settled budget contribution of \$50 million in each of the first two years and \$100 million a year thereafter, and the government has also given a commitment that the contributions by carriers under the established mechanism for setting shares of funding for telecommunications carriers will not rise in those first two years, so it is likely that there will be an additional budget contribution up over that \$50 million to ensure that that commitment is met, but we will not know exactly what that is until we get there and the charging methodology is worked out.

**Senator BIRMINGHAM:** Mr Quinlivan, is that \$50 million or more contribution per annum identified in the current budget papers, or is that—

**Mr Quinlivan:** It has certainly been announced.

**Mr Harris:** No, it should be in there. It was done in the budget last year. It has been in the forward estimates.

**Senator BIRMINGHAM:** I will perhaps let somebody else, whilst we are talking, see if they can find it in the PBS to satisfy my curiosity there, please.

**Mr Harris:** We know the funding allocations have been made. We have answered that previously at estimates.

**Senator BIRMINGHAM:** If you could just come back to us on that, we will continue on other matters. In response to another question on notice, No. 207, the department indicated that it:

... is developing policy in relation to the definition of Adequately Served premises and will undertake consultation on this issue in the second half of 2011.

Is it undertaking such consultation? If so, with whom? When will this definition of 'adequately served premises' be public?

**Ms Spence:** There have been some high-level discussions. As required in the statement of expectations, the department has had some preliminary discussions with some operators. I would have to take on notice who they were, but it has been a very high level, early-stage discussion. I cannot say when a final decision on the definition will be made.

**Senator BIRMINGHAM:** It does not, from that, sound too much like consultation is thoroughly underway.

**Ms Spence:** It is targeted consultation at the moment. It has commenced.

**Senator BIRMINGHAM:** It has commenced.

**Ms Spence:** Yes.

**Senator BIRMINGHAM:** But there is not a time line that the department is working to resolve this issue?

**Ms Spence:** No.

**Mr Quinlivan:** There are only a limited number of companies who have an interest in this. I think our intention is to meet with all of them, either in person or through telephone conversations, to the point where they are satisfied with those conversations. Then there will be some advice to the government about next steps. You said it is preliminary. We are planning to cover all of those who have an interest in the subject.

**Mr Harris:** If I could clarify my earlier comments on the location in the PBS: the amounts that we referred to have been stated by the government as its contribution, but they are held in the contingency reserve.

**Mr Quinlivan:** And the reason for that is that, as I described, we will not actually know what those contributions need to be until ACMA has done the calculations and worked out what the liability would be for carriers.

**Senator BIRMINGHAM:** I have asked this in another department at some stage, and I am not sure that I ever got the answer, but I have encountered the response, 'It's in the contingency reserve; you should know that or be able to ask questions on that.' I have never quite got the response about how or where I find items that are held in the contingency reserve. If indeed this department is aware of anywhere that I can identify that, do please feel free, on notice, to let me know.

**Senator Conroy:** That is why it is called 'contingency reserve'.

**Senator BIRMINGHAM:** So it is a secret slush of money somewhere?

**Senator Conroy:** Maintained for 11½ years by your previous government.

**Senator BIRMINGHAM:** Sure, Minister, but we just went through the instance there where Mr Harris felt sure that of course I should know that this money is in the budget, and yet it is not actually in any of the published budget papers.

**Senator Conroy:** No, it is in the contingency reserve.

**Mr Harris:** I guess because we have put it in press releases and we have spoken of it in committee multiple times, my assumption had always been that it would be written in that budget line.

**Senator BIRMINGHAM:** I am sorry, Mr Harris, but I read the minister's press releases, and they are not quite as laden with facts as perhaps the budget papers at least hopefully are. The department I am sure is aware—and do not think I am trying to go back to the previous outcome—of the Foxtel-Austar merger and its current consideration by the ACCC?

**Mr Harris:** Yes.

**Senator Conroy:** We have noticed.

**Senator BIRMINGHAM:** I would have thought that you had. There have been reports that it has been held up with the ACCC because of concerns the ACCC has about how the NBN will impact on the merger and whether that could ultimately have negative competition outcomes. I might revisit it with NBN Co. if time permits.

**Senator Conroy:** How could we possibly know what the ACCC is thinking on this?

**Senator BIRMINGHAM:** Has the ACCC sought any information or comment from the department in relation to how the NBN policy will impact on delivery of television services, particularly pay television services, in the future?

**Mr Harris:** Nothing formal that I am aware of. Informally, we talk about issues like this all the time, but I do not think there has been any formal request, and certainly it would not be normal for us to be providing information which confirmed a competition judgment. We may well provide factual information, but the ACCC can gather most of that from its normal sources. As far as I am aware, there has been nothing by way of a request from the ACCC.

**Senator BIRMINGHAM:** In a factual sense, does the building of the NBN impact at all in the immediate term on the delivery of pay television services like Foxtel and Austar?

**Mr Harris:** The NBN at the moment, as you know, covers relatively few premises. Its planned rollout will cover in the next 12 months—as announced today—a larger number, but it will be some time before the NBN is a fully operational network.

**Senator BIRMINGHAM:** Obviously, whilst the NBN is decommissioning existing cable services from being able to carry or be sold for broadband purposes, those cable services will continue to be able to carry pay television services, won't they?

**Mr Harris:** The HFC network from Telstra will certainly continue to carry pay television services.

**Mr Quinlivan:** Well, Foxtel services.

**Senator BIRMINGHAM:** Yes, Foxtel services, and Austar will presumably continue—or whatever business decisions they make—but the NBN build makes no immediate difference and none of the commercial arrangements that have been entered into between the government and other parties have any impact on the delivery module of the Austar pay television service at present, do they?

**Mr Harris:** I think that is what I was trying to answer indirectly by saying that the NBN will be a network at some point in the future. But the proposition either that it is guaranteed not to be a facilitator of some different competition outcome or that it will be the policy facilitator of a different competition outcome depends substantially on your assessment of the

likelihood of the rollout occurring and the likelihood of people taking up options to utilise services over the NBN. It is not something we can really speculate on. We know that the NBN is a potential facilitator of a lot of change in the marketplace. This is just one element of possible change.

**Senator BIRMINGHAM:** This is a question that needs to go to NBN, and then we can do that. In terms of the corporate plan, it is envisaged that the NBN will replace existing mechanisms for pay television delivery?

**Mr Harris:** It clearly does envisage very substantial growth in data use of a fixed line network, one product of which is video. One product that could induce a substantial utilisation by computers of data is video. I have had that discussing with Mr Quigley. We are genuinely getting into the realm of—

**Senator BIRMINGHAM:** That is not pay television in the sense that we understand it. At present you purchase a service from a carrier—that is, you are downloading masses of video content that you can download from anybody as long as you have the internet connection and pay that anybody the fee they demand.

**Mr Harris:** Not the existing model, but as we know the internet is also being used by, for example, free-to-air television channels that deliver catch-up TV, which is a form of supporting product for which they then presumably sell advertising and what consumers take into account by advertisers, and that sort of thing. So that is changing a business model at that point in the margin. You would not call that the traditional free-to-air model, but you would say that it is on the internet, and the growth of that is quite a substantial possibility, based on overseas trends, anyway.

**Senator BIRMINGHAM:** Of course. It will dramatically change the business models for all television networks and potentially may in that sense. But in many ways it will be in unknown ways. As for the existing delivery models, none of the current policy decisions taken by government or supported by government through NBN Co. change those existing deliver models for pay television?

**Mr Harris:** No licensing arrangement, for example, induces that. It will be a question of the commercial attractiveness of having a delivery system. If you believe in the ubiquitous fibre-to-the-home model as a deliverer—as we have talked about previously in this committee, for example, delivering tele-health, tele-working or education in terms of higher levels of interactivity and that sort of thing—you can imagine the same thing for a consumer product like television. Ubiquitous fibre to the home changes a hell of a lot of business models. But you have to take that proposition and run with it, as it were, to get to that conclusion. Since we started out this discussion based around the ACCC, I am sure the ACCC would be making its own assessment of that sort of trend change. Internationally there are examples of very high levels of video delivered growth. The US market is probably most people's model for the changing variants to the business models of delivering free-to-air television, and I guess to some extent the impact on pay TV operators. But that is not also a ubiquitous fibre-to-the-home model. So you would just have to take the NBN and project it, I guess. It is plausible for the ACCC to make such an inclusion. It is not something they have sought our view on.



**Senator BIRMINGHAM:** Turning to the ABG, which essentially ceased operation recently—there are some remaining continuing payment areas. I gather that the ABG was recently subject to an audit by the Auditor-General?

**Mr Harris:** Close to 12 months ago, I suppose.

**Senator BIRMINGHAM:** Time flies. Did the audit consider the department's processes in regard to determining whether a customer was eligible for a service under the Broadband Guarantee program and in turn requiring a determination on whether a customer already has access to metro-comparable broadband services?

**Mr Harris:** It was a comprehensive audit, so I think the answer to your question is certainly yes.

**Senator BIRMINGHAM:** Given that that is a fairly fundamental—

**Mr Harris:** Core issue—

**Senator BIRMINGHAM:** part of how the ABG worked. My understanding is that paragraph 28 of the audit found significant weaknesses in some of these processes, including the fact that between August 2008 and 2009 the department 'inadvertently omitted 211 ADSL enabled exchanges from BSL, being the system used to determine customer eligibility'. Is that a correct finding by the Auditor-General?

**Ms Spence:** It was a correct finding but I think the audit report then went on to identify what the department had done once the error had been pointed out, and also what arrangements they put in place to ensure that a similar error did not occur again.

**Senator BIRMINGHAM:** What were the consequences of the mistake?

**Ms Spence:** I think it meant a number of households got access to the ABG subsidy, which otherwise they would not have, because there was an alternative ADSL product available in that area.

**Senator BIRMINGHAM:** What steps have been taken by the department to ensure that similar errors, particularly under Broadband Connect, are not made again?

**Ms Spence:** One issue is that the ABG does not exist anymore, but I would have to take on notice the arrangements that were put in place under the previous program to make sure—

**Mr Harris:** The point of your question, Senator, is redundant to some extent because we are not running this program anymore. It has now been taken over by the NBN Co. who are running their interim satellite service and ABG has wound up.

**Senator BIRMINGHAM:** The department, however, is still making some judgment decisions in relation to these matters when it comes to eligibility for VAST satellite and the like, is it not?

**Mr Harris:** I think they are quite different systems. The VAST satellite subsidy schemes are based around your ability to show that you are in a zone which has a self-help arrangement. The difficulty we had with the ABG program, which the auditor was investigating, was based around the questions of how far and how fast have metro-comparable services expanded. We were not reducing, if you like, the access available as fast as the rollout was occurring at a particular point in time. I might say subsequently we were criticised for the reverse—for removing people from eligibility for the subsidy too quickly, because basically it was a mobile broadband product being rolled out.

**Senator BIRMINGHAM:** I am sorry, Mr Harris, the wrong satellite rolled off my tongue there, I have to confess. In terms of judgments being made at present by the department or NBN Co. as to people who are eligible to access NBN Co.'s satellite service now, is there—

**Mr Harris:** Ah, NBN judgment. I am not familiar myself with what NBN criteria are.

**Ms Grainger:** The department is providing assistance with eligibility to NBN Co. We are using the broadband service locator to do that and, as Ms Spence was saying, those systems are in place to make sure the data in the broadband service locator is up to date and is accurate to assist with eligibility.

**Senator BIRMINGHAM:** And the test for access to the NBN satellite?

**Ms Grainger:** It continues to be access to a metro-comparable service—

**Senator BIRMINGHAM:** Which is currently defined as?

**Ms Grainger:** I will take that on notice, Senator, with the full definition of metro-comparability.

**Senator BIRMINGHAM:** If you could, thank you, Ms Grainger. In terms of interoperability between the department and NBN Co., when NBN Co. receives an application does it have maps provided to it that indicate who or which regions are eligible for the satellite service?

**Ms Grainger:** NBN Co. is using the department's broadband service locator to assist us with the eligibility. The broadband service locator is a tool that shows access to commercial grade services today and shows where customers may not be able to access those metro-comparable services and as such would qualify for an interim satellite service.

**Senator BIRMINGHAM:** As was the case under ABG, this is not a regional specific program. Is it the case that you may be in a very tiny pocket of metropolitan area that does not have appropriate comparable services and you will qualify—

**Ms Grainger:** That is right; that is the case. However, metro-comparability also relates to both DSL as well as Next G services. Telstra's Next G service has got very full coverage across the country—almost 99 per cent—and so it is much more likely that interim satellite service eligible customers are more often located in regional and remote locations.

**Senator BIRMINGHAM:** I understand that it is more often than not. But all customers who would have been eligible under the old ABG are still eligible under the new arrangement to access the satellite service, unless they have had new services down their street or built in their region since then.

**Ms Grainger:** Yes, that is correct.

**Senator BIRMINGHAM:** Excellent. Can we go to the New South Wales telehealth trials, please. Has the department reached a final agreement with New South Wales Health on the total structure, design and participation in the scheme?

**Mr Rizvi:** The telehealth trials in New South Wales are focused around Armidale and Kiama. We are very close to reaching final agreement on the full design of those trials but the final implementation plans have not yet been agreed.

**Senator BIRMINGHAM:** Mr Rizvi, you have an eclectic range of responsibilities.

**Mr Rizvi:** 'Eclectic' is a very kind way to describe it!

**Senator Conroy:** But he is a Collingwood fan; I can be very clear about that!

**Senator BIRMINGHAM:** There we go, and I thought you were a nice man too! How many participants each will be involved in Kiama and Armidale?

**Mr Rizvi:** That still has to be worked out. Essentially, the trial in Armidale is targeting people with chronic disease who live within the NBN footprint. Clearly we will need to identify the number of people within the footprint as it currently stands, but also as the footprint expands we will be able to access further clients. In the Kiama trial we are targeting mental health difficulties as well as persons experiencing chronic disease. Hence, a wider range of people can be accessed, but the final numbers will not be able to be settled until we are able to identify the specific service providers—that is, the GPs and doctors—that are involved and the extent to which they have patients who live within the footprint.

**Senator BIRMINGHAM:** In terms of the operation of the two schemes, will participants be selected by New South Wales Health?

**Mr Rizvi:** Participants will be selected by—

**Senator BIRMINGHAM:** Presumably by volunteering as well.

**Mr Rizvi:** Of course. They will be selected through the local area health authority.

**Senator BIRMINGHAM:** What exactly is it that participants will then be expected to do as part of the telehealth trials?

**Mr Rizvi:** Essentially two things. Firstly, participants will be able to have their key health indicators—and that will of course depend on the nature of the chronic disease that they are suffering—monitored electronically and sent back to their health professionals. Secondly, the health professionals will be able to discuss with them over a videoconferencing link specific issues that they need to discuss—in effect, a medical consultation conducted over video.

**Senator BIRMINGHAM:** Will the department be providing each of the households participating in the trials with the facilities necessary for these two things to be undertaken? Obviously for the consultation aspect a video-imaging component is required. I am not quite sure what is required for the key health indicators aspect, but you may be able to tell me that, Mr Rizvi.

**Mr Rizvi:** Yes. From the funding that is made available through the trials, the relevant equipment and software will be purchased by the project managers of the trials, who are from the local area health authorities. In terms of your question about the kinds of equipment that would enable people to monitor key health indicators, they are essentially peripherals associated with the computer which can, for example, take blood pressure, take a very basic form of ECG, take a person's temperature and those sorts of health indicators.

**Senator BIRMINGHAM:** Who will end up owning all of this equipment at the end?

**Mr Rizvi:** At the end the equipment will be owned effectively by the area health authorities, and we have to work through whether the patients will retain the equipment or not at the end of the trials. That has not yet been finalised. Discussions on that are still proceeding.

**Senator BIRMINGHAM:** Is there a target number at least for overall participants, even if you do not have a breakdown for Armidale and Kiama.

**Mr Rizvi:** I would have to take that on notice and I think we can provide you with more up-to-date figures once I can go back and check those.

**Senator BIRMINGHAM:** Okay. Will there be a variety of health professionals participating, or will it simply be a singular central health service that is participating for the other end of the service?

**Mr Rizvi:** I think in Armidale it will be a single health authority, whereas in Kiama, because of the nature of the two trials there, it will be different.

**Senator BIRMINGHAM:** But it might just be two groups or thereabouts?

**Mr Rizvi:** I think in terms of mental health the range of health professionals involved is broader than for a chronic disease for the aged.

**Senator BIRMINGHAM:** So in Armidale you presumably have a centre in mind then, or is it already agreed as to the health centre that will be the hub for this activity?

**Mr Rizvi:** We certainly have a range of options in that regard, but we have not settled on the final ones that will be participating.

**Senator BIRMINGHAM:** How soon would you expect to have these two trials actually underway?

**Mr Rizvi:** We are hopeful that the two trials will have selected patients for participation very early in 2012.

**Senator BIRMINGHAM:** And how long will the trials then run for?

**Mr Rizvi:** The trials are projected to run for 12 months.

**Senator BIRMINGHAM:** Will there be interim findings along the way as to the trials?

**Mr Rizvi:** We will certainly be monitoring progress during that period.

**Senator BIRMINGHAM:** What will be the formal evaluation process?

**Mr Rizvi:** I would have to take that on notice, Senator. That is subject to the detailed implementation plan that we are still negotiating with the NSW government.

**Senator BIRMINGHAM:** Is there funding provided within the funding for these trials for a formal and independent analysis of the trials?

**Mr Rizvi:** There is funding for an independent evaluation of the trials.

**Senator BIRMINGHAM:** Thank you, Mr Rizvi. I have finished questions for now on 1.1.

**CHAIR:** We will take a break now and come back with NBN. I thank the officers for their contribution this evening.

**Proceedings suspended from 20:42 to 21:01**

**NBN Co. Ltd**

**CHAIR:** Mr Quigley, would you like to make an opening statement?

**Mr Quigley:** Just a very brief one. We announced today a 12-month rollout schedule. I think that is now public information, so I will not repeat it—

**Senator Conroy:** I think you should!

**Mr Quigley:** other than to say that there are 28 new locations where construction is going to start over the next 12 months, and that will pass an additional 485,000 premises. Our intention is to update the 12-month plan every quarter, so it will be a rolling plan and we will always be looking 12 months ahead. We will also, early next year, be announcing a three-year forecast, and we will update that annually, so there will always be a three-year indicative forecast ahead. There are a lot of details on the NBN Co. website, for those who are interested in looking at detailed maps and information about the 12-month plan.

The other thing of considerable note that happened today—and it impacts the project—is that the Telstra shareholders overwhelmingly voted in favour of the deal. This was a good outcome for all and a very important milestone.

**Senator Conroy:** It was 99.45 per cent, in fact. I think that is more than overwhelming.

**Mr Quigley:** That is overwhelming, yes. We of course still require ACCC acceptance of the Telstra and Optus plans and we are continuing in NBN Co. to have very productive discussions with the ACCC on our SAU and WBA. In the interim, we are continuing with our interim access arrangements with retail services providers and providing services. We are up now on the fibre network to, I think, a bit over 1,300 services and 800 on the interim satellite. Overall, good progress is being made.

We are also getting good reaction to the pricing that has come out from retail service providers and we are continuing to make progress on the broadacre developments, new developments, and we continue to negotiate with construction companies to continue the rollout. We hope in the next month or two to announce the South Australian and Northern Territory partners.

On Thursday, we launched our statement of corporate intent and our third annual report. I think people will have those available. That is all I really wanted to say by way of opening statement. I am happy to answer any questions.

**CHAIR:** Mr Quigley, I might open on the issue of the comparative price on existing internet plans over ADSL or ADSL2+ and the packages becoming available for NBN. I have two reports here. One is on News.com.au. The report quotes a company called WhistleOut, described as a leading comparison site. It says it found that users could pay up to 43 per cent less for an NBN connection than they pay today for an equivalent ADSL2 plan. There is another site I have come across, ZDNet, which I think is well known. The heading in that report is 'Liberals' credibility spent on NBN pricing'. I want to get your comment on this quote in the report, written by a reporter called David Braue on 21 September 2011:

We now know that, despite years of Opposition bleating that the NBN was going to bleed us dry, NBN services will cost between \$34.50 and \$99.95 per month. That is so similar to current ADSL2+ pricing that it casts a pallor over the Liberal Party's entire strategy of blasting the NBN as a high-priced white elephant. In fact, with just around 1800 customers online, the NBN has already emerged as a highly competitive marketplace.

It goes on in much greater detail than that. I do not want to rely either on news.com.au or ZDNet. I would like to get your comment on this public comparison that is out there at the moment.

*Senator Birmingham interjecting—*

**Senator Conroy:** To be fair, Senator Birmingham, with a headline like 'Stop complaining: NBN will save you money', it is hard to ignore.

**CHAIR:** I am not asking for an opinion; I am asking for the facts.

**Senator Conroy:** Believe it or not, this is on a News.com.au website.

**CHAIR:** I am not asking for an opinion. I am asking for the factual position. Is what is reported the factual position? I think that is a reasonable question.

**Mr Quigley:** I have not looked at the ZDNet article, but somebody did in fact give me the News.com article this afternoon. What I can say is, without analysing it in detail, it is certainly broadly in line with our own analysis, so I would say, yes, it is certainly in the ballpark. The other thing I would say is that our intention and aim right from the beginning—the first time I turned up in this place to report on the aims of the company—was to set the wholesale prices so that we would match the market so that when people were transitioning off ADSL2+ type plans on to the NBN they would be paying roughly the same for a superior service. I am very pleased to see—and I think everybody in the company is pleased to see—that we managed to get that just about right.

We have in fact seen some comparative data for both the 12/1 and the 25/5 service from NBN. The 25/5 service, which is considerably superior to any ADSL2+ service, is absolutely comparable. We have not really seen the retail market completely shake itself out yet. Not everybody is in there. We are already starting to see price moves. What will be good to see is not just pricing; we will also see quite some competition at customer service and innovative packaging levels as well. It is what we would expect to see when the retail market is really firing and people no longer have to have the battles over infrastructure and vertical integration. Overall, to answer your question, I think the News.com article seems to be certainly broadly in line with our analysis.

**CHAIR:** Thank you.

**Senator Conroy:** I could probably add that Mr Quigley is being very modest. This article goes on to say:

NBN will save users up to 43 per cent.

... ..

Imagine if you could pay half the cost for your internet connection.

A survey has found that despite the fact we all love to hate the NBN—

I did say it was a news.com website—

it's actually going to save you time and money.

WhistleOut - a leading comparison site - found users could pay up to 43 per cent less for an NBN connection than they pay today for an equivalent ADSL2+ plan.

So I think you are being very modest there, Mr Quigley.

**Mr Quigley:** We try to be, Senator.

**CHAIR:** Mr Quigley, you also indicated that you expect further competition on price, customer service and packaging. I had a briefing from FOXTEL about what is happening over in the United States in terms of packaging and the benefits you can pick up through packaging. Can you explain what the benefits of packaging are?

**Mr Quigley:** When you have a network like the National Broadband Network available to retail service providers, no longer do they have to worry about getting hold of infrastructure, how they are going to hook up to that, which exchanges they can go to and which they cannot. It is now uniformly available, with the same processes, same system, same pricing, all around the country. So we expect the focus of retail service providers and also some wholesale service providers—there may be specialist wholesale providers—to focus on the things that are really going to add value. That could be customer service; it can be packaging. We do expect to see some specialist retail service providers who may specialise in particular types of services. We may see some people enter the market who are looking at, for example, the health industry or the education industry. We certainly saw in the US, when I was living there, some specialisation going after particular demographics. Once you get personalised video—instead of cable TV—into premises, all sorts of markets develop. So it is very difficult to predict just how this type of innovation is going to take off, but we are reasonably confident that it will.

One thing that is becoming a very important trend—which I think the committee here should be aware of—is that, as we see more and more notionally mobile devices proliferate, such as iPad, usage will be driven up on the NBN. The reason for that is fibre networks are doing all the heavy lifting of downloads, as we have seen from big increases in Australia in downloads and on fixed line networks, and drops in downloads per subscriber on mobile networks in the last year. So, while we can see proliferation of mobile devices such as iPads, they are going to be used a good deal on a fixed line network, which obviously is going to be the NBN here in Australia.

**CHAIR:** A news.com report in their technology section said:

The biggest saving WhistleOut found was on the 200-1000GB plan. Using the same download speed, users whose data capacity taps out at 1000GB will pay \$230.

Can you explain that to me. It also says:

NBN users will pay almost half that - \$130 - for the same data capacity and download rate.

Is that consistent with your view?

**Mr Quigley:** Yes, that is generally consistent. I think what they are really saying there is that on an ADSL2+ at that sorts of very large downloads, the amount you would be paying per gigabyte in those plans would be double what you pay on the 12/1 service from NBN on the retail prices, and it would be roughly equivalent to our 100 megabyte down 40 megabyte up price per gigabyte. So you are comparing an ADSL2+ at those sorts of very large downloads with 100 megabyte service, and they are roughly comparable. So that is a huge difference in performance. From what I see from the tables, if you were to download 1,000 gigabytes, it would take you nine days on an ADSL2+, but it would take you seven hours on a 100-megabyte service. Clearly, nobody is going to download 1,000 gigabytes in one go and wait around for nine days. But, if you translate that down, something that would take you literally hours would, on an ADSL2+ service, take you minutes on a 100-megabyte service.

What is even more important is that those differences are much greater in the upload direction. So, for home businesses, who are trying to load large files up—which we are finding increasingly; the response from people in small businesses and home offices is in the upload speeds—they are really very happy with when they come onto the NBN.

**CHAIR:** One other part of this report that surprised me is that 569,000 Australian households are still on dial-up. Is that correct?

**Mr Quigley:** I believe so, yes.

**CHAIR:** The WhistleOut director, Cameron Craig, said the NBN will democratise high-speed internet access so that users will finally get what they pay for. Is there a problem that people are paying for speeds that they are not getting?

**Mr Quigley:** What you tend to find on any medium which is both distance limited and limited by the number of subscribers that get on—and that is the case for ADSL, for HFC and for mobile data services—the headline speeds are not the speeds which a typical user will generally get when they use the service. If it is ADSL2+ they might advertise it at 24 meg peak speeds. You will get that if you are right next to the exchange. More typically you will get eight to 10 megs download and, in the upload direction, 700 K, maybe up to a meg. For mobile data services, there is an even bigger difference. You have to be at the centre of the cell and you also have to be the only person in the cell to get the sort of speeds that are often talked about in LTE. HFC is sort of in the middle. It is a shared medium. Far and away the technology that actually delivers what it says it will deliver tends to be fibre to the premise. If we say you will be getting layer 2, 12 megabits down and one megabit up, that is what you will get, no matter where you are.

**CHAIR:** The ZDNet report of 21 September 2011—and I will table both these documents—says that Paul Fletcher, the member for Bradfield, said that the NBN pricing from Exetel and Dodo 'could be ignored because they were cut-rate operators with abysmal customer service track records'. Does this disprove that statement?

**Mr Quigley:** No, I don't think so. I think what we are going to see is a range of operators in the marketplace. What is also going to be true with the NBN is it is going to be hard for operators to survive if they do not provide a good service, because they will be directly comparable services. I certainly would not characterise any retail service provider that way. All of them have different characteristics and I think we will see a whole range of different types of services at different performance levels from retail service providers. Some will invest a lot in backhaul, some will invest a lot in overseas capacities and some will invest less and probably charge lower rates. So I think we are going to see a range of services.

**CHAIR:** Mr Fletcher is quoted again in this article. I will quote from the article. It says: Fletcher really jumps the shark, however—

**Senator Conroy:** A *Happy Days* reference—that's what we need!

**CHAIR:** Yes. It continues:

when he claims that iiNet has lowered its NBN prices based on low expected demand. If consumers wanted 100 Mbps speeds, he is saying, they would be willing to pay prices like Internode's \$189.95 package—but just weeks ago, the Coalition's entire argument about the NBN was that consumers would not be willing to pay \$189.95 per month for fast broadband.

How does NBN handle what is now clearly misinformation?

**Mr Quigley:** We just keep trying to get the facts out. That is all we can do. I think they will speak for themselves in the end. Frankly, I do not try to keep up with that kind of logic. We just put the prices out. Fortunately, the wholesale prices we set ended up with retail prices around where we had hoped and expected, and we expect to see continuing competition. I



think the network will speak for itself. All I can say is that when we start to see services being delivered—on satellite, even on our interim satellite service and on our first release sites—the enthusiasm of people who are using the service is really quite exciting to watch.

**CHAIR:** ZDNet, as I understand it, are involved in technology. They are quite reputable in terms of their analysis. In the article, they deal with the issue of wholesale price rises. I want to get your views on this. This quote follows the last quote that I gave you:

Similar logical inconsistencies popped up in the discussion that followed my inquiry to Turnbull—this is ZDNet's inquiry to Mr Turnbull—

iiNet or not, he said, the real pricing issue was that NBN Co had already indicated it would be raising wholesale prices by an average 5.7 per cent per annum for the next 12 years. That is the real issue now, his dodge-and-feint strategy now argues. I don't know about you, but my council rates went up by around 9 per cent last year, water by two per cent, train prices by over two per cent, electricity by even more. Only mobile rates and internet access stayed the same, and that's because they're contractually set. Not so for my coffee, which has increased by about 15 per cent — which for a journalist is a serious hit to the bottom line.

He basically says that prices are rising and that these price rises are not an unreasonable ask. Is that your view in terms of the business plan: that these are not unreasonable rises?

**Mr Quigley:** No. Just to be absolutely clear, we do not intend to raise prices. The intention in our business plan is to decrease prices. The whole aim of this company—the *raison d'être* of the company—is to provide a return for the government over the long time that is somewhat above the long-term government bond rate and to keep prices as low as possible. We are going to build and run the network as efficiently as possible to keep the prices as low as possible. What is referred to in us talking about CPI plus five per cent are the discussions that we have had with the ACCC about a price shock mechanism. Those discussions are ongoing. I doubt that even the price shock mechanism will survive the ongoing discussions. We are likely to withdraw that, because frankly it is of little value to us in the long term as we analyse it. We are going to try and make sure that our special access undertaking is absolutely in line with what we are intending to do in our business plan, which is to take prices down as fast as we can take prices down consistent with providing uniform wholesale prices right across the country and providing a reasonable return for the shareholder.

**Senator BIRMINGHAM:** I would like one clarification. In your brief opening remarks you said that you had 800 customers on the interim satellite. I did not quite hear the figure for other customers on the network that you quoted.

**Mr Quigley:** Dividing that into two, if I have a look at the people on the fibre network and then the people on the interim satellite, there are 800 on the interim satellite—and it is actually closer to 870—

**Senator BIRMINGHAM:** Eight hundred is what I got. I missed the other part.

**Mr Quigley:** It is probably a bit higher than that. The other one was roughly 1,500 people. That is probably a week or so old now. It has probably climbed a bit above that now.

**Senator BIRMINGHAM:** Thanks. It is helpful to get that. I apologise that I was not at your hearing last week. Welcome back for the second time in two weeks.

**Senator Conroy:** Next week will be the third time in three weeks.

**CHAIR:** We see more of Mr Quigley than we do of our families at the moment.

**Senator Conroy:** And I assure that Mr Quigley would rather not.

**Senator BIRMINGHAM:** I would note that the other committee was established in a deal that you did with the crossbenchers, Minister. The NBN Co. 12 month rollout plan that was released today identified, as you indicated, 28 new sites. How were those new locations determined?

**Mr Quigley:** In quite a complex process. There are a number of factors that we have to take into account. The first and most important is the availability of infrastructure, and I will spend a moment explaining this if I can. When we announce these sites, these locations, these are for the access build. There is no point doing an access build unless you can put what is called fibre aggregation node down, which is normally in an exchange. Then you build out the access from there to connect up the premises. But even the fibre aggregation node is not much use to you unless you have an interconnect point to which you can connect that fibre aggregation node and hand off to retail service providers the traffic. In some cases, the fibre aggregation node is the same as the point of interconnect. In other words, there are a certain number of fibre aggregation nodes that can act as points of interconnect. In establishing our fibre aggregation nodes and our points of interconnect, we have to connect those with dark fibre. What you need to have is the exchange space and dark fibre to connect so that you can put transmission equipment on and hook everything together. The availability of that infrastructure, the fibre aggregation nodes and the points of interconnect, is dependent on Telstra being able to free up exchange space and dark fibre. They groom they traffic particular fibre so that we can then use those for our network. Overwhelmingly in these early stages the availability of Telstra infrastructure dictates where we can go in the roll out. That is one factor.

The second factor is what deals we have done with which construction contractors and how they can load, level and mobilise their workforces. There are a number of other technical factors related to what you do in terms of FAN sites. There is the priority that we have had to put on greenfields locations so that we try and get some commonality between the rollout and new developments. We also have to a forward look at what we are doing in terms of fixed wireless services, which the government has asked to prioritise. Finally, there is the guidance that we get from government in terms of the rollout. That guidance is of a general nature, but the government does say, 'We want NBN Co. to roll out across the nation and we want you to get a reasonable mix of regional and metropolitan areas.' That is largely the way in which we have gone about the planning. The absolute predominant factor in that is the availability of infrastructure to build FAN sites and points of interconnect.

**Senator BIRMINGHAM:** In terms of that availability of infrastructure, has Telstra provided you with information that applies across the nation so that are able to assess anywhere that you want to at any time as to whether a site does have suitable infrastructure or do you still have to go through a laborious 'we're thinking about this spot' process with Telstra?

**Mr Quigley:** On the transit network, which is what I would describe as being the FAN sites, the points of interconnect and the fibre between them, we have been working with Telstra for some time—since we struck the deal—and we have had four releases. They had to check on a lot of infrastructure to work out what was available when, how much exchange

space they had and how much exchange space we needed in particular locations. So it is quite a complex process that we have been going through. That information has become available progressively. One thing that I should have also mentioned is our second release sites. Our first and second release sites were released quite some time ago. We obviously needed to execute on those and in fact in some cases extend and build out from those.

**Senator BIRMINGHAM:** Let me step back a bit. What should we describe each of these areas as? Is there a particular descriptor that you as NBN Co. apply to these discrete build zones when you talk about 11,200 in Blacktown or 8,800 in Townsville?

**Mr Quigley:** In some cases they are numbers of what are called fibre serving area modules.

**Senator Conroy:** FSAMs.

**Mr Quigley:** Each FAN site is the centre of a fibre serving area. That fibre serving area is made up of multiple fibre serving area modules. They can be roughly 2,500 to 3,000 premises. There could be one, two or three of them. A fibre serving area will be a multiple of fibre serving area modules.

**Senator BIRMINGHAM:** So how many FSAMs across Australia are ready to roll in terms of availability of infrastructure?

**Mr Quigley:** I cannot answer that at the moment. What we have tended to do is look at it as the transit becomes available then plan over a 12-month period, and then each quarter we will be looking at the next one. In fact, we believe that by early next year, because we will have a greater view of what is possible to do in a transit release, we will be able to give an indicative view of a longer time frame. I cannot answer off the top of my head which FSAMs are now available.

**Senator BIRMINGHAM:** Do you have an estimation of which ones are now available?

**Mr Quigley:** No, because frankly we plan them on the basis of when the transit becomes available. The other factor we need to keep in mind is that because of resiliency and redundancy reasons you want to build the transit network in rings so that if there is ever a fibre cut you can carry the traffic in the other direction. What you tend to then do as you build out is that once you start on a ring you try to keep going on that ring.

**Senator BIRMINGHAM:** In terms of these sites announced today, obviously the availability of infrastructure was a factor as to whether a site could go ahead. But, to step back, how were these sites themselves particularly chosen? Were they the only sites where there is available infrastructure that you were aware of or did you apply some priority beyond that, particularly the priority from the government guidance approach or otherwise, to come up with these sites?

**Mr Quigley:** The government guidance was broad in terms of saying, 'Go across the nation and get a decent mix of regional and metropolitan areas.' It is also a fact that the government asked us to prioritise greenfields and rural areas in terms of fixed wireless, which we have been working on hard to accelerate.

**Senator BIRMINGHAM:** Were these 28 sites taken off a short list?

**Mr Quigley:** No, I do not believe we had a short list. We have a department that does planning. They are the ones who have been working on it. The head of our planning

department has been working closely with the Telstra planners to plan the network. This has been an iterative process to try to match all of these factors together and to match them with the availability of the infrastructure.

**Senator Conroy:** I think what Senator Birmingham is trying to find out is why you have not built in a single Liberal electorate in Tasmania. As Paul Fletcher has asked today, 'Why is there no NBN being built in Liberal electorates in Tasmania?' Does anyone know the answer to that question?

**Senator BIRMINGHAM:** Seeing as you are going there, Senator Conroy, can you tell us how many of the 28 sites are in Liberal electorates?

**Senator Conroy:** I do not have it handy, but following that embarrassing article by Paul Fletcher I think my office has done some work on that. I am sure they will be able to supply that. My recollection from my press release in response was that it tried to bolster the numbers to make it look like there was some political bias involved. He deliberately avoided adding a couple of electorates where we are currently building, like Kiama, which is in a Liberal electorate. In Western Australia I think there are more Liberal seats. In New South Wales it is about even. But, as I said, I am sure someone will email me my press release in a moment and I can read out the facts to you.

**Senator BIRMINGHAM:** Of the 28 new areas, do you reject the assertion that there are only seven in coalition held seats?

**Senator Conroy:** I cannot reject the assertion that we did not build in a single Liberal electorate in Tasmania. I cannot reject that assertion.

**Senator BIRMINGHAM:** You are a constant source of comedic amusement, Minister. But in terms of the actual reality of the situation do you reject the assertion that, of the 28 sites selected, only seven of them are in coalition electorates?

**Senator Conroy:** I reject the entire premise of the idiotic press release that Paul Fletcher put out.

**Senator BIRMINGHAM:** I have not even seen Mr Fletcher's press release.

**Senator Conroy:** That is probably because he is too embarrassed to send it to you because you actually have a little bit of shame.

**Senator BIRMINGHAM:** Minister, if you could deal with the question.

*Senator Bilyk interjecting—*

**Senator Conroy:** Perhaps Senator Bilyk might be able to read mine out.

**Senator BIRMINGHAM:** Minister, you are the one who is here to answer questions. We have had enough reading of lengthy statements today without Senator Bilyk reading Senator Conroy's press release.

**Senator Conroy:** I think someone has finally sent it to me.

**Senator BIRMINGHAM:** Is it correct that, of the 28 sites, 20 are in Labor seats, one is in Mr Wilkie's electorate and only seven are in coalition electorates?

**Senator Conroy:** I might point out that Mr Fletcher should realise that it is impossible to rollout the NBN in a coalition seat in Tasmania because the coalition does not hold any of the lower house seats in Tasmania.

**Senator BIRMINGHAM:** It is a simple question, Minister. If you can reject it then you will do yourself a service.

**Senator Conroy:** I reject it utterly.

**CHAIR:** Can I have some order, please! Before the Tasmanian issue broke out, Senator Bilyk said she that was wanting to ask questions on Tasmania. I am sure Senator Abetz will be asking questions too. My recommendation is that we leave it till then. Senator Birmingham, you have the call.

**Senator BIRMINGHAM:** Minister, is it true that 20 seats—

**Senator Conroy:** In Western Australia, the coalition seemingly received more sites in the rollout commensurate with the fact that they have greater representation in that state. In NSW, Mr Fletcher conveniently leaves off construction work undertaken in Kiama and Jamberoo, in a coalition held seat. Of the six new sites he talks about in Queensland, three may be in Labor seats, but three sites are also in coalition seats. So his entire premise is false. He has embarrassed himself very, very substantially.

**Senator BIRMINGHAM:** That is enough about Mr Fletcher. Why don't you turn your attention to me? Is it correct that 20 of the sites are in Labor held electorates, one is in Mr Wilkie's electorate and seven are in coalition electorates?

**Senator Conroy:** Given that we are building all over Tasmania—

**Senator BIRMINGHAM:** You have obviously looked at this—

**Senator Conroy:** because at the beginning of the process we announced we were starting in Tasmania—

**Senator BIRMINGHAM:** There are only five electorates in Tasmania—

**Senator Conroy:** There are five electorates, of which four are Labor and one is Independent. When you start trying to add in the fact that you have no seats in Tasmania to this sort of figure, to try and draw the comparison you are, it is utterly meaningless. It is not possible for us to build in a Tasmanian Liberal seat. You have none.

**Senator BIRMINGHAM:** Okay, Minister. Tell us about the mainland.

**Senator Conroy:** I have just made the point that, when you are trying—as you were—to add the fact that in Tasmania, where we started the NBN—

**Senator BIRMINGHAM:** Well, it is part of Australia.

**Senator Conroy:** and put it into that statistic—

**Senator BIRMINGHAM:** I am asking about the 28 that the Prime Minister went there and thumped her chest about today, and I would just like you to tell us: are 20 of them Labor held seats?

**Senator Conroy:** I do not actually have a full account. I think my office have done one, but I do not have it in front of me.

**Senator BIRMINGHAM:** So you cannot pretend to—

**Senator Conroy:** As you can hear, I am happily seeking some information.

**Senator BIRMINGHAM:** So you can smear Mr Fletcher, but you cannot—

**Senator Conroy:** The premise of your argument is completely false. Mr Fletcher and you should be embarrassed for trying to make the argument.

**Senator BIRMINGHAM:** Well, Minister, you cannot refute the argument. You have not managed to negate the question that I have asked—

**Senator Conroy:** I can refute the fact that in Tasmania—

**Senator BIRMINGHAM:** so we can only assume that that stands.

**Senator Conroy:** In Tasmania it is zero out of five, and then, when you add it in, it creates a disproportionate balance because you do not have any seats in Tasmania.

**Senator BIRMINGHAM:** But you know there are 145 other electorates in the House of Representatives, don't you, none of them in Tasmania?

**Senator Conroy:** I am familiar with that fact.

**Senator BIRMINGHAM:** Good, because you seem to be fixated on the five in Tasmania.

**Senator BILYK:** That is because of Paul Fletcher's media release.

**Senator BIRMINGHAM:** I did not ask about Mr Fletcher's media release.

**Senator Conroy:** I bet you didn't!

**Senator BIRMINGHAM:** It does not matter. The minister just chooses what he wants to answer.

**Senator Conroy:** Senator Abetz is certainly not going to mention Tasmania.

**CHAIR:** Senator Conroy!

**Senator BILYK:** No, because he wants to roll it back.

**CHAIR:** This was never going to be easy, with three Tasmanian senators here—and I must commend Senator Abetz for his not entering into this.

**Senator ABETZ:** No. I am very good.

**CHAIR:** Senator Abetz has been very restrained.

**Senator BIRMINGHAM:** Chair, I simply note that Senator Conroy has not refuted that of the 28 new sites—

**Senator Conroy:** I refute utterly the premise of your question.

**Senator BIRMINGHAM:** announced today, 20 of them are in Labor electorates, seven are in coalition electorates and one is in Mr Wilkie's electorate.

**Senator Conroy:** I refute it utterly. You are selectively picking just the existing 28 and ignoring the total build that we have done. The total build statistics do not support your premise. Tasmania happens to have more build in it than other states, for reasons that have got nothing to do with anything other than the Tasmanian government having the courage to put their hand up and say, 'Start here.'

**Senator BIRMINGHAM:** I think we have discovered the 13th senator for Tasmania.

**Senator ABETZ:** Can I move to the rollout in the Green electorates, out in orbit—

**Senator Conroy:** The Green electorate of Melbourne?

**Senator ABETZ:** No, in orbit—out in space. I want to ask some questions about the NBN satellite.

**Senator BILYK:** Is that—

**Senator ABETZ:** It took you a while to catch on, but it is nice to know.

**Senator Conroy:** I confess that the satellites cover all 150 electorates.

**Senator ABETZ:** Excellent. That is good to hear. Including the one Green electorate they have on earth.

**Senator Conroy:** That is right.

**Senator ABETZ:** Where are we at in the tendering process now, given that it takes, I understand, three to four years from awarding of the contract to operation of the satellites?

**Mr Quigley:** We let the tenders for the space segment. There are two main segments. Here I am talking about the long-term satellite solution.

**Senator ABETZ:** As opposed to the interim.

**Mr Quigley:** For the long-term satellite solution, we let some tenders earlier this year. They are being evaluated at the moment for the space segment. There are two main segments. There is the space segment and there is the ground segment. We will be going out to tenders shortly on the ground segment, and we are evaluating the space segment.

**Senator ABETZ:** When do you think that might be finalised, just roughly?

**Mr Quigley:** I would not like to comment, other than to say that these are very complex pieces of machinery. They are 6¼-tonne, large 80-gigabit-per-second satellites, two of them, with a large number of spot beams. So they are big, complex machines. We are going about this very carefully. We have done a lot of research. We have called on a fair bit of expertise. Over the next couple of months, we would expect to proceed with the decision on the space segment and then move on to the earth segment. We expect to continue and meet the time frames which we had originally predicted, which is in the first half of 2015 to have services available on the satellites.

**Senator ABETZ:** And you would not want to put any time limit at all on the tendering process—end of the year, by mid-next year, just a rough guideline? No?

**Mr Quigley:** I have always found it wise, if you are negotiating in a tender situation, not to put time frames on yourself.

**Senator ABETZ:** Fair enough. Given that, are you willing to give us an indication of estimated cost, or would that be giving the game away?

**Mr Quigley:** That would be extremely unwise at this point in time.

**Senator Conroy:** Even more unwise.

**Mr Quigley:** But these are not cheap machines; they are expensive machines.

**Senator ABETZ:** I assume we are talking hundreds and potentially thousands of millions of dollars.

**Senator Conroy:** No, no. I think I was talking about \$250 to \$300 per bird!

**Senator ABETZ:** What is the return on investment, or where is this large sum of money going to come from for the satellites?

**Mr Quigley:** The return on investment is negative for the satellites.

**Senator Conroy:** It is actually your policy, I understand, to put up some satellites.

**Senator ABETZ:** Is it coming from government?

**Mr Quigley:** It is part of the overall business case.

**Senator Conroy:** It is built in.

**Mr Quigley:** It is built in. Both the fixed wireless and the satellite are not moneymaking ventures.

**Senator Conroy:** This is the seven per cent. They have never been a moneymaking venture. But your policy at the moment is to offer people in the seven per cent a voucher.

**Senator ABETZ:** Do not worry about that. Time is very short. Two satellites at once, it has been put to me, is potentially being excessive. In the past, has Telstra or Optus launched on a twin-satellite basis? Or has any other government in the world done it for non-military purposes?

**Mr Quigley:** Launched multiple satellites? Yes.

**Senator ABETZ:** At the same time?

**Mr Quigley:** I doubt they will be on the same launch vehicle.

**Senator Conroy:** I think the plan is they are about a year apart.

**Mr Quigley:** Yes. The issue you always have to deal with when you are dealing with satellites now is that you potentially could have a large number of people with no other means of broadband communications on a single satellite. I think that would be not a wise move. It is quite possible for these things to fail.

**Senator ABETZ:** So it is the risk argument that—

**Mr Quigley:** It is a risk argument and also a capacity argument. To serve three per cent of the population, or roughly 300,000 premises, to make sure that you can cover those, to give a satisfactory service—and we are hearing, certainly in the joint parliamentary committee, about the importance of satellite services in the bush for doing things such as video; we are increasingly hearing how important that is—to have insufficient capacity on a single satellite would be doing the bush a disservice.

**Senator ABETZ:** It is good to see this new-found interest.

**Senator Conroy:** I think it is important that you understand what Mr Quigley was describing there—

**Senator ABETZ:** I am sure Mr Quigley's words will stand on their own and they do not need any further explanation by you, Minister.

**Senator Conroy:** If you lump all of the three per cent onto one satellite, you will not be able to deliver the services—

**Senator ABETZ:** Are all Collingwood supporters this thick?

**Senator Conroy:** will not be able to deliver all of the services in the way that Mr Quigley has had them dimensioned.

**Senator ABETZ:** Have you finished?

**Senator Conroy:** It will not be possible to deliver the services in the way we are intending if you have only one satellite.



**Senator ABETZ:** Mr Quigley, are there other ways of reducing risk—perhaps partnering ownership with an international satellite company for the launch? Was that approach considered at all?

**Mr Quigley:** I am not sure I understand the question. Are you suggesting sharing satellite capacity?

**Senator ABETZ:** That is right.

**Mr Quigley:** Existing satellites or a new satellite?

**Senator ABETZ:** Either/or. So that you do not bear the total cost of launching a satellite.

**Mr Quigley:** The difficulty you have is existing satellites. We are struggling to even meet the current demand that we expect before we launch the two satellites we will launch, because there is a limited capacity over Australia for broadband capabilities. In fact, there is only the Optus satellite, which we are using, and the Thaicom satellite—IPStar, it is called. We are using a good chunk of the capacity that they have got to provide the interim satellite service.

There are a number of satellites which are covering parts of Australia, but logistically that is a very difficult thing to do and you do not get much capacity out of those. So the only satellites similar to the ones we are launching are being launched over North America. These are big, as I said—80-gigabit per second Ka band satellites with multiple spot beams. It is simply not a practical engineering proposition to share capacity on a satellite, even if one were available.

**Senator ABETZ:** Now to launch a satellite—possibly the Greens could answer this one—to go into orbit they tell me that you need a slot to be able to get into orbit. Do you currently have such slots available, booked, or how does that occur? How do you get out into space?

**Mr Quigley:** The slots are positions. These are what are called geostationary satellites. They sit up at 36,000 kilometres above the Earth's surface so that they stay in the same point in the sky—because they rotate at the same speed as the Earth rotates. You need a slot which is normally at a given longitude. Those slots you register with the international authorities, and we are in the process of doing so. We do not anticipate any problem with orbital slot locations. You also need spectrum, and we are in the process of acquiring the spectrum. We need roughly 1½ gig of spectrum available, and we are in the process of negotiating that spectrum. We have been in talks with the ACMA and we are in talks with other commercial parties. In terms of both orbital slots and in terms of spectrum, we do not anticipate—

**Senator ABETZ:** So that is underway.

**Mr Quigley:** Yes.

**Senator ABETZ:** Can I turn to the interim satellite solution. Is it correct that you have let a \$200 million contract to Optus and a \$100 million contract to IPStar?

**Mr Quigley:** Yes, I think those numbers are correct.

**Senator ABETZ:** For access to satellite bandwidth that already exists—

**Mr Quigley:** That is correct.

**Senator ABETZ:** and serviced by the Australian market. So the satellites are already up there in the sky and market arrangements were in place, so why is it necessary for NBN to provide an interim solution—given that this capacity already exists out there?

**Mr Quigley:** We are providing a service. There was capacity on satellites but a lot of it was unused. There was a chunk of satellite capacity unused.

**Senator ABETZ:** That is right.

**Mr Quigley:** We purchased that capacity in order to provide a six megabit down, one megabit per second service. More importantly, you need the capacity in order to provide a decent down—I will not talk about average busy-hour throughputs but just gigabytes per month in terms of downloads—so that we can provide people in rural areas with a decent service.

**Senator ABETZ:** Do you consider that the addition of a monopoly wholesaler between the existing commercial wholesalers and the retailers in an area that was already operating is in the best interests of the nation, Minister?

**Senator Conroy:** I would have to say that the service we are providing is now faster and cheaper, and I can happily get you some statistics on that. I am sure I can very quickly.

**Senator ABETZ:** Take it on notice.

**Senator Conroy:** I do not need to take it on notice. Let me be clear: the satellite service that NBN Co. is now providing is actually faster and cheaper than what people have been receiving from existing satellite services. So, to your question of do we believe that imposing this wholesale monopoly is to the benefit of the nation, it is not just to the benefit of the nation, it is to the benefit of consumers and particularly consumers who have had a very poor experience using satellite. You have heard me quote a number of individuals in the Senate chamber who have used words like, 'This is better than the broadband that my family in Sydney get,' and they are paying the same prices as people in Sydney will pay for the same services.

**Senator ABETZ:** Can you guarantee the same level of base entry pricing to consumers that they were able to access under the previous market based band width supply system?

**Senator Conroy:** Are you talking about just satellite, or all?

**Senator ABETZ:** The satellite.

**Mr Quigley:** We have the same price for the same services whether it is in the city or not. If you are talking about long-term satellite, it is 12 megabits down, one megabit per second up, with a very good dimensioning parameter, which means they will get good download capacity and it will be exactly the same price as you pay in the cities for that service over fibre.

**Senator ABETZ:** In an answer you gave previously to, I think, Senator Cameron, you said you saw the decrease of the price as something you were hoping for. For that to occur you would need a large take-up undoubtedly of customers—

**Senator Conroy:** Are you talking about satellite?

**Senator ABETZ:** No, general—back to Senator Cameron's question. You would need an underlying take-up level for sustainable price delivery?

**Mr Quigley:** Yes.

**Senator ABETZ:** Does that then, going back to the satellites, also apply to the satellite system where you have got currently, as I understand it, 800 on interim satellite? Is that right?

**Mr Quigley:** Yes, 800 services.

**Senator ABETZ:** Are there already 30,000 on the previous satellite arrangement?

**Senator Conroy:** That would be something for the department.

**Senator ABETZ:** Thank you for that guidance.

**Mr Harris:** There are about 30,000 existing customers. In fact there has been a larger number—

**Senator ABETZ:** What is the figure now—about 50,000?

**Mr Harris:** I think it is higher than that; my recollection is that it is about 80,000-odd ABG customers. I am not sure what, beyond that, you are asking.

**Senator ABETZ:** At the moment we have got 800 on the interim satellite for NBN. Is that correct?

**Mr Harris:** I think the figure is 870. But we are in a trial phase at the moment. This was announced at the time.

**Senator Conroy:** In November we hit the full—

**Mr Harris:** I am sort of swapping between NBN and ourselves, and that is because we are in transition, but there is a trial phase at the moment with a limited number of services on offer being ramped up. I think the expectation was maybe 1,000 by November. That was the largest number that we possibly had available to us. Then when additional beam capacity became available more services would be put in place by NBN Co., ramping up to what is called the proper interim satellite service, around the middle of next year. Something of that order.

**Senator ABETZ:** Just a general question: the wage rates being paid by NBN seem relatively high in comparative terms—

**Senator Conroy:** Comparative to what?

**Senator ABETZ:** The marketplace.

**Senator Conroy:** That is just wrong. That is not true.

**CHAIR:** Senator Conroy, can you let Senator Abetz finish the question?

**Senator Conroy:** The premise is flawed, but I will let him finish.

**Senator ABETZ:** I will not even bother with this arrogant minister. He will not even allow a question to be asked, and he says that the premise is flawed.

**CHAIR:** I have asked Senator Conroy to let you ask the question.

**Senator ABETZ:** I know you have, but I am just not going to bother with this arrogant minister. He holds back questions deliberately for two months so that you cannot ask further questions at estimates. The arrogance is just beyond the pale.

**Senator BILYK:** I just want a bit of an update. Bearing in mind Tasmania was the first state to have the NBN rollout—Senator Singh, Senator Abetz and I are all from Tasmania—I was interested in what sort of feedback you have had from people within Tasmania about how it is going.

**Mr Quigley:** Generally it has been very positive. Tasmanians are very keen for us to continue the build.

**Senator BILYK:** They certainly are, Mr Quigley.

**Mr Quigley:** We have started in those seven stage 2 areas in Tasmania. We have announced what Tasmanians would call part of stage 3 to build out in South Hobart and some of the other places. The overall reaction has been fairly positive, particularly from places like schools. One of the schools, I think in Scottsdale, is very happy with the type of services it can now provide.

**Senator BILYK:** And Smithton has got coverage too.

**Mr Quigley:** Yes, Smithton as well. They are doing all sorts of innovative and interesting things with their curriculum. It is great to see and we expect to see more of that. Frankly, the frustration for us is the speed with which we can build. We just cannot get everywhere at once and we are getting inundated.

**Senator BILYK:** I must admit it is slightly frustrating because the people in Tasmania very often say to me, Senator Singh and the other Tasmanian federal members that they love it. They want it now; they want it yesterday. It is good to see that Tasmania was able to lead the way.

**Senator SINGH:** In other data, Tasmania is seen as a disadvantaged state. Do you see, in relation to socioeconomic outcomes—in certain areas of the state at least—that there could be a correlation between having the NBN in some of these parts and bolstering socioeconomic outcomes? You mentioned Scottsdale, which is in the north-east of the state, and Smithton, which is in the north-west—areas that do not have, for example, as high a level of tertiary entrance as other parts of the state. Do you see the NBN as something that could actually bolster the socioeconomic status of our state and other parts of the country?

**Mr Quigley:** I am speaking here as an individual. It is not something that the NBN Co. has looked at in detail. Our job is to build the network and there is a lot of work going on in government looking at all the other things that need to take place. But from what I have read of other countries, the delivery of education has enabled people, for whom it is difficult to move maybe across to the mainland or even into capital cities, to do courses online and interact with institutions. That is going to make a big difference for people. Certainly, education is a basis for socioeconomic progress.

**Senator IAN MACDONALD:** Mr Chairman, I will not be too long with questions. You and I and others have the opportunity of speaking with Mr Kaiser regularly so I will not take too much time from other members of the committee.

**Senator Conroy:** You mean Mr Quigley. You have got Mr Kaiser on your mind.

**Senator IAN MACDONALD:** Sorry, I mean Mr Quigley. That is funny, because the only question I am going to ask Mr Quigley later is one that I gave him notice of at the last meeting of the NBN committee. I have given away the nature of my inquiry by concentrating on the wrong person. But, Minister, do you still say that NBN will make a profit?

**Senator Conroy:** I think I happily stand by the corporate plan, which says that they will make a seven per cent return.

**Senator IAN MACDONALD:** And when do you think it will start to show the taxpayer that return?

**Senator Conroy:** It is over the life of the project, but I think what we were discussing off the record previously was when we thought there would be the capacity to raise private finance. I think that went to the heart of it.

**Senator IAN MACDONALD:** That was the next question. The first question is—

**Senator Conroy:** I am just helping you with your questions. Mr Quigley will be able to give you a more definitive answer. I know I was bouncing around a bit about which year it was.

**Mr Quigley:** If you are looking at the financial performance of the company, perhaps I could remind you of the corporate plan we submitted in December of last year. There were a couple of dates when we set the internal rate of return at roughly 200 basis points above the government bond rate at the time—around five per cent, so we set it at about seven per cent. Over the life of the project, if you look at the overall financial performance, back in December we said we would expect it to be EBIT positive in 2018, EBIT positive in 2020, EBT positive in 2021 and free-cash-flow positive in 2022. If you were trying to get to a point where the company starts to generate free cash flow and where it had a positive income, it is those dates.

**Senator IAN MACDONALD:** I am not giving a commentary on my health, but I am afraid I am not going to be around when the NBN makes the profit—even on the corporate plan, which many have questioned. You are going to give us a seven per cent return. I would say nobody in this room will be alive and in the Senate when NBN makes a profit.

**Senator Conroy:** How much money did that Adelaide-to-Darwin railway make? What was the rate of return on that—can anyone remember? I will be dead before it makes a return. At least Senator Birmingham was not responsible for that one!

**Senator IAN MACDONALD:** I was very much a part of that proposal as a minister.

**Senator Conroy:** Did you do a cost-benefit analysis on the Adelaide-to-Darwin railway?

**Senator IAN MACDONALD:** Minister, you are conceding that this is never likely to make a profit.

**Senator Conroy:** No, I am not conceding anything of the sort. This is actually being run by a bunch of professionals.

**Senator IAN MACDONALD:** You are relating it to the Darwin railway.

**Senator Conroy:** No, I was not. I was equating your hypocrisy to it.

**Senator IAN MACDONALD:** That confirms my belief. But thank you, Mr Quigley, for your response. I could have got that out of you at another committee. I know you stand by the corporate plan when many others do not, but you as a businessman would concede that a seven per cent return—

**Senator Conroy:** He has run more businesses than you have.

**Senator IAN MACDONALD:** You would concede that a seven per cent return is not something that is going to attract private capital.

**Mr Quigley:** I have said several times, I think, that no commercial entity would undertake a project like this.

**Senator IAN MACDONALD:** Certainly not at a seven per cent return.

**Mr Quigley:** Of course not.

**Senator IAN MACDONALD:** So you are not going to get private investment in it.

**Mr Quigley:** That is a different question.

**Senator Conroy:** That is a totally different question.

**Senator IAN MACDONALD:** How are you going to get private investment into it if it does not give a return that the market might want?

**Mr Quigley:** I like to distinguish between raising debt and raising equity. They are two different issues.

**Senator IAN MACDONALD:** We could have read the corporate plan—which, as I said, few believe. That is why I wanted to ask the minister, who does not attend our other meetings and who is now leaving the room when I want to ask him a question. While we are waiting for him, perhaps I can come back to the only question I have for you, Mr Quigley—which I did indicate to you that I would be asking. You told us at the joint committee hearing that you had a new government affairs manager. Could you remind me who that is?

**Mr Quigley:** The gentleman's name is Kieren Cooney. He will be joining the company in November.

**Senator IAN MACDONALD:** I think that came up because you said he was quite a special find for you. I recall that you praised him in your comments.

**Mr Quigley:** Of course. We would not be employing him if we did not think he was good for the job.

**Senator Conroy:** We always like to know where the trap is.

**Senator IAN MACDONALD:** And you are employing him at the same price or at a different price to that at which you employed the person whose job he is taking over.

**Senator Conroy:** And that person would be?

**Senator IAN MACDONALD:** Control yourself, Minister; I am coming to that.

**Mr Quigley:** Actually, the job is not exactly the same, but obviously he is taking on some of the activities that Mr Kaiser used to run.

**Senator Conroy:** Don't mention the war!

**Senator IAN MACDONALD:** My question is: is he getting the same pay, more pay or less pay than the previous holder of the office?

**Mr Quigley:** I cannot compare them directly. As I said, it was not exactly a one-for-one replacement in terms of the jobs. But let me say that he is certainly not going to be paid less.

**Senator IAN MACDONALD:** Is he going to be paid more? We have on record what Mr Kaiser was being paid.

**Mr Quigley:** That is right, and I am trying to avoid putting on record—piece by piece, one by one—all the employees of the company.

**Senator IAN MACDONALD:** That is why I am not asking you what he is being paid. I am asking you whether he is getting more than Mr Kaiser was getting, and I think your answer is yes.

**Mr Quigley:** I think so.

**Senator IAN MACDONALD:** In the way we ask about Australia Post and other business corporations, we will get from you at some time a range of salary payments.

**Mr Quigley:** Yes.

**Senator IAN MACDONALD:** Perhaps I could put that on notice now. Could you do that for us, the way Australia Post does?

**Mr Quigley:** Yes.

**Senator IAN MACDONALD:** I want to go on to Mr Kaiser. Which position has he now moved to?

**Mr Quigley:** He is now looking after our quality function.

**Senator IAN MACDONALD:** What does that mean?

**Mr Quigley:** It is composed of a number of activities to try to assure the fitness for purpose of those things we sell. So it involves quality planning, quality control, quality assurance and quality improvement. It is looking across the company at all the different processes and making sure that those processes are operating the way they should be. It involves a lot of use of statistics. It really is essential for somebody in that position to have an engineering background to carry out that type of role.

**Senator IAN MACDONALD:** What is Mr Kaiser's qualification for this role?

**Mr Quigley:** He is an electrical engineer.

**Senator IAN MACDONALD:** Has he dealt with this sort of thing before?

**Mr Quigley:** No. In fact, I quite deliberately wanted to get somebody with a background in traditional quality. During my career I spent some three years in quality, and I have some strong views about what type of characteristics are needed for somebody to carry out this sort of role. It was not somebody who is just familiar with the accreditation and certification processes of ISO 9001, for example.

**Senator IAN MACDONALD:** Was this new job—the quality controller—advertised?

**Senator Conroy:** It was an internal restructure.

**Senator IAN MACDONALD:** Or was it just another suggestion from the minister that perhaps you might look at him for that job, as he did with the original job?

**Mr Quigley:** No, there was absolutely no suggestion from the minister—or, frankly, from anybody else. It was my idea. I knew we needed to have a head of quality. I thought very carefully about all the individuals in the company and came to the conclusion that Mr Kaiser—who is a very talented individual, by the way—had the right attributes for this role.

**Senator IAN MACDONALD:** Is quality communication part of the quality deliverables he is undertaking? Would quality political strategies be part of it?

**Mr Quigley:** That was not a factor in my thinking, no.

**Senator IAN MACDONALD:** Would that be part of his job though?

**Mr Quigley:** I absolutely have not written that in his job description.

**Senator IAN MACDONALD:** So it will not be part of his job?

**Mr Quigley:** No, it will not be part of his job.

**Senator IAN MACDONALD:** We know that Mr Kaiser—a very public figure, a member of parliament—had to leave parliament because of certain allegations, which I think he actually admitted, that were in breach of the law. He was very well known publicly among the Labor Party apparatchiki. We know he was first appointed without any tender and without any advertising for the position because the minister just happened to suggest to you that you might have a look at him.

**CHAIR:** Senator Macdonald, do you have a question?

**Senator IAN MACDONALD:** Yes. I am setting the grounds for what I am going to ask. He was a public figure, and when he was appointed his salary was known to everybody and viewed rather suspiciously. It was, from memory, \$450,000, which is about double what even the minister receives as a salary.

**Senator Conroy:** That is true.

**Mr Quigley:** Mr Kaiser is a very talented individual!

**Senator IAN MACDONALD:** I take your implication, Mr Quigley. Can I say that we agree with you absolutely; you do not need to explain yourself. Don't try and apologise; we all agree. But for those reasons, I want to know what Mr Quigley is now getting.

**Senator Conroy:** He is rightfully choking on his water.

**Senator IAN MACDONALD:** Thank you. I have confused the names again. I do not want to know what you are getting, Mr Quigley; I have read it in the paper. I want to know what Mr Kaiser is getting in his new role.

**Mr Quigley:** I am not sure we have made any changes at this point, but what I can say is that I believe we make public in the annual report the salaries of the key individuals in the company.

**Senator IAN MACDONALD:** That's fine. If he is getting what he was getting before, and we know what he was getting before, I do not need to pursue that any further.

**Mr Quigley:** Just by way of explanation there, the board of the company has introduced a short-term incentive plan, which I am sure Mr Kaiser is part of as well.

**Senator IAN MACDONALD:** What, is everyone part of the short-term incentive plan?

**Mr Quigley:** No, there are a number of people in the management team—this is in the annual report; it is very common in companies to have a short-term incentive scheme—and Mr Kaiser will be one of those individuals.

**Senator IAN MACDONALD:** How many others will be part of this scheme?

**Mr Quigley:** I do not know the numbers off the top of my head. It is almost certainly in the annual report.

**Senator Conroy:** It is ultimately for the board to decide.

**Mr Quigley:** It is ultimately for the board to decide, yes.

**Senator IAN MACDONALD:** Have they decided yet?

**Mr Quigley:** There is a short-term incentive plan operating in the company.

**Senator IAN MACDONALD:** How many are participating?

**Mr Quigley:** I will have to take that one on notice; I do not know the exact numbers.



**Senator IAN MACDONALD:** Would it be in the tens? In the hundreds?

**Mr Quigley:** I should take it on notice rather than estimating off the top of my head.

**Senator IAN MACDONALD:** Does it include the guys out there digging the ditches?

**Mr Quigley:** No, it does not include the guys who are out digging ditches, who generally are not employees of the company; they are contractors.

**Senator IAN MACDONALD:** Does it encompass all of the employees?

**Mr Quigley:** No, it does not encompass all of them.

**Senator IAN MACDONALD:** Only what you would label as senior management?

**Mr Quigley:** Generally senior management.

**Senator IAN MACDONALD:** And what about Mr Kaiser's role? Where would he stand in the pecking order of the company?

**Mr Quigley:** Mr Kaiser reports directly to me.

**Senator Conroy:** He is one of seven direct reports, under the restructure.

**Senator IAN MACDONALD:** So he is in the second layer.

**Senator Conroy:** If you are defining Mr Quigley as the first layer, then he is in the second layer, yes.

**Senator IAN MACDONALD:** Yes, I am. Would all people in the second layer be part of this plan?

**Mr Quigley:** If they choose to.

**Senator IAN MACDONALD:** Which ones apart from yourself would not choose to receive more money for their job?

**Mr Quigley:** It is not uncommon for an individual—for example, our CFO, who has announced he will be retiring—to not participate in the short-term incentive plan.

**Senator IAN MACDONALD:** So what is the short-term incentive payment?

**Senator Conroy:** Plan, not payment.

**Mr Quigley:** It is very common—for example, I think you will find it in almost all government business enterprises.

**Senator IAN MACDONALD:** Just tell me what it is.

**Mr Quigley:** It is a plan that looks at remuneration of management. You set objectives for the company, and if those objectives are met there is normally a sliding scale. It is a bonus plan.

**Senator IAN MACDONALD:** Is there a certain sum of money set aside so you can say that if we connect—what have you connected so far, 34 people in New England?—double what we have connected so far then you get a bit of a bonus?

**Senator Conroy:** I think we have got more than that in New England.

**Senator IAN MACDONALD:** Have you? Good. I will find that out.

**Senator Conroy:** Any time you want to ask.

**Senator IAN MACDONALD:** I won't ask here.

**Senator Conroy:** I am sure you do not want any facts; it's okay.

**Senator IAN MACDONALD:** I will get it in the other committee, where I have more time; some of my colleagues do not have that opportunity. Just explain how this works, Mr Quigley.

**Mr Quigley:** It works the way it works in almost all companies.

**Senator IAN MACDONALD:** I do not know how it works in companies or the Public Service, that's why I'm asking you.

**Mr Quigley:** Objectives are set, and the board reviews and approves them. The People and Performance Committee of the board oversees the plan, they approved the objectives that were set for the company and then they make an evaluation of how the management team has performed against those objectives. On that basis, a percentage of the pool that is set aside may be made available for compensation under the STI scheme.

**Senator IAN MACDONALD:** Can you tell us what the pool is in cash terms?

**Senator Conroy:** I thought I saw a report that it had been reduced by 20 per cent.

**Mr Quigley:** Yes.

**Senator IAN MACDONALD:** Reduced by 20 per cent does not tell me what it is in actual dollars.

**Senator Conroy:** No, I just remember that I saw a headline that it had been reduced by 20 per cent.

**Mr Quigley:** I believe the numbers are probably in the annual report.

**Senator IAN MACDONALD:** Are they? Good.

**Senator Conroy:** Ninety-seven, just in case you're wondering.

**Senator IAN MACDONALD:** Mr Quigley, if you don't know, excuse me for not knowing exactly what is in the annual report. Can you elaborate? Is it in the millions of dollars?

**Mr Quigley:** Yes, it is in the millions of dollars—of course.

**Senator IAN MACDONALD:** So it is to be shared among, what, 12 or so people?

**Senator Conroy:** I think Mr Quigley said he would take that on notice.

**Senator IAN MACDONALD:** He did, but—

**Senator Conroy:** He wanted to give you the exact numbers.

**Mr Quigley:** It's just that in these areas it's much better I give you the exact numbers.

**Senator IAN MACDONALD:** It puts off the committee's ability to know how many are sharing in it and what the pool is.

**Senator Conroy:** Mr Quigley has taken it on notice. He has said he will get you the answer.

**Senator IAN MACDONALD:** Okay. Minister, you walked away when Mr Quigley came to your rescue. I want this out of your mouth, because it was you, not Mr Quigley, who promised that the business would make a profit—and it wasn't in 2022, either: do you remember what your promise was about when it was going to make a profit and when you were going to sell it off to private industry?

**CHAIR:** Senator Conroy, I have a question on the issue of salaries, just before we move off it, and I assume we're moving off it. I notice that, in your annual report 2011, there is a note about your salary, Mr Quigley, that you elected not to participate in the STI program and that you forfeited an award of \$314,000. Is that correct?

**Mr Quigley:** That's correct.

**CHAIR:** Okay, I just wanted that on the record.

**Senator IAN MACDONALD:** You could have read that in Senator Conroy's favourite newspaper. The *Australian* had that; that's why I'm not asking Mr Quigley questions about that. I acknowledge that. Minister, do you remember what your promise was and do you still stand by it?

**Senator Conroy:** You are asking a very specific question, and there are different issues involved. The first is: when will it go cash flow positive?

**Mr Quigley:** 2022.

**Senator Conroy:** 2022. When do we think that it can raise debt in its own right?

**Mr Quigley:** That is certainly well before that. Once you can show that you're equity positive, you have a plan and the debt market has confidence in the business plan you should be able to raise debt. But it's a complex subject; there's no easy answer to it.

**Senator IAN MACDONALD:** Thank you, Mr Quigley. Again, I was asking Senator Conroy what he originally promised, just to remind us all. Senator, I want you to advise the parliament through this committee that you still stand by that.

**Senator Conroy:** I think 2016 to 2017 is the estimated period—

**Senator IAN MACDONALD:** Is that what you told us originally when you announced this white elephant?

**Senator Conroy:** You can't quote me anything directly, at the moment, so I'm—

**Senator IAN MACDONALD:** No, I can't. That's why I'm asking you.

**Senator Conroy:** I'm not going to let you put words in my mouth at any point.

**Senator IAN MACDONALD:** That's why I'm asking you. You tell me.

**Senator Conroy:** Coming back to what I was saying—I'm trying to be very specific for you—I think the estimate is around 2016 or 2017 that the corporate plan envisages that we'd be able to raise private sector debt via bonds for NBN itself. In terms of the original plan, we were talking about selling it off five years after the completion of construction. Construction is now at 2020 or 2021.

**Senator IAN MACDONALD:** Sorry, the end of?

**Senator Conroy:** The end of construction—2021.

**Mr Quigley:** December 2020.

**Senator Conroy:** December 2020, and it will be five years after that, give or take, because you wouldn't want to sell off if you were in the middle of another global financial crisis. So there's some flexibility there. But that does have to, as Senator Ludlam would point out, come back to the floor of parliament for a vote.

**Senator LUDLAM:** Maybe it won't happen at all.

**Senator Conroy:** Or maybe it wouldn't happen at all. So those are all the things I think I've said. Will it make a profit? Yes, over the 30-year period. I believe that it will make its corporate plan.

**Senator IAN MACDONALD:** Minister, you remember that the corporate plan came after you had already wasted \$20 million on another process. When you announced the NBN—

**Senator Conroy:** No, I had not. The government had not. You alleged that a whole range of people who tendered had, but the government had not wasted it.

**Senator IAN MACDONALD:** So you are not going to tell me what you promised then.

**Senator Conroy:** I just do not remember what you are referring to. I am not denying anything I said previously; I am inviting you to tell me what I said previously.

**Senator IAN MACDONALD:** I was asking you to tell me so I did not put words into your mouth.

**Senator Conroy:** Tragically, neither of us can remember the exact statement you are quoting.

**Senator IAN MACDONALD:** Let us move to the next plane. Today you still stand by the assessment in the corporate plan?

**Senator Conroy:** Absolutely.

**Senator IAN MACDONALD:** So when is it going to be sold off to private enterprise? Five years—

**Senator Conroy:** Five years after the completion of the construction.

**Senator IAN MACDONALD:** Which you think will be, what, 2030?

**Senator Conroy:** If we finish in 2020, that would be 2025, potentially.

**Senator IAN MACDONALD:** So you will not be around to answer my questions then, Minister. I can guarantee you will not be the minister then!

**Senator Conroy:** I do not think even Senator Birmingham will be around to answer your questions then.

**Senator IAN MACDONALD:** He will be very embarrassed if he is then the minister and has to explain why this government corporation is worse than the old Telecom and is costing the taxpayers huge amounts in subsidies.

**Senator LUDLAM:** Congratulations on the release of the 12-month plan, apart from the notable absence of Fremantle.

**Senator Conroy:** No self-interest involved there!

**Senator LUDLAM:** Am I getting predictable? Can you tell us how you arrived at that particular distribution, with dots distributed all over the landscape? How have you arrived at what is in that document?

**Mr Quigley:** In the rollout plan, the 12-month plan? I cannot specify it in any more detail than I have explained before about the infrastructure availability, the planning that has taken place around that over many months and the availability of FAN sites and points of interconnect. In the end, a simple choice has to be made by the planners as they plan out the network.

I can tell you that I certainly personally have no idea, when there is a site, what electorate it is in—in fact, I could not tell you to save my life what electorate any of these sites are in and which party holds them—and, knowing the technical people who do the planning, they would have zero interest in that issue. They plan on the basis of the factors that I explained, which political seats have no bearing on at all.

**Senator Conroy:** So we cannot promise you that Fremantle will be there, because we have a bunch of engineers who may not even have heard of Fremantle.

**Senator BIRMINGHAM:** I think that is a little disparaging towards them, Senator Conroy.

**Senator Conroy:** No, it is not being disparaging. You have not met these geeks; I have!

**Senator BIRMINGHAM:** They may not have heard of the electorate of Fremantle but—

**Senator Conroy:** You have not met these geeks, seriously!

**Senator LUDLAM:** I cannot believe I waited up till twenty past 10 to hear this. It is unbelievable.

**Senator Conroy:** Broken hearts, sob quietly please!

**Senator LUDLAM:** Mr Quigley, last week in the joint committee hearing you undertook to take away a question relating to backhaul across the APY Lands in Central Australia.

**Mr Quigley:** Yes.

**Senator LUDLAM:** How did you go?

**Mr Quigley:** I am afraid it is not good news for you, Senator. It is a very labour intensive and difficult question to answer—to try and replan. We are struggling at the moment to do all the work we need to do to plan the fixed wireless network on the existing footprint that we have. I really would need the shareholder to instruct us to divert resources to answering your question, because it is not a simple question to answer. It is a substantial effort to do it.

**Senator LUDLAM:** I will talk to your shareholder. The pricing and revenue projections—this is coming a little bit into the area that Senator Macdonald was asking about. You are a bit dependent eventually on the balance of premium services, on people taking up some of the more expensive or some of the faster or higher bandwidth services. Is it too early to say how the modelling in the business plan is bearing up? Have you got any data at all?

**Mr Quigley:** Yes. These are very early days—from our first assumptions to now, we have only got a year's worth of data—but the good news is that it is absolutely travelling in the right direction. On fixed networks the downloads are still moving ahead at a very rapid rate. I would say that there is nothing that we have seen in the intervening year since we set up those revenue plans which would cause us to change the assumptions that we had made. In fact, if anything, we are seeing confirmation of what we had expected and I think we are seeing a much clearer picture how wireless technology is evolving and how fixed-line, fibre-based technologies are evolving. We have seen no diminution at all in the expected use of high-bandwidth broadband services such as increasing amounts of video, video conferencing and cloud computing. I would say that in the last year the emphasis on cloud computing and the investments that have been made will just confirm the need for high bandwidth, particularly in uploads.

**Senator LUDLAM:** I will bring you to some of the specific exemptions in the business plan in a moment; in the meantime, when is an announcement expected on a contractor for the Northern Territory and South Australia?

**Mr Quigley:** Within the next month or two. Those negotiations are still ongoing and going reasonably well.

**Senator LUDLAM:** Have you got a prime contractor? Are you negotiating with one party now?

**Mr Quigley:** I would not like to say too much more than what I have already said that they are progressing quite well and we expect to come to a resolution within the next month or two.

**Senator LUDLAM:** I have gone back and had a quick scan of your business plan and by mid-2013 you had hoped to have passed 1.7 million premises—I am on page 110 of the business plan—you wanted to have connected about half a million; and your gross revenues were to be about \$160 million. In orders of magnitude, how far do you think that might have slipped? We had some of this conversation the other night.

**Mr Quigley:** I am still trying to get the numbers at this point in time. I can only say a number of factors have changed since the corporate plan was prepared and published. I have mentioned the ACCC decision on the points of interconnect; it has had a bigger impact than we had anticipated. Another is the government's policy on greenfields, which we have implemented from the beginning of this year. We have had also had to put a lot of focus—you have heard me talk about the transient network—on the transit in order to deliver on the greenfields at minimal costs and to accelerate the fixed wireless. All of those factors—together with the delay in the Telstra deal, which took a bit longer, and the suspension we put on construction contracts to make sure we got the right outcome for taxpayers—have impacted on the overall plan. We will be updating that plan and resubmitting it to the government.

**Senator LUDLAM:** When will that be?

**Senator Conroy:** I think they first said back in April on the record in the *Sydney Morning Herald* and the *Age*, Senator Ludlum. At that stage we were about three months behind, and so we have probably finished another three months on top of that in terms of completing all of the changes. I think I said that way back in April.

**Senator LUDLAM:** There have been delays and some twists and turns since then. I know today has been a good day with the Telstra vote, the Wollongong launch and the ZDNet article, but, even if you make up the time that has been lost, by your numbers you are nowhere near profitable by mid-2013.

**Mr Quigley:** Profitable? No, a project like this simply cannot be profitable in that sort of time frame.

**Senator BIRMINGHAM:** No. So, tell me what happens if there is a change of government and somebody moves to break you up and flog you. Could you talk us through the value proposition if somebody did decide to sell on the basis of where you think you will be in 2013.

**Mr Quigley:** This might help you. Last week Mallesons, who are Telstra's lawyers, gave a speech at CommsDay Summit, which outlined some of the challenges—obviously, from a Telstra perspective—that somebody may encounter in going down an alternative path. That might be a useful document for you.

**Senator LUDLAM:** I will chase that up. I am interested, Mr Quigley, in your perspective as somebody who would then be put in the interesting position of trying to retrieve the maximum value for the taxpayer from somebody trying to sell a network not even one-quarter built. I would like you to step us through what that would look like, from the point of view of the network, because—without wanting to bring everybody down off the euphoric note of the day—that is a proposition that is being seriously put.

**Mr Quigley:** I need to ask a few questions first to make sure I understand what it is you are asking me. Is your question about breaking up the company and trying to sell pieces of it or to sell it as a going concern?

**Senator LUDLAM:** What would you do? It is going to be losing a great deal of money. Presumably, the spending will immediately cease. I am wondering whether there would be any proposition at all that you could sell the network by approximately the state you would be up to by the middle of 2013 and make any kind of return for the taxpayer?

**Mr Quigley:** Certainly some assets of the company would hold at that point, particularly related to the transit network and the backhaul, but neither the investments that have been made on fixed wireless nor the investments that have been made on satellite are money-making ventures. I believe that everybody is interested in providing a good solution to the bush and to rural Australia. This is the most cost-effective way to deliver the types of service that we have been set as an objective—12 megabits down, one megabit up. For rural people I do not see any cheaper way of doing that. I can only presume that someone would want to continue with that. The problem is: if you take away the other part of it, which is the fibre part, then you no longer can—

**Senator LUDLAM:** You cannot cross-subsidise.

**Mr Quigley:** cross-subsidise because it then has to stand alone. Nobody will be interested in buying what is going to be not just a loss-making business in the short-term but a loss making business in perpetuity.

Then you have the other question of assets in transit, which will be of some value, but something is of value if you have to buy it.

**Senator LUDLAM:** Would it be a sellable asset, or would it be a liability?

**Mr Quigley:** It depends on what you want to do. If you are just trying to go to the market and sell it, certainly there are people who would be interested in backhaul capacity no matter what.

**Senator LUDLAM:** By then, we are somewhere between half a million and 1.7 million little fibre connections street by street and house by house. What would become of those? Would they be profitable?

**Mr Quigley:** If you stopped at that point and tried to run that as a business—the network is not being built as a normal commercial network would be built. Like a HFC network would be built—

**Senator LUDLAM:** You choose the profitable bits.

**Mr Quigley:** You go for the profitable bits. That is what a commercial entity would do. We have not gone for the profitable bits.

**Senator LUDLAM:** No, you have stuff all over the place.

**Mr Quigley:** Yes, we built stuff with a distribution, as the government asked us to do, with an emphasis on regional and on metropolitan. It is just we have approached this as a project that is in the interests of the public good, not to maximise profits.

**Senator LUDLAM:** That is an outrage.

**Mr Quigley:** If it is to be sold to a company that is interested in maximising profits, then it is at odds with what we have been building.

**Senator LUDLAM:** I think that is why people are finding this thing so utterly scandalous and incomprehensible. I am going to return to this issue, because I think there is a serious issue of risk here which I do not think has been well addressed or canvassed. There has always been an assumption that a future government, at a turnover in mid or late 2013 would have this asset that they could sell and that that would be able to undo this enormous damage being wrought by the NBN. I wonder how much it will be possible to know this far out whether it would be a liability or an asset in the hands of a future government, if you were trying to sell the fragments of it.

**Mr Quigley:** You would split it into four parts: the satellite project, the fixed wireless, the access build and then the transit network. These are leases on Telstra assets; that is clearly an asset. The access builds are builds but they are disparate; they are not all concentrated in one area, which is what you would do if you were trying to minimise op ex and maximise profitability.

I can only repeat, Senator, that if the aim is to just maximise profits you would not approach it this way. But that is not the aim; the aim is public good.

**Senator LUDLAM:** I am looking forward to the network being completed, and I wish you well. Congratulations on the day.

**Mr Quigley:** Thank you.

**Senator BIRMINGHAM:** Mr Quigley, earlier this year you went through a period of attempting to put out the contracts for the NBN build, particularly in Queensland, New South Wales and the ACT. Those contracts were suspended and then a new process was finalised for the build in those locations. How did the terms of the contracts and that tender process change from the initial activity to the one that was finalised?

**Mr Quigley:** That would be a very long answer. I am not sure that I should try to attempt that here. Many things were changed in that process in terms of individual details. It was a new process that we started.

**Senator BIRMINGHAM:** Did pricing change in that changing of contractual or tendering processes?

**Mr Quigley:** Did we end up with prices at the end of the second process that were different from when we suspended the first? Yes, we ended up with different prices.

**Senator BIRMINGHAM:** Did the budgets for what you were seeking to achieve change?



**Mr Quigley:** No, budgets did not change; we knew what we were aiming for in the corporate plan. What changed were the prices we were being offered.

**Senator BIRMINGHAM:** Did risk allocation change?

**Mr Quigley:** Yes, risk allocation changed.

**Senator BIRMINGHAM:** How did risk allocation change between the two processes?

**Mr Quigley:** We went into much more detailed discussions about which party was best able and best suited and which was the optimum allocation of risk between the parties.

**Senator BIRMINGHAM:** In the initial process there was, obviously, less detail. Did that limiting of detail mean that more risk was carried by the contracting party or by NBN?

**Mr Quigley:** In such complex negotiations it is impossible to give black-and-white answers like that. Different things moved in different places. It is, to some extent, somewhat subjective. Different parties may have a different weighting on what risks mattered to them the most. Two different parties on either side may have a different view of risk. There are no black-and-white answers to what you are asking.

**Senator BIRMINGHAM:** In terms of the detailing of risk, obviously there is a process to detail what the risks are and who carries the risk within the contract, and then there is, in a sense, the residual risk of uncertainty that may not be detailed within the specific aspects of the contract. Did the residual balance shift in the change of contract arrangements?

**Senator Conroy:** I am not sure you can go much further down the track, Senator Birmingham, of asking questions around tenders. I know you have already tried it once.

**Senator BIRMINGHAM:** Senator Conroy, I have absolute confidence that when I cross the line Mr Quigley will tell me.

**Senator Conroy:** I am just flagging that I think you are getting very close.

**Mr Quigley:** What I can say is that I am confident that, in the second process, we found a way to balance risks that was better for both parties and led to a better outcome for the Australian taxpayer than if we had kept going with the previous process.

**Senator BIRMINGHAM:** 'Found a way to balance risk that was better for both parties'? In the end, the first process essentially failed because you could not get the job done for the price that the budget required. In the second process you managed to get the contract for the price that met the budget—

**Mr Quigley:** I would not agree with the characterisation—

**Senator Conroy:** I reject your characterisation.

**Mr Quigley:** Trying to use that simplified language on what is a very complex process is just not correct. A process was entered into. This is not, by the way, uncommon. It is a sensible thing for a company charged with a responsibility for spending taxpayers' money wisely to suspend the process when it believes it is not getting the right value for money. The good news is we have subsequently executed a number of contracts with much better value for the Australian taxpayer. I thought, frankly, that would be welcomed by everybody.

**Senator BIRMINGHAM:** It is welcomed if it is the case, but of course none of the rest of us are party to the detail of what the original ones were and the value for money proposition that you are talking about.

**Mr Quigley:** That would be impossible to do. That requires weeks and weeks of intensive involvement in the negotiations themselves.

**Senator BIRMINGHAM:** If you are able to—and you will decide the limitations on this because you provide the answer—can you provide on notice some element of briefing as to how the approach has changed, how the terms would have changed in a generic sense? Obviously you cannot go into the detail of it. In particular, if you could explain how the risk profile or the risk allocation changed between those two processes, I would appreciate it.

**Mr Quigley:** I will take that on notice, but I cannot promise. I will have to talk to the probity people and the legal people about what I can and cannot say.

**Senator Conroy:** Frankly, you are deliberately asking questions that go way across the line. So I do not think you are going to get a lot of joy from this line of questioning.

**Senator BIRMINGHAM:** Thanks for your assessment, Minister. As I said, I have absolute faith that Mr Quigley will draw the appropriate boundaries on what information he does or does not provide. Hopefully it will not sit in your office for months before we see it after he has provided it. Mr Quigley, you now have contractors in all mainland states and territories, with the exception of South Australia. That is correct?

**Mr Quigley:** And the Northern Territory.

**Senator BIRMINGHAM:** And the Northern Territory. You have work underway in the Northern Territory, don't you?

**Mr Quigley:** We have work underway in all locations, yes. As I said before, in terms of the second release sites that we announced in the Northern Territory and South Australia, the fact that we have not announced a construction contractor is not holding up the work that we are undertaking in those states.

**Senator BIRMINGHAM:** The table that accompanies the Prime Minister's statement, and your statement today as well, does not have work underway in any of the sites in South Australia.

**Senator Conroy:** It depends on your definition of work.

**Senator BIRMINGHAM:** I am going with the heading 'work underway'.

**Senator Conroy:** Perhaps Mr Quigley might want to explain the process.

**Mr Quigley:** Before you actually start doing physical work out in the field, there are detailed designs that have to be done—what are called NDDs, network design documents. They have to be produced per FSAM. So that work is underway and—

**Senator BIRMINGHAM:** That will be loved by all—NDDs per FSAM.

**Senator Conroy:** Welcome to my life!

**Mr Quigley:** That is a network design document per fibre serving area module. There you are—no acronyms.

**Senator BIRMINGHAM:** I am sure there are various definitions of what 'work underway' may be. I am simply working off the table that the government has provided here.

**Mr Quigley:** The bottom line is that you can be assured we will be executing the plan that you hold in front of you, irrespective of the fact that we have not announced a construction contractor South Australia or the Northern Territory yet.

**Senator BIRMINGHAM:** Can I go to that announcement and those negotiations. How far behind schedule is that announcement and is the conclusion of the negotiations for a construction contractor in South Australia?

**Senator Conroy:** I think the premise of your question is flawed. As Mr Quigley has just explained, we are not behind schedule. In fact, we are doing the network design documents even though we do not have a contractor. As to when it is concluded—

**Mr Quigley:** It will be another month or so.

**Senator BIRMINGHAM:** You are behind where you would have wanted be in signing a contract for a builder in South Australia, aren't you?

**Mr Quigley:** Given the popularity and the number of inputs that we are getting from people all around the country, I am way behind where I would like to be. It would be very nice if this network was half built by now. It is not. It is a huge engineering project. There is a lot of work to be done, and I and the company are trying to make sure that we do it efficiently, effectively and with the best use of taxpayers' dollars. I wish we were further ahead; we are not.

**Senator BIRMINGHAM:** I am not asking about wishes or dreams or hopes or aspirations. I am asking at least about where you expected to be in your planning of the contract rollouts and contract negotiations for these things. You would have at least expected to be announcing at the same time as for Victoria and Western Australia, as I understand it, or possibly even earlier for all of them.

**Mr Quigley:** Ideally we would like to announce the Northern Territory and South Australia at the same time as we did Western Australia and Victoria. It did not work out that way, but we will be announcing shortly.

**Senator BIRMINGHAM:** Is there a particular reason why South Australia has been a stumbling block?

**Mr Quigley:** There is no particular reason. These negotiations are complex.

**Senator BIRMINGHAM:** Is it correct that ETSA Utilities was the main negotiating party or the preferred network builder, as has been reported?

**Mr Quigley:** We certainly had discussions with ETSA and we expect to be doing work with ETSA in the future. They have facilities that will certainly be of interest to us.

**Senator BIRMINGHAM:** Are they still in the running to be the preferred builder or contractor?

**Mr Quigley:** I am not going to comment on tenders that are open at the moment.

**Senator Conroy:** For the seventh time tonight.

**Senator BIRMINGHAM:** Your snide comments know no ends!

**Senator Conroy:** Well, if you continue to know deliberately that you are asking questions about open tenders, expect the same response. When you repetitively do it you are just starting to deliberately, and not accidentally, tread across the line.

**Senator BIRMINGHAM:** Your annual report states that the ICT sector is responsible for more than seven per cent of all electricity generated in Australia. It therefore talks about its emissions profile and platform. Would NBN Co's emissions profile or platform be particularly

different from anywhere else in the ICT sector in terms of being a fairly substantial user of electricity?

**Mr Quigley:** No, we will be a substantial user of electricity, but the good news about a GPON solution is that it is the most efficient in terms of joules per megabit delivered.

**Senator Conroy:** It is so silly to ask this.

**Mr Quigley:** GPON is a significantly greener and more energy efficient than fibre to the node, than ADSL and certainly more energy efficient than wireless.

**Senator BIRMINGHAM:** Do you have estimates for what the electricity bill of NBN Co. will be?

**Senator Conroy:** I think Professor Rod Tucker of the Institute for a Broadband-Enabled Society has done quite a bit of work on this, and a lot of it is available publicly. He has written extensively on the differences and the benefits of going fibre to the premises. Professor Tucker has gone to the heart of this quite a number of times in excruciating detail.

**Senator BIRMINGHAM:** In terms of NBN Co's anticipated electricity usage, are there estimates that you are aware of, Mr Quigley.

**Mr Quigley:** No, I have not really tried to sum the totality of the energy use, but we could do so if you really are interested in working out how many kilowatts we will be using.

**Senator Conroy:** Please, genuinely, do not ask that!

**Senator BIRMINGHAM:** I am not too interested in the exact kilowatts. I am interested in whether NBN Co. has factored in the forecast 10 per cent rise in electricity prices that come with the carbon tax.

**Mr Quigley:** I do not expect it to be a significant cost input for us.

**Senator BIRMINGHAM:** If electricity is a significant cost input then it is a 10 per cent rise on that cost input.

**Mr Quigley:** In the overall cost of the NBN, electricity is not a big factor. It is not something I lose any sleep over.

**Senator BIRMINGHAM:** So, in your ongoing operational costs it is something you are confident can be absorbed?

**Mr Quigley:** I am confident that we are using the best possible technology we can in terms of efficiency of delivering broadband to the Australian people for the lowest energy usage.

**Senator BIRMINGHAM:** There have been reports recently about your use of local industry.

**Senator Conroy:** No, there have not been reports, there have been outrageous misrepresentations in—funnily enough, sorry to make someone blush—the *Australian*. Disgraceful.

**Senator BIRMINGHAM:** Mr Quigley, perhaps you might like to argue whether or not the minister's characterisation is fair. What policies does NBN Co. apply when it comes to utilisation of Australian firms and Australian staff and resources within those firms?

**Mr Quigley:** We have a policy for maximising local content. By the way, just for the record, I absolutely disagree with the analysis—I would not even call it an analysis because it

does not qualify as an analysis, which was done by the *Australian*; in fact, it was quite bizarre, I have to say. We try to maximise local content just to say that if a company has Australian ownership—

**Senator Conroy:** Corning have a plant, which I visited. They have put on extra lines and extra workers at a plant in Clayton.

**Mr Quigley:** That is completely discarded. It really is quite a strange report. Our calculations say that in terms of what percentage of a dollar we are spending locally—and this is, by the way, before we had really geared up to the construction which will almost all be using local people; in fact, I expect they will all be local people. But when it comes to things such as buying fibre equipment, we are using local content to the maximum extent we can. But I think everybody would realise you cannot buy ethernets from an Australian supplier; they are not made in Australia. You cannot buy GPON equipment from an Australian supplier; they are not made in Australia. We are buying fibre from Corning and Prysmian. I have been to both of the factories. They are both making substantial investments in Australia, bringing people on and bringing in capital for plant, so we are maximising local content, even to the extent of using some very sophisticated local resources, a spinout of the University of Queensland. We are employing some mathematicians in industrial mathematics, in integer programming, for the network planning.

**Senator Conroy:** I will add to Mr Quigley's answer about the Corning plant in Clayton. When they won the contract they said:

... in connection with this contract, Corning will invest approximately \$25 million in its Clayton, Melbourne facility, related equipment and personnel training. Corning currently employs 115 workers at its Clayton facility. In the peak years of the NBN deployment ...

Corning expects to add as many as 300 to 400 jobs at the location. Australians being employed like that are not counted as Australian content in that analysis. I could go on to quote from Warren and Brown, who are in Maidstone—I do not think you visited Warren and Brown.

**Mr Quigley:** I have been to Warren and Brown. I went to the opening—

**Senator Conroy:** I went to the opening of their state-of-the-art research development. I am very proud to say it is in Maidstone, not far from where I live, and it will provide the optical distribution frames and subracks that will connect—and this is what they had to said:

“This is a great day for Australian Manufacturing and particularly SMEs. “The Warren and Brown team is extremely proud to be awarded this great opportunity to demonstrate, through the supply of optical fibre products to NBN Co, our all Australian capability which has grown from a talented team of well travelled, determined and long term thinking professionals.

“We are proud to be a 100% Australian owned contributor to this far sighted project and look forward to working with NBN Co people to provide these products and further product innovations.

I could go on and on and on.

**Senator BIRMINGHAM:** I have no doubt you could, Minister. Mr Quigley, you indicated that in terms of construction you would expect there to be use of Australians in the construction. It was reported on the ABC *AM* program on Friday, 19 August that Service Stream, who I gather have a contract, I think, to greenfield sites, if I am correct, indicated—and I quote from their general manager, Stephen Ellich, as reported on the ABC program:

We are finding there is a shortage of resource coming into our industry which is the telecommunications industry in WA and yes, we are having to identify alternate sources of resources.

The resources he was speaking about in this interview were in fact workers, employees. Do you foresee a challenge with having sufficient skilled workers, and is there a possibility that companies like Service Stream will be looking to employ workers out of the Philippines to work on the NBN build?

**Mr Quigley:** For matters of employees of our contractors, that is really a matter for them. But the analysis we have done of skills that are going to be needed in the rollout indicate that we do not expect to run into significant problems. We are going to have to do some training and we are already doing some analysis and talking to training institutions about getting that training done. But we will wait and see how that pans out. It depends on the general economic climate, I would think, as the rollout takes place. And it is very difficult to predict that for the next 10 years.

**Senator BIRMINGHAM:** So there are no conditions in contracts and no expectations from NBN Co. as to what the Australian employment level of those who are contracted to build the NBN will be?

**Mr Quigley:** I can only tell you what we have seen so far, which is Australian employees being used by all of the construction contractors.

**Senator Conroy:** That is also why the government is committing \$100 million for a retraining program for Telstra workers. That is to ensure that we get that continuity. So a combination of factors is working towards trying to alleviate any future possible issue.

**Senator JOYCE:** Mr Quigley, tell me everything that you know about the suburban jobs program.

**Mr Quigley:** I am not sure that I understand the question.

**Senator JOYCE:** It is about the suburban job program.

**Senator Conroy:** It is a program that was discussed yesterday, I think, in Mr Burke's portfolio.

**Senator JOYCE:** It was actually today. Do you know of the suburban jobs program, Mr Quigley?

**Mr Quigley:** No, I am afraid that I do not.

**Senator JOYCE:** Apparently, the Department of Sustainability, Environment, Water, Population and Communities has told us that they have \$100 million and one of the main aspects is to connect to the NBN to provide employment for suburban areas.

**Senator Conroy:** I do not think that they mean physically doing the labouring. You were talking about the digital economy yesterday. I think that I was present for some of those discussions.

**Senator JOYCE:** No. The department said that one of the key aspects of this program is to connect with the NBN, and they have put \$100 million aside to do it.

**Senator Conroy:** I am happy to take that on notice and to pass on to Mr Burke what is meant by that statement. But I am not quite sure that what you think it means is exactly what they mean.

**Senator JOYCE:** It is from earlier today. It was quite succinct.

**Senator Conroy:** I am happy to take it on notice.

**Senator JOYCE:** How many people have we got connected up in Armidale?

**Senator Conroy:** I have that; I read it out just a little while ago. You will be excited to know that I have an answer to that. There have been 97 premises activated.

**Senator JOYCE:** How many premises are there in Armidale?

**Senator Conroy:** How many homes in Armidale in total or how many in the existing footprint?

**Senator JOYCE:** In the town of Armidale.

**Senator Conroy:** We have not covered all of the two of Armidale.

**Senator JOYCE:** 23,500 people live in Armidale.

**Senator Conroy:** We have not finished building there yet.

**Senator JOYCE:** Mr Quigley, when you pushed that button that day, how many people were already connected?

**Mr Quigley:** To the button?

**Senator JOYCE:** Yes.

**Senator BIRMINGHAM:** It was a very expensive button.

**Senator Conroy:** Would you like one?

**Senator JOYCE:** Remember the light and *Fantasia* show that we got when you pushed the button? The trouble is, there were seven customers and they were already connected. So what happened when you pushed the button?

**Senator Conroy:** Would you like a button? I can get you a button.

**Senator JOYCE:** Mr Quigley, what happened when you pushed that button?

**Senator Conroy:** Lights went off; it was very exciting.

**Senator JOYCE:** It was very exciting. Did it have anything whatsoever to do with connecting people up to the phone network?

**Senator Conroy:** The phone network? I think you mean the broadband network.

**Senator JOYCE:** Your little telephone company.

**Senator Conroy:** We are not a telephone company.

**Senator JOYCE:** Telstra thinks that you are a telephone company. Telstra is very happy to take the money off you tonight.

**Senator Conroy:** With 99.45 per cent of the votes. That is a lot of votes.

**Senator JOYCE:** Mr Quigley, when you pushed that button, what happened?

**Mr Quigley:** I did not push the button.

**Senator JOYCE:** Well, when he did.

**Senator Conroy:** There was a lot of clapping and cheering and there were lights flashing. The screen turned on and there were lots of pretty pictures.

**Senator BIRMINGHAM:** Those things happened when Geelong won the Grand Final, too, you know.

**Senator JOYCE:** Is that like most cabinet meetings?

**Senator Conroy:** Senator Joyce, I am wondering what the point of your question is. Would you like to come to the point of the question?

**Senator JOYCE:** The point of the question is this: how much did it cost to put that on?

**Senator Conroy:** That is already on the public record.

**Senator JOYCE:** How much?

**Senator Conroy:** We have answered this question; it has already been answered. We are happy to dig it out for you, but it has already been supplied to the committee.

**Senator JOYCE:** And what was the point of going through that charade? It would be fair to say that most people would have thought that you are actually connecting something up when you pressed that button.

**Senator Conroy:** Senator Joyce, I cannot help it if you thought that.

**Senator JOYCE:** Can you tell me why you did not have it at the University of New England where you initially planned to have it?

**Senator Conroy:** No, I am not sure.

**Senator JOYCE:** Why did you have to shift premises?

**Senator Conroy:** I am not aware that—

**Senator JOYCE:** Was it because the internet at the University of New England is faster than—

**Senator Conroy:** I think that neither of us are aware that it shifted premises.

**CHAIR:** That concludes the committee's examination of the Broadband, Communications and the Digital Economy portfolio. Senators are reminded that written questions on notice should be provided to the secretariat by close of business next Monday 24 October. I thank the secretariat, Broadcasting and Hansard.

**Committee adjourned at 23:00**