



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

ENVIRONMENT, COMMUNICATION, INFORMATION  
TECHNOLOGY AND THE ARTS LEGISLATION

**Consideration of Supplementary Estimates**

**THURSDAY, 23 NOVEMBER 2000**

**CANBERRA**

BY AUTHORITY OF THE SENATE



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**SENATE**

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

**Thursday, 23 November 2000**

**Members:** Senator Eggleston (*Chair*), Senators Bartlett, Bishop, Bolkus Calvert and Tchen

**Senators in attendance:** Senator Eggleston (*Chair*), Senators Alston, Bishop, Calvert, Campbell, Faulkner, Ferris, Lundy, Mackay, Mason, Murphy, Schacht, Tchen and Vanstone

**Committee met at 9.10 a.m.**

**ENVIRONMENT AND HERITAGE PORTFOLIO**

**In Attendance**

Senator Vanstone, Minister for Justice and Customs

**Environment and Heritage Portfolio**

**Executive**

Mr Stephen Hunter, Acting Secretary, Department of the Environment and Heritage

**Approvals and Legislation Division**

Mr Gerard Early, First Assistant Secretary

Mr Gerry Morvell, Assistant Secretary, Environment Assessment Branch

**Australian and World Heritage Group (including Australian Heritage Commission)**

Mr Peter Matthews, Acting Assistant Secretary, Australian and World Heritage Group and  
Deputy Executive Director, Australian Heritage Commission

Mr Daryl King, Director, Intergovernmental Section

**Natural Heritage Division**

Mr Max Kitchell, First Assistant Secretary

**Biodiversity Group**

Mr Peter Cochrane, Director, National Parks and Wildlife

Ms Rhondda Dickson, Assistant Secretary, Sustainable Landscapes Branch

**Supervising Scientist Division**

Mr Alex Zapantis, Assistant Secretary, Office of the Supervising Scientist

**Portfolio Strategies Group**

Mr Robert Butterworth, Chief Finance Officer

**Great Barrier Reef Marine Park Authority**

Hon. Virginia Chadwick, Chair

Mr Gregor Manson, Executive Director

Mr Colin Trinder, Director, Ministerial and Parliamentary Liaison

**Outcome 2: Bureau of Meteorology**

Dr Geoff Love, Acting Deputy Director

**CHAIR**—I declare this hearing of the supplementary budget estimates open for the Environment and Heritage portfolio. On 9 May 2000, the Senate referred to this committee

for examination the particulars of proposed expenditure for the year ending 30 June 2001 in respect of the portfolios of Environment and Heritage and Communications, Information Technology and the Arts. The committee held hearings on 22, 24 and 25 May 2000 and reported to the Senate on 22 June 2000. The hearing today is supplementary to the budget estimates hearings and is to consider matters relating to the written answers or additional information or otherwise relating to the proposed budget expenditure referred to the committee. The committee has set 22 December as the date for the submission of written answers to questions taken on notice.

The agenda you have before you comprises those matters notified to the committee secretariat in writing by the close of business on 17 November, three working days before today, as required by standing order 26(10). I have to advise that, in accordance with that requirement, the National Library, the National Portrait Gallery, the National Museum and ScreenSound Australia were not notified in adequate time to be considered by these estimates and therefore those programs will not be called.

The agenda you have before you today, as I said, comprises those matters notified in good time, with the exceptions of the programs I have mentioned. We will commence with the interstate agencies in the Environment and Heritage portfolio, followed by Environment Australia, and conclude with the Australian Greenhouse Office. I will call on questions in the order listed on the running sheet.

I remind colleagues that the Finance and Public Administration Legislation Committee is continuing to monitor the format and content of the portfolio budget statements. If you have any comments you wish to make about those documents, please place them on the public record during these supplementary estimates or direct them to that committee. Departmental officers will not be asked to comment on the reasons for policy decisions or the advice they may have tendered in the formulation of policy or to express a personal opinion on matters of policy. To assist senators and Hansard, I would ask that all officers state their name and position clearly when first appearing before the committee. I welcome the Minister representing the Minister for the Environment and Heritage, Senator Vanstone, and officers from the Office of the Supervising Scientist. Minister, do you wish to make an opening statement?

**Senator Vanstone**—Other than to say you cannot begin to understand how pleased I am to be here, I have nothing else to say!

**CHAIR**—I am sure this will be one of the highlights of your months!

**Senator Vanstone**—My year, indeed, Senator.

**CHAIR**—Mr Hunter, do you have a statement?

**Mr Hunter**—I would like to make some brief opening comments on the output structure of the Environment and Heritage portfolio. Having completed our first year on the government's output and outcome based accrual budgeting framework, the Department of the Environment and Heritage has performed a review of its output structure under outcome 1. The difficulties we have identified with the structure are consistent with difficulties experienced by other departments, as observed by the Senate Standing Committee on Finance and Public Administration in its report on the format of portfolio budget statements. Specifically, these problems involve a complex output structure involving over 50 outputs, outputs that do not

directly and exclusively align with the way in which the department manages its business and outputs that do not have a sufficient meaning to the department's external stakeholders.

In regard to the estimates process in particular, this structure does not provide as good a guide to the committee in its examination of the portfolio estimates as we would like, nor does it readily answer the question as to who is responsible or 'Who do I ask questions on this topic or that?' Finally, it exacerbates the problem of corporate overhead attribution, again an issue of who is responsible for what.

In response to these assessments we have made of our output structure, a new structure is being implemented for next year's budget. It involves just nine outputs with clear ties to the department's organisational structure and management framework. It is also in a language that is understood and related to by external stakeholders. The new outputs in abbreviated form are: atmosphere, biodiversity, coasts and oceans, environmental assessment and approvals, heritage, industry, inland waters, land management, and parks and reserves. As I mentioned, this new structure is being implemented for next year's budget and will appear in the 2001-02 portfolio budget statements. We trust this will go a long way to assisting senators in fully working through the portfolio's estimates.

**CHAIR**—Thank you, Mr Hunter. We will now proceed to questions for the Office of the Supervising Scientist. I would just make the point that neither Minister Hill nor the head of Environment Australia are here and it may be that many of the questions in the Environment portfolio may have to be put on notice because of that.

**Senator MARK BISHOP**—Mr Chairman, I wish to go back to your opening comments. As I heard them, you indicated that the National Portrait Gallery, the National Museum of Australia, ScreenSound Australia and the National Gallery of Australia—sorry, the National Gallery is still in, so it is the first three—will not be called.

**CHAIR**—The National Library, the National Portrait Gallery, the National Museum and ScreenSound Australia will not be called but the National Gallery remains.

**Senator MARK BISHOP**—I have not got the National Library on my agenda.

**CHAIR**—It seems my agenda is dated, so it is not on the list.

**Senator MARK BISHOP**—So you are proposing not to call the National Portrait Gallery, the National Museum of Australia and ScreenSound Australia.

**CHAIR**—The reason for that is, as I said in the opening statement, that the matters had to be notified by the close of business on Friday, 17 November and these programs were not requested until Monday, 20 November. So they were quite a long way out of the time requirement for notification.

**Senator MARK BISHOP**—Mr Chairman, I understand your argument. It strikes me as being a rather rigorous and unprecedented application of the standing orders. In my time here I have never known that a program or agency not be called even when the advice to the committee in writing has come late—and I do not argue with you that the advice from the relevant office of the opposition was not late in that respect. My understanding is that the National Portrait Gallery, the National Museum and ScreenSound are here and are available to be subject to relevant questions from the relevant member of the opposition. I just put on the record that the opposition can read the numbers here. We are in a minority and cannot overrule your decision. We do think it is unfortunate. In my experience it is unprecedented. I would invite you to perhaps, instead of taking the hard line because of time constraints

because Minister Alston is not available tomorrow and Minister Hill is not available today, consider calling those particular agencies either tomorrow if we meet or at another time when the parliament meets next week.

There has been a lot of confusion around this set of estimates because Minister Hill and the opposition spokesperson are both overseas at The Hague on greenhouse negotiation matters. Senator Alston is only available for half a day today. Senator Alston's office has advised that he may not be available tomorrow, although I had advised the committee that the spillover day would be required. I do not want to particularly allocate blame, but I draw your attention to the fact that there have been a series of inconveniences, and for you to now take such a hard position is unfortunate. I would invite you to perhaps consider adopting the suggestion that some time next week we convene for two, three or four hours—as we are sitting on Monday evening, Tuesday evening and Thursday evening to attempt to assist the government to get its business through—and call those particular agencies when the Senate sits. I put that on the record, Chair, for you to consider.

**CHAIR**—Thank you, Senator Bishop. The scheduled day for the supplementary estimates is today. The day for the notification of the programs to be called was Friday, the 17th. They were not notified until the 20th, so my decision remains and I do not propose to call what would be a quasi estimates hearing next week. Those programs will have to be left until the next round of estimates.

**Senator MARK BISHOP**—No, I do not think they will be left to the next round of estimates. This is unprecedented, Mr Chair. I can assure you now that if this is the way you want to start out today on the first day, we will be going from now until 11 p.m. on the one program and we will come back tomorrow. You have been asked to consider calling the three agencies sometime next week when the Senate sits. That is not unreasonable. It has never been my experience that a chairman has unilaterally ruled out the presence of agencies without any notice to anyone.

**Senator CALVERT**—I have been here a bit longer than you, Mark, and I can tell you that this is not unprecedented. I recall when we were in opposition we had a very tight schedule for additional estimates by your chairman. You can check if you like.

**CHAIR**—There is a set of rules to be followed and we are simply following them. Those ministers are not available and that has been well known.

**Senator Vanstone**—Senator Bishop, I understand your frustration. I have been in the same position myself. You chose to highlight your experience; I simply point out that mine is longer than yours and is a experience of both opposition and government. What Senator Calvert said is correct. Your government, frankly, took a much stricter and tighter line than this government ever has in relation to estimates. I do not regard this as a unilateral decision by the chair. The rules are there and they were not followed. We are not talking about a unilateral decision as if somehow the chair, in a fit of pique, has decided to not allow something. There were rules there, they were set out clearly in advance and people chose not to follow them. They did not miss them by an accident of timing, because of daylight saving, a fax not working or something like that. These were days out. Parliament cannot be treated as something that people simply drift in and out of at their leisure, pick up a question a week after they should have and say, 'If you won't allow me to do this, you're being unfair.'

Let's get real. Taxpayers, people who are paid money to put X number of tyres on a car a day, pay for this and they expect people to be organised. They do not expect people to drift in

and out with questions at large that they did not think of a week ago but suddenly they scratched their head and thought of today. They further do not expect that when someone does not follow the rules they will come in and try to bully the chairman with an attitude of, 'If that's how you're going to start off by not giving me what I want, what will you get?' Frankly, I think that attitude is rejected by the taxpayer.

**Senator MARK BISHOP**—With due respect, Senator Vanstone, it is none of your business. You are acting here as the minister in the absence of the minister. It is none of your business. It was a unilateral decision of the chair.

**CHAIR**—Senator Bishop, you have made your point.

**Senator MARK BISHOP**—While we are on the point, this day is set down for estimates—

**Senator Vanstone**—Do try not to get yourself excited. If you are going to be here until 11, you will not last.

**Senator MARK BISHOP**—This day is set down for estimates, and the two relevant ministers are not available. Senator Hill goes off overseas to attend an overseas conference, and Senator Alston, the other relevant minister, is in Melbourne giving a speech.

**Senator Vanstone**—Do try to calm yourself, Senator Bishop. You will not last until 11 o'clock with that kind of tension.

**CHAIR**—Senator Alston is available.

**Senator MARK BISHOP**—He is not available. He is in Melbourne giving a speech. That is his priority.

**CHAIR**—From the time that he is scheduled to appear here, Senator Alston is available and he will be available all day.

**Senator Vanstone**—I might point out to you, Chair, that Senator Bolkus is also in The Hague with Senator Hill because both the government and the opposition regard the business they are attending to as vitally important for Australia.

**Senator MARK BISHOP**—The point I am making—

**CHAIR**—Senator Bishop, you have made your point and I thank you for it.

**Senator Vanstone**—Both Senator Bolkus, who would otherwise be here, and Senator Hill are away.

**Senator MARK BISHOP**—The point that is being made is that the two relevant ministers are not available at the beginning of estimates.

**CHAIR**—Senator Bishop, I rule you out of order. We have noted your point and we will now deal with the Office of the Supervising Scientist. I would be grateful if you now began your questions.

[9.24 a.m.]

#### **Office of the Supervising Scientist**

**Senator MARK BISHOP**—Thank you. I want to start off in the OSS with the recent leak of something in the order of two million litres of contaminated water from a tailings water return pipe at the Ranger uranium mine and the subsequent inquiry and report prepared, as I understand it, by the office. One of the recommendations the government agreed to implement

after the Ranger leak was to reduce the role of the Northern Territory government in regulating day-to-day uranium mining activities in the Kakadu region. Can you advise if my understanding of that recommendation is correct and, if so, what progress has been made towards implementing that recommendation?

**Mr Zapantis**—The government did not agree to reducing the role of the Northern Territory government in regulating uranium mining. The government committed to increase the role of the Office of the Supervising Scientist in the way that information is gathered and assurances provided to the public and to this parliament that the environment is protected from the potential impacts of uranium mining. That did not involve a reduction in the role of the Northern Territory government.

**Senator MARK BISHOP**—It provided for a different role or an increased role for the OSS in the areas you have just outlined?

**Mr Zapantis**—It was an increased role. The report of the Office of the Supervising Scientist recommended that the office should develop and implement a routine environmental monitoring program. The government has accepted that recommendation. The Office of the Supervising Scientist also recommended that the Supervising Scientist should ensure that there is an adequate and independent audit process applied to the Ranger mine. Minister Minchin, when he tabled our report in parliament on 27 June, indicated that he expected the Office of the Supervising Scientist to increase its role in auditing on-site issues on the Ranger site.

**Senator MARK BISHOP**—Is the Office of the Supervising Scientist carrying out this on-site inspection and auditing role on-site and downstream, monitoring the impacts of the uranium mining?

**Mr Zapantis**—The Office of the Supervising Scientist, or the Supervising Scientist more correctly, has never had the role of routine environmental monitoring. The role of the Supervising Scientist is to undertake research, to oversee or supervise the environmental aspects of uranium mining and to implement applicable law, which includes Northern Territory law. We have not yet commenced downstream monitoring at Ranger, in a chemical sense. We have, for a number of years, however, been undertaking a program of biological monitoring both upstream and downstream of the Ranger mine and that program is continuing.

**Senator MARK BISHOP**—It has not been your role to be involved in day-to-day, on-site monitoring?

**Mr Zapantis**—No, not environmental monitoring. Prior to 1995, the Office of the Supervising Scientist did have an on-site role and undertook regular, routine audit inspections of on-site infrastructure on the Ranger site, but at that time the government of the day thought that it was appropriate that the Supervising Scientist concentrate on the external receiving environment rather than the on-site issues. Working arrangements which are in agreement between the Northern Territory government and the Commonwealth government were revised at that time to delineate the responsibilities of the Northern Territory government, which is the day-to-day regulation and the on-site issues. The Office of the Supervising Scientist concentrates on the receiving environment.

**Senator MARK BISHOP**—How many recommendations were in that report?

**Mr Zapantis**—There were 17 recommendations.



**Senator MARK BISHOP**—Can you provide the committee —on notice—with an update of the progress against each of the recommendations of the report together with an expected time of implementation and completion of each measure?

**Mr Zapantis**—Certainly.

**Senator MARK BISHOP**—When did the government receive the report?

**Mr Zapantis**—The government received the report on 19 June.

**Senator MARK BISHOP**—Has the government given a formal response to each of those 17 recommendations?

**Mr Zapantis**—Yes, it has. In a tabling statement tabled by Minister Minchin on 27 June.

**Senator MARK BISHOP**—I take it then that the report and the government's response and progress on implementation have been made available to representatives at the World Heritage Committee meeting currently under way in Cairns?

**Mr Zapantis**—Yes, the World Heritage Committee have been fully briefed on the incident. They received a copy of the report. They also received the government's response, and no doubt they will be inquiring into progress in implementing those recommendations.

**Senator MARK BISHOP**—Fine. You said the representatives had received a copy of the report and the government's response. Have they also been offered and received briefings on the progress of implementation?

**Mr Zapantis**—There have been some briefings provided by the world heritage group. I would have to take that on notice.

**Senator MARK BISHOP**—Provided to the world heritage group?

**Mr Zapantis**—Sorry, by the World Heritage Division, part of Environment Australia, which is responsible for dealing with Australia's responsibilities under the world heritage convention. I am not familiar with the detail of that brief.

**Senator MARK BISHOP**—What are you telling me—that you think a briefing or briefings have been provided by the world heritage section or what?

**Mr Zapantis**—There have definitely been briefings provided, definitely letters been sent, to the director of the World Heritage Centre. But I am not intimately familiar with the content of that briefing. I should add that the independent scientific panel, convened by ICSU at the request of the World Heritage Committee to review issues of science related to the development of Jabiluka, visited Kakadu National Park in July this year. They were provided with a copy of the report prior to their visit. They, in discussions with our staff and others, looked into that report in quite some detail, and their report to the World Heritage Committee will be considered today, I believe.

**Senator MARK BISHOP**—Yes, I understand that some changes to the customs and prohibited exports act are being considered. Tell me, has OSS been consulted?

**Mr Zapantis**—We have been consulted. In fact, those changes have been made—the amendments have been made. The Customs (Prohibited Exports) Regulations have been amended such that the Commonwealth government can now apply conditions to export permits for uranium, including of course environmental conditions.

**Senator MARK BISHOP**—So those regulations have been proclaimed?

**Mr Zapantis**—I am not sure if they have been proclaimed, but they passed the 15-day mandatory period before the House in October.

**Senator MARK BISHOP**—Okay. Can you give me a bit of detail on the intent of those changes in the regulations?

**Mr Zapantis**—The intent of those changes was to clarify the powers of the Commonwealth—which are powers the Commonwealth has always had—to provide a mechanism to allow the Commonwealth to directly apply conditions to operations at Ranger and Jabiluka, and potentially other uranium mines as well. As I said, the Commonwealth has always had those powers, especially in relation to mines in the Northern Territory, but what those—

**Senator MARK BISHOP**—Under the Northern Territory power? Under which power?

**Mr Zapantis**—Constitutional powers.

**Senator MARK BISHOP**—Under which head of power has the government always had the ability to impose conditions on the export of uranium oxide out of the Northern Territory?

**Mr Zapantis**—The Commonwealth government is responsible for ensuring that the export of uranium is done consistent with treaties and whatnot to which we are a signatory, in particular the Nuclear Non-Proliferation Treaty, and has enacted legislation to provide it with powers to ensure that those responsibilities are met. It is through those powers that the Commonwealth can control the export of uranium.

**Senator MARK BISHOP**—Going back to the former question, why was it thought necessary to change the regulations? Was a deficiency identified in the previous regulations?

**Mr Zapantis**—The reason the regulations were changed was to clarify the powers of the Commonwealth and to provide a clear mechanism whereby those powers could be enacted.

**Senator MARK BISHOP**—Was there not, prior to that, a clear mechanism?

**Mr Zapantis**—There was not a clear mechanism; there was what I would call a cumbersome mechanism, in that the Commonwealth government, particularly the Minister for Industry, Science and Resources in relation to the Ranger uranium mine, could make regulations under the Atomic Energy Act which would require the company to do certain things, including require them to close the mine down. The Ranger uranium mine operates under an authority issued under the Atomic Energy Act, which is Commonwealth legislation, and attached to that authority are the Commonwealth environmental requirements, along with a suite of other requirements. If the mining company were not complying with those requirements, the Minister for Industry, Science and Resources, if he considered it appropriate, could take action under the Atomic Energy Act to apply sanctions or further conditions upon the company.

**Senator MARK BISHOP**—So the new regulations make the process simpler and quicker to achieve the same purpose or a broader purpose?

**Mr Zapantis**—The amendment to the Customs prohibited export regulation provides the Commonwealth with greater flexibility and removes actions which would have been taken, or simplifies them, such that it becomes an administrative process. It is much more efficient.

**Senator MARK BISHOP**—If under the new regime licences are granted for a specific period of time rather than for each consignment, are the licences then granted for a company or for a particular mining operation?

**Mr Zapantis**—I believe in the past the practice has been that licences have been issued for particular consignments, and obviously that would be to a particular company.

**Senator MARK BISHOP**—Is that still the case under the new regulations?

**Mr Zapantis**—I would have to take that question on notice, or perhaps that could be asked of the Department of Industry, Science and Resources, which administers that legislation.

**Senator MARK BISHOP**—Could you take that question on notice?

**Mr Zapantis**—Yes.

**Senator MARK BISHOP**—I will ask the secretary to pass that question on to the relevant department as well. What time period is being considered for the issuing of the licence?

**Mr Zapantis**—Sorry, I do not follow your question.

**Senator MARK BISHOP**—Under the new regime, you agreed that licences were granted for a particular period of time for each consignment. What period of time is that—12 months, two years, three years?

**Mr Zapantis**—I said that licences are granted for a particular consignment currently. That means that, if ERA, for instance, want to export some uranium, they apply to the Minister for Industry, Science and Resources for a licence to export that particular consignment. The minister then considers the application and, if he is convinced that they have met all of the relevant conditions attached to the legislation, he issues a licence for that particular consignment.

**Senator MARK BISHOP**—Presumably that then means an open-ended licence grant?

**Mr Zapantis**—No, I do not believe so.

**Senator MARK BISHOP**—Open-ended in terms of that particular consignment.

**Mr Zapantis**—I am not clear on the way in which the legislation is administered. That is done by another department.

**Senator MARK BISHOP**—Mr Hunter might be able to assist you.

**Mr Hunter**—I was just going to make the same point as Mr Zapantis. The regulations and the legislation to which you refer are in fact the responsibility of another department. Our capacity to comment, with precision, on the way in which that legislation operates and is administered is limited. I think some of the detail of these questions you are putting to us would probably more properly be put to the Department of Industry, Science and Resources.

**Senator MARK BISHOP**—Thank you for that advice, Mr Hunter. I thought in the issuing of licences the industry department had to consult with your department. Is that correct?

**Mr Zapantis**—Not in the issuing of an export licence under the previous regime.

**Senator MARK BISHOP**—What about under the new regime?

**Mr Zapantis**—Under the new regime the procedures have not yet been established. I would imagine there would be some consultation between departments, but these arrangements have not yet been finalised. I cannot comment any further on that.

**Senator MARK BISHOP**—Are these proposed new arrangements under active consideration?

**Mr Zapantis**—Not currently.

**Senator MARK BISHOP**—When is it proposed to resolve these new arrangements?

**Mr Zapantis**—Obviously they will have to be resolved in the near future. There have been some informal discussions between us and officers from the Department of Industry, Science and Resources, but a formal process for finalising these arrangements has not yet commenced.

**Senator MARK BISHOP**—Do you have anything further to add on that, Mr Hunter?

**Mr Hunter**—No.

**Senator MARK BISHOP**—I do not know whether to direct this question to you, Mr Hunter, or to OSS, but there are some indications of plans to expand the Ranger Mine operations into a new ore body, which I understand have not undergone any environmental assessment to date. If this is the case, it will extend the life of the mine operations. Is the OSS or the department aware of any plans to expand the Ranger Mine operations into a new ore body?

**Mr Zapantis**—No. Ore body No. 1, as it was called, was mined out in 1996, I think, from memory. They are currently exploiting ore body No. 3, but there are no plans for any further ore bodies to be exploited.

**Senator MARK BISHOP**—Neither mined nor exploited?

**Mr Zapantis**—No.

**Senator MARK BISHOP**—If there were any suggestion of development of a new ore body, would you expect to be advised?

**Mr Zapantis**—Yes, of course.

**Senator MARK BISHOP**—And there has been no such advice from the company?

**Mr Zapantis**—No such advice, no.

**Senator MARK BISHOP**—Does OSS have any involvement with exploration licences in Arnhem Land?

**Mr Zapantis**—We do not have involvement in the exploration licence itself, but we do undertake a program of surveillance of exploration activities. We do have a role in providing comments to the Northern Territory government in the event that applications are made under their legislation in relation to uranium mining activities in the Alligator Rivers region, which includes the western portion of Arnhem Land.

**Senator MARK BISHOP**—How many such exploration licences have been granted? Do you have that knowledge?

**Mr Zapantis**—I do not have that knowledge to hand, I am sorry.

**Senator MARK BISHOP**—Does the department have that knowledge?

**Mr Zapantis**—We could take that on notice.

**Senator MARK BISHOP**—Okay, and give that to us in writing. Is there any requirement to advise the OSS or the department of issuance of exploration licences in Arnhem Land?

**Mr Zapantis**—The Minister for Resource Development in the Northern Territory is required to seek the advice of the Supervising Scientist and is also required to have regard for

that advice in the issue of authorisations and other similar legal instruments under the Uranium Mining (Environmental Control) Act.

**Senator MARK BISHOP**—And you do not recall that you have had any such advice in recent times?

**Mr Zapantis**—The minister, Mr Manzie, is not required to seek our advice in relation to the issue of exploration permits.

**Senator MARK BISHOP**—So the Northern Territory department has the absolute right to grant exploration licences for uranium in Arnhem Land?

**Mr Zapantis**—Obviously there are constraints on what the Northern Territory minister can do. He must consult with the relevant Aboriginal representatives through the Northern Land Council, of course. But in relation to exploration activities only, I do not believe there is any requirement for him to seek our advice. They are, after all, the regulator.

**Senator MARK BISHOP**—Yes. They have got that kind of power. In terms of OSS involvement, would it come post the issuance of the exploration licence by the Northern Territory department and really be limited to surveillance activity?

**Mr Zapantis**—Yes, that is correct. What we do is we inspect the exploration camps at least annually—usually twice per year—to ensure that the practices they are applying to protect the environment throughout their exploration activities are of a sufficient standard.

**Senator MARK BISHOP**—Turning now to Jabiluka, the EIS for the Jabiluka project, I am advised, required an economic justification and the assumptions were that the exchange rate for the Australian dollar would be US80c, the growth rate of GDP would be around 5 per cent per annum and the uranium spot price would be around \$US15, but I understand that is now about \$US7.50. Has the economic justification provided in the Jabiluka environmental impact assessment process been reviewed with the change in economic conditions of late?

**Mr Zapantis**—We certainly have not reviewed it. I know that ERA has publicly announced that it is reviewing the Jabiluka mine in terms of all the aspects—economic, environmental, the resource, et cetera; that is on the public record. I really cannot comment on the economic viability of Jabiluka. Our concern is to ensure that the environment is adequately protected.

**Senator MARK BISHOP**—Mr Hunter, has the department reviewed any of the economic parameters, if you like, involved with the original EIS?

**Mr Hunter**—I am not certain of the answer to that question. I will need to take that on notice.

**Senator MARK BISHOP**—All right. I am not trying to be rude here, but why would you be uncertain as to the answer to the question?

**Mr Hunter**—Mr Morvell may be able to assist you, Senator.

**Mr Morvell**—There has been no review of the environmental impact assessment for Jabiluka and certainly in relation to economic matters, any project would be subject to change after the approvals are issued and it is not normal for the department to review those.

**Senator MARK BISHOP**—Not normal.

**Mr Morvell**—No.

**Senator MARK BISHOP**—And you have not been requested to do so?

**Mr Morvell**—No.

**Senator MARK BISHOP**—And you have not initiated that action on your own part?

**Mr Morvell**—No.

**Senator MARK BISHOP**—Does Environment Australia have an economic analyst that tests the sorts of inputs that go into those economic impact statements?

**Mr Butterworth**—We have an economics unit in the department that provides advice on assessment issues.

**Senator MARK BISHOP**—Does it provide advice to the powers that be on the Jabiluka project?

**Mr Butterworth**—It is a bit before my time. I will have to check on that. Gerry may know the answer.

**Mr Morvell**—Again, you are testing my memory, but I believe they did review the EIS, as they do for all of the major projects. I would have to go back and check the response they gave. It is certainly normal practice for us to review major projects via that unit.

**Senator MARK BISHOP**—When was the initial EIS done for that project?

**Mr Morvell**—It was done over 1996-97.

**Senator MARK BISHOP**—So there was a change of government. That is right, I remember that occurring with Mr Parer. Mr Butterworth, do you know whether a review has been done since the initial analysis was done in 1996-97?

**Mr Butterworth**—I am not aware of any review, Senator.

**Senator MARK BISHOP**—Anyone else?

**Mr Morvell**—No, there has certainly been no review of the economics of that project by the department since the original work was done for the EIS and the second assessment for the PER for the two milling options.

**Senator MARK BISHOP**—Do you plan to do any further EIS on the project in the future?

**Mr Morvell**—No, there is no requirement for a further EIS. The conditions that were set at the time of the completion of the EIS are matters primarily for the Office of the Supervising Scientist. In relation to export permits, as you were discussing earlier, there were conditions that we would regard as preconditions to a permit being issued, which is the normal practice for a large number of the recommendations. It is up to those regulators to now follow through on the conditions that were set. It is certainly not normal for us to review those unless the project changes in some way.

**Senator MARK BISHOP**—Thank you, Mr Morvell. That concludes my questions for the OSS.

**CHAIR**—I thank the officers for appearing.

[9.48 a.m.]

**Great Barrier Reef Marine Park Authority**

**CHAIR**—I welcome officers from GBRMPA. I invite Senator Bishop to proceed.

**Senator MARK BISHOP**—The first issue in respect of GBRMPA I want to touch on is coral bleaching of the reef. In 1998, Australian scientists recorded a major coral bleaching outbreak along the Great Barrier Reef World Heritage Area. Has an action plan been developed to meet the threat of coral bleaching, Ms Chadwick?

**Ms Chadwick**—It is quite difficult to say that you are going to have an action plan to meet coral bleaching when in fact coral bleaching is a global phenomenon. There are, however, a number of actions that relate to research and monitoring that are being undertaken. I think globally we would agree that there is a connection between global warming and coral bleaching. The scientific jury is still out, but there is a strong view that coral bleaching may be exacerbated to some extent whether it is by UV, extra sunlight or fresh water coming in. There are a number of factors that we believe may exacerbate coral bleaching.

In the last coral bleaching event, even though there were impacts upon the Great Barrier Reef, we were fortunate when compared with many other reefs in the world, many of which were totally devastated and many of which have not recovered. In terms of what you would call an action plan, we have a number of programs under way, specifically one that involves ourselves and the Australian Institute of Marine Science, AIMS, where we work with them and with international agencies such as NOAA to try to identify the emergence of potential hot spots so that we can monitor likely bleaching events. When you say an action plan, to me that presumes you have some capacity to stop it.

**Senator MARK BISHOP**—Even some agreement on the causes.

**Ms Chadwick**—I can only repeat what I said before. It is true that it has been a global phenomenon. It is true that most people believe that bleaching events occur when there is a rise in sea temperature. When sea temperature rises perhaps one degree Centigrade, and in our case to up around 30 degrees, then the stress that is placed on the coral is such that it is likely that you will have a bleaching event. Whereas our coral is under stress and there is some mortality at, say, 30 degrees Centigrade, there are corals in other parts of the world that can quite happily survive at that sort of temperature. So it would seem that it is the unusual rise, that temperature sustained for a period of time, and lots of sunlight that seem to have an effect; and if your coral is stressed for other reasons, then it is likely that that puts the coral at greater risk.

**Senator MARK BISHOP**—So your role at the moment is, firstly, monitoring developments on the reef in respect of coral bleaching and, secondly, you have implemented some research initiatives to try to get a deeper understanding of the causes?

**Ms Chadwick**—Absolutely. In fact, that monitoring program has been going on for some time, but our efforts have intensified as a result of not just our concern but global concern about coral bleaching.

**Senator MARK BISHOP**—Is the rate of increase of coral bleaching changing?

**Ms Chadwick**—In our case, no. We, as you know, had a bleaching event back in 1998. I am very pleased to report that the majority of the coral that was affected has in fact largely

recovered. That is very good news for us in the Great Barrier Reef area, but it is certainly no cause for complacency.

**Senator MARK BISHOP**—Is that recovery process a natural process that occurs within the coral itself?

**Ms Chadwick**—Yes.

**Senator MARK BISHOP**—So the bleaching that occurs from time to time both in the Great Barrier Reef and elsewhere can be fatal but is not necessarily so?

**Ms Chadwick**—Not necessarily so. Equally, coral grows again. New coral can grow after a spawning event. So in some cases, if the coral has died, we might be fortunate and new coral will grow. That obviously is a longer process. Coral that has been stressed and damaged but not terminally damaged can in fact recover. The worst affected in the last bleaching event, in our area, was around the Palm Island group. Even that area has recovered, although a bit more slowly. I repeat that it should give none of us any cause for complacency. Whatever phenomenon is proven to be the ultimate cause, although we suffered from coral bleaching, we did not suffer in the way that many coral reefs of the world did. Many of those reefs were devastated and remain devastated.

**Senator MARK BISHOP**—Without downplaying it, it was a low-scale attack.

**Ms Chadwick**—Yes, and the scientific jury is still out as to whether we were fortunate—if one can say that because no coral bleaching is a cause for anything other than concern and we had bleaching events that concerned us greatly. However, countries such as the Maldives and Sri Lanka lost 90 per cent of their coral.

**Senator MARK BISHOP**—Turning to the recent incident of the ship that became jammed on the reef, can you update us on GBRMPA's response to that grounding?

**Ms Chadwick**—I would be delighted—I would have been astonished if you had not asked.

**Senator MARK BISHOP**—I thought you might have been.

**Ms Chadwick**—That has occupied just a little of our time in the past month or so.

**Senator MARK BISHOP**—Perhaps you can take us through the developments as you understand them and the solution.

**Ms Chadwick**—To assist in that regard—and believing that this matter would be of interest to the committee—I asked Gregor Manson, our executive director who had direct line responsibility, to ensure that he would be here today. In essence, while we have primary responsibility for the conservation and wise use of the Great Barrier Reef Marine Park, in matters such as the recent grounding responsibility is shared jointly by a range of agencies. Queensland Transport is the lead agency, and it played a very proactive role in this matter. AMSA has been involved, as has a vast array of other agencies—Queensland Parks and Wildlife Service, EPA Queensland and so forth. While I believe that, under the circumstances, all those agencies came together and worked pretty well, we learnt a number of things about how we can cooperate better in the future. I do not mean that as a criticism: I think we worked pretty well. As Chair, I hope that I get only one incident such as this during my period in office. However, I think we can all sensibly learn some lessons so that, if a similar incident occurs, we can do it better.

It is a cause for concern that, despite the fact that the reef is a sensitive area internationally and we have areas of compulsory pilotage and monitoring systems—all these procedures are



in place—accidents, near accidents and groundings, such as happened in this recent case, occur. I make the observation that there have been any number of calls in the media from people—both informed and relatively uninformed—for us to extend or not extend compulsory pilotage. That is certainly a matter for consideration, and it will be considered by the committee that has been brought together by John Anderson. It is also worth noting that the six or so mishaps that occurred before this grounding happened while compulsory pilots were on board. So I suspect that there is no particularly clear answer.

Before I ask Mr Manson to comment, I will tell you what is happening more or less as we sit here. With the release of the ship, in a sense GBRMPA have come into greater focus in terms of our response. We have been concerned not only about the damage to the coral itself but also about TBT deposits from the antifoulant paint on the bottom of the ship that was scraped off when it hit. We are concerned about getting it off. We are concerned to remove that as best we can from the reef. In fact, we have been in negotiations with a number of agencies, including the ship's insurers, to try to come to an agreement where that can be cleared as soon as possible. I have also been speaking with the cooperative research centre, because I would like to see some form of monitoring and research program undertaken so that we can monitor and report to the community the fate of the reef and how we can restore the reef.

**Mr Manson**—Perhaps I will just outline that the national plan gives rise to a state plan, and underneath that there is a special plan for the response to oil spills and ship grounding called the brief plan, which is specifically for the world heritage area. In response to this emergency, those plans were all put into action because of the nature and size of the vessel and its potential for the vessel to spill oil. Fortunately, no oil was spilt. However, the response mechanism worked as the plans had envisaged. Under that arrangement, the local incident commander has staff of the EPA and others forming an incident management team to give specialist advice on the risks to the environment. That was done to a very high standard. In the response itself, our staff were on site fairly quickly—within a matter of hours—to provide that assistance. About the same time as the ship was removed, we put in a specialist team to start an assessment report on what was required to rehabilitate the reef and in particular to find out where the antifoulant had potentially spread from the wash of the propellers in the removal of the ship. That preliminary report was prepared on Monday. I met with what is called the P&I club, the insurers for shipping incidents. Yesterday they gave me a verbal okay that under the Queensland transport response arrangements they would immediately begin the recovery of the TBT in the antifoulant and do some repair to the reef which we think is appropriate. That is very encouraging. We are not sure of the cost of that, but it is in the order of half a million dollars.

**Senator MARK BISHOP**—Could you explain that last point?

**Mr Manson**—The estimate of the cost of the recovery that we have proposed at this stage is around half a million dollars, which will be paid for by the insurers and not by the taxpayer.

**Senator MARK BISHOP**—I do not know whether this is appropriate for your department—if not, tell me—but have you come to a preliminary view as to the cause of the grounding yet?

**Ms Chadwick**—There are currently charges that have been laid by the Queensland National Parks and Wildlife Service. There are charges that have been laid by the

Environment Protection Agency in Queensland. The investigations are ongoing. I, of all people, would not wish to jeopardise our chances of those charges being successful.

**Senator MARK BISHOP**—Someone has obviously come to a preliminary view, though. Do you see any necessity to amend the strategic plan for the Great Barrier Reef world heritage area so that ships might be limited on the occasions or times when they traverse the area?

**Ms Chadwick**—At this stage you would be asking, I guess, for an informed but somewhat personal opinion. I think it is fair to say that, given that GBRMPA has been moving towards the drafting of amendments in relation to fines and fees and charges where damage has occurred, we have certainly been reviewing that. In hindsight, I wish I had moved faster on that. So I think it is fair to say that we had already been thinking about that.

**Senator MARK BISHOP**—But fines and fees and damages, if you had the wisdom of hindsight, would not have—

**Ms Chadwick**—That is one aspect. The second aspect is that we have been working with Queensland Transport, AMSA and others about whether we should extend pilotage in a couple of the shipping routes. We had been looking also at the extension of pilotage in areas of the Whitsundays because of the increased interest of cruise ships, not freighters and the like. So it is true and fair to say that we had been thinking about changes that may well be needed. This grounding has, of course, focused our minds in a most unfortunate and acute way on that.

You would also be aware that the Deputy Prime Minister, John Anderson announced a week or so ago that, under the auspices of AMSA, a quick inquiry would be undertaken between the Queensland Department of Transport, ourselves and AMSA to make recommendations to him by, I think, 15 December on matters to do with whether some ships should be excluded from the inner route, whether the compulsory areas of pilotage should be reviewed and, I guess, those matters that have been the subject of public comment and debate in the last few weeks. Much as I very much enjoy being at a Senate estimates committee, that meeting starts in half an hour. I hope that, when we have completed our role here, we will go and join it.

**Senator MARK BISHOP**—I cannot guarantee that you will be there in half an hour, but I take the point.

**Ms Chadwick**—It was worth the try.

**Senator MARK BISHOP**—We have had an unfortunate incident with a container ship but, to my knowledge, there is no suggestion of leakage or things of that nature. Is it possible that an inward bound oil tanker or an outward bound ship loaded with fertilisers or aluminium or whatever out of that series of ports up that way could be grounded?

**Ms Chadwick**—Anything is possible. Who could have possibly imagined that on a perfectly clear day and in good weather this ship could have been grounded? I could not possibly sit here and guarantee that it would not happen again. I know that there is concern, and I share it—we all do—in relation to some dangerous or hazardous cargoes. Can I just state the obvious, however: regardless of what cargo a vessel of that size is carrying, it by definition has fuel. That is of great concern to us because of the damage to the reef. While we would be particularly concerned about hazardous, dangerous cargoes, any grounding has the potential to be devastating.

**Senator MARK BISHOP**—As I hear you, you make the point that it was on a clear sunny day with calm seas that the particular ship was grounded and it is not unreasonable to say that that was not anticipated. Can I conclude from your comments then that, as far as your agency is concerned, you do not at this stage analyse any defects in the route section or the traversing section of the management plan for that area that your agency administers?

**Ms Chadwick**—I think that the routes and the issues of pilotage are under constant review. It would be, I think, incorrect to say that there are not issues that are of interest and debate and concern, and I highlighted some of them. There has been a debate about whether we should support the extension of areas of compulsory pilotage. There has been debate in the last 12 months about whether some of the routes between the reef should be modified or altered. There have been suggestions that we should increase the level of compulsory pilotage in the Whitsundays. I referred to all of those matters before. We certainly are not sitting around saying that the plan we have and the arrangements we have are good and perfect and in any way immutable. They are not.

**Mr Manson**—There are a number of other initiatives, including a report called the Holden report which looked at ship reporting systems and compulsory pilotage and which was made available publicly by the Australian Maritime Safety Authority back in April, I think, this year. There were recommendations which flowed out of that and of which some are being implemented in relation to pilot training and some of the management of pilotage. Queensland Transport and ourselves, with the assistance of AMSA, have just completed a draft report which is a complete risk assessment report of the entire Great Barrier Reef plan area. That report is not public yet as it was only finished internally about two or three weeks ago. We have not reviewed that at a senior level and then completed a sign-off for the state committee to look at it. But the work of that committee identifies many of the issues which have been raised as a result of this incident and makes a series of recommendations which we will be reviewing, no doubt, as part of Deputy Prime Minister Anderson's inquiries. So the reports we have, while they did not prevent this incident, put us in a very good position to make recommendations with a foundation of good science and a lot of the stakeholder input into the inquiry which is about to commence.

**Senator MARK BISHOP**—Can we now turn to this crown-of-thorns starfish issue? I am advised that a report was recently released noting that the numbers had increased rapidly again and were causing broadscale damage. Does the agency have any plans for dealing with the crown-of-thorns starfish arising out of the matters identified in that particular report?

**Ms Chadwick**—There are a number of actions that we have taken in relation to crown-of-thorns. At the moment, as you would be well aware, we have a severe outbreak. This last outbreak, we believe, started up around Lizard Island. Even though there was damage there, the current situation is that the crown-of-thorns infestation, whilst still around Lizard, has moved on. It is causing considerable distress around the Port Douglas-Cairns area. If the pattern of previous outbreaks continues, it will move further down towards the Townsville area.

It is GBRMPA's view that, after something like \$13 million that we have spent over the last 10 to 12 years on crown-of-thorns research, we know a lot about the biology of crown-of-thorns. We do not know whether it is, in fact, exacerbated by human interaction, and by that I mean is it nutrient levels, whether from land run-off or other activities. Does that exacerbate the crown-of-thorns? There are very strong views in some quarters that that is the case. There is no definitive science to prove it one way or the other. There is also a very

strong view that the infestations are becoming perhaps more frequent and more intensive as a result of the reduction in the level of natural predators. For example, at the laval stage, some fish eat crown-of-thorns larvae. Could it be that recreational and commercial fishing, by reducing the number of fish, increases the survival rate of lava and, hence, the survival of the numbers of crown-of-thorns? The triton shell, for example, is a natural predator of crown-of-thorns. It is now protected, but it was a collectors item some years ago. But again the scientific jury is out.

There are two things that we are doing at the moment. The first is that, as you can imagine, a COTs infestation is of great concern to the tourism industry, where they depend upon the presentation of an attractive and healthy reef for their business. In terms of the economy, we are talking about a billion dollar a year industry. So it is very important to Queensland and, I guess, to the nation, as well as being important to us as a presentation of the values of the reef. So we issue permits to tourism operators who are spending a lot of time and money trying to keep a number of their sites clear. They are very concerned and, in some cases, it has been beyond their human and financial resources—the infestations have been so thick. The other thing that we are undertaking is that most of our research on this area is undertaken through the cooperative research centre for the reef based at James Cook University in Townsville. Given that we are part of that research centre as members, we have urged and they have agreed that they will totally review all available science so that we can see whether not a perfect but an educated scientific assessment can be made about whether human activity from land based sources—higher nutrient levels in run-off, and the like—or excessive fishing have been additional factors. We do not really know whether the infestation this time is heavier than the previous infestation. Some people say yes; there is no way to prove it one way or the other.

The one thing that I should say, however, is that at the marine park authority we have a concern about water quality anyway, regardless of a connection with crown-of-thorns, and certainly are working hard to work with Queensland and other stakeholders in Queensland in relation to improving water quality. Equally, we are very concerned about whether ecologically sustainable fishing is connected with crown-of-thorns or not and, as you are probably aware, we have been looking at the trawl industry for some considerable period of time. So we would be undertaking activities in those areas as issues in their own right and, if it turns out that there is a good scientific reason to believe that there is a connection between those and crown-of-thorns, then I guess that further vindicates our interest in those areas.

**Senator MARK BISHOP**—You said that, if it turns out that there is a cause and effect—

**Ms Chadwick**—Nobody knows, worldwide.

**Senator MARK BISHOP**—Is the purpose of your research into those things in order to gain more information about the factors you identified or to find out about the cause of the spread of COTS? They are different things.

**Ms Chadwick**—Yes. The work that is being undertaken now is in fact not necessarily new research in the pure sense of the word. It is actually re-examining the vast amount of work—as I said, something in the order of \$13 million in the last decade or so—to see whether, from that, we can say, in a more definitive fashion than we can at the moment, whether the infestations are becoming heavier or more frequent and, if that is the case, whether human activity has been a trigger. There are a lot of views one way and the other but no proof.

**Senator MARK BISHOP**—When will that review process be concluded?

**Ms Chadwick**—I could not tell you at the moment. I do not think the CRC has given me an estimated date. If it turns out that I have one I will make it available.

**Senator MARK BISHOP**—Would you mind making some inquiries?

**Ms Chadwick**—I am happy to do that.

**Senator MARK BISHOP**—While you are making those inquiries, could you take the following questions on notice: anticipated completion date for the review process, the cost of that review process, a list of the items of research that the CRC is reviewing and the geographic reach of each item of research—whether it is in a specific area or right up and down the reef.

**Ms Chadwick**—I know that that is available. I am happy to supply it.

**Senator MARK BISHOP**—Turning now to the issue of trawling, I am advised that some correspondence has been forwarded to Senator Hill and Minister Palaszczuk in the Queensland government going to the capping of permissible fishing days and the formula that has been identified for the implementation of that cap. My understanding is that a cap on the number of fishing days has been or is about to be implemented. It includes a figure of 15 per cent for what is termed ‘latent or unused effort’ in terms of the total number of fishing days. That relates to whether the fishing period used is 24 hours, 20 hours or 16 hours. Hence there is that measure of difference. The second issue I refer to is the standardised hull unit measurement for larger boats vis-à-vis smaller boats. In the trawling industry there is an apparent move towards a more corporate set of ownerships—the consolidation of boats into the one owner and the like. With that background, can you advise what was the actual rather than the latent fishing effort during 1996?

**Ms Chadwick**—In 1996 you had 108,346 fishing days.

**Senator MARK BISHOP**—That was the actual and not the latent?

**Ms Chadwick**—I believe so.

**Senator MARK BISHOP**—Do you have any idea of the number of actual hours trawlers worked in 1996?

**Ms Chadwick**—No.

**Senator MARK BISHOP**—I thought you would say no. Why is it that you have such a specific figure of 108,346 days but you cannot give me any figures for the number of actual hours worked in the trawlers?

**Ms Chadwick**—I am sure if I took it on notice I could give you the number of hours. The reality is that back in October 1999 at the ministerial council related to the GBR there was an agreement reached between the Commonwealth and the state of Queensland about a number of issues—one being that the trawling within what is called the east coast trawl area, which does include a large part of the GBR, was in fact ecologically unsustainable. That is a very strong view of ours. It was shared by Queensland. I would have to say that from our perspective it is just unconscionable to imagine that you will allow ecologically unsustainable fishing practices to occur within a world heritage area. That, to us, is quite unconscionable.

But certainly from Queensland’s point of view nobody wants to be overseeing a fishing industry—like Queensland trawl, which includes over 700 families—and have it collapse on them. So coming at it from a number of different perspectives, Queensland, the Commonwealth and we all had a real interest in doing something about a fishery that was in

fact under a lot of stress and, in our view, unsustainable. We had reports from CSIRO and others to verify and underpin it from a scientific point of view.

So there was an agreement at the ministerial council that a plan would be jointly developed that the effort would be capped at 1996 levels. Why 1996? Because that was just about their best year at that time. So it was seen as being fair. How do we know the number of days that I gave you? Because they are the figures that were provided by Queensland. Given the debate has been going on for years and has occupied a considerable portion of my time, yes, it is pretty well ingrained in my memory. The question on the number of hours I am happy to take on notice, but this 1996 cap was agreed at the ministerial council at that time, and it was agreed on the basis that it was the best recorded year in the fishery and hence was seen as the fairest baseline from which to start.

**Senator MARK BISHOP**—When you say ‘the best recorded year’, do you mean that in terms of the quantum of the catch?

**Ms Chadwick**—Catch, yes.

**Senator MARK BISHOP**—In terms of weight or value?

**Ms Chadwick**—It would be in terms of weight.

**Senator MARK BISHOP**—So you have picked that year, which was the best year for the trawling industry, and that has now become the cap. But we do not know how many hours per day the trawlers were used in each of those 108,000 days, do we?

**Ms Chadwick**—I am sure we do somewhere. I am happy to provide that.

**Senator MARK BISHOP**—So you will take that on notice. That is fine. What effect will the redefinition of whole units have on the number of fishing days available, particularly if it is primarily small boats that are removed from the fishery in restructuring?

**Ms Chadwick**—I did not bring the details of the formula with me, but I can assure you that, given there has been considerable concern about what are termed ‘small family operators’, in many ways the definition of ‘hull unit’ is in fact to the benefit of smaller boats and to the detriment of larger boats.

**Senator MARK BISHOP**—I understand that, but if the advice we have received is correct that a consolidation of the industry is occurring, standard theory tells us that a large number of owner-operators, family operators and small boat operators will be displaced and that larger corporate interests will come in and run multiboat outfits or larger boats with a larger hull size. Does that mean the whole basis of the cap may well need to be revisited? If you have a smaller number of larger boats able to take a larger catch, with the same number of days—going back to 1996—being utilised, doesn’t that suggest that might have to be revisited?

**Ms Chadwick**—I understand what you are saying, but I do not think that is going to be the case—although it is a bit early to tell.

**Senator MARK BISHOP**—I will stop you there because this is a critical point: has GBRMPA or perhaps the agency, Mr Hunter, done any studies on consolidation of similar type fishing/trawling industries in other countries?

**Ms Chadwick**—I will answer that, but obviously Mr Hunter can talk about other countries. I can talk about the work that we have done with Queensland in the development of this plan. As you are probably aware, discussions are under way at the moment on this, and in fact a lot of meetings up and down the coast have just concluded where the plan has been presented to

trawlers. Over 700 people attended those meetings. They have been vigorous meetings—frank and fulsome. The upshot of that is that over 300 submissions have been made in Queensland, with people expressing interest in perhaps being part of the package.

**Senator MARK BISHOP**—‘The package’ being a package of restructuring and exiting the industry?

**Ms Chadwick**—That is right. So from the perspective of our efforts to try to take about 15 per cent of the effort out of the industry, it looks as though we will be successful if all of this comes to pass. However, the other element that is critically important to your question and to what the industry will look like at the end of the day is the conditions that Minister Hill is placing on the \$10 million that may be on offer to Queensland as part of this buy-out package. As well as the environmental concerns of taking 15 per cent out to make sure the effort does not blow out again, the other element has been that he wants to be assured that small family operators are in fact protected. While negotiations are still under way with Queensland—so I am not in a position to tell you what the final form of words and terms will be—I can assure you that Senator Hill has made it perfectly clear to me, as chair of GBRMPA, and to Premier Beattie that he has no intention of providing that \$10 million unless he is assured that the interests of small family operators will be protected.

**Senator MARK BISHOP**—Can I stop you there. Do you mean in terms of those small family operators gaining a fair percentage of the exit package or do you mean some sort of ongoing protection measure to guarantee their viability as businesses into the future?

**Ms Chadwick**—Both are being discussed at the moment. The final terms of the agreement have not been resolved, so in all honesty I could not possibly tell you what the final resolution will be. But I can say that the minister has been to Queensland talking with trawling families and he went out on small family operator trawlers. Since that time, not only has he been absolutely committed to ensuring that the ecological priorities that were part of this whole negotiated package were capable of being fulfilled; he has been very firm that he will not sign off on \$10 million from the Commonwealth unless small family operators are, in his terms, adequately protected.

**Senator MARK BISHOP**—Are those negotiations being conducted by the agency?

**Ms Chadwick**—No, the negotiations have been conducted largely by GBRMPA with the Queensland fisheries management people, and they have included the coordinating functions of the Premier’s department in Queensland as well. They have also included what was the QCFO, the Queensland Commercial Fishers Organisation, and is now the QFS. In recent times, as you are probably aware, just to complicate life a little further a breakaway group of trawlers has formed an independent trawlers association, largely in the southern section of the GBR. The negotiations are being undertaken with what appears to be an ever increasing number of stakeholders.

**Senator MARK BISHOP**—You made the point that Minister Hill would only sign off on the Commonwealth \$10 million when he was satisfied that certain conditions had been met. Apart from those stakeholder interests that you have just identified as being involved in the negotiation process, what role, if any, has Minister Hill’s department had, apart from signing the cheque and imposing a number of conditions for the others to reach?

**Ms Chadwick**—In terms of what role?

**Senator MARK BISHOP**—Yes. Is the department directly involved in the negotiations?

**Ms Chadwick**—We are from the Great Barrier Reef Marine Park Authority.

**Senator MARK BISHOP**—I understand that.

**Ms Chadwick**—Mr Hunter might need to answer that.

**Mr Hunter**—My understanding is that these negotiations and the handling of the issue is being carried out by the Great Barrier Reef Marine Park Authority.

**Senator MARK BISHOP**—And the department is not involved in those?

**Mr Hunter**—Not that I am aware of, no.

**Senator MARK BISHOP**—Is there any suggestion that a cap be imposed upon the number of trawlers that an individual or family might be permitted to hold a licence for as part of the restructuring package?

**Ms Chadwick**—Not that I am aware of.

**Senator MARK BISHOP**—It has not been raised with you?

**Ms Chadwick**—Not that I am aware of.

**Senator MARK BISHOP**—Do you know how many trawlers which currently operate in the East Coast Trawl Fishery exceed 62 hull size?

**Ms Chadwick**—No, but I am happy to find out for you.

**Senator MARK BISHOP**—I am advised that in the order of 30 exceed that size, so you might take that on notice and confirm it. What will be the effect on the following in terms of total effort unit and effort reduction if the negotiations succeed with the number of single boats: (1) the cap size from 1996, (2) the number of exits from the industry, and (3) the rather large number of ships with that hull size? Is the intent to reduce the total catch?

**Ms Chadwick**—Our role and our intent has been transparent: we believe it is imperative that we reduce the size of the catch by about 15 per cent. If possible, we will reduce it even further in years to come, but we consider 15 per cent to be an absolute imperative. We have not plucked that figure out of the air; it is premised on CSIRO reports. Further studies were conducted by other people, including the ACIL team led by Dennis Hussey. We believe if we do not have a 15 per cent reduction in the east coast trawl catch, firstly, we will do serious ecological damage to the Great Barrier Reef; and, secondly, the fishery will collapse. Whether you look at it from the point of view of the commercial viability of existing operators or from an environmental perspective, as we do, you come to the same conclusion. If GBRMPA had not decided, on environmental grounds, to involve itself in trying to push for a restructure—probably one of the most major and most contentious restructures of a fishery ever undertaken in Australia—regardless of the size of boats, there would not be an industry in a few years; it would collapse. I think it is important to bear that in mind.

**Senator MARK BISHOP**—Is it fair to say that serious efforts are being made to cap the hull size at 62? Is that an important issue?

**Ms Chadwick**—I must apologise for my paucity of knowledge about hull sizes; I promise to correct that in my answers to questions on notice. My phobia is about capping effort: I want to take 15 per cent of the effort out of the industry. If we have a duty in GBRMPA, it is to ensure that, if there are commercial fishing operations within the GBR—a world heritage area—we should be able to hold our head up and say that they are ecologically sustainable.



**Senator MARK BISHOP**—I understand that argument. You say you want to concentrate on efforts related to the current negotiations when there will be some exits from the industry. You take us one step back to the cap imposed in 1996. The criticism of that approach that has been put to me is that, without apparent public awareness of the details of hours worked on each of the 108,000 days, seeking to reduce catch quantity by 15 per cent may mean no change at all if the number of hours simply increases. How do you respond to that criticism?

**Ms Chadwick**—I would respond in two ways. If it is shown that we have not reduced the effort that we anticipate, so if we have got our estimate wrong, we have capacity in the plan, as it stands—and that is presuming it gets through and everything happens as I hope it does—to impose further reductions in 2002 and 2004. That is presuming we implement the plan next January, if that all comes to pass. So there is a bit of insurance written in there; if we need to go further and make further reductions, it is within the capacity of the plan. The view of those more expert than I in these matters is that, with the number of indications of interest in the restructure package that may be available, it is believed that we will get the 15 per cent out.

There are also provisions built into the plan to stop what is quaintly known as technology creep, whereby if you have a boat and you wish to trade up to another boat then you lose some of your entitlement on the presumption that when you go to a big boat you are going to have new gear, new technology and so forth. In simple terms it may well be that you need two small boats for one large boat. I certainly do not mean that as a definitive statement but, in essence, by way of example, that is built into the plan. A lot of thought and effort has gone in to ensure that, if we go through this pain and effort to make the fisheries sustainable, we can keep it that way, not only for the sake of those who are left within the industry but for agencies such as our own and for Queensland who have been undertaking these negotiations. So that is one aspect of it.

The second aspect that I think is important to note is that this debate on how to restructure the east coast trawl predates me. It has been going on for five years. Some people have spent the better part of their career as public servants trying to sort out this one. I would be the first to concede that, even just looking at my own mail, there is an idea every week on how better to configure the baseline of the plan. Clearly from your questions, you have some thoughts on that matter. If at least five years of intensive work has gone into this plan and if we decide—and it may well be with good reason—that the basis of the plan is no good and we should go back and start again, are we going to spend another five years or another 10 years on this?

**Senator MARK BISHOP**—I take your point.

**Ms Chadwick**—I am certainly not arguing the toss with you on whether this definition of how you define a unit or a cap is perfect. It is the best that the experts in the industry could come up with after five years of interminable debate. If that took five years, my prediction is that you might not have an east coast trawl industry in five years time so we will not need to debate it.

**Senator MARK BISHOP**—Thank you, Ms Chadwick. I want to turn now to Nelly Bay, Magnetic Island. Who will take those questions?

**Mr Trinder**—Probably me, Senator.

**Ms Chadwick**—Colin Trinder is our expert on Nelly Bay, for his sins.

**Senator MARK BISHOP**—Welcome, Mr Trinder. We have been advised there have been a number of breaches of the environmental impact management plan for the area and those

breaches that constitute noncompliance are supposed to result in immediate cessation of work until the management response group has met to resolve the issue. I am further advised that this is yet to happen and that, in itself, this failure to meet represents noncompliance with the EIMP, the environmental impact management plan. The noncompliances I have been advised about are: firstly, working out of hours; secondly, as of 13 November the wet season contingency plan was still not in place and significant rains have already started; thirdly, all refuelling was to take place within a designated and bounded area and this has not occurred and there have been fuel spills and the like; fourthly, mangrove protection has not been put in place; fifthly, there has been potential acid sulfate soil spillage through dumpage of a quantity of PASS at Bright Point; and, finally, discharge of water from a discharge pipe into the access channel has been witnessed by a number of locals on Magnetic Island. Can you go through each of those allegations of noncompliance and the issue of the management response group itself—if it has not met, why it has not met to resolve these issues—and bring us up to date with your understanding of the background to each of those issues. Have the breaches occurred as I have alleged? Why have there been no enforcements to date? Does GBRMPA intend to enforce the entire EIMP in the future?

**Ms Chadwick**—Just before Mr Trinder answers each of those points, I make the observation that probably Nelly Bay is right up there with Port Hinchinbrook as the most assessed and reviewed project in the 25-year history of the marine park. It has been the subject of three comprehensive environmental assessment reports and an independent Commonwealth inquiry. It has been pretty well assessed. I make the observation also that we are an agency that is primarily focused on conservation issues. Whether somebody starts work at 7 o'clock, 6 o'clock or 7.15 a.m. is of no consequence to the environment. That is a matter for Queensland.

**Senator MARK BISHOP**—Thank you for that background, Ms Chadwick.

**Mr Trinder**—Senator Bishop, let us look at the allegations about the management response group not having met. The management response group has met—in fact, most recently only yesterday morning—and considered a number of these issues that you have raised because they have been raised with us as well. The best way to answer those questions first might be to explain to you the environmental management regime that applies to the site. There is a joint permit arrangement with the Queensland Parks and Wildlife Service, which GBRMPA and the Queensland Parks and Wildlife Service are signatories, and under that permit there are deeds that the Queensland government, which is the permittee, has also signed up to. One of the conditions of the deed is that there be an environmental impact management plan for managing the site. The obligations in the environmental impact management plan are joint obligations that the permittee has to both the state and the Commonwealth governments to enforce various requirements that have been identified through the impact assessment process. But the responsibilities for the specific elements of the environmental impact management plan are shared by state government and Commonwealth government agencies.

The general intent of the environmental impact management plan is to specify the environmental standards that we want to have met in the construction of this project. It also specifies methods and procedures that are to be followed to achieve these particular standards and the various procedures that are to be followed if the standards cannot be met. So that is a contingency plan, if you like. There have been no notifications to GBRMPA of noncompliance with any of those environmental standards that are identified in the

environmental impact management plan, so there have been no failures to meet the performance criteria that GBRMPA and the Queensland Parks and Wildlife Service have set in the environmental impact management plan document. There is some debate about whether the management strategies or the construction methods that have been identified in the EIMP have been strictly adhered to in accordance with the EIMP, but the EIMP document itself identifies mechanisms in it by which those construction methods can be varied.

**Senator MARK BISHOP**—So do you say that the half-dozen specific matters I referred to are not breaches of the EIMP per se?

**Mr Trinder**—They would not be breaches of the EIMP in my view, no.

**Senator MARK BISHOP**—Why do you say that?

**Mr Trinder**—Firstly, because the EIMP sets the environmental performance standards or criteria that have to be met in terms of the outcomes. It identifies that certain water quality criteria must be met, that certain environmental issues must be dealt with in a particular way on the site and that state government legislation must be complied with—those sorts of issues. It identifies mechanisms that are recommended for how these criteria can be met, but it also identifies mechanisms by which those methodologies can be varied. There is an environmental site supervisor, for example, at the site who is on hand 24 hours a day, seven days a week to give the construction crews advice on how environmental issues that might arise on a construction site can be dealt with.

**Senator MARK BISHOP**—Okay. Let's go to one specific example then, because I am not so sure that I share your conclusion. I am advised that the wet season contingency plan was required to be in place by 30 September this year. As at 13 November, the wet season contingency plan was still not in place and the wet season has begun with significant rains already occurring. Do you argue to the committee that failure to put in place the wet season contingency plan is not a breach of the EIMP?

**Mr Trinder**—The wet season contingency plan has been submitted to the authority in a number of drafts and we have made numerous minor amendments to the structure of the wet season contingency plan. The site will be in shut down mode on 1 December in accordance with the wet season contingency plan, and all the equipment that is required to implement the wet season contingency plan is on site as we speak. The authority has not accepted the final version of that contingency plan as of this date, but that does not breach the EIMP as there is no particular date in the EIMP that it should be submitted by, because at any time, by agreement, GBRMPA has the capacity to vary when that plan can be submitted. The final test is, though, that we want the most robust set of environmental protections available during the wet season for the site. If that means that we have to delay acceptance of the final plan to have a better plan, that is the approach we have taken.

**Senator MARK BISHOP**—So you have sent a number of drafts of a wet season contingency plan to the authority, and the authority has sequentially requested reviews or changes so there is no approved, authorised, signed off document. Tell me where I am wrong, but I conclude from that analysis that there is not in place a wet season contingency plan. There may well be great intent, great desire and a great amount of work being put into achieving same, but until it is signed off, it does not exist, does it? It is work in progress.

**Mr Trinder**—All the elements of the wet season contingency plan are already in place. The final plan has been submitted to the Queensland state government. It just has not been passed to us for final authorisation but we know the content of it.

**Senator MARK BISHOP**—So you simply argue that there is work in progress, it will be approved in due course and, while the work in progress continues, there is no breach of the EIMP?

**Mr Trinder**—Yes.

**Senator MARK BISHOP**—When does that argument run out?

**Mr Trinder**—On 1 December when the plan is implemented. We would expect to have that plan submitted to us possibly today or tomorrow for final approval.

**Senator MARK BISHOP**—I interrupted your flow. I understand the background and the negotiation process between yourself and the various other agencies. Do you want to go to those half a dozen incidents? Did you take them down so that you could respond to them?

**Mr Trinder**—Sure, let us talk about the refuelling issue. The environmental impact management plan is ambiguous in that it refers to, in one place, ‘refuelling area’ and in other places ‘refuelling areas’. The issue that has been drawn to our attention is that there are two refuelling areas where machinery is being refueled on the site, and that the plan that has been approved in the EIMP only indicates one. The management response group considered this issue some weeks ago, and the second refuelling site that has been constructed concurs in all ways with the environmental parameters that are set in the EIMP. So it is constructed according to best environmental practices. All the management responses at that second site are in accordance with the environmental impact management plan.

**Senator MARK BISHOP**—So will refuelling only occur in the future in those two specified areas?

**Mr Trinder**—No, refuelling of stationary equipment obviously has to occur where the equipment is. These refuelling areas that are bunded off and protected from any spillage leaking into the marine environment are for mobile equipment only. Plastic refuelling trays have been placed all around the site on which static equipment like pumps can be refuelled so that there is no risk of any spillage into the marine environment. Some of the pumps are actually mounted to steel frames and things like that, so they need to be refuelled in situ. But arrangements have been put in place to ensure that fuel cannot escape during that process into the marine environment.

The whole question of refuelling is dealt with in a licence that is issued by the Queensland Environmental Protection Agency. They have considered this issue and have issued licences that are appropriate for both those refuelling sites and for the refuelling arrangements elsewhere on the site.

**Senator MARK BISHOP**—I understand that with respect to those two specified areas. In terms of the mobile refuelling, are there any changes there?

**Mr Trinder**—The EIMP has been varied to authorise the use of two mobile equipment refuelling stations. The issue was that the Queensland Environmental Protection Agency had to issue the appropriate state government licence. There was never any environmental issue associated with the use of the—

**Senator MARK BISHOP**—You say it was just a licensing issue process that needed to be complied with?

**Mr Trinder**—Yes. There are several tiers of approval that are required for the site because it transcends jurisdictional boundaries, so there are state government approvals that rest underneath the Commonwealth or the joint permitting arrangements that apply on the site. So, in addition to approval from GBRMPA for variations to the environmental impact management plan, state licences are required.

**Senator MARK BISHOP**—Mangrove protection: my advice is that the EIMP requires remnant mangroves to be protected through flood irrigation with salt water and that such mangroves are now isolated and no flood irrigation has been provided.

**Mr Trinder**—That is completely false. They have been irrigated every two weeks with salt water.

**Senator MARK BISHOP**—So they have been isolated and irrigated with salt water?

**Mr Trinder**—They pump water in there every two weeks.

**Senator MARK BISHOP**—How long does that take?

**Mr Trinder**—To irrigate them?

**Senator MARK BISHOP**—Yes.

**Mr Trinder**—I do not know. I could take that question on notice. It is a relatively small area and the pumps are fairly large, so you would be able to irrigate them in a matter of a few hours.

**Senator MARK BISHOP**—Can you take on notice the occasions over the last six months when the mangroves were so irrigated?

**Mr Trinder**—The project only commenced a couple of months ago.

**Senator MARK BISHOP**—Okay. Then since inception.

**Mr Trinder**—Yes. Do you want me to deal with acid sulfate soils next?

**Senator MARK BISHOP**—Yes, thanks.

**Mr Trinder**—Sure. There have been no acid sulfate soils placed on Bright Point. In fact, the soil that has been placed on Bright Point is intended as clean fill. Preliminary testing of that material indicated it had a pH of 7.4 across the board and run-off that resulted—

**Senator MARK BISHOP**—What does that mean?

**Mr Trinder**—That means that it is actually neutral. Run-off from that material when it rained was tested also, and it was found to have a pH of 8.2, which is alkaline. Nevertheless, it is a silty-coral material which has been identified in the preliminary testing as having a very low ability to oxidise and produce acid sulfate. Samples have been sent for further testing to confirm these field testing results. And, as a precaution, we have also treated that material with lime. So, although the EIMP precludes the storage of acid sulfate soils off site, we do not believe that this material would fall into that category of material.

**Senator MARK BISHOP**—The site we are talking about is Bright Point. I am informed Bright Point is a bare rock surface directly adjacent to both Nelly Bay and the green zone of Geoffrey Bay.

**Mr Trinder**—Yes, that is correct. That area is also fully bunded, so any material that is running off that pile of soil is prevented from escaping into the marine park, in any case.

**Senator MARK BISHOP**—So you just directly refute the allegation that there has been the dumping of a quantity of PASS material at that site?

**Mr Trinder**—That is right.

**Ms Chadwick**—That matter was raised, and raised publicly, a couple of weeks ago, and our answer today is exactly the same as our answer then.

**Senator MARK BISHOP**—Thank you.

**Mr Trinder**—Working out of hours: the joint EIMP specifies the working hours that were requested by the permittee. The contractors that had been working on the site had been working on a Sunday, and that is outside the hours that are permitted in the environmental impact management plan, but they claimed to be working in accordance with the laws that apply to construction sites elsewhere in Queensland. The Queensland EPA have required that they stop working outside the hours that are permitted and the contractors have complied. The EPA have considered an application by the contractors to work in accordance with the hours that apply elsewhere in Queensland, and that application has now been granted. I understand that they will be working Saturday afternoons and Sundays from this weekend.

**Senator MARK BISHOP**—But you say they will be working consistent with the law and under authorised licence from the relevant authority?

**Mr Trinder**—From the relevant state agencies. We do not feel that noise is particularly a matter under the joint permitting arrangements that the Great Barrier Reef Marine Park Authority is responsible for administering, and we defer to our Queensland colleagues to ensure that those elements of the EIMP are enforced.

**Senator MARK BISHOP**—And the noise is associated with the use of heavy equipment, isn't it?

**Mr Trinder**—Yes. The operation of graders, bulldozers, loaders—that sort of thing.

**Senator MARK BISHOP**—Yes, I can understand that. Finally, discharged water.

**Mr Trinder**—We are not aware of any discharges of water from the site that have not been strictly in accordance with the environmental impact management plan and every discharge that we are aware of is scrupulously monitored at all times.

**Senator MARK BISHOP**—So you have not been formally, or even informally, advised of any inappropriate releases?

**Mr Trinder**—My advice from the environmental site supervisor, who is on the site all the time, is that all discharges have been in accordance with the EIMP.

**Senator MARK BISHOP**—All right; we will put that on the record. Is the environmental site supervisor employed by GBRMPA?

**Mr Trinder**—He is employed by GBRMPA and paid for by the permittee, which is the state government of Queensland. He is employed under a contract that is issued by GBRMPA

and the costs of employing that person are recouped from the permittee—the state government of Queensland—by GBRMPA.

**Senator MARK BISHOP**—So he is a contractor with GBRMPA and his salary package is paid by GBRMPA but recompensed by the state authority?

**Mr Trinder**—It is a straight contractual arrangement, so he submits invoices to us and we reclaim them directly from the state government.

**Senator MARK BISHOP**—Which state agency?

**Mr Trinder**—The Queensland Department of State Development.

**Senator MARK BISHOP**—So you pay him direct and you get recompensed from the state government?

**Mr Trinder**—I believe that that is the arrangement.

**Senator MARK BISHOP**—Can you check that and confirm in writing to us the arrangements?

**Mr Trinder**—I certainly can.

**Senator MARK BISHOP**—Is GBRMPA a party to the commercial agreement between the state and Nelly Bay harbour?

**Mr Trinder**—No, we are not.

**Senator MARK BISHOP**—Finally, is it the intention of GBRMPA to continue construction during the wet season?

**Mr Trinder**—I understand that some work will always be occurring on a construction site when it is raining, but major earthworks and that sort of thing will be in accordance with the environmental impact management plan. So it is due to be in shut down mode on 1 December, but that does not mean that work on the site will entirely stop. There will be work associated with maintenance of the site in a condition that ensures that the environment is protected at all times. All sorts of maintenance jobs will go on.

**Senator MARK BISHOP**—You categorise that as maintenance work, not as ongoing construction work?

**Mr Trinder**—Not large scale construction work.

**Senator MARK BISHOP**—I thank the officers from GBRMPA for attending this hearing today.

**Ms Chadwick**—We thank you very much for your courtesy also.

[11.10 a.m.]

#### **Bureau of Meteorology**

**Senator MARK BISHOP**—Welcome, Dr Love. I am advised that \$971,000 has been removed from the bureau's budget for the 2000-01 year on the basis of savings due to outsourcing. What impact is this having on the bureau's operations?

**Dr Love**—The number is actually \$917,000. I guess the way we do our budgeting—and that is about \$1 million in a \$200 million budget, so it is about 0.5 per cent—is that saving has been spread across the entire budget; it has not been pulled out of any one specific area. So I guess if you took that to its logical conclusion you would say that with ½ per cent at the margins we have either effected greater efficiencies or dropped low priority things. It is very hard to pick up across an organisation, but that is how we will have adjusted for that saving.

**Senator MARK BISHOP**—So you spread that across all of the programs of the agency?

**Dr Love**—Yes, that is right—across the four outputs.

**Senator MARK BISHOP**—How many output groups are there?

**Dr Love**—Four.

**Senator MARK BISHOP**—So that is 0.125—

**Dr Love**—They are uneven in size. We just spread it across the organisation.

**Senator MARK BISHOP**—So it is effectively a reduction in budget for the four output groups. Have the heads of the divisions complained to you about that?

**Dr Love**—I currently look after the two major divisions, and I have not complained about it to myself.

**Senator MARK BISHOP**—What about the other two?

**Dr Love**—International and research are the two that I do not look after. International is relatively small. But, no, it is just in the overall adjustment of things. It is just part of managing in the public sector.

**Senator MARK BISHOP**—I take the point you are making. I want to ask a series of questions about outsourcing process within the bureau. Can you just outline the impact of outsourcing and what is your view?

**Dr Love**—I guess the view of the bureau's executive, or management, is that like all Commonwealth agencies we outsource to some degree. In 1996 there was an Industry Commission study of outsourcing, and I think the bureau at that stage was about fifth or sixth in the Commonwealth in terms of the number of contracts in place and about 12th or 11th in absolute value. At that stage I think we were outsourcing about \$12 million worth of activities. As part of our current output pricing review we have just re-examined that, and I think we are up to about \$40 million now in outsourced activities.

**Senator MARK BISHOP**—That is \$40 million out of \$200 million—20 per cent.

**Dr Love**—Yes. We will use outsourcing wherever we can identify greater efficiencies in doing so, where we can manage the process and where we can improve the return, if you like, to the taxpayer from our activities. The bureau executive looks at it all the time and takes every opportunity it can.

**Senator MARK BISHOP**—That is part of the ongoing administrative processes within the bureau?

**Dr Love**—Indeed.

**Senator MARK BISHOP**—What was the \$12 million in 1996, as a percentage?

**Dr Love**—I do not recall.



**Senator MARK BISHOP**—What was your budget in 1996?

**Dr Love**—It probably would have been around \$160 million. I will take that on notice. That was \$12 million out of \$160 million; we are now up to \$40 million out of \$200 million.

**Senator MARK BISHOP**—You have gone from about 13 per cent to 20 per cent, roughly, of the budget in the four- or five-year period being spent on outsourcing. You say that you will continue to review operations and, if you can, will continue to outsource into the future. How do you intend to manage contracts with, and monitor the performance of, outsourcers against contracted service levels? How will you do that?

**Dr Love**—Currently, outsourcing is very targeted. Generally a manager in a particular area will be responsible for some output. He or she will look at the cost of doing it in-house, look at opportunities out in the commercial sector, probably do some sort of market test and then monitor that contract.

**Senator MARK BISHOP**—That is the point. I understand how you achieve the contract. The question really is this: what systems or processes have you put in place to monitor delivery of outcomes as required by the outsourcing contract?

**Dr Love**—Coming back to the point you are making, at 20 per cent of the organisation's budget, it is not an overwhelmingly large activity. We are still a very technical agency. We are still a very informed purchaser. The strength of a good contract is that you can establish a partnership if you are an informed purchaser and you can proceed on that basis. We have systems in place to monitor the service levels of all the sorts of things we do at a technical level. That is just a matter of system management in the bureau. We have a contracts manager doing the legal side of it, a financial type of person, service level managers from the service delivery section and, if you like, technical managers looking at the technical directions taken in outsourced contracts and where they ought to go. There are three dimensions to any contract management, and they will align with normal program responsibilities within the bureau.

**Senator MARK BISHOP**—You are responding to me by saying that you are essentially still a technical agency, that there is a high level of technical expertise within your agency and that the program managers or senior people ensure, as part of their day-to-day responsibilities, that contracts are being complied with. That is correct?

**Dr Love**—Yes, indeed.

**Senator MARK BISHOP**—You have not felt the need as yet to establish any separate unit to ensure that the outsourced contracts have been complied with?

**Dr Love**—No, we have not felt the need for a separate unit looking across the board at outsourcing. In our management branch there is a contract officer, Brett Symmons. All contracts go through his office and he looks at the contracts per se and makes sure that we are meeting government requirements, if you like. But that is not a service level monitoring or a technical monitoring, that is a legal/financial monitoring.

**Senator MARK BISHOP**—Have any irregularities or deficiencies in the performance of those outsourced contracts been brought to your attention from within the agency?

**Dr Love**—That is a difficult one. Nothing has been brought to my attention as a major failure, but let me talk about the two biggest contracts. One is probably with Telstra for communications—the bureau has extensive communications—and that is around \$10 million

a year. We have significant properties and assets across Australia, and a firm named Gutteridge, Hoskins and Davey does the maintenance work on those properties. The GHD contract is probably \$20 million. So those two contracts are \$30 million or maybe \$40 million. Those are big contracts. To take the telecommunications one, from time to time there are conditions that have to be met by Telstra. From time to time we might have lines go down and not come up in the time that we require and then there will be a bunch of negotiations about that. They will change the telephone service characteristics and we will have a bunch of negotiations. So, in managing those contracts, there are always issues that you have to work through—that is how outsourcing works. I am conscious of those. I have personally been involved in some of those negotiations, but that is not to say that the methodology or the process is fundamentally flawed. It is just part of managing a government entity.

**Senator MARK BISHOP**—So you have not had cause to do an in-principle review of the allocation of those two contracts?

**Dr Love**—No, I think the building and works contract, the GHD one, came up for renewal fairly recently. I am not quite sure where that is at at the moment. The strategic partnership or agreement with Telstra has probably got a year or two to run. They are ongoing. We keep them under review. If we are not happy, we will go somewhere else. That is the way life works.

**Senator MARK BISHOP**—Has the outsourcing delivered significant savings to the agency?

**Dr Love**—Where we have put agreements in place and where we have gone down that track, we believe so.

**Senator MARK BISHOP**—How do you come to that conclusion?

**Dr Love**—I guess it is always the case—and you would have to go into each individual contract to see—that basically the manager will look at what the cost is of doing something in-house and then look at what the marketplace is offering.

**Senator MARK BISHOP**—Has that review process occurred for each of the contracts? I will tell you what I am driving at—

**Dr Love**—I know what you are driving at.

**Senator MARK BISHOP**—I am asking you to tell me whether there is some empirical basis on which the agency has been able to capture a saving of four per cent or seven per cent directly related to outsourcing, not whether there is just a feel that a contract has been adhered to or the managers are satisfied that delivery is on time. The specific question is: is there any empirical basis to the finding that there has been a saving?

**Dr Love**—Okay. Let us look at the two sorts of contracts. I will give you an example of a lower level contract. We put in place automatic weather stations, small installations, around the land. At one stage, we had our own people to do that work. Then, at some point in time, it became obvious to us that it was just more effective to employ local contractors to do that on a state by state basis. Essentially, each state looked at the conditions in their state and looked at the cost of doing it internally and externally and moved that function—in some instances but not in all instances—out of the bureau. We have never done a sweep up of what those sorts of savings are, because it just happens continuously and incrementally. I am unable to say to you that the current level of outsourcing in the bureau saves us five per cent over the

cost of internalising all those activities. We just do not know. It is incremental. You look at them on a case by case basis and move forward.

**Senator MARK BISHOP**—You told us earlier that, from 1996 to the present, the value of outsourcing has gone from about 13 per cent of your budget to about 20 per cent of your budget. You did not say, but I presume, that the trend line is likely to go upwards. What you are saying now is that you are unable to identify for the committee that there have been any empirical savings relating to the ongoing outsourcing.

**Dr Love**—I am saying that we have not done a global analysis on a year by year basis of the advantage of moving things to an outsourcing arrangement.

**Senator MARK BISHOP**—This is not a criticism, but in fact you have not done any analysis on a year by year basis of the cost, have you?

**Dr Love**—That is right. We have done that on a project by project basis only.

**Senator MARK BISHOP**—The project by project basis analysis is really done only at inception. You do not do it as part of an ongoing review—that is, if you are going to outsource your property management, you do the sums internally as to what it is costing you to do that in-house, you get the quotes to have it all outsourced and you do the obvious comparison, but you do not do any ongoing analysis?

**Dr Love**—No, that is right. As we approach the end of the contract, we would then do a review of the contract. We would say: has it worked and how much has it cost? Then we would look to where we would go in the future. That is just rational management, and that happens.

**Senator MARK BISHOP**—What is the usual period of contract? Is there a usual period of contract?

**Dr Love**—No, I could not quote a usual period of contract. I do not know about the GHD contract. I believe the Telstra contract was for three years, but once again I would have to take that question on notice. But that is the sort of order of things.

**Senator MARK BISHOP**—I am advised that the bureau's systems are largely based around distributed mid-range computers. Can you advise us of any experience in Australia or elsewhere where the outsourcing of such systems has resulted in savings?

**Dr Love**—No, my review of the computer outsourcing literature is not perhaps as deep as it should be. I am only aware of documented savings from outsourcing consolidated mainframe systems rather than from highly distributed UNIX environments, which is what we operate in.

**Senator MARK BISHOP**—How will outsourcing impact on the reliability or delivery of vital services, especially severe weather warnings and the like?

**Dr Love**—There is a lot of background to answering a question like that. I will talk a bit about how our systems operate. Because providing weather services is not a large-scale activity in the community—there is one weather bureau and a couple of very small-scale providers—most weather services, including most advanced weather services, have to write their own software to do things. The collection of meteorological data is a bit unusual in terms of its analysis, and the sorts of clients for our services, such as the media, are spread out—they are all over the place. By and large the software which supports the provision of meteorological services has been written by the services themselves.

All software has problems from time to time. To give you an example, when a forecaster prepares a warning using a particular preparation package that we developed ourselves—and the reason we have done that is so there are links to databases that bring data in automatically—where he or she just has to put bits of text in and make a few critical decisions, and that software develops a problem, we support the system. If the application has been developed by a particular scientist in the bureau and if there is a fault, generally the forecaster has very direct access to the developer of those systems. In fact we had a consultancy review of our software in terms of the potential for outsourcing. They came back and said that we were very unusual in that 90 per cent of the faults in the operational system come from software we have written and a very high percentage of those faults are fixed within an hour of complaint—that is, the first-tier response is very high; there is 80 to 90 per cent first-tier correction of problems.

Once you go to an outsourced call centre environment, that figure typically drops to about 15 per cent. One of our fears is that, if we move to an outsourcing arrangement that does not somehow accommodate our particular circumstances, we might find the 80 per cent first-in correction rate drop to 15 per cent, which could have some serious impacts on us. In the IT outsourcing exercise, it has been recognised that science agencies are different. In trying to envisage how we might go about outsourcing, we and OASITO have been talking about the implications and the significance of those differences. We have some concerns because our current system is pretty robust. To trivialise it, in a sense, when you turn on your television there are few nights when there is no satellite picture or weather forecast. That is because we deliver that information robustly and reliably to all media in Australia—every day this year.

**Senator MARK BISHOP**—That is right.

**Dr Love**—If we move to an outsourcing arrangement, we want to make sure that we can continue it.

**Senator MARK BISHOP**—Has the decision been made to outsource that type of work?

**Dr Love**—No. As I said before, in looking at the outsourcing of what is called the Science Group—of which we are a member; CSIRO and the bureau are the large components—a scoping study was done. The bureau has provided some comment on that study and we are now awaiting a response from OASITO. We have not yet received that response and I imagine—although I have no firm evidence—that the Richard Humphry review may slow the OASITO response somewhat.

**Senator MARK BISHOP**—But for the review by Mr Humphry, when did you anticipate a final response from OASITO?

**Dr Love**—I am not sure, but certainly the OASITO timetable was to start moving to what is called a notification to industry around the 15th of this month. They would have started progressively advising industry of the characteristics of the science classed as IT and asking industry to begin preparing for a request for tender early in the new year. That process was under way but it has now been put on hold.

**Senator MARK BISHOP**—Is it fair to say that the internal studies conducted by the two major members of the Science Group were intended to identify the idiosyncratic aspects of the science area as opposed to more mainstream departments?

**Dr Love**—Yes, I think so. That is why OASITO commissioned a scoping study in the first instance: to try to see how we are different and what sort of outsourcing model might be appropriate.

**Senator MARK BISHOP**—Has the final form of that outsourcing model been determined for you and for CSIRO?

**Dr Love**—No. I am not sure whether the scoping study has been put on the web anywhere, but it has been a pretty open document as far as I can tell. Lots of people have read it. That scoping study has a whole spectrum of models—five possible models—for outsourcing. The study proposed allocating different systems to different parts of the model, from totally outsourced to totally in-sourced, with three variants in the middle.

**Senator MARK BISHOP**—Is totally in-sourced still an option for the bureau?

**Dr Love**—So-called model 5 was basically totally in-sourced. In the absence of any response from OASITO, it is clear that model 5 is still an option for bureau systems.

**Senator MARK BISHOP**—Has the bureau worked out a policy position: where it wants to be on that scale of 1 to 5?

**Dr Love**—Yes. I think the bureau is concerned about, as I said before, the transition risks of mission critical systems, particularly, and science systems. We do not have a good firm understanding of what the market might be able to do for us in that regard. In the interests of making sure we can keep things going, our preference is to continue to run those things in-house. We do have other administrative systems in the bureau.

**Senator MARK BISHOP**—We were talking about what you referred to as the mission critical aspects, and your preference at this stage is for those to remain in-house. So we will leave that and go to what is really routine administrative matters that are computerised.

**Dr Love**—In the way we have traditionally operated with outsourcing, I am happy for a market testing exercise to be done on those systems. I can see that if there is scope for savings, I will take those savings.

**Senator MARK BISHOP**—I can understand that argument in respect of the administrative systems within the bureau. Going back to the mission critical aspects of your work, you stated the preference to, at this stage, remain in-house because of your expertise and the complexity of the work. What dangers have you identified if you are forced to go down the path of outsourcing, to some extent, in that area of mission critical?

**Dr Love**—I am not sure we would be forced to go down the path. If we go down that path, we have to look very carefully at making sure, as I said before, that when systems go down we can bring them up as quickly as we can now, that service levels are not impeded, those sorts of things. It is a very highly integrated system. It is very dependent on software written by bureau scientists. The expertise is in the bureau. There is no proposal to outsource the scientists who write the applications. That is not proposed and never has been. So what we fear is trying to define where the system stops that an outsourcer would manage and where the applications start that have been bureau generated. That would create a new interface layer that we may not be able to manage properly. That is our concern. We have expressed that concern in our advice to OASITO.

**Senator MARK BISHOP**—Thank you, Dr Love. This is probably a question for you, Minister, on the possible outsourcing of the mission critical aspects of the bureau's work.

Dr Love has advised us that they have a preference for remaining in-house. The whole issue is under review by OASITO. Does the government have a policy position on the outsourcing of these mission critical aspects of the two major science areas?

**Senator Vanstone**—I think that is a question that would best be directed to Mr Fahey because he is responsible generally for outsourcing.

**Senator MARK BISHOP**—Yes, he is.

**Senator Vanstone**—I have checked with the officers on the ones that have been established for this area, and I think that is right: it is a question you should put to Mr Fahey's estimates.

**Senator MARK BISHOP**—Why is that? If it is a policy issue, you are a minister of the government.

**Senator Vanstone**—That is right.

**Senator MARK BISHOP**—And you would be aware of it.

**Senator Vanstone**—Mr Fahey is responsible for the outsourcing program and that is why the question should go to him.

**Senator MARK BISHOP**—So you are not aware of what the government's policy position is?

**Senator Vanstone**—You have asked me a question and I have given you the answer. If you want to know more about the policy with respect to outsourcing, you should direct your question to the minister responsible for that policy area. It is pretty simple really.

**Senator MARK BISHOP**—It is a simple response. But you administer a department in your own right as well.

**Senator Vanstone**—Sorry?

**Senator MARK BISHOP**—It is a simple response. I am not so sure if it is a correct response.

**Senator Vanstone**—You can be as sure or unsure as you like.

**Senator MARK BISHOP**—Okay. If I asked you that question in respect of your own department, what would your response be? 'I don't know'?

**Senator Vanstone**—No. In response to my department, I would indicate to you which areas were currently outsourcing and which had yet to pursue that path, and I would indicate to you where there were difficulties and where there were not.

**Senator MARK BISHOP**—Can the same test be applied here? I accept that you may not have the hands-on information of another minister's department, and that would be a reasonable response. But to simply say it is an outsourcing issue and it is to be determined by another minister in another place—

**Senator Vanstone**—As I say, if you asked me—and you were at the estimates yesterday for my responsibilities—I would give you such information as I could. But the bottom line is that the question should go to the minister with the policy responsibility for outsourcing. I do not see that there is anything difficult in that.

**Senator MARK BISHOP**—So it is a policy responsibility. Does Minister Fahey have the ability to direct Minister Hill or the bureau to outsource this mission critical area?

**Senator Vanstone**—The experience that I had in relation to this matter was by negotiation but Minister Fahey, in the end, is the minister responsible. As you presumably understand, if there are differences of opinion, even where there is a shared responsibility or other ministers have an interest—there might be one minister with direct responsibility but other ministers have an interest—it can be negotiated, and if it cannot be negotiated it can go to either the Prime Minister or the cabinet. There are processes for handling these things.

**Senator MARK BISHOP**—I understand that Minister Fahey has responsibility for the outsourcing program. I understand that the various departments are required, subject to the agreements, to implement the policy. So my question to you, as the minister representing Senator Hill, is: will the minister direct the bureau to outsource the mission critical aspects?

**Senator Vanstone**—As I said, questions relating to outsourcing policy should go to Minister Fahey. If you have a question that you want Senator Hill to respond to, I will take it on notice and ask Senator Hill to respond.

**Senator MARK BISHOP**—Can you take that on notice? Mine is an implementation question, not a policy question. I understand and accept the policy.

**Senator Vanstone**—I was wondering, Senator, whether you had changed your view after having told me this morning that I was irrelevant to these proceedings. Now you want me to answer some questions. Have you adopted a different view?

**Senator MARK BISHOP**—You are not being greatly relevant now.

**Senator Vanstone**—In fact, you attempted at one stage to suggest that it did not matter what I said.

**Senator MARK BISHOP**—You are not saying anything. You are just telling me that Minister Fahey has responsibility for outsourcing. Everyone in the room knows that. I am asking you, as a minister acting on behalf of Senator Hill—

**CHAIR**—If you know the answer, why ask the question? If you know that Mr Fahey has policy responsibility, then that is the answer.

**Senator MARK BISHOP**—I know that Minister Fahey has got policy responsibility. I am not aware that he has implementation responsibility. I would have thought that was for the bureau, the agency or the department. The minister here is supposed to be able to assist.

**CHAIR**—The minister has advised you that Minister Fahey is the responsible minister.

**Senator Vanstone**—Look, you have your answer, Senator. I cannot help you if you cannot see where the policy responsibility lines are and what the processes are for resolving any disputes in these matters. It is a pretty simple process. If you cannot see it, if you cannot understand it, if you seek to diminish a response that gives you that simple answer because it is a simple answer—it does not need to be complex—I cannot offer you any further assistance.

**Senator MARK BISHOP**—I know. I understand that it is Minister Fahey's policy responsibility. I also understand, as you do, Minister, that it is the departmental minister who has responsibility for implementation. My question derives from that. You cannot assist because you do not know. You have told us that, so I am asking you to take it on notice and refer it to Senator Hill.

**Senator Vanstone**—I think the *Hansard* will speak for itself, and I am very happy with that.

**Senator MARK BISHOP**—Okay. That is good. Coming back to the issue: Dr Love, you do have significant concerns about the effect outsourcing will have on the reliability of the delivery of vital services?

**Dr Love**—Yes, as I said before, we have some concerns as to how it might be done. There are options in the scoping study where we would be satisfied that, if certain systems were put under certain options, things would be fine. So there are solutions there. It is just how it resolves itself through OASITO, as you say. Ultimately, I suppose, taking the minister's point, if there is a dispute between OASITO and the bureau, it gets elevated to the political level and a decision gets made.

**Senator MARK BISHOP**—Does the outsourcing of a lot of your systems affect your ability to make strategic use of IT in the future?

**Dr Love**—Not per se. With all these things, it is how it is done. If you can form a partnership and a good cooperative arrangement with an outsourcer, and provided you remain the intelligent purchaser and provided you can keep in-house expertise, you can manage these things. It is when you get hollowed out to the point where you do not have expertise and you do not have a good partnership with an outsourcer that you can lose that ability as well. It is how it is done. What you want to do is set up the relationships and the arrangements so that you can, if you like, manage your own future rather than have it applied by someone else. That would be our intention.

**Senator MARK BISHOP**—Is a critical aspect of managing your own future retaining in-house all of those scientists and technical people who write the programs?

**Dr Love**—Certainly the applications people we would retain in-house. In addition to that, we had a review of how we might outsource. One of the clear recommendations was that we had a technical team who kept sufficient in-house expertise so we could plan upgrades, because one of the features of the bureau's whole integrated system is that it is constantly evolving. The capacity is improving and increasing all the time and new technologies are implemented continuously. To manage that process and to keep looking down the line, you need significant in-house expertise. You probably do not need as many people as we have now if you have outsourced it, but the question is: where is the balance point?

**Senator MARK BISHOP**—The question is: if you have outsourced a lot of that systems work and obviously the maintenance of the hardware, how many of those technical people do you need to retain? That is the question, isn't it?

**Dr Love**—Yes.

**Senator MARK BISHOP**—Because they are the people who give you your intellectual edge in this area.

**Dr Love**—Yes. The apparent savings can be lost if you have to keep too many of those people. At that point the market test reveals that it is not sensible to proceed.

**Senator MARK BISHOP**—You have put those sorts of concerns to OASITO, haven't you?

**Dr Love**—In broad terms, yes.

**Senator MARK BISHOP**—Are you satisfied that the OASITO scoping study has put forward practical and workable models for outsourcing the bureau's IT?



**Dr Love**—As I said before, there is a full spectrum of models. One of the issues is how it could all work in practice if you had different systems spread across the model. It will produce, if you like, interface management issues that are not there in current outsourcing contracts. That just adds to the overhead again. We have provided that advice to OASITO.

**Senator MARK BISHOP**—I am advised that the bureau operates a joint high performance computing and communications centre located in your Melbourne office, and that this centre incorporates the most powerful computers outside Defence or military in the Southern Hemisphere and is crucial to meteorological operation and research, as well as scientific research by CSIRO. I am further advised that the bureau has argued for a super computer to be out of scope. How will outsourcing affect the bureau's scientific research and, in particular, the joint bureau-CSIRO super computing system?

**Dr Love**—We have made the recommendation that it be out of scope. As I said before, we do not have a formal response from OASITO on that matter, though I think there is quite some sympathy with that view.

**Senator MARK BISHOP**—Why do you say you think the supercomputer system should be out of scope?

**Dr Love**—There are a couple of reasons. There are two NEC SX5s coupled together. As you said in your introduction to the question, it is a very powerful system; it is the only one of its kind in this part of the world. NEC run their South East Asia technical support centre out of our centre in the bureau. My feeling is that if that facility passed to an outsourcer, NEC may, for example, wish to relocate that technical centre—maybe to somewhere else in South East Asia; that is a possibility.

**Senator MARK BISHOP**—What is NEC?

**Dr Love**—The NEC computer company, sorry. So that is one issue. The other issue is that I think it is a world-class piece of hardware. But it is right at the cutting edge, and that means that the software is always being refined to get optimum performance.

**Senator MARK BISHOP**—Yes, also at the cutting edge.

**Dr Love**—It is fifty-fifty owned by the bureau and CSIRO, and the research scientists basically work very close to the system level to get performance out of the whole machine. You asked about contract issues before. I chaired the last management committee meeting of the centre. There are always ongoing issues with NEC as to how we might optimise performance—it is always under negotiation—and our concern was to put a third party into that arrangement. It might make life much more complicated again. The other salient point is that CSIRO used to outsource their supercomputing and then come to the bureau to run a joint facility because we are independently running our own in-house. Ultimately, I think CSIRO in market testing the area felt that, given that it is such a small market or that there is such a small pool of expertise in Australia, it is easier to collaborate jointly and work together on it.

**Senator MARK BISHOP**—Are there any private firms or consortiums currently in existence which would be on top of the hardware—which you referred to as being cutting edge—and the software?

**Dr Love**—Not in Australia. Certainly not in America; because of various issues associated with dumping, they do not buy the Japanese supercomputers in America. So, essentially, the expertise would have to come out of Japan, to the extent that you would have to go back to NEC to get the expertise on their machines. But I do not believe that you can get it from a

commercial company in Australia to run a machine of that capability, certainly not in the meteorological environment.

**Senator MARK BISHOP**—All right. We do not have the final results on the OASITO scoping study, so has the bureau given any thought to issues associated with retrenchment-redundancy if there is the issue of going down this path?

**Dr Love**—We have given immense thought to those sorts of issues. Yes, that is very difficult. I think that the bureau's technical staff are very loyal. They work very hard for the bureau, and they have great capability. They also have skills which are highly marketable. When they live and work in Melbourne, where there is a strong computing industry, many of them could leave the bureau quite quickly, I suspect, and be well remunerated elsewhere. They stay in the bureau for a variety of reasons, and you would have to talk to each one of them. Some of them are interested in scientific computing rather than commercial computing. Some are interested in meteorology. Some like the Public Service environment rather than the commercial environment. There are a whole host of personal reasons. In a sense, we have looked at that. There would be costs for the organisation. There would be a loss of expertise. All those issues have been considered. But, given that we do not know the scope, we do not know quite who or how many people would be affected, so any costing exercise now would be notional. We have looked at different—

**Senator MARK BISHOP**—Is there a notional budget allocation?

**Dr Love**—No, there is no budget allocation at this moment for retrenchments.

**Senator MARK BISHOP**—Has there been any discernible impact on staff morale to date?

**Dr Love**—There is no doubt that staff are concerned. Staff are worried about the issue. As I said, a lot of them are long-term employees of the bureau, and they are concerned. We have tried to work with them to help them understand what is going on and manage those concerns.

**Senator MARK BISHOP**—I am advised that the bureau's head office computer centre is overloaded structurally and has inadequate power and airconditioning. Correct me if I am wrong in any of these comments. I am further advised that consulting engineers have advised the bureau that the centre has major problems in these areas—power, airconditioning and overload structure. The consensus is that the bureau should relocate the whole centre. Is the outsourcing initiative affecting the bureau's ability to accommodate its computing equipment in its Melbourne operations centre in regard to power supply, airconditioning and physical space?

**Dr Love**—I do not have to correct the question. It is perfectly accurate. We are in a facility where we are at the outer edge of its design capability. The building we are in was built in 1975. We have been there since 1975. We have got a computer floor where we are right at the design limits. These machines are exceedingly heavy, very dense, and we are pushing the airconditioning, we are pushing the floor loadings and so on. Without the outsourcing initiative we probably would have been looking very hard at relocation options. I think our lease in the building runs out in a year or two's time, and we will be looking at alternate accommodation to try to get a better deal for the Commonwealth.

Having said all of that, it has meant we have to proactively manage the facility now. As I said before, we are in a constant process of upgrade, so we have to proactively manage that. We have put on hold any consideration of alternative accommodation because OASITO do not like us to make significant changes to our computing environment while we are in one of

these outsourcing exercises. So we have certainly put that on hold. Having said that, I can also very comfortably say that it has not impacted on the services we provide and the way the operational system works; it has just meant that we have to think—

**Senator MARK BISHOP**—Your forward planning is delayed somewhat.

**Dr Love**—a fair way ahead. To give you an idea, if you want to put a new machine on the floor the engineers have to go and do very delicate load calculations, and then we have to load up bins of tapes and get them off the floor and load off machines and juggle things very carefully. But we are doing that, and we can manage through the process. You would not like to have to go through it for years on end, but certainly to date and through to the next six months I think we can juggle the ball sufficiently to keep operational services unimpeded, and that is really our end aim. In all change there are costs, and one cost is that we have to manage more carefully.

**Senator MARK BISHOP**—So you are advising us that you can keep on top of your service levels for the next six months and that you are greatly impacted by OASITO's decision. But is your planning in terms of your need for a new building, relocation and so on, on hold as well?

**Dr Love**—No. In fact, we did a preliminary exercise about a year ago and just notionally costed alternatives for the bureau's moving out. We are in the CBD in Melbourne—and what is the cost of relocating in the CBD, into a suburb, into a distant location? We have gone through that exercise. We are monitoring the market, and it is something that we will proceed with on the time scale of the lease expiry.

**Senator MARK BISHOP**—I am advised that the bureau would have to provide the hands and feet for the outsourcer, and that there might be a real risk of demarcation issues and arguments over service level performances in the implementation phase of an outsourced contract. In the event that an outsourcer may only be able to maintain the bureau systems in capital cities and perhaps a few major regional centres, how does the bureau ensure support in more remote parts of Australia?

**Dr Love**—For those not familiar with the bureau, we have head office in Melbourne, we have a regional office in each capital city and then we have a number of field offices spread around rural Australia. Most of those field offices are where we take observations, launch weather balloons and so on, and there are significant computing facilities at those and a significant wide area network hooking all those together. There has been some discussion with OASITO about how we would maintain those facilities. What happens now is that our observing staff at those stations are technical officers, and very often they have had first-in maintenance training—in fact, I think all of them have first-in maintenance training—so, when a computer goes down, there are spare boards at the station and they will pull out boards and put in boards and do things. The question, in an outsourced environment, is that that sort of interference with computers does not happen in the clusters in Canberra, say, because there is always somebody around. What do you do at Geraldton or Port Hedland or Kalgoorlie or Weipa or Tennant Creek, to name some places? Those things are not resolved at the moment. But, as I said before, there is this spectrum of models and there are probably ways of accommodating that.

**Senator MARK BISHOP**—Is that technical work in those more remote areas or is it characterised more as routine work?

**Dr Love**—It is generally routine work but, given that to get a computer replacement or to get a technician to Tennant Creek or somewhere will take you some days, and you do not want to lose days, we will diagnose what we can remotely and we will talk to the technical officers on the station. They will go in and pull out boards and do things, and we can interact with our technical staff. One of our concerns is how an outsourcer would manage that or whether we would be left with looking after the remote stations while the outsourcer, as you suggested in the question, looked after the capital cities. In a sense, we are only able to work that way because back in the centre we have the expertise to support those people. If we lose the expertise, then it becomes a question of the relationship between the outsourcer and the technical staff in the station, and we have not worked through those details as to cost.

**Senator MARK BISHOP**—There is a range of flow problems from the degree of outsourcing that occurs in your head office, isn't there?

**Dr Love**—Yes. There is a range of contractual opportunities to solve those problems too. As I said way back in the beginning, part of that hangs on what sort of partnership you have with the outsourcer. If you have a partnership, a mutual understanding, a win-win situation, then you can move forward on those issues. But if you do not, they could become very sticky. Since that is all hypothetical at this stage, it is a concern but it is something you would have to manage.

**Senator MARK BISHOP**—I am not aware of too many competitor private sector companies or consortia that are engaged in your business either in this country. It is not cleaning or personnel services or property maintenance where there are plenty of competitor private sector firms, is it?

**Dr Love**—At the technical level that is so, yes.

**Senator MARK BISHOP**—Finally, I am advised that the government announced the \$158 million Building on IT Strengths—the BITS— program in June this year. Under this program, \$40 million is allocated to fund test beds, experimental networks and information infrastructures. Research projects involving the joint Bureau of Meteorology-CSIRO High Performance Computing and Communications Centre obviously would be candidates for funding under BITS. Outsourcing of IT in the group 9 agencies presumably would inhibit the ability of researchers in these agencies to participate in the BITS program. And I am advised that further potential research projects include weather systems visualisation and numerical model data access and retrieval systems. Bringing that together, how would the outsourcing impact on the ability of researchers who make use of the bureau-CSIRO HPMCC to participate in the federal government's BITS program? Is there any impact?

**Dr Love**—Once again, BITS is a pretty significant opportunity to do things in the high end of the supercomputing world, and I think—this is a personal view—Australia needs to get into that IT end of the game. If we had a good partnership with an outsourcer, then I think the bureau scientists, the outsourcer, would jointly participate in BITS. If you did not have a good partnership arrangement, then it would be very difficult. So, once again, it hinges on how you set up your arrangement with your outsourcer.

**Senator MARK BISHOP**—Can I stop you there, because you have been making that point repeatedly that the viability of the future of your organisation if you outsource depends upon good partnerships with new service providers and you having a comfortable working relationship with them. My untutored observation is that your agency and a lot of CSIRO's work is highly specialist, highly skilled and often narrow and limited—in a good sense, not a

pejorative sense. Where do these possible partnership firms currently exist out there in the private sector that might be happy to be or be capable of being your good partners in the future?

**Dr Love**—Yes, perhaps I could talk about other areas rather than computing, since we have not done a lot in the computing areas—but we are doing a little bit. Certainly in our radar engineering and our meteorological software systems and automatic weather stations we have worked with a number of companies in Melbourne. That work has developed into offshore opportunities for Australian business. I can name a number of firms which I think are significant now in terms of systems that are being sold into the meteorological niche at airports and through Asia which have come out of joint development with the bureau; we have outsourced requirements to them and they have developed capability—weather radars, automatic weather stations, telemetry—from those sorts of systems. So it can be done, but you have to get the right companies, the right size, to interact with the organisation and build the relationship.

**Senator MARK BISHOP**—Those companies you have identified in those areas have been built up over a number of years, haven't they?

**Dr Love**—Yes, it is a 10- to 15-year thing.

**Senator MARK BISHOP**—And presumably a lot of your work is modelling and mathematically based and the like in terms of the systems and the programs. Are there a large number of firms you have been able to identify in the marketplace which fit within that description of good partner or potential good partner?

**Dr Love**—Not so much at that application end. But if you look at the computer system end, our regional computers are IBM machines. We have been working with contractors in installing and doing some of the basic bringing up of the systems in a configuration that we can put our things on top of easily. So, in the regional computing context, we are starting to build those sorts of relationships—or we were starting to before this exercise. Because of probity considerations, basically, you have to draw a line with the OASITO exercise. But, as I said before, we are interested in outsourcing where it makes sense, and we have always looked to do that, even in the computing area. I say 'even', but especially in the computing area, because we do not want to waste specialist meteorological people doing things that you can buy in the marketplace—we really do not.

**Senator MARK BISHOP**—I understand that point. Thank you, Dr Love, for your assistance.

[12:10 p.m.]

#### **Environment Australia**

**Senator MARK BISHOP**—I have some questions on the World Heritage Committee. Will the Commonwealth issue export permits for uranium oxides sourced from Jabiluka prior to the commencement of production?

**Mr King**—That is not a question I can deal with. That is more appropriately a question for the Department of Industry, Science and Resources.

**Senator MARK BISHOP**—Has the Commonwealth taken any steps to consult with traditional owners about the possibly of incorporating the Koongarra lease into Kakadu National Park, as promised to the UNESCO World Heritage Committee?

**Mr King**—I am not sure about the premise of the question, that there was a promise.

**Senator MARK BISHOP**—What is your understanding, Mr King?

**Mr King**—I do not believe that there was a promise that Koongarra would be incorporated. Certainly there has been a range of discussions with traditional owners over time about broader management of Kakadu. That is an issue which, as far as I am aware, has not been discussed in detail. The focus has been much more on the discussion of things that relate to Australia's commitments in relation to Jabiluka. That is where the main focus of those discussions has been.

**Senator MARK BISHOP**—I used the word 'promised' in terms of the UNESCO World Heritage Committee and consultation with the traditional owners about the possibility of incorporating the Koongarra lease. What word would you use?

**Mr King**—I am not aware of the details of those discussions. If it would help you if we took that on notice, I could get back to you with the detail of any discussions that have taken place.

**Senator MARK BISHOP**—Is it appropriately raised here?

**Mr King**—I am happy to answer any questions that I can, but it may be necessary for me to take some questions on notice, and I think that is one that I would prefer to take on notice.

**Senator MARK BISHOP**—That is fine. Are you aware of the nature of the commitments given by ERA to the UNESCO World Heritage Committee prior to the third extraordinary session of the committee in July 1999?

**Mr King**—I am aware that commitments were made. I do not have the details of those commitments with me.

**Senator MARK BISHOP**—Has the Commonwealth taken any steps to ensure that commitments have been honoured?

**Mr King**—Once again, I think the detail of the Commonwealth's monitoring is a matter for another portfolio, but I would be happy to take that on notice and get back to you.

**Senator MARK BISHOP**—Do you know whether the commitments given by ERA are binding only on ERA? Are they also binding on successor companies?

**Mr King**—I do not know the detail. I am sorry, Senator.

**Senator MARK BISHOP**—Does the environment department have any role in the sale of ERA to foreign companies under the Foreign Investment Review Board, or is that solely a matter for the Treasurer?

**Mr King**—Mr Hunter might like to respond more generally but certainly, as far as the world heritage branch is concerned, we do not have any involvement.

**Mr Hunter**—Environment Australia is likely to be consulted in the event that such a proposal takes place.

**Senator MARK BISHOP**—Have you been requested to give any preliminary thought to that issue arising out of press reports of the possible sale of ERA to Rio or other companies?

**Mr Hunter**—Not to my knowledge, but to be sure I gave you an accurate response to that I would want to take that on notice.

**Senator MARK BISHOP**—Thank you. What is the overall budget for liaison with UNESCO World Heritage Committee members and attending forums specifically in relation to Kakadu National Park?

**Mr King**—I am sorry once again, but I do not have those figures with me. I will take that on notice.

**Senator MARK BISHOP**—Does anyone else at the table have access to these figures?

**Mr Matthews**—We do not have a breakdown of those figures specifically for Kakadu, but we can get you those figures.

**Senator MARK BISHOP**—Okay, take it on notice. Can you give me the budget for liaison with UNESCO World Heritage Committee members and attending forums specifically in relation to Kakadu National Park? Can you tell me the number of staff working on it? What proportion of the time of FTEs has been allocated to this work? When you do the budget, can you give me not just the ballpark figure but also the line items in terms of allocation?

**Mr Matthews**—Yes.

**Senator MARK BISHOP**—This is probably a question for you, Minister. What is the government's position on the state acceptance of in danger listing of world heritage?

**Senator Vanstone**—I will have to take that question on notice.

**Senator MARK BISHOP**—Has Australia supported in danger listing of areas in the past where there was not support from, or acceptance by, the member state and, if so, which ones? How many in danger listings have there been, how many did Australia oppose and how many of them had acceptance of the state? If you could take those questions on notice, Minister, that would be appreciated. I have a question now for the agency. Kakadu is now being considered for in danger listing. Is it correct that Australia is pushing for state acceptance of such listing?

**Mr King**—The question of in danger listing of Kakadu is not specifically on the agenda for the meeting this week of the World Heritage Committee. On the agenda is consideration of reports that Australia has been asked to provide and has provided, and of reports that independent experts have been asked to provide and have provided. So the specific question of whether or not Kakadu should be listed as in danger is not on the agenda. It is more a consideration of other work in progress.

**Senator MARK BISHOP**—Which body would make such a recommendation? Is it yours, Mr King?

**Mr King**—I am sorry, I do not quite understand the question. The recommendation for the committee to list world heritage as in danger would normally come from the bureau of the World Heritage Committee in the first instance. It would then be the role of the committee to decide on that recommendation.

**Senator MARK BISHOP**—Which committee is that?

**Mr King**—The World Heritage Committee.

**Senator MARK BISHOP**—Which committee is meeting this week to consider the reports you just referred to?

**Mr King**—It is the World Heritage Committee. It meets in two parts: today and tomorrow there are meetings of the World Heritage Bureau, which is essentially the executive body for the committee, and the committee as a whole meets next week.

**Senator MARK BISHOP**—So the committee is meeting this week and will receive a range of reports on the issue of in danger listing but there is not an agenda item for consideration by the governing body on the issue of in danger listing. Is that a fair summary?

**Mr King**—There is not a recommendation to that effect in front of the committee at the moment.

**Mr Hunter**—I would add that in fact the World Heritage Committee agreed in 1999 not to list Kakadu National Park as world heritage in danger.

**Senator MARK BISHOP**—Having made that decision in 1999, did it also agree not to reconsider in danger listing in the future, or is that just taken as read?

**Mr Hunter**—As a result of the considerations in 1999, my understanding is that the series of follow-up reports which Mr King has mentioned are being provided.

**Senator MARK BISHOP**—What is the purpose of those follow-up reports?

**Mr King**—It is normal procedure for the World Heritage Committee, where they have identified issues concerning the state of conservation of a property, to seek advice from the state party responsible for that property. That is very much the case here. These issues are being considered as a matter of routine. The specific reports they will be looking at will include the 15 April report provided by Australia last year—that was given preliminary consideration by the bureau in July. It is a report by the government on progress against a number of recommendations that came from the committee this time last year.

**Senator MARK BISHOP**—Just so I get this clear: is Australia pushing for state acceptance of in danger listing of Kakadu?

**Mr King**—No, Australia will oppose in danger listing, as it has done all along.

**Senator MARK BISHOP**—I understand that a consultant report is due to be released shortly on the radioactive dust from earlier mining operations on the roads in Kakadu. When is that report due?

**Mr King**—That is not an area I have knowledge of.

**Mr Cochrane**—We received a report from the Office of the Supervising Scientist about radioactive dust—that is, contaminated soil—on the edge of a road in Kakadu National Park. That report was received in February. Following that, we commissioned some interim work, and in fact, as of last year week, that was cleaned up—the appropriate actions have been taken.

**Senator MARK BISHOP**—Can you give us a copy of that report? Is it a public document?

**Mr Cochrane**—Yes, I think so—in fact, I think it was the subject of some discussion last time. I will check that for you.

**Senator MARK BISHOP**—Thank you. I have some questions about Quaid Road and the wet tropics world heritage area. I am advised—correct me if I am wrong—that Quaid Road has been recognised as constituting an ongoing threat to inscribed world heritage values in the wet tropics. Unstable conditions were recognised as early as 1989 and in recent years significant sections of the road have been washed away. The Commonwealth of Australia gazetted the road in November 1998 for construction stabilisation, maintenance and revegetation. It originally came under the World Heritage Properties Conservation Act but



was later transferred to the EPBC Act. What action has the department or the relevant agency taken to ensure that these environmental requirements are enforced?

**Mr King**—Probably the best way of dealing with this question is to refer back to the arrangements for managing the wet tropics that have developed since the action that the Commonwealth took originally under the World Heritage Properties Conservation Act. You are certainly correct that, under that act, regulations were made prohibiting the construction of a road. Subsequently, the then minister issued consents to enable the road to be completed. Since that time, the Wet Tropics Management Authority has been put in place and a management plan for the wet tropics was finalised a couple of years ago. Future management of Quaid Road is covered under that plan.

The Commonwealth minister, as a member of the ministerial council, together with Queensland has approved the plan that covers the whole of the wet tropics. My recollection is that, under that plan, Quaid Road is classified as a management road. That essentially means that it is not open for public use. Under permitting arrangements that the Wet Tropics Management Authority has in place, the private owner or constructor of that road has obligations to maintain it and to repair damage—as you pointed out, there was damage recently when parts of the road were washed away.

**Senator MARK BISHOP**—So the private contractor is responsible for those actions. Is there any obligation upon the department to ensure that he carries out his obligations?

**Mr King**—There is no obligation upon us directly. All of his activities are certainly monitored closely by the management authority, which is responsible for implementing the management plan that covers the road and for managing the permits under which his activities are controlled.

**Senator MARK BISHOP**—Have any deficiencies been drawn to your attention in his carrying out those responsibilities?

**Mr King**—I do not have any specific details, but it is a high-profile issue: one on which the authority places a great deal of importance and to which it pays much attention.

**Senator MARK BISHOP**—Some criticisms have been made to us about the contractor not attending to his contractual functions. Are you aware of those criticisms and, if so, what is the department doing about them?

**Mr King**—I am not aware of specific criticisms at this stage.

**Senator MARK BISHOP**—Has the Commonwealth or its agencies taken any action to protect the world heritage area from the road?

**Mr King**—Not directly. The way that the management regime for wet tropics operates is that day-to-day management is the responsibility of a number Queensland agencies, coordinated by the Wet Tropics Management Authority. So the Commonwealth does not have a direct day-to-day role.

**Senator MARK BISHOP**—I am advised that, in 1997, Senator Hill went on the public record stating that any application to open the road for public use would require the undertaking of a comprehensive environmental impact assessment process. Since that time, as you are aware, a number of applications have been received by the Wet Tropics Management

Authority to open the road for public use. Is any consideration being given to opening the road for public use?

**Mr King**—By the Commonwealth? No. Under the present circumstances any proposal would be subject to the provisions of the Environment Protection and Biodiversity Conservation Act. There have not been any proposals that I am aware of that have been considered but, just to follow on from your point, any proposal that did come forward formally to the Commonwealth would be caught by the provisions of the Environment Protection and Biodiversity Conservation Act.

**Senator MARK BISHOP**—Would that require an EIA to be done?

**Mr King**—There would be possibly a two-stage process: first of all, the Commonwealth would need to receive a referral outlining the proposal, and the minister would then make a decision as to whether or not that referral was captured by the provisions of the act; the second stage, if that were his decision, would be to consider the type of assessment that would be necessary.

**Senator MARK BISHOP**—So it is not automatic that there would be an environmental impact assessment process?

**Mr King**—The fundamentals of the EPBC Act are that no action can be taken if it would have a significant impact on world heritage values of a declared world heritage site. So any action that would do that is prohibited.

**Senator MARK BISHOP**—I follow you.

**CHAIR**—Senator Bishop, we have now reached the agreed luncheon break time. I am prepared to go for another half an hour, but we will still resume at 1.30 p.m. At that point we will be dealing with communications and information technology. I request that after 1 o'clock you put all further questions on the environment on notice because there are no ministers available to hold a spillover day hearing tomorrow. These estimates anyway are scheduled for one day rather than two days. If you are happy with that, we will continue until 1 o'clock.

**Senator MARK BISHOP**—Thank you for that information, Chair. I am happy to continue until 1 o'clock. I am concerned to be advised that no ministers are available for a spillover day. I should put on the record that the committee was advised that the ECITA committee would require a spillover day and that necessary arrangements for a minister to be in attendance as a consequence would have to be made. I am surprised now, or 10 minutes ago, to be informed by you that a minister is not available to carry out the remainder of the estimates process both in this area and in the other areas. I will repeat what I said to you privately, Chair: I request that you liaise with the powers that be—whomever they might be—to see if reconsideration cannot be given to having a minister available tomorrow because, whilst a lot of material can be put on notice, there is still a lot of material that is best done on a face-to-face basis. I simply ask if you would reconsider.

**CHAIR**—Thank you, Senator. The liaison has occurred; there is not a minister available tomorrow. You are aware that both the minister for the environment and your own

environmental spokesman, Senator Bolkus, are away at a conference at this particular time, and the head of Environment Australia is not available to attend these estimates. So it is perhaps a little bit unrealistic to expect that the estimates on this subject would continue without the relevant people here. I suggest that, having had 3½ hours, the onus is on you to prioritise the issues which you wish to raise. These, I repeat, are one-day estimates; they are not two-day estimates. I have sought to see whether or not a minister was available; there is not a minister available, so I am asking that you put all further questions relating to the environment on notice after 1 o'clock.

**Senator MARK BISHOP**—I hear your comments, Chair, and you have heard my request that consideration be given to finding a minister tomorrow.

**CHAIR**—Thank you, Senator Bishop. That is duly noted.

**Senator MARK BISHOP**—I turn now to the Biodiversity Group. Mr Kitchell, I want to talk about the land clearing cap issue, particularly in Queensland. Could you provide detailed information on how a cap on land clearing in Queensland would be established, administered and implemented? Has any consideration been given to that?

**Mr Kitchell**—There has been no detailed consideration given by government yet as to the precise mechanism as to how a cap could operate. We have been encouraged in recent weeks by the Queensland Farmers Federation, most notably Agforce's agreement, to contemplate the notion of a cap. Up until just recently they have resisted that notion. The government has previously made it clear that the Commonwealth government would not entertain providing any assistance to Queensland until and unless the Queensland farming organisations did accept the concept of a cap. Their having now accepted that, government officers will be entering into discussions with the Queensland farming organisations to talk about just such issues as to how a cap might apply.

**Senator MARK BISHOP**—The Queensland farming organisations having come to the party, it is now appropriate to get into more detailed planning at a Commonwealth level?

**Mr Kitchell**—Yes, I think that is right, and that will be done across the three different government departments at the Commonwealth level. But first of all I think we need to be clear in our own minds as to the parameters that the Queensland farming organisations themselves see apply to this cap.

**Senator MARK BISHOP**—Have they communicated that detail to you?

**Mr Kitchell**—Not that I am aware of, not at the moment—other than through the advice that we have received that they have accepted, in concept, a cap. Agforce themselves, I think, have placed some conditions. But at the moment, as far as I am aware, as far as the officers of this department are aware, all we have seen are their press releases.

**Senator MARK BISHOP**—Fine. You have got agreement in principle on a concept via press release from the Queensland farming organisations. You will obviously wait for formal advice in writing and then give consideration to that. Have you done any preliminary work yet on a cap on the level of reduction in land clearing in Queensland, whether regrowth would be included in the cap and remnant permits be brought back before regrowth permits, and those sorts of issues?

**Mr Kitchell**—We thought a lot about those sorts of issues. It has been the government position that, in order for the Commonwealth to provide assistance for restructuring assistance

for the farmers affected, we would be after a very significant greenhouse impact. Just what that means in terms of the number of hectares of clearing that might be allowed each year we have not finally reached a view about. We would like to see it substantially less, obviously, than the current rate of clearing, which I think on Queensland's most recent figures is in the order of 450,000 hectares per year.

**Senator MARK BISHOP**—You would be seeking a substantial reduction on that figure, wouldn't you?

**Mr Kitchell**—We would be, yes.

**Senator MARK BISHOP**—What about the issue of regrowths and remnant permits?

**Mr Kitchell**—I think they are matters of detail that we need to get into at a later time. We have not reached a final view about those matters. They are important matters. The things that we have been focusing most on are those vegetation communities which are most in danger. The Queensland legislation protects the endangered communities but does not go beyond that. We would be looking to see how we might be able to maximise the greenhouse impact along with at the same time protecting those communities which are not protected by the Queensland legislation but which are at risk.

**Senator MARK BISHOP**—Can you advise what level the cap will be set at by the end of the greenhouse accounting period of 2008?

**Mr Kitchell**—No, I cannot.

**Senator MARK BISHOP**—What time frame are you thinking about for the negotiation process and then implementation of the cap?

**Mr Kitchell**—We would be hopeful that we can do it as quickly as possible. Just how quickly that turns out to be I suppose depends on how fraught the negotiations are. It has been a complicated and fractious issue up until now, and we would not expect these negotiations to be easy. They clearly will not be completed during this calendar year but we would be hopeful that some time in the first half of next year we might have a resolution.

**Senator MARK BISHOP**—So, in your own minds, you have set a time frame of perhaps June-July next year?

**Mr Kitchell**—I do not think we have been that precise, but I think we would be disappointed if we could not get some result in that time frame.

**Senator MARK BISHOP**—All right. Are there any specific negotiations currently under way between the state and federal governments over the cap?

**Mr Kitchell**—Negotiations, no; discussions, yes—subsequent to Agforce indicating that they were willing to contemplate the cap.

**Senator MARK BISHOP**—The purpose of those discussions?

**Mr Kitchell**—The discussions, in fact, have been held not by officers of this department but by officers of the Department Prime Minister and Cabinet. The purpose of those discussions would have been to open the lines of communication to see what process we might enter into in order to have productive discussions both with the farming organisations and with the state government.

**Senator MARK BISHOP**—Is it normal for PM&C to get involved at such an early stage of an issue like this?

**Mr Kitchell**—They have been involved previously. In fact, the Prime Minister, when he had discussions with the Queensland Premier some time ago, undertook to establish a task force. That task force was centred in PM&C and head offices from this department and AFFA.

**Senator MARK BISHOP**—So you have an officer who attends that discussion process?

**Mr Kitchell**—Yes, we have had a range of officers who have been part of that task force over, now, some months.

**Senator MARK BISHOP**—Sorry, I misunderstood you. You have had a range of officers involved in that task force chaired by PM&C. This discussion process you are referring to now: do you have an officer involved in that?

**Mr Kitchell**—Yes, we do.

**Senator MARK BISHOP**—And that is really for the establishment of the agenda framework to progress the cap negotiations, is it?

**Mr Kitchell**—That is right. We are not yet talking about the detail of how we might administer the cap or what the cap might be.

**Senator MARK BISHOP**—I have a range of consequential questions that flow from that issue which I will put on notice, I think.

**CHAIR**—Thank you, Senator Bishop. I would just remind officers that questions on notice do have to be answered by 22 December.

**Senator MARK BISHOP**—Have you given any consideration yet to a tendering system for permits to be administered?

**Mr Kitchell**—A tendering and auction system is one of the possibilities for implementing a cap, yes.

**Senator MARK BISHOP**—But only one of the possibilities at this stage?

**Mr Kitchell**—Yes, there are a range of prospects. It might be at the end of the day that not just one of those mechanisms is applied; there may well be a range that would be applicable.

**Senator MARK BISHOP**—Has the Commonwealth given any consideration to the amount it is willing to allocate to land clearing permit purchases?

**Mr Hunter**—You are asking us to speculate on a series of considerations that might underlie or feed into a negotiation process which is yet to commence. As Mr Kitchell said, discussions are taking place at the moment in order to better understand the various positions of those involved in the issue. To start to work through how one might implement an outcome to a negotiation process which has not commenced is, I think, speculative.

**Senator MARK BISHOP**—Has the Commonwealth quantified how many tonnes of Australia's total greenhouse emissions are being sequestered through land clearance in Queensland? Have you done that calculation?

**Mr Kitchell**—It has been done. Unfortunately, we at the table cannot give you the answer at the moment. We can take it on notice.

**Senator MARK BISHOP**—And the dollar value of each tonne, as well.

**Mr Hunter**—I am not sure that a dollar value for a tonne of carbon has been established—in an international or other setting.

**Senator MARK BISHOP**—Have you allocated a notional figure? I understand the point you are making.

**Mr Hunter**—I was just putting a qualification on the information that we can provide you with.

**Senator MARK BISHOP**—Thank you. I will put the remaining questions on land clearing on notice. I would like to ask some questions on the south-east drainage strategy. I am advised that, under the Murray Darling Basin Council drainage strategy there is a south-east salinity drainage strategy. The Commonwealth has provided funding for this but has since withdrawn it. Federal approvals were provided for stages 1 and 2 of the strategy under the old EP(IP) Act. However, it is our understanding that the project has gone into stage 3 without approval. Stage 3 involves pumping saline water into the Coorong, which is also a Ramsar wetland. How much Commonwealth funding has been provided for stages 1 and 2 of the south-east salinity drainage strategy?

**Mr Kitchell**—To date the Commonwealth has provided \$7.735 million to the strategy.

**Senator MARK BISHOP**—Do you have the disaggregated figures for stages 1 and 2?

**Mr Kitchell**—No. I will take that on notice.

**Senator MARK BISHOP**—Has any funding been withdrawn for stage 3?

**Mr Kitchell**—Our funding is being withheld at the moment until such time as the environmental conditions have been met.

**Senator MARK BISHOP**—What is the problem?

**Mr Morvell**—One of the conditions set at the time stages 1 and 2 were assessed was a requirement that stage 3 be assessed prior to any works commencing. That condition was set in 1996 and at the present time we still do not have the notice of intent, which is the first statutory step in the process, from the South Australian government, despite several requests from Senator Hill for such a document to be provided.

**Senator MARK BISHOP**—Why have they declined to provide the statutory notice?

**Mr Morvell**—They have not declined as such, they have just not done it yet. In the last few months they have provided a draft of a notice of intent which dealt with some of the issues, but we indicated to them that they had not dealt with all the issues required to be addressed. We gave them written advice of that and we have still not received a final notice of intent.

**Senator MARK BISHOP**—So they provided some information but did not provide all the information that your department required. They have been told—or requested, I suppose—to provide it. And you have had no further advice from them?

**Mr Morvell**—We have had discussions with them but we have not got the document that we need to commence the statutory assessment process.

**Senator MARK BISHOP**—Without breaching any confidentiality, what is the hold-up? Why is the South Australian government unable to provide that additional information?

**Mr Morvell**—I think that is a question you would have to ask the South Australian government.

**Senator MARK BISHOP**—Okay, I will ask you this question then: what have they said to you is the reason?

**Mr Morvell**—They have indicated to us that they did not have the information required. The project involves a number of stakeholders, including the land-holders in the area, and there is a range of information required for the design of the drainage scheme which cuts across several properties and the like. So there is a fair bit of work to be gathered together. They have told us that they just did not have the information.

**Senator MARK BISHOP**—They do not have the information. Have they done the work that would give them the information?

**Mr Morvell**—Our understanding is that they have probably got most of the information now. We are expecting a final notice of intent to be provided at any time, but we have been waiting for some time.

**Senator MARK BISHOP**—How long is this ‘at any time’ period?

**Mr Morvell**—The requirement was set in 1996, so at any time over the last four years South Australia could have submitted the information. After getting the go-ahead for the first two stages, they clearly focused on implementing those. It is only in the last six to 12 months that the stage 3 issue has come to a head, partly because the land-holders have unilaterally decided to dig drains that have yet to be assessed or approved.

**Senator MARK BISHOP**—My understanding is that the saltwater discharge into the Coorong is part of stage 3 of the project. Is that the case?

**Mr Morvell**—No. Most of the discharge in fact would be relatively fresh water. It is a drainage scheme off existing farms. In draining those farms, it will take some salts but the scheme is designed to prevent salinity. The major issue in terms of salinity is the impact of discharge of relatively fresh water into what is a hypersaline environment in the upper reaches of the Coorong.

**Senator MARK BISHOP**—So are you saying the saltwater discharge has not commenced?

**Mr Morvell**—There was a discharge of flood waters in about early October. After heavy early spring rains the existing drains started doing their work and there was a build-up of water at the entrance to the Coorong. There was some drainage allowed into it, but those discharges were certainly within the limits that had been set in the original assessment. So we would not regard those as being any breach of the earlier assessments.

**Senator MARK BISHOP**—Has Environment Australia made any assessment of the impacts of the discharge on the wetland up there?

**Mr Morvell**—In the assessment of stages 1 and 2 there was an assessment done of the likely impact of those discharges into the Coorong. One of the conditions that was set at that time was a discharge limit of 40 gigalitres per year. That has never occurred. In fact, the discharges that occurred last month that I referred to were quoted at about three gigalitres in total, I think, so it is substantially less than the amount that both we and the South Australian agencies regarded as being problematic. The stage 3 assessment we are waiting for. Some of the early information from South Australia indicates that they may wish to increase that cap to 60 gigalitres. That clearly is an area that we would have some concerns about, and we wanted that to be assessed so that we could understand what the impact would be and allow ministers to make decisions.

**Senator MARK BISHOP**—So there is a proposal to increase from 40 gicalitres to 60 gicalitres that might raise some concerns. Where is that proposal at?

**Mr Morvell**—This is the notice of intent that we are waiting for. It is only in the early drafts that we have seen these figures being talked about of an increase. But until it is formally submitted to us, we are not in a position to make judgments.

**Senator MARK BISHOP**—South East Queensland Regional Forest Agreement: I am advised that the SEQ forest agreement involved the immediate protection of something in the order of 425,000 hectares of high conservation forest. The Commonwealth, as I understand, has failed to financially support that forest agreement. Firstly, is that assertion correct; and, secondly, what is the reasoning of the Commonwealth behind that?

**Ms Dickson**—The Commonwealth suspended its negotiations with Queensland in February this year on the regional forest agreement. The main reasons which were given were the concerns for the surety of the employment for some of the smaller mill workers. The arrangement which had been set up by Queensland was for one of the three larger timber industries that would progressively close down over time, and the Commonwealth is concerned about the employment arrangements for those workers.

**Senator MARK BISHOP**—Have there been any further negotiations since the cessation of the funding in February?

**Ms Dickson**—The cessation of negotiations in February?

**Senator MARK BISHOP**—Yes, in February.

**Ms Dickson**—No, there has not been any further discussion with Queensland on this, any negotiations.

**Senator MARK BISHOP**—Has the Commonwealth sought to reopen those negotiations?

**Ms Dickson**—No, it has not.

**Senator MARK BISHOP**—Has the Queensland government made any approaches?

**Ms Dickson**—The Queensland government has not made any formal approaches that we are aware of. There have been a fair few public statements.

**Senator MARK BISHOP**—Did the Commonwealth do an assessment of the benefits and disbenefits of the RFA up there in south-east Queensland—apart from the employment issue, which you obviously have?

**Ms Dickson**—The Commonwealth was involved for years in assessing both the broad regional attributes of the south-east region for forests and in the negotiations, probably over a period of about six months to a year or more now. In looking at the agreement, both the reserve system that you mentioned plus the forest management practices in Queensland, it did examine those, yes.

**Senator MARK BISHOP**—Is that work documented?

**Ms Dickson**—The base documents that were used for the assessment are publicly available.

**Senator MARK BISHOP**—Can we have a copy of those?

**Ms Dickson**—Sure.

**Senator MARK BISHOP**—What about further documentation?



**Ms Dickson**—There has not been any further documentation since the publication by the Commonwealth and Queensland of those base documents, which was about the middle of last year.

**Senator MARK BISHOP**—In terms of the environmental protection group, I want to discuss the Environment Protection and Biodiversity Conservation Act. Are the officers here? Briefly, can you give the committee a general update of where each of the state bilateral agreement negotiations are up to? I would like to have an idea of where the sticking points are for each state and when they are likely to be in place.

**CHAIR**—I would remind you, Senator Bishop, we are going to break at 1 o'clock.

**Senator MARK BISHOP**—I will make this the last question, Chair.

**Mr Early**—I cannot give you a detailed account of every state because obviously those discussions are still continuing at ministerial level.

**Senator MARK BISHOP**—In that case, could you just give a general comment on each of the states and take on notice a more detailed response in writing?

**Mr Early**—Yes. As an overall picture, we have draft agreements which have been released for public comment with every state and territory. We have had bilateral discussions with every state and territory. South Australia has taken the view that it does not want to have a bilateral at this stage. They are the only jurisdiction that has done so. Essentially, we have close to final drafts with all other jurisdictions. With some of them there is a little bit more work to do; others are very close to finality. But, in a sense, I cannot really say any more than that because they are subject to discussions between Minister Hill and the ministers in the various states and territories about when they will make announcements about signing and so forth.

**Senator MARK BISHOP**—With the exception of South Australia, each of the other states and territories is close to finality?

**Mr Early**—Yes.

**Senator MARK BISHOP**—Have the states sought additional Commonwealth funding in order to take on the assessment and approval process?

**Mr Early**—Funding has been one of the issues that has been dragging the negotiations on. That is one of the issues that Minister Hill is discussing with his counterparts.

**Senator MARK BISHOP**—So you would be unable to tell me how much the states have requested?

**Mr Early**—They have not requested specific amounts. They just want us to guarantee that anything they spend we will pay them, which is not entirely what we would have liked.

**Senator MARK BISHOP**—A bit open-ended?

**Mr Early**—Yes.

**Senator MARK BISHOP**—You are still going through the negotiation process to refine that issue, are you?

**Mr Early**—Yes.

**Senator MARK BISHOP**—When do you expect that negotiation process to be concluded?

**Mr Early**—It does depend a little bit on which state you are talking about. But we are hopeful that we will have two of the agreements finalised and signed before Christmas.

**Senator MARK BISHOP**—Which two? Can I ask that?

**Mr Early**—I think I would have to get Minister Hill's agreement to answer that one.

**CHAIR**—I think we have to stop at that point, Senator Bishop, with respect. We are scheduled to stop at 1 o'clock. I ask you to be prepared to put all additional questions on the environment on notice. We will see finally whether or not there is any possibility of having anybody available tomorrow, but I think it is very unlikely. With that, I close this session.

**Senator MARK BISHOP**—What about, Chair, if we should happen to finish the Communications and IT prior to 11 this evening?

**CHAIR**—We could quite happily go back to the rest of these programs. The officers therefore should remain here, if that is the implication, if we are going to finish the Communications and IT early.

**Senator MARK BISHOP**—That was not a guarantee in any respect; it was just an observation.

**CHAIR**—Perhaps there could be some expedition in the other section of these estimates. We will resume at 1.30.

**Proceedings suspended from 1.03 p.m. to 1.36 p.m.**

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

### **In Attendance**

Senator Alston, Minister for Communications, Information Technology and the Arts

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

Neville Stevens, Portfolio Secretary

#### **Special Broadcasting Service**

Nigel Milan, Managing Director

Maureen Crowe, Head of Resources

#### **Australian Broadcasting Corporation**

Jonathon Shier, Managing Director

Colin Knowles, Director of Technology and Distribution

Russell Balding, Director of Funding, Finance and Support Services

Sue Howard, Director of Radio

Gail Jarvis, Director of Television

#### **Australian Broadcasting Authority**

David Flint, Chairman

Gareth Grainger, Deputy Chairman

Giles Tanner, General Manager

Andree Wright, Director, Policy and Content

Fred Gengaroli, Director, Engineering

**Telstra Corporation**

John Stanhope, Director, Finance

Deena Shiff, Director, Regulatory

John Rolland, Director, OnLine Services

Paul Granville, National Manager, Investment Manager, Southern Region, Telstra Country Wide

Judy Slatyer, Chief of Consumer Sales, Telstra Retail

Max Jennings, General Manager, Business Development, Telstra OnAir

Bob Samarcq, Director, External Relations

Mark Hatton, Executive General Manager, Business Integrated Solutions, Infrastructure Services

**CHAIR**—The committee will now begin its consideration of the Communications, Information Technology and the Arts portfolio. Unless otherwise stated, responses to questions on notice at today's hearing should be sent to the committee secretariat by the close of business on Friday, 22 December 2000. We will commence with the interstate agencies in the Communications and Information Technology portfolio, followed by agencies in the Arts portfolio, then the department and conclude with Information Technology agencies. I will call questions in the order listed on the running sheet. I remind everyone present that departmental officers will not be asked to comment on the reasons for policy decisions or advice they may have tendered in the formulation of policy or to express a personal opinion on matters of policy. To assist senators and Hansard, I would ask that all officers state their name and position clearly when first appearing before the committee. I welcome the head of the department, Mr Stevens. I believe the minister will be here shortly. Mr Stevens, do you wish to make any opening comment?

**Mr Stevens**—No.

**CHAIR**—In that case, we will proceed.

[1.39 p.m.]

**Telstra Corporation**

**Senator FAULKNER**—What system does Telstra use to bill the Department of Finance and Administration for the use of telecards by MPs?

**Mr Stanhope**—It is the same billing system that we use to bill all of our customers of telecard. We bill it out through FLEXCABS, our billing system.

**Senator FAULKNER**—Thank you for that. While I appreciate it might be the same system, it might just be useful for the record for you to say whether that is monthly, quarterly, six-monthly? It may be your standing billing arrangement, but what is the time period for your standard billing arrangement?

**Mr Stanhope**—We offer customers an option of the frequency with which they would like to be billed. It can be quarterly, it can be bi-monthly, or it can be monthly. Whilst I do not know the exact details of the department of finance, I would suspect it would be monthly.

**Senator FAULKNER**—That is why I was asking for the frequency. I appreciate you said you suspected it is monthly, but I am pretty keen to know that. That would be something that could easily be checked for us?

**Mr Stanhope**—It certainly can. I can take that on notice and check that for you.

**Senator FAULKNER**—I would appreciate a quick response if possible. You talk about a standard billing system. Are accounts in your standard billing system itemised?

**Mr Stanhope**—Yes, they are itemised accounts.

**Senator FAULKNER**—What does ‘itemised’ mean in this sense?

**Mr Stanhope**—In an ordinary consumer’s bill, for example, they can have it itemised right down to local call level. But it will itemise a mobile call, for example; it will itemise a long-distance call, be it national or international. It is not a regular feature, but if the customer so desires the customer can have details of local calls as well. And it will have details of calls to information services. It will have telecard details.

**Senator FAULKNER**—I am asking specifically in relation to the arrangements with the Department of Finance and Administration whether there are any variations to the standard billing arrangements which you have just explained that might be interesting and useful for the committee.

**Mr Stanhope**—From time to time we do do customised bills for large corporates and departments of government if that is so required. I do not have the knowledge, and I doubt whether there is anybody here today from Telstra who could give you the details of the level of customisation that we do for the department of finance. But we certainly could take that on notice.

**Senator FAULKNER**—I would appreciate it if you could do that and get us a quick response on that. Someone might be able to make a phone call at some stage and just let us know. I am really interested in the system and whether there is any variation from the standardised arrangement. I appreciate what you say about the standardised billing arrangements. In the case of the Department of Finance and Administration for MPs’ use of telecards I just wonder what those arrangements are. That is pretty straightforward. If you could do that quickly I would appreciate it.

**Mr Stanhope**—We will endeavour to do that in the next half an hour or so.

**Senator FAULKNER**—Thank you very much. A newspaper reported on 12 October: ... in May 1998 a Telstra customer service operator wrote in Mr Reith’s telecard computer file: “Customer not happy. Wants to take matter to the TIO.”

Can you confirm whether that newspaper report was accurate?

**Mr Stanhope**—I cannot confirm that. I am not aware of that report.

**Senator FAULKNER**—I can point you to it. It was in the *Herald Sun* on Thursday, 12 October 2000. There was a bit of publicity about it, so I thought someone might have heard.

**Mr Stanhope**—All I can say about our handling of the matter is that there has been a lot of press about it and there was speculation that employees were gagged and so on. That is not the case. In fact, the employee who is engaged in the normal checking of those sorts of records and payments and so on wanted to and did make a statement to the fact that he was not prevented from speaking about the issues. We believe right throughout we have handled the telecard issue that has attracted attention just like we would any other and with total probity.

**Senator FAULKNER**—I am aware of the press speculation you speak of. In fact I wrote to Dr Switkowski about this very issue. I do not know whether you are aware of it. He did

respond to me. I wrote to him as a result of another newspaper article that did address some of those issues that you have mentioned to the committee. I do understand the background. But because of the focus on this, I thought there might have been a witness at the table who could confirm or deny the report that a customer service operator wrote on Mr Reith's telecard computer file: 'Customer not happy. Wants to take matter to the TIO.' I am surprised no-one can either confirm that or indicate that it is not accurate. It is pretty straightforward. All I want to know is whether that report was correct.

**Mr Stanhope**—My credit management group, which actually reports to me, has been over the records of what we have done in relation to the telecard. There has been no report to me of any such notation on a file.

**Senator FAULKNER**—So you do not know of any such note.

**Mr Stanhope**—No.

**Senator FAULKNER**—And you are not aware of a newspaper report that indicated that.

**Mr Stanhope**—No, I did not read the newspaper report nor have I been asked about it since or at the time of its publication.

**Senator FAULKNER**—That is fair enough. I have indicated to you the date of the newspaper report. You may care to familiarise yourself with it. I have heard the evidence that you provided to us that there was no such notation, and I accept that. If the situation changes, having refreshed your memory, I am sure you would let us know. I hear the evidence that you give.

**Mr Stanhope**—Senator, I am certainly prepared to go back over the files. If I find anything to the contrary to what I have said today, I will certainly let this committee know.

**Senator FAULKNER**—Thank you for that, Mr Stanhope. I think the committee, as a whole, would appreciate that. I ask a general question: what is Telstra's practice in relation to sudden increases in telecard usage?

**Mr Stanhope**—Sorry?

**Senator FAULKNER**—What is the general approach? What do you generally do if you find there is a very sudden increase in telecard usage?

**Mr Stanhope**—We would usually notify the customer if we saw some unusual usage patterns. We would notify the customer or ask the customer: 'Did you know there was unusual usage of your telecard?' For that matter, we do it not just for telecards but in other instances. So we have some pattern analysis that takes place with respect to trying to endeavour to capture fraud and things like that. So for unusual usage or high usage of a telecard we would notify the customer that that was occurring.

**Senator FAULKNER**—That is a pretty stock standard approach for you.

**Mr Stanhope**—Yes, it is.

**Senator FAULKNER**—I understood that to be the case. I wondered whether the warning to the Ministerial and Parliamentary Services Division of the Department of Finance and Administration by the telecard fraud investigator on 17 July 1998 actually flowed from that general practice of analysis and notification that you spoke of.

**Mr Stanhope**—Our communication with the department of finance was triggered by the high usage pattern.

**Senator FAULKNER**—Thank you for that. Could you tell us what response Telstra received from the Department of Finance and Administration in relation to that notification?

**Mr Stanhope**—I cannot quote you word for word.

**Senator FAULKNER**—Just the best you can will be fine.

**Mr Stanhope**—Something like: ‘We’ll take that on board,’ or, ‘We’ll look into it.’

**Senator FAULKNER**—Could you outline for the benefit of the committee the contact there has been between Telstra and the Department of Finance and Administration on this particular matter? I think we are all aware of the telecard fraud investigator’s contact on the 17th. After that time, would you be able to briefly outline that for the committee?

**Mr Stanhope**—My understanding is that on a couple of occasions the department of finance was notified by Telstra of the high usage pattern of a particular card.

**Senator FAULKNER**—Do you know what the dates were there?

**Mr Stanhope**—No, but I can get the precise dates for you.

**Senator FAULKNER**—If you could get me the dates and therefore the occasions, that would be useful.

**Mr Stanhope**—Yes.

**Senator FAULKNER**—So that was contact between Telstra and the Department of Finance and Administration. Was there any contact between Telstra and Mr Reith on this matter?

**Mr Stanhope**—Not to my knowledge. The customer name would have been the department of finance so we would have had no reason to contact the minister.

**Senator FAULKNER**—Any contact between Telstra and Mr Reith’s office?

**Mr Stanhope**—Not to my knowledge and certainly not in our records. The department of finance was the contact point.

**Senator FAULKNER**—There was a suggestion, again in the article I referred you to, of warnings to the government. Let me quote directly:

An investigation of Telstra records has revealed the telecommunications giant tried to warn the government in 1995 and 1996 of sudden jumps in the use of Mr Reith’s card.

This is why I ask you these questions. Can we nail down what that might relate to?

**Mr Stanhope**—I cannot attest to any of those dates. But I am saying that, because of the high usage pattern on that card, the customer, who is registered as the department of finance, was notified of that high usage, as we do with any customer.

**Senator FAULKNER**—But you will be able to confirm with the question you have taken on notice what the dates were. I accept that this is a newspaper article. If we could nail down the dates and the contact I would appreciate it. So you are able to do that for me?

**Mr Stanhope**—We will do that, Senator.

**Senator FAULKNER**—Thank you very much, Mr Stanhope. Finally, the only other issue I would like to raise goes to the statement that Mr Healy made. I think I received that statement from Dr Switkowski. I think he appended it to a letter he sent to me. Mr Healy’s statement was dated 20 October 2000. I assume you are familiar with it?

**Mr Stanhope**—Yes.

**Senator FAULKNER**—He says in paragraph 4:

I have recently raised some issues with Telstra management in relation to my original investigations of the matter. Telstra are dealing with those issues.

Given the intense public interest in this particular matter, can you elaborate on those issues and the process which is in place to facilitate consideration and resolution of them?

**Mr Stanhope**—I will defer to Ms Slatyer, who is more familiar with that detail.

**Ms Slatyer**—The statement that you are referring to is part of Mr Healy talking through the general process that he went through as these issues became public. He talked through with his management exactly what he had done and what process he had followed. That is part of the escalation process that is often quite normal if there is a very high account. As part of that process he would have used the processes that Mr Stanhope referred to in terms of bringing attention to unusual bills or high accounts. But he did also want it made clear—and we wanted it made clear—that he was in no way gagged. It is not normal for him to take the case and see it all the way to the end. The usual process is that the first person takes the initial inquiry and deals with it but then hands it on to other people who take it through the standard process.

**Senator FAULKNER**—I read that part of Mr Healy's statement when he said he was not subject to any restriction or gag and I took that at face value. This goes to that part of the statement that relates to some issues that he had raised with Telstra management in relation to the original investigation and that those are being dealt with by Telstra. That is the part I am focusing on. I appreciate that the statement did in fact cover a number of other issues. What I am trying to understand is where those matters relating to that small part of the statement are up to. I accept that other issues are dealt with in the statement and I do not intend to ask you any questions about them. I am merely focusing on, if you like, the ongoing processes, or those which were ongoing at the time the statement was written on 20 October 2000, and trying to understand how they are being progressed or if they are being progressed. That is all.

**Ms Slatyer**—My understanding is that all that we have had to do with it is finished now. We looked at it to see that we treated it as standard process. We looked at it to see that it was absolutely consistent with how we normally deal with customers and with issues where there are high accounts. So from our perspective, it is my understanding that it is closed and we are not doing any more in relation to it.

**Senator FAULKNER**—When you say it is closed, it is Mr Healy's managers in Telstra that made that decision?

**Ms Slatyer**—He has, through the normal process, alerted his management of concerns. His management have taken that through the process in terms of assessing customers who might be subject to fraud or subject to high value accounts and we have taken that through that normal process that it goes through with customers. So there is nothing additional being done in relation to it.

**Senator FAULKNER**—When Mr Healy says Telstra are dealing with those issues—he made that statement on 20 October 2000—you are really saying to me that Telstra is no longer dealing with those issues? Is that a fair assessment?

**Ms Slatyer**—Yes. From our perspective, we looked at it to say, 'Did we follow normal process?' Yes, we followed normal process, so the matter is closed.

**Senator FAULKNER**—But Telstra is not dealing with those matters currently?

**Ms Slatyer**—Not that I am aware of.

**Senator FAULKNER**—When did they stop? Can you tell me when they stopped dealing with them?

**Ms Slatyer**—I cannot tell you the exact dates, but I can get you those, if you want. We are happy to supply the process that we went through.

**Senator FAULKNER**—That would be useful. Those dates would be helpful.

**Ms Slatyer**—I should add that what I do know is that we made quite a few calls to Mr Healy in the context of him being quite upset at the media that was around. Therefore, obviously that was not standard process and we, as management, were getting in touch with him to say, ‘You have our full support. You have done the right thing. You have followed process. Don’t think that this is going to impact you in any way and don’t worry about it basically.’ Because he was quite concerned.

**Senator FAULKNER**—My questions here are not directed at him. I hope you appreciate that they are about Mr Healy’s statement. It goes not to him at all. It goes to the fact that there is a suggestion that there are, if you like, ongoing investigations, which I think you have confirmed was the case. But I think you are also saying now that they are concluded. That is how I understand the evidence that you are providing to us. But I would appreciate that information and, Mr Stanhope, if that other information is made available today, I am sure the committee secretary might care to contact my office so we can listen out for it.

**Mr Stanhope**—Certainly.

**Senator FAULKNER**—Thank you.

**CHAIR**—Thank you, Senator Faulkner. Senator Calvert.

**Senator FAULKNER**—I told you I would not be long.

**CHAIR**—Senator Faulkner, we never doubted you.

**Senator CALVERT**—I have a couple of brief questions. In light of the horrific floods that have been experienced in New South Wales, is Telstra doing anything to assist in the rectification of telecommunications that may or may not be working in that area?

**Mr Stanhope**—Yes, there is a lot of activity occurring in the flood areas. We actually have with us Mr Mark Hatton, who is quite familiar with the actions over the last few days and has been involved. I will ask Mr Hatton to come to the table.

**Mr Hatton**—I got an update this morning from the general manager for the New South Wales country area on the status of the floods and what Telstra have been doing around those floods. I have just jotted down some notes here. In north Tamworth, the general manager basically says that the floods have passed, but there have been a high number of cables washed away and staff are implementing temporary and permanent fixes around that area. I think five or six bridges were washed away, and Telstra basically run a lot of their cables across those bridges.

There are a number of task forces which are following behind the floodwaters. They are going into the towns to do whatever they can do to get as many services up as possible. Behind those task forces, there is another team to scope the major damage sites. In Inverell, there is presently a team doing a clean-up, and there are quite a few gully wash-outs which



have taken out our cables there. In Mungindi, basically they have staff behind the levy banks and, wherever possible, we are running staff in ahead of the floods as well so that they can be prepared before the floods. In Walgett, Wee Waa and Warren, it is a similar thing and we have staff behind the levy banks. According to the note which I got from the general manager this morning, we expect the flood to peak in Narrabri at about lunchtime today. We expect Wee Waa will go under tomorrow, so we have people prepared to go in there. In Walgett, we expect to go in in another three days as the flood comes down.

We also have 150 interim mobile phones ready to go to assist, with another 200 to 300 available to come in at very short notice. We have also brought in some team leaders from around New South Wales who have experienced these sorts of floods before to head those task forces. They are in there full time at the moment. There has been a command centre set up in Newcastle. Basically, at that command centre they have maps and weather information, et cetera, to ensure that we have the right people in the right place at the right time.

A snapshot of the faults this morning shows that there are about 2,400 outstanding faults. There are a couple of things to note. In the New South Wales country area, there has been a lot of rehabilitation work carried out and it has made a significant difference to the fault rates up there. At the moment we are experiencing about 2,400 faults. Before that rehabilitation work, we would have been experiencing between 6,000 and 8,000 faults, and they are just the estimates from the local people there. That rehabilitation work has made quite a difference.

There are a few other issues that we are seeing up there. The staff have a lot of issues with snakes in the pits and washed out gullies. We presently have health people running around and inoculating the staff for hepatitis B and C, and we are presently awaiting the arrival of some sort of special mosquito repellent—I am not sure what it is—to minimise the dangers from Ross River fever. At the moment it is not a worry, but we are concerned that when we hit December it may be a cause for concern. Also, in areas with black soil we expect problems to continue for up to three months due to reduced accessibility. We are flying staff into some of those sites, but we cannot drive in areas where there is black soil. You just cannot get in.

On the mobiles situation, there are no base stations off the air. We are fast-tracking emergency expansions to ensure that we have enough capacity there, and there is some slight congestion in some areas. We have just completed the CDMA expansion at Bald Hill in the Tamworth area, so everything is going well there. A CDMA expansion was completed in Tamworth last night, so there is no congestion there. A CDMA expansion was completed at Coonamble. The GSM expansion is happening as we speak today, and performance is going quite well there. That is basically it.

**Senator CALVERT**—Thank you for that very full answer. That sort of good news probably will not make the press, but at least this committee is satisfied that Telstra are doing the right thing under these circumstances. You talked about the CDMA and the GSM expansions. I continually get asked—and I guess this is happening—just how much Telstra are putting into the upgrade exchanges in regional Australia as far as Easycall and call waiting services are concerned.

**Mr Stanhope**—I will refer that question to Mr Granville from the new Telstra Country Wide business unit. This committee spoke to us before of its concerns about regional customers not having the same type of services as metropolitan customers. I think this is also a good news story, but I will let Mr Granville tell the committee.

**Mr Granville**—Last time we were before this committee we were asked about the upgrade of equipment called IRIMS, which services around 150,000 of our customers in rural Australia. At that stage there was no plan by Telstra to upgrade those exchanges. Since that last appearance before this committee, Telstra Country Wide has been formed. It is a new retail unit within Telstra and is responsible for some three million of our regional customers throughout Australia. One of the principal aims of Telstra Country Wide is to improve service levels for our customers in regional Australia.

Within Telstra the organisation is such that retail business units sponsor capital expenditure. One of the first things that Country Wide looked at, following its formation, was this large group of rural customers who had no access to Easycall facilities. Country Wide was able to mount a case within the company and advocate a reassessment of capital in the current financial year. We were successful in gaining a reallocation of capital to upgrade these particular exchanges. Since that time we have moved very quickly. A tender has been issued and finalised, and it should be awarded this week. That will allow us to begin planning for this upgrade over the next month and to commence work early in the new year, with an aim to complete that around September or November.

As a result of this, some 150,000 customers throughout regional Australia who at present do not have access to Easycall facilities will have access to the full range of those facilities, including such things as Message Back Home, call waiting diversion, call return and Fax Stream Duet. As a result of that, Telstra will be able to offer products such as Message Back Home to virtually 100 per cent of Australians. We are very happy with this, and I guess it indicates the value of having a separate group, such as Country Wide, within Telstra able to act as an advocate within the company and so achieve this sort of service improvement.

**Senator CALVERT**—Thank you.

**Senator MURPHY**—My question concerns the national info fax service, particularly as it relates to the provision of weather information. Under the old analog system you used to be able to access that information by mobile phone. A fisherman or a sailor could access this information at sea by mobile phone, but they cannot now. Would you inform the committee about this or take this question on notice and come back to me with an explanation. I have a fair bit of information and I do not want you tell me that, because you have contracted the provision of the service out, this is the contractor's problem. I do not think it is their problem. This is a matter for the carrier rather than the service provider.

**Mr Stanhope**—This is probably not Mr Granville's area. Perhaps Mr Jennings from our mobile area can answer that question.

**Senator MURPHY**—I am happy for you to take that question on notice. I am aware that my colleagues have a lot of questions to ask.

**Mr Stanhope**—We will do that, Senator.

**Senator CALVERT**—My question relates to interactive broadband services. Has Telstra had any discussions with News Corporation, PBL or Foxtel regarding access to their broadband cable network for interactive services?

**Mr Stanhope**—I will ask Mr Rolland to come to the table because he deals with that area of our business. The broadband cable is owned by Telstra, not Foxtel. I want to establish that fact at the outset. Mr Rolland can answer your question more precisely.

**Mr Rolland**—There have been discussions between the shareholders and Foxtel about interactive services.

**Senator CALVERT**—Has Telstra contemplated offering a right of exclusive access for interactive services on that network, similar to what has occurred with pay television?

**Mr Rolland**—No, I do not believe so.

**Senator CALVERT**—I have some other questions on the subject but I will put them on notice because they require fuller and more detailed answers.

**Senator MARK BISHOP**—I welcome the various officers from Telstra. The first issue I wish to discuss in some detail goes to the Besley inquiry report. I have several general questions and then I will discuss the specific recommendations. Mr Stanhope, what is Telstra's position with regard to telecommunications services in rural, regional and remote Australia? Does the company believe they are adequate and, if not, why not?

**Mr Stanhope**—We believe there are pockets where services in regional and rural Australia ought to improve. That is part of the reason why we have put together Telstra Country Wide. We are focused on service improvement in regional and rural Australia—and, indeed, throughout the rest of Australia.

**Senator MARK BISHOP**—You have identified problem areas and established Telstra Country Wide as part of a mission to address those pockets of dissatisfaction.

**Mr Stanhope**—Amongst other things. Telstra Country Wide is in place also to provide a complete service to those customers, to put staff back in regional areas so that people can have personal contact with Telstra and to provide the necessary service improvements to customers in country and regional Australia. That customer segment is important to us.

**Senator MARK BISHOP**—I will turn to a few specifics. As Mr Besley and his colleagues conducted their inquiry, I am advised that Telstra had an officer or officers present observing and trying to gather information. That is entirely appropriate. You will have seen the report—and the government's response to it—and you will be doing your own work in-house. Can you turn to the 17 recommendations in the Besley report and offer the committee not a detailed response but a general response from Telstra to each of them? Could you then provide us with a more considered response, perhaps containing more detail, on notice? I think someone from Mr Smith's office foreshadowed to Telstra that we intended to ask this question.

**Mr Stanhope**—Yes, Ms Shiff is here to address those issues.

**Senator MARK BISHOP**—Ms Shiff, would you mind going through each of the recommendations as relevant to your company.

**Ms Shiff**—As a preamble, I would say that, consistent with what Mr Stanhope was saying and the fact that we have sent people around to listen to the concerns of our customers during the course of our inquiry, a lot of our response and the response, indeed, of the industry to customer expectations around service is not necessarily fully embodied in the recommendations. It is part of the processes that we are now putting in place to meet service expectations and to deal with some of the specific issues that are raised. It is also part of the fact that we are out there competing with other service providers who also are going to be judged by their service. So part of the dynamics of the competitive environment is what is driving us forward, not necessarily the policy coming out of the Besley inquiry as captured in

the recommendations. Indeed, it is our primary motivation in dealing with those customers. Recommendation No. 1 states:

That the Productivity Commission's review of telecommunications-specific competition regulation have regard to the differing levels of competition across Australia and consider whether a greater recognition of those different circumstances should be incorporated into competition regulation.

Clearly, it is a policy matter. We are already in the midst of the Productivity Commission review, and we and other industry participants are expressing views about what is the best regulatory environment for inducing greater competition in rural Australia. To our mind, the key to ultimate service improvement, especially around network quality, is investment. Hence, anything that drives investment by us and investment by others through that competitive process is ultimately good for customers, in our view. So we do not have a problem with that recommendation. We think it is entirely appropriate that the Productivity Commission assess those matters. The same with recommendation No. 2, which is a little more tangential. It states:

That the Productivity Commission's review also be asked to specifically consider the implications of current pay television programming arrangements for the development of telecommunications competition in regional Australia and consider whether any additional regulatory measures are needed to facilitate access to pay television programming.

I really have no comment on that. It was a matter that the ACCC raised out of a concern that some regional carriers were carrying exclusive content and other new regional entrants were not. It is ultimately a matter of judgment, in our view, as to whether exclusive content of the marquee variety that drives pay TV penetration is necessarily the recipe for success in a regional broadband world. But that is a matter of commercial judgment at the end of the day. I certainly do not have a problem with the Productivity Commission assessing it at a policy level. Recommendation No. 3 states:

That the Government offer up-front incentives to potential alternative universal service providers in return for their commitment to supply, as a standard service, substantial improvements above the legislated minimum.

We note that the ability to improve upon existing service requirements is built into the OEZ tender evaluation criteria, that there are concessional arrangements currently available to alternative service providers through BARN and other social bonus arrangements. Consistent with our broad policy view that it is important to encourage investment into rural Australia, we have no in-principle concern about a recommendation that promotes investment in higher service capabilities.

Recommendation No. 4 is:

If the contestability processes announced by the Government do not have the effect of materially improving service levels in regional, rural and remote areas, the Government should reassess policy measures, including the USO, with a view to ensuring the contemporary telecommunications needs of all Australians are met.

It is somewhat conjectural. There is a tender out for the outer extended zone at the moment. We are going to be there, hopefully best dressed, and we are not going to contemplate anything other than winning that tender at the moment. Recommendation No. 5 is:

That the Customer Service Guarantee be amended to apply only to universal service providers.

The broad policy consensus around the inquiry was that the CSGs lead to some distorted incentives around service provision, not just by Telstra but by other service providers. Perhaps

this is what has motivated that response. Indeed, recommendation No. 9 does suggest the generation of alternative service metrics that are more customer relevant and can be applied across the industry. However, we recognise that the customer service guarantee is not, at the end of the day, a monitoring device; it is a system of providing a safety net and a payment to consumers. Consumers may not like having their entitlements taken away if they take service from a service provider other than a USP. Ultimately, that is a policy decision for government, as indeed are all of these recommendations.

**Senator MARK BISHOP**—I do understand that but I am interested in the perspective of the major corporation in this area.

**Ms Shiff**—Recommendation No. 6 states:

That all reviews of telecommunications-specific regulation be required to explicitly consider the impact of those regulatory mechanisms on the development of competition in regional, rural and remote Australia.

That is entirely appropriate. That tends to occur now, in our experience, in current policy reviews. Recommendation No. 7 is:

That the Government refocus the existing programs supporting new market models and regional communications initiatives by placing more emphasis on strategic support and advice to regions and commercially-focused funding (such as through concessional loans or project investment).

That makes a lot of sense to us. As the committee did, we place a lot of faith on market mechanisms and competitive outcomes. However, in circumstances where they are not going to deliver and where investment is not going to be driven through the normal channels, it is appropriate to meet particularly targeted social needs in that way, provided the design makes sense on commercial and equity grounds. Again, it is substantially a matter for government and obviously there are competing priorities within the public policy arena, not just within telecoms but between telecoms and other areas of social need. Recommendation No. 8 is:

That the Government establish a national communications fund to assist significant communications projects by key users such as education or health. A core criterion for funding such projects should be the extent to which they will improve communications services generally available to surrounding regional, rural and remote communities.

Again, that involves a similar set of issues. In general, we believe that the core technology and infrastructure is available for health, education and other purposes. However, there are opportunities to deal with specific equity issues that may give rise to particular applications or program funding. That is ultimately a matter for government, for the reasons I have set out—mainly competing social needs.

Recommendation No. 9 is:

That the Australian Communications Authority establish standard quality of service indicators to be adopted by all major service providers. Those providers should be required to publish their performance against those indicators on a regular basis.

As I have said, I think that it is in the interests of customers that the data that is used to monitor carriers' performance measures criteria that are meaningful to customers so that service providers are induced to perform against those expectations rather than shift their resources around in a way that does not make sense to customers. We heartily endorse that recommendation.

**Senator MARK BISHOP**—I thought you might.

**Ms Shiff**—Recommendation No. 10 is:

That a member of the Australian Communications Authority be appointed to be responsible for the Authority's activities in monitoring and investigating quality of service issues. This member should have particular regard to regional, rural and remote issues.

Not a problem. Recommendation No. 11 is:

That the Australian Communications Authority be required to monitor fault rates in any universal service provider's network at a highly disaggregated level (at least at 'distribution area' level in Telstra's network) to identify reliability problems. The Australian Communications Authority should be empowered to direct a universal service provider to take specific action to address identified reliability issues.

We do not have a problem with that. We believe that the ACA has those powers already and has used its investigatory powers to, as you will recall, investigate our performance in relation to services with that infrastructure in urban and major rural. What they are suggesting here is that they take those investigations to more disaggregated levels. We do not have a problem with that, provided that it is subject to a transparent decision making process so that—

**Senator MARK BISHOP**—Consequent upon the gaining of the information from the disaggregation?

**Ms Shiff**—That the information is used for investigatory purposes to look at where you need to ask a carrier to show cause why the performance is unsatisfactory. That is perfectly consistent with the ACA's existing powers. What is important, and what I do not think the ACA would resile from, is that, when those powers are fully exercised at that disaggregated level, there is a clear and transparent decision making framework as to what constitutes the trigger for concern, what constitutes the trigger for action and what factors will be taken into account to require action or to mitigate the concern. For example, we may have poor fault rates in an area but have decided that we need to migrate customers onto an alternative technology platform. We, in those circumstances, would want to advise the ACA that it is in the longer term interests of the customers to suffer some pain for some longer term gain. There may be some cost-benefit issues associated with particular types of remedial action, but, as long as those are subject to a transparent decision making framework, then we should not fear the scrutiny. Recommendation No. 12 is:

That the Australian Communications Authority identify and investigate extreme cases of failure by providers to meet Customer Service Guarantee standards.

It is as I have just discussed. Recommendation No. 13 is:

The Australian Communications Authority should be requested to review the operation of the Customer Service Guarantee in a multicarrier/multiplatform environment to determine whether existing, common standards remain appropriate. In particular, the standards applying in circumstances where no infrastructure is readily available should be reviewed to ensure the sources of consumer frustration are reduced and appropriate incentives put in place to encourage effective capacity planning.

That recommendation I actually understand to be somewhat about two different things, although I may be mistaken. The first limb of it I understand to be referring to the submissions made largely by our competitors that, where they are competing, they do not need to be subject to CSGs because there are multiple platforms and hence a choice by customers. For reasons that I have set out, there are policy issues associated with consumer entitlement as to whether you would retain CSGs not necessarily as a monitoring device but a liability scheme. However, what it does, I think, possibly indicate is that the ACA's scrutiny, if

it is going to be at a disaggregated level all over Australia, needs to be prioritised and focused in particular areas, and where there is a lot of competition and choice may not be where they choose to focus their gaze—which makes sense to us.

In relation to the second limb that there is frustration about the availability of infrastructure, that is something about which Telstra needs to take responsibility and is doing something about. I believe it relates to confusion caused to customers when you tell them that their appointment time is within a particular CSG service metric that is associated with having infrastructure, then it is subsequently discovered they do not have infrastructure and you give them a different date. So it is confusing to them as to their entitlement; it is inconvenient for them. What we are looking to do there is to improve our own systems so that our front of house has better visibility of the back of house infrastructure systems. And I understand that we are proposing to put out an RFT on some system replacements to some of the key systems to make the marriage of the front of house and the back of house operations work more effectively for the benefit of consumers.

**Senator MARK BISHOP**—So you see that more as an internal communications flow issue within the corporation?

**Ms Shiff**—I do. It is a systems problem. And, if I understand the concern correctly, that is something that we are actively trying to fix—alongside a lot of service activities, I might say, that sit alongside all these policy issues and I think are driving real service improvement. Recommendation No. 14, funding for consumers, seems reasonable to us. It is not really a matter for us, I have to say. Recommendation No. 15 is:

That carriers improve the level of information available to the public about emergency and health-related priority services; the ability of customer service staff to advise customers on obtaining priority status; and the availability of relevant criteria for gaining priority.

We accept that is an important public policy issue. It is something where we do have a policy of preference for public health institutions but would probably—Ms Slatyer is better placed to answer this than me—also like to have our front of house people not entirely encumbered by policy but responding to individual circumstances as the need arises. Recommendation No. 16 is:

That a training program for users of teletypewriter (TTY) machines be incorporated into the National Relay Service.

We do not have a problem with that. Recommendation No. 17 is:

That consideration be given to establishing a scheme to source basic and advanced communications services for remote Indigenous communities. The scheme should be firmly driven by the identified communications needs of these communities. The scheme could be funded with an initial capital injection from Government and benefit from ongoing supplementation based on the estimated proportion of the net universal service cost currently attributable to such communities.

Again, there are a couple of issues here. The services to indigenous communities in general are provided on the same basis as to other members of our customer base, with exceptions actually. But what I think is happening here is that, to the extent that indigenous communities are located in remote areas, they suffer the consequences of that remoteness and, hence, give rise to all the service issues that are associated with remoteness. Obviously the extended zone tender is the response to getting a better solution to deal with all remote customers, and I think that tender may well lift the level of service for remotely located indigenous communities.

There was an issue in the Besley report around the adequacy of our payphone services to indigenous communities. We are currently undertaking a range of activities to improve those services. We launched a specialised remote payphone strategy on 8 November at Barunga—which is, I understand, 80 kilometres south of Katherine—which involves redesigning community payphone cabinets, having the community adopt a payphone in attempting to minimise vandalism, having card-only payphones to minimise the problems with coin chute mechanisms, using local agents to sell prepaid cards providing income to local communities; and, probably quite importantly in some communities, offering solar powered payphones where town power does not exist. We are also trialing a remote servicing strategy. Barunga and Daly River are the first two communities in the Northern Territory in that trial. There, we are training local members of the community to carry out basic installation and maintenance work. The training course is to a nationally accredited level and has been designed in consultation with local Aborigines. I think that is all the recommendations.

**Senator MARK BISHOP**—Thank you for that summary. If you can provide a more detailed response in due course, it would also be appreciated. In 1998, Mr Stanhope, the ACA recommended the abolition of the extended CSG time frame where no infrastructure is available. Does Telstra have a view on that recommendation?

**Mr Stanhope**—Our view is that we will comply with it. We do not have a problem with it. We are just complying with what the ACA has asked for.

**Senator MARK BISHOP**—What about the merit, the substance, of the recommendation?

**Ms Shiff**—I would like to comment there. Are you suggesting that the CSG should be amended so that the metric is the same whether there is or is not infrastructure? Is that the substance of it?

**Senator MARK BISHOP**—No, it is not. The question goes to the abolition of the extended CSG time frame.

**Ms Shiff**—Yes, but the effect would be to bring those without infrastructure into the same time frames.

**Senator MARK BISHOP**—Sorry. Yes, I am.

**Ms Shiff**—I think that the realities are that, where there is infrastructure, you can provide a service quicker than where there is not infrastructure. The problem that has been caused, apart from the fact that people without infrastructure obviously feel that they are in a worse position than those with infrastructure, is that there is confusion over which category they fall in. That is covered by the systems changes that I have talked about—to get better visibility in the front of house as to what is and is not available. We obviously are keeping a very close eye on our performance under all the service metrics. And, to be honest, if you set aside what is the best regulatory time frame, we would like to do better in some areas where there is constrained capacity which fall in with that infrastructure category. So what we are focusing on is not ‘let us try to move everybody with or without infrastructure’, but ‘let us just do better for those who have constrained capacity’.

**Senator MARK BISHOP**—What do you mean by ‘constrained capacity’?

**Ms Shiff**—It means that there are just not enough lines to pull out of the ground to serve demand. But what is now coming on-stream—it will come on-stream next year—is wireless local loop technology which can actually substitute for the copper network and provide all the features that a standard telephone service offers: you are getting ADSL rolling out that will



exploit more capacity within the copper itself. Our reckoning is that that will alleviate capacity constraints in a lot of areas so that we will see significant service improvements as those new technologies are deployed.

**Senator MARK BISHOP**—Does Telstra have a time frame for when those new technologies will, by and large, be deployed?

**Ms Shiff**—We will deploy them as soon as we can. It is partly a question of when the equipment suppliers can get it to us according to what we think we need. I understand that our wireless local loop technology, which we would like to deploy, will be available in the second quarter of next year.

**Mr Stanhope**—And we certainly have a time frame for the roll-out of ADSL.

**Senator MARK BISHOP**—And the wireless local loop: you say in the second quarter of next year. Is that across-the-board—across all Australia?

**Ms Shiff**—Yes. We will not deploy it anywhere and everywhere; we will target those areas where there are high faults or constrained capacity in order to lift our service performance.

**Senator MARK BISHOP**—This question invites criticism of some of your competitors, so you might choose not to answer it. Do the corporation regard the performance of carriers other than themselves as meeting reasonable public expectations? Pages 72 to 74 of the Besley report show that both AAPT and Primus in particular do not appear to be providing services and clearing faults within the reported time frames. You appear to cop a lot of their flack.

**Ms Shiff**—Fortunately, we only need to worry about our own deficiencies in performance, and deficiencies in performance of our competitors mean that, hopefully, we will attract their customers, and deficiencies in our performance mean that they will attract ours. That is what keeps us going.

**Senator MARK BISHOP**—So you are just saying that improved performance gets the customer?

**Ms Shiff**—Yes. Customers will vote with their feet.

**Senator MARK BISHOP**—I want to have a discussion, Mr Stanhope, about the next generation cost cutting program. The chief executive was reported in recent weeks as saying that the company expected to capture \$550 million of the \$650 million in savings in the 2001 financial year. Taking that as background, can you please advise me how each of the broad categories of savings are to be achieved under the next generation cost cutting program, and how much Telstra aims to save from each of these initiatives?

**Mr Stanhope**—The categories of projects we have in the next generation cost reduction program are products and platform rationalisation. That particular initiative is about either exiting or migrating customers or pricing up. About 26 products are making losses for us, and we have probably tolerated that for too long. Let me give you an example: PABX maintenance. We have been in that business for quite some time, and it is not a profitable business for us. Some years ago we exited the PABX installation business and we kept the maintenance business. We intend to exit the PABX maintenance business and hand that sort of

work back to the vendors and so on. That is just one example. Of the \$550 million, that is a fairly large proportion.

**Senator MARK BISHOP**—Can you give me a ballpark percentage figure?

**Mr Stanhope**—Yes, if you can just bear with me for a minute while I find it. IT effectiveness is another example where we are intending to outsource our application or our application development work to various tenderers who have put in for that work; so application development work will be outsourced. Another one is the service support area where we have actually reorganised the company in terms of bringing about three service groups together into one area. The support functions that surround those service areas are now brought together, so there are some cost savings in that. Channel optimisation is another one. We have far too many go-to-market channels—direct and indirect channels; we probably have too many indirect channels to market. I will give you an example: an indirect channel in the wireless business or the mobile business is more expensive for us to operate because of dealer commissions and trailing revenue commissions, so we have decided that we will seek to gain more customers through our direct channels rather than our indirect channels.

Let me just give you a feel for this. I think the CEO would have said it is \$550 million this year and potentially another \$100 million flow-on into the next financial year. In product rationalisation, for example, we expect to save about \$150 million. With call centre optimisation—which is the reduction in call centres around Australia from about 280 call centres to about 30 to 40 call centres into the future—we expect about \$60 million in savings. Channel optimisation, as I described it just before, will be about \$80 million. In IT effectiveness—which was the outsourcing, as I said, of our applications development work—where we expect to get over 20 per cent savings, is about \$60 million. There are some capital savings related to that. That is before we capitalise a fair bit of our IT applications development work, and in terms of capital that is about a \$100 million saving.

**Senator MARK BISHOP**—Is that on top of the \$60 million?

**Mr Stanhope**—Yes, because part of it is capital and part of it is operational expenditure. Service support, the bringing together of those three service units and breaking down demarcation and so on, is \$36 million. Shared services is another project within the next generation cost reduction program. It is about taking all of what we call ‘back of house functions’—like accounts payable, accounts receivable, all of the transaction types of activities—into one shared service unit corporately run. We already had gone down this path to some extent, I suppose—we had three of them. That is about \$30 million.

With our corporate restructure—where we now have Telstra Retail, Telstra Country Wide, the infrastructure and the wholesale business units and the on-air or mobiles business unit—we have been able to flatten the management structure, and that is a \$50 million saving in this fiscal year, or year 1. As you would expect with all of these sorts of activities going on, we are able to rationalise property. We are talking about \$10 million. Then other things, like better vendor management, just travelling less, redoing a lot of contracts for all those sorts of services, is another \$60 million. That ought to add up to around \$550 million.

**Senator MARK BISHOP**—Are you including in the \$550 million the \$100 million for capital?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—Thank you for that. Will there be proportionally similar savings in year 2?

**Mr Stanhope**—Yes. I guess it will take us a while to get through the call centre rationalisation.

**Senator MARK BISHOP**—Is the next generation cost cutting program just a two-year plan or is it anticipated it will be ongoing?

**Mr Stanhope**—It is a two-year program. It might spill over to the third year a little bit, but it is a two-year program. That is not to say the company will stop cost reductions after two years. We have talked about cost reductions and the associated staff reduction. Of the 10,000 staff reduction we have talked about, about 7,000 is related to this program, and another 3,000 is related to ongoing initiatives and efficiencies that we would do anyway in the company, without a targeted focused program.

**Senator MARK BISHOP**—On the next generation cost cutting program, we have identified the \$550-odd million in savings in year 1. In terms of jobs, that is going to be a net reduction on Telstra's payroll of circa 7,000 jobs.

**Mr Stanhope**—That is correct.

**Senator MARK BISHOP**—Can you advise me what those 7,000 jobs are? Everyone is an employee, but are they award or EBA people compared with management or executive people who might be under AWAs or whatever?

**Mr Stanhope**—There is a mixture. The company has about 30,000 award staff, and the rest are on AWAs, sales contracts and so on. That is the proportion.

**Senator MARK BISHOP**—What is your total number of employees—about 70,000 these days?

**Mr Stanhope**—No, just under 50,000.

**Senator MARK BISHOP**—So about 60 per cent of those 7,000 would be award employees?

**Mr Stanhope**—Yes, that is a reasonable assumption.

**Senator MARK BISHOP**—And the other 40 per cent are management and—

**Mr Stanhope**—They will be contract staff at different levels—260 of them are senior managers levels 1 to 4. Then there are other contract staff, of course.

**Senator MARK BISHOP**—Of the 7,000 jobs going in terms of the next generation program, how many will be in city areas and how many will be in the rural and regional areas of Australia?

**Mr Stanhope**—I can tell you that 90 per cent of the staff reduction from the next generation cost reduction program is in metropolitan areas and capital cities and 10 per cent is in country or regional Australia. That might shift one or two per cent. Any plan needs to be dynamic.

**Senator MARK BISHOP**—You indicated earlier that the company reviews its costs on a regular basis, and I accept that. We have had a discussion now about the next generation program. Do you have any other ongoing programs for cost reduction?

**Mr Stanhope**—Under that program, there are another three that are attached to other cost initiatives, but it is not a focused program. We expect all the business unit heads to continuously improve their business, and there will be all sorts of initiatives, be they technology driven or process change driven. But it is not a focused program.

**Senator MARK BISHOP**—When we last met in May or June, we had a bit of a discussion about the 10,000 jobs and the next generation program. From memory, you advised at the time that you had to wait for reports from divisional heads and the like before you could provide us with the detail we requested. You did have the figure on the table then of around 10,000 jobs being lost, and that was put out in a press release as well. We have now identified 7,000 of those 10,000, and we have identified the ratio of 90 to 10 coming from this program. The other 3,000 jobs are part of the 10,000. Do you regard that as being driven by the business managers and the divisional heads as part of ongoing cost reviews? Was that part of your thinking when you did the 10,000?

**Mr Stanhope**—Yes, it was. We knew we had a focused cost reduction program, and we had an expectation that those business managers would deliver an expense line, a revenue line and a bottom line. It was part of that. The last time we met, I think I said that previous staff reductions had tended to go 70-30 but that I would get back to you with respect to that mix. We have advanced, and we do have a plan. That is why I am able to tell you that the capital city-country mix—

**Senator MARK BISHOP**—Stop there, I think I am losing you. Will the proportion of city to country loss, with regard to those 3,000, be 90 to 10, or less?

**Mr Stanhope**—It is 87 to 13. It will move a little. It is a little different, but not much.

**Senator MARK BISHOP**—Essentially, the task of the divisional heads in identifying the cost reductions associated with those other 3,000 jobs has been concluded and identified and you are in implementation phase?

**Mr Stanhope**—That is right.

**Senator MARK BISHOP**—When will it be concluded?

**Mr Stanhope**—This is a program that goes up to 30 June 2002.

**Senator MARK BISHOP**—A lot of that will then occur by attrition.

**Mr Stanhope**—Yes. I think we said 8,000 would be retrenched and about 3,000 would go through attrition and there would be some recruitment and movement. This is a March 2000 to June 2002 program. There has been 2,600 redundancies, attrition of 2,200, recruitment of 2,000 and 200 people have converted from being either contractors or agencies to full-time staff. So far over that March to October period the reduction has been around 3,000, net.

**Senator MARK BISHOP**—And the remainder will be spread out until mid-2002?

**Mr Stanhope**—That is right.

**Senator MARK BISHOP**—Do we expect a peak in that period or will it be even?

**Mr Stanhope**—Our plan has it fairly even—perhaps 5,500 this fiscal year and 4,500 the next.

**Senator MARK BISHOP**—Turning to the call centre rationalisation program, you indicated earlier that it has been reported in the press as being in the order of 240 down to 30

or 40 call centres. Where is that program up to and when does Telstra expect that the final decisions will be made about the locations of the mega call centres?

**Ms Slatyer**—The interesting thing about the call centre optimisation program is that, while it started off very much as a next generation cost reduction exercise, it quickly evolved into ‘How can we build state-of-the-art call centres that give our customers a great experience and allow our people to be as professional as they can be?’ The primary deliverable out of the next generation cost reduction exercise has been delivered. That is, we have built a strong vision and a strategy for fewer, larger regional centres where we can invest more in technology, we can spend better in terms of training and support and we can give our people flexibility in the jobs that they have within a certain call centre group. The call centre plan is now basically saying that, within a certain area where there used to be five or six centres spread around the place, centres will now be co-located, which gives our people much greater job opportunities and much more flexibility in their careers. It also allows us to invest in technologies which will give better customer satisfaction and service, for example, the things we talked about here with the integration of front of house and back of house services. To give you an example of how well that works, you may remember that, a couple of years ago, we had fairly regular 000 incidents. I am now proud to say that we have not had a 000 incident for almost two years and that has been a result of our rationalising from eight centres down to two, investing in new technologies and using those two larger centres to invest in our people to give them better skills. It really does pay off in terms of customers and people.

Change is inevitable, and I will give a few examples of how flexible we will have to be in implementing the changes. I give these examples because we will not, at a single point in time, say, ‘Here is the plan for centres and locations over the next three years.’ It would be irresponsible for us to do that, given how dynamic the business is. Since pulling the strategy together, we have had to be able to accommodate in the business the fact that, whereas two years ago we might have had two or three centres supporting telecards—which we talked about before—telecard technology has now improved to such an extent that we need only one small centre. On the demand side, we now need quite significant centres to support our ADSL and Big Pond services.

Change is an ongoing process in call centre businesses and you must have the flexibility to be able to work it through. We will implement the strategy not by announcing a three-year out plan but by saying, ‘This is the direction that we are heading in and these are the sorts of centres that we want to end up with.’ We will then progressively work through, as the business evolves, and move in that direction as it makes sense. We will have an overall blueprint; we will not have a specific locational plan.

**Senator MARK BISHOP**—You will not have a specific locational plan?

**Ms Slatyer**—No, we will not have a three-year plan that says, ‘Here is exactly where the centres will be and these are the centres that we will close.’ I will explain why that is important. First, we must retain flexibility in the business to be able to expand or reduce what is needed to match customer demand. Since we first started planning the call centre strategy, there has been a reduction in demand for some services of up to 20 per cent—or 300 fewer people than we thought we needed originally. On the supply side, there has been an increase in Big Pond and so on. These things have happened within several months so we must retain flexibility in the business. It would be pretty silly of us to say that we will close the centre in Rockhampton only to change our minds in six months time and keep it open.

Secondly, I assure you, Senator, that we are working day and night to try to find jobs for our people. We are trying to find them alternatives and give them choices. If we had two centres in Kalgoorlie and Mt Gambier, for example, and we originally planned to close the Kalgoorlie centre, if the people in Mt Gambier then came to us and said, 'We have got together'—they have, actually—'and we want to close the centre', it would be silly for us to close the Kalgoorlie centre and keep the Mt Gambier centre open. That seems like a very simple example, but we are working with our people to try to match, as far as we possibly can, centre infrastructure with where people have opportunities—obviously so long as it makes business sense.

I will give another example. Three big employers have approached us in areas where we have centres to say, 'If you are going to close your centre, we would like to pick up your people.' So we would obviously close centres in those locations. It is really important to us to manage flexibly and not be locked into a location-specific plan. It is only by managing on a flexible basis that we will have the best outcomes for people and the business and that we will recognise, and be able to adapt to, the changes going on in the business.

**Senator MARK BISHOP**—Thank you. I understand your argument about vision and I understand the company's desire for flexible implementation. I understand also your ongoing process of consultation and feedback with staff. At some stage you will reduce 240 centres to about 35. At some stage you will start the process and in two, three or four years you will say, 'By and large, we have concluded this process; it is 94 per cent complete and the rest is mop up.' Has a final decision been made about the locations of the new mega centres?

**Ms Slatyer**—We have, as I said, a blueprint for what we want the call centre business to look like. We have been closing centres—and this sounds really nasty—but that is business as usual for us. We have closed 50 centres in the last two years; we closed one on Friday. We had a nice farewell party. It was not much fun; it never is. We have closed 10 centres in the last three months.

**Senator MARK BISHOP**—That is almost one a week, isn't it?

**Ms Slatyer**—If you average it out. Obviously it does not get averaged out. Equally, I did not know two weeks ago that the people in Mount Gambier were going to come to us and say, 'We would like our centre to close.'

**Senator MARK BISHOP**—I accept that all sorts of variables are going to arise—new products are going to come onto the market and new business opportunities are going to arise. I understand, and probably accept, your flexibility argument. You have now told me that 50 of the 240 centres have closed over the last three months.

**Ms Slatyer**—Over the last few years. Fifty centres have been closed over the last two years.

**Senator MARK BISHOP**—I am sorry, I thought you said 50 over the last three months.

**Ms Slatyer**—No, 10 over the last few months.

**Senator MARK BISHOP**—That is one a week.

**Ms Slatyer**—To answer your question about whether we have locations for the megacentres: we have preferred locations. Basically the criteria are: are the number of people there that we need; are they the sort of people who have the skills, culture and commitment that we need; is there a place where we can get cost-effective accommodation that will meet

the needs of both the business and the people; and is it a good environment for us to house what will essentially become quite a lot of people? They are basically the four criteria we are using. So we have a view of probably the best sites around the country that give us that. I know this is hard to believe, but that does not mean we will follow those sites exactly. Let me give you another example. Hobart used to be a terrific place to locate call centres. Now there are about 10 call centres there.

**Senator MARK BISHOP**—So you have exhausted the labour supply?

**Ms Slatyer**—We have exhausted the labour supply. That was only last year. So if we took a decision now and said to you, ‘We are going to announce a plan, and in three years time we are going to have a big centre in Armidale,’ and then in six months time, all of a sudden, Armidale loses its attractiveness, we have created all this angst in business and excitement in the community which we are then not able to deal with. One of the frustrations for me now in Hobart is that I cannot hold on to my good people, because they are being wooed, obviously. That is all part of the competitive labour market.

**Senator MARK BISHOP**—You have answered my question to a significant extent by identifying the criteria the company has to try to find a particular location. That is useful information.

**Ms Slatyer**—I would stress one other thing: the most significant plan we have is for our people—and it is really important to me that the committee understands this. Our people, in the next few years, have to go through significant change, regardless of whether or not they stay with Telstra. They have to be flexible, adaptable and fully e-enabled in a couple of years. We want a skilled, capable, motivated and loyal work force. That is going to involve just as much change for the people who are staying as it is for the people who are leaving.

We therefore have a three-pronged strategy which is designed to help people change, recognising that some of that change might mean leaving the company. The program is called ‘your future, your choice’, and it is really about giving our people the self-confidence in their skills and in their knowledge, which is absolutely fantastic, to say, ‘Not only can I take on whatever Telstra wants to dish up to me; I can take on my centre closing,’ so it is not such a threat. We have had some fantastic results as a result of that in terms of people taking on, and being willing to embrace, change.

For example, in Geelong we are setting up a new credit centre. In the past our people on directory assistance would not have had the self-confidence to apply for jobs in such a centre. In the past they felt that directory assistance was just giving out numbers. We took all of them through ‘your future, your choice’, and about 27 people from that directory assistance centre who used to lack self-confidence have now applied for jobs in the credit centre. That might seem fairly meaningless to you, but to me it says: here we are not only equipping our people for what else might come along within Telstra—giving them the confidence to deal with that—but also giving them the confidence to apply for jobs outside.

There was one example of a young woman who was going for a job outside Telstra because she decided that is what she wanted to do; it was her future, her choice. She was going to go along for the interview and one of our team leaders stopped her and said, ‘Let’s just have a chat about what you’re going to say.’ The woman said, ‘I was just going to say that I talk to customers and I enjoy my job.’ Together they sat down and they worked out how many calls she answered a day, how effectively she did it, how many systems she manipulated and what computer skills she had, and of course she got the job just like that. When I say that is my

focus, my focus is on preparing my people for change to operate effectively in whatever climate they are in, and that is what we are doing with 'your future, your choice'. So when we have a plan, we do have a plan and it is around our people.

**Senator MARK BISHOP**—Thank you, Ms Slatyer. I do not offer any criticism of your plan or its implementation. To be perfectly honest, I would have expected it of a major corporation. It is part and parcel of change.

**Senator CALVERT**—You mentioned Hobart. Could you just tell me why you are moving out of Hobart?

**Ms Slatyer**—No, I did not say we were moving out of it. I am just saying that it is becoming a challenge.

**Senator CALVERT**—Good. The head of Telstra Country Wide gave a commitment that, as far as rural employment was concerned, the overall level of jobs in regional Australia would be maintained. Is that still the case?

**Ms Slatyer**—Across the business?

**Senator CALVERT**—Yes.

**Ms Slatyer**—Yes, absolutely.

**Senator CALVERT**—I can understand you shuffling things around in between, but the overall level will be maintained, unlike when you shed something like 16,000 jobs in regional Australia between 1991 and 1994.

**Ms Slatyer**—I am just consumer sales, but to give you an example, quite a significant proportion of our centre managers and team managers have already moved into Telstra Country Wide to take on different jobs. They are no longer centre manager jobs; they are taking on different jobs.

**Senator CALVERT**—I am well aware of the changes to Country Wide Tasmania. Back in that period between 1991 and 1994 when the employment dropped by 16,000, you were not able to maintain the level of jobs in regional Australia, were you?

**Mr Stanhope**—No, we were not. As I said at a previous estimates, it was about 70-30. Now we are talking about 90-10. When we talk about jobs, for example, one of the cost reduction programs is about product rationalisation, and staff reductions are coming out of that. But we are really outsourcing the work, so the job per se will stay. I did say 90-10 before, but in terms of jobs in the regional areas, we pass the work over to somebody else.

**Senator CALVERT**—That is good news. Thank you.

**Senator MARK BISHOP**—How many of the new megacentres do we now have in place?

**Ms Slatyer**—None at the moment.

**Senator MARK BISHOP**—So we have lost 50 of the old and we have none of the new ones. When is the first one going to come online?

**Ms Slatyer**—We are still working that through. It depends a bit on some of the things we have just talked about and it depends on negotiations with some state governments. I cannot give you a firm answer.

**Senator MARK BISHOP**—Do we anticipate it will be by the first quarter of next year?

**Ms Slatyer**—No.



**Senator MARK BISHOP**—So it is still some time away. We did the maths earlier and roughly one a week has been closed over the last three months. Do we expect that pattern to continue?

**Ms Slatyer**—I think it is incorrect to say one a week, because it really does depend—

**Senator MARK BISHOP**—It was very rough; I accept that.

**Ms Slatyer**—That is right. I have not even looked at it in that way. We are so focused on trying to find solutions for each one that it will be around the solutions we find. I know that is not the answer you want.

**Senator MARK BISHOP**—No, but if we were back here in three or four months time and I asked you then, ‘How many call centres in excess of the 50 that we discussed back in November have been closed?’ what sort of ballpark figure do you think you would tell me?

**Ms Slatyer**—You are not going to like the answer, because that is not how I am thinking about it; that is not how I am planning it. For example, the centres that came to us last week to say, ‘We’d like to close,’ we did not know about. So now it is the process of how we move the traffic from those centres and how we move the people out. Therefore, there will be three closing in June which I did not know about two weeks ago. I know that is not what you want to hear but that is how I am approaching it.

**Senator MARK BISHOP**—It is probably not what I want to hear, but it is a hard world. I understand the criteria you are applying and I understand the need for flexibility and I understand that things change from time to time. But even within those parameters, the corporation must have some sort of expectation or loose plan that X numbers of centres are going to be closed in successive three-month periods. The reason I say that is that Mr Stanhope was quite specific in identifying the cost savings, \$60 million, from the call centre option. That \$60 million comes from somewhere.

**Ms Slatyer**—What you are saying is right. Obviously over the next 12 months we will be closing centres on a regular basis. Whether it is three in one week of a month and none for the rest of the month will depend on what sort of arrangements we can find, on who wants to close and who does not want to close—that sort of stuff.

**Senator MARK BISHOP**—Let me come at it in a different way. You are senior in the company, but you have a boss and Mr Stanhope is looking at him and he has told us that there is going to be \$60 million saved in call centre operations as part of year 1 of the next generation cost program. How many additional centres do you think are going to be closed between now and 30 June next year?

**Ms Slatyer**—The savings from call centre closures do not really come from shutting the doors; it comes from people moving out of them. For example, a business like directory assistance is a nationally networked business. We could have it set up whereby you had 60 centres with five people in them. That does not really make economic sense. But what we are doing at the moment in directory assistance is saying: who is it that wants to go now? And that is allowing us to meet our monthly cost reduction targets because sufficient people want to go now or want to retire or want to go and do nursing or run an investment counselling service. At some point in time you then have to make the decision around the smaller centres—‘It has now got to the point where it is no longer viable to have this centre so therefore we will close it.’

**Senator MARK BISHOP**—What are your monthly cost reduction targets?

**Ms Slatyer**—I cannot remember them off the top of my head and they are across the board. It is not just people. It is efficiencies. It is travel. It is all the sorts of things that John talked about.

**Senator MARK BISHOP**—So what are they?

**Ms Slatyer**—I cannot tell you. I cannot remember exactly what I am targeting this year. I just get focused on getting the initiatives in place, and they work.

**Senator MARK BISHOP**—With due respect, you are not too focused on getting initiatives in place because you cannot tell me even a ballpark figure of how many centres are going to be closed between now and June. With due respect, you do have a ballpark figure because Mr Stanhope has told us we are going to save \$60 million. Come on! We know that centres are going to close.

**Ms Slatyer**—As I said to you, your calculation is probably about right. It is about one a week. Whether or not in one particular month that is four in the last week of the month or one a week through the month, that is what I am saying we do not know. So you are right. There will be a continual reduction and closure of call centres and reduction of people through the year.

**Senator MARK BISHOP**—And it very roughly averages out at about one a week?

**Ms Slatyer**—Very rough.

**Senator MARK BISHOP**—That is fine. That has answered that. Can you provide us on notice with the details of staff numbers in each of the current call centres and an up to date list of the exact numbers and location of staff in each of the call centres?

**Ms Slatyer**—Yes, recognising, though, that it changes every week.

**Senator MARK BISHOP**—I understood that.

**Ms Slatyer**—A week after we submit it, it is likely to be 200 more or 100 less.

**Senator MARK BISHOP**—I understand that.

**Ms Slatyer**—Just to give you an example, in the lead-up to Christmas, in the week before Christmas Day, we answer 11 million directory assistance calls. There are a lot more people in the business than there is the week after Christmas.

**Senator MARK BISHOP**—That is all right. I understand that. I understand that the business goes up and down and a lot of people call home on Christmas Day and you have to have extra staff to do it. But if you can give us those figures, that would be fine.

**Ms Slatyer**—Yes.

**Senator MARK BISHOP**—When your first megacentre is opened—at some time, as I understand you, not determined in the future—does the company have a policy on the employment practices that will be implemented in the megacentres, that is, will the staff be directly employed by Telstra or will the administration, hiring, functioning of the call centres be contracted out, essentially outsourced, to other service deliverers?

**Ms Slatyer**—The answer to your second option is no. It is really important to us that we have a solid base of permanent, loyal, skilled, motivated people. It is also really important to us that we have a percentage of the work force that is flexible and that can ramp up for Christmas or ramp down for Christmas.

**Senator MARK BISHOP**—I understand that.

**Ms Slatyer**—We tend to go with a split of around 70-30. So to try to have a permanent in-house Telstra work force of around 70 per cent and permanent people employed by others such as Teletech, Stella and Skilled to provide the flexibility in the business.

**Senator MARK BISHOP**—Is that 70 per cent permanent full time and part time?

**Ms Slatyer**—It is full time and part time. What you find with a lot of call centre work is that the people want part time—it is mums and students. So the only way we can effectively get the skills base and the knowledge set that we want is to offer part-time employment.

**Senator MARK BISHOP**—I am not offering criticism of offering part-time work. Within that employment mix in the megacentres, does Telstra have a preferred model that there be, for example, 50 per cent full time and 50 per cent part time, or is it left to the local manager to do as best he can?

**Ms Slatyer**—It is actually determined by the sort of work that they do. If it is sales work, for example, it is actually better to have permanent full-time people as a general rule. But for directory assistance, it is often easier that you have part-time people because it is not as highly skilled and you can get mums and students coming in to do it. So there is no set desired split between full time and part time, but there is a necessary focus, depending on the type of work that you are doing.

**Senator MARK BISHOP**—So the employment mix between full time and part time relates to the type of work being offered by that particular centre?

**Ms Slatyer**—And the skill set required.

**Senator MARK BISHOP**—Understood. Will the staff who are going to be hired for the megacentres be employed under the relevant award or EBA with the CEPU or will they be offered AWAs?

**Ms Slatyer**—They will have an option, as they do now. We are in the process of finalising our year 2000 enterprise agreement and putting that to the staff vote in the next month. So they either have the option of joining that or joining under an AWA, similar to now. There is essentially no change, in terms of employment practices, from what we have now.

**Senator MARK BISHOP**—Can you take some questions on notice about the Telstra Queanbeyan call centre in Lowe Street?

**Ms Slatyer**—Yes.

**Senator MARK BISHOP**—Earlier this year you moved about 30 permanent staff from the Queanbeyan call centre to new positions in the ACT. At that time you wrote to a Mr Whan, Labor candidate for Eden-Monaro, informing him they would be undertaking a refurbishment of the Queanbeyan call centre and intended to employ at least the same number of staff on a casual basis. Can you confirm that that has occurred?

**Ms Slatyer**—I cannot confirm the exact details, but I am happy to take it on notice.

**Senator MARK BISHOP**—Can you also take on notice how many staff are currently employed at the Queanbeyan call centre—full time equivalent, if possible—and on what basis they are employed? What is the maximum and minimum number of staff that have been employed at the centre since it was refurbished? What contracts does Telstra's Queanbeyan call centre currently have? What contracts has it had over the past 12 months?

**Ms Slatyer**—Sorry, what do you mean by contracts?

**Senator MARK BISHOP**—In respect of employment of labour.

**Ms Slatyer**—Yes.

**Senator MARK BISHOP**—Expectations of labour numbers to be employed by the call centre over the next 12 months. Finally, has there been any reduction in staff in Queanbeyan as a result of decisions on the awarding of Defence call centre contracts?

**Ms Slatyer**—Okay, I will take all those on notice.

**Senator MARK BISHOP**—Also, the current number of staff employed at Telstra's call centre at Cooma; is it anticipated that there will be any change to the number of staff at the Cooma call centre over the next 12 to 18 months; if yes, what change? And how many staff were employed at Telstra's Cooma call centre at 30 June 1996, 30 June 1998 and 30 June 2000?

**Ms Slatyer**—Once again, with these we might very well write back to you to say that at the moment this is what we expect will happen. But if in two months time a bank approaches us in Queanbeyan and says, 'Hey guys, we'd love to take over your call centre,' we will say, 'Do it.' Or, if the same thing happens in Cooma, we will say, 'Do it.' So I do want to get the message through that it is a very flexible way forward and that what we say in a letter one week might well be very different a few weeks later.

**Senator MARK BISHOP**—I understand the argument you are putting on flexibility. If you have qualifiers that you think are properly repeated, I would advise you to put those qualifiers in the formal response you give to the committee in writing. In that way, there is no doubt on either side as to what you are saying.

**Ms Slatyer**—The reason I have said that is that, in those particular locations, there are actually discussions going on with the various councils at the moment on opportunities.

**Senator MARK BISHOP**—I understand that. I turn now to the tender rationalisation program and NDC. This is probably for you, Mr Stanhope. In March this year you had the discussion on the next generation cost-cutting program. I think the press has reported that you have now reduced your nearly 1,000 contractors to eight head contractors, which in turn manage the subcontracting out of Telstra's work. What process did Telstra go through to determine which contractors would manage Telstra design and construction and maintenance work?

**Mr Stanhope**—Yes. We went through a tender process, we received the tenders and we examined all the tenders. They tendered for various types of work and they tendered for various areas. We selected the eight tenderers that best met our tender document and our tender requirements.

**Senator MARK BISHOP**—Did NDC tender for any of that work?

**Mr Stanhope**—No, this was not work that was available to NDC, nor did we make it available to NDC.

**Senator MARK BISHOP**—Why was that?

**Mr Stanhope**—They were not really equipped to undertake this sort of work. NDC tends to do more of the interexchange network work, and this is more distribution network work. So they really did not have the skill base to do it, and we did not offer it to them therefore.

**Senator MARK BISHOP**—So, in the process of going down from 1,000 contractors to eight head contractors, you were of the view at the outset that NDC did not have the skill base to be one of the contractors?

**Mr Stanhope**—That is right. Even when they were inside the company—they are still 100 per cent owned—they did not have those sorts of skills. We have been contracting out this work for quite some time, and NDC did not have this sort of work normally when they were inside the business or now that they are a 100 per cent subsidiary. So it was never the intention to give them that sort of work anyway.

**Senator MARK BISHOP**—All right. What was the total value of the work Telstra initially indicated would be covered by each of the contracts?

**Mr Stanhope**—We went through a process of telling contractors we had about \$400 million indicative work. That was fairly early in the tender process—maybe back as far as May; we had not finalised budgets or anything at that stage—and the amount of work available for those contractors over a period of a couple of months reduced to about half that.

**Senator MARK BISHOP**—So, it was indicative of \$400 million and, as you refined the process, it came down to \$200 million?

**Mr Stanhope**—Yes. I want to emphasise that we did tell the eight contractors, and other tenderers for that matter, that this was an indicative number.

**Senator MARK BISHOP**—Did the contracts cover one or more areas of work?

**Mr Stanhope**—Some of the contracts did. For example, a skilled engineer is able to do more types of work than perhaps another contractor, so there were various types of work on offer—pipe and pit work and all cabling work—or both, I would say.

**Senator MARK BISHOP**—I think this is probably best taken on notice. Could you take on notice the value of the work assigned to each contractor under each area of work?

**Mr Stanhope**—I will take it on notice but it may be confidential in that the contractors might not like that to be—

**Senator MARK BISHOP**—We went through that process last time. I have asked the question and you will try to get a response?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—Is it true that Telstra originally allocated \$90 million of work in the 2000-01 financial year to Skilled Communications but has since advised the company that only \$26.8 million of work will be required?

**Mr Stanhope**—I am not aware of the exact amount of work for Skilled, but I do know that, as I have mentioned to you, there was a parcel of about \$400 million of work indicated, and it was said it was indicative. That has reduced by about half. When that reduction from the indicative number took place it was not an even reduction, if you like, so not all contractors received from the indicative number a 50 per cent reduction. Some received a greater reduction than others, and it is quite possible that Skilled Engineering received a greater than 50 per cent reduction of work from the original indicative number.

**Senator MARK BISHOP**—We have Skilled Communications reported as going from \$90 million down to \$26.8 million; Vision Stream from \$100 million down to \$46 million;

and ERG Connect from \$72 million down to about \$30 million. Are those figures broadly correct?

**Mr Stanhope**—They may well be, but I would like to check those numbers. But those companies get other work from us as well. So, in this parcel of contracting, for example, there is additional work that I know Skilled gets over and above what you are suggesting there.

**Senator MARK BISHOP**—The reason I am asking these questions is that presumably the companies did their costings on your indicative figures and a certain amount of work and their earnings ratio was going to be based on the higher figures. Now that the indicative figure has become a finite figure and the contracts have been awarded, have any of the three companies sought to reopen negotiations?

**Mr Stanhope**—We are talking with all eight contractors based on the change in volumes and we are talking about rates. So we are continuing to have a discussion with the contractors. You are right: they set prices on higher volumes, and we are talking about whether and what sort of an adjustment might be made.

**Senator MARK BISHOP**—Is that ongoing?

**Mr Stanhope**—We have had a series of meetings over the last few weeks and they are ongoing.

**Senator MARK BISHOP**—You received some correspondence from the Australian Constructors Association on 6 November under the signature of its president, Mr Wal King, Chief Executive, Leighton Holdings. He said:

Telstra has engaged in unethical and misleading behaviour in the way the telecommunications carrier awarded contracts to upgrade its extensive copper network this year, such that the scope of the works now planned bears little relation to the pre-tender discussions and the in-contract documentation;

Telstra's unilateral change to its original works program has slowed the timetable for upgrading the copper access network, leaving most work for later years.

You are familiar with that?

**Mr Stanhope**—I am familiar with that letter.

**Senator MARK BISHOP**—They are fairly damning comments, aren't they? It is not just indicative down to a finite argument that you have put. What is your response to that?

**Mr Stanhope**—Our response to that is that we do not believe we have partaken in any unethical behaviour whatsoever. And that is why I made the point earlier that, right from the start of this contracting or tendering process, we told the contractors that there were indicative numbers. At that time we were going through our capital expenditure program; where we intended to direct our capital expenditure until we reached the stage where we had a final construction program. We do not think that we have done anything unethical through the whole process, nor have we misled the contractors, including Leighton.

**Senator MARK BISHOP**—So you just out of hand refute those allegations?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—Clearly the discussion to date reflects particular matters as to the contract awarding process. Are there any other complaints or concerns that the Australian Constructors Association have—wrapped up in the contract awarding process—that they have expressed to you?

**Mr Stanhope**—Not to my knowledge. This recent one is the only one that I am aware of.

**Senator MARK BISHOP**—When were the companies advised of the changes in the amount of work allocated? When they were awarded the contracts?

**Mr Stanhope**—The actual timing I cannot be sure of. But the contracts run from 1 October for three years and it would have been September. Yes, they would have been advised beforehand.

**Senator MARK BISHOP**—What is the reason for the reduction in the allocation of the work?

**Mr Stanhope**—We had a fairly extensive amount of customer access network in the last financial year, also in the first quarter of this year. So a lot of the work was pulled forward. So we have not really cut back on our customer access network program; we accelerated it into the prior financial year and the first quarter of this financial year. The reason was to address service improvement issues. So it is a result, really, of an acceleration of the programming. In the 1999-2000 fiscal year our capital program was \$4.8 billion. Over \$1 billion of that was customer access network work. That was higher than we had anticipated. So a lot of the work was actually pulled forward.

**Senator MARK BISHOP**—As the work was brought forward or accelerated in the first nine months of this year, you were giving out indicative figures to the proposed contractors in the knowledge that the work had been brought forward, weren't you?

**Mr Stanhope**—There were elements of the organisation that thought the program might continue at the same level, but we were still working through it. They were aware that the program was indicative, and that is why they told the suppliers it was an indicative program.

**Senator MARK BISHOP**—When you say 'they were aware', who do you mean?

**Mr Stanhope**—The contractors: we made the contractors aware that it was indicative. I guess it gets to a simple extrapolation of what had gone in the past. It was a matter of actually getting down to the fixed, detailed program of work, and that is why the amount of work dropped.

**Senator MARK BISHOP**—Of the work that has been allocated, how much has been allocated to rural and regional Australia? The bulk of it?

**Mr Stanhope**—I will have to take that on notice.

**Senator MARK BISHOP**—You will probably also have to take on notice the work that Telstra has actually commissioned to date in total and from each of the companies since the change to the new contractual arrangements. Will you take that on notice as well?

**Mr Stanhope**—I will.

**Senator MARK BISHOP**—Will you take on notice as well: what work, if any, did Telstra commission during the period from 1 July this year to 1 September this year, and the value and location of that work?

**Mr Stanhope**—Yes, I will take that on notice.

**Senator MARK BISHOP**—And the value of the work commissioned during that period in rural and regional Australia and where the work was commissioned as well.

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—Turning to some of the impacts on these companies, the press reported that Skilled Communications in New South Wales has reduced its work force from 400 to 52, Vision Stream from 670 to 350 and ERG by 60 due to lack of receipt of work as anticipated. Do you have any knowledge of that?

**Mr Stanhope**—I am not aware of what the contractors have had to do as a result. A part of the reason that we contract this sort of work out is for flexibility. We expect the contractors to manage their own work forces; it is not our responsibility to manage their work forces for them. We are not aware of what they have had to do, but we expect the flexibility that we want from contracting this sort of work out.

**Senator MARK BISHOP**—You are paying for the flexibility?

**Mr Stanhope**—Yes, we do pay for the flexibility.

**Senator MARK BISHOP**—Have they communicated any details to you on those employment reduction figures?

**Mr Stanhope**—In the discussions, I am sure—and I have not been at the discussions—they have raised their employment issues and the impact of the change from indicative numbers to the final numbers.

**Senator MARK BISHOP**—What would have been the response of the corporation when those comments were raised?

**Mr Stanhope**—Our response is as I have given it to you. We contract out for flexibility purposes, and we expect them to manage their work force. We understand they might have bid on rates at higher volumes, and we will work through that with them. We will make whatever outcome that has occurred over the last few months as easy as we can for them, because we want a continuing relationship with these contractors.

**Senator MARK BISHOP**—Are you aware of the demise of the two subcontractors—Twintech and Corpark Ltd—as a result of the reduction in the available work? Has that been brought to your attention?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—Is Telstra aware that the Canadian company Expertech has failed to establish operations in Australia as a result of the reduction in the available work? Has that been brought to your attention at all?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—Has it been brought to your attention that many of the subcontractors that work for these range of contractors have also been forced to lay off staff?

**Mr Stanhope**—During the discussions, the issue of the 1,000 or so subcontractors that are beneath these eight contractors and the flow-on effect has been raised. Again, I state that part of changing to this contract system was to make it an easier relationship for us: instead of having 1,000 contractors, we have eight. So we expect, therefore, that the eight prime contractors should manage the 1,000 subcontractors. Whilst we understand and hear what



they are saying with respect to those 1,000, really our relationship now is with those prime contractors.

**Senator MARK BISHOP**—And it is up to them to establish satisfactory relationships with their various subcontractors?

**Mr Stanhope**—And to seek the same flexibility, I guess, that we have with our prime.

**Senator MARK BISHOP**—You said earlier that you had brought forward the implementation of the Customer Access Network Upgrade Program. Is that by and large concluded now?

**Mr Stanhope**—There were two reasons for that: I said service improvement was one; the other reason was to prepare the network for the ADSL roll-out. There is still some rehabilitation work to do. You heard earlier that a lot of it has been done in New South Wales and, as a result, the faults that occurred from the floods have been reduced, and that is the service improvement element. There are still some to do, but not at the levels that we were doing it before.

**Senator MARK BISHOP**—When do you anticipate that that will be by and large concluded?

**Mr Stanhope**—It will be ongoing for probably the next five years at least. We have targeted the high fault areas and the areas where we needed to repair and improve the quality of the network for ADSL roll-outs. Now, on a more de-accelerated program—for want of a better word—we will target the other areas which are less fault prone and so on. So the peak number of above \$1 billion that we were spending each year over the last two on the customer access network will drop down to something like \$800 million or \$700 million.

**Senator MARK BISHOP**—I understand that. Does Telstra hold any current contracts with NDC?

**Mr Stanhope**—Yes, we do.

**Senator MARK BISHOP**—Can you, on notice, provide us with the value, nature and duration of each of those contracts?

**Mr Stanhope**—Yes, again subject to the commerciality.

**Senator MARK BISHOP**—I do not know if it is subject to commercial confidentiality.

**Mr Stanhope**—It may not be, because it is a controlled entity; although I would have to say there is some work that NDC bids for with us that is contestable. And there is some work that NDC receives from Telstra, the parent, that is noncontestable. The noncontestable I do not have an issue with; the contestable I do.

**Senator MARK BISHOP**—I understand that. What stage are the commercial arrangements for the sale of NDC up to?

**Mr Stanhope**—The information memorandum has gone out. We have received responses from about half a dozen or so interested parties. We are in discussion, and the NDC management is in discussion, with those parties. The more serious ones have been given access to a data room. They are going through a due diligence process right now. So we are at that point in the decision.

**Senator MARK BISHOP**—How many serious players are there, of that half-dozen?

**Mr Stanhope**—Probably four.

**Senator MARK BISHOP**—When do you expect the sale process to be concluded?

**Mr Stanhope**—I know we have said pre-Christmas before but, from the point we are at, it is probably going to be February.

**Senator MARK BISHOP**—I had a series of questions for the minister arising from that rather lengthy discussion, but as he is not here I might have to return to them. I turn now to the \$150 million local call access tender. Is Telstra submitting a bid in partnership with Ericsson for that tender?

**Mr Stanhope**—Because we are submitting a tender and it is a competitive tender I do not think I can really go into the detail of our tender.

**Senator MARK BISHOP**—Even to the extent of confirming or not confirming a partnership with Ericsson?

**Mr Stanhope**—I should not do that.

**CHAIR**—I think we have to accept that this is commercially sensitive at the moment, Senator Bishop.

**Senator MARK BISHOP**—I was not asking for any of the detail of the contracts but simply whether there was a proposed partnership arrangement with Ericsson.

**Mr Stanhope**—Chairman and Senator Bishop, even to the extent of who we are with, this is commercially sensitive.

**Ms Shiff**—The predicament we have is that, whether or not we judge it to be commercially sensitive, we are subject to probity rules as part of the rules of the tender that are established by the franchisor.

**Senator MARK BISHOP**—I understand your point of view there. Do you have any concerns about the legislative basis for the tender? Are you satisfied? Do you have any concerns?

**Mr Stanhope**—No.

**Ms Shiff**—Not specifically.

**Senator MARK BISHOP**—What about generally? What about probity requirements?

**Ms Shiff**—That is a normal part of tender processes.

**Senator MARK BISHOP**—You have no concerns about the terms of the tender process?

**Mr Stanhope**—No.

**Ms Shiff**—No.

**Senator MARK BISHOP**—Is it true that, pending the outcome of the tender, Telstra regards it like this, and I quote from page 5 of the Telstra in-confidence memo disclosed on the ABC's *World Today* program of 6 November:

... commercially responsible to wait the outcome [of the \$150 million Local call Access Tender] rather than to start on projects not yet commenced in the field.

**Mr Stanhope**—We have not changed what we would do normally because of the tender. We have service standards that we have to meet and so on. We have not changed our activity as a result of this tender going to the market.

**Senator MARK BISHOP**—With respect, that seems to be somewhat in conflict with what that particular memo outlined some time ago, where it said it was ‘commercially responsible to wait the outcome’ rather than start on projects.

**Mr Stanhope**—We are not reducing services in this area or in any other areas. To go into the area with brand new technology—we would not have done that anyway—is not something we would do until the outcome of the tender. We are not pulling back our normal activity from that area.

**Senator MARK BISHOP**—When does the tender process conclude?

**Mr Stanhope**—The department should answer that, but we understand it is January next year.

**Senator MARK BISHOP**—I have some questions for the minister. Do we know when the minister is going to attend?

**CHAIR**—He should not be too long. I should also advise that we have a minister for tomorrow morning, until 11.45 a.m. That will be the only spillover time available.

**Senator MARK BISHOP**—My understanding of the discussions was that the spillover day was going to be a full day. That was the agreement between Senator Carr and Senator Campbell, the Manager of Government Business. To now seek to reduce it to 2½ hours is simply not acceptable to the opposition. Secondly, we have been having loose discussions with different parties around the table here and I indicated to Senator Alston that, if a day was confirmed as being available next week, somewhere between 4 p.m. and 11 p.m., it would enable the opposition to conclude its business.

**Senator CALVERT**—That is an extra seven hours on top of half a day tomorrow.

**Senator MARK BISHOP**—It is not half a day tomorrow; it is 2½ hours.

**CHAIR**—These are one-day estimates, Senator. They are not two-day estimates. I think it is an either/or situation, as we understand it. I have been advised that there is a minister available until 11.45 tomorrow. We may start earlier, but I think you will have to accept that it is an either/or situation.

**Senator MARK BISHOP**—No, it is not an either/or situation. With due respect, you do not have the authority to state that.

**CHAIR**—That is what I have been advised.

**Senator MARK BISHOP**—The agreement is between the two managers of business, and the agreement is for two full days. You do not have the authority to reduce it.

**CHAIR**—These are one-day estimates.

**Senator MARK BISHOP**—No, these are not one-day estimates. It is one day of estimates, plus one day spill over if the committee requires it. So 2½ hours is not acceptable at this stage.

**Senator MACKAY**—This same stunt has been pulled in the Standing Committee on Rural and Regional Affairs and Transport.

**CHAIR**—I am not prepared to accept the description of this as a stunt. We will defer this discussion until the minister returns.

**Senator MACKAY**—I have had a discussion with the chair of the rural and regional affairs committee, Senator Crane, who has agreed—and this may be an appropriate way to proceed in this committee—that we will adjourn the hearing at approximately midday tomorrow and that we will have hearings again next week. That is what Senator Bishop is proposing, and I think that is completely appropriate.

**CHAIR**—I am acting on advice, Senator Mackay.

**Senator MARK BISHOP**—On advice from whom?

**CHAIR**—I suggest we wait until the minister returns.

**Senator CALVERT**—I understand that Senator Campbell and Senator Carr are still in discussion, but I understand that Senator Carr's preference is to have the minister here until whatever time he is available tomorrow rather than next week. But I do not know whether something has been negotiated since then. That was the last information I heard.

**Senator MARK BISHOP**—I am not so sure that there is any value in having these process negotiations in public at this stage.

**Senator CALVERT**—Is the minister here in the morning?

**CHAIR**—Yes.

**Senator CALVERT**—So we will just continue.

**CHAIR**—Senator Bishop, how much time do you think you will further need for Telstra? Both the ABC and SBS have inquired about when they might be called.

**Senator MARK BISHOP**—If I can have about 15 minutes with Minister Alston, that will enable me to tidy up some issues with him which are policy matters for government. Then I will need another three-quarters of an hour for all of my outstanding matters on Telstra. So that is an hour. I shall conclude at 5 o'clock, give or take 10 minutes, and we can probably start the ABC then. I will need SBS for only about 10 minutes.

**CHAIR**—That is very helpful. Here is the minister now.

**Senator MARK BISHOP**—Minister, we were having a lengthy discussion with the officers of Telstra concerning the local call access tender and, prior to that, the tender rationalisation program and NDC. I want to start with the reduction of subcontractors from 1,000 to eight head contractors and the reduction in the quantum of funds allocated for various contractual work. Mr Stanhope has offered an explanation as to what is going on there. When was the government first made aware of these problems with Telstra's contracting of network construction and maintenance work?

**Senator Alston**—I do not know that I would say it was ever put in those terms to us. My recollection is that we were aware that they proposed to look at either selling down or making other arrangements with NDC either by way of a press release or something else shortly before. It is possible that someone forewarned me about it, but I really do not recall focusing on it until I read it in a press release or in some form of reporting. It was not the lead item; it was one of a number of changes that were being announced. I do not recall it being a high priority.

**Senator MARK BISHOP**—It may not have been a high priority in the scheme of things to you, but it probably was a fairly important issue to the various contractors who had their quantum of work reduced. You are advising that, apart from a press release, you do not recall any advice to government?

**Senator Alston**—No, I cannot recall any.

**Senator MARK BISHOP**—Mr Stevens, can you confirm that from the department's view?

**Mr Stevens**—I cannot recall any, but we would have to check.

**Senator MARK BISHOP**—Can you check with your advisers?

**Mr Stevens**—Yes.

**Senator MARK BISHOP**—In terms of the Telstra in-confidence memo of 6 November, which I was discussing earlier, Telstra wrote:

... it is commercially responsible to wait the outcome—

of the \$150 million local call access tender—

rather than to start on projects not yet commenced in the field.

When did Telstra first advise the government of its decision to delay these projects?

**Senator Alston**—I cannot recall whether it was actually discussed with the government. It may have been a matter discussed with the probity adviser or based on advice received. I could well understand Telstra taking a decision that, unless and until they knew the outcome of that tender process, it would be premature to commit themselves to other works. In other words, there could be duplication or they may want to make a fundamentally different decision depending upon the outcome of the tender process. I do not think that was discussed with us. It is the sort of issue that they probably should not talk to us about because that is the very reason you have a probity adviser, otherwise there are seen to be possible pressures in play which are inappropriate in those circumstances.

**Senator MARK BISHOP**—So you do not recall any contact or consultation at all?

**Senator Alston**—No.

**Senator MARK BISHOP**—Mr Stevens?

**Mr Stevens**—No.

**Senator MARK BISHOP**—Weren't you first warned that Telstra might take this action when Telstra advised this committee on 18 August this year that it would consider serving the extended zones on a commercial basis if it did not win the tender? Do you recall that discussion?

**Senator Alston**—I think that general proposition has been around for a while.

**Senator MARK BISHOP**—Do you recall it?

**Senator Alston**—No, but I am not surprised for you to tell me that it was discussed here. I have generally always understood that to be an option for Telstra: that they could stay in notwithstanding. When we structured it, we did it on that basis as well. So it is simply a statement of what would have been understood by both parties.

**Senator MARK BISHOP**—I raise this because it obviously has an impact on rural and regional Australia because of foregone job opportunities or job losses in terms of the contract work and the sums awarded to the various contractors. Isn't it inconsistent with the Prime Minister's Nyngan declaration?

**Senator Alston**—I do not quite see why anything like that follows. This is \$150 million worth of new investment which requires new jobs.

**Senator MARK BISHOP**—If Telstra should gain the—

**Senator Alston**—Whoever gains it, there is going to be a net increase in work as a result.

**Senator MARK BISHOP**—I accept that.

**Senator Alston**—I do not think we have ever been Telstra specific.

**Senator MARK BISHOP**—I accept that, but at the moment we have a major corporation essentially confirming what it said in August that there would be a freeze on new projects in those areas until that tender issue was resolved. Isn't that in conflict with the Prime Minister's declaration?

**Senator Alston**—If the commitment is not to reduce jobs, that is in no shape or form the same as saying, 'We may not embark on new job creating ventures.'

**Senator MARK BISHOP**—But the freeze on new investments—

**Senator Alston**—Even if they decided to not spend one more penny in the bush, that would not be a breach of the commitment. A breach of the commitment would be to reduce services or scale them back dramatically, and that has never been contemplated. As I understand it, all they are saying is that it might be premature for us to make decisions pending the outcome of a significant tender.

**Senator MARK BISHOP**—I understand what Telstra are saying, and they have been saying this for the best part of four or five months—that is, that it would be commercially inappropriate to invest in those areas until the tender contract issue is resolved. But I am going back to the Prime Minister's statement, which I understand was endorsed by cabinet, and the effect of that is going to be a freeze on investment and consequential flow issues in those areas.

**Senator Alston**—I must say that is not the logic that appeals to me. Here we are talking about a substantial investment which results in new jobs and new services. This is a huge breakthrough. People in rural and remote areas have been complaining forever that they could not get untimed local calls, and here we are saying, by way of the tender process, 'Not only do you have to offer that to win \$150 million; you have to offer additional services and applications.' To me, that is unmitigated good news, something the bush should be very grateful for—and we will be reminding them of that.

**Senator MARK BISHOP**—How do you characterise the freeze on investment in those areas from, say, August through to January or February next year? Is that unmitigated good news as well?

**Senator Alston**—Telstra—and any other carrier, for that matter—are constantly having to evaluate investment decisions. That is a function of profit levels and competing priorities. To the extent they make a judgment that they should put a major decision on hold pending the outcome of another application seems to me to be a perfectly sensible and rational approach.

**Senator MARK BISHOP**—I understand that argument.

**Senator Alston**—It cannot be a reduction in services if they decide not to make a further investment—by force of logic.

**Senator MARK BISHOP**—I would have thought force of logic suggested that, if there is a cessation of investment, it necessarily follows there is going to be a reduction in jobs.

**Senator Alston**—No. If you did not maintain your current level of activity, that might happen—it depends on efficiencies; you might be able to do more with less. But if they merely say, ‘We are not going to spend any more,’ that does not imply any reduction of service. They are not saying they are not doing it anyway.

**Senator MARK BISHOP**—That really is an argument that depends on the nature of the investment and the nature of projects that would have gone ahead.

**Senator Alston**—In the marketplace judgments are always being made and sometimes unmade about which path to go down. It might be a function of the business cycle or of the dollar—it could be a whole range of things. A competitor decides to make a major investment in Wagga, so we decide we will not go to Wagga anymore. You could not possibly say that is somehow a negative net outcome. It may well be a win-win for everyone—Wagga wins from the other carrier and wherever else Telstra might go wins as well.

**Senator MARK BISHOP**—But in any event you do not regard the decision of Telstra as being in any way caught by the Prime Minister’s Nyngan declaration, do you?

**Senator Alston**—No.

**Mr Stanhope**—Can I just clarify something, and it is more of what I said before—that is, I think it is incorrect to say there is an investment freeze. What I said before was that we will continue to invest to provide services in those areas because we have service obligations. We are not cutting these areas off while the tender is going; we are providing the services that we are required to provide. That still requires some investment. All we are saying is that it is logical not to make a major new investment in the area while the tender is there. So we are still investing in the area because we have an obligation to provide services there now, and that is ongoing.

**Senator MARK BISHOP**—I understand that point. Turning to the STD and community call charges increases, Telstra increased these charges, as I understand it, on 21 September, and the average price increase was of the order of 10.5 per cent. Is that correct?

**Ms Slatyer**—Yes.

**Senator MARK BISHOP**—Why did Telstra choose to increase the STD and community call charges in that area?

**Ms Slatyer**—It is similar to all the pricing decisions we take. We look at the best way of balancing what customers want from us and what pricing decisions they are looking at. Obviously all customers would prefer to have prices as low as possible. We try to look across the portfolio of products and work out where best to balance the prices across it. We have very competitive STD rates—in fact, almost the cheapest in the market, which is not well known. We are quite comfortable that our rates are competitive in terms of our customers and what they get.

**Senator MARK BISHOP**—So what is your justification?

**Ms Slatyer**—It is about balancing across the portfolio.

**Senator MARK BISHOP**—What does ‘balancing across the portfolio’ mean?

**Ms Slatyer**—It means basically that, as we make pricing decisions, we look at the products that customers use, where there is demand and where customers are looking to change their behaviour.

**Senator MARK BISHOP**—Was there increased demand in those areas?

**Ms Slatyer**—I know the basis on which the decision was taken but I do not know the specific details of that decision, so I cannot answer your specific question.

**Senator MARK BISHOP**—Didn’t local call prices fall in the same period?

**Ms Slatyer**—STD prices fell too. Customers can get a series of packages that provide quite attractive pricing. STD and ID pricing are some of the most competitive parts of today’s market. Customers have lots of choice and can opt for alternatives if they wish. Equally, we have a series of standard rates and of STD rates within packages that customers can benefit from if they wish to.

**Senator MARK BISHOP**—Was the price increase motivated by a desire to push customers onto call plans that attract a higher line rental? Did you consider that issue?

**Ms Slatyer**—No. As to our pricing strategy, you will have noticed that some recent packages have tried to move from everyone having the same vanilla-flavoured pricing option to a series of pricing solutions. People can choose whatever one best suits their needs. If you make lots of local calls and only a few STD calls, EasySaver Plus is the package for you. If you do not make many local calls but quite a lot of STD calls, there are other packages for you. If you have your mobile, the Internet and your fixed services with us, you can get a 10 per cent discount if you package across them. If you have a mobile and fixed services, you can have discounts on services to your mum or your dad, for example. It is not driven by any one factor: it is driven by trying to put on the market the portfolio of products or packages that best meets customer behaviours as we see them. It inevitably involves striking a balance—some go up and some go down—in order to generate that portfolio.

**Senator MARK BISHOP**—When was the government advised of the increased charges?

**Ms Slatyer**—I do not know; I am not responsible for the process of price increases so I cannot describe that process—I am not even sure whether we have to advise the government about STD.

**Mr Stanhope**—We would not be required to do that and it would be within our CPI minus 5.5 per cent price control. We would certainly advise the ACCC, which looks after those price control mechanisms.

**Senator MARK BISHOP**—Was the government advised of the price increases?

**Mr Stanhope**—I would say not.

**Senator MARK BISHOP**—When will the result of Telstra’s call zone review be announced?

**Mr Stanhope**—Mr Samarq is familiar with the zoning review.

**Mr Samarq**—An announcement is probably going to be made before Christmas. I should explain that there are two elements to the review. You will recall we came out with a summary of basically the 400-odd submissions and the key areas that we have identified. The solutions



that we are looking at at the moment basically fall into two broad categories, and that is why I think we are probably going to have a two-tranche approach to it. The first set of categories relates to tweaking some existing features of the current systems, such as possibly extending community calling, realigning some zone boundaries and recalculating call distances. Those we would regard as being relatively simple to do and straightforward, and we are looking at this point to announce them before Christmas. There are some more complex solutions which involve country specific price plans and changes to the billing systems before they can be implemented. In that set of categories of solutions we will probably look at some time in the new year. That is the timing at this point.

**Senator MARK BISHOP**—February or March?

**Mr Samarcq**—I will probably say towards the middle of the first half of the year, about March.

**Senator MARK BISHOP**—Has Telstra identified the cause of the damage to its undersea cable to Asia and Europe?

**Mr Stanhope**—John Rolland is aware of the cable damage.

**Mr Rolland**—Currently there are two suspected causes of damage: one is sea anchor; the other is some form of undersea trauma that may have damaged the cable. But we do not know until the ship actually gets there.

**Senator MARK BISHOP**—When will the ship get there?

**Mr Rolland**—We got permits from Indonesia yesterday, and the ship sailed out this morning. I understand it gets there some time tonight.

**Senator MARK BISHOP**—Do you have any idea how long it will take to repair the damage?

**Mr Rolland**—It depends where the cable currently lies. The estimate currently is a week if it is in an easily accessible part.

**Senator MARK BISHOP**—And if it is not in an easily accessible part?

**Mr Rolland**—I cannot answer that. The good news is, though, we have plenty of other cable capacity.

**Senator MARK BISHOP**—I was coming to that. What has been the impact of the damage on Internet and other access with Australia?

**Mr Rolland**—We have a fairly good cable management plan that allows us to swing other capacity around. We lost roughly 50 per cent of our capacity, as did other telcos. We swung some extra satellite capacity in. Currently the reports are we have stable and adequate bandwidth available for our services.

**Senator MARK BISHOP**—Does ‘stable and adequate bandwidth’ mean you are able to meet all current operational demands?

**Mr Rolland**—My understanding is that for the past two days we have been able to supply adequate service across all of our services.

**Senator MARK BISHOP**—I am not trying to be pedantic, but what does ‘adequate’ mean?

**Mr Rolland**—That means that currently customers would be experiencing some delays but the Internet is still operating.

**Senator MARK BISHOP**—Delays in access?

**Mr Rolland**—In accessing information from Europe and North America in particular. Customers will experience some delays in those documents or information coming across.

**Senator MARK BISHOP**—Can you be more specific in terms of quantifying ‘some delays’?

**Mr Rolland**—It is a matter of seconds, milliseconds. It is not substantial. Most customers would not notice it. More importantly, those on high speed services would probably notice it more than those on low speed services.

**Senator MARK BISHOP**—Would you say that Telstra had been relatively successful in rerouting traffic to ensure the link was maintained?

**Mr Rolland**—We have been pleased with the way we have responded, yes.

**Senator MARK BISHOP**—Is it too early yet to ask whether Telstra is taking any action to ensure there is sufficient route diversity out of Australia to minimise any consequences?

**Mr Rolland**—We already have direct cable connections to New Zealand, Hong Kong, Singapore, Japan, Korea, Malaysia and Taiwan, as well as buying capacity in Southern Cross, which takes us directly over to the US. We have also made other investments in cables to take us out of Australia. That is one of the reasons why we have been able to manage the local cable cut that we have seen.

**Senator MARK BISHOP**—Let us assume something close to a worst case scenario: it is very difficult to access the cable for whatever reason. Can we presume there would be some form of delayed service for some weeks?

**Mr Rolland**—The good news is that Southern Cross is coming on stream now and we have been able to buy additional satellite capacity.

**Senator MARK BISHOP**—So are you advising the committee that, even if there is a difficult or lengthy job in repairing the cable, capacity to consumers will not be affected?

**Mr Rolland**—I cannot guarantee to the committee that customers will not see some minor delay in information coming across.

**Senator MARK BISHOP**—Thank you, Mr Rolland. I want to talk now about the ADSL roll-out. I think it is fair comment that you have said in public that 90 per cent of Australians will be able to access the ADSL product. Can you explain to us what the basis is for that estimate?

**Mr Stanhope**—The basis for that estimate is that 1,288 exchanges will be equipped with the electronics that cover 90 per cent of Australia.

**Senator MARK BISHOP**—Is that in terms of users or geographic area?

**Mr Stanhope**—No, that will provide access for the users but there are electronics that have to go on the customer’s premises and that is demand driven. So if a customer says, ‘Yes, I want an ADSL service,’ there are some electronics to go on the customer’s premises. What we are saying is that the 1,288 exchanges that are being equipped will make ADSL available to 90 per cent of Australia.

**Senator MARK BISHOP**—To 90 per cent of Australians?

**Mr Stanhope**—Yes, to Australians.

**Senator MARK BISHOP**—Is it fair comment to say that technical limitations in part of the network will limit the availability of ADSL? For example, is the performance of ADSL so seriously impaired on pair gain systems that ADSL is not suitable for connections to Telstra's network using those systems?

**Mr Stanhope**—I would have to ask the technical expert here, Mr Granville.

**Mr Granville**—ADSL technology is one which works over copper pairs between the telephone exchange and a customer's premises. In some cases Telstra has used, as is common practice, electronics within the access network to provide extra capacity. These devices would not allow the ADSL signal to pass. So it is one of the restrictions that apply in the availability of ADSL. The 90 per cent figure was calculated using the average length of copper and the distribution of customers from exchanges in terms of distance, because distance is also a considerable limitation, and the penetration of those electronic devices in our network.

**Senator MARK BISHOP**—How extensive is the pair gain system on the ADSL?

**Mr Granville**—How many customers would be affected?

**Senator MARK BISHOP**—Yes.

**Mr Granville**—I do not have the figure, off the top of my head. I would have to take that on notice because I do not have the figure at my fingertips.

**Senator MARK BISHOP**—Would it be higher than 10 per cent?

**Mr Granville**—I doubt it. I would imagine it would be of that order.

**Senator MARK BISHOP**—Is that 10 per cent part of the 90 per cent or is it excluded from that?

**Mr Granville**—No, the 90 per cent was the calculation of the number of customers we could reach. There are opportunities—for example, in a typical situation where customers are connected by copper and we have used one of these electronic devices, if a particular customer is looking for ADSL we can rearrange the services to provide the ADSL service to the customer who asks for it. So we have some flexibility in the provision of those broadband services.

**Senator MARK BISHOP**—So is it fair to say that the spread of the pair gain system throughout the ADSL network will affect approximately 10 per cent of that 90 per cent?

**Mr Granville**—I could come back to you with an accurate figure.

**Senator MARK BISHOP**—All right. Have you identified any other deficiencies in your network that will effectively limit the availability or suitability of ADSL?

**Mr Granville**—ADSL as a technology does have other limitations. I mentioned the distance and the distance does depend on the size of the cable. In normal urban areas it is about 3½ kilometres. In country towns you can get significantly further because we use a larger size of cable. There can be limits due to the way cables have been connected and multiplied together. So we have a tool that enables us to determine whether a customer can or cannot get the service. For customers who cannot get the service, we have satellite options to provide equivalent types of products.

**Senator MARK BISHOP**—In that case, are you able to advise us of the number or proportion of customers that might be affected by these deficiencies in Telstra's network?

**Mr Granville**—With the tools, basically Telstra has three separate technologies to provide broadband: one is the broadband cable that exists, and cable modems can be used in Brisbane, the Gold Coast, Sydney and Melbourne; ADSL; and satellite. So in combination we can provide broadband type services to all of our customers no matter where they are.

**Senator MARK BISHOP**—Can you advise the committee of the current maximum number of customers that Telstra can service through its satellite based services?

**Mr Granville**—At the moment we have a one-way satellite service, which is limited to around 5,000 services. We are in negotiation with satellite providers to provide extra capacity and we are, at the moment, examining the business case for expanding that when the need arises.

**Senator MARK BISHOP**—When you say 5,000 services, what do you mean by that?

**Mr Granville**—I mean 5,000 users with a satellite service providing broadband.

**Senator MARK BISHOP**—Do you mean 5,000 customers?

**Mr Granville**—Yes.

**Senator MARK BISHOP**—So you are developing a business plan to see what level you can expand that to.

**Mr Granville**—Yes, basically to purchase extra capacity on satellites as demand grows—to meet the customer demand.

**Senator MARK BISHOP**—Turning now to the Eurobodalla network cut-off, I think it is common ground, isn't it, that on 23 October something in the order of 23,000 customers in the towns of Batemans Bay, Bodalla, Cobargo, Dalmeny, Malua Bay, Moruya, Vincentia, Tuross Head, Mossy Point, Narooma and Tilba Tilba lost telephones and data services for 12 hours when a local farmer dug up the Telstra cable? Has it been determined who was at fault for this?

**Mr Stanhope**—I would have to take that on notice. I am not too sure where the investigation is at.

**Senator MARK BISHOP**—So the investigation is not yet concluded?

**Mr Stanhope**—It may well be. I just do not know. I will have to take it on notice.

**Senator MARK BISHOP**—I presume part of that investigation is to determine where fault should or could be allocated?

**Mr Stanhope**—Yes, it will.

**Senator MARK BISHOP**—Can you take that on notice and advise us of the results of that?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—Do those 23,000 consumers now have full phone access?

**Mr Stanhope**—I believe so.

**Senator MARK BISHOP**—Does anyone else—

**Mr Stanhope**—No, there is nobody familiar with the details of that particular case.

**Senator MARK BISHOP**—Do you have any estimate of the loss caused to businesses and people living in the shire as a result of the accident?

**Mr Stanhope**—Not with us. We will take that on notice.

**Senator MARK BISHOP**—Will Telstra be responsible for those losses in any way?

**Mr Stanhope**—No. We will determine who was responsible for the cut and we will not be responsible for those losses, I would suggest.

**Senator MARK BISHOP**—Can you advise us how many managers and employees are employed by Telstra Country Wide?

**Mr Stanhope**—We have a Country Wide representative here.

**Mr Granville**—Our area general managers, who are the senior managers who have been appointed in 28 regional areas around Australia, have all been appointed some months ago and have been establishing their offices. They are in various stages of setting up their teams in their areas. Telstra Country Wide itself is small focus group within Telstra and utilises the other arms of Telstra to provide services for it, albeit specifically tailored for our customers. So Country Wide itself at the moment would have around 400 staff but utilising the services of some 7,000 or 8,000 staff from the rest of Telstra.

**Senator MARK BISHOP**—How many of those 400 staff would be classified as management?

**Mr Granville**—We have 28 area general managers and there would be a number of other support managers involved as well.

**Senator MARK BISHOP**—So perhaps 56?

**Mr Granville**—It depends how you define the term ‘manager’. In senior type management, there would be about 30 to 40, given that the major role is to be able to put people in place in regional areas who actually have the authority and delegation to make things happen.

**Senator MARK BISHOP**—I am trying to get a picture of how many of the 400 employees are management per se and how many are either award or EBA employed or AWA employed.

**Mr Granville**—The majority would be people on AWAs or contract.

**Senator MARK BISHOP**—Would they?

**Mr Granville**—Yes.

**Senator MARK BISHOP**—So if we pulled out, say, 60 or 80 managers at various levels, the remainder would be traditional employees?

**Mr Granville**—A large part of the 400 would be people on AWAs or contracts.

**Ms Slatyer**—We have also reconstructed our business, as we were saying, to support the needs of Telstra Country Wide customers. For example, within our call centre business we now have just about all country calls being answered in country areas. This might be wrong, but I think that is involving around 900 people within my group who are now focused on answering and doing the sales function and customer care function.

**Senator MARK BISHOP**—But they are not part of Telstra Country Wide?

**Ms Slatyer**—No, but they are there—.

**Senator MARK BISHOP**—Ms Slatyer, we are talking about Telstra Country Wide. That is what I want to talk about. What I am trying to find out is how many are managers in the true sense of the word and how many are directly employed employees either on award or agreement or AWAs.

**Mr Granville**—For the exact figure I would have to take that on notice. The majority of people in Country Wide are people who are there to make things happen, to make decisions, to have the authority and the delegation and technical experts contracting management people, to be able to employ local people in regional areas under contract. So it is managing the resources mostly within Telstra but also some outside of Telstra.

**Senator MARK BISHOP**—You have told us that there are 50 or 60 managers and you have told us there is a total of 400 employees. If you take the 60 off the 400, that leaves us with 340 employees. Are those 340 employees direct employees of Telstra Country Wide or are they people who might be employed pursuant to a contract for services?

**Mr Granville**—All of the staff within Country Wide are full-time employees of Telstra.

**Senator MARK BISHOP**—Does that mean full-time employees of Country Wide?

**Mr Granville**—Of Telstra and working within the Telstra Country Wide organisation.

**Senator MARK BISHOP**—So they are on relocation or secondment to Telstra Country Wide?

**Mr Granville**—They work for Country Wide in the same way that staff work for other business units.

**Mr Stanhope**—Telstra Country Wide is a business unit of Telstra. So they are employees of Telstra but they are employed in the Telstra Country Wide business unit.

**Senator MARK BISHOP**—Thank you, Mr Stanhope. What I have been trying to find out—and I have not been able to get the answer yet—is: are all those 340-odd people direct employees of Telstra Country Wide?

**Mr Granville**—Yes.

**Senator MARK BISHOP**—What percentage are employed under certified agreements or AWAs?

**Mr Granville**—That is the figure I will have to supply on notice.

**Senator MARK BISHOP**—Can you take that on notice, Mr Granville?

**Mr Granville**—Yes.

**Senator MARK BISHOP**—Can you also take on notice how many non-management jobs that Telstra has moved into rural and regional Australia as a direct result of the establishment of Telstra Country Wide?

**Mr Granville**—Yes.

**Senator MARK BISHOP**—Turning to Telstra directors—this question is probably for you, Mr Stanhope—after Telstra's recent AGM, Telstra left one board position potentially unfilled. What is the process required to fill that position?

**Mr Stanhope**—Do you mean post the AGM?

**Senator MARK BISHOP**—Yes.

**Mr Stanhope**—At the AGM the position was to be voted for, and the rules of voting were that, if there were more against than for, a person would not be elected.

**Senator MARK BISHOP**—And there were more against than for?

**Mr Stanhope**—There were, so the fifth position was not filled. The board can choose to call it a casual vacancy and fill it.

**Senator MARK BISHOP**—By election of current board directors?

**Mr Stanhope**—Yes, or they can choose to leave it vacant.

**Senator MARK BISHOP**—Are you aware whether Telstra has any plans to fill that vacancy, or has the decision been taken to leave that position vacant for the time being?

**Mr Stanhope**—There are no immediate plans to fill that vacancy, so your second point is correct.

**Senator MARK BISHOP**—Turning to Telstra and the Olympic allowance: is it correct that Telstra has refused to pay some employees the \$400 Olympic allowance allegedly owed to them, as claimed by the CEPU on 17 November?

**Mr Stanhope**—I am not aware of that circumstance.

**Senator MARK BISHOP**—Ms Shiff, is that within your area?

**Ms Shiff**—No.

**Senator MARK BISHOP**—Does anybody here do employment/labour?

**Mr Stanhope**—We will take it on notice.

**Senator MARK BISHOP**—If the answer is yes, can you advise when the payment will be made and, if not, why Telstra does not believe those workers are entitled to the allowance?

**Mr Stanhope**—Certainly.

**Senator MARK BISHOP**—At the last estimates we had a fairly lengthy discussion on the CDMA coverage. I think the representative from the company advised that there were 12 geographic problem areas, 10 of which had been examined and were completely resolved and two were close to being resolved. That is my recollection of the discussion. The impression I gained was that, once the problems in those final two areas were identified and resolved, there would be no further problems with CDMA coverage. That was the impression that I gained from the discussion with the representative from Telstra. Since that time I have had a look at a lot of the submissions to the Besley inquiry, and there was a large number of complaints from residents in a whole range of areas that the CDMA coverage was and is significantly less than the previous analog coverage. They identified Barunga in South Australia, Stanthorpe in Queensland, Picola in Victoria, North Curl Curl, the Harbord-Dee Why district of New South Wales, central Sydney and the Riverina district of New South Wales. Does Telstra have a response to those complaints about the lack of CDMA coverage in those areas?

**Mr Jennings**—Just referring to the 12, I am not aware that the remaining two were not fixed. However, I can take that on notice. In general, we will always, and we do in our digital

network as well, have a number of folks who, for one reason or another—sometimes network related, sometimes handset related, sometimes to do with various fault conditions—have occasion to make complaints to us about the coverage of network. In the case of CDMA and in the case of the digital network, our approach is to investigate those particular situations and rectify the fault situation or the network fault or whatever. I should say that, as far as CDMA is concerned, the ACA have agreed that the CDMA network is providing reasonably equivalent coverage.

**Senator MARK BISHOP**—Yes, they have.

**Mr Jennings**—However, as I have said, there will always be instances throughout the life of any cellular network where there will be situations where for one reason or another—

**Senator MARK BISHOP**—I refer to six specified examples which my office took from the submissions to the Besley inquiry. Are you aware of those particular complaints to the Besley inquiry relating to lack of CDMA coverage in those areas?

**Mr Jennings**—I am aware of some of them, not others. For example, I am aware of a perceived general coverage issue in the Riverina area. I have travelled through the Riverina on two or three occasions in the last two months, and I would have to say three things about the coverage there: (1) it is vastly superior to what was there previously with analog; (2) it is my belief that some of the coverage issues there are to do with the set-up of customers' phone installations—in vehicles, their antennas and so forth; and (3) the Riverina is a particularly fortunate recipient-to-be of the outcome of things like the government highway tender. It also has a number of RTIF applications pending for decision by the RTIF board. As one example, I think the Riverina is particularly well served, and those sorts of issues that have been raised in the Besley inquiry can very easily be put to rest.

**Senator MARK BISHOP**—I do not necessarily allege that there is a lack of or poor CDMA coverage compared with analog in those half-dozen areas identified; I just at this stage repeat the complaint that was made in writing to the Besley inquiry. I accept that there may well be other technical reasons for the lack of coverage. Perhaps you could have a look at those, Mr Jennings, and advise on notice of your response in writing to those complaints. That might be a simpler way of resolving that issue.

**Mr Jennings**—Okay.

**Senator MARK BISHOP**—At the May hearings I asked why subscribers to the Commander telephone system in remote communities in the Northern Territory were being charged thousands of dollars for service calls because Telstra technicians were no longer permitted to service that system, even though they might be located nearby. A new operator of the system, PlesTel, is 30 per cent owned by Telstra and was forced or required to send some technicians from Darwin, incurring significant travel costs. Similar complaints were made to the Besley inquiry again in Western Australia and Queensland. So we have Western Australia, Queensland and the NT—it is obviously a remote area problem. The Besley inquiry, as I understand it, was told PlesTel had proposed to Telstra that each company should be able to subcontract each other's technicians where only one had a presence in the remote location. Can you advise the committee what progress has been made in rationalising the service arrangements for Commander phone systems in remote communities to reduce the cost to subscribers?

**Mr Stanhope**—No, we cannot today, but we will take that on notice.



**Senator MARK BISHOP**—Please take that on notice and give us that response. Contract delivery for phone books in Queensland: I am advised that Palor Transport was contracted by Pacific Access to deliver the current year phone books in Queensland. As is the custom up there, Palor Transport then subcontracted to community organisations to deliver the books to homes. That is apparently common practice in Queensland. Palor Transport, I am advised, have gone into liquidation and have not paid their subcontractors. Can you advise whether those remarks are basically true?

**Mr Stanhope**—I am aware of the situation in Queensland. That may be the case. I cannot be positive whether they have paid the subcontractor or not, but we are aware that there was some difficulty in Queensland. It is not our responsibility, of course, to pay the subcontractor.

**Senator MARK BISHOP**—But Pacific Access had awarded the prime contract or the head contract to Palor Transport and Palor Transport is now in liquidation. Are those two facts agreed?

**Mr Stanhope**—As far as I am aware, that is correct.

**Senator MARK BISHOP**—Are you aware whether Pacific Access does any checks into the ability of contractors to comply with their contracts?

**Mr Stanhope**—Yes, we are. Pacific Access, when selecting their contractors, will do some routine checks on their capabilities—whether they have been doing it before, how long they have been in business and so on. But I guess you cannot always get it right.

**Senator MARK BISHOP**—Are you aware that a check was done this time on Palor Transport?

**Mr Stanhope**—A check would have been done on them, but whether it was done in the last year I would have to check.

**Senator MARK BISHOP**—Can you check if it was done, when it was done and what detail was done in that sort of verification process?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—Are you aware that Palor Transport did not pay its subcontractors on time for the delivery of the 1999 phone books?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—That has not been brought to your attention in any way?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—Would that be of concern to Telstra?

**Mr Stanhope**—Again, it is a responsibility of the prime contractor.

**Senator MARK BISHOP**—I do accept that it is the responsibility of the prime contractor, Mr Stanhope. But, if the subcontractors have carried out the work and they are not being paid on time and you have verified the bona fides, if you like, of the prime contractor, why should the subbies bear the loss?

**Mr Stanhope**—I am not saying that it is not of concern; what I am saying is that we have no obligation. At the end of the day, we want the directory delivered and distributed. If that has broken down because of the prime contractor and therefore the relationship with the

subcontractor, we are concerned about that. But, in terms of payment and so on, we have no obligation. Of course we want to get the directories delivered in that area.

**Senator MARK BISHOP**—Has Telstra fully paid Palor Transport for both the 1999 and 2000 contract?

**Mr Stanhope**—I would imagine so, but I can check explicitly.

**Senator MARK BISHOP**—Can you take that on notice to confirm it?

**Mr Stanhope**—Yes. We would not be withholding anything that we owe to them.

**Senator MARK BISHOP**—Do you know how much is owing to the various community organisations that received the subcontract to deliver the phone books?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—Can you make inquiries and find out?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—Can you provide us with a breakdown of the organisations which are owed money?

**Mr Stanhope**—We are talking with respect to the Queensland area?

**Senator MARK BISHOP**—Yes, we are—for the year 2000.

**Mr Stanhope**—Yes, okay.

**Senator MARK BISHOP**—I think Senator Mackay wants to have a discussion with Telstra on some regional matters, so I am happy to bring in SBS now.

**CHAIR**—We cannot come back. We have got to deal with it—we cannot be shifting and shuffling. If Senator Mackay is not here, then I think we will move on.

**Mr Stanhope**—Chairman, can I offer some answers to Senator Faulkner's earlier questions that he asked us to follow up?

**CHAIR**—By all means.

**Mr Stanhope**—How often do we bill DOFA: it is monthly. What billing details do we provide to DOFA: the bill itemises the time, the date, the duration and the charge for each call. It also provides the A and B parties; that is, the caller and called party numbers, excluding the last couple of numbers, and that is for privacy reasons. The other questions with respect to the dates that we contacted DOFA we will take on notice. With respect to Mr Healy and when the management process review finished, we will take that on notice also.

**CHAIR**—Thank you very much.

**Senator MARK BISHOP**—Senator Mackay does not appear to be available. I have concluded my discussion with Telstra. I thank the various officials for attending today and for being helpful, as always. Chair, it might be useful to bring in SBS and see whether we can dispose of them.

**CHAIR**—I do not know whether we will dispose of them, but we might hear from them.

**Senator MARK BISHOP**—Dispose of the issues, then.

**CHAIR**—Thank you, Telstra, for appearing.

[4.51 p.m.]

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**Special Broadcasting Service**

**CHAIR**—Welcome.

**Senator MARK BISHOP**—I have just a couple of issues on digital transmission and digital programming. Can you tell us how SBS is progressing in its preparations for digital broadcasting?

**Mr Milan**—I think the answer to that is: generally speaking, well. We hope to be on air with a 1 January start along with the public broadcaster and the three commercial free-to-air broadcasters.

**Senator MARK BISHOP**—So planning and implementation are on time?

**Mr Milan**—Yes.

**Senator MARK BISHOP**—Has your funding for conversion to digital transmission proved adequate so far?

**Mr Milan**—Yes, it has.

**Senator MARK BISHOP**—There have not been any unforeseen costs arise?

**Mr Milan**—No.

**Senator MARK BISHOP**—So that is within budget?

**Mr Milan**—Yes.

**Senator MARK BISHOP**—Are your arrangements for transmission and distribution now in place?

**Mr Milan**—Yes, they are. I think all the contracts are now signed off.

**Senator MARK BISHOP**—All those contracts have now been concluded?

**Mr Milan**—Yes. We have two major external contracts or series of contracts: one is to actually lift the signal from the building to the transmitter heads, and the second is the transmitter head distribution. Both are in place.

**Senator MARK BISHOP**—There is no reason that you can suggest to us why you will not be able to turn on the tap on 1 January and go down the digital path?

**Mr Milan**—Not as I sit here.

**Senator MARK BISHOP**—Now that you have the legislative framework for multichannelling, how are you planning to fund the purchase or production of digital programming or content and the up-conversion of programs? Have you given that any thought?

**Mr Milan**—The production of programs really is very little in terms of difference for us. First of all, we were not bound by the 20 hours a week of high definition at 10ATI—there has been a let in the act for SBS—so we are up-converting to 576 progressively. That actually reduces the burden for us. In fact, for us it is more a question of up-converting existing material or material that would be made in standard definition. So it is not as much of an issue for us as it would be for the ABC or for the commercial channels.

**Senator MARK BISHOP**—Are you doing that up-conversion of existing content within current budget?

**Mr Milan**—I am never happy with my current budget, but—

**Senator MARK BISHOP**—You have been very modest in your comments here in the last two years, I must say.

**Mr Milan**—In terms of whether we can fund our existing services in the digital mode, the answer to that is yes, we have adequate funds to do that. I think it is unfortunate that the decision the Senate made to allow multichannelling happened after the triennium funding was settled, which means there is no additional funding for additional channels for SBS, and we are still struggling with that. But in terms of being able to deliver and maintain our existing services in both analog and digital modes, we have adequate funding to do that.

**Senator MARK BISHOP**—It has not been any secret around this table for the last 18 months that multichannelling was going to be on the agenda when the eventual digital bill came to the parliament. That did not surprise you.

**Mr Milan**—No, it did not. Indeed, we had lobbied government for additional funding for multichannelling, and it was refused.

**Senator MARK BISHOP**—The government has not promised any additional funds?

**Mr Milan**—No, it has not at this stage, though we are ever hopeful and ever trying.

**Senator MARK BISHOP**—Do you regard it as being fixed then for the triennium?

**Mr Milan**—Yes, I do. However, I would argue—and will be mounting the case to the minister and his office—that the circumstance has changed in that the legislation came in after the triennium was settled and there should be an opportunity for SBS to revisit the fount, if you like, in the next budget period.

**Senator MARK BISHOP**—If you do not receive any additional funding for multichannelling, how will it restrict the programs you offer?

**Mr Milan**—Bearing in mind that SBS currently do not have funding to be 24 hours a day on our main channel, we will take a cautious view to moving significant resources whilst the set-top box penetration is relatively low. So, in the early stages, we would be looking to provide a fairly limited service if it was out of existing funding. But as time progressed and people got more used to viewing in multichannel services, we would have to look at the whole array of our services to see where we could make savings to move things into a second television channel.

**Senator MARK BISHOP**—How many hours of programming do you anticipate multichannelling on a daily basis given current funding?

**Mr Milan**—At the moment, I have no anticipation.

**Senator MARK BISHOP**—None at all?

**Mr Milan**—We have not got that far. We do not have a budget for it and, until there is a reasonable penetration of boxes, I cannot move money from my existing budget.

**Senator MARK BISHOP**—I thought you told us last time you were going to start on four hours a day. Is that not correct?

**Mr Milan**—That was the funding proposal we had put up, but that was actually declined.

**Senator MARK BISHOP**—I see. So you have not made any decision to program in digital at all?

**Mr Milan**—We will be broadcasting in digital from 1 January, which will be the same channel that goes out on our analog service. Depending on the set-top box technology at the time, we plan to have enhancements of our main channel. The simplest way to explain it is that a service similar to a teletext service will be available with sporting information, news updates, weather updates and hopefully some program related material—like more in-depth interviews for *Dateline*, et cetera. So there will be digital programming available, but if the question goes to a discrete second channel without specific additional funding for that, or until one felt that there was a big enough market there to warrant taking resources from our main channel, there will be no discrete second channel.

**Senator MARK BISHOP**—There will be no discrete second channel until either of those issues is resolved.

**Mr Milan**—No.

**Senator MARK BISHOP**—Are you giving consideration internally to other ways of achieving that purpose?

**Mr Milan**—Yes. We are constantly reviewing our budget internally. For instance, sporting rights have a big impact. You might have read in the press over the last couple of months that it is unlikely we will have the World Cup. We have money set aside for the World Cup. We may be able to move some of that resource into other areas of the organisation. The budget is continuously being reviewed.

**Senator MARK BISHOP**—Okay. I will turn now to this issue of the merger with the ABC.

**Mr Milan**—What issue?

**Senator MARK BISHOP**—What is the SBS's response to the comments of Mr Shier—

**CHAIR**—I think you just heard it.

**Senator MARK BISHOP**—that a merger of the ABC and SBS would be a long-term solution to the need for more money and digital spectrum? Are you happy with that proposal?

**Mr Milan**—I think it is nonsense.

**Senator MARK BISHOP**—Why is that?

**Mr Milan**—I cannot see how just moving the spectrum from one side of public broadcasting to the other would make any difference to the resources available.

**Senator MARK BISHOP**—Has it been under discussion with your board?

**Mr Milan**—Yes, only in the sense of responding. In other words, it has never been seriously discussed by the board since it was raised under a Labor government 10 years ago.

**Senator MARK BISHOP**—In other words, you regard it as a nonsense and you are not interested in going down that path. How do you respond to Mr Shier's comment that the SBS is dedicated to 'a minority ethnic audience'?

**Mr Milan**—I suggest he read our charter. The charter says specifically that we provide multicultural, multilingual services that inform, entertain and educate all Australians. We provide cross-cultural programming, not ethnic programming and certainly not ghettoised programming.

**Senator MARK BISHOP**—Thank you, Mr Milan.

**CHAIR**—I would like to ask a couple of questions about the SBS roll-out. What was the original schedule for the roll-out announced in December last year?

**Mr Milan**—The analog roll-out?

**CHAIR**—Yes.

**Mr Milan**—Originally we talked of two years, then after negotiation with NTL and the department we came back to one year. I think we are anticipating now that the roll-out will be completed by June next year.

**CHAIR**—What is the progress of the roll-out in Western Australia? What towns have been added to the SBS inventory?

**Ms Crowe**—I will read out the ones that are rolling out already in Western Australia. At the moment we have Broome on air, Karratha is coming up on 28 November, we will have Albany on 1 December, Port Hedland on 7 December and Esperance on 14 December. There is quite a number more; do you want me to keep reading them? They are the immediate ones.

**CHAIR**—What are the ones that you have yet to do?

**Ms Crowe**—There is a lot of them. Geraldton is coming up in March next year. Wagin is coming up in April. We have central agricultural and Bunbury in June next year. That is it.

**CHAIR**—What about community self-help? How is that going in Western Australia? Those communities are all above 10,000 in population. What other communities are going to get SBS through community self-help programs?

**Ms Crowe**—We have a number of existing self-help services in Western Australia—for example, Broome was one and has now been taken over as part of the analog terrestrial extension. We also have a number of applications for funding with SBS for various centres in Western Australia. On those, we are awaiting the outcome of the government's black spot funding decision. Once that has been finalised, we will be able to get back to those communities on the SBS self-help funding. There are a number of them. I will provide you with a list.

**CHAIR**—As there are no other questions, I thank you for appearing.

**Mr Milan**—Thank you.

**CHAIR**—Before we proceed to the ABC, I would just like to advise you, Senator Bishop, that I have been advised of an agreement between the managers of government and opposition business that we will sit from 8.30 until 11.30 tomorrow morning and, if it is necessary, there is a possibility of another three hours on one evening during the coming week.

**Senator MARK BISHOP**—I had not been advised of that, so thank you for informing us.  
[5.06 p.m.]

#### **Australian Broadcasting Corporation**

**CHAIR**—I welcome the ABC.

**Senator MARK BISHOP**—The first issue I want to talk about with the ABC is that of budgets and budget cuts. I presume those questions are best directed to you, Mr Shier. It is our understanding that the ABC board met in October and endorsed new divisional budgets. I am advised that no information to date has been released—with the exception of the technology

division budget. Acting on those premises, can you tell us what the budgets are for each of the ABC divisions determined by the board at its October meeting?

**Mr Shier**—Do you want me to run through the list?

**Senator MARK BISHOP**—Yes.

**Mr Shier**—For Program and Content Development, the amount allocated was \$8.6 million. For News and Current Affairs, it was \$112.3 million. For Content Rights Management, it was \$13 million. For Television, it was \$139 million. For Radio, it was \$82 million. For New Media Services, it was \$13.7 million. They are the content divisions within the ABC, making a total of \$369 million. Then in the Operations Group, it was \$34.1 million for Finance and Support Services. For Technology and Distribution, it was \$131.2 million. For Production Resources, it was \$9.7 million. Obviously there is a recharge there in relation to Television paying Production Resources for the use of the services. For ABC Enterprises, it was \$70.9 million. For Human Resources, it was \$9.2 million. There was an incidental, and then for state and territory directors it was \$2.3 million, making a total of \$257 million. Then there was \$6.9 million for Corporate Affairs and \$38.9 million for corporate-wide activity. Mr Balding can elaborate on that.

**Senator MARK BISHOP**—What was that last one?

**Mr Shier**—It was corporate-wide projects across all divisions. They are not projects that can be allocated to a division. The government capital use charge of \$61.5 million makes a total of \$734 million, but of course the amount of money in the base funding available to the ABC is about \$509 million including depreciation and about \$479 million excluding depreciation.

**Senator GEORGE CAMPBELL**—Where does training fit into those figures?

**Mr Shier**—It would fit under Human Resources, which was \$9.2 million.

**Senator GEORGE CAMPBELL**—Do you have a figure for training?

**Mr Shier**—I do not. I am sure I can get it for you.

**Senator MARK BISHOP**—Thank you. So you have identified a shortfall in the order of \$220 million or \$230 million? Is that correct?

**Mr Shier**—No.

**Senator MARK BISHOP**—I am sorry. I thought you said that the figures were aggregated up to \$734 million.

**Mr Shier**—Yes, because I have explained that a number of items in there do not go to the core funding of the ABC, such as the capital use charge and a number of those items, which in the end mean that the core funding available is less.

**Senator MARK BISHOP**—How much less, if we pull out those items?

**Mr Shier**—I indicated that, if you get to the very base level of not even including depreciation—and I look to the finance director to make sure my numbers are correct—the figure is \$479 million.

**Mr Balding**—That is correct.

**Senator MARK BISHOP**—How do those budgets compare with previous budgets for each of those divisions?

**Mr Shier**—Year on year, there is no change in the core funding.

**Mr Balding**—Do you mean for the divisional budget or for the corporate budget?

**Senator MARK BISHOP**—I mean the budgets just outlined by Mr Shier—the comparison year to year for each of those figures.

**Mr Balding**—In general the operational budgets of those divisions have been maintained.

**Senator MARK BISHOP**—Is there any aspect of the budget that has not been maintained?

**Mr Balding**—There are a number of divisional budgets where there has been a reduction in salary and a number of divisional budgets where there has actually been an increase.

**Senator MARK BISHOP**—Can you outline to the committee the detail of each of those?

**Mr Balding**—I can, but to what extent of detail? I have an array of figures in front of me.

**Senator MARK BISHOP**—What figures do you have?

**Mr Balding**—I have a dissection of the budget, which Mr Shier just read out.

**Mr Shier**—Would it be helpful to express where funds had to be spent in the coming budget which had not previously been spent?

**Senator MARK BISHOP**—I am interested in where there has been an alteration from last year to this year in the budget allocations for each of the divisions. You have identified that some have gone up and that some have gone down. Can you provide us with the detail of those operations.

**Senator SCHACHT**—For example, you said television was \$139 million. Is that correct?

**Mr Shier**—Yes.

**Senator SCHACHT**—Is that the same as the last budget? In the previous year was it more or less than \$139 million?

**Mr Shier**—The only reason I am not responding immediately—and the finance director can clarify this—is that in comparing these divisions we are not comparing like with like, because of the restructuring.

**Senator SCHACHT**—A big trick.

**Mr Shier**—No, it is not that at all. What I am saying is that the finance director can give you the numbers for comparing like with like—in other words, for the division as it sits now and on what that division cost last year.

**Senator SCHACHT**—Based on the new description of the division?

**Mr Shier**—Absolutely.

**Senator MARK BISHOP**—Could you provide those figures, Mr Balding?

**Mr Balding**—Yes, I can. I can either provide them to you on notice —

**Senator SCHACHT**—Just read them out now because I think it will help us.

**Mr Balding**—Comparing the budgets from last financial year and the new financial year—and you will just have to bear with me because of the issue of grossing up figures and taking into account a number of other initiatives.



**Senator SCHACHT**—Abnormals? Do you take into account abnormals? Everything is abnormal about the ABC, I suppose.

**CHAIR**—If you could let Mr Balding answer the question, that would be most helpful to the committee's proceedings.

**Senator SCHACHT**—I am.

**Mr Balding**—The television budget has increased by some \$16 million, but you have to take into account the net impact of that. Last financial year the ABC provided some interdivisional loans to television. Those loans have been replaced with an allocation of funds. So if you are looking at the net overall increase—

**Senator SCHACHT**—It would have been \$123 million last year or \$139 million now, but you have to take into account—

**CHAIR**—How about letting the general manager answer the question, Senator.

**Mr Balding**—Last year, on a comparative basis, the gross budget was \$124.4 million. This year it is \$139 million.

**Senator SCHACHT**—Can you tell us what the increase was spent on?

**Mr Balding**—What it has been allocated to?

**Senator SCHACHT**—You had an increase of \$15 million or \$16 million nearly—it was over \$15 million. What has the increase been spent on: television drama, television salaries, new equipment?

**Mr Balding**—There was a substitution in respect of television. There was a \$3.3 million or \$3.4 million loan to program acquisitions. That has been replaced by an allocation of funds, resulting in a net increase to the acquisitions budget of some \$1.7 million. That takes the total television acquisitions budget to \$39.2 million. An additional \$1.4 million has been allocated to television to take into account the legislative requirements for captioning, which will take effect from January next year. That takes the total captioning budget to \$3.2 million. An additional \$2 million has been provided for television publicity and promotions, which takes the total budget to about \$2.7 million. They are the main areas of new allocations.

**Senator SCHACHT**—Is drama receiving the same allocation as last time or is it getting less?

**CHAIR**—Who is asking the questions: Senator Bishop or Senator Schacht?

**Senator SCHACHT**—I am trying to get these figures straight.

**CHAIR**—Let us have just one person asking questions.

**Senator MARK BISHOP**—Mr Balding, you have given us the comparative budget for Television. Can you provide the same details in respect of the other divisions that Mr Shier outlined where there has been an increase or decrease in the budget this year? Can you go through them one by one?

**Mr Balding**—In respect of Program Content and Development, the comparative budget last financial year was \$7.85 million. This year it is \$8.6 million.

**Mr Shier**—I make the point that obviously the division did not exist last year so we are comparing the costs associated with that activity last year with the actual expenditure planned for this year.

**Mr Balding**—On a comparative basis.

**Senator MARK BISHOP**—But there has been an increase of about 10 per cent or 12 per cent?

**Mr Balding**—Yes, comparing like with like.

**Senator MARK BISHOP**—On a comparison of activity basis?

**Mr Balding**—Correct.

**Senator MARK BISHOP**—Where has that money been allocated?

**Mr Shier**—To research and development.

**Mr Balding**—In respect of production resources, the comparative budget was \$9.6 million and it is now \$9.7 million. In respect of News and Current Affairs—I have worked this one out on a comparative spend as opposed to a comparative budget from last year, so I ask you to bear with me—the comparative spend last financial year was \$115.7 million. The budget this year is \$112.3 million.

**Senator GEORGE CAMPBELL**—Wasn't the spend last year \$120 million?

**Mr Balding**—No, it was not, Senator. The actual spend for News and Current Affairs last financial year was \$115.599 million.

**Senator GEORGE CAMPBELL**—What happened to the loan?

**Mr Balding**—That loan had two components: \$2.7 million and \$2.7 million. It has not continued this financial year.

**Senator GEORGE CAMPBELL**—Are you saying that it was not spent last financial year?

**Mr Balding**—Yes, it was spent: it was part of the \$115.599 million.

**Senator GEORGE CAMPBELL**—So the total dollars spent on News and Current Affairs in the last financial year was \$115.599 million, which included everything?

**Mr Balding**—Yes.

**Senator GEORGE CAMPBELL**—And now the budget is \$112 million.

**Mr Balding**—And its budget for this financial year is \$112.322 million.

**Senator MARK BISHOP**—You might continue, Mr Balding.

**Mr Balding**—For Radio the budget was \$81.397 million.

**Senator MARK BISHOP**—And for last year?

**Mr Balding**—That was last year. Compared to \$82.693 million.

**Senator MARK BISHOP**—New Media?

**Mr Balding**—For New Media the equivalent budget last year was \$4.8 million.

**Senator MARK BISHOP**—That has increased to \$13.7 million.

**Mr Balding**—Yes.

**Senator MARK BISHOP**—Can you break up where the increases are going to be allocated?

**Mr Balding**—The bulk of that is in respect of multichannelling. It is \$3.5 million for the multichannelling itself, and another \$400,000 for salaries associated with multichannelling. Then there are other areas, for which I do not have the details with me.

**Senator MARK BISHOP**—That is \$4 million of the \$9 million increase. What about the other \$4 million or \$5 million increase?

**Mr Balding**—I have not got those with me at the moment.

**Senator MARK BISHOP**—Do you know what they are, off the top of your head?

**Mr Balding**—No. The main one is the multichannelling.

**Senator MARK BISHOP**—We will take that on notice. In due course I was going to ask you to table those charts you were referring to, so we can all understand what you are talking about.

**Mr Balding**—We can do that. For Technology and Distribution \$130.96 million was last year's comparative budget, to \$131.219 million.

**Senator MARK BISHOP**—So there is a cut there of around \$8 million.

**Mr Shier**—No, it is an increase. It was \$130.9 million last year to \$131.2 million this year.

**Senator MARK BISHOP**—I misheard.

**Mr Balding**—Funding, and Finance, and Support Services: \$32.7 million, to \$34.1 million.

**Senator SCHACHT**—What did you call that section?

**Mr Balding**—Funding, Finance and Support Services. It is one of the most important divisions, Senator.

**Senator SCHACHT**—I just want to get the title right.

**Mr Balding**—Human Resources: \$10.45 million, compared with \$9.265 million.

**Senator GEORGE CAMPBELL**—What is the training component of that, for both last financial year and this financial year.

**Mr Balding**—Can I take that on notice? I do not have the detailed split of that budget with me.

**Senator GEORGE CAMPBELL**—Okay.

**Senator SCHACHT**—I just missed the last year's figure for Human Resources. How much was it?

**Mr Shier**—It was \$10.45 million.

**Senator MARK BISHOP**—What does Human Resources cover?

**Mr Shier**—What one would have described previously as the old personnel department, and training. I think that is a fair summary.

**Mr Balding**—And human resources policy. Also the payroll processing.

**Mr Shier**—Personnel matters generally.

**Mr Balding**—For Corporate Affairs, last year's comparative budget was \$5.1 million.

**Senator MARK BISHOP**—This year it is \$6.7 million.

**Mr Balding**—I thought it was \$6.9 million.

**CHAIR**—It appears that your figures are a little out.

**Mr Balding**—On a comparative budget basis the state directors had \$2.2 million, compared with \$2.3 million. The corporate-wide projects initiatives: \$39 million. We had a capital use charge of \$58 million.

**Senator SCHACHT**—Corporate-wide went from \$39 million to what this year?

**Mr Shier**—To \$38.9 million. It hardly changed.

**Mr Balding**—The last item is what they call a capital use charge, which last year was \$58.4 million; this year it is estimated at \$61.6 million.

**Senator MARK BISHOP**—And ABC Enterprises?

**Mr Balding**—ABC Enterprises in their gross expenditure: \$76.165 million, to \$70.9 million.

**Senator MARK BISHOP**—That is a reduction of \$5 million or \$6 million.

**Mr Balding**—That is their estimated turnover. This is the net expenditure requirement for enterprises after the declaration of the profit dividend coming back to the corporation.

**Senator MARK BISHOP**—Is that a very conservative figure?

**Mr Balding**—No, they have about a \$80 million turnover, of which the total cost is about \$70 million this year, and we are estimating about a \$10 million profit to the corporation.

**Senator SCHACHT**—I missed that last corporate-wide figure.

**Mr Balding**—It was \$39 million last year; it is \$38.9 million this year.

**Senator MARK BISHOP**—You have agreed to table those budget figures, Mr Balding?

**Mr Balding**—Yes.

**Senator MARK BISHOP**—In approving the current budget, as you have just outlined, was the board informed of the likely program impacts?

**Mr Shier**—Obviously, we discussed what we are trying to achieve in terms of programming. I notice that the discussion generally in relation to programming is in terms of existing programming perhaps not being there. The board was very much assuming there would be new programming that currently is not there would be there. The program and the production list, in terms of our own production, is currently being put together by the Director of Television.

**Senator SCHACHT**—For which year?

**Mr Shier**—For the year we are in, in the sense that the budget that has just been approved is the budget for the remainder of this fiscal year. It was a reallocation of the budget that we previously had allocated on the old structure. I do not have to speak for the Director of Television; she can do better herself. Gail, perhaps you would like indicate where we are in terms of this year's production slate. We are trying to plan for some 18 months out rather than be working on such a short timeframe.

**Ms Jarvis**—We had a production plan at the start of this financial year which we are pretty much adhering to. In terms of the impact of budgets on that plan, I do not see any impact on it. We are proceeding as we would have on the interim budget that was available to us.

Program content is, obviously, under review constantly. We are constantly looking at possibilities—new program options, reviewing the programs that are in the schedule—and we will continue to do that. We are currently planning for the financial year 2001-02. We are in the process of putting together a production plan for that based on what our projected belief is about next year's budget. If you are asking whether there has been an impact on the schedule or on the programming content, the answer is: not a significant one that we are aware of.

**Senator SCHACHT**—I ask this question as a taxpayer—and I understand Mr Shier's 18-month remark and your comment: over the next 18 months out of this budget, will we be spending more on Australian content, the same or less?

**Ms Jarvis**—The board has set a corporate plan and an objective of that plan is to meet 55 per cent or more local content. In this production plan we are currently at about 56 per cent. We anticipate that the level will remain roughly in that area, although one cannot assess what the next budget is going to be.

**Senator SCHACHT**—I appreciate that. The next issue is this: you can get the 56 per cent by a range of programs—some of them might be el cheapos and some may be more expensive, for example, quality Australian drama. What is the budget for quality Australian drama? For the next 18 months will that go up, stay the same or fall?

**Ms Jarvis**—It is \$23 million in the current plan, and that is up on last year. I cannot tell you precisely how much it is up.

**Senator SCHACHT**—Is that for the remainder of the financial year?

**Ms Jarvis**—That is the total for this financial year.

**Senator SCHACHT**—Some of that has already been spent, obviously, as we are nearly halfway through?

**Ms Jarvis**—Yes.

**Senator SCHACHT**—Subject to the government's funding arrangements, do you anticipate that the following year you will have at least a further \$23 million for drama?

**Ms Jarvis**—I cannot tell you that at this stage because we have not done the plan for the next financial year.

**Mr Shier**—It is fair that I should answer that. Obviously the Director of Television would like more but, unless we win more funding, the fact is the available funds for us in the following fiscal year will be no more, and therefore we would have the undignified exercise of having to decide, if we were going to upgrade drama, where we took the money from. The desire is to have more Australian drama, but we are conscious that at the moment we are having to move funds from areas that traditionally we have not had to move money from, because there are in fact no easy options anymore in terms of finding money.

**Senator SCHACHT**—I understand that there are no easy options, but I notice the budget for New Media has gone from \$4.8 million to \$13.7 million—nearly a \$9 million increase. The board has made policy decisions to increase funding in certain areas so, within that flexibility, you could make a judgment to increase funding as well for drama by making adjustments to other divisions, as you already have to create this New Media expenditure.

**Mr Shier**—I will comment on two things. First of all, we are already active in new media. As you know, the ABC gets over 6 million hits on its online sites, so, unlike, for example, SBS, who spoke to you before the ABC, we already spend a lot of money—

**Senator SCHACHT**—We know what you think of the SBS, so we take that as a given.

**Mr Shier**—We already spend a lot of money on online and on new media, so new media is important to the ABC. Secondly, in relation to multichannelling, we also diverge from them in their view that they do not wish to entertain multichannelling at all at this stage. We believe we need to demonstrate to people that the ABC deserves additional funding, and the point that I think is very important to make is that television in the future will be digital. Digital is not an add-on. If the ABC is not active in new media, it will not be active in what will be old media 10 years from now. We have an opportunity now either to demonstrate our competence, to show what we can do and to convince, hopefully, the people and the parliament to vote for more funds or to simply say that we do not have the cash in the short term, so we will not address the issue.

**Senator SCHACHT**—I think you have convinced the parliament; I think it is the bloke on your right-hand side that you have to start on to get the money.

**Mr Shier**—I think I have to convince a lot of people.

**Senator MARK BISHOP**—Mr Shier, you outlined earlier the additional funds being allocated to captioning and new media. What additional funds are being allocated to digital capitalisation and content, not directly funded by government?

**Mr Shier**—I will refer to Mr Knowles in relation to his view about the expenditure on capital, but my thumbnail sketch of it would be basically that, in terms of equipment to do digital, we are sufficiently funded. Where we are obviously disappointed is that we do not have the funding to do the content in digital, and the very issue that you have rightly raised is: do we therefore use some of the funds that we have in our core funding to demonstrate that competence? That is the judgment that I have made and that is the judgment that I have recommended to the board, because I do not believe that the national broadcaster of Australia can be outside digital.

**Senator MARK BISHOP**—Mr Knowles, do you have anything to add?

**Mr Knowles**—No. I think Mr Shier's comments actually adequately sum it up. We are progressing well in our digital implementation, and the ABC is continuing to make those contributions from its budget that it undertook as part of its digital funding strategy.

**Senator MARK BISHOP**—In terms of digital equipment, you say that is under control. In terms of content, what sort of sum are we discussing there that has to be reallocated?

**Mr Shier**—We have put \$3.5 million into the multichannelling content. I think that is probably the key number.

**Senator MARK BISHOP**—Yes. What proportion of the budget for Radio, Television and New Media is directed to actual program making activities, excluding the administration and

management of the functions and, in particular, excluding the cost of senior executive salaries? Can you pull that out for us now?

**Ms Jarvis**—I can answer for Television.

**Mr Shier**—I have two keen directors responding. So, firstly, I will ask the director of finance whether he has those numbers here. We have got them, clearly, but I will ask him if he has them with him today.

**Mr Balding**—I have not got them with me.

**Mr Shier**—Do you want a Television response, because apparently we—

**Senator MARK BISHOP**—So you do not have the answer for the three divisions, Mr Balding?

**Mr Balding**—No, not in that detail.

**Senator MARK BISHOP**—Could you take it on notice and provide it to us?

**Mr Balding**—I can.

**Senator MARK BISHOP**—I think, Ms Jarvis, you are suggesting that you have the figures for Television?

**Ms Jarvis**—The percentage of our budget that is spent on content is about 84 per cent. Production within that is about 57 per cent. The rest is acquisition.

**Senator MARK BISHOP**—Are those figures of 84 per cent and 57 per cent the same when we do the comparison with last year's budget, or has there been a shift?

**Ms Jarvis**—I am not able to give you the answer to that at this point. I do not have last year's figures with me.

**Senator MARK BISHOP**—Mr Balding, can you help us on that?

**Mr Balding**—I can take that on notice and provide it with the other information.

**Senator MARK BISHOP**—All right, then. In terms of Radio, did you outline earlier that there had been a \$2 million cut to Radio? Did I hear you say that?

**Mr Shier**—No. Originally what I said in response to a question was that there was a \$2 million shortfall in what was desired by Radio and what Radio got. There is not in fact a cut in the budget year on year. In fact, I think if you look at the figures that you were given, it has gone from \$81.3 million to \$82.6 million. The ask was \$2 million more than what Radio got. It is regrettable we could not give the \$2 million, but that was the discrepancy.

**Senator SCHACHT**—Can you inform us which areas of Radio got cut or missed out because of the lack of the \$2 million?

**Mr Shier**—The additional \$2 million would have been aimed at appointing more people, and we are not in a position to do that. It was the salary budget. I can ask the Director of Radio to elaborate, should she wish.

**Ms Howard**—I did ask for an extra \$2 million than I got in salaries, but it was largely to undertake some new areas of radio, which obviously we are not going to undertake at the moment. We will try again next time.

**Senator SCHACHT**—Which areas of radio were they? Were they in programming or employing people to provide what sorts of programs?

**Ms Howard**—They were looking at the areas of digital and Internet radio, both of which we are obviously going to be interested in in the foreseeable future.

**Senator SCHACHT**—You could not get that out of the New Media budget?

**Ms Howard**—We are in fact collaborating with New Media on some of those.

**Senator GEORGE CAMPBELL**—And it was essentially for salaries?

**Ms Howard**—Yes, it was for salaries for staff.

**Senator GEORGE CAMPBELL**—Mr Shier, can you confirm that the new head of national talks, Mark Collier, will not take up his new position at the ABC until 18 December because he is going on an all expenses paid trip to London to look at how the BBC works?

**Mr Shier**—Mark Collier is joining us; I am not sure whether it is the 18th or the 11th.

**Ms Howard**—He is joining us on the 11th.

**Mr Shier**—He is going. When you say an ‘all expenses paid trip’, I have to say, as someone who has lived overseas, I do not find it regrettable that people see what is done elsewhere. The only radio station that is remotely like Radio National in Australia is BBC Radio 4. I think it is desirable, because I am sure once he starts he will not have an opportunity to go there. I think we have managed to negotiate that he joins us a week earlier so he can make the trip; that he uses that time to produce a report for Sue Howard on the difference between Radio 4 and Radio National—both claim to deliver the same type of programming, but we are conscious that Radio 4 has been more successful in reaching a larger percentage of their audience—and we will be interested in seeing that report. There is no such report available in the ABC at the moment, and I think it is desirable that we benchmark ourselves against the nearest competitor we have been able to identify; that is, Radio 4 in the UK.

**Senator GEORGE CAMPBELL**—You are very keen on that approach and benchmarking against the BBC.

**Mr Shier**—There are a number of other countries that I have been working in that I would have also liked to have added to the list. I would like him to go to Danske Radio; I would like him to go to a number of places. I suspect the question would have been a little bit more aggressive if I had described an entire European trip to you.

**Senator GEORGE CAMPBELL**—I did not realise the question was aggressive; I was just asking for clarification on the point that he is going on an all expenses paid trip to look at the BBC operation in a period when you are saying the ABC is essentially stuck for cash, you have got budget problems, there are cuts in terms of—

**Senator Alston**—Are you suggesting that he should be paying his own fare out of his own pocket? Do you think he should hitchhike?

**Senator GEORGE CAMPBELL**—No, I am not suggesting that at all.

**Senator Alston**—What do you mean by saying ‘all expenses paid’?

**Senator GEORGE CAMPBELL**—I am not suggesting that he do that at all. I would have thought that, in terms of some of the priorities that the ABC has and the shortfall in funding which you are refusing to provide, some of that money may be better spent on program



content and salaries for people in the existing organisation than on trips overseas, which a number of senior executives seem to be engaging in lately.

**Mr Shier**—I would say, first of all, I find that a very narrow view. There is no doubt that, when he observes what takes place at Radio 4, he will hopefully also be looking at how production takes place, how costs are managed, how schedules are put together. And I would have thought he would be interested in making contact with those people we currently buy programs off. Maybe this will result in lower acquisition costs. Maybe this will change a streak—I do not actually know what it will result in. But for the amount of money for a senior executive to go to the UK to look at the only radio station that I have ever been able to identify that is directly related to Radio National in the English speaking world, I think for him to go is a wise decision.

**Senator GEORGE CAMPBELL**—What I mean is that this is not the only senior executive who is making this pilgrimage—

**Mr Shier**—No.

**Senator GEORGE CAMPBELL**—and will have made the pilgrimage over the last six or nine months.

**Mr Shier**—I am sorry, if you are making the point that members of the ABC go overseas and their travel is approved, you are absolutely right—they do. That is what takes place.

**Senator GEORGE CAMPBELL**—I am asking whether or not, in the context of your funding difficulties and the issues that are being discussed, that is the wisest use of funds.

**Mr Shier**—I hear the argument; we just agree to disagree. I think establishing best practice, establishing new ways of doing things and stretching people's imagination and competencies are highly desirable things for management to do. So we just agree to disagree on how that opportunity for education should be used.

**Senator GEORGE CAMPBELL**—I think the umpire is still out on whether or not it is best practice. But that is a judgment we will make down the track.

**CHAIR**—With respect, Senator Campbell, that is an ABC internal management matter; it is not really a question of allocation of funds to the ABC for them to decide how to distribute. Our concern is with the broad general issue of funds and their estimates.

**Senator SCHACHT**—Mr Shier, just out of curiosity, has the BBC ever thought it necessary to send someone out to benchmark Radio National against Radio 4?

**Mr Shier**—I would like to think they did, but I am not aware that they have.

**Ms Howard**—In fact, exchanges with the BBC within Radio National and other areas of radio are not uncommon.

**Senator SCHACHT**—They are not uncommon, of course. But are they benchmarking their operation, Radio 4, against Radio National as world's best practice?

**Ms Howard**—I cannot tell you that on a station by station basis. Certainly on a program by program basis that has happened in the past, yes.

**Senator SCHACHT**—That already has happened?

**Ms Howard**—In the past, yes.

**Senator SCHACHT**—How have we come out of that? Is that available as a document for testing?

**Ms Howard**—I am sorry, I really cannot tell you that. I do not know.

**Senator SCHACHT**—There is no recorded assessment as to how we have come out against Radio 4 on those comparisons?

**Ms Howard**—I cannot tell you that. I have no knowledge of it.

**Senator SCHACHT**—Take it on notice. I would appreciate it if you could supply the document that shows where that comparison took place.

**Senator MARK BISHOP**—In terms of the budget allocation for New Media, Mr Shier, can you tell us how much will fund content and how much will fund executive salaries? Do you have those figures readily to hand?

**Mr Shier**—I do not. I am happy to supply them.

**Senator MARK BISHOP**—Do you have them to hand, Mr Balding?

**Mr Balding**—No.

**Senator MARK BISHOP**—Can you take that it on notice?

**Mr Balding**—Yes.

**Senator MARK BISHOP**—What proportion, if any, of the content for New Media—

**Mr Shier**—Sorry, could I just make one point on that. When you were on New Media, certainly in areas such as online, content is people in an even more direct way, because what is being created in many cases does not need a lot of inputs other than people and imagination in designing online content. So I am not saying it is not the right question; it is the right question. I am just saying that there is a greater percentage of personnel costs in the production of online content.

**Senator MARK BISHOP**—Yes, and I accept that, Mr Shier. But my question was towards what were the figures and proportions for executive salaries. I do not think the increased amount of people who will be involved in preparing content for online broadcasting would be classified as executive or senior executive level.

**Mr Shier**—I am happy to provide the information; I understand the question.

**Senator MARK BISHOP**—What proportion of any of the content for New Media will be derived from and recycled from programs devised for free-to-air productions?

**Mr Shier**—The answer is, of course, we do whatever we can to leverage off our free-to-air content to produce the New Media content. Prior to this restructuring, there was not a division; New Media did not have divisional status. Therefore, if you like, a lot of the associated costs were not identified even to the extent that they are identified in the new budget. I think you are rightly asking the question: down the line would you want to identify even more what are the benefits to each of those divisions? But that will be an internal costing issue. At the moment we are happy to make sure that generally the main costs associated with New Media are identifiable and we leverage off the content in the other divisions.

**Senator MARK BISHOP**—But you cannot advise us as to what proportion of the content will be derived and recycled from programs for the free-to-air?

**Mr Shier**—I cannot give you a percentage. All I would say is that it is a two-way process. Let us remember, of course, that the ability of, for example, News and Current Affairs to distribute their content is increased substantially because there is a New Media division. So it works both ways. New Media provides by the New Media opportunity a greater distribution of the available content and the New Media division requires the available content to be the New Media division.

**Senator MARK BISHOP**—I take that point. Have any additional funds been provided to the radio and TV divisions or program making staff to assist those staff in preparing material for New Media?

**Mr Shier**—In terms of reversioning costs, I do not think they have been identified. People certainly do it and will be doing it in multichannelling. But I do not think those costs have been identified at the moment.

**Senator CALVERT**—Mr Balding, you may remember I was a member of the Public Works Committee.

**Mr Balding**—I do, yes.

**Senator CALVERT**—When we were approving the Ultimo move from Gore Hill, the question was raised whether in fact that would impact on your program, and I think you told us that you were funding that from internal sources. Is that still the case, and has the move impacted on your general programming?

**Mr Balding**—No, the funding for our new building works is still not impacting on program budgets; it is all through capital funds, as outlined to the Public Works Committee hearing for Sydney and the recent one in Perth.

**Senator FERRIS**—I would like to explore the budget line in relation to commercial interests.

**Senator MARK BISHOP**—Before you do that, my question had not been concluded in answering. Mr Shier said in response to my question that you were not able to identify in the budget system allocation of funds. Have any additional funds been provided to radio and TV divisions or program making staff for preparing material for New Media?

**Mr Shier**—No. Where New Media requires content from either Television or Radio, they have to basically provide the talent that converts that material unless they negotiate with the director of the other two divisions. I would just like to point out that we are not trying to spend a dollar in internal cost management to end up saving a similar amount. We want to keep internal costing to a minimum because, firstly, we think that is desirable in terms of moving quickly; but basically, in the situation where the New Media division want content, they either have to provide the talent to obtain that content from the other divisions or they have to negotiate with the director of the other divisions as to how to get that content.

**Senator FERRIS**—In relation to commercial interests, I note that in that budget run-down you gave us at the start of your presentation you expect to raise \$70.9 million in the coming year from ABC enterprises. That, interestingly enough, is not that much short of what you spend on the entire radio budget.

**Mr Shier**—It would be good if it was true that we got that. In terms of retail, they are gross numbers. The best amount of money that has ever gone back into the corporation from our enterprise's activities was \$12 million, and that was a couple of years ago. This year we are

hopeful the figure will be \$10 million. So the net return to the corporation is about \$10 million.

**Senator FERRIS**—Nevertheless, it is quite a sizeable amount of money and an essential part of the funding mix, I imagine.

**Mr Shier**—It is an important part of funding. Lest one be misled by what one is reading, the challenge in relation to ABC Enterprises at the moment is to make sure that funding does not decrease, because I indicated that it was \$12 million a couple of years ago and this year it is budgeted to be \$10 million. The year it was \$12 million—and the finance director might correct me—and *Bananas in Pyjamas* itself accounted for nearly 50 per cent of that net return.

**Mr Balding**—That is correct.

**Mr Shier**—So you can understand that the need to find replacements for those products is quite fundamental in terms of making sure that that revenue stream does not diminish.

**Senator FERRIS**—On page 55 of your annual report where you talk about ABC Enterprises, I note that a number of programs are released to extend and value add to your classical programs. How long is it since the ABC actually introduced a commercial income stream? Is ABC Enterprises a longstanding operation?

**Mr Shier**—I think it started in 1973. Is that right?

**Mr Balding**—I would not know the precise date.

**Mr Shier**—I think it was 1973. I am not sure I can help much.

**Senator FERRIS**—So the ABC has had a commercial arm for quite some time?

**Mr Shier**—It has, indeed.

**Senator FERRIS**—On page 56 of your annual report, you talk about ABC retail stores. I note you are expanding the number of stores so you will have 32 ABC stores throughout Australia. What are the arrangements for the ABC to pay for that retail space? Have you considered whether that might be an opportunity to introduce some efficiencies by locating the shop in-store and other places?

**Mr Shier**—I think it is fair to say that a number of options have been looked at in the past, and, obviously, this predates my time at the corporation. For example, there was a proposal that these stores could be sold and there could be a licensing arrangement with the purchaser of the stores. I think the legal advice at the time was that, if the stores were sold, they could not appropriately be called the ABC Shop. That obviously would be an issue for anyone who bought one. So we have a situation where that is probably not an option. We make a business case judgment whenever we do open a retail shop, and a lot of the in-store shops in other retail outlets are there precisely because a stand-alone shop in itself cannot be justified.

**Senator FERRIS**—As a customer of ABC stores, I would have to say that it has often crossed my mind that many of the locations—which are quite high profile and obviously have been chosen for that reason—would probably have fairly expensive rent. It has often occurred to me that there may be other ways of delivering your service and products without having stand-alone stores.

**Mr Shier**—Obviously, one of the things we are looking for is delivering them online. The finance director can probably give you the precise detail in relation to the retail costs.

**Mr Balding**—When we open our shops, the ABC is regarded as very much a prime tenant and a target anchor tenant. The rent and the lease payments that are actually paid are quite advantageous to the corporation. But as the managing director said, for each of those 31 or 32 shops, a business case is done.

**Senator FERRIS**—Is each one a small business enterprise? Is each of them profitable in their own right, or do you take them as an overall line item?

**Mr Shier**—I believe that each of them would be profitable in their own right. If not, they are closed. About six or eight months ago, we did actually close a shop in Queensland because it was not returning the profits to us that were expected from the business case. When it came to the end of the lease, the ABC chose not to renew that lease.

**Senator FERRIS**—So you do look very carefully at the way in which the enterprises can continue to add value to the ABC's products? In other words, they are not just a service store; they are actually a profitable enterprise in themselves?

**Mr Balding**—They are not loss making. We would not allow that. As I said, if it was turned into a loss making enterprise, those shops would be closed. But in addition to those 31 shops, you would be aware there are some 85 ABC centres throughout Australia as well; and that is an ABC area, if you like, inside a shop.

**Senator FERRIS**—On page 56 there is a photograph here of a very old ABC enterprise, Mr Squiggle. Are you looking at anything other than *Bananas in Pyjamas*? What are you looking for to value add that particular area?

**Senator SCHACHT**—You are not trying to privatise Mr Squiggle, are you?

**Senator FERRIS**—Can we have some courtesy to the witnesses, please?

**CHAIR**—Yes, please, Senator Schacht.

**Senator SCHACHT**—I am just trying to save Mr Squiggle from privatisation.

**CHAIR**—Senator, your thoughts are noble, but I think Senator Ferris wants to have her questions answered by the ABC.

**Mr Shier**—The question is a good one. That is the job of enterprises, to identify those products which the ABC owns and which, if licensed, could generate more money back into the corporation. I would like everyone to remember that the corporation does not declare a dividend. The only reason the corporation ever wants to raise money is to make more programs. We do not make money for any other purpose. In fact, it is a virtuous circle. If we can produce great programs that also result in great licensing fees, then that money goes back into programming, which hopefully will also improve our ability to earn more money and reinvest that money back in programming.

**Senator FERRIS**—Are there any other specific areas that you are looking at as possibly adding to the ABC enterprises? For example—if I can make a suggestion—I have often wondered why some of the ABC drama series are not able to be sold subsequently as a set. When I have asked this question at previous estimates I have been told that there are difficulties often with copyright in material that has been put into a drama series that has been purchased from somewhere else, but I have often thought that that would be an area where ABC drama could be a value added part of your stock in trade. Have you ever thought about re-examining that proposition?

**Mr Shier**—Yes. The first point to make is that, as well as raising New Media to director status in the corporation for the first time, we have also raised Content Rights Management to director status. The lady who is the director of Content Rights Management was responsible for that job at Southern Star, where she was, I think it is fair to say, responsible for the major distribution of Australian content worldwide for our major independent producer. Her task is to make sure that we leverage off everything we produce and we make sure that we own as many rights as we can—and that is always a difficult negotiation because obviously, as the Director of Television could tell you easily, we are subject to how much money we can put into a program as to how many of the rights we can retain. But to the extent that we can retain rights, we want to retain rights; to the extent that we can manifest that in products in ABC shops, that is what we want to do. I am not sure I can say precisely, but I think it was something like six or seven different units across the corporation when I joined that were responsible for rights management and they have been brought together under one division. Their responsibility is to focus on the rights that we can acquire or that we do generate in the process of our activities.

**Senator FERRIS**—Perhaps if I ask you that question this time next year you might be able to give me a little more detail in the answer.

**Mr Shier**—I will do my best for you, Senator.

**CHAIR**—Thank you, Senator Ferris. We are actually scheduled to break for dinner at 6 o'clock and resume at 7 o'clock.

**Senator MASON**—I have a quick question. Mr Shier, it is really a matter of clarification. Were you aware recently about the involvement of the ABC staff union in claiming that some individuals were about to be sacked from the ABC? Specifically, I was wondering whether you knew whether Mr Quentin Dempster and Ms Ramona Koval visited Canberra several weeks ago to lobby MPs against the changes endorsed by the board. Were you aware of that?

**Mr Shier**—I am aware that the trip took place, yes.

**Senator MASON**—Who paid for that trip? Was it the ABC and therefore the taxpayer?

**Mr Shier**—I know that one of my directors has asked for the answer to that question. I am not aware of the answer to that question yet, Senator. I would assume that it was not an ABC expenditure, but I need to be satisfied of that.

**Senator MASON**—And you will find out whether they were on leave and whether they be still being paid at the time?

**Mr Shier**—I need to establish, first of all, who approved their absence from the ABC on that occasion and who did pay for the travel.

**Senator MASON**—Do you know who they visited?

**Mr Shier**—I do not know who they visited, other than those members of parliament who have advised me that they had that visit.

**Senator MASON**—Could you take those questions on notice and let the committee know when you have those answers?

**Mr Shier**—I will, Senator.

**Senator GEORGE CAMPBELL**—Did you get a visit, Minister?

**Senator Alston**—No, I missed out completely. What about yourself?

**Senator GEORGE CAMPBELL**—No. They never knocked on my door.

**CHAIR**—I think at this stage we will break for dinner and we will resume at 7 o'clock. The other housekeeping matter I want to announce is that tomorrow morning we will deal with the rest of the Communications and IT program and we will deal with the environment issues that remain at a later date possibly. I think the environment questions are being put on notice. Tonight we plan to deal with the ABC, the ABA, the ACA and Australia Post. Tomorrow morning we will deal with the National Gallery, DCITA and National Office for the Information Economy.

**Proceedings suspended from 6.01 p.m. to 7.06 p.m.**

**CHAIR**—Senator Campbell, you have some questions?

**Senator GEORGE CAMPBELL**—I have a number of questions relating to the training budget. In the figures you gave us earlier you said that human resources has been increased from 9.5 to 10.4.

**Mr Balding**—I think it was the other way around.

**Senator GEORGE CAMPBELL**—It might have been in the reverse, but there has not been a substantial change in terms of budget. In terms of the component of that budget that has gone to training, has that significantly changed?

**Mr Balding**—I do not have those figures at hand, because that is part of the detailed budget process which the director of human resources would be looking at. The internal training costs are in the human resources budget. Where a division chooses to seek external training and send staff on courses, then they would be funding that out of their own divisional budgets. So the total training costs for the ABC would not necessarily solely reside in the human resources budget.

**Senator GEORGE CAMPBELL**—Would that be a change from what has happened in the past?

**Mr Balding**—I do not believe so.

**Senator GEORGE CAMPBELL**—That does not materially affect training. I am happy to take just ballpark figures. I am not worried about finessing the actual figures. What I am trying to get at is whether there is a substantial change to the level of funding for training within that HR budget process.

**Mr Balding**—I am not aware of that. I am more than happy to take it on notice and get the details and provide them to this Senate committee.

**Senator GEORGE CAMPBELL**—You can take that on notice. Is it true, however, that there has been a very significant change in the nature of the training; in fact, the training program has been totally revamped?

**Mr Shier**—It is true that there has been a restructuring of the training. I cannot go through the detail but I simply say: one of the conditions of that was to not reduce the budget. I can confidently tell you that it was initiated by HR with a view to improving the services that they provided. They were certainly under no instruction to in any way reduce the budget. I must say: I need to look at the actual figures myself, but I would actually be surprised if they are not as robust as they were in the past.

**Senator GEORGE CAMPBELL**—Is it true that the training agenda that will now be delivered by HR has been split in two and that broadcast-type training, if I can use that term, has been shunted back into the various departments and corporate-type training has been retained within HR?

**Mr Shier**—That would be consistent with what the director of HR has talked about; namely, putting training back as a responsibility for the individual directors in their individual divisions. So I would not be surprised if that is the case. What I cannot answer you is where exactly that sits when you add up those bits of each division and add that to the corporate expenditure.

**Senator GEORGE CAMPBELL**—So if the broadcast-type training is shunted back into the various departments, you do not know whether the funding for that training will come out of the original training budget or whether that resource will have to be found within those departments?

**Mr Shier**—It is the latter in the case of the funding that goes to those departments. I think that is correct.

**Mr Balding**—No, unless there has been a change that I am not aware of. That could be a proposal. I do not know whether that has been implemented or not as yet.

**Senator GEORGE CAMPBELL**—Sorry, Mr Balding. I am not too sure. Are you saying that the funding of that training will still come out of the central budget?

**Mr Balding**—I just have to qualify what I am saying. It is not my division operational responsibility but, previously, up until the latest I was aware of, the internal training—to use your term, the broadcaster training—was funded from the HR divisional budget. When divisions choose to go external and go to an external course outside the ABC, it is at their discretion and they would fund that. I am aware that, as the managing director has pointed out, there has been a revamp of the approach to training and the way training will be delivered, but I am not across the full detail nor the funding components and the transfers of funds to support the training activities of the corporation.

**Senator GEORGE CAMPBELL**—Who can answer that question? I have here the proposal in relation to the new training structure.

**Mr Shier**—When you say ‘a proposal’—

**Senator GEORGE CAMPBELL**—I have here what the new training structure will look like, which was given to the staff in terms of what would be implemented and in terms of new training of human resources.

**Mr Shier**—Indeed. When you said ‘proposal’ I was questioning it, because actually it is an existing document.

**Senator GEORGE CAMPBELL**—Sorry, it is not a proposal. It is very clear in that that broadcast training and so forth will be shunted back into the departments. It is not clear in terms of the funding. However, what is very clear from some of the documents I have is enormous criticism that none of the producers, directors or managers of the various departments were consulted about the new training structure; this was imposed over the top of them.

**Mr Shier**—I must say: if that is correct then you are telling me that. That would surprise me. It is not the way HR would normally operate. They provide an HR service to the



divisions. If their view was that some of those activities should be carried out by the divisions, I would be very surprised if consultation did not take place.

**Senator GEORGE CAMPBELL**—Are you aware that some people within the divisions who are responsible for running those divisions were saying that they will not have the resources to provide the broadcasting training? In fact, they are already facing cuts in terms of your budget constraints and this is another burden being imposed on them which they are not going to be able to meet in terms of the broadcast training for people within the ABC.

**Mr Shier**—I would have to know the individual division and know actually what the change was but, without doubt if there is, as there has been, a suggestion from the director of HR that divisional directors should take unto themselves a greater share of the training, then that is a priority that they must factor in when they divide up their divisional budget.

**Senator GEORGE CAMPBELL**—But if they do not have the physical resources within their budgets to do that, isn't the end result of that process going to be a reduction in the quality of output that we get from the ABC? If there is one feature about the Australian Broadcasting Corporation that has been a standout feature for as long as I have been in this country, it has been the quality of broadcast that has been produced out of the ABC. You can run off the names of them. They are all household names in this country.

**Mr Shier**—Your point is well made. The sad fact is that the training that takes place in the business in Australia is basically that which is done by the ABC, and the ABC provides training for networks that do not provide their own training. To the extent that we have less funds to do that, I am afraid it is somewhat symptomatic of the difficult choices we have to make in relation to a lot of other areas. I will certainly get you the numbers, which will be the amount that divisional directors propose to spend on training once they have allocated their divisional budget, and I will combine that with the corporate HR budget and provide the answer to the question.

**Senator GEORGE CAMPBELL**—But it also has to be relevant in terms of people who remain within the ABC and in terms of the quality that you get out of the process at the end of the day.

**Mr Shier**—Absolutely.

**Senator GEORGE CAMPBELL**—Why this shift in focus away from broadcast training to production training or production management? There is a term used for it. I presume it is individual development: how to write letters and all of that sort of stuff—how to function within the organisation. The shift in focus is certainly away from training journalists—how to write stories, how to present stories and that type of broadcast training.

**Mr Shier**—When I joined I had a detailed meeting with HR in relation to what their strategic objective was. None of this came out of that meeting. So I need to establish what the suggested change was because I must say that has not been how it has been positioned to me.

**Senator GEORGE CAMPBELL**—That is not how it has been put to you? That is certainly the way it has been presented in the documents that I have seen.

**Mr Shier**—What I am suggesting is that there is no evidence to me that there is a fundamental shift. There is a question about how we manage to pay for that and the extent to which we can do it. If you are saying there is a greater emphasis on managerial skills within the corporation, I am sure that is true. But it is not a shift; it is just a need to make sure that we address that issue.

**Senator GEORGE CAMPBELL**—That is understandable, but do you do it at the expense of the key skills that your organisation requires in terms of the quality of output which you are benchmarked against? You will probably not be benchmarked against your corporate skills, but you will certainly be benchmarked against your program skills.

**Mr Shier**—We do not disagree. All I would say is that, structurally, the way I think the corporation needs to operate is that divisional directors have to decide their training needs. We can have an overview which recognises that we provide an industry service as well. The directors really must be the people who decide whether their managers need more training, whether their craft people need more training or how that should be developed.

**Senator GEORGE CAMPBELL**—But the issue here is surely not about whether or not the directors of the various departments determine their training needs. I would have assumed that that has always been the case. The question is whether or not they are going to have the resources to provide those training needs into the future, given this very significant change that has taken place in the training structure?

**Mr Shier**—I cannot say whether it has always been the case, because the impression I have got is that there was more centralised training in the past—that may not be correct—and that it is, if you like, now going more back to a degree to the divisions. The question of funding is a fundamental one. We do not disagree on the fact that it would be better to have more funding than we have, but we have to live within our means, I am afraid.

**Senator GEORGE CAMPBELL**—In relation to the issue of centralisation of training, I accept that may well have been the case in the past. However, as I understand it, whereas the funding originally resided within the various departments or sections to provide that training, that funding has now been centralised. No-one is able to answer the question about whether or not the funding is going back with the responsibility simply the responsibility is going back to the various divisions?

**Mr Shier**—I do not want to try to summarise—

**Senator GEORGE CAMPBELL**—It might be a different argument if you said, ‘All right. We were previously spending \$5 million on training. We have decided now we will only spend \$2.5 million. We will spend half of \$2.5 million on corporate-type training and the other \$2.5 million, which we have been spending centrally on broadcasting skills, we will now give back to departments to do that training within the departments. That might be a different argument—although you then get the question of where the trainers are coming from.

**Mr Shier**—Looking at the top level, I would assume that there was a period when most of the training took place within the divisions—different divisions admittedly, but divisions. It was then more centralised and the sum went very much to the centre. There is now a view by HR that the responsibility and funds to do that should go back to the corporation. If I had with me the director of HR I think I could answer your question. Unfortunately—

**Senator GEORGE CAMPBELL**—You just said ‘the funds to do that’. There seems to be a huge question mark over whether or not the funds to deliver the training will in fact go back into the departments.

**Mr Shier**—I think you are right to make the point: is it only the task that has gone back? I need to know what the central expenditure change is. I have those numbers; we looked at them earlier. It is a cutback centrally from \$10.45 million last year to \$9.2 million this year.

What I need to establish is what tasks for each of those divisions have gone back and what the individual directors believe is the nominated expenditure they should make to achieve those tasks. Obviously, if they say to me that they are not going to have a training budget; they are not going to develop their people, they will have to explain to me why not, because that is obviously a key responsibility.

**Senator GEORGE CAMPBELL**—Can you take that on board, Mr Shier, in terms of the training that will be shunted back into the various divisions and whether or not there will be an allocation of funds also going back from the central fund?

**Mr Shier**—I just make the point, obviously, that if these numbers represent most of the training that took place last year—and I am, of course, advised by the director of funding and finance that there was other training already in the divisions—the change has only been a \$1.2 million change. So when you spread that across the 12 divisions—

**Mr Balding**—That reduction from the last year's comparative budget to this year has come about as a result of a re-engineering of HR and its admin. and support. I doubt very much that all of that would be directly or even indirectly related to training. So it would be wrong to draw an analogy that the reduction in funding from HR last year to this year is attributable to a reduction in funding.

**Mr Shier**—So the figure would even be appreciably less than \$1.2 million.

**Senator GEORGE CAMPBELL**—So there is still a question mark over all of that and I would ask you to take that on notice and provide us with an answer.

**Mr Shier**—Certainly.

**Senator GEORGE CAMPBELL**—In terms of the overall training agenda, is it the intent to outsource some of the training requirements of the ABC, and what part of the training requirements will be outsourced?

**Mr Shier**—I have not had a recommendation to increase the level of outsourcing of training. To the extent that divisions send people on particular conferences, of course, that is done outside. But in the sense of getting an outside supplier to do our training—unless the finance director corrects me—I am not aware of any such intention.

**Mr Knowles**—There is some outsourcing of training. For example, when we purchase a brand-new piece of technical equipment from a supplier we purchase training of trainers of that equipment. So we do actually purchase those sorts of services from outside so we can actually get on with the new technology, because we do not have that knowledge in house.

**Senator GEORGE CAMPBELL**—But the issue I am raising is that the training done previously within the ABC will now be outsourced. I had a visit, I think, from your corporate affairs director and, I think, your New South Wales manager—I think her name was Jenny Miller; I am not too sure, that might be the wrong name—a couple of months ago, who said that a substantial amount of the training agenda was going to be outsourced. I do not know whether that has changed in this new training regime that has been put in place. If you cannot provide an answer to that, can you take that also on notice and let us know whether or not there is an intent to outsource training that has previously been conducted internally in house and what the component of training is that will be outsourced?

**Mr Shier**—I am happy to do that.

**Senator MARK BISHOP**—I turn to the issue of new media. Does the ABC want to exploit revenue generating opportunities in new media and, if so, what options is the ABC intending to use for deriving that revenue?

**Mr Shier**—The answer, first of all, of course is, yes, we are interested in generating revenue streams in new media. In terms of direct sales, we already, of course, sell a number of our products that we sell in shops on our ABC Shop site. So we are actually already, if you like, engaging in e-commerce to the extent that we are selling product that currently we sell in retail stores. You will be, of course, aware that the corporation did look at doing a content supply deal with a major telco. We already supply some 13 organisations with non-exclusive content, although it is fair to say the revenue earned from those deals is relatively small. So I think it is fair to say that we want to sell content, without doubt, and we want to manage the editorial control of that content in any licensing agreement that we make. We do want to engage in e-commerce and I have made it clear that I have no personal preference for having advertising on ABC Online. I do think it is important that the ABC product be available on other sites, because I am concerned that we get as much distribution capability as we can for the ABC, provided we can control how that material is presented on third-party sites. So the revenue streams would be e-commerce and content provision. They would be the main sources of revenue for us in on line, apart from retail sales.

**Senator MARK BISHOP**—Putting aside the now cancelled Telstra deal and the other 13 similar deals with the other content delivery systems, what sort of revenue figures are you thinking about in those four areas? Have you done any work on that as yet?

**Mr Shier**—One of the problems with the Telstra deal is that I am always given the gross revenue number. Obviously, you rightly raised earlier the question of what the value of the content is that you are selling, what is the cost of repurposing it and, of course, the length of the deal. If it is over five years, that affects the number appreciably. One of the main factors with the Telstra deal for us was that it did, in our view, set the market price for ABC content and therefore for us it was very important that we did not set that price in a market with a favoured nation clause, which would have at the end of the day basically determined the future value of ABC content in the market. We are talking at the moment to each of the telcos. There is no doubt that the ABC will want to do a deal with a telecommunication company. They would bring to the party distribution; we would bring content. And that is certainly what we want to do. In terms of the valuation of that, I have tried to manage expectations. Whilst I have the enthusiasm to do it, it is important to recognise that the main source of funding for the ABC for the future must remain government funding, and this would be no more than incremental funding.

**Senator MARK BISHOP**—Incremental increase on the figures that were bandied about with the Telstra and other 13 deals or significantly in advance of those figures?

**Mr Shier**—I guess it is fair to say that in the Australian context at the moment a Telstra deal would be seen as one of the biggest deals, if you like. I guess one is having a debate between having a big deal of an amount of money or a number of smaller deals that may over time build up to that sort of sum.

**Senator MARK BISHOP**—Correct me if I am wrong, but when you pulled out of the Telstra deal in terms of supplying the content, wasn't one of the principal reasons you pulled out that the consideration, in your view as you analysed the deal, was insufficient?

**Mr Shier**—The costs had not been factored in sufficiently, in my view, and therefore we were talking about what the net revenue was and what were we giving. The deal that I inherited—and as you know the deal was in existence before I joined the corporation—was, in fact, an open-ended obligation by the ABC to provide repurposed content in a number of formats, and that would have meant in a broadband environment that the ABC was making a very substantial decision in relation to possible revenues from that source over the next five years. Actually it was not the possible revenues; it was the positioning of the corporation over those five years, should that deal be done. Realistically any deal the ABC then did would have been done in a Telstra context.

**Senator MARK BISHOP**—I understand that. You successfully licensed the use of material on those 13 sites, including Yahoo. Are you looking to explore further opportunities for licensing the content?

**Mr Shier**—Twofold. One, I think those deals can be improved in terms of how they are managed. I am extremely excited about what our people are currently doing in broadband. The quality of the content is, I think, exceptional. I was pleased the other day to be told by the director responsible that, in a demonstration she had given to a particular possible acquirer of our content, they thought it was appreciably better than the offering they had seen from ninemsn. Considering the investment levels in the two corporations, I think that is extremely encouraging. Maybe people were being flattering to us, but I have reason to believe we should be very proud of what we have produced.

**Senator MARK BISHOP**—And we will see the results in due course?

**Mr Shier**—I would like to think so.

**Senator MARK BISHOP**—Is the ABC looking at selling or providing exclusive rights to material it generates? Is that one of the arrangements you might enter into?

**Mr Shier**—I guess with negotiations I am not in the business of ruling out options, but I think it is fair to say that a proposal that would be exclusive—and perhaps be exclusive in a part of the market, of course. We might be asked to be the exclusive provider of content of a particular type, for example. The deal would have to be very attractive. The market is still embryonic. It would be a brave director who recommends to me that we should do an exclusive deal unless we were satisfied that in that market environment it was extremely good.

**Senator MARK BISHOP**—Does the corporation intend to apply the current prohibition on advertising in its radio and TV programming to new media services?

**Mr Shier**—When most people think of ABC Online, they imagine a situation where you click on the site and you either do or do not find advertising. My view is that you will not find advertising in that environment. However, I do think there is a permission marketing model where—

**Senator MARK BISHOP**—What is that?

**Mr Shier**—I will try to explain it. It is where a person is wanting further content and someone has provided that content to us and we think that content is acceptable to be part of the ABC site. Let me take a hypothetical which has no validity, because I do not want to suggest that the company I am talking about is in negotiations with us. But let us assume, for example, we were doing a lot of programs on a particular wildlife series and that we were aware that one of the particular interesting wildlife series had also had many programs

produced about it by National Geographic Channel, for example. The question is: would we offer a link to that? Would we charge to see it if they were perhaps in that future environment charging to see it? Would we perhaps say to the viewers of ABC content, 'If you click here and go further, you should be mindful that you are going into an environment of the National Geographic Channel,' for example. There is a trade-off here. For me the trade-off is that I want the ABC to be a natural point of entry into the Internet. I want the ABC to be the place where people go more often than not to gain content. I want them to think first of us as an ABC portal and I want that to be a non-commercial portal unless the person who visits us makes the conscious decision to go into a commercial environment, whether that be a subscription based environment or whether that be an advertising supported environment.

**Senator MARK BISHOP**—And that option of linking to commercial operations via the ABC portal is something that you and the board are currently giving active consideration to?

**Mr Shier**—That would be unfair on the board. I have not made a proposal on that issue yet to the board. I am conscious that, if I was to discuss anything of that dimension, the board would have to be comfortable with that. I think it is important to understand that, unless you proceed to click on that site to find this, if you like, subscription content or advertising content, you will not come across it. So I think it is somewhat hard to complain about it if you have taken the conscious decision to visit it. I make the obvious point that if we do not do that people will go to other points in preference to us and they will not come through us first. I am very concerned that we have substantial through traffic.

**Senator SCHACHT**—You do not have a very good example with the National Geographic Channel. For those of us who occasionally watch it on cable television, it is a bit like motherhood; it is all about animals and preserving animals, et cetera, so we all agree with it. I used cable only this afternoon to get American election results. I wanted to try to find out who won in the state of Washington. I tried to search and could not find it. So in the end I thought, 'Well, the *New York Times* will probably have a complex site.' Sure enough, after going through it I found that you can get the Washington state senatorial result, which declared today. When I went through it they had whole masses of information on news and current affairs of world quality. If the ABC had portal of entry to get information, some people might argue that you ought to connect through the ABC to The *New York Times* site to get all of that information. The *New York Times* is a private company, has a particular viewpoint, writes editorials, etc. Would you find that being connected to the *New York Times*, the great newspaper that it is, the *London Times*, the *Los Angeles Times*, et cetera, would in some way compromise the independence of the ABC in that, when people went to the portal and saw the ABC, they would realise there was information and they could get more detail off the *New York Times* site that may have a particular view? Is that a concern to you?

**Mr Shier**—First of all, I think it is very important that anyone who visits our portal goes there hopefully for the very good reason that they think the content that the ABC would provide is the reason to visit the portal.

**Senator SCHACHT**—I went to your site this afternoon to find the result of the Washington Senate election, because that was going to tie the Senate up—a very important result in that sense—

**Mr Shier**—You did not find the answer you wanted?

**Senator SCHACHT**—No, and I would not expect to, quite frankly.

**Mr Shier**—That is my first problem. I need a situation where I have the strategy in front of me to make sure you find the answer to your question. Let us assume that I do not manage to do that. I have to make a compromise. I either say, ‘I will send a message to the senator that I cannot provide that service,’ and then he goes back to think, ‘Who will I now click on to find that service?’; or I make a judgment that there are certain people who provide a service of an editorial integrity that we are happy to be associated with and maybe on a pure exchange basis I get comfortable when they say to me, ‘We will put ABC content on our portal.’ It may not be Australian news, because the American who dials up their web site may not be interested in Australian news particularly, but they may be very interested in other material the ABC has on about Australia. They may, for example, have come to the Australian report of the Olympics via a *New York Times* newspaper portal. To use what I hope is regarded as a crude example: if you assume that we are a department store called the ABC, people visit our department store and hopefully buy lots of our products. If at the end of the day they think, ‘They have not got my product here,’ do we then, in this unregulated environment of the Internet—where people, quite frankly, can bump into some very unsatisfactory uncensored material very easily—offer a service to say, ‘Well, the next best place to go for this material is the *Washington Post*’ or whatever? Provided we control our licensing requirements, there is no problem, provided that we say, ‘If your content becomes of a standard that we are not happy with, we will stop licensing you. We will disconnect.’ I think we must take comfort from our ability to license product on conditions.

**Senator SCHACHT**—You are grappling with those problems. In my example, if I went to the ABC and you said, ‘No, we don’t have that result but the *New York Times*, whom we have an agreement with, would,’ you would click on to the *New York Times* web site or would you take the information that you wanted from the *New York Times* under licence agreement and put it and badge it as ABC?

**Mr Shier**—The second is clearly much more expensive; there are much more people in it. There is the issue of the knock-for-knock basis—how we might do it. For example, if I wanted people, through the ABC, to be very knowledgeable of what was happening in, say, Eastern Europe, there are two ways to do that: put people on the ground, gain our own resource, obtain the information and put it on our own portal, or say to ourselves, ‘Who would be the best source of information for this?’ It may be the *Herald Tribune*—it may be somebody else—and they say, ‘We will spend our time making sure that their content is of a standard that the ABC would be happy with’, and then we would be prepared to do a deal with them.

**Senator SCHACHT**—Do a deal for a licence arrangement?

**Mr Shier**—Absolutely.

**Senator SCHACHT**—But the next one is that if they will not do a licence deal, would you then have—I think the phrase is—a link? You would indicate, ‘Look, we can’t help you here with this information. We suggest the following three other web sites’—portals, or whatever you want to call them; the terminology keeps changing.

**Mr Shier**—We would only link if we had an agreement.

**Senator SCHACHT**—I see.

**Mr Shier**—We would not just send people off to a site. Again with my crude example, in that scenario we would be inviting the *Herald Tribune* into our department.

**Senator SCHACHT**—Yes, okay.

**Mr Shier**—Therefore, we would be making a judgment—

**Senator SCHACHT**—Okay. You have made the point. I understand that, as a consumer on the Internet, anything that you then get through the ABC portal would have to have an agreement—if it is the *New York Times*, *National Geographic*—and there would be a knowing agreement between you and them.

**Mr Shier**—Indeed, and our customers would have the satisfaction of knowing that we have made a judgment about the quality of that material. That is important, because people can enjoy our environment and take comfort from what they find in that environment.

**Senator SCHACHT**—Thank you.

**Senator MARK BISHOP**—Just turning to TV now, is it true that as reported in the press 100 jobs will be lost from TV production? Is that figure accurate?

**Mr Shier**—I do not know whether the figure is accurate. I have no doubt that there is an issue of the number of people employed in production services and production resources and I know the director of production resources is meeting with his staff to discuss what that number will be. How it splits into people and other expenditure, I cannot be confident about. So I really do not know. I think I will know—is it next Friday?

**Mr Balding**—Next Friday or Monday.

**Mr Shier**—When I originally gave everyone the budget, there was obviously a time frame for the directors to come back and explain how they would be doing that.

**Senator MARK BISHOP**—So you do not know whether it is 100 jobs but there will be some job losses?

**Mr Shier**—Yes. I would be surprised if it could be done without a number of job losses.

**Senator MARK BISHOP**—When you say ‘a number’, are we talking up towards 100 or really right down to 10 or 15? Do you have any idea of that?

**Mr Shier**—Dodging the question clearly, it is between the two, I would think. But if you push me, I do not know at the high end or the low end.

**CHAIR**—These are really management matters, I think, rather than estimates matters.

**Senator MARK BISHOP**—Thank you. You might take that on notice and advise us in writing the next time when you get the—

**Mr Shier**—I will. Can I just make one point on that, which I think is important, Mr Chairman, if you would bear with me for two minutes? Please understand, the ABC will only be interested in reducing those staff numbers if it means the money that otherwise would be paid in salaries would become liquid funds available to do other things. In other words, one of the problems that the director of television has—I can use that example in a minute—or one of the problems I had was I discovered that a research and development budget in the ABC was, in fact, people; it was not cash. So we were not able to spend money on R&D. The budget had, in fact, been used for salaries.

In the case of the director of television, she needs cash to be able to do some of the co-production deals that she would want to do around the world. For example, if we do a deal with Canadian Broadcasting and all we are offering is people and studios and they are offering cash, they will say, ‘Does this mean we have to make it in Australia, because you have only got the studios? We think that is fine for one series but what happens on the second



series? On the second series, we want to make it in Canada and we expect you to put the cash in.' So we constantly have to wrestle with the fact that we are short in cash to contribute to the deals that would enable us to produce more content with co-producers. So that is one of the issues that we are wrestling with.

**Senator SCHACHT**—Another issue that has always been argued is that if you reduce the internal institutional resources, memory and skill to a level where there is no critical mass, then you do not have a benchmark to compare what it costs internally to go and buy someone out.

**Mr Shier**—I agree with that.

**Senator SCHACHT**—Once they know you have lost your critical mass, their price suddenly starts going up because they know you have got no ability to say, 'Well, that's too high, we will do it in-house.'

**Mr Shier**—You are right. At the moment, 52 per cent of our production is being made in-house.

**CHAIR**—Senator Schacht, Senator Bishop had the floor.

**Senator SCHACHT**—I just—

**Mr Shier**—I am sorry—

**CHAIR**—You should let him continue his question without interruption. We have got to get through a busy agenda tonight.

**Senator MARK BISHOP**—I will just finish that issue. You will advise us on notice how many jobs are going to be lost from TV production once a decision is made and explained to staff? Can you also advise us where the jobs will be lost from, how many from whichever area and how many will come from rural and regional Australia?

**Mr Shier**—There are two parts to that question, if I can say. First of all, it is not a number, of course; it is going to end up as a salary sum. Obviously, it would depend who went as to what the number was because, obviously, the salary levels are different for different people. So it will not be a number that they come up with; it will be what they can do in cuts other than in salaries and then what salary number they have to address.

In relation to regional and rural, all I would say is I have made it clear that that is very much a last option for me on anything and I would hope that it will not be necessary. I am on the record and made it clear that, for me, the ABC needs to be decentralised. It does not need to be run in the centralised manner in which it has. If anything, these decisions have to be taken in relation to Sydney and Melbourne. I am not saying there are not decisions that could be taken outside Sydney and Melbourne which I will be advised by the divisional directors are the right decisions, but I would be surprised if that amounted to many people—certainly in the divisions that we are talking about now.

**Senator MARK BISHOP**—Okay.

**Senator FERRIS**—I have some questions relating to regional services when it is appropriate.

**CHAIR**—Okay. Do you have anything further?

**Senator MARK BISHOP**—I have still got absolutely masses of questions to ask Mr Shier.

**Senator FERRIS**—Are they on the regional and rural services area?

**Senator MARK BISHOP**—No, they are to do with news and current affairs.

**Senator FERRIS**—If I could just ask while we are on that topic?

**Senator MARK BISHOP**—How long will you be?

**CHAIR**—She is entitled to ask questions, Senator Bishop.

**Senator Alston**—Oh, come on!

**CHAIR**—These estimates are open for all senators who are members of this committee.

**Senator FERRIS**—Do you want to impose deadlines for the questions?

**CHAIR**—Senator Ferris—

**Senator MARK BISHOP**—No, I am going to take the point here. The standing orders provide that full members have the right of call in asking questions. If Senator Ferris just wants to come in and ask two or three questions, I do not have a problem with that. If it is going to be a lengthy discussion—

**Senator Alston**—I think we have extended a fair bit of latitude to for very little return.

**Senator CALVERT**—That's fine. If you want to do that, we will stop Senator Schacht interjecting all the time.

**CHAIR**—In that case, we will simply rule out both Senator Schacht and Senator Lundy and only you, Senator Tchen, Senator Calvert and I can ask questions. I feel quite happy with those arrangements, Senator Bishop. Senator Tchen, do you have any questions? Senator Calvert?

**Senator CALVERT**—I am sure I can find some.

**Senator LUNDY**—Can I just remind the senators that if the government chooses to play games and extend this forum, that is your choice, but this is traditionally a forum where opposition senators have the opportunity to ask questions of ministers.

**Senator Alston**—She has asked about two questions in five hours.

**Senator LUNDY**—I have not got a problem with that. What I have a problem with is smart comments like that from Senator Calvert that imply that there is an exercise here in wasting time. Now, it is your choice.

**Senator CALVERT**—What smart comment—

**Senator Alston**—I do not think that any dispassionate observer would think that Senator Schacht was doing anything else but wasting time.

**Senator TCHEN**—If you were listening, you would have heard the funny business going on before that—

**Senator LUNDY**—I heard what he said. Don't you start.

**Senator FERRIS**—Can I just say that anybody who reads the *Hansard* would know that I have a longstanding interest in ABC issues, having once been an employee of the ABC.

**Senator SCHACHT**—Oh, my god, were you?

**Senator FERRIS**—I do have some questions that I would like to ask some of the officers at the table. If I am to be denied that, I will go back and put them on notice. I would just like some guidance as to whether or not I am able to ask them.

**CHAIR**—I think it is quite reasonable for you to ask these questions.

**Senator MARK BISHOP**—I simply asked whether Senator Ferris was going to take a lengthy period of time or whether it was just a few questions.

**Senator FERRIS**—I normally never take a lengthy period of time, Senator Bishop, and you know that.

**Senator MARK BISHOP**—If it is a few questions, I can go with that.

**Senator FERRIS**—Good. Mr Shier, one of the criticisms that has been levelled at some of the changes that have been made in the ABC is any likely change that might occur in radio services, in particular, to rural and regional Australia. I wonder if I could ask you or perhaps Ms Howard whether you could talk to us a little about the priorities that you have, particularly for the *Country Hour*. This is a program which many constituents of mine have raised with me as being a matter of priority in their day every day and particularly on Saturday morning with the round-up on Radio National, which I must say I always listen to myself. Are you able to reassure those people tonight that those services will remain a priority for the ABC?

**Mr Shier**—Senator, can I first make the point that it is no secret that I am making a submission to my board with a view to recommending to the government an injection of funds that could go to achieving a number of short-term objectives also in a long-term context. Without wanting to get into the details of that submission, can I say that there is certainly an emphasis on having more money into regional and rural Australia rather than less money. There is certainly an emphasis on radio in that context and, should I be fortunate enough to convince my board colleagues to move forward on that—and I think I would—that is the proposition I would want to put to the government and I would like the parliament to see what I am recommending. I think it is reasonable for the management of the ABC to identify the outcomes they wish to achieve with additional funds. So that priority will be clearly spelt out. In relation to the individual program, I would like to refer that to director of radio because she will have a view on what her intentions are with the *Country Hour*.

**Ms Howard**—The *Country Hour* will be alive and well for a long time, I hope. We also have a plan next year to introduce a daily one-hour program, on Radio National as well during the week, so we will be extending our rural and regional information on Radio National as well as on regional radio next year.

**Senator FERRIS**—That will involve the reinstatement of a program which previously was on Radio National around lunch time.

**Ms Howard**—That is correct.

**Senator FERRIS**—*Beyond the Bitumen*, I think it was called.

**Ms Howard**—That is correct. It would be a slightly different program. It would be at 11 o'clock each day, starting from February next year.

**Senator FERRIS**—One of the strengths of the ABC's rural and regional coverage is the number of journalists who are in those small towns who network into the national program.

**Ms Howard**—That is right.

**Senator FERRIS**—Are there any plans to change the structure of the way the ABC *Country Hour* is put together?

**Ms Howard**—No, no plans at all.

**Senator CALVERT**—Belinda Varischetti will survive, I hope.

**Ms Howard**—I certainly hope so. She is a great talent. We would always like to be able to have staff in a greater number of regional stations—I think we have them in 45 of 48 at the moment. No plans to reduce those, though, at all. They are a very valuable resource for us.

**Senator FERRIS**—That will be very welcome news. Thank you very much. Thank you, Senator Bishop, for your indulgence.

**Senator MARK BISHOP**—Thank you, Senator Ferris. Mr Shier, going to news and current affairs, I do not want to revisit this discussion about the eight million and the 3½ million, but can you tell us, whatever the figure, how the cut will be made up. Will it be made up entirely of economies or will content be affected within the news and current affairs area?

**Mr Shier**—Well, some people assume the content means an identical schedule and the recommendation in the schedule will be something the director of news and current affairs will recommend, and I would like to think there will be new things in that schedule. It is not simply a case of making sure that there is sufficient funds to do exactly the same thing. So I do think there will be changes in the schedule. What I have made clear is I do not want the output of news and current affairs to be diminished. The figures of whether it is 112, 115—I assure you, Senator, it is 112; it is 115. The point I made to a number of senators at a different time was that I believe that we are not running at 97 per cent efficiency, 96 per cent efficiency, in news and current affairs. I do not mean that that is a people issue; I mean it is how we do things. I think we have to look at how we produce news and current affairs. I have already had a discussion today with the director of news and current affairs about a particular idea he had in relation to things being able to be done using new technology and in a different way. So if we can in fact for 97 per cent of the money produce 100 per cent of the result, then in a simplistic way we will be able to deliver the same content. I think it will be slightly different content. I think we have got some quite exciting ideas as to what we can be doing to improve the output. We see it absolutely as a core activity. I do not think you in any way will believe there has been any diminution in the quality of news and current affairs one year from now.

**Senator MARK BISHOP**—So you are telling me there will be some new and additional content; is that correct?

**Mr Shier**—I would go so far as to say programs. I am not trying to suggest it is a new media thing. I am talking—

**Senator MARK BISHOP**—New and additional programs.

**Mr Shier**—Absolutely.

**Senator MARK BISHOP**—I accept that. So do you anticipate losing any people in news and current affairs?

**Mr Shier**—I think we will have to address that issue. I have not had a recommendation yet from the director of news and current affairs in the same way, but I am sure we have to look at our staffing, and I think it may in some cases be a case we have to put some people on. I think it is fair to say that currently in news and current affairs we have a limited number of people who, I would call news managers. We have a lot of journalists who do a management task but I think there is a need for us to see news management as a skill as well as journalistic content.

**Senator MARK BISHOP**—Are there any proposals to reduce staff in the Sydney radio newsroom prior to Christmas?

**Mr Shier**—I am not aware of any, but there may well be. I am not yet aware where those numbers would come from.

**Senator MARK BISHOP**—Is anyone else aware of any plans to reduce in that particular area?

**Mr Shier**—I think in fairness, because I have given the director of news and current affairs a date by which he has to deliver that number, that number is private until he delivers it to me.

**Senator MARK BISHOP**—Can I ask you then what is the date.

**Mr Shier**—Well, it is expected to be next Friday.

**Mr Balding**—It is next week.

**Mr Shier**—End of next week.

**Senator MARK BISHOP**—I take it in that context Mr Walter Hamilton is undertaking a review of news operations in the Sydney newsroom at the moment?

**Mr Shier**—Mr Walter Hampton?

**Senator MARK BISHOP**—Walter Hamilton.

**Mr Shier**—I must say, it is new to me; I do not know a Mr Walter Hamilton.

**Senator MARK BISHOP**—I might have been given the wrong advice. So be it.

**Mr Shier**—I hope you have. It may well be you have been given the right advice, but I myself am not aware of it.

**Senator MARK BISHOP**—In terms of particular programs, are you able to advise us whether either *AM* or *PM* is planned to be cut?

**Mr Shier**—Well, there was a recommendation or there was a discussion paper prepared by one of our managers in relation to reviewing programs—those two programs—that have not, as I understand it, changed for many, many years. It was no more than a discussion paper. Some people assumed that it had a significance which it did not have and would not have until it became a recommendation of the director of news and current affairs. I do not want to publicly sort of state my position when the director of news and current affairs has to look at the overall picture. All I have said is I will be quite surprised if *AM* and *PM* were not a feature of the future schedule. It will be a very major decision and I will be surprised if it was a recommendation. I think if there is any recommendation, it might be in terms of a timing issue or a slight length of program issue, but that has not yet come across my desk.

**Senator MARK BISHOP**—The same question in respect of *Four Corners*, *Foreign Correspondent*, *Lateline* and *7.30 Report*.

**Mr Shier**—I think it is the same answer, Senator. Because though there was unnecessary hysteria about whether some of those programs would be a part of the future schedule, I indicated that I again would be extremely surprised if they were not. But I do not want to sort of tie my director of news and current affairs down. You are talking about very, very significant programs and—

**Senator MARK BISHOP**—And that is why I am pursuing it.

**Mr Shier**—All I am saying is I would be surprised if they were to go unless there was a very creative and extremely attractive proposition to go in their stead.

**Senator MARK BISHOP**—You are awaiting a recommendation from your director as to the future?

**Mr Shier**—Well, yes, but I would not want to give the impression I will know next Friday on that, Senator. That is an ongoing relationship with the director.

**Senator SCHACHT**—I raised an issue in Adelaide when it first came out about the future of *AM* and *PM*. One of them was that the length of the program for *PM* might be shortened from an hour to half an hour, or 50 minutes to half an hour, and you have covered that. The other issue that really struck me was it seemed it might have been that this was all brought about by turf fighting between news people and current affairs people about getting access to the time on air. If you decentralise to regional or state-based operations, someone in South Australia might say, ‘We would rather have the 8 o’clock timeslot to have a talkback program rather than be part of a national *AM*.’ I am more concerned about maintaining a national current affairs radio program for an hour and a half a day. What I am more concerned about is: is it on the agenda that you might produce the program; but, as you said, you favour decentralisation, which has many good features.

**Mr Shier**—No, I don’t—

**Senator SCHACHT**—But that could lead to somebody saying in Adelaide, ‘We won’t have *AM* at 8 o’clock; it will be at 10.30. That’s the only time you are going to get.’

**Mr Shier**—I understand the issue. I would be extremely surprised. We are not running an a la carte service here. The fact would be that these are major national programs, and I think I just tried to say to Senator Bishop that, for them to change, they would have to be replaced by equally notable programs.

**Senator SCHACHT**—On a national basis.

**Mr Shier**—On a national basis.

**Senator MARK BISHOP**—What position does Ms Michele Dunstan hold in the Technology and Distribution Division?

**Mr Shier**—I can ask the director that, but she was recruited. She is an MBA. She was working for a telco in Hong Kong. She has come in to us basically to draw up business plans in relation to our associations with distributors of content, whether they be telcos or pay TV operators. But I do not know whether the director responsible would like to add anything to that.

**Mr Knowles**—I think that really covers the issue. She is certainly providing a very valuable service and actually bringing together a number of issues which previously were quite fragmented and perhaps not all that well done in the corporation.

**Senator MARK BISHOP**—So what is her formal title?

**Mr Knowles**—She is a business manager.

**Senator MARK BISHOP**—And her location?

**Mr Knowles**—In Sydney.

**Senator MARK BISHOP**—When did she start in that role?

**Mr Knowles**—From recollection, around about four months ago.

**Senator MARK BISHOP**—The position that she now fills: was that the position she was hired into?

**Mr Knowles**—Yes, it is.

**Senator MARK BISHOP**—Was that position advertised?

**Mr Knowles**—No, the position was not advertised.

**Senator MARK BISHOP**—It was not advertised?

**Mr Shier**—It was not. Michele Dunstan was working for a French telco in Hong Kong. I became aware of her only because we were looking for a different candidate for a job, and the person who was looking for that candidate, the headhunter, discovered Michele. Michele had been living in France and wanted to return to Australia. We made contact with her. We interviewed her. I originally thought I would use her myself to do business plans in the new media environment. She had a good skill for that. In the end, realistically, I felt that I needed to have her report to a director, because I thought that she was coming into the ABC, and my day was such that, quite frankly, she would see little of me. I seconded her to the director of technology and distribution, and that has been a great success.

**Senator MARK BISHOP**—Just to synthesise that: you were informed that this particular person was available and her background. You were so informed by a headhunter. You approached her yourself and interviewed her. Your initial intention was to have her working directly for you and reporting to you. For reasons that you outlined, that has not occurred, and you have asked Mr Knowles to place her within his division. Is that—

**Mr Shier**—I think it is fair to say, first of all, I did not know at the time that Mr Knowles is an MBA himself, but at the time when I arrived at the ABC, I was concerned at the number of people who could basically do a business plan for me. I have to tell you: the Telstra deal did not have a business plan. That was a real concern for me. So I was looking for an MBA who understood telecommunications and the possible opportunity for the ABC in that relationship, and I do not need to tell you that those people are pretty scarce on the ground in Australia. It was only because I had built a relationship with this particular headhunter over the last 10 years myself and I knew them that they rang me and said, 'Look, if you are interested in this person, there is such a person.' It so happens now that I have a young MBA working for the other MBA. There may be others, but I think they may be the only two we have, so we are not exactly overstacked with such talent.

**Senator MARK BISHOP**—That is okay. I am not quarrelling about Ms Dunstan's qualifications, MBA or otherwise. The key part of that question which you omitted to answer was that after you decided that she was no longer appropriate for the position you had in mind, you then asked Mr Knowles to take her on board?

**Mr Shier**—No. Let me just explain the sequential order here. When I was looking for someone to work out distribution business plans for the ABC, I had not done the structure for the ABC. This was in the first few months when, quite frankly, we still had the old structure in place. Mr Knowles had a similar job but a different job, and so he was not, if you like, the responsible director for that area of activity at the time. So, if you like, I recruited her to work for me. I had no idea at the time exactly what my final decision on structure would be. I was advised that if I was appointing her to work for me, that was fine. I then decided that, realistically, I needed to get her to do exactly the same task. The job has not changed, the task

has not changed; it is just that she now will report to someone who, quite frankly, can give her more time than I could.

**Senator MARK BISHOP**—That is fine; I understand that. You do not have the time to have every particular staff member reporting to you. So the question again was: the work still needed to be done, the position still needed to be filled, and you asked Mr Knowles to take on Ms Dunstan in that position; is that correct?

**Mr Shier**—That is right.

**Senator MARK BISHOP**—Who was the headhunter who introduced you to her?

**Mr Shier**—Korn Ferry.

**Senator MARK BISHOP**—Is that the name of an individual or a company?

**Mr Shier**—No, Korn Ferry is the world's biggest headhunter. It is a search firm. It is based in New York—I think it is based in New York—and I think they are, along with Heidrick & Struggles and one or two others, the largest in the world.

**Senator MARK BISHOP**—Who was the staff member in their office here in Sydney who made contact with you on that issue?

**Mr Shier**—She will be very upset if I don't remember her name. Sorry, Julie Perigo, and I do apologise, because I really should remember her name.

**Senator MARK BISHOP**—Did I ask you: was the position advertised?

**Mr Shier**—No, it was not.

**Senator MARK BISHOP**—It was not advertised; okay. Isn't it true that the executive decided some months ago that the filling of all vacancies had to be approved by either the full executive or a committee of that executive?

**Mr Shier**—That is right.

**Senator MARK BISHOP**—Was that policy instruction complied with in the instant case?

**Mr Shier**—In the case of Michele Dunstan, she was already on staff when that decision was taken.

**Senator MARK BISHOP**—Did you ask Ms Dunstan to do the psychology test that has some notoriety?

**Mr Shier**—I did indeed, and she did the same tests, and she did them in Hong Kong.

**Senator MARK BISHOP**—Thank you.

**Mr Shier**—You can safely assume she did very well

**Senator MARK BISHOP**—I assumed that without asking. How many senior executives have left the ABC since March of this year?

**Mr Shier**—I think I have that. I am always a bit nervous with that question, because obviously there are some people, needless to say, who have left voluntarily and I would rather not appear on a list as if they did not leave voluntarily. We have a natural turnover at certain levels and people ask me to table names and I think it is very unfair on those who—

**Senator MARK BISHOP**—I am not intending to ask you to—

**Mr Shier**—I will try to find the numbers.



**Senator SCHACHT**—Just those who—

**Senator MARK BISHOP**—We will come to the subsets in due course.

**Mr Shier**—I will be honest with you, Senator; I have not got the numbers, but I have got a list here. Can I give it to you later?

**Senator MARK BISHOP**—Yes, you can give me that list.

**Mr Shier**—Can I give you the number, not the list?

**Senator MARK BISHOP**—Yes, the number is fine. Since March of this year and also the number since July of this year—two different dates.

**Mr Balding**—I have the number of senior executives who have left via redundancy since July this year, and that number is 26.

**Senator MARK BISHOP**—It is 26 via redundancy?

**Mr Balding**—Correct.

**Senator MARK BISHOP**—Since July? Do you have the figure for redundancies since March, Mr Balding?

**Mr Balding**—No, I have not. If it can help, though, in the last financial year, 1999-2000, there were five redundancies. I have not got the period—whether it is prior to March or post-March.

**Senator MARK BISHOP**—Can you tell me the total cost of redundancy and breach of contract payments to those senior executives since March of 2000?

**Mr Balding**—Sorry, did you say in breach of contract terms?

**Senator MARK BISHOP**—The total cost of redundancy and any breach of contract payments that might have been made.

**Mr Balding**—You mean separation payments?

**Senator MARK BISHOP**—Yes.

**Mr Balding**—I have got here the total redundancy payout for those 26 senior executives who separated from 1 July.

**Senator MARK BISHOP**—Yes. And that figure is?

**Mr Balding**—The figure is, including leave, long service leave, \$6.1 million.

**Senator MARK BISHOP**—So \$6.1 million redundancy and separation payments for the 26 executives who have left since July inclusive of accrued annual leave and long service leave. Do you also have the figure, Mr Balding, going back to March?

**Mr Balding**—I can give you the figures of the last financial year, the five I spoke about. There were five senior executives and the total figure was \$3.8 million.

**Senator MARK BISHOP**—So \$3.8 million for the five in the previous financial year and \$6.1 million for the 26 since July. Could you take on notice the same figures and costs from March of this year?

**Mr Shier**—I have just been given by one of my colleagues an answer to Senator Brown that was submitted, and I can confirm that up to 17 November this year there were 26 who were made redundant or retrenched. That is how it is described.

**Senator MARK BISHOP**—And the start date of that?

**Mr Shier**—That is from my arrival as managing director to November this year.

**Senator MARK BISHOP**—From about 20 December last year?

**Mr Shier**—16 March this year.

**Senator MARK BISHOP**—Can you take on notice the total redundancy and breach of contract payments made to all senior executives from March 2000 and July 2000 and the numbers in each of those categories as well? Can you also provide on notice the positions and salaries of all the senior executives who have left the ABC since March of 2000 and July of 2000?

**Mr Shier**—Yes.

**Senator MARK BISHOP**—Mr Shier, given the requirement to attempt redeployment under the senior executive levels 5 to 19 agreement as a means of saving public funds, can you explain why the staff, who I will list in due course, were not redeployed to newly created positions which, on my advice, appear to have similar if not identical duties? Firstly, Paul Williams, executive head, news and current affairs; secondly, Mr Ron Saunders, general manager network TV; thirdly, Mr Ian McGarrity, television network programmer; fourthly, Mr Norm Taylor, head of News; fifthly, Mr Pat Heaslip, general manager marketing; sixthly, Ms Sandra Hart, national manager research; and finally, Dr Julianne Schulz, former GM corporate strategy and communications?

**Mr Shier**—I really would look to the chairman on this. I obviously can answer all those questions, but I—

**Senator CALVERT**—There would be a certain amount of confidentiality, surely.

**Mr Shier**—I would rather not in this public forum have to explain why—I obviously made a decision that those people either should not continue to do what they are doing or could not be employed in a position in the corporation which would be appropriate, given their level of remuneration. Now, I am on the record. I have said that and I made that decision. I would rather not go into details as to why I think any of those people are—

**Senator CALVERT**—At the very least, this sort of information should be taken in camera rather than publicly, I would believe.

**Mr Shier**—If people want it in camera, I can provide it. It is extremely personal information in relation to their ability.

**Senator LUNDY**—I do not think there is a possibility to take evidence in camera in an estimates committee.

**Senator MARK BISHOP**—That is okay. I have asked the question and Mr Shier has given me an answer. If you recall, the question was in the context that there is a binding industrial agreement on the corporation and that provides for certain redeployment mechanisms for persons employed at this relatively senior level and my question was: why weren't the redeployment provisions in the relevant industrial agreement adhered to in the case of the seven instances I have just referred to?

**Mr Shier**—Without getting into detail, let me deal with a couple of the issues and see if that satisfies you. First of all, a number of these people had very senior positions in the corporation, very senior positions. To be honest, there would have been no position that I

could have put them which would not, I think, have been perceived by others as a demotion. You are asking me the question that maybe some of those people would have preferred that. I would question that. But let us assume for a moment it is true. I do not think it would be good for the corporation to have that situation where the new person who is coming in to provide that role and perform that role had, in a similar senior position, somebody who I had consciously decided was not appropriate for the task.

The second issue which, to me, is the most important was the people you have mentioned. A significant number of them are still unemployed and I do not think I should therefore comment on their abilities or otherwise.

**Senator MARK BISHOP**—Okay, that is fine, Mr Shier.

**Senator FERRIS**—Chair, could I just ask a general question?

**ACTING CHAIR (Senator Mark Bishop)**—I am the acting chair.

**Senator FERRIS**—I am sorry. Can I ask you the question then. When you previously asked for the list of people who had left the ABC, surely many of those people would have decided to resign for whatever reason. Why should their names have to be tabled here? Isn't it a breach of their confidential arrangement with the ABC?

**ACTING CHAIR**—I did not ask for a list of names. Mr Shier has particularly pulled me up on that point. I made the point then that I was not interested in the names of the individuals in that previous discussion I had with Mr Shier. Secondly, in response to your point, Senator Ferris, I do not know if any of the persons I just referred to were parties to any exit confidentiality agreements with the corporation. I have not asked that question so I cannot respond. Senator Ferris has raised it. I will ask you, Mr Shier: were any of those persons subject to an exit confidentiality clause when they parted ways with the ABC?

**Mr Shier**—I would be amazed if they were not. Anybody who leaves the corporation should have an obligation to the corporation not to divulge information that they obtained while they are here and to, shall we say, not badmouth the corporation.

**ACTING CHAIR**—I accept that and I was not driving about disclosing confidential information gained in the course of employment. I think the point Senator Ferris was raising was whether there was a confidentiality agreement relating to remuneration or things of that nature.

**Senator FERRIS**—I was just—

**Senator CALVERT**—I might just ask you: as acting chair are you going to continue to ask yourself questions?

**ACTING CHAIR**—I am responding to Senator Ferris. She asked me a question on it.

**Senator FERRIS**—And I suppose my question is based on the right to privacy that these people might have when they decide to depart from the corporation under whatever circumstances.

**Mr Shier**—Can I just say one thing? In fairness to the people on this list, they are a very different group of people. There are some people on this list who, in a different environment—in the situation, quite frankly, where we had had a different structure—I would have been very, very happy to continue them in a similar position. But we could not afford to have two positions. I do not want anyone to read this list and decide they are all of similar ability.

**ACTING CHAIR**—And there were different reasons for each individual in departing from the corporation.

**Mr Shier**—Absolutely, and a couple of them have gone to future employers, and I wish them every success.

**ACTING CHAIR**—You are not offering any adverse comment as to the merit of their employment whilst at the ABC?

**Mr Shier**—I am asking not to have to do that, yes.

**Senator SCHACHT**—Several months ago there was an issue that got some notoriety about the employment of Mr Phillip Adams at Radio National, in which he made comment that he had been interviewed by, I think, the manager of Radio National at his home with another senior staff member of Radio National, and from the recollection of his conversation—which was published, I think, in various magazines, namely, the *Bulletin*—it comes across that the meeting took place on the basis that it was suggested to him that, unless he resigned, the people with the senior manager may themselves lose their jobs, and there was pressure from the board in that case about Mr Adams's future. First of all, I want to ask: the person who interviewed him—I think a Mr Alward—

**Mr Shier**—Yes.

**Senator SCHACHT**—Is Mr Alward still with the ABC?

**Mr Shier**—No, he is not.

**Senator SCHACHT**—So he is one of those who has left the ABC and taken a separation package, as we would call it.

**Mr Shier**—He has, yes.

**Senator SCHACHT**—I think that in the conversation Mr Adams said that Mr Alward said, 'If you don't go, they will get me' or 'I will have to go.' So, in effect, Mr Adams stayed but Mr Alward has gone. So the suggestion has actually turned out to be true; is that correct?

**Mr Shier**—I have seen a document which was supplied by Mr Phillip Adams about a meeting that he had with Mr Alward. Mr Alward has a different view of that meeting than Mr Adams has of that meeting. All I would say is that I find the nature of the meeting quite extraordinary and the comments that apparently took place at that meeting quite extraordinary, and I think it is fair to say—the director of radio might like to comment—that a number of people within radio are of a different view as to which version is correct. I make just two points. There is no question that Steven Alward left the corporation because of that meeting with Mr Phillip Adams; right. He has left, but that is not the reason for his departure. To the extent that there is a version of events out there that Mr Phillip Adams has made public, so be it.

**Senator SCHACHT**—Is it normal practice for senior management at the ABC, either before your time or now particularly in your time, to go and see a senior talent—whatever you want to call Mr Adams, a commentator, a broadcaster—at their home to discuss their future rather than doing it professionally within the confines of the Ultimo office or somewhere?

**Mr Shier**—I found it, to say the least, somewhat extraordinary. I was told that this is how meetings regularly took place with Mr Adams, in which case I would suggest that that habit must change. I do not know whether the director of radio is now in the business of changing that habit, but that is where we were.

**Ms Howard**—My meeting with Mr Adams took place at Ultimo, in the ABC offices.

**Senator SCHACHT**—Good. Okay. I just wanted to clear that up, because at the time it did seem an extraordinary episode. The other question I wanted to ask about separation and people leaving: a senior executive who has appeared regularly before this estimates committee was Mr Andy Lloyd James. I think he was employed for about three months by the ABC after you took over as chief executive before he left. Did you, at any stage before he was told that he was no longer required, discuss with him whether he had a future, or was it just—

**Senator FERRIS**—Acting Chairman, these are personal questions related to somebody. These are not estimates questions, and I really believe that, for the privacy of these—

**Senator SCHACHT**—You never—

**Senator FERRIS**—Excuse me, can I make my point, please, Senator Schacht? To have these private conversations raked over, when they are not even relevant to estimates, is, to my mind, an intrusion on the dignity of an individual, and I really find it very distasteful. I just question whether it is related or relevant to estimates.

**Senator SCHACHT**—It cost money for the separation package.

**Senator FERRIS**—I am talking about your personal proclivity to rake over the personal details of people who are no longer employees of the organisation in a way which is quite undignified of them.

**Senator SCHACHT**—I just thought that maybe—

**Senator FERRIS**—I appeal to you, Acting Chair, to go back to the principles of estimates instead of the personalities, which is so offensive.

**ACTING CHAIR**—Thank you, Senator Ferris. You have raised the point. I am of the view that the line of questioning that Senator Schacht is going down is appropriate. My understanding is that the separation payment for the individual in question was—

**Senator SCHACHT**—Well, if that is the case—

**ACTING CHAIR**—I am trying to respond to Senator Ferris; she has asked me to rule. My understanding is that the sum was many hundreds of thousands of dollars. That is public funding. I think it is appropriate, if Senator Schacht wants to pursue that angle, as to the appropriateness of that large amount of public moneys, for him to ask those questions. That is the first point. The second point is that you have raised this issue of what you regard as an intrusion into the private life of the individual.

**Senator FERRIS**—Private conversations, I said.

**ACTING CHAIR**—Private conversations. There is some legitimacy to that, so I would ask Mr Shier to bear that comment in mind.

**Senator SCHACHT**—I would be happy for Mr Shier to comment how he likes. All I want to know is: did Mr Shier have any conversations with the senior executive, Andrew Lloyd James, before the day he told him his services were no longer required?

**Mr Shier**—Two things. The answer is: yes, definitely. Yes, I did have those conversations. I joined the corporation in March. Mr Lloyd James actually was one of the people who gave me a formal presentation in relation to their business and how they were operating their business within the corporation. It was my judgment that we had to restructure. The man we are talking about was responsible for our national networks; he was responsible for all

television output and he was responsible for all national radio. In the restructuring there is no such provision, and I think you could take some comfort from the fact that therefore the ongoing payment to someone in that role has not had to take place. The fact that Mr Lloyd James received a substantial amount was not unconnected to the fact that he had been at the corporation a very long time.

**Senator SCHACHT**—I am not arguing about—

**Mr Shier**—And therefore the computation was a computation which would not have been true if he had been at the corporation for less time.

**Senator SCHACHT**—I am not arguing the right for him to receive such a pay-out; I am not arguing about that. It was the process. I am aware that it was a matter of public comment, Senator Ferris, and some around the place when he departed the ABC at the time, and it was public comment, and—

**Senator FERRIS**—You know you could put those questions on notice and allow that man the dignity and privacy of—

**Senator SCHACHT**—If they are on notice they are public, you goose. I have to say that you weren't here when Bronwyn Bishop used to go on for 12 hours a day dragging everybody through everywhere.

**Senator FERRIS**—That is the way you operate; it is not the way we operate.

**Senator SCHACHT**—That is the way Senator Bishop went on. I asked the question, I am satisfied I have got the answer, and I have no intention of going any further.

**ACTING CHAIR**—Thank you, Senator Schacht. Senator Calvert, do you have any questions?

**Senator CALVERT**—No, but I think Senator Mason might have some.

**Senator MASON**—Not on this issue, no.

**Senator FERRIS**—I have some questions, but they are not related to staff.

**ACTING CHAIR**—In that case, I still have some further questions on executives. Mr Shier, can you tell us how many senior executives have been on either minimum duties or reduced duties since March of this year and July of this year?

**Mr Shier**—How many executives are on minimum duties or reduced duties?

**ACTING CHAIR**—Yes, minimum or reduced duties since March of this year and July of this year.

**Mr Shier**—Well, I am a bit worried about the concept. I have certainly not been party to putting anyone on minimum duties or reduced duties.

**ACTING CHAIR**—Okay. Have any executives been advised or requested or instructed to remain at home while still receiving full pay?

**Mr Shier**—I am aware that when I joined the corporation apparently there were a number of people who were at home on full pay. I regard them as some of the first ones that must leave. I would be concerned if the directors responsible for those people did not address that issue in the names they are forthcoming with when they make their recommendations.

**ACTING CHAIR**—So when you came to the corporation you became aware that a number of executives had been instructed by their divisional heads to remain at home whilst still receiving full pay? Is that correct?

**Mr Shier**—I understand the term in HR senses. That their services were not required at work is the way it is. They were not—

**ACTING CHAIR**—How many of such persons are we talking about?

**Mr Shier**—I do not know.

**ACTING CHAIR**—Have you not made inquiries?

**Mr Shier**—I have made inquiries. I have required that whilst we do our inventory of every division we establish exactly what duties these people are or are not performing. I think it is essential that my directors know the answers to those questions. I do not know whether the finance director has a number yet.

**Mr Balding**—No, I have not.

**Mr Shier**—I would assume that I can get a list of names of people from the divisional directors who will say, ‘These are the people we think should be asked to leave the corporation’, and I would have thought that when I ask about a number of names—not that it is my need to do that, because I will already be satisfied by the judgment made by my directors, but if I do ask—I will be told a number of them are not required because they are not currently working for us anyway.

**ACTING CHAIR**—I am not interested in the names of these individuals. I find it remarkable that you have apparently a number of executives who are at home and not working from their relevant place of employment. You say you inherited that situation, so I accept it. Secondly, I find it even more remarkable that you have allowed that situation to continue. Correct me if I am wrong on that. Thirdly, you have not yet been advised whether it is one person or seven—or 15 or 22 or whatever. It must be costing a small fortune.

**Mr Shier**—Well, it has to be addressed. It has not been addressed for some time. It has to be addressed in an appropriate way. Obviously the individuals concerned would claim that they have services to offer the corporation and they would argue strongly that they are of value to the corporation. The mere fact that I happen to feel it is rather inappropriate to be paying such people to be doing no work is in itself not sufficient for me just to mandate that ‘X should go’. I need a decision to be taken. I need the procedure to be followed. I need to be satisfied that the reason people are at home is for the right reason—in other words, that they are not simply there between a show or that there is some requirement for it. I have asked for it to be done as a total package and not on a one-off basis with individuals. It has to be addressed, but it has not been addressed and it is being addressed.

**ACTING CHAIR**—When do you think it will be finally addressed or the process completed?

**Mr Shier**—You can assume that when you hear that a number of people are leaving the corporation from a number of divisions, hopefully a small percentage of those fit this category. I think what is regretful is that in the past there has been a case where voluntary redundancies have taken place and people have accepted redundancies but a number of these people who have chosen not to accept redundancies have still managed to stay on the corporation’s books. So I think managers have to address the people who will be within the

corporation at the end of the process. If these people—I do not want to cast aspersions; I do not know these individuals and their capabilities—are at home because it is the judgment of their supervisors that they cannot contribute to the production mix, if you like, of the corporation and therefore their services are not required for that, then they need to be addressed.

**ACTING CHAIR**—And you in all honesty characterise that as a failure of prior management which you are attempting to address at this very time?

**Mr Shier**—I did not put it that way. The situation is ongoing and you are right to say to me that it has to cease.

**ACTING CHAIR**—Just to nail it down, you do characterise it as a failure, straight responsibility, of prior management? You said at the outset that you inherited this situation when you came to the corporation.

**Mr Shier**—When it is explained to me that people are given the opportunity to leave the corporation on a voluntary redundancy basis and at the same time I have been told that there were people whose services were not required, that the decision was not taken to ask those people to leave on a compulsory basis, I think that is a sign of management not addressing that issue. I am not commenting on existing management. I do not know who took that decision. You have simply identified a real problem that must be addressed.

**ACTING CHAIR**—Mr Balding, can you tell me how many senior executives 1 to 4 and senior executives 5 to 19 were there in the corporation as at March 1999 and March 2000, and July 1999 and July 2000? You can take that on notice.

**Mr Balding**—I can take that on notice. I have got positions of senior executives, but not on those dates. I can take those on notice and give you those precise figures as at those dates.

**ACTING CHAIR**—That would be fine, Mr Balding. I am advised that the corporation has stopped producing statistical reports on the number of staff, including senior executive staff, since July 2000. Is that advice correct?

**Mr Shier**—That advice is wrong. The number of staff of the corporation is actually viewed every fortnight at the executive directors meeting when a document is tabled which lists those people who have left the corporation and those people who have joined the corporation. It is done on a full-time equivalent basis.

**ACTING CHAIR**—Thank you.

**Mr Shier**—As of last Thursday the figure was 4,176, I think. I would need to check.

**ACTING CHAIR**—Persons within the senior—

**Mr Shier**—In the entire corporation.

**ACTING CHAIR**—That obviously includes senior executive staff. Do you maintain separate figures on the numbers of senior executive staff?

**Mr Balding**—Yes, we can dissect those figures.

**ACTING CHAIR**—Thank you. Can you also provide on notice the salary band of each of the members of the executive?

**Mr Shier**—Certainly.

**ACTING CHAIR**—I am talking there about the senior executive.



**Mr Balding**—You would be referring to those officers who are on the executive?

**ACTING CHAIR**—Yes. It has increased from seven to 15.

**Mr Shier**—I think the true comparison is the number of people who reported to my predecessor versus the number of people who report to me, because there were a number of people who were very senior, highly paid, who reported to my predecessor, but they were not actually on the executive board.

**ACTING CHAIR**—And they have now been formalised within that process?

**Mr Shier**—That is right.

**ACTING CHAIR**—I turn now to the process of headhunting of senior executives. Has Ms Steiner or her company been employed to head hunt executives for the ABC?

**Mr Shier**—Yes. Braithwaite Steiner, of which Julie Steiner is a partner, has been used to do recruitment tasks for us.

**ACTING CHAIR**—When did she start in that role?

**Mr Shier**—I knew Julie Steiner as a headhunter before I knew anything about the ABC. I cannot answer when she started her business, but certainly I was aware of her existence in the business in 1998.

**ACTING CHAIR**—Sorry, I should have been more specific. From what date has she been employed by the ABC as a headhunter?

**Mr Shier**—I am sorry. It is probably a date around May, but I would want to check it.

**Mr Balding**—We can provide you the precise date on that.

**ACTING CHAIR**—Were any other executive search firms engaged?

**Mr Shier**—Yes. I retained the services of Spencer Stuart.

**ACTING CHAIR**—Just those two?

**Mr Shier**—Well, those three. Korn Ferry, of course, we have already mentioned.

**ACTING CHAIR**—Okay. The headhunting job that was—

**Mr Shier**—I am sorry: Ansteesearch did more a junior search for us in Sydney, and in London we used Garner International.

**ACTING CHAIR**—But in terms of the more senior levels, it is those other three firms you have already identified?

**Mr Shier**—Garner looks at senior appointments in London.

**ACTING CHAIR**—Was the job that was given to Ms Steiner or her firm put out to competitive tendering or just allocated to her?

**Mr Shier**—Well, it is fair to say it is a small market and she is a specialist media search firm. I have to say that I have become quite familiar with what search firms charge. Mr Balding did the deal with her, but I think it is fair to say that she certainly was paid no more than market rates for the job she filled.

**ACTING CHAIR**—But she was approached by you, Mr Balding, to take on that job?

**Mr Shier**—No, she was approached by me, but I asked Mr Balding to do her contract as finance director.

**Mr Balding**—I concluded the negotiations.

**ACTING CHAIR**—I am not asking for the detail here of remuneration but more the principle on which Ms Steiner or her firm is rewarded for the work she does. Can you explain to us how that is done?

**Mr Shier**—If I could answer the general principle rather than being specific. Most headhunting firms, depending on the type of role and I guess the seniority of the role and their position in the market, charge 20 per cent to 33 per cent of the first year's salary of the person they are searching for. One can get a volume discount if your finance director does the deal.

**ACTING CHAIR**—So she essentially gets what you have characterised as the market rate percentage for successfully placing people on the books of the ABC?

**Mr Shier**—Yes.

**ACTING CHAIR**—Were any of the executives that were eventually hired by you, Mr Shier, or by the relevant persons within the ABC selected for the positions on the recommendations of Ms Steiner or her company? Also, were they clients of Ms Steiner or the company she is associated with?

**Mr Shier**—Not that I know of, Senator. I look to the finance director to remind me, but the most senior appointment that was recommended by Julie Steiner was the appointment of our director of production resources.

**Mr Balding**—Correct.

**Mr Shier**—He was previously working as head of production resources at Channel 7 in Melbourne, so I cannot imagine he had any relationship with Braithwaite Steiner.

**ACTING CHAIR**—Did any of the other persons? Are you aware of any prior relationship with Ms Steiner or her firm?

**Mr Shier**—The only other appointment that came via that source was the lady I mentioned earlier tonight, Robyn Watts, who was working at Southern Star. When she left Southern Star, I was made aware of her availability and I took her as a consultant to work on rights management issues. Then I was lucky to convince her after a month that she should join us permanently, which she has done.

**ACTING CHAIR**—Are you saying that Ms Steiner or her firm have only placed two persons at that senior executive level within the ABC?

**Mr Shier**—Yes, Senator.

**ACTING CHAIR**—The person you just referred to then: was that the lady you were talking about as the MBA from Hong Kong?

**Mr Shier**—No, that is Michele Dunstan. She was from the firm Korn Ferry.

**ACTING CHAIR**—Mr Balding, under Ms Steiner's contract is she required to disclose any third party commissions paid to her for placing of candidates?

**Mr Balding**—Third party commissions?

**ACTING CHAIR**—Yes. She undertakes both the demand and supply angles—that is, she has clients on her books who are seeking work in, say, the TV or media industry and she makes a recommendation that that person goes to the ABC, they are hired by the ABC and the

ABC pays the commission that Mr Shier has outlined. But the person concerned may also be paying a fee to be placed. That is what I am talking about in terms of third party commissions.

**Mr Shier**—I would be very surprised if that last scenario occurs. Certainly in a market like Australia, which is a relatively small market, it would be quite surprising for a search firm that specialised in, for example, media appointments not to know personally the key people in the market and to have their CVs on their books and to know of them. I do not want to suggest that it is a pairing off arrangement, but there is an element of that. I would be surprised if the person who is on the books made a payment to the search firm.

**ACTING CHAIR**—Can you take that on notice?

**Mr Balding**—I can clarify that for you on notice, yes.

**ACTING CHAIR**—I am not alleging that it is so, Mr Shier, but it has been brought to my attention. If it should be the case and it is not disclosed in the contract, it seems to raise an issue.

**Mr Shier**—No, we would want to know that, Senator. We would be very surprised if that was the case.

**ACTING CHAIR**—Fine. Is Ms Steiner's firm hired to vet applications for positions which she has not been engaged to headhunt? Does she also provide a sieving role, if you like?

**Mr Shier**—What has happened I think for one or two directors is that they are positions that I think I have not been associated with. Where there is an internal applicant, she has seen the internal applicant in the context of people she had on her books to establish the likely skills of those people.

**ACTING CHAIR**—So the answer to that question in short is that, yes, she has been engaged to do that sort of activity.

**Mr Shier**—Apparently she has done that for Ms Howard.

**Ms Howard**—She was engaged to look for two positions for radio executives. As a part of that, she would normally have seen the internal applicants and the internal applications, but she was engaged to actually look for those positions.

**ACTING CHAIR**—So she was engaged to recommend persons for those two positions and also engaged to go through the first interview process, if you like.

**Ms Howard**—That is correct. That is part of the job.

**Mr Shier**—Senator, I owe you an apology. I have just been reminded that there were two jobs that were being searched by Sue Howard that did use Braithwaite Steiner. When I said to you that there were only two, there are in fact four, counting those two.

**ACTING CHAIR**—Okay. What role did Ms Steiner or her firm play in the placement of Ms Nolan within head talks and head music? Is that a question for you, Ms Howard?

**Ms Howard**—Sorry, who?

**ACTING CHAIR**—Trish Nolan. Are you familiar with that name?

**Ms Howard**—No, I am sorry. I believe she works for Braithwaite Steiner possibly, but I do not know.

**ACTING CHAIR**—Yes, the one and the same. Does she do any work for the corporation?

**Ms Howard**—Not that I am aware of, certainly not from me.

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

**Senator CALVERT**—I will change the mode for a moment just to wake Ms Jarvis up, who has been very patient. Before dinner, Senator Schacht asked a question about the great drama series that you do on television. Do you plan to do anything next year, given it is the Centenary of Federation?

**Ms Jarvis**—Yes.

**Senator CALVERT**—I remember Mr Shier talking to us about this previously on some other occasion, but I do not know when it was. Is *Changi* still in the loop?

**Ms Jarvis**—*Changi* has been now officially commissioned and will go to air next year as part of the Centenary of Federation.

**Senator CALVERT**—Wonderful.

**Mr Shier**—Can I say that that was a brave decision, and I thank my director of television for that. That was a tough call.

**Senator CALVERT**—I think I asked you this last time: what sort of diets are they going to be on to provide the right fix? It might be of some help to some politicians if you could find out.

**Senator FERRIS**—Can you give us any details of any other Centenary of Federation programs that you might be considering?

**Ms Jarvis**—Yes, I can. We have quite a project with Centenary of Federation programs. If you bear with me, I can give you quite a detailed list. Obviously we will be covering the major events—that is, the Centenary ceremony on 1 January as well as the Federation parade on 1 January. There are a number of special events that will occur throughout the year that are official events that we are planning to cover live. I do not have the details at the moment; I thought I had them here. There are hopefully a number of what we would call Centenary moments that we will put together to run regularly throughout the schedule. There has been work in progress in relation to the Centenary of Federation now for the last two years. We have a couple of very large special events as well. The *Australians at War* series goes to air next year, and that was commissioned specifically as part of the Centenary of Federation. So I guess I can best answer without giving everything away to our competitors that we have extensive coverage in relation to the Centenary of Federation year.

**Senator FERRIS**—Thank you.

**Senator MASON**—Is there anything about politics or civics—all those sorts of things?

**Ms Jarvis**—To be honest, I cannot give you a full list of the programs that we have available. There are several out of the documentary unit that would certainly touch on those areas. I have not yet seen the full schedule from the program director so I cannot answer.

**Senator FERRIS**—Perhaps an exciting series based on Senate estimates?

**Ms Jarvis**—I was thinking of that.

**Senator TCHEN**—I have been very conscious that the estimates are for the opposition so I have always been careful not to cut into Senator Bishop's time. As long as we are talking about the centenary, can I ask whether you will be extending the centenary series beyond 2001?

**Ms Jarvis**—Sorry, which series?

**Senator TCHEN**—Would you be doing other things which follow on from the Centenary of Federation.

**CHAIR**—You mean other centenaries?

**Senator TCHEN**—No. From 1901 right through perhaps to the Great War there was a series of historic events in Australian history which, because of the wars and so on, has disappeared into the background of history. But looking back on them, they were quite significant. Have you contemplated doing a series from 2001 onwards—retrospective over 100 years?

**Ms Jarvis**—The best way to answer that would be to say that we are constantly aware of historically significant events and we plan a lot of our programming on an annual basis around events that are of significance to Australian history. So I do not think that there would be a specific interest in those years that we would not have in all years previous to this that had some significance to Australian history. It is an ongoing process and one that we try to maintain.

**Senator TCHEN**—That is commendable. One of the things that you might look into is the position of women in society at the beginning of the century. In 1907 Australia held the first women's arts and crafts exhibition, in the same place where the federal parliament was opened, and it did not happen again. That was the one and only time. It might be worth while having a look at that.

**Ms Jarvis**—We will look at that.

**Senator MARK BISHOP**—How many hours of first-run material does the ABC have in its inventory?

**Mr Shier**—In its inventory?

**Senator MARK BISHOP**—Yes.

**Mr Shier**—It is a sad story, but I will ask the director of television to tell you. The cupboard is very bare.

**Senator MARK BISHOP**—How bare is it, Ms Jarvis?

**Ms Jarvis**—I cannot give you definite figures. I can give you ballpark figures. I think we have about 200 hours of first-run program. But within that 200 hours are programs that have been purchased as part of packages that may have been in the inventory for some years and that we would probably not consider to be of such quality that we would be looking to run it in prime time.

**Senator MARK BISHOP**—I understand that qualification. Can you check that and provide us with a formal answer on notice?

**Ms Jarvis**—Yes.

**Senator MARK BISHOP**—How many hours of first-run inventory has the ABC held historically, say, on average over the past five years?

**Ms Jarvis**—Our cupboard comfortably would sit at about 1,500 hours. A thousand would be considered getting close to the edge and anything below that would be, we would think, a dangerous level.

**Senator MARK BISHOP**—If we are down to 200, which is somewhat of an exaggeration, we have gone from a dangerous level to almost falling off the cliff, haven't we?

**Ms Jarvis**—It is not an exaggeration. But, yes, I think you are probably correct.

**Senator MARK BISHOP**—You said that a figure of 1,500 would make you comfortable. Is that the figure that the ABC has traditionally attempted to adhere to in more recent years?

**Ms Jarvis**—I cannot tell you what the ABC has attempted to adhere to, but I can certainly give you some figures from the past on notice.

**Senator MARK BISHOP**—Yes, could you do that?

**Ms Jarvis**—Yes.

**Mr Shier**—If it helps, the last figures I saw showed a diminution each year for the last six years.

**Senator MARK BISHOP**—A diminution each year for the last six years. Okay. How many hours of repeat inventory does the ABC have for TV?

**Ms Jarvis**—I cannot give you specifically those figures. I will get them on notice, though.

**Senator MARK BISHOP**—Can you also compare the figure with 1996 levels?

**Ms Jarvis**—Yes.

**Senator MARK BISHOP**—How many hours of programming have been commissioned for internal production at the ABC for the next 12 months?

**Ms Jarvis**—I can give you percentages, but I do not know that I can give you the actual number of hours.

**Senator MARK BISHOP**—What do percentages tell us?

**Ms Jarvis**—Sorry, the question was total production internally?

**Senator MARK BISHOP**—How many hours of programming have been commissioned for internal production at the ABC for the next 12 months?

**Ms Jarvis**—I do not have the breakdown in hours, I have them in percentages. Internally, there would be about 55 per cent based on our expectations for this financial year.

**Senator MARK BISHOP**—Fifty-five per cent of what?

**Ms Jarvis**—Sorry, 55 per cent of production will be internal production.

**Senator MARK BISHOP**—But you cannot convert that to hours now?

**Ms Jarvis**—I have got total hours for the year—2,396. But you have to consider that we have a large amount of those hours taken up by the program *Rage*, which operates until six in the morning and we actually then do not include those figures in the breakdown of our percentages, so I would have to redo the figures to give you what you are asking for.

**Senator MARK BISHOP**—Can you do that to give me the figures on notice?

**Ms Jarvis**—Yes.

**Senator MARK BISHOP**—And while you are there, can you also advise how many hours of TV production have been commissioned since March of this year and 1 July of this year?

**Ms Jarvis**—Commissioned as in officially at a commissioning table? It is a difficult question for us to answer, because I am not too sure what you are looking for in the answer.

**Senator MARK BISHOP**—I am looking for those productions that have been signed off on. I think that means commissioning at the commissioning table.

**Ms Jarvis**—The process varies, as you can understand. Some projects work a little ahead of their commissioning process. Okay. Yes, we can do it.

**Senator MARK BISHOP**—Can you also advise us how many hours of programming were commissioned in the previous five years?

**Ms Jarvis**—Can I take that on notice as well?

**Senator MARK BISHOP**—Yes. I turn to the adoption of proprietary software, such as SAP, for HR and finance reporting, as I understand it, at the request or insistence of DOFA. Is it true that somewhere between \$16 million and \$19 million was spent attempting to adapt the SAP system to suit the ABC HR and payroll departments?

**Mr Shier**—I will ask the finance director to give you the precise numbers, but it is fair to say that I inherited a project which had some considerable expenditure behind it. My first concern was to address that to make sure that it brought value to the corporation. We had already—the finance director might correct me—I think, prior to my joining or soon after, had two consultants look at it and we were still not satisfied that we had a workable solution. We then have appointed a firm based in Melbourne that we are impressed with. We think at the end of the day, after considerable expense, we will have a workable system. We are not there yet. But I do not know whether the finance director would like to add anything to that.

**Mr Balding**—I have not got those precise figures, but a considerable amount of money has been spent on the implementation of the SAP HR system. As the managing director has outlined, we are putting a process in place now that we believe will achieve a successful outcome.

**Senator MARK BISHOP**—I understand you inherited that issue, Mr Shier. I understand that you are in the process of remedying it. The figure that I quoted was between \$16 million and \$19 million. Can you advise, Mr Balding, whether that is in the ballpark?

**Mr Balding**—It would be closer to \$16 million, not the \$19 million.

**Senator MARK BISHOP**—But still \$16 million is a huge—

**Mr Balding**—I am happy to provide that on notice to you as well. It is sizable, yes. I do not recall it would be much past \$16 million, if it is \$16 million.

**Senator MARK BISHOP**—Was the contract to write the software to adapt SAP open ended?

**Mr Balding**—No. The contract for SAP, as I think you indicated, was chosen from the department of finance preferred list or whatever it was. It was an integrated solution which was to provide a HR management information payroll system and a financial management resource system along with property, procurement and asset management. So it is a whole suit of software to be an integrated solution. The financial systems, along with procurement, property and assets, went live in October of 1998 on time and on budget. Unfortunately, their HR system had difficulties primarily around the rostering part. As you can appreciate, the rostering module from an organisation such as the ABC is very, very complex. The SAP organisation had committed to being able to provide a solution to that. That solution proved to be a lot more complex, a lot more difficult and, hence, that module did not go live and is still not live at the moment.

**Senator MARK BISHOP**—Is the Melbourne firm that Mr Shier referred to engaged to remedy the defects in the prior SAP system or to write a new system for the HR and the payroll?

**Mr Balding**—If I can just correct an impression you may have, we have not engaged a Melbourne firm. It is an agreement that we have with SAP. They are doing the scoping study at the moment and if that scoping study proves that this project can be achieved, it will be SAP who will engage the Melbourne firm. Our contract is with SAP. Under that contract SAP have to implement this system. What they are proposing is an alternative approach and it is this other company from Melbourne that is working with the ABC and SAP to achieve a successful outcome.

**Senator MARK BISHOP**—So has the new contract with SAP been written this time with finish dates and penalties?

**Mr Balding**—The new contract with SAP has not been entered into yet. We still have a legally binding contract with SAP. We have reserved our rights under that contract with SAP, but in the meantime both the ABC and SAP are working with a very cooperative spirit to achieve an outcome. We have negotiated with SAP from a remuneration cost point of view to get from where we are now to where we ultimately want to be. That is why SAP has engaged a specialist HR software provider—application service provider—company from Melbourne to assist with that. If the scoping study, which is currently under way, proves that the project is still viable, there may then be a separate adjunct contract entered into with SAP, but at the moment we are still operating under the original contract where we have reserved our rights.

**Senator MARK BISHOP**—And presumably if you did go down the path of a new or adjunct contract, the contract will have finish dates and penalties?

**Mr Balding**—It will have very precise performance targets and measures and finish dates, yes.

**Senator MARK BISHOP**—Mr Shier, a recent edition of Channel 9's *Sunday* program made allegations of attempted interference with programming and, therefore, the independence of the ABC, and it has been reported in the press. How do you on behalf of the board respond to those allegations?

**Mr Shier**—I did, of course, respond on the day, and I made the point that I thought the examples that had been used of so-called interference did not hold up to examination. The ABC starts from the premise that independence is fundamental to it. So whilst the allegations are made, I think they have been refuted.

**Senator MARK BISHOP**—You do not have anything further to add at this stage?

**Mr Shier**—Not at this stage, no.

**Senator MARK BISHOP**—Turning to the microdot assets security system—this is probably for you, Mr Balding—can you advise us what security arrangements were in place prior to the identification of the microdot assets security system?

**Mr Balding**—Arrangements in respect of the securing of our assets?

**Senator MARK BISHOP**—Yes.

**Mr Balding**—There were numerous arrangements in place about the securing of the assets, in particular in respect of the obligation of the staff. Mobile assets, in particular laptop computers, are assigned to staff. They are usually under personal charge items. So the



individual is held responsible for that. We have security measures in our buildings. We have security staff. We have security systems like most organisations, but unfortunately, as you would realise from a question on notice, a number of mobile assets have been stolen from a lot of Commonwealth government departments and organisations, including the ABC, but nowhere near as much as Telstra or the Department of Defence, I can assure you.

**Senator MARK BISHOP**—But there was—

**Mr Balding**—There were incidents of mobile assets becoming missing or presumed stolen. I think over the last 12 or 18 months the ABC had lost some six or seven laptops, or they were stolen.

**Senator MARK BISHOP**—Any other mobile assets lost or stolen? Were other mobile assets in addition to laptops being lost or stolen in that same period?

**Mr Balding**—There was a range, but the laptops were the main items. The ABC has about \$100 million of what we call mobile assets, whether they be laptops, PCs or, in particular, very expensive camera lenses, and they are at risk of theft. It is an obligation not only on the staff but on management to secure the assets of the ABC.

**Senator MARK BISHOP**—How was the need for the microdot security system identified?

**Mr Shier**—Let me answer that first. It is no secret that we had come into contact with a consultant who was looking in another area of the business for us.

**Senator MARK BISHOP**—That is Mr Bales?

**Mr Shier**—That is right. He commented to me at the time that he was privy to a microdot system to stop product or assets from the corporation leaving the corporation. I put him in touch with the director of finance, who has a manager specifically responsible for the task. He looked at it. As I understand, the contract was done, and the value of that contract is less than the loss of laptops alone this year.

**Mr Balding**—Can I also say that, when it was brought to my manager's attention, who is in charge—he is the manager of risk and asset planning; he is in charge of securing of assets and insurances—he looked at it. He was very impressed by this new technology. He then tried to search the market for similar suppliers to look to see whether they have competitive prices or not. He could not find a similar supplier to benchmark against. A contract was entered into for around about \$38,000 to \$40,000, which we considered good value for money.

**Senator MARK BISHOP**—You obviously have not got gone through a competitive tendering process in the awarding of that contract, but you say your security manager has independently made investigations of potential alternatives in the marketplace and found none suitable?

**Mr Balding**—Similar products to see whether the prices were compatible, and he could not find a similar product.

**Senator MARK BISHOP**—And he recommended the adoption of the system suggested by Mr Bales?

**Mr Balding**—He independently recommended to me—he did a business analysis of it and put a submission to me—that we actually engage this form of security system for our mobile assets.

**Senator MARK BISHOP**—Was it your job, Mr Balding, to authorise the purchase of the system?

**Mr Balding**—I did authorise it, yes.

**Senator MARK BISHOP**—I think either Senator Ferris or Senator Calvert had some questions on this issue.

**Senator FERRIS**—I would like to have some indication of the value of the assets that were stolen at the agency over the last 12 months and I wondered whether it was possible for you to give me some indication of that and whether there is any sort of trend in this? Clearly we in the parliament have lost a lot of equipment of recent times as well. I would be interested to know if you were able to supply some indication to the committee of what has actually gone missing and whether any of it has been returned or any charges have been laid?

**Mr Balding**—Yes. I can supply that on notice. There have been a number of assets stolen. In actual fact, our Townsville station was broken into twice and a number of assets stolen and I believe charges have been laid. So I can get details of that for you.

**Senator CALVERT**—My question also is about ABC's assets but they are assets of a different type. They go to that archival material that you used to hold—probably still hold—in those salubrious premises at Gore Hill. Recently, when I was at the film and archives section I was told to my horror—I do not know whether it is correct or not; we are talking about the Centenary of Federation and the ABC would have tremendous archival material—that film and archives have only one episode of *Blue Hills*. If that is the case, hopefully the ABC will be able to help out because there were something like 3,600 episodes. Being more serious about it all, just what type of interaction do you have with the sound and film archives, both through radio and television, to ensure that some of the wonderful material that you have produced and collected over the years is kept and maintained, because it is very important as part of our national asset that it happens? If it is the case that we have only one episode of *Blue Hills* left in Australia, I think there would be a lot of people of my ilk and older who would be most disturbed when they want to hear some repeats at some time or other.

**Mr Shier**—Let me answer that. In fairness to my colleagues, they can add if they wish. The archive was one of the units which was attached to content rights management because, at the end of the day, this is an asset, as you rightly identify, which is valuable to the corporation. Of course, in a digital world ultimately that archive has to be digitised. We have to be able to have it readily available rather than sitting in rather tired surroundings at Gore Hill.

The archive is now the responsibility of the director of content rights management, Robyn Watts, and the two directors on my left and on my right have the happy knowledge of knowing that there is a position in place whereby all their output which is regarded as appropriate to be archived is, in fact, archived and that which is already held and stored by us will be gradually made more available in a readily accessible form, in a digitised fashion. I do not need to tell you that is an expensive process. I would love to think we could put that up the hierarchy in terms of expenditure.

**Senator CALVERT**—Centenary of Federation.

**Mr Shier**—I have a shopping list. I will be delivering it and I hope that people realise that that is important. There is a big cost involved but the national broadcaster does have an

absolute wealth of material and I think if you saw *Calypso Summer* you would realise that there is a great potential to use that appropriately.

**Senator CALVERT**—It is certainly more interesting than the cricket was today.

**Senator FERRIS**—Do you sell that material?

**Mr Shier**—We do indeed.

**Senator FERRIS**—What sort of income would you be able to indicate to the committee you are able to get for that ?

**Mr Shier**—I have \$1.2 million in my head but I am probably wrong.

**Mr Balding**—I do not know about archives but our total international sales—

**Mr Shier**—It is a lot bigger figure.

**Mr Balding**—Is approaching \$2 million—\$1.9 million to \$2 million.

**Senator FERRIS**—On an annual basis?

**Mr Balding**—On an annual basis.

**Senator FERRIS**—Who would be the purchasers of that? Is it international or would it be local?

**Mr Shier**—It is international, but it is fair to say it has not been marketed as well as it could have been—

**Senator CALVERT**—Absolutely.

**Mr Shier**—And I think there is a need. People have got to know what you have got before you actually earn from it. Our director of content rights management is also in charge of our sales. So she is aware of the asset we have to sell. She has the discipline to have to price it and she then has to go to the market to sell it.

**Senator CALVERT**—The reason I ask this is that through my other connection through the Public Works Committee we did some work with film and archives and also Gore Hill. I am well aware of the wealth of material that is there. As a matter of fact, I managed to get hold of some recent CDs that are sold through the ABC shop—I think both film and archives had something to do with them; episodes of some of the old radio serials and that type of thing. When I made that known to some of my colleagues of my vintage and earlier that that was available, it was very, very popular. I do not think they realised it was available. For those people who want to go down memory lane, or whatever, it is great to know that it is there and I just hope that it is being preserved.

**Mr Shier**—It is clearly part of our heritage. I would like it to be a living heritage rather than put in a museum somewhere. I would much rather it get into a state where we can utilise it.

**Senator CALVERT**—Thank you.

**Senator MARK BISHOP**—Mr Shier, I want to turn now to an article that appeared in the *Australian* on 18 November as to future intent on a range of issues, programs, companies, sources and also a memo that has been circulated within the ABC under the authorship of Mr Bales. I am going to go through the Bales document. I do not want to in any depth pry into the appropriately proper management decisions as to the recommendations contained in Mr

Bales's report, but I wonder if you would mind giving us an indication on each of the recommendations as to where they are at and whether they are still under active consideration.

**Mr Shier**—I need your help. I do not walk around with a copy of the Bales report. If you happen to have it—

**Senator MARK BISHOP**—No, I can help you, Mr Shier. The recommendation—

**Mr Shier**—This is the confidential secret document that you currently have in your possession.

**Senator MARK BISHOP**—That is correct, and I presume half the parliament has got it in their possession. So I do not know confidential or secret it is any longer. Recommendation 1 was as to a relationship between children's television and enterprises. Has action been taken or is about to be taken to address that issue?

**Mr Shier**—I guess the relationship we are describing is one of what I would call creative tension.

**Senator MARK BISHOP**—You are kinder than Mr Bales.

**Mr Shier**—There is obviously a view that Enterprises would like the children's department to produce a lot of content which would result in a lot of fluffy toys that could be sold, if I may use shorthand. There is a view by some in the children's department that almost nothing should result from the output of the division lest it be seen as commercialisation. I see it as one of my responsibilities and that of my directors to get that balance right. As a father of a 20 month old son, I have to say that I do not feel that *Bananas in Pyjamas* has adversely affected his development, but he is only 20 months so we must watch. That is the relationship with the children's department. I must say we have had discussions with a number of people who produce children's programming, including the Australian Children's Television Foundation. We already do work with them. They do not have a charter but they have a discipline which I think is admirable. I would like to think that we will be able to do a lot more with them. Any suggestion that we are diving into a highly commercialised attempt to rob the minds of the children of Australia would be to say the least an exaggeration.

**Senator MARK BISHOP**—Is some degree of marketing or commercialisation of the products that derive from those children's shows in your mind appropriate?

**Mr Shier**—Yes. It is a judgment call and I expect my directors to make those judgments. If you look, for example, at the comments that were made in relation to food products, for me it is perfectly clear that the ABC needs a registered dietitian that is, if you like, an honorarium for the corporation who would make these judgments. I would not want the ABC to license products which genuinely were not healthy, were not appropriate, and I think that we need expert advice on that. At the moment, it is no secret that we have a yoghurt in many a supermarket in Australia for *Bananas in Pyjamas*. That seems to have been an attractive proposition. I think it is a judgment call. People have to make a mature judgment about it. I think it can be made. I think to the extent that the product is a healthy product and a good product, it enhances the brand and produces some money that goes back into the ABC to produce more content.

**Senator MARK BISHOP**—Okay. I will skip recommendation 2. Recommendation 3: get the Hooley Dooleys five-minute TV series to air to support ancillary products and programming. Where is the consideration of that proposition at?

**Mr Shier**—The director of television is not, I think it is fair to say, a Hooley Dooleys fan. Is that fair to say?

**Ms Jarvis**—That is fair to say. It is not that I am not a Hooley Dooleys fan; I just am not entertaining the thought of a Hooley Dooleys television program at the moment for the ABC, which is not to say it would not be considered at some stage in the future perhaps. But I am not personally in favour of a Hooley Dooleys program at the moment.

**Senator CALVERT**—Don't compete with the Hi-5s.

**Senator MARK BISHOP**—Senator Calvert has raised recommendation 4: negotiation to bring Hi-5 to the ABC for the next series. Are you attracted to that proposition, Ms Jarvis?

**Mr Shier**—This is, shall I say, very commercially interesting, so I think we will not discuss any possible strategies that we might have in mind.

**Senator MARK BISHOP**—Recommendation 5 relates to getting the Wiggles to the ABC. Is that attractive to you, Ms Jarvis?

**Ms Jarvis**—As far as I am aware, the Wiggles are contracted to the Seven Network. I am not aware that any change has occurred in the relationship the Wiggles have with Seven.

**Senator MARK BISHOP**—So you are not aware that they are on the market?

**Ms Jarvis**—I am not aware, no.

**Senator MARK BISHOP**—Recommendation 6 I regard as pretty simple. Recommendation 6 goes to the appointment of a corporate rights negotiator, recommendation 7 goes to music publishing rights and recommendation 8 goes to registering www.auntie.net.au. Mr Shier, do you have any comment to offer on those?

**Mr Shier**—That is clearly the responsibility of the director of content rights management to have a view on how we should manage those rights and how we should deal with them.

**Senator MARK BISHOP**—And who is that person?

**Mr Shier**—Robyn Watts. She would be having meetings with Terry Maloney, who is the director of enterprises, to decide the best way to manage those rights and develop them.

**Senator MARK BISHOP**—So your answer is that that is under review.

**Mr Shier**—In fact, it almost predates the commissioning of the report. It is fair to say that the report was commissioned and the action was taken. They were disconnected, but we end up with the same result.

**Senator MARK BISHOP**—Recommendation 10 goes to the increased promotion of playground sites in all your magazines and promotional fliers. Do you have a view on that?

**Mr Shier**—I have not thought about it. This is pretty managerial stuff.

**Senator MARK BISHOP**—It raises an interesting question, Mr Shier, and it probably has a lot to do with your style of management. In the past when questions of this nature have been asked of your predecessors—Mr Balding and Mr Knowles have been here—either your predecessors or Mr Balding and Mr Knowles have been quite capable and willing to answer those questions. You are now really saying that a range of the issues that are being brought up here are appropriately decided at management level and implemented?

**Mr Shier**—I do not say at the end that I am not accountable for it, but what we have here is a recommendation, and the lead time between the recommendation coming forward as part

of a consultant's report and a decision as to whether or not to do it by management has not reached my desk. So I am not in a position to say whether we should do it or not, because it is not me. I have just had a report, literally in the last three days, from Enterprises commenting on the Bales report. I am really not in a state of mind yet to decide where we should progress on that.

**Senator MARK BISHOP**—I suppose the point I am making is that we wanted to explore these issues and would like to in the future. Would it be appropriate for you to have each of your divisional managers here to take the questions, seeing as they are being required effectively, as part of their management function, to carry out those responsibilities?

**Mr Shier**—Well, we would look at whether that is appropriate, bearing in mind their workload. I think actually they could add a lot to the discussion. I personally would have no problem with that. The way we run the corporation is that the management meets fortnightly. They see me between meetings if there is something in some way that I need to be involved in. But I have to say that on a number of those examples you gave me, unless there was a policy decision that we would not do a certain thing then the manager could get on and do it. I do not want to get into micromanagement. I want to empower managers and directors to get on and do the job.

**Senator MARK BISHOP**—And a lot of those issues really are properly micromanagement functions.

**Mr Shier**—Absolutely. But if you get on to, say, product placement then I will have a strong view and say that, firstly, the act does not provide it, secondly, the charter does not provide it and, thirdly, I would not permit it. But in relation to the example you gave, it is a management issue.

**Senator MARK BISHOP**—In that case I think probably that does need some consideration on this side of the table as to who is going to come here in future.

**Mr Shier**—We could do rotations.

**Senator MARK BISHOP**—Yes, we could do rotations, but I would rather have them all here and deal with it in one hit, to be perfectly honest. Slippage figures would be a management function, I presume. What is your comment on recommendation 13—that you only lose \$285 a year? I used to work in the retail industry and—

**Mr Shier**—I am sorry. You have to help me on 13 again.

**Senator MARK BISHOP**—Thirteen is checked slippage figures—that is, shop theft—and the suggestion is that it was only costing \$10,000 per year. Mr Bales makes the comment that that is a suspiciously low figure of only \$285 per store per year. Without casting any aspersions on your Enterprises management, I would have thought that thousands of dollars of product walks out of your stores every year. It is no different from any other retail company.

**Mr Shier**—In that case I have to look at the actual context, but if he is actually saying it is suspiciously low then I think you are endorsing he might be right.

**Senator MARK BISHOP**—But you have not turned your mind to that issue as yet?

**Mr Shier**—I have to say, I do not profess to have detailed retailer experience, but it sounds low to me.

**Senator MARK BISHOP**—Mr Balding, do you have a—

**Mr Balding**—No, I have not got a feel for that figure, sorry.

**Senator MARK BISHOP**—Thank you for those comments, Mr Shier. I would like to now turn to a range of firms, items, divisions and companies that were identified in that article in the *Australian*.

**CHAIR**—Do you have a copy of the article, Senator Bishop?

**Senator MARK BISHOP**—That we might for example have photocopied and distributed to the members of the committee as well as to witnesses? I am just checking. Yes, I do.

**CHAIR**—Would it be possible for us to photocopy this?

**Senator MARK BISHOP**—No problem. I am sure Mr Shier is familiar with the article.

**Mr Shier**—I must be honest: I am not familiar with this article. There have been one or two, as you know. If you throw the questions at me, I will see what I can do.

**Senator MARK BISHOP**—The first issue was an animated series of *Bananas in Pyjamas* in cooperation with either Disney Animation or Neil Balnaves. Do you regard that as being appropriate and consistent with the ABC's charter?

**Mr Shier**—There is nothing inconsistent with the ABC's charter with that project.

**Senator MARK BISHOP**—Outsourcing of the major events division?

**Mr Shier**—There is nothing inconsistent with that, except I would argue that we do not have a major events division at the moment.

**Senator MARK BISHOP**—What would you suggest that you have?

**Mr Shier**—We certainly are looking at event management and doing more of it. If we are going to do a lot more of it we would have to staff up considerably. So rather than being a case of outsourcing, in the sense that we did it internally previously and now do it outside, it would be a case of 'we have never done it before so let's get someone to help us do it'.

**Senator MARK BISHOP**—Fine. Understood. I refer to the locating of ABC Shops in David Jones stores or having David Jones manage the ABC Shops. Is that proposition something you are currently attracted to?

**CHAIR**—I think Senator Ferris has asked that question.

**Senator MARK BISHOP**—Sorry, I did not know that.

**Senator FERRIS**—I do not think I mentioned David Jones, but I did talk about co-location.

**Mr Balding**—We have a number of what we call ABC centres. I think there are 85 centres or whatever it is in other shops.

**CHAIR**—Or in shopping malls?

**Mr Balding**—It is either an ABC shop in its own right or it is a centre, where it is in another shop and there is a corner which is headed ABC product. In fact, our product is carried in other retail shops such as K Mart, Target and Coles Myer.

**Senator MARK BISHOP**—So you would not be particularly interested in going into a monopoly arrangement with David Jones at this stage?

**Mr Shier**—If it was a monopoly arrangement we could not, anyway, because of existing arrangements, but I would have no problem in the ABC having a presence in David Jones if that deal could make sense commercially.

**Senator MARK BISHOP**—I refer to Just for Kids food, a merchandise food product development with Nestle and Uncle Tobys, for example, Bananas in Pyjamas breakfast cereal—an extension of the yoghurt argument.

**Mr Shier**—There is a point where I start to say, ‘I must remember what business I am in,’ in terms of making these judgments. If, for example, *Bananas in Pyjamas* encouraged children to eat healthy foods, then I think it could be admirable, but that is not my role in life. But I do not think it should automatically be assumed that the association is negative and that it is, you know, some tooth-decaying confectionery that is being considered.

**Senator MARK BISHOP**—Is any consideration being given to going down the path of developing theme parks such as Fox Studios and the like?

**Mr Shier**—We have had a proposal. I do not believe the corporation is in a position at the moment on the commercial terms that we had shown to us to enter into a venture of that type. I would have thought the current situation with the Fox back lot would suggest that we would have to be very cautious about taking such a decision.

**Senator MARK BISHOP**—The secretary is about to circulate the newspaper article. Perhaps you can answer this policy question, Mr Shier. Does the ABC believe that children’s programming or other programming should be designed with specific merchandising opportunities in mind or does the ABC under your administration merely wish to ensure that the ABC maximises appropriate merchandising opportunities from its children’s programming?

**Mr Shier**—It is the latter, but there is an opportunity to have a win-win situation here. Television is a very powerful medium to the extent that children get genuine pleasure or genuinely educated or informed by a particular program. You can have an extension into other products. The people who do that task for me in Enterprises are required to make those value judgments. If they start getting to areas where there needs to be a policy decision, we will take a policy decision.

**Senator MARK BISHOP**—So from the two options I gave, at the moment your inclination is to go down the path of the latter option.

**Mr Shier**—The directors on my right and left in radio and television start from the premise of the viewing and listening opportunity. If it does have added potential, the issue raises its head very early because when we negotiate rights we have to bear in mind whether we are going to negotiate the rights to have a product extension on that.

**Senator MARK BISHOP**—Mr Shier, I want to go back to that lengthy discussion you had with Senator Schacht.

**Mr Shier**—Which one, Senator?

**Senator MARK BISHOP**—The one where he raised the issue of using the ABC portal to access what I think you characterised as reputable newspapers like the *Los Angeles Times*, the *New York Times* or whatever. If the link was established by a commercial arrangement via the portal, some sort of remuneration would come to the ABC as a result. In that scenario, do you



believe there would be advertising for non-ABC products or commercial links on the ABC proposed Internet portal or any of its new media products or platforms?

**Mr Shier**—As I indicated, it may be that you go through a window which warns you that on the other side of the window there is an advertising connection, but you would have to make that conscious decision to take that step.

**Senator MARK BISHOP**—You position that argument as a choice for the consumer if he or she wants to go out of the ABC portal to perhaps another news or current affairs site that the ABC is prepared to recommend in which advertising is involved. You characterised that as a choice issue for the consumer to make, and you are comfortable with that position?

**Mr Shier**—The benefit for the, if I may use the term, customer who has come to the ABC in that context is that they have the comfort of knowing that somebody in the ABC, hopefully bearing in mind the integrity of the ABC and the necessity to maintain that position, has made a judgment that that site is one that is worthy of being visited. So I think that is valuable. I am a little bit nervous in being dogmatic on the question of advertising. It is not because of some belief that down the road I want to have advertising. For example, when we move into the digital environment, electronic program guides may well have advertising on them. If we do not have the ABC listed on the EPG, we will not get people coming to us. It is a judgment call.

**Senator MARK BISHOP**—You have obviously been briefed on that whole business we went through earlier this year about advertising on line and the whole Telstra business. A lot of the discussion in that particular inquiry related to the appropriateness of advertising on the site or on the side of the page or whatever. But what you are putting to me now is that the market and technology are driving your corporation to not have an option other than to go down the path of some form of advertising in these new areas.

**Mr Shier**—I do not want to overstate the case and I certainly do not want to give any suggestion that it has anything to do with the British model, but the fact is that six months ago the BBC had two online sites. It had BBC Online, which was basically a core news site which carried no advertising, and beeb.com, which was its, if you like, commercial portal, as it was called, where you would go and expect to find advertising. My opposite number at the BBC has now asked to revisit the whole question of advertising on BBC Online. In relation to the very rationale whereby it decided to have two portals—one commercial and one non-commercial—he has torn that up and said, ‘We have to look at the whole thing.’ All I am saying to you is that if the BBC, with 11 times our funding and a commitment to public broadcasting, is asking itself whether it should consider advertising on its non-commercial portal when it in fact already has a highly visited commercial portal, then I just have to watch it. If you ask me for our knee-jerk reaction, I do not want to do it, but I have to look to others to make sure that the funding of the corporation is sufficient so that I do not have to address it.

**Senator MARK BISHOP**—I understand that argument. Turning to the ABC’s initiative for producing the *Radio Pictures* program out of Western Australia, which is parochial stuff, Mr Shier, can you tell me about the *Radio Pictures* program and any importance it might have in supporting the production of ABC programming out of Western Australia?

**Mr Shier**—It is a great success. The lady on my right, the director of radio, can take a large amount of the personal credit for this. So I would ask her to comment on it.

**Ms Howard**—Thank you. What exactly would you like to know about *Radio Pictures*?

**Senator MARK BISHOP**—Mr Shier has outlined that he regards it as having been successful. Are you going to continue the production over there?

**Ms Howard**—I am delighted to say that the director of television has commissioned *Radio Pictures* to go nationally—not just in Western Australia but nationally—from the middle of next year.

**Senator MARK BISHOP**—Where will production be?

**Ms Howard**—From Western Australia.

**Ms Jarvis**—It covers regional Australia nationally. So the programs will be produced in regional cities throughout Australia, although the production headquarters will be in Perth.

**Senator MARK BISHOP**—Perhaps this is a question for you, Ms Jarvis. Are there any other programs currently produced out of Western Australia or any other programs being considered to go national?

**Ms Jarvis**—To be absolutely honest, at the moment *Radio Pictures* is occupying a great deal of the production resources available in Western Australia. They are doing both a state version and a national version of that program. As far as I am aware, most of the producers who are based in Western Australia are involved in that. There are no plans at this point in time that I am aware of for any specific programs for Western Australia. However, we are in the process of looking at several drama projects that could come out of there in the future.

**Senator MARK BISHOP**—But you also made the comment that capacity has fairly well been reached.

**Ms Jarvis**—I am talking about producer capacity. There is an executive producer in Western Australia who is currently working on *Radio Pictures*. This is in the production area. Of course, there is a strong news and current affairs contingent there.

**CHAIR**—Do you have any plans for children's television in WA, because there is quite a well-established children's film industry in Western Australia?

**Ms Jarvis**—We are investigating quite a lot to do with the film industry in Western Australia at this point, yes.

**CHAIR**—You are investigating it?

**Mr Shier**—My director is being cautious because these things are always commercially sensitive. The fact is that we are very keen to do more in WA.

**Senator MARK BISHOP**—Mr Shier, after speaking to a range of people on your visit some weeks ago you are probably aware of the comments of the Deputy Prime Minister, Mr Anderson, that he believes that the ABC needs to provide more services to regional Australia with less money. I think it is fairly public knowledge. In the context of ABC staff at Rockhampton, I am advised that in recent years staffing has gone down from 23 to 11 and in Longreach there are just five staff for a station that collects news and foreign broadcasts for two-thirds of Queensland. Before you go any further, can you confirm that those figures I outlined are basically correct?

**Mr Shier**—I would not think that they would necessarily be wrong. Looking at them, the numbers look possibly correct. But I would need to check them. I am actually going to Longreach next week.

**Senator MARK BISHOP**—They will be interested in your response to this question: is there any suggestion that these two sites will be the subject of further cuts?

**Mr Shier**—Just taking the statements of more with less, I am a more with more man. I have made it clear I will be putting in a submission to do more in regional and rural Australia and I would like some more money to do it with. I will have to plead with whoever I have to plead to to try to achieve that.

**Senator MARK BISHOP**—So in terms of the Rockhampton and Longreach sites, there is no suggestion that funding cuts will result in reduced locally produced ABC Radio news and programming out of those two sites?

**Mr Shier**—I would be disappointed if even on the current budget that was the case. If I can manage to get some more money, it certainly would not be the case. I am assuming that there is no other factor why either of these sites have a special reason to be addressed.

**Senator MARK BISHOP**—Can you explain why it is that the TV budget has increased, I think, from \$124 million to \$139 million? You have confirmed that you expect to see redundancies. I think the figure you said was somewhere between 15 and 100. You could not be any more specific. Why do you say there is going to be this large number of redundancies when the budget has increased from around \$124 million to \$139 million?

**Mr Shier**—Let us be clear, there are three issues here. The first issue is that the change in the television number is due to the fact that there were some interdivisional loans that had to be repaid.

**Senator MARK BISHOP**—How much were they?

**Mr Balding**—There was about \$7.5 million. The size of the increase is a bit distorted because what we have done is replace what was a loan with real money. So the total cash or funds available from the director of television has not gone up that significantly. But she does not have to pay any money back from the money that we have given.

**Senator MARK BISHOP**—I understand that point. What is the real increase then?

**Mr Shier**—For example, the acquisition budget has gone up \$1.7 million.

**Senator MARK BISHOP**—I was citing the figures \$124 million to \$139 million. Mr Balding says about \$7.5 million currently—

**Mr Balding**—There was a loan of about \$3.3 million or \$3.7 million which is no longer there but has been replaced by money from our appropriation. Discount that increase by, first of all, the \$3.7 million—a figure off the top of my head. Also, the television division is required to repay the loans previously given. So they have to pay back some \$2 million.

**Senator MARK BISHOP**—So we have \$3.7 million plus the \$2 million. Is the \$2 million coming out of this year's budget?

**Mr Balding**—Yes.

**Senator MARK BISHOP**—That is \$5.7 million. So the real increase comes down to \$9 million? Is that correct?

**Mr Balding**—Yes. There are also additional funds for captioning, as I explained earlier on, because of the legislative requirement to increase captioning from January on. There is an extra \$1.4 million, I think, from memory.

**Mr Shier**—It is \$4.6 million in a full year.

**Ms Jarvis**—Can I also clarify something about your question when you talked about redundancies in the television division? Are you confusing the television division with the resources division?

**Mr Shier**—The point that is being made, I think, by the senator is that television has an amount of money that is going up and it would normally spend it on production resources. And if it is doing that, why is the number in production resources going down? In relation to the issue I addressed before in relation to the director of television having access to a cash component and not just a salary component, if she has no flexibility between spending the cash for co-productions, whether it be an Australian co-production or elsewhere, she ends up with a fully staffed factory which she must use for all purposes. I exaggerate when I say ‘fully staffed’, but that is where her budget is. She is not in a position to do partnership deals. If you do a partnership deal, we have the benefit that we can actually get more programming because—simplistically—two of us put half in and we get—

**Senator MARK BISHOP**—I understand that. I think we have reduced the real increase in funding from \$15 million to about \$7 million; is that correct?

**Mr Balding**—I have not got the precise figures there. But, yes, you need to take into account those amounts that I spoke about.

**Senator MARK BISHOP**—It comes down to about \$7 million. You have answered that question.

**Mr Balding**—We did address it earlier on. There is additional money for television: \$1.7 million for acquisitions, \$1.4 million for captioning, \$2m for publicity and promotion. So you can see where that money has gone. There are some other minor areas as well.

**Senator MARK BISHOP**—That is about \$4 million or \$4.5 million that you have itemised there. Pulling out the \$7 million, the increase of \$15 million does not leave too much. That is why we are going down the path of some redundancies. Understood. I have a couple more issues for the ABC that I wanted to raise. What stage are negotiations at for Radio Australia to lease the Cox Peninsula transmission site?

**Mr Shier**—As you know, we were lucky enough to get \$9 million in funding over three years. So we are in a position to have somewhat of a negotiation to improve our distribution of Radio Australia, and the immediate knee-jerk reaction was not to rush back and just do the Cox Peninsula. So it is a package of negotiations with a number of rebroadcast organisations as well. But if I could hand that over to the director to provide the answer.

**Ms Howard**—Sorry, I missed the question.

**Senator MARK BISHOP**—What stage are negotiations at, Ms Howard, for Radio Australia to lease the Cox Peninsula transmission site?

**Ms Howard**—Colin is probably the perfect person to answer this question for you.

**Mr Knowles**—We have in fact recently gone out to the marketplace to look for a range of transmission facilities to address the package that Mr Shier just outlined. In fact, to get effective coverage of the markets we are trying to get, you would not do it all from the Cox Peninsula, anyway. We do have some proposals from the existing owner of Cox Peninsula for providing some of that transmission capacity. We also have some other offshore sites which we also mix in providing that transmission capacity. We mix it up during the day to provide optimal coverage of those target areas.

**Senator MARK BISHOP**—Have the target areas changed since the government sold off the Cox Peninsula site?

**Mr Knowles**—No, the ABC's target areas remain the same as have been enunciated at the committee before. The additional funding will allow us to enhance that coverage of those regions which we wanted to cover.

**Senator MARK BISHOP**—When you say 'enhance that coverage'—

**Mr Knowles**—Putting more hours of programming, perhaps more languages and so forth.

**Senator MARK BISHOP**—Will you get back to the same level as we had when the ABC had access to that site?

**Mr Knowles**—I think that you would need more money to do that. That site was a very expensive site and also did provide some very good coverage. It was optimally designed for covering that market.

**Senator MARK BISHOP**—It was designed for that purpose.

**Mr Knowles**—Yes. However, this site is getting old and the existing provider has limitations on how much capacity they can provide to us—recognising, of course, that the current owner also has his own purposes for having that site.

**Senator MARK BISHOP**—Of course. And he is only able to lease to you surplus space?

**Mr Knowles**—Yes.

**Senator MARK BISHOP**—So you cannot advise the committee whether the government's funding decision to provide Radio Australia with up to \$9 million over the next three years has enabled Radio Australia to be restored to the position it was in prior to the closure of the Cox Peninsula back in July of 1997, can you?

**Mr Knowles**—No.

**Senator MARK BISHOP**—How far short are we still?

**Mr Knowles**—I do not think that is open to a simple answer, because you have to take into account the other implications of Radio Australia funding taking place as a result of the other budget cuts, which took place three or four years ago.

**Senator MARK BISHOP**—Is it possible to isolate those other cuts? What you said earlier was that you were having negotiations with a range of retransmission providers to get extra space. What I want to know is would you be back to 30 per cent, 40 per cent, 85 per cent of the July 1997 broadcast time?

**Mr Knowles**—What we are likely to purchase with that money is around about 15 hours of transmission time per day of additional programming hours.

**Senator MARK BISHOP**—Fifteen hours of additional programming time per day? What do you currently put out per day?

**Mr Knowles**—I do not have the exact figures.

**Senator MARK BISHOP**—Can you take it on notice?

**Ms Howard**—Yes. Sure, we can give you the breakdown.

**Senator MARK BISHOP**—Will the additional funding provided by the government allow Radio Australia to restore the diversity and breadth of programming to previous levels?

**Mr Knowles**—Without commenting on programming, which is Ms Howard's responsibility, one of the things that the money would allow us to do is provide greater access to a number of markets which, in fact, we are trying to address, including retransmission sites which actually take place in a number of the countries which we want to target. In other words, we have a local broadcaster who receives a service from us and we broadcast that program—it might be the Radio Australia news or other programming—which provides in terms of access to the communities there very much more effective coverage than short wave can do. As you will appreciate, as time has gone on and people have restored fluorescent lights, light dimmers and fax machines in their houses, short wave does not provide the same penetration into homes and large buildings as it did once in the past. As a consequence, we have to now resort to very high power levels and so forth, hence the need to resort to that. The funding package—part of our solution—is also to provide improved satellite distribution of our programming so that we can utilise those retransmission sites much more effectively in enhancing coverage.

**Senator MARK BISHOP**—Do you have anything to add to that?

**Ms Howard**—No.

**Senator MARK BISHOP**—I have some questions which I am going to put on notice that really do arise out of the comments made by Senator Ferris in the context of the discussion we had earlier. So I will not ask them. I will put them on notice. Could you give a response to those in due course? Otherwise, I wish to thank Mr Shier and all of the officers at the table for going through this rather lengthy period and thank you for your assistance this evening.

**CHAIR**—I thank the ABC for appearing. Questions on notice have to be answered by 22 December. We thank you again. We will see you next year, no doubt.

#### **Australian Broadcasting Authority**

**CHAIR**—We will call the Australian Broadcasting Authority and then Australia Post.

**Senator MARK BISHOP**—Welcome Professor Flint and colleagues. The first issue that I want to raise with you is children's television. The ACTF has expressed some concerns about the impact of the differential between the \$45,000 minimum licence fee for C classified drama and the Film Finance Corporation requirement that programs must attract a \$55,000 licence fee in order to receive funding. Is the ABA aware of the ACTF's concerns about this differential between the licence and the FFC requirements?

**Prof. Flint**—I invite Ms Wright to answer that.

**Ms Wright**—We are aware of it, but we would like to take that one on notice, if we could.

**Senator MARK BISHOP**—In that case, can you tell us whether the ABA shares the ACTF's concerns about the impact of this differential, and what action if any does the ABA believe should occur to rectify any problems arising from the differential?

**Prof. Flint**—We will take that on notice.

**Senator MARK BISHOP**—In relation to cash for comment, how many recommendations were there in the final report, Professor Flint?

**Prof. Flint**—There were a number of recommendations. The principal ones, if I recall them correctly, were in relation to our power to seek an injunction and in relation to a proposal that there be an advertising free period or power to order an advertising free period. The third one was that we have a power to request an apology from the broadcaster somewhat similar to the power we have in relation to the national broadcasters. We also referred—I do not think we recommended—to the situation in the United States in relation to a criminal offence by persons who do not reveal their sources.

**Senator MARK BISHOP**—I think you are right; they may have been the principal recommendations. But there were a whole range of other recommendations that came down from the commissioner, weren't there?

**Prof. Flint**—What recommendations? There were matters which we refer to; for example, that relating to the American legislation which makes it a criminal offence for persons on television or radio not to reveal their commercial interests in matters that they are pushing on those programs.

**Senator MARK BISHOP**—Unfortunately, I have not got a copy of the recommendations here. I might ask you these questions and could you take them on notice?

**Prof. Flint**—Certainly.

**Senator MARK BISHOP**—Can the ABA give the committee a detailed summary of each of the recommendations made by S in the cash for comment inquiry and whom the recommendation was directed to? Secondly, what action has taken place in relation to each of these recommendations and by whom? Thirdly, does the ABA regard that action as being appropriate and sufficient, and what further action does the ABA believe is necessary for it to regard the response as being appropriate and sufficient?

**Prof. Flint**—Certainly.

**Senator MARK BISHOP**—They will be placed on notice.

**Prof. Flint**—Our principal matter was within our own jurisdiction, and that was the adopting of standards. The others were not as important, we thought, as the making of standards by the authority.

**Senator MARK BISHOP**—That is right. It is coming back to me now.

**Prof. Flint**—Our view was that the act itself gave a sufficient basic remedy, but there were other matters which could be considered by government, particularly the on-air broadcast of apologies and rectifications and the power to seek injunctions.

**Senator MARK BISHOP**—I think that those four questions are best taken on notice. What I am interested in is a considered response. I think that is best done in writing.

**Prof. Flint**—Certainly.

**Senator MARK BISHOP**—Turning to you, Mr Tanner, how is the single frequency network trial progressing, or is that for Mr Gengaroli?

**Mr Gengaroli**—The single frequency network per se has been conducted on a small scale in Canberra first of all. In fact, it included the towns of Yass and Canberra. The NTL conducted tests which proved that the network itself could work and any interference between transmitters could be steered towards areas where there are no viewers, effectively. In terms of

Sydney specifically, to my knowledge single frequency network tests have not been conducted.

**Senator MARK BISHOP**—Have not been conducted?

**Mr Gengaroli**—They have not been conducted because the broadcasters have been concentrating on transmission from the main transmitting sites first. The single frequency networks that have been planned so far are basically in a smaller area single frequency network between the Manly, Mosman and Kings Cross areas. Then there is another set of single frequency networks being planned for the central coast area.

**Senator MARK BISHOP**—All right. So the trial has concluded in the Canberra-Yass area?

**Mr Gengaroli**—Satisfactorily.

**Senator MARK BISHOP**—Satisfactorily. It is still progressing in the suburbs that are identified in Sydney?

**Mr Gengaroli**—Yes.

**Senator MARK BISHOP**—And you have plans for a future trial in the central coast area; is that correct?

**Mr Gengaroli**—The channels have been planned for the central coast area at three transmitting sites within a few kilometres of each other. The transmitting sites that are very crucial to the central coast area are, namely, the Bouddi, Gosford and Wyong areas. So channels have been planned there. The broadcasters will implement the single frequency network. We have no reason to doubt that it will work, because single frequency networks have been planned exactly for that kind of area.

**Senator MARK BISHOP**—When will that trial occur?

**Mr Tanner**—Perhaps I should make it clear that, to the extent the trials were intended to assist the ABA to minimise spectrum requirements for digital conversion, that process is now complete and the ABA has now made translator channel allotments for Sydney and central coast. So we have actually reaped the benefits of fully exploiting single frequency network technology.

**Senator MARK BISHOP**—I see.

**Mr Tanner**—The purposes of the trials is to ensure that these things are implemented from now on.

**Senator MARK BISHOP**—When is that last trial scheduled to begin in the central coast area?

**Mr Gengaroli**—The central coast area actually will begin as a transmission situation, if you like, when the broadcasters actually start testing. So it is not a specific trial as such, because we know that they will work. The situation there is closer in distance than the Canberra-Yass situation so there is no reason for them not to work.

**Senator MARK BISHOP**—When do you expect to make the results of the Canberra-Yass trial and the others available?

**Mr Gengaroli**—They have been available, actually, for quite some time. When you say ‘available’, sorry, available to whom?



**Senator MARK BISHOP**—Publicly available.

**Mr Tanner**—I do not believe that they are secret. I believe they have been made available within the ABA's open consultative technical process. So if someone else were interested in them, I do not believe that they are secret or anything.

**Senator MARK BISHOP**—Okay. Your press release on 23 June indicated that 'ongoing technical issues were still under consideration'. Have those issues now been resolved?

**Mr Tanner**—You might have to remind us which press release that was.

**Senator MARK BISHOP**—Press release NR28-2000, 23 June 2000, 'Heavy use of single frequency networks for digital TV' and on the second page at paragraph 6 you go on to say, 'Ongoing technical issues are still under consideration within the digital channel planning activities of the ABC in consultation with the members of the digital channel planning consultative group'. My question is: have those issues now been resolved and, if not, what outstanding technical issues remain to be considered?

**Mr Tanner**—They have been resolved to the extent needed to complete the digital channel plans for translator channels in Sydney and the surrounding areas.

**Senator MARK BISHOP**—Okay.

**Mr Tanner**—So to that extent, that is finished.

**Senator MARK BISHOP**—Are there any outstanding technical issues remaining to be considered?

**Mr Tanner**—I understand from what you are saying, Fred, that the sort of trials that will go on from now on are, in fact, implementation—

**Senator MARK BISHOP**—Yes.

**Mr Tanner**—of what has already been designed rather than trials into the feasibility of single frequency networks.

**Senator MARK BISHOP**—No. I am not trying to trick you here, Mr Tanner. I just have a copy of the press release and you have done the trial and you said that there were some technical issues that needed further consideration towards the end of June. I am really just asking: the issues that were referred to in the press release, they are resolved and off the plate now?

**Mr Gengaroli**—Yes, yes, from a planning perspective, we have no problems in terms of having identified channels. Some of the technical issues that the actual single frequency consultative group might be considering are perhaps if there are ways to extend the amount of data throughput through a television channel—how many megabits per second they can push through a television channel to try to improve on that, because the digital television standard allows you to place certain trade-offs. So you might be able to adjust the data throughput of your channel to optimise that effectively. These are the things that broadcasters are actually exploring right now.

**Senator MARK BISHOP**—So in that context, is the digital channel planning process progressing satisfactorily?

**Mr Gengaroli**—Yes, I believe it is, very satisfactorily, yes.

**Senator MARK BISHOP**—Very satisfactorily.

**Mr Gengaroli**—It is not easy—I will not say that it is the easiest process in the world; it is a difficult one.

**Senator MARK BISHOP**—Why is it difficult?

**Mr Gengaroli**—Because basically it is a migration from one technology to another. So you are not planning from a greenfield situation. You actually have other channels to contend with and you have to work around those channels. So it is not an easy process but the cooperation of the industry and government and the ABA has really made that happen.

**Senator MARK BISHOP**—Okay.

**Mr Tanner**—It is on track.

**Senator MARK BISHOP**—Thank you, Mr Tanner. When do you anticipate all the plans for the metropolitan areas will be finalised?

**Mr Gengaroli**—They will be finalised by the end of this year. In fact, we just have the variations to the first channel plans now. They are being finalised now and they are the ones that Mr Tanner referred to before—the ones that include the translator channels following the SFN work, the single frequency network.

**Senator MARK BISHOP**—In relation to the single frequency network review, how are the findings of that review being implemented in the ABA's digital channel planning processes?

**Mr Tanner**—Basically, this is what we are now finalising. The first round of the metropolitan area digital channel plans was to determine the main stations only. You might recall that at the time the ABA decided to hold back on a decision on the infield translator needs for digital on the grounds that it wanted to look further at single frequency networks to make sure that we could fully exploit that technology and minimise the requirements for infield translators.

That single frequency network review took the best part of a year. It was very time consuming but, as a result of that, we were able to reduce the amount of spectrum that we believed was needed in a number of areas. Those are the variations which Mr Gengaroli is referring to as now being finalised. We are finalising those metropolitan area by metropolitan area.

What we are doing is that we are going back over those metro digital channel plans and we are adding in the infield translator capacity that we deem necessary as informed by our single frequency network research.

**Senator MARK BISHOP**—So you are maximally exploiting the spectrum by implementing the single frequency network?

**Mr Tanner**—We are maximally exploiting it consistent with the requirements of the digital conversion legislation, yes. We are delivering all that we are required to deliver for this but with minimum spectrum.

**Senator MARK BISHOP**—If higher tasks had been imposed upon you in the legislation, would there have been surplus spectrum to be used?

**Mr Tanner**—The amount of spectrum you need depends entirely on the task. The legislation requires that we achieve same coverage and that we achieve same coverage with the capacity to move to high definition television. That, if you like, sets the parameters, and

the spectrum productivity flows from that. Had you set a lower hurdle, we would have found more channels. Had you, the parliament, set a higher level, we would have found fewer.

**Senator MARK BISHOP**—Right, understood. Turning to the spectrum clearance issue, what progress has the ABA made in its ongoing spectrum clearance for datacasting services and digital television?

**Mr Tanner**—The digital channel plans that have been made to date and that are being varied are making a minimum of two datacasting channels available in each of the areas where we have completed digital channel plans.

**Senator MARK BISHOP**—Have you found any deficiencies in your existing channel clearance powers, during your planning of channels for digital TV and datacasting services?

**Mr Tanner**—The ABA has actively participated in the current departmental review of the adequacy of its powers. It has made a number of points. It has pointed out powers and abilities that it does have. It has pointed out some other areas, without actively lobbying for different powers.

**Senator MARK BISHOP**—Have you identified any deficiencies in your powers?

**Mr Tanner**—We have made a public submission. I believe it is on the department's web site, or soon will be.

**Senator MARK BISHOP**—How many submissions were received by the ABA in that review process?

**Mr Tanner**—You are talking about the single frequency network review process?

**Senator MARK BISHOP**—No, in your review of the spectrum clearance powers.

**Mr Stevens**—That is a departmental review.

**Senator MARK BISHOP**—How many submissions were received, Mr Stevens?

**Mr Stevens**—I am just seeing if I have the figure here. We issued an issues paper as the basis of consultation, but I do not actually have any figure on the number of submissions. I will have to take that on notice.

**Senator MARK BISHOP**—Okay, then. Can you advise us of the main issues raised in those submissions?

**Mr Stevens**—Again, I would have to take that on notice. I do not have that here.

**Senator MARK BISHOP**—You have not yet reached any conclusions on the issues under that review, have you?

**Mr Stevens**—No. It is still under consideration.

**Senator MARK BISHOP**—When will it be finalised?

**Mr Stevens**—The date for submissions has just closed, so it could take a couple of months before we can finalise the review.

**Senator MARK BISHOP**—There have been a number of press reports lately to the effect that set top boxes and digital TV sets are presently not available in Australia, and it has also been reported that there was little prospect of a single piece of consumer equipment being on the market in Australia before June. That has now blown out to January. The source of that is

the *Sydney Morning Herald* of 19 October. Does the ABA have any comment on those reports?

**Prof. Flint**—I think this might be a matter that the department might wish to respond to.

**Mr Stevens**—I refer you to the press release by the networks, which does not have a date on it, in which they indicate that they are jointly calling for expressions of interest to ensure the supply of digital free-to-air set top boxes for the Australian market. This was issued, I think, in October.

**Senator MARK BISHOP**—I do not have a copy of that press release.

**Mr Stevens**—We can supply that.

**Senator MARK BISHOP**—I am sure you can; but that is not the issue. You do confirm that presently there is no availability of set top boxes from January of this year, don't you?

**Mr Stevens**—That is what that announcement was all about—to try to ensure supply.

**Senator MARK BISHOP**—So there is no current supply in the market, is there?

**Senator Alston**—It would be premature to have anything available prior to 1 January. But the clear intent of the networks, as evidenced by their press release, is that they will have some boxes in the marketplace in January.

**Senator MARK BISHOP**—Can you guarantee that?

**Senator Alston**—In the sense that we are not a party to the contract we cannot guarantee it, but we do not have any reason to doubt that if the networks and the equipment manufacturers reach an agreement, barring the usual commercial risks, they will deliver on that commitment.

**Senator MARK BISHOP**—I am sure that if the networks and the manufacturers come to an agreement that the set top boxes will be available on 1 January, they will be available on 1 January. That is not the question. The issue only hit the public arena in late October. Your press release, I think, is also dated late October. So the specifications of the product are to be sent offshore and the costings are to be done, and then the manufacturing, the importation and the wholesaling/retailing processes are to be engaged in. I would be amazed if they are up and running on 1 January.

**Senator Alston**—They are obviously doing their best. I am not saying that they—

**Senator MARK BISHOP**—I am not suggesting they are not. I am just saying that it is a huge ask to have them out in the shops on 1 January.

**Mr Stevens**—I can only say that the request for expressions of interest did refer to delivery in January.

**Senator MARK BISHOP**—It did refer to delivery in January?

**Mr Stevens**—The expression of interest released by the commercial networks did refer to delivery in January, yes.

**Senator MARK BISHOP**—When was the close date for the expressions of interest?

**Mr Stevens**—It was 23 October.

**Senator MARK BISHOP**—Do you have any advice on how many expressions of interest—

**Mr Stevens**—That is a matter for the networks.

**Senator MARK BISHOP**—Have you made any inquiries of the networks?

**Mr Stevens**—Sure; we are in constant contact—but, again, it is a commercial matter between the networks and the suppliers.

**Senator MARK BISHOP**—But that decision of the networks to seek expressions of interest arises out of a meeting convened by Senator Alston, does it not?

**Senator Alston**—There has been a series of meetings, discussions and phone calls and constant contact with all the relevant parties.

**Senator MARK BISHOP**—It is good that you are consulting with industry. I am pleased to hear it. But you convened the meeting to address this particular issue, did you not?

**Senator Alston**—I have been involved in one or two meetings, but there have been a lot of meetings happening at various levels, and all the networks are seized with the urgency of the matter, and we therefore have confidence that they will have set top boxes available in the marketplace in January.

**Senator MARK BISHOP**—Have they made that undertaking to you?

**Senator Alston**—They have all expressed confidence to me that there will be boxes in the marketplace in January.

**Senator MARK BISHOP**—What sort of take-up do they anticipate?

**Senator Alston**—It is a matter for the market, is it not?

**Senator MARK BISHOP**—What is the cost involved in this project?

**Senator Alston**—I do not know what they expect the set top boxes to retail at, but I would hope somewhere between \$500 and \$600.

**Senator MARK BISHOP**—In fact, there was a report by Ms Anne Davies in the *Sydney Morning Herald* on Thursday, 19 October. It alleges—and you can deny it—that you, Senator Alston, were so alarmed that you called a high-level meeting in Sydney of all the network heads: Mr Stokes, Mr Packer, Mr McAlpine, Mr Shier and Mr Milan. Is that press report correct?

**Senator Alston**—There have been a number of meetings, and there was one meeting along those lines, yes.

**Senator MARK BISHOP**—Is Ms Davies' report that you convened that meeting of the network heads in Sydney correct?

**Senator Alston**—Yes, that is correct.

**Senator MARK BISHOP**—And you reminded them that they had free spectrum worth several billions of dollars?

**Senator Alston**—I do not accept the general validity of that proposition—that somehow this is free spectrum for which they should be paying money.

**Senator MARK BISHOP**—I did not say they should be.

**Senator Alston**—Well, I am just saying. But it is no more valid here than it is in the US, where all the free-to-air networks were given spectrum on the same basis, and that includes

the Fox Network. Similarly in the UK, all of the networks there have been given spectrum for simulcast purposes.

**Senator MARK BISHOP**—I am not seeking to revisit the spectrum allocation process; we have had that discussion in a number of forums. I am just trying to confirm the accuracy of Ms Davies' report that you convened a meeting and you reminded all of those senior individuals of the grant of the spectrum and that it was timed to get this issue of the set top boxes resolved.

**Senator Alston**—It is fair to say that everyone has got a keen interest in ensuring that people are able to take advantage of digital broadcasting when it commences on 1 January. So obviously the networks are prepared to play their part and we want to ensure that they are as close to a start-up date as possible. In a number of respects, they are themselves hostage to equipment manufacturers. They cannot just conjure these things up out of the air. You find in other jurisdictions like the US and the UK that there are always ongoing negotiations, toing and froing with equipment manufacturers. There are all sorts of arcane debates about standards and what the equipment is going to be capable of doing. Understandably, these things do take time. We were simply wanting to ensure that the issues were addressed as quickly as possible, given that there was inevitably going to be a lead time. That is, I think, what led them to put out the expressions of interest and to conduct negotiations with a number of set top box manufacturers.

**Senator MARK BISHOP**—If you had not been seized in the urgency of the moment to get the set top boxes into this country early next year when the new process starts, what would have happened? That is praise to your arm!

**Senator Alston**—It may well have not made any significant difference. But we did not want to sit back and hope: we wanted to—still want to—do our best to ensure that everything remains on track.

**Senator MARK BISHOP**—There is a lot of discussion on the pricing of these products. Professor Flint, does the ABA have any concerns that take-up rates might be adversely affected as a result of the price?

**Prof. Flint**—I think it is typical when you introduce new technology that the price is always high at the beginning. The same occurred with colour television and television itself. As the market takes up, the price comes down. I myself see no reason why that should not be followed here.

**Senator MARK BISHOP**—Have you done any studies?

**Prof. Flint**—No, I have not.

**Senator MARK BISHOP**—Has the agency done any studies?

**Mr Tanner**—The department, I think, has taken a more active interest to date than us. We have concentrated very much on the planning of the spectrum. It is not that we are uninterested; we are very interested. But at the moment we have no studies going.

**Senator MARK BISHOP**—Has the department done any studies?

**Mr Stevens**—Studies on what?

**Senator MARK BISHOP**—On the likely retail prices of these products when they are introduced into the market?

**Mr Stevens**—We have had a range of possibilities mentioned to us over a period of time. The minister mentioned a figure earlier, which we would not disagree with, obviously.

**Senator MARK BISHOP**—Have you had any other figures suggested to you in more recent times?

**Mr Stevens**—That is a pretty recent figure, I think.

**Senator Alston**—When we made the announcement back in December last year I think we were then talking in terms of \$500 or thereabouts. But again at the end of the day the best price you can get is the one you negotiate with the different manufacturers, not the one that you would like to have in the marketplace. As Professor Flint rightly says, the whole history of consumer electronics is that prices come down quite significantly over time. There is no doubt that equipment is price sensitive. There may well be tipping points. In other words, you can perhaps even indicate a level below which you would not expect a great deal of consumer resistance. But it is very much a trial and error thing. You just cannot look ahead to the Australian market and say, ‘Well, you sell a set for \$700 and there will not be much take-up. You sell it for \$500, and they will be knocking down the doors.’ It depends on a whole range of factors: what is on offer, whether enough people have concerns about the quality of the current analog signals, for example; and the extent to which they are pay TV subscribers may well be a reason why there may not be a level of interest. But just looking, as I have, fairly closely at the UK experience, there are a large number of factors there. They had a pretty slow take-up until the pay television operators started effectively giving away set top boxes.

**Senator MARK BISHOP**—That is right. And when they gave them away, they charged differently—the rate went through the roof.

**Senator Alston**—It still has not gone through the roof. To date the take-up for digital terrestrial is about 836,000, as at October. You have got 5.1 million on satellite. Overwhelmingly, satellite is the preferred model. It has been in the marketplace a lot longer, but cable is not far behind terrestrial. So all I am saying is that it took some 12 months before Sky on satellite and digital on terrestrial both got into a bit of a price war and started bundling set top boxes. If you took out a 12-month subscription—\$199—you got the set top box for nothing. And that certainly stimulated activity.

**Senator MARK BISHOP**—But all of that is in the pay TV area, is it not?

**Senator Alston**—Yes. There has not been a great deal of take-up on the free to air side in the UK.

**Senator MARK BISHOP**—That is what this discussion is about.

**Senator Alston**—They are very different models.

**Senator MARK BISHOP**—They are. The point I am making is that the take-up rates in the UK in the pay TV industry may have some relevance to the take-up rates of set top boxes and the number of consumers in the pay TV industry in this country. But it is significantly lower than it is in the UK. What I am more interested in is the likely take-up rate for those in the non-pay TV area. Has the department any advice to offer on that?

**Senator Alston**—You do not have any precedents, really.

**Mr Stevens**—We have done no modelling; no.

**Senator MARK BISHOP**—So there is no modelling and no precedents?

**Mr Stevens**—I do not know how we can model it. It is very hard to model it.

**Senator Alston**—We can go out and ask a potential consumer, ‘Are you interested?’ They will probably say, ‘Why?’ ‘Do they know what they are going to get?’ ‘No.’ ‘How much would you be prepared to pay for it?’ If I were—

**Senator MARK BISHOP**—Marketing firms do that for clients all the time.

**Senator Alston**—I know. It is probably not worth the paper it is written on.

**Senator MARK BISHOP**—It may or may not be. But what we are trying to find out is what the likely take-up rate is.

**Senator Alston**—It does not really matter. You have got a new regime coming into force. You will have set top boxes in the marketplace. It will depend obviously to a considerable extent as to what is on offer. We will then see how it develops. But the history in other places is that these things go in fits and starts. There are new initiatives that come along. It does not really make sense for the government to try to control the roll-out. What you have got to do is ensure as much as you can that there are not any unnecessary impediments.

**Senator MARK BISHOP**—I am not suggesting that you should control the roll-out. But the government has certainly, through the agency of yourself, organised the roll-out. You are the one that convened the meeting—

**Senator Alston**—Yes. Well—

**Senator MARK BISHOP**—and whipped the boys into line, so to speak.

**Senator Alston**—What we have done with the legislation is to require a start-up on 1 January. So it is only natural that we would want to ensure that people can take advantage of that.

**Senator MARK BISHOP**—Professor Flint, this is probably an issue for you. Could you supply to the committee copies of all reports commissioned or received by the ABA on the impact of digital TV on the picture quality of analog receivers and other equipment, particularly VCRs? Do you have any knowledge of such reports?

**Prof. Flint**—It is a matter in which we are interested. There would be a paper that we could provide.

**Senator MARK BISHOP**—Could you do that?

**Prof. Flint**—Certainly.

**Senator MARK BISHOP**—When was this problem first brought to the ABA’s or the government’s attention, and by whom?

**Prof. Flint**—We have always been concerned about that potential.

**Senator MARK BISHOP**—When you say you have always been concerned about that potential—

**Prof. Flint**—I will hand this over to my colleagues, but the whole practice of planning obviously involves planning in such a way that there is a minimum of interference with other broadcasting and with other appliances; and you have to determine what is legitimate and what is not—what is acceptable and what is not.



**Senator MARK BISHOP**—So the ABA and the government have always been aware that the picture quality of analog receivers through VCR was always going to be a problem: is that what you are telling me?

**Mr Tanner**—No.

**Senator MARK BISHOP**—I was asking that to Professor Flint, sorry. I thought Professor Flint was saying that.

**Prof. Flint**—Obviously when you are planning channels you have to do it in such a way that you do not create problems which are unacceptable. Some forms of transmission are going to create technical problems, for example, in relation to fortuitous reception. That has always happened with any form of planning, and that is something which the engineers have to look at and advise the ABA on to achieve solutions which are acceptable.

**Senator MARK BISHOP**—You say you have always been aware of it, Professor Flint. I am surprised about that, but I accept your information. Can you advise me when you were first seized by awareness of this problem?

**Prof. Flint**—Conceptually, this is always a possibility.

**Senator MARK BISHOP**—Okay. When were you seized of the practicality of the problem? Something like 60 per cent of homes have their TV programmed through a VCR. We had no mention of that discussion in any of the bills that are relevant to that this year. When were you seized of the practicality of that problem?

**Prof. Flint**—The fact is of course that a VCR is tuned to certain channels and you have to take that into account. May I hand this over to my adviser?

**Senator MARK BISHOP**—I think you should.

**Mr Tanner**—You might recall that at previous committee meetings we have talked about the issue of medical telemetry services. That and VCRs are both examples of the kinds of secondary users of the broadcasting bands issues that have to be managed when you turn on new broadcasting service transmitters. Now, there are several categories of problem of which the VCR issue, which has got a bit of media coverage recently, is only one. They are all known. They have been well known throughout the planning process by the engineers; and, like for hospital telemetry services, the ABA and, where appropriate, the ACA have been working to manage and minimise those.

To give you an example on the VCR issue, the ABA is represented inside Standards Australia. One issue which minimises impact of interference on VCRs is to increase the UHF tuning range. There has been work going on inside Standards Australia to try to make sure VCRs tune to a wider range of frequencies, which facilitates fixing of any problems when a new UHF service comes on, going on for a couple of years now. Similarly, for well over a year the ABA has been trying to work up, and sign off on, a consistent set of minimum principles for managing the commencement of new digital transmissions so as to protect analog reception; because the protection of analog reception is absolutely paramount in this process. I guess this is the context in which the ABA has been looking into the scale of problems.

It is not an issue that the ABA has not been aware of these various issues. The fact is that whenever you turn on a broadcasting transmitter—never mind about digital; this has always been true—the unknowable implications of turning on that transmitter, the disruption it might

cause, has to be managed. It has to be managed by the broadcaster and it has to be managed in a satisfactory way, or you turn the transmitter straight back off again, because existing services are paramount. While that is the broadcaster's role, it is the ABA's role to ensure that that is managed to a high, consistent standard; and that is what the ABA has been endeavouring to do over the last year and a half for the development of codes of principle for managing interference. If I can just put that VCR issue in context, the interference to VCRs is just one of a number of those management issues which are being confronted, and have been confronted, throughout this change process and will continue to be confronted throughout the period of digitalisation. It is a furphy that there is some problem going to start on 1 January. We have been managing this for the last 12 months.

**Senator MARK BISHOP**—So there will not be a problem on 1 January?

**Mr Tanner**—I think that is a furphy.

**Senator MARK BISHOP**—What is a furphy? There will be a problem on 1 January, or there will not be a problem on 1 January?

**Mr Tanner**—I should say that I read an article in the paper this morning with the suggestion that 1 January is some sort of problem. The channels that are most likely to cause interference to numbers of VCRs that will then have to be managed have been turned on over the period of the last six to eight months, and those problems have been managed in some areas already. So it is an ongoing process. VCRs are just one more issue that has to be managed when you turn on your receivers—much like hospital telemetry.

**Senator MARK BISHOP**—For the sake of argument, I am prepared to accept that VCRs are just one issue. If you do the comparison with the hospital telemetry equipment, that was a relatively confined or discrete issue when we had those discussions. In terms of the VCRs, we are talking about possibly millions of receiving sites in homes all around Australia where the analog is programmed through the VCR. With the conversion over to digital on 1 January, are you telling me, Mr Tanner, that reception through those VCRs is going to be unaffected and unimpeded and there will not be any problems at all?

**Mr Tanner**—No; but nor am I suggesting that millions of people face a problem on any particular date. I think perhaps a good example—

**Senator MARK BISHOP**—Do you accept there are probably millions of TVs in Australia tuned through the VCR?

**Mr Tanner**—That is quite possible.

**Senator MARK BISHOP**—Why do you say that in the conversion over from analog to digital you do not think there will be a problem in terms of reception?

**Mr Tanner**—When you turn on a UHF channel, such as recently happened, say, at Latrobe, where we have turned on a new analog channel 37 service, you have to consider that channel 37 is a channel which is frequently the default setting of VCRs. The way that was managed in Latrobe by the broadcasters concerned—the digital service and the local regional service that was retuning—was that information was put out in advance to warn people that if they experienced any kind of deterioration of picture a likely cause was this and, if they were concerned, they were to then telephone a hotline. Out of something like 58,000 dwellings I understand that, as the first test of that channel went on—and we are talking here about switching it on for an hour or so at a low power, seeing what happens and fixing any problems that emerge—in the course of a series of tests in which the power was increased, a substantial

number but a tiny fraction of that population ended up using the hotline. Most of those people were able to fix the problem by simply being given instructions. A small number of people had to be directly assisted by the broadcasters, and they were.

What happened at Latrobe is in fact an example of this VCR story. It is an example of a broadcaster turning on a transmitter that uses a frequency that is shared by a number of VCRs. It is a good example, because my understanding is that analogue to VCR interference is somewhat more pernicious and more noticeable at low powers than digital. So Latrobe is probably a fairly good example of what the problem looks like on the ground. As you can see, it calls for a whole management strategy. The ABA and the government are working very actively with industry to ensure that high, consistent standards of management are adopted for these, along with all other potential sources of disruption; but I think Latrobe is a case in point of how the industry knows its job of turning on new transmitters and managing the community implications—with the paramount principle being that you do not mess around with people's analog reception.

**Senator MARK BISHOP**—No. You said that there were 58,000 dwelling units in the Latrobe area, a hotline was established and there was a low fraction of the dwelling units occupants who had a problem. How many people did access the hotline with a problem with their TV sets there?

**Mr Tanner**—I understand that over the time of the first few weeks when this issue was being disclosed by tests, the figure was something like 2,000; but I might check that if you do not mind. It was 2,000 calls, but the great majority of those were one call with the problem quickly addressed and the problem solved. Obviously there is a range of problems and there is also a range of levels of skill at the end of the phone, and there is no one right way to solve these problems, nor is it at all certain that the problem is actually caused by the digital interference. Whenever you advertise that there is a source of interference, of course you get people telephoning for all kinds of reasons. I mean, why should people know what is causing it?

**Senator MARK BISHOP**—If you have 2,000 out of 58,000 dwelling units—

**Mr Tanner**—Well, not me. It is the broadcasters. Like I say, I am merely repeating what I have been told by the broadcasters.

**Senator MARK BISHOP**—I thank you for sharing that information. What that suggests to me is that as we convert over on 1 January there will be some low hundreds of thousands of people who will have problems.

**Mr Tanner**—But that is presupposing that a lot of transmitters are going to turn on in UHF in VCR-affecting areas on 1 January; and that is not going to occur.

**Senator MARK BISHOP**—Why do you say that?

**Mr Tanner**—On 1 January, the metropolitan area high power transmitters are going to go on. Almost all of those are VHF. Almost all of those have been tested and have been in use over the last few months. So any problems they cause have been managed. There are a small number of UHFs going on, too. Testing of those will be well advanced or complete. It is not usual to turn on transmitters in such a way that it causes mass disruption. The purpose of testing is to feel out the scope of the problem and fix it in a way which is measured, manageable and minimises disruption. I guess that is why I was concerned of this idea about 1 January taking off.

**Senator MARK BISHOP**—We are clearly not technical experts in this area and, to some extent, we are reacting to the series of press articles that have highlighted this issue and have perhaps unjustly led us to the conclusion in our private discussions that potentially hundreds of thousands of homes that are tuned in through VCRs might have significant problems on the conversion date. What I am hearing from you, Mr Tanner, is essentially a direct rebuttal of that fear.

**Mr Tanner**—I think it is fair to say that if any transmitter were turned on and it caused problems on that scale it would be turned off again. That is what happens in the ‘suck it and see’ world of broadcasting service implementation.

**Senator MARK BISHOP**—Mr Tanner, do you have any idea of the maximum extent of any interference and what proportion of consumers are likely to be affected in this way around Australia?

**Mr Tanner**—The ABA has no accurate figures—nor does any agency or broadcaster—on what any given transmitter is going to do, because we simply do not know who has what equipment, what channels their television aerial is pointed towards and what services they enjoy. We are always dealing in generalities and risks. For that reason the ABA sees it as its business to look at consistent common standards for management for contingencies, rather than to imagine that we are able to accurately predict all problems. If we could accurately predict exactly where problems will occur it would be possible to address them in advance, and that is not possible.

**Senator MARK BISHOP**—Mr Stevens, you have been paying attention to this discussion. Is the department as comfortable as the agency in respect of the comments made by Mr Tanner in respect of this VCR issue?

**Mr Stevens**—The ABA is our technical adviser on this issue. We certainly understand that there will be some retuning involved in some areas and on a progressive basis.

**Senator MARK BISHOP**—You understand that there will be some retuning involved in some areas and—

**Mr Stevens**—Our understanding is that the only area that will be affected on 1 January is in Brisbane. There will be retuning of VCRs required, which is what Mr Tanner was talking about.

**Senator MARK BISHOP**—Before I come to that retuning issue, is the ABA aware of digital TV interfering with any other electrical systems, such as PA systems?

**Mr Tanner**—UHF transmissions, not just digital, have the potential to interfere with some ancillary devices that are attached to televisions by, for example, an RF lead. VCRs are the most obvious example of that, but you can potentially have some interferences if you are running other ancillary devices. As I say, though, VCRs by a long margin are the things that need the most careful management and information.

**Senator MARK BISHOP**—What arrangements have the government and the ABA put in place to advise consumers of these problems?

**Mr Tanner**—Perhaps this is a question I should answer with the department, because various parts of government have different pieces of the jigsaw puzzle. The ABA for its part is moving to implement mandatory minimum standards for the management of the turning on of transmitters. Up until now, on an ad hoc basis we have been very fierce negotiators on behalf

of the viewers' interests. Latrobe is an example of that. We approved the technical changes only when we and the regional broadcaster whose business was affected were satisfied that the start-up of the changed services was being adequately managed.

We are currently in the process of finalising mandatory rules which would set basic minimum standards for each broadcaster to fix any problem that it causes. But I should say that the ABA has a very strong preference not for a broadcaster by broadcaster management of their own problems but for industry to inform the public with one voice. For that reason we have been working with the department closely in giving whatever assistance we can to an industry-wide, single information service to deal with new service start-up problems. It is an initiative we very strongly support. We will help to the extent of our ability and our information.

**Senator MARK BISHOP**—That leaves it to you, Mr Stevens, to outline to us where the government is going as part of this issue.

**Senator Alston**—The current situation is that we expect the networks to jointly conduct a public education campaign via a call centre, a leaflet, and other printed information, but it is certainly intended to establish a hotline to try to anticipate any of the problems and to talk people through in the way Mr Tanner has described.

**Senator MARK BISHOP**—So you anticipate the industry establishing a hotline and printed material. How will that printed material be distributed?

**Senator Alston**—I think via the usual mail network.

**Senator MARK BISHOP**—Will that just be in Brisbane?

**Senator Alston**—No, it will be a national campaign.

**Senator MARK BISHOP**—When do you anticipate that?

**Senator Alston**—It may be in stages.

**Mr Stevens**—It will be in stages, depending upon the introduction of new digital services. It will start in Brisbane.

**Senator MARK BISHOP**—When do you anticipate the campaign for the dissemination of information will commence?

**Mr Stevens**—We understand early December.

**Senator MARK BISHOP**—Who is paying for the cost of that campaign?

**Senator Alston**—That is a matter that is being discussed at the present time. There are obviously a number of interested parties.

**Senator MARK BISHOP**—Who are the interested parties? The networks, the government, the ABA and who else?

**Senator Alston**—The pay TV industry, as well as regional and metropolitan broadcasters.

**Senator MARK BISHOP**—Has the government decided to kick in, Senator Alston?

**Senator Alston**—We are simply having discussions at the present time. We are not in a position to nail ourselves down at this stage.

**Senator MARK BISHOP**—When do you think those discussions will be finalised?

**Senator Alston**—You can never tell in this business.

**Senator MARK BISHOP**—What is your best guess?

**Senator Alston**—I think we will have a much better sense within the next week or so.

**Senator MARK BISHOP**—Okay. Do you have any idea on the typical costs a consumer might bear if they have to get in a technician to retune their VCR in their home?

**Senator Alston**—If a consumer needed to call in a television repairman and had to pay for it—and that is a big ‘if’, because that is not necessarily the basis on which any of this will proceed—they would pay the going rate of something like \$60 or \$80 an hour, I think, but that is on a one-off basis. If you anticipated that there would be a significant number in a particular area, then you may well be able to arrange for bulk discounts. So you cannot simply consider the spot price of the contractor as the going price.

**Senator MARK BISHOP**—I should ask you who is going to organise that collective discount, but I will not. Mr Tanner, do you have any advice you can offer on the numbers of consumers who are likely to have to call in a technician to tune their VCR? We are all not as competent as you are in this area.

**Mr Tanner**—Once again, I would be drawing from what I have been told about the Latrobe situation where the problem was from an analog service turning on. I understand that of that quite large number of calls received over the weeks of the test only a very small number received direct assistance, and I should say the assistance was provided by the broadcaster. So the enormous majority apparently were able to be assisted through pamphlets, through being talked through by technically trained people to actually find a different channel to operate their VCR to the television—without any direct assistance other than just information.

**Senator MARK BISHOP**—But the costs of those people who had to get direct assistance were borne by the broadcaster in the Latrobe Valley area; is that what you are saying?

**Mr Tanner**—That is my understanding.

**Senator MARK BISHOP**—Is that part of your discussions, Senator Alston, that the cost to those people who do have to get a technician in to retune their VCR is borne by the relevant broadcaster in the area?

**Senator Alston**—That is my understanding of what occurred in that situation. Whether that can be extended to a broader canvas is obviously another issue.

**Senator MARK BISHOP**—Are you exploring that option in your negotiations?

**Senator Alston**—Obviously, we are having discussions about what is involved. I think it is a lot more complex than the Latrobe Valley experience. You have to look at both pay TV and VCRs in terms of potentially affected areas and obviously in metropolitan as well as regional. So it is a lot broader than the Latrobe Valley, and there are more players involved. I do not think you could simply use that as a basis for expecting the same outcome.

**Senator MARK BISHOP**—How many people exactly, Mr Tanner, required direct assistance in the Latrobe Valley area? Do you know?

**Mr Tanner**—I am sorry. I am at the limit to what I was told. I was told that only a very small number, but I have no idea—

**Senator Alston**—For what it is worth, the advice we have received is around five per cent.

**Senator MARK BISHOP**—Around five per cent? So of the 2,000, that was about 100 people in the Latrobe area, give or take a couple?

**Senator Alston**—I think probably five per cent of the total.

**Senator MURPHY**—No. If that is your information, it contradicts the ABA.

**Senator Alston**—Five per cent of households.

**Senator MARK BISHOP**—Five per cent of the 58,000 households?

**Senator Alston**—Yes.

**Senator MARK BISHOP**—Which would be two and a half thousand?

**Senator Alston**—Yes; you are right.

**Senator MARK BISHOP**—So if we just do some simple multiplication, that suggests around about 25,000 homes might require some direct assistance around Australia. Are they the figures you are thinking about, Senator Alston?

**Mr Stevens**—I might just perhaps clarify the figure. I have just had some advice. The five per cent was the number who rang at the call centre, not those who ultimately required a home visit.

**Senator MARK BISHOP**—That roughly confirms the figures Mr Tanner gave us.

**Mr Stevens**—So it would be a lot less obviously requiring a home visit—a lot less.

**Mr Tanner**—But the ‘small percentage’ was basically the tenor of what I was told by the broadcasters. That is hearsay, for what it is worth. They fixed the problem, so that is what they reported.

**Senator MARK BISHOP**—Let’s say a small percentage is, by guesswork, 10 per cent of that two and a half thousand. That is 250. If you multiply that across Australia, that is 25,000. You are still getting up around 20,000 or 25,000 homes around Australia that could require direct assistance, based on those figures in the Latrobe Valley, if that is an accurate sample. Are you using that sort of figure in your negotiations?

**Senator Alston**—I do not think you can simply extrapolate from any single experience, because it will only be relevant in those areas where the digital signal is going to be imposed on a channel which is already occupied, and that is not the case in a significant number of areas. It is just not possible to multiply on a pro rata basis. Having said that, you have obviously got to be making allowances for the worst case. I do not think the government is in a position—certainly we have been looking to the ABA for advice on this issue and Mr Tanner is telling you the extent of his knowledge. Beyond that, it will be a matter for the networks and others to determine when the situation arises.

**Senator MARK BISHOP**—I think we have probably gone as far as we can on this issue. The government is currently engaged in negotiations with a range of the stakeholders affected on this issue. You anticipate those negotiations to be concluded in the next week or so—and you will put out an appropriate press release at that time outlining the situation, I take it?

**Senator Alston**—What we will be doing is being driven by the need to ensure that consumers are made fully aware. Whether we do that or whether others do it, at the moment that there is a firm decision made about the start-up date for an information campaign, which all parties agree is necessary, that will certainly be in the public arena.

**Senator MARK BISHOP**—That is fine. Thank you, Minister. Subject to the chair's agreement, I am now going to hand over to Senator Murphy, who wants to raise a few issues. I should advise you, Minister, that Senator Lundy will be handling the IT questions tomorrow morning—between 8.30 and 11.30, as I understand the agreement.

**Senator Alston**—In my absence.

**Senator MARK BISHOP**—In your absence. Another minister is going to be made available. As far as I am concerned, I will need probably another hour and a half with the ABA, a similar period of time with the ACA, and possibly about 20 minutes with Australia Post some time next week—so something in the order of three or four hours to wrap up the outstanding matters. In terms of environment, the outstanding matters have all been put in writing on notice. That is just for the information of the committee.

**Senator MURPHY**—I want to ask some questions with regard to broadcasting licences—in particular, low power open narrowcast licences. They are generally used for the broadcast of tourist information, et cetera, in regional centres and throughout Australia. I am curious to know how the ABA would issue 124 licences to one person.

**Mr Tanner**—Basically, shortly after the ABA came into existence, it took the initiative of making a small part of the spectrum at the bottom of the FM band, which is not useful for higher powered services, available for tourist information services. It decided to issue transmitter licences over the counter for that spectrum. As there are no ownership and control limits on broadcasting, the ABA simply allowed queues to form and dealt with people in the order at which they came in. That was what occurred in 1993. A fair amount of water has gone under the bridge since then. Clearly, there has been a fair amount of controversy over, for example, the practice of hoarding, which is possibly where your question is leading. But I should explain that during that time, the Australian Communications Authority has actually taken over the management of that part of the spectrum because, with their highly regionalised network of branch offices, both agencies considered they were in a better position to administer the low powered open narrowcasting scheme. Basically, the reasons one person was able to get 124 licences are historical. It was basically 'first come, first served'. The transmitter licences were not very expensive and there were no limits or rules on who was entitled to own a transmitter licence or to operate under the open narrowcasting class licence.

**Senator MURPHY**—I am just curious as to why the ABA would allow and why they would not be concerned about a person, say, in New South Wales acquiring the licences for Tasmania, for instance, and subsequently seeking to lease the licence to a proposed broadcaster in Tasmania for something like 10 times or more the value per annum, linked to CPI. As you are aware, this person is in Dubbo and holds the licence for rural and regional Tasmania and has proposed to lease it to them for \$2,000 a year. What do they cost? \$53 a year? What is the ABA's view of that?

**Mr Tanner**—The ABA is not concerned at who owns them and is not concerned if they are a sufficiently profitable asset that someone is able to sell them or lease them for a profit. What would concern the ABA is if the licences are not used. What we would like to see is the broadcasting services band put to work to provide improved services.

**Senator MURPHY**—I am conscious of the time. I know the ACA has conducted a review and has proposed a 'use it or lose it' provision.



**Mr Tanner**—What I am leading to is that I believe the ABA would take the view that the wrong to be addressed here is licences that are held and offered at very high prices but are, for whatever reason, not used. I believe that is of concern to the ABA. I also understand that a great deal of work has been done by the ACA, with the ABA's assistance where appropriate, which is designed to address that.

**Senator MURPHY**—I understand that. As I understand it, a report went to the minister on 8 May. Minister, what do you intend doing about some of the issues that relate to some of these licences?

**Senator Alston**—What licences are these?

**Senator MURPHY**—The low power open narrowcast—if you like, the tourism band broadcast licences.

**Senator Alston**—I cannot remember, off hand.

**Senator MURPHY**—You got a report about it. I know that you get a lot of reports and you have to consider a lot of things and that this is probably not all that important to you; but it is of some interest to people in Tasmania who are curious as to why the person in Dubbo has the licence and is trying to lease it to them for a significant amount of money.

**Mr Tanner**—Could I suggest that I am attempting to answer on behalf of the ACA, which I think is well able to answer your question when it comes on.

**Senator MURPHY**—That is fine. I will also just quickly ask you about an FM radio proponent who has applied for a licence. They have been advised by you that they will be receiving a test frequency. Does that mean they will get a temporary broadcasting licence? I have tried to ascertain a lot of these things by contacting the ABA and finding these things out as best I can, but some of them I have not been able to find out.

**Mr Tanner**—I am sorry? Could you repeat who has received the test frequency?

**Senator MURPHY**—As I understand it, what the proponents of the Tamar FM station have been told is that if all things go well they should be receiving a test frequency.

**Mr Tanner**—The group is called Tamar FM?

**Senator MURPHY**—Yes.

**Mr Tanner**—I think I would have to take that question on notice.

**Senator MURPHY**—That is fine. I refer to the area 13 planning program, which includes Tasmania, and the issue of community broadcasting licences. Have any frequencies been allocated in those areas yet?

**Mr Tanner**—No, not yet. The ABA has, however, commenced the preparation of licence area plans. It has done that by a call for submissions and it is currently at the stage of analysing those submissions. In the course of the next calendar year the ABA will release draft licence area plans for comment, which gives the people who would like new services or whatever they would like—improved reception—the opportunity to comment on what we are proposing to do with the available spectrum. We are hopeful of finalising all those radio licence area plans, including the Tasmanian one—that group of plans—in the course of the next calendar year.

**Senator MURPHY**—In the course of the next calendar year: by the middle of the year, or in the course of the whole year?

**Mr Tanner**—I would have to take that question on notice, because I do not have the breakdown of when we would be expecting to roll that out, but I suspect it would be finalised in the second half. The next and essential step is the release for comment of a draft, because a great many changes and negotiations go on between the draft and the final. The draft is where the ABA analyses demand and is able to come back and report on the extent to which it believes it can find a supply to meet the demand. It is really, very hard to skip that stage, as a great deal of extremely valuable work gets done once the aspirants can see what the situation is in terms of spectrum supply.

**Senator MURPHY**—Thank you for that. Minister, I go back to the ACA question relating to the low powered open narrowcast service licences. Can I get a response to that? I understand that you have received a report on it. As I said, it would be of some interest to people as to exactly what you might intend to do about it.

**Senator Alston**—I will come back to you on that. I am happy to refresh my memory on it.

**Senator MURPHY**—Thank you.

**CHAIR**—I now adjourn this hearing. The committee will reconvene tomorrow to deal with the department and NOIE. I understand there is a possibility of a further session being conducted at a later date to deal with some of the other programs which have not been covered as yet. I thank the minister and the officers from the Communications, Information Technology and the Arts portfolio for their attendance, and Hansard and Sound and Vision for their services, and the committee secretariat for their services also. Thank you all.

**Committee adjourned at 11.02 p.m.**