



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ENVIRONMENT, COMMUNICATION, INFORMATION  
TECHNOLOGY AND THE ARTS LEGISLATION

**Consideration of Budget Estimates**

THURSDAY, 7 JUNE 2001

CANBERRA

BY AUTHORITY OF THE SENATE



**SENATE**

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

**Thursday, 7 June 2001**

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

**Senators in attendance:** Senators Bishop, Calvert, George Campbell, Chapman, Collins, Eggleston, Faulkner, Ferris, Mackay, Newman, Schacht, Tchen and Tierney

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

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

Consideration resumed from 6 June 2001.

**In Attendance**

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

**Communications, Information Technology and the Arts Portfolio**

Dr Ian Watt, Portfolio Secretary

Mr Arthur Blewitt, Chief General Manager, Corporate and Coordination

Ms Jennifer Gale, Chief Finance Officer

Mr Colin Roberts, Manager, Information Systems and Services

**Communications**

**Special Broadcasting Service**

Mr Nigel Milan, Managing Director

**Australia Post**

Mr Gerry Ryan, Corporate Secretary

Mr David Barker, Group Manager, Human Resources

Mr Gary Lee, Group Manager, Letters

**Australian Broadcasting Authority**

Professor David Flint, Chairman

Mr Giles Tanner, General Manager

Ms Andree Wright, Director Policy and Content Regulation

**Australian Communications Authority**

Mr Tony Shaw, Chairman

Dr Bob Horton, Deputy Chairman

Ms Roslyn Kelleher, Senior Executive Manager, Telecommunications

Mr John Grant, Executive Manager, Spectrum Marketing

Mr Daren Hooper, Manager, Finance

**Telstra**

Mr John Stanhope, Director, Finance & Administration

Ms Deena Shiff, Director, Regulatory

Mr Mark Hatton, Executive GM, Business Integrated Solutions

Mr Darian Stirzaker, Director, Inbound Sales

Mr Paul Granville, Senior Manager Networks

**Australian Broadcasting Corporation**

Mr Jonathan Shier, Managing Director

Mr Russell Balding, Director of Funding, Finance & Support Services

Mr Colin Knowles, Director of Technology & Distribution

Ms Sue Howard, Director of Radio

Mr Michael Ward, Head of Policy and Administration (Television)

Ms Robyn Watts, Director of Content Rights Management

**Outcome 2—Competitive and effective communications and information technology industries and services**

**Outcome 2.1—Telecommunications, broadcasting and intellectual property**

Mr Simon Bryant, GM, Regional Communications Policy

Dr David Williamson, GM, Networking the Nation

Fay Holthuyzen, Exec Director Communications

Ms Kim Ulrick, Assistant Manager, Corporate Communications

Ms Susan Leach, Manager, Media and Public Affairs

**Special Broadcasting Service**

**CHAIR**—I declare open these estimates hearings and welcome the officers from SBS to yet another session of estimates.

**Senator MARK BISHOP**—I have one or two issues to pursue, and then I understand that my colleague Senator Faulkner has an issue that he wishes to pursue which is dear to his heart and to the heart of many Australians. I will start with the question of funding. Mr Milan, it was reported in the *Canberra Times* of 26 May that SBS was disappointed by the budget. Presuming that comment from you is accurately reported, could you explain to the committee why you were disappointed with the budget outcome?

**Mr Milan**—We had put a funding proposal to government for an additional \$9.8 million for a youth programming initiative and it was knocked back.

**Senator MARK BISHOP**—Which paths in particular did you wish to go down in that area?

**Mr Milan**—We feel that there is a need among multicultural youth, particularly those in second and third generation families where there is a lot of tension between the old and new cultures. We thought there was a need to supply a product for that market. We put a proposal to government, which involved an outreach program going into rural communities using modern technology—digital cameras—which we could send out to encourage youths to become involved and network through things like the Internet, and then involve themselves in the leading edge, very creative end of television programming. It was a fairly substantial submission.

**Senator MARK BISHOP**—It was, and it would have had a number of parts, I presume. Was it just an outright rejection or were you told to resubmit and it would be considered in the future?

**Mr Milan**—As often happens, there was a lot of sympathy for the proposal but, at the end of the day, it did not make it through the ERC process.

**Senator MARK BISHOP**—So there were no dollars for extra programming?

**Mr Milan**—Yes.

**Senator MARK BISHOP**—I think you also said that the ABC had done better than SBS in terms of funding. Is that an accurate reflection of your views?

**Mr Milan**—In the last budget they certainly did because they got an additional \$17.8 million, I think, and we did not. So you would have to say they did better.

**Senator MARK BISHOP**—So they were given the opportunity to pursue new initiatives in rural Australia and online and new production opportunities and you have not been given that opportunity?

**Mr Milan**—Correct.

**Senator MARK BISHOP**—Will you be resubmitting similar proposals in the future?

**Mr Milan**—We are always submitting proposals.

**Senator MARK BISHOP**—That is a fair answer. You also expressed some concerns in the newspaper about local production. I think that has been a recurring feature of discussions. Is local production for your organisation being jeopardised by funding levels?

**Mr Milan**—No. In fact, because of the success of our programming recently and therefore our ability to increase advertising sales, our local production has increased. But, as an organisation, we are a relatively small drop in a very big bucket. My comments referred to what is clearly a crisis within the film and television industry generally in terms of local production. However, I pointed out that SBSI, our own film production unit, has actually been expanding and has had a great deal of success, winning some 200 national and international awards, and said that it was a good vehicle for putting money into local production with quality control.

**Senator MARK BISHOP**—You also applied for a subsidy to get into the ATVI market, up in the northern parts. Have you had any feedback from government on that proposal?

**Mr Milan**—No.

**Senator MARK BISHOP**—Is it still under consideration?

**Mr Milan**—As far as we are aware, it is still under consideration.

**Senator MARK BISHOP**—When is the closing date for advice as to who is going to be successful?

**Mr Milan**—We understand it is 18 June.

**Senator MARK BISHOP**—As far as the SBS is concerned, you have a charter to broadcast to a particular niche market in this country. That is well understood; you are set up for that particular purpose. You regularly review ratings as to how your programming is going over in the TV world. Are ratings important to public broadcasters?

**Mr Milan**—It is one of the considerations that we take into account when looking at our programming formula. But we are also chartered to do some things that we know are not going to rate, in the sense that programming effectively to our charter means attending to some minority interests which are bound to have limited appeal. Therefore ratings are a consideration but they are not the only consideration and, in our case, not necessarily the main consideration.

**Senator MARK BISHOP**—So it is one of several considerations?

**Mr Milan**—It is taken into account, but it is not the primary driver. The primary driver for everything we do is our charter.

**Senator MARK BISHOP**—The charter is the primary driver in terms of the work you do and the material that you broadcast. In terms of knowing whether you are reaching your niche audience—whether it is a particular minority group or a major segment of the population—are ratings an indicator?

**Mr Milan**—Not really, in the sense that the ratings obviously only reflect the general population trend. We aim to be worthy and watched—we assume that, as we are spending taxpayers' money, we need to get some form of audience. But we do some specific polling through Newspoll and other outside organisations where we will look at the audience levels within specific ethnic communities, such as particular language groups. We take that into account, because that is something that is aimed specifically at a target we are trying to reach. We are in the process of commissioning a major study into multiculturalism in Australia, which is a piece of work that we hope to have out early in the new year. As part of that study, we will be looking at not just the impact of multiculturalism on Australian society but the impact of SBS on multiculturalism, so that we can more effectively benchmark ourselves. Our own board has been very keen to establish appropriate benchmarks for the effectiveness of SBS and we are doing a lot of work in that area.

**Senator MARK BISHOP**—Does the board have a ballpark figure of the market share that SBS should be having to be fulfilling its charter?

**Mr Milan**—No, it does not.

**Senator MARK BISHOP**—As managing director, do you—and your executive team—have a figure that floats around in your mind as acceptable?

**Mr Milan**—No, I do not. Having said that, it is very subjective because I have different expectations for different programs. So if we are doing something in the English language, like our news programs, we would hope to get to a four or a five point share. But if we were doing a very specialist program—for example a new wave of indigenous drama—we would consider it to be successful if we got one share point. It varies with the program.

**Senator MARK BISHOP**—I have been looking at the trend surveys for the SBS from February through until May this year, a period of almost five months. You hover between 4.2 and 4.5 of market share—and that is relatively constant, give or take 0.1 per cent. For your organisation, would you be regarding that as satisfactory, above expectation or below expectation?

**Mr Milan**—Given the charter that we have, I think that is a really good performance. I think we are boxing above our weight at the moment.

**Senator MARK BISHOP**—Yes, I thought four or five per cent was a fairly stunning result for a niche broadcaster.

**Mr Milan**—Bearing in mind that half our programs are in languages other than English, that is a reasonable performance.

**Senator MARK BISHOP**—Some of your programming has a definite minority appeal. You say that that constancy of between four and five per cent for the first six months of the year is above expectations?

**Mr Milan**—Yes.

**Senator MARK BISHOP**—Thank you.

**Senator FAULKNER**—There are now really two ratings organisations, aren't there? Can you explain to the committee what they are?

**Mr Milan**—The official industry body is now OzTAM, which is a syndicate owned by the three commercial television channels—Channel 7, Channel 9 and Channel 10. SBS buys a limited service from them. We do not have a seat at the table, so we are not a shareholder in OzTAM. There has been a lot of controversy, as you know, about the discrepancy in figures between the old provider, AC Nielsen, and OzTAM. My view is that much of that controversy is driven depending on what your commercial interest is. Clearly, some commercial channels have done better than others out of the change of ratings; a large amount of advertising dollars rests on those results, and that has been the main driver behind the controversy. When you change research providers—given that we have, I think, something like 700 meters measuring the entire population of Sydney—it is not remarkable that there may be one or two decimal point differences between one provider and the other. Because those decimal points can mean a great amount of money to the commercial channel involved, there has, obviously, been a lot of controversy and of lobbying, if you like, of the newspapers.

**Senator FAULKNER**—I would have thought that in your role at SBS you would be in a reasonably objective position to make an assessment. I hope that would be the case—is that right?

**Mr Milan**—We think so, in the sense that although we are in the advertising market our take from the market is minuscule. We only put advertisements between programs, as you know, and we have a limited amount of air time ourselves. To some extent we are seen as an honest broker.

**Senator FAULKNER**—But do you give credibility to both these ratings organisations—AC Nielsen and OzTAM?

**Mr Milan**—Yes, I do.

**Senator FAULKNER**—You are satisfied with the professionalism of both organisations?

**Mr Milan**—Yes, I am.

**Senator FAULKNER**—From an SBS perspective?

**Mr Milan**—Absolutely.

**Senator FAULKNER**—Thank you for that. I wanted to raise an issue with you in relation to the antihoarding provisions that have got some publicity of late because of—

**Mr Milan**—Are you a cricket fan, Senator?

**Senator FAULKNER**—You should always put your personal interest on the table, that is true; but I am also a subscriber to pay TV, so I do not know to what extent my personal interest is, if I might be able to happily move away, and I am in a more comfortable position than some. I admit to having an interest in watching the first session of the cricket tests about to be played in England; but, equally, as a subscriber I acknowledge that I am in a privileged position, so I qualify my personal interest in that regard. Would that be fair, Mr Milan?

**Mr Milan**—Yes.

**Senator FAULKNER**—As I understand it, Channel 7 are required under legislation to notify you in the event—which is the case we have currently—of them not broadcasting the

first session of play in the test series. They are required to notify you and the ABC. That is correct, isn't it?

**Mr Milan**—That is correct.

**Senator FAULKNER**—I realise you can not speak from the perspective of the ABC, but could you indicate when Channel 7 did notify SBS?

**Mr Milan**—I had notification probably about a month ago. It was a phone call; it did not come via a form.

**Senator FAULKNER**—That is just done by a phone call, is it?

**Mr Milan**—Yes, from the managing director of Channel 7. It is perfectly appropriate.

**Senator FAULKNER**—I am not suggesting that it is not. I am just trying to understand the process. Do you know in this case whether the ABC had been contacted before yourselves?

**Mr Milan**—I have got no level of knowledge about that. I do not know.

**Senator FAULKNER**—But was the managing director of Channel 7 able to inform you that the ABC was not going to explore broadcasting the first session of play? I am just trying to get the context.

**Mr Milan**—No. But I seem to recall at the time that there was some press already. My sense is that the ABC had already been approached, but it was not in the context of any negotiation with the ABC. The approach was to SBS and would we be interested.

**Senator FAULKNER**—And did you have some understanding of the nature of the offer; in other words, what the licence fee might be in this case?

**Mr Milan**—No. I responded within 24 hours, having discussed it with my programmers, in the negative, that we would not be interested in progressing it. It is very hard; if you think 'Ashes series', SBS does not spring to mind. We have no history of ever broadcasting the cricket. It would have interrupted all of our mainstream programs, all of our top rating programs like our 9:30 news program, *Dateline* and *Insight*. It comes in the middle of the launch of our most expensive series this year, *Hybrid Life*, which is our celebration of centenary, which goes to air tomorrow night. I believe you gentlemen have been invited to the opening later on this morning.

**Senator FAULKNER**—I will not be able get to the opening but I am looking forward to seeing it.

**Mr Milan**—It also interrupts our broadcasting of the movie every night, which is our main in-language contribution to the various communities. So given our format, it would be extremely difficult for us to do.

**Senator FAULKNER**—I think under the legislation these rights are offered for what a \$1 licence fee, aren't they?

**Mr Milan**—Yes. The licence fee, though, would be the least of our worries.

**Senator FAULKNER**—I appreciate that. There are other costs involved, aren't there?

**Mr Milan**—There are the actual costs of coverage—

**Senator FAULKNER**—Yes.

**Mr Milan**—which were way beyond the means of an organisation such as ours.



**Senator FAULKNER**—How do you know that? Did you explore those costs?

**Mr Milan**—No, we did not, because the fit was so foreign to our charter. We made the point before that we are a charter based organisation aiming at a niche market, so it was not ever considered to be appropriate programming for SBS.

**Senator FAULKNER**—I would be the first to acknowledge, Mr Milan, that this would suit the SBS programming far less satisfactorily than it would suit the ABC's. I would be the first to acknowledge that. I suppose I raised these issues with you in the context of the ABC deciding, as SBS has decided, not to broadcast the first session of play in the Ashes series. I want you to understand that I do accept that this less fits your charter and if there are two alternatives, in terms of a free-to-air broadcaster in the event that Channel 7 has made the decision that it has made, SBS would only be a silver medal choice, as far as I would be concerned. And I think most reasonable people would acknowledge that. However, if the choice is between SBS and no free-to-air broadcaster, it is a different question. So that is the perspective from which I am examining this. There is no suggestion that it may be better placed elsewhere. The problem faced by many Australians—not me personally; I subscribe to pay television, as I said to you before—is that they are not going to have this opportunity. In that circumstance, I wonder why SBS, with all the difficulties that you outlined, cannot step up to the plate.

**Mr Milan**—At the end of the day, it is my judgment and my call, because I make those decisions. I would rather be a gold medal choice for those Australians who do not speak English and come from the majority of countries in the world that do not play cricket, than a silver medal choice for a group of folk which I am not chartered to serve particularly.

**Senator FAULKNER**—I appreciate that you have indicated that you have spoken with those responsible for your programming. That seems a sensible way for you to progress this. I would applaud that action on your part, given your role. But did you go to assessing the cost to SBS?

**Mr Milan**—No. Our charter and the act of parliament actually oblige us not to take commercial consideration into account and oblige us only to program towards our charter. Every program decision that I make, or that is made on my behalf and that I endorse as managing director, comes from that charter and from servicing that charter. Taking the cricket cast-offs from a commercial network that does not see fit to interrupt its own programming to air a program that it actually paid for would not seem to be an appropriate way of servicing and furthering that charter.

**Senator FAULKNER**—I appreciate the point you make about the commercial network. I am not arguing that; I am asking these questions in the event that the commercial broadcaster you mentioned has decided not to broadcast the first session of play. Therefore, under the act, the ABC and SBS are, for a \$1 licence fee, properly asked—you have been approached by the managing director of Channel 7—if they will fill the void. There is a clear legislative responsibility, which clearly was the intention of the parliament, that in these sorts of circumstances, in a less than satisfactory situation—and this only applies in a less than satisfactory situation, which is a point that you make—then SBS broadcasts. In this circumstance that is clearly intended by the parliament.

**Mr Milan**—My interpretation of that piece of legislation would be to afford us the opportunity, but not to force it upon us if we think it inappropriate.

**Senator FAULKNER**—I agree with you, it affords you the opportunity, and therefore it comes down to an internal decision in SBS whether you will accept that offer or not. I just wonder how seriously SBS gave consideration to this, given the fact that programming decisions of others—I accept it was of others—have meant that the first session of play in the Ashes test will not be on free-to-air television. Because of that, very many Australians are going to miss out.

**Mr Milan**—I am sympathetic to those folk—and I am one of the Australians that may be missing out, so it is not that I do not have a personal sympathy—but you said yourself that we would be the silver medal choice. My concern would be for—

**Senator FAULKNER**—In this case I am comparing SBS and the ABC. I agree with you about it being more appropriate to be broadcast on the ABC, but they are not doing it either.

**Mr Milan**—The problem is, if we took the cricket and suspended our normal prime time programming, whilst we may well satisfy one audience, we would have a lot of other disappointed Australians who watch *Insight*, who watch *Dateline*, who go to our late night news service, who watch the in-language movie every night because it reaffirms their language and their culture, and they are very important to us and they are our regular constituents, and we cannot ignore those. They are who we are chartered to serve. If you ask, ‘Did we make the decision fairly quickly?’ I would have to say that yes, we did, because from my perspective as managing director of SBS it was a no-brainer. It is not what we are chartered to do at SBS. What we are chartered to do is to create programs that are both multicultural and multilingual. Added to that is the fact that we have no history and we have no ability to offer serious commentary on the cricket. The only sport that we have real in-depth expertise in, as you would be aware, is soccer. It is the world game.

**Senator FAULKNER**—I appreciate most of the points that you make, but there surely is a capacity for SBS to negotiate with Channel 7 or perhaps even talk to the ABC, at least in relation to some of its radio broadcast coverage, to see if something could be cobbled together. I wonder whether any thought was given to taking this to a board level decision, appreciating all the qualifications you properly put on the table. I accept that. I do understand the points you make about SBS priorities and the SBS charter. I acknowledge that, I understand it, and I do not diminish that in any way, but I also know that literally hundreds of thousands of Australians now find themselves in a situation of being denied a free-to-air broadcast of something that is close to their hearts. Yes, I agree SBS is very much a second best option in this circumstance but I think very many Australians would be happy with a second best option compared to what they now face, which is no option at all.

**Mr Milan**—I guess these are personal judgment calls. I accept what you are saying too, but I would also say to you that my core constituency, the people who regularly watch SBS every evening—and as Senator Bishop was kind enough to point out, there is an increasing audience at the moment—would be deeply insulted if we suspended the programming that they value to put on something that they may consider to be completely foreign to them and their culture. We are in a difficult position because we are a niche broadcaster.

**Senator FAULKNER**—It may not necessarily be chalk and cheese—I appreciate that point and I think it is a valid one—but there may be some of your audience who would appreciate both. I think you would have to acknowledge that, too.

**Mr Milan**—Yes. The Anglo content and people from the subcontinent, maybe, would be interested in cricket, but at the end of the day there is a large number of Australians, where our core charter comes from, who we are there to serve, who do not come from cricketing

countries. It also comes back to the point that we have no culture or history in the game, either, so it was a very foreign prospect to SBS.

**Senator FAULKNER**—I understand all those difficulties but I wondered to what extent SBS might have considered exploring them further. That is really what I am asking. It was not a board level discussion?

**Mr Milan**—No, it was not.

**Senator FAULKNER**—But it was very strong advice from your programmers, as well, that this was not really a consideration?

**Mr Milan**—Yes, and that reinforced my natural inclination and I did not think the decision was close enough to discuss it with the board. The board would not normally be involved in programming decisions within the company, anyway. The board is there to set strategic direction.

**Senator FAULKNER**—You mentioned soccer. What we are seeing with the soccer coverage at the moment, for a really important international event in which Australia is performing more than creditably, as you know, is long-delayed telecasts of those matches. Is that a fair comment for me to make?

**Mr Milan**—Of course, if you are talking about the World Cup series, we were unsuccessful in getting the rights, so we have been excluded from that tournament.

**Senator FAULKNER**—What about the current Confederation Cup?

**Mr Milan**—We actually do not have the primary rights. We are just getting some details on that.

**Senator FAULKNER**—It is called the Confederation Cup, isn't it?

**Mr Milan**—Yes, it is. My confusion is that we do not actually own the primary rights so the negotiation we have had with Channel 7, who have the pay rights, is that they will not allow us to do it other than with 24 hour delay. According to my program director, we are desperately pleading with them to reduce that so that we can put it to air with more currency. But that is because we do not own the primary rights.

**Senator FAULKNER**—Yes, but you would not own the primary rights to the cricket, either.

**Mr Milan**—That is the problem with dealing with a second party.

**Senator FAULKNER**—Indeed. I hope that SBS does not receive yet another call at some point in the future from a commercial broadcaster in a similar situation, say where a first session of an Ashes tour is not being covered on free-to-air television. But, appreciating the points that you make, I also hope that SBS will consider these sorts of issues very seriously because it is a very unsatisfactory situation that we now face. I suppose I seek an assurance from you that when these legislative provisions apply—in other words, when the ABC or SBS is offered licence rights for \$1—under legislation SBS will always give those decisions very careful consideration. I think they deserve it, because many Australians miss out.

**Mr Milan**—Let me give you that assurance that we do think about those. Indeed, we took advantage of the anti-siphoning and anti-hoarding provisions with the Davis Cup last year or the year before last in the cup tie with Russia. We were offered it, again with Channel 7. It did not fall in prime time because it was on the weekend. On balance there we felt that, because it

was a tie against a non-English speaking background country, it was appropriate for us to broadcast. So we are prepared to consider everything on its merits.

**Senator TCHEN**—I would like to put it on record that, given my personal background, I believe the charter creating the SBS is one of the most significant acts that this parliament has put through. The successive management and board of SBS over the years, in carrying out the charter, has been extremely credible. These days, approximately what proportion of the Australian population does the SBS service now cover?

**Mr Milan**—Ninety-two to 93 per cent of Australians would have access to our television service. Our radio service would be down around 80 per cent, because we really only have effective coverage in the major capitals and a few of the larger regional centres.

**Senator TCHEN**—Do you have better television coverage across the nation than radio coverage?

**Mr Milan**—Yes, we do.

**Senator TCHEN**—Is there any plan to expand the radio coverage?

**Mr Milan**—No. We have put several proposals up to government but the funding has never been available. To be fair, it is not just a question of funding; it is also a question of availability of radio frequencies, and there are a number of markets where the spectrum is simply not available for us to broadcast. Through our self-help scheme we offer assistance—this is another government scheme, where SBS is able to provide up to 50 per cent of the funding to those communities. If they can find a frequency and have enough interest, then we can give them some assistance in creating their own re-transmission facility.

**Senator TCHEN**—This is a hypothetical question: as the CEO of SBS do you think your organisation has the capability and expertise to manage Radio Australia, should that become a possibility?

**Mr Milan**—In 1976—this was prior to my term as managing director—I believe we made a submission to government to do so. We believed we could provide a better service for less funds. Well, we would, wouldn't we!

**Senator TCHEN**—Was that submission unsuccessful?

**Mr Milan**—No, it was not successful

**Senator TCHEN**—Is that something you are prepared to take on?

**Mr Milan**—Absolutely. We would be delighted if parliament decided that.

**Senator TCHEN**—On Senator Faulkner's question: I am a bit hazy about the background to this current cricket test broadcast story. I understand that a commercial station had the primary rights which they did not intend to use, and they offered them to you at a peppercorn rent?

**Mr Milan**—Correct.

**Senator TCHEN**—Did they offer them to the ABC as well?

**Mr Milan**—You would have to ask that of the managing director of the ABC, but according to press reports, yes, they did.

**Senator TCHEN**—Did the ABC reject them?

**Mr Milan**—Again, I think it would be a question more appropriately put to the managing director of the ABC, but according to what one reads in the papers I believe that to be the case.

**Senator TCHEN**—You made the point that the way you eventually decided to schedule, or use this opportunity, was in light of concern about the viewers of your regular programs. Do you have an estimate of approximately the number of viewers you might have got out of the test broadcast, versus the number of viewers you might have lost from your regular programs?

**Mr Milan**—It is extraordinarily subjective. I honestly could not give you even a ballpark figure for that. One of our problems with the cricket is that it is—forgive us, because we do not use the term very much—completely foreign to our format, and we would not be able to afford to promote it the way a commercial station would. We spend on advertising every year what Channel 7 would spend on promoting one program, so our chances of attracting an audience just for one session of an Ashes series are poor, no matter how popular the feeling for that program might be. We would be a very strange destination for a cricket program.

**Senator TCHEN**—Yes. The programming culture you were speaking of, I assume that would be because SBS has very distinct two-hour or one-hour segments, whereas a cricket broadcast would be over much longer periods?

**Mr Milan**—There is a whole range of reasons why it is just not suitable for our format.

**Senator TCHEN**—Thank you, Mr Milan.

**CHAIR**—I endorse Senator Tchen's remarks about the service provided by SBS to the ethnic community. It is certainly very pleasing to see SBS come into the north of Western Australia largely through community self-help. There are still some patches where it does not reach, though—towns like Carnarvon, which is just under the 10,000 population requirement for government provision of SBS and yet it has a very high ethnic diversity. I hope that perhaps in due course the SBS services provided by the government could be extended to towns with a population of less than 10,000; that is something to work on in due course.

[9.45 a.m.]

#### **Australia Post**

**CHAIR**—I welcome Mr Ryan and the officers of Australia Post.

**Senator MARK BISHOP**—The first issue I want to discuss, Mr Ryan, is the special dividend payment to the government by Australia Post. You would have seen the article in this morning's *Financial Review*. When did the government make the request for a special dividend from Australia Post?

**Mr Ryan**—I do not wish to be unhelpful, but I think there is a well-established protocol that discussions between governments and GBEs on dividend issues have been regarded as confidential. I think in this case that well-established protocol would apply.

**Senator MARK BISHOP**—What protocol is that, if you do not mind me asking?

**Mr Ryan**—It is one that I have experienced in the 11 years I have been with Australia Post when issues of dividends, particularly relating to budget discussions, have arisen.

**Senator MARK BISHOP**—In the five years I have been asking questions about Australia Post at estimates, I do not recall there ever having been a dividend paid in the life of this government.

**Mr Ryan**—There are dividends annually; there are special dividends on occasions; and there are capital repayments on occasions.

**Senator MARK BISHOP**—That is a fair comment. I am not talking about the normal dividend that is paid. That is a public figure: it is in the budget papers and it is in your annual report. I am talking about the special dividend. Newspapers allege that it is something in the order of \$200 million.

**Mr Ryan**—The other concern I have—and you would appreciate from previous appearances that we do try to assist senators with adequate responses to questions that are asked of us—is that our board has not made a decision in respect of dividends at all this year and will not be making a decision until September when our accounts are signed off. I think it would be premature and inappropriate of me, as an officer, to anticipate what the board's decision will be. I feel that there are constraints operating on me.

**Senator MARK BISHOP**—I am not sure that is right. The budget papers disclose, in aggregate, that there is going to be a payment made from government business enterprises to the government. There is an aggregate figure, and that comes from Telstra and Australia Post and whatever other GBEs are appropriate. That comprises, for want of a better description, normal or annual dividend payments that are made to the government as the major or sole shareholder and also includes one-offs that might occur. The government is required to put that in the budget papers, and it is put in the budget papers and it is open for discussion. Newspaper reports indicate today that the government has requested a special dividend of \$200 million from Australia Post, and I am asking you to confirm that a request has been made by the government for a special dividend.

**Senator Alston**—I do not know that it is appropriate to be pursuing the matter with Australia Post. The government will have discussions from time to time with government business enterprises about matters, but they are matters between the boards of those enterprises and the government. As you know, the budget figures are estimates; they are simply figures provided in an aggregate in order to ensure a level of confidentiality about the composition of those figures. We will obviously ensure that the figures in the budget are accurate.

**Senator MARK BISHOP**—Perhaps I will ask you the question then, Minister. Has the government made a request to Australia Post for the payment of a special dividend?

**Senator Alston**—I do not want to comment on what the government may or may not have said, but it is fair to comment that I think Australia Post has performed very well, certainly over recent years. They have got some very good business practices in place. I think they are an efficient organisation and they are in a position to meet dividend requirements. I would certainly not believe that any request would compromise their ongoing strong performance.

**Senator MARK BISHOP**—So you do not believe any request would compromise Australia Post's ongoing strong commercial performance?

**Senator Alston**—No. I forget the numbers now but there is a very significant cushion in relation to the cost of the internally borne USO, and there will be probably legitimate arguments between ourselves and Post about the level of that. As with any GBE around the world, I suppose, they will always try and maximise their position and tell you what wonderful fellows they are because they are doing this all free of charge—and we are always grateful to them for that. But, even if you took their figure, there is an enormous cushion available to them from their ongoing revenue streams.

I note that Post has been patting itself on the back recently: it said, ‘Australia Post equals third best ever delivery performance’. I think that is fairly typical. We have certainly generally regarded their performance as impressive. I can say, having spoken to people in other countries—and I will say this for Post’s benefit in public perhaps—that a number of them have asked me if they could please enter into commercial arrangements with Australia Post or benefit from consulting services provided by Post because they think we are an international trendsetter. It seems to me that there is quite a good market opportunity there for Post to set up a separate consulting arm and to provide these services to a number of developing countries particularly who, with the best will in the world, simply do not have the experience that we have here. So Australia Post, I think on all fronts, is in a very strong financial position. I think it has a low gearing ratio and it can certainly meet any increased demand.

**Senator MARK BISHOP**—I appreciate those comments. I am not so sure I want to get into a discussion as to the worth or otherwise of Australia Post's commercial activities. We have not been critical of Post in the time that I have been doing this particular task so I will take that as read. Mr Ryan, what was your net profit last year?

**Mr Ryan**—Last year, pre-tax, \$391 million.

**Senator MARK BISHOP**—What was the dividend you paid to the government last year—the normal dividend?

**Mr Ryan**—Normal dividend was \$156 million. That is out of after tax profit. The first figure I gave you was pre-tax. The after-tax profit figure was \$260 million.

**Senator MARK BISHOP**—And you paid an ordinary dividend of \$156 million. That left you \$104 million for various capital re-investments or whatever?

**Mr Ryan**—Retained earnings, yes.

**Senator MARK BISHOP**—My memory is that that figure of either \$391 million or \$260 million continued a strong trend upward in terms of both gross and net profits.

**Mr Ryan**—There has been some plateauing in the last two years. That is largely a reflection of us holding the basis postage rate firm at 45c for the last nine years.

**Senator MARK BISHOP**—And the GST costs as well?

**Mr Ryan**—No, the GST would not have had an impact on last year’s profit.

**Senator MARK BISHOP**—Didn’t we have a discussion that it was going to cost you something more like—

**Mr Ryan**—Yes, we were talking about projected impacts for this year and the years forward.

**Senator MARK BISHOP**—Last year, you paid a normal dividend of \$156 million to the government. Minister Alston has just given you a pat on the back about your strong commercial performance and mentioned your low gearing ratios in passing. Minister, you have not yet answered my question as to whether a request has been made to Australia Post for payment of a special dividend this year.

**Senator Alston**—As I think I indicated, whether we have or we have not is not a matter for public consideration.

**Senator MARK BISHOP**—Why is that?

**Senator Alston**—Because there are a number of matters that are explored between government business enterprises and the shareholders that may lead to all sorts of different outcomes. So it really does not add much to public debate to indicate that a line of inquiry might be being pursued.

**Senator MARK BISHOP**—I think it does add to public debate.

**Senator Alston**—What the public are interested in is the impact on the operations of Australia Post and they are interested in the government's bottom line in terms of how it acquires its revenue.

**Senator MARK BISHOP**—I think you are right. I think the public is interested in both of those things, and that the public and markets are interested in the bottom line. This year your bottom line, whether it is on a cash basis or an accrual basis, is significantly reduced from previous years. We have had the mess with the spectrum sales, where we got less than half of what was anticipated in last year's budget. The press says—

**Senator Alston**—Of course, those figures were revised down during the year so I think the market—

**Senator MARK BISHOP**—But the original figure was \$2.6 billion and you got \$1.1 billion, so there is a difference of \$1.5 billion.

**Senator Alston**—\$2.6 billion was an aggregate for four different spectrum sales. We got \$1.1 billion for the 3G only.

**Senator MARK BISHOP**—What did you get for the total of the sales—\$1.2 billion?

**Senator Alston**—I cannot remember offhand.

**Senator MARK BISHOP**—Anyway, the figures do not matter. You got significantly less than \$2.6 billion for the four sales.

**Senator Alston**—We did; that is right.

**Senator MARK BISHOP**—So there is interest in the bottom line and the bottom line has to be met. All I am asking you to confirm is that you have made such a request to Australia Post.

**Senator Alston**—As I have said, we are not commenting on discussions that we might have had. The board itself is yet to consider its own accounts, so there is nothing to report at this stage.

**Senator MARK BISHOP**—There is nothing to report at this stage. But has a request been made?

**Senator Alston**—As I said, there are a lot of discussions that take place between GBEs and government. If, every time we had a discussion with Telstra, we had to put it in the public arena it would tend to reduce the effectiveness of the discussion.

**Senator MARK BISHOP**—Not every discussion you have with Telstra or Australia Post or whatever ends up in the public arena. Ninety-nine per cent remain private and confidential, and are not in any way publicly released by the opposition, although we are privy to a lot of those discussions. All we are asking here is whether you have made requests for a special dividend. Certainly, in my four or five years here, it is the first time, with respect to this entity, that a special request has been made. It is a matter of public interest.



**Senator Alston**—I really cannot add to what I said earlier about commercial-in-confidence. I can give you some more precise figures on the revenue from spectrum sales: 3.4 was in fact \$112.2 million; the 27 gigahertz was \$37.6 million; the 800 megahertz was \$7 million; and, as we know, the two gigahertz was \$1.169 billion. So the total is \$1.3258 billion.

**Senator MARK BISHOP**—That is a shortfall of \$1.2 billion?

**Senator Alston**—From the commencement of that budget period, but we progressively adjusted that figure.

**Senator MARK BISHOP**—No, the mid-year statement last November or December still had the figure of \$2.6 billion.

**Senator Alston**—You may be right. I thought it had been adjusted downwards by that point.

**Senator MARK BISHOP**—No, it had a figure of \$2.6 billion, because when I asked you or the department about it in February you stood by it at that time because, I remember you telling me, we were part way through the sale process and it was inappropriate to either comment or disaggregate.

**Senator Alston**—That sounds pretty good to me.

**Senator MARK BISHOP**—That is what you said. So you had a shortfall of \$1.3 billion as late as December last year, but that is not what we are talking about. We are talking about this special dividend, and you are refusing to comment. Why would the government want a special dividend from Australia Post?

**Senator Alston**—If you go back and look at previous special dividends and the general capacity, if the government is the sole shareholder then it owns the company and it decides, effectively, what should be done with the profits.

**Senator MARK BISHOP**—That is right—or the board does.

**Senator Alston**—Yes, but you can call a special shareholders meeting, you can replace the board, you can do whatever you like if you have got 100 per cent of the shares. You could pass a special resolution requiring Post to hand over all of its revenue, I suppose. We understand there are normal dividend policy ratios and we are conscious that Post should, in general, be able to operate like any other commercial operation. It has reinvestment requirements and infrastructure rollout commitments, which we obviously have to ensure can be fully implemented. But if it gets to a point where we think it has got funds that are surplus to requirements, then you either leave it with them and presumably they put it in the bank—they do not go off and splash it on the share market—

**Senator MARK BISHOP**—Or they could reduce prices.

**Senator Alston**—They might reduce prices, but they might not, too.

**Senator MARK BISHOP**—That is an option though, isn't? If they have huge retained earnings that are not being used—

**Senator Alston**—They could do that to the extent that they did not have a profit figure at all, but they choose not to do that. We do not fix their prices.

**Senator MARK BISHOP**—We are talking here about what appear to be atypical profits, not normal levels of profit. I am saying that, if there are atypical profits, one, they could be given to the government for government purposes; two, they could be put in the bank and

used for whatever purposes Australia Post have; or, three, it strikes me they could be used to reduce prices as an aid to consumers, business and private.

**Senator Alston**—But they could do that at any stage. That is a matter for the board.

**Senator MARK BISHOP**—Yes.

**Senator Alston**—They operate in a partially competitive environment, and to that extent they will obviously be under pressure to reduce prices. But if they choose not to dissipate all of their profits or earnings on reduced prices, and they end up with a pretty healthy profit figure, then, understandably, shareholders would like a slice of the action.

**Senator MARK BISHOP**—Let us presume, Mr Ryan, that the request is made for a special dividend payment, that the figure of \$200 million that is bandied about in the press is ballpark accurate, that the decision has not been made as yet and that it goes to the board as part of the normal processes—I think you said that was going to be for discussion in September?

**Mr Ryan**—Correct.

**Senator MARK BISHOP**—Both discussion and decision?

**Mr Ryan**—Yes, as to the final dividend for this financial year.

**Senator MARK BISHOP**—Does that include both the normal dividend and any request for a special dividend?

**Mr Ryan**—Yes, it could.

**Senator MARK BISHOP**—It could—does it?

**Mr Ryan**—It could if such a request was made.

**Senator MARK BISHOP**—When do you normally pay your dividends?

**Mr Ryan**—In October we would pay the final dividend for the preceding year and then we pay an interim dividend, I think it is in February or March.

**Senator MARK BISHOP**—When does your financial year end?

**Mr Ryan**—The end of June.

**Senator MARK BISHOP**—You have a board meeting in September. Would you normally pay one dividend or more than one dividend per year?

**Mr Ryan**—We pay a final dividend for the preceding year and we pay an interim dividend for the current year. That interim dividend is paid in February or March.

**Senator MARK BISHOP**—So next February or March you will pay an interim dividend for the financial year ended this year?

**Mr Ryan**—No, we will pay an interim dividend next March for the coming financial year.

**Senator MARK BISHOP**—I see. What dividends have you paid to date, this financial year?

**Mr Ryan**—We have paid an interim of \$79.5 million.

**Senator MARK BISHOP**—When was that paid?

**Mr Ryan**—It was actually paid in April, I think, but the board—

**Senator Alston**—So you have duded us! It should have been paid in March.

**Mr Ryan**—There was a process to go through and I think there may have been some delays.

**Senator MARK BISHOP**—You paid an interim dividend of almost \$80 million in April. It might have been a bit late and you will—

**Mr Ryan**—No, we proposed the payment on time.

**Senator MARK BISHOP**—You will do a final dividend in October, which can have two components: both the normal final dividend, and any special dividend. Is that correct?

**Mr Ryan**—Yes.

**Senator MARK BISHOP**—If you have to pay that special dividend of up to an extra \$200 million, what effect will that have on your day-to-day operations?

**Mr Ryan**—I will answer that, but I would like to preface my answer by making a couple of threshold points which I think would help. Firstly, when the board considers its dividend payment, it is required under the act to consider a number of factors. Included in those factors are: the maintenance of our financial viability, maintaining reasonable reserves for future demands, and ensuring that we can meet the cost of our CSOs. They are three of about eight obligations that the board has. So when the board comes, in September, to consider the final dividend and any other request, if one is made, it would need to bear those factors in mind, firstly. There are some protections built into the act. Secondly, under the act we are restricted in paying, by way of dividend, any more than our profit for the year after tax and abnormals.

**Senator MARK BISHOP**—Your net profit or your gross profit?

**Mr Ryan**—Profit after tax and abnormals. The second threshold point I think we need to stress is that Post is in a sound financial position, as the minister mentioned. We have just had our AAA credit rating reaffirmed by Standard and Poors. Our debt-equity ratio is at quite a prudent level, around 32 per cent, and we do have a strong cash position, which affects reinvestment capacity. We have something like \$530 million in cash. Of that, \$250 million is cash on hand for other principals: bill payments and that sort of thing. We might have the cash today but it will be paid to the principal tomorrow.

**Senator MARK BISHOP**—Short-term liabilities.

**Mr Ryan**—Yes. The net cash position is around \$280 million.

**Senator MARK BISHOP**—Can that be characterised as uncommitted cash?

**Mr Ryan**—Not absolutely because we do have a financial operating plan and a capital investment component within that plan, each year.

**Senator MARK BISHOP**—It is not free cash flow?

**Mr Ryan**—Not totally free cash flow. The point I want to get to is: if, for example, we needed to pay dividends, including a special dividend, first of all that will not reduce profit, per se. I know you understand that but some casual listeners may not. It does not reduce profit. What it does, is reduce retained earnings.

**Senator MARK BISHOP**—If it is funded out of retained earnings.

**Mr Ryan**—Yes. Now if we wanted to make—

**Senator Alston**—It is.

**Senator MARK BISHOP**—We do not know that.

**Senator Alston**—The point is being made that it comes out of after-tax profit.

**Senator MARK BISHOP**—If they decide to pay a special dividend it does not have to come out of retained earnings; it could come out of extra debt.

**Senator Alston**—Money is fungible.

**Mr Ryan**—The point I was making is that yes—

**Senator Alston**—It would be a bit bizarre if you had money surplus to your requirements sitting in your bank account and then you went and borrowed, presumably at a higher rate than you would get by way of return on your banked reserves, just to pay a dividend. It does not make a great deal of sense.

**Senator MARK BISHOP**—One, it is a special dividend, and two, that is an opportunity cost argument. Mr Ryan made the point carefully at the outset that they had very low gearing ratios, which I took him to mean that they had the capacity—

**Senator Alston**—That is correct

**Senator MARK BISHOP**—to increase borrowings.

**Senator Alston**—For other purposes if they wanted to.

**Senator MARK BISHOP**—Well for whatever purposes.

**Senator Alston**—Yes, that is true.

**Mr Ryan**—On the basis of our financial performance to date, I think it would be quite clear from the figures that I have given you that payment of a special dividend of itself would not need to be funded by debt. However, if we then went to a major acquisition that exceeded available cash, certainly we may increase our debt to a small degree. But if you are looking for the bottom line impact of that, say for example that we loaned another \$50 million, the bottom line impact of that is around \$3 million. Really, we are well cashed up, performing well, we have a low debt-equity ratio, AAA rating, and the real impact of additional loans, in terms of the size of our business, is quite small.

**Senator MARK BISHOP**—If the board chooses to meet the government's request of an extra special dividend payment, that will not have any impact on decisions as to either day to day operations or necessary infrastructure investment and the like?

**Mr Ryan**—Based on the scenario we have just been talking about, the bottom line impact would be minimal.

**Senator MARK BISHOP**—Would it impact on your plans to expand or go into new or different areas?

**Mr Ryan**—Where we sit at the moment I think the answer to that is no. But I would need to qualify that because we are still in the process of completing our strategic corporate plan. The board will be considering issues such as that when it looks at dividends in September.

**Senator MACKAY**—What would you normally do with profit excess to the dividend delivered to government?

**Mr Ryan**—It would be retained earnings and available for reinvestment activity were that necessary. It would either be reinvested in infrastructure needs, or if it was surplus to our infrastructure needs, it may be invested on the short-term money market or a medium such as that.

**Senator MACKAY**—Were the special dividend not to be called upon, there is capacity there for an amount of money that could potentially be put into reinvestment activities in terms of infrastructure or whatever, or the second component of the short-term money market. Is that a fair summation?

**Mr Ryan**—Potentially. But I am not suggesting that at this point in time we would need to spend all of those retained earnings on planned infrastructure.

**Senator MACKAY**—No, but you could, if you find it necessary.

**Mr Ryan**—We could.

**Senator MACKAY**—The second issues is: is there any provision for an earlier payment than the process that you outlined to Senator Bishop?

**Mr Ryan**—No. The board will consider dividend payments in the normal timeframes that I outlined.

**Senator MACKAY**—So we will not expect any announcement in relation to the deliberations of the board prior to the announcement in October?

**Mr Ryan**—The decision will be taken in September. Accounts will be signed off in September. Our annual report will be tabled in late September or early October. So yes, that would be the time.

**Senator MARK BISHOP**—But you do have capacity in your charter for extraordinary meetings of the board, don't you?

**Mr Ryan**—Yes, we do. But when the board is considering dividend issues, it would really consider those in the context of accounts that have been signed off. That normally occurs in September.

**Senator MARK BISHOP**—I ask you to give me a formal written response to those questions about the dividend payment. I ask you to outline in detail your reasons for refusing to comply with the request. These are the questions: to date, has the government requested a special dividend from Australia Post? How much did the government request? When was the request made and by whom was it made? What reasons were given for requesting payment of a special dividend? If you could answer those questions, that is fine. If you choose not to answer them for the reasons outlined by the minister—commercial-in-confidence—please give us a detailed response as to why that is commercial-in-confidence so that we can review our approach in future sessions.

**Senator MACKAY**—Can you also take on notice what you have done with the profit margin excess to dividend delivered to government over the last three financial years.

**Mr Ryan**—Certainly.

**Senator MARK BISHOP**—Prior to the budget, did the government seek to change superannuation arrangements of Australia Post employees?

**Mr Ryan**—No, Senator.

**Senator MARK BISHOP**—Has Australia Post sought to change them at all?

**Mr Ryan**—No, we have not.

**Senator MARK BISHOP**—Please outline for me the current arrangements for both award and non-award employees, and for executives if you have a separate fund for them.

**Mr Ryan**—There are essentially two schemes: the Australia Post Superannuation Scheme, to which the vast majority of our employees belong, and the CSS scheme. I am not sure if it has a new title, but it is the former Commonwealth Superannuation Scheme. A number of our longstanding employees who were members of that scheme have chosen to remain in that scheme. So there are really just two schemes. Executives, depending on their history with Post, may belong to the CSS or the APSS. That is a matter of choice.

**Senator MARK BISHOP**—Does that APSS scheme have joint management-union trustee representation or management-employee representation?

**Mr Ryan**—It is a joint management-employee representative scheme and the employee representatives are sourced from two of the unions that have membership within Post.

**Senator MARK BISHOP**—That is what I thought. So there has not been any request in the last 12 months to change any of the detail of either payments or benefits made to employees who might be members of either of those two funds?

**Mr Ryan**—No, there has been no request of the sort that you outlined.

**Senator MARK BISHOP**—Is Australia Post internally considering reviewing the operation of those two funds as they affect employees?

**Mr Ryan**—Not so much the corporation, but from time to time the trustee examines the benefit options within the APSS and continually keeps under review means by which it might be enhanced. But I am not aware of any enhancements that are under consideration at present. I can let you know.

**Senator MARK BISHOP**—The APSS—is that the standard eight per cent or is there a different rate?

**Mr Barker**—I think around 14 per cent is the basis on which the scheme is funded from the employer point of view.

**Senator MARK BISHOP**—Has there been any request to change either Australia Post's contributions or the government's to either of the schemes?

**Mr Ryan**—No, there has been no request.

**Senator MARK BISHOP**—Is that matter being given any consideration by the board of trustees of the Australia Post scheme?

**Mr Ryan**—There has been no request, so I would not expect that it would be under consideration by the trustee.

**Senator MARK BISHOP**—I take your point that there is no request from the government, but is there any internally generated decision that is being considered by the trustees to review the rate of either Post's or the government's contributions to either of those schemes?

**Mr Ryan**—I know there has been reconsideration of Post's contribution rate, given the performance of the fund, and I think some actuarial advice has been received which would enable Post to take a contribution holiday for a period.

**Senator MARK BISHOP**—Was that work commissioned by Post or by the trustees?

**Mr Ryan**—I think it was commissioned by the trustees and an actuarial report was prepared for them.

**Senator MARK BISHOP**—Do you know that or do you think that?

**Mr Ryan**—I am relatively sure that that is the case, but I can confirm it for you.

**Senator MARK BISHOP**—The trustees have initiated a review by actuaries of the level of Post's contributions to the Post scheme.

**Mr Ryan**—Yes, and again I might be corrected, but I think we have now reached a point where we are effectively on a contribution holiday as a result of that study.

**Senator MARK BISHOP**—The study has been received and adopted?

**Mr Barker**—That is correct.

**Senator MARK BISHOP**—When was that?

**Mr Barker**—It is now some time ago. I could not give you a precise date but we have been in that situation for some months, at least, if not longer. In effect, the scheme is able to support the level of contribution from the employer side from within the successful operation of the scheme and the actuarial advice.

**Senator MARK BISHOP**—Is it a defined benefit scheme?

**Mr Barker**—Yes.

**Senator MARK BISHOP**—So there has been put in place, based upon actuarial advice to the trustees, a contribution holiday for some months, by Post?

**Mr Ryan**—I believe that is the case, yes.

**Senator MARK BISHOP**—How long do we anticipate that contributions holiday will continue?

**Mr Barker**—I think it came into place from 1 January 2000.

**Senator MARK BISHOP**—It is almost 18 months?

**Mr Barker**—Yes. At this stage it could be retained for some time but the actuary would keep that under review. As it is an actuarial calculation, they obviously do not come to that recommendation lightly.

**Senator MARK BISHOP**—I have been a trustee of a superannuation fund; I understand.

**Mr Barker**—Therefore, whilst I could not put a date on it, into the foreseeable future in the next year, I do not think we would be making a contribution under their advice.

**Senator MARK BISHOP**—For another 12 months, at least?

**Mr Barker**—At least. It may be longer than that. I do not have to hand the actuarial advice.

**Senator MARK BISHOP**—So if we go 12 months from now, that would have been an effective contribution holiday of almost 2½ years.

**Mr Barker**—That is correct.

**Senator MARK BISHOP**—On 5 April of this year the ERC directed officials from the Department of Finance and Administration to meet with representatives of both Telstra and Australia Post to explore the implications of revising existing arrangements for the Commonwealth superannuation liabilities to these agencies. Have those meetings occurred yet?

**Mr Ryan**—Yes, there have been some preliminary discussions but they were just discussions of options and certainly no request has been put to us in respect of any of those options.

**Senator MARK BISHOP**—Can they be characterised as information gathering meetings to establish the state of Commonwealth liabilities or obligations?

**Mr Ryan**—As I understand it, the discussions covered issues of liabilities and the performance of the fund and the range of options that might be applied.

**Senator MARK BISHOP**—What was that range of options?

**Mr Ryan**—I would have to take that on notice.

**Senator MARK BISHOP**—Please do that. The ERC made a decision, DOFA has met with your organisation, there has been discussion about liabilities and opportunities, and a series of options has been considered, which you will advise me of on notice. When do we anticipate this process concluding?

**Mr Ryan**—That is in the hands of officials and then the government, after we have been consulted further. I am not in a position to give you a timeframe.

**Senator MARK BISHOP**—Let me rephrase it. The DOFA people are meeting with representatives of Post. When do you anticipate that process will be concluded?

**Mr Ryan**—The discussions are ongoing and I really cannot give you an assured answer.

**Senator MARK BISHOP**—So you anticipate further meetings to occur?

**Mr Ryan**—I would expect that to be the case, although we have had no explicit indication that that will occur.

**Senator MARK BISHOP**—I will just move now to GST impact. Last year on several occasions we discussed the impact of the GST on your organisation and you provided us with a significant amount of information, I think usually on notice, as to the impact on your organisation. Can we have an update of those figures and has there been any revision of the projected impact of GST on Australia Post with almost 12 months experience?

**Mr Ryan**—Yes, we can certainly give you an update, although I do not have our previous estimates immediately to hand. The overall impact of absorbing the GST on the basic postage rate, then some flow-on to bulk rates that are priced below the 45c rate and absorbing GST on philatelic sales of 45c stamps amounts to \$85.3 million. That is our estimate for this financial year.

**Senator MARK BISHOP**—For this financial year it is \$85.3 million?

**Mr Ryan**—For this current financial year.

**Senator MARK BISHOP**—So it is pretty close to your forecasts. They were about \$90 million, weren't they?

**Mr Ryan**—Yes, I think they were of the order of \$90 million. I do not have them immediately to hand.

**Senator MARK BISHOP**—Is that \$85.3 million year-to-date figures or projected financial year full figures?

**Mr Ryan**—That is a full-year effect.

**Senator MARK BISHOP**—Have there been any unexpected costs or losses that have arisen in your implementation of the GST?

**Mr Ryan**—No. There is a great deal of work involved, but we think it has worked quite effectively.



**Senator MARK BISHOP**—Let us turn now to the postal services bill. I understand that the government has withdrawn that from the *Notice Paper* in the House. Has Australia Post done any further analysis?

**Senator Alston**—No. We responded to your request, Senator Mackay.

**Senator MACKAY**—I just wish it had been taken off forever, but I understand there are some caveats there.

**Senator Alston**—I thought it was rather churlish of Mr Smith to oppose it being taken off the *Notice Paper*. Presumably, you two do not talk to each other very often.

**Senator MACKAY**—We will get to that.

**Senator MARK BISHOP**—I will just continue if I may.

**Senator MACKAY**—Yes, sorry. I should not be diverted by the minister, but he is good copy for press releases, I have got to say.

**Senator MARK BISHOP**—Mr Ryan, has Post done any further analysis of the impact of the postal services bill in terms of impact on your revenue, profit and dividend?

**Mr Ryan**—No, not beyond the estimates that I gave you at our last appearance.

**Senator MARK BISHOP**—So there has been no further work done since the previous documentation you provided to us?

**Mr Ryan**—No.

**Senator MARK BISHOP**—Do you plan to do any further work?

**Mr Ryan**—No.

**Senator MARK BISHOP**—Did Australia Post do any analysis of the government's proposed amendments to the Communications and the Arts Legislation Amendment Bill? Have you had a look at that?

**Mr Ryan**—I am sorry, I am not quite sure what amendments you are referring to.

**Senator MARK BISHOP**—The AUSDOC.

**Mr Ryan**—Yes, we were provided with copies of some draft amendments and invited to comment, and we did.

**Senator MARK BISHOP**—Yes, because it has been circulated to industry for comment and presumably you are industry. You have received the amendments; have you done any analysis of their impact upon yourself?

**Mr Ryan**—Our initial work was more about a broad industry overview of how the amendments might change the operation of document exchanges. We did not go to the next step of then estimating financial impacts.

**Senator MARK BISHOP**—Does your analysis disclose that there would be significant change in the way that document exchange business is conducted?

**Mr Ryan**—First of all, as I understand it, those amendments are not before the parliament.

**Senator MACKAY**—No, they are not, but they have been circulated very widely for comment. I think that is what the senator is saying.

**Mr Ryan**—I am just trying to establish their status to be sure that I am correct. I did not think they were before the parliament. A concern we had was that at the moment document

exchanges rarely operate as islands. In other words, if you are a member of an exchange you can transfer mail—letters and parcels—between different segments of that exchange, and that transfer is an exception to the reserve service.

**Senator MARK BISHOP**—Yes.

**Mr Ryan**—However, the carriage of letters to and from the exchange is subject to the act. If a letter is to be carried, it must be carried at a rate of \$1.80 if it weighs less than 250 grams. The amendments as we understood them would have meant that a document exchange could offer an end-to-end service without regard for the current limitations. We had some concerns, as would anyone who has an advantage in an industry and a duty to deliver CSOs, that the amendments, as originally framed, may have had the unintentional effect of opening up end-to-end business mail.

**Senator MARK BISHOP**—If those amendments were reintroduced in the same or substantially the same form as when they were originally tabled and since circulated, would you still have those two concerns you have just identified?

**Mr Ryan**—If there were no changes to the drafts that we saw, yes, we would have those concerns, but that is speculative.

**Senator MARK BISHOP**—Yes, I accept that. Having identified those two concerns, have you done any impact analysis on the effect on your revenues?

**Mr Ryan**—We did some very high-level estimates. I would not say that they were detailed in any sense.

**Senator MARK BISHOP**—What do you mean by ‘high-level’?

**Senator Alston**—‘High-level’ is a euphemism for ‘very general’.

**Senator MARK BISHOP**—Back-of-the-envelope—that crude?

**Mr Ryan**—Yes. You can put a lot on the back of an envelope.

**Senator Alston**—And it is inherently unreliable.

**Senator MARK BISHOP**—Do you share the minister’s assessment of your analysis?

**Mr Ryan**—Generally that is the case, but certainly not in our case.

**Senator Alston**—So these are low-level, are they?

**Mr Ryan**—They are low-level risk.

**Senator MARK BISHOP**—Your high-level reviews are very accurate, so you are speaking with authority here, is that what you are saying?

**Mr Ryan**—The evidence is there.

**Senator MARK BISHOP**—What is the high-level or otherwise impact?

**Mr Ryan**—I may need to seek some advice, Senator. We cannot recall the number. We will certainly provide that to you.

**Senator MARK BISHOP**—Will you take it on notice?

**Senator MACKAY**—Is it easily obtainable? Do you have to take it on notice?

**Mr Ryan**—I certainly do not have it here and I do not think Mr Lee has it, either.

**Senator MACKAY**—Can we get it today?

**Senator MARK BISHOP**—What is the gross revenue to Australia Post from the market share that you now have by monopoly regulation in that subsection of the industry? Is that information commercial-in-confidence or can you disclose it?

**Mr Lee**—If we take all of the bulk mail in that area of concern—that is, pre-sort mail—approximately \$800 million to \$1 billion.

**Senator MARK BISHOP**—Approximately \$800 million to \$1 billion is affected by the Communications and the Arts Legislation Amendment Bill.

**Mr Lee**—No, that is the size of the total bulk mail revenue, which I think was your question.

**Senator MARK BISHOP**—No, it was not. My question was: what is the revenue gained by Australia Post from the monopoly you currently have by regulation that is sought to be changed by the amendments in the communications bill?

**Mr Lee**—I do not have that number, Senator; I would need to take that on notice.

**Senator MARK BISHOP**—That is the issue at heart. The government was considering introducing competition into that subsector of the market, was it not?

**Mr Ryan**—That was the effect of the amendments as we read them. Whether that was the intent when those amendments were framed is another issue.

**Senator MARK BISHOP**—I am asking you: what is the value of that market? Could you take that on notice and provide it to us in writing?

**Mr Ryan**—Yes.

**Senator MACKAY**—Just to clarify, in terms of the deregulation of bulk mail or business mail—whatever term you want to use—you were saying that the revenue derived from that is between \$800 million and \$1 billion. Presumably you have done your high-level figuring, based on the impact of opening that up to competition. We are after your ballpark or high-level figures in relation to that. I do not know about my colleague here, but I would prefer that we got that fairly speedily.

**Mr Ryan**—We could provide that to the secretariat, if not today then tomorrow.

**Senator MARK BISHOP**—I think you will need to take this question on notice, Mr Ryan; I would be surprised if you had the information to hand. Could you provide the current numbers and locations of postal outlets, broken down by corporate, licensed and community agency, by federal electorate; the current numbers of Australia Post workers, broken down by employees and contractors, by federal electorate—that should be based upon the postcodes of their work locations; and the current numbers of Australia Post workers, broken down by employment category and contractors, including labour hire, by federal electorate based upon work locations? Could you provide the 1996 figures for those three questions? Could you take that on notice?

**Mr Ryan**—Yes.

**Senator MACKAY**—Minister, when the Postal Services Legislation Amendment Bill was withdrawn from the House of Representatives *Notice Paper*, you made some indications publicly that it may come back on, and I understand you indicated—and you may wish to correct my understanding of media reports—that it may come back on prior to the election. I wonder whether the government has had any thoughts in relation to the time line on that legislation.

**Senator Alston**—If you are asking me to comment on something you say I said some several months ago now, I will be happy to refresh my memory and provide you with what I said and anything else I might wish to add.

**Senator MACKAY**—Let me put it another way: what is the government's intention with regard to this legislation?

**Senator Alston**—I do not recall anything other than taking the matter off the *Notice Paper*.

**Senator MACKAY**—Are you considering putting it back on the *Notice Paper*?

**Senator Alston**—No.

**Senator MACKAY**—Is it likely to come back on this side of a federal election?

**Senator Alston**—I have told you, I am not considering bringing it back.

**Senator MACKAY**—Can we take that as read that it will not be coming back?

**Senator Alston**—No. You do not need me to authorise you to take anything, to infer anything or to go out and make any statement you like. I will simply tell you what the position is.

**Senator MACKAY**—The words you used were 'not considering at this point'.

**Senator Alston**—That is right. I am not.

**Senator MACKAY**—That is as much as you are prepared to give in terms of a guarantee?

**Senator Alston**—That is the question you asked and the answer I gave.

**Senator MACKAY**—That is fine: 'Not considering at this point', or 'full stop'?

**Senator Alston**—I have answered the question.

**Senator MACKAY**—Mr Ryan, Australia Post provided the community with a commitment in relation to postal outlets in regional Australia that no postal outlet would close, as I understand it.

**Mr Ryan**—As a result of the legislation.

**Senator MACKAY**—Did Australia Post undertake any analysis of quality of service, in terms of what is meant by 'outlet'?

**Mr Ryan**—Certainly we set certain standards of performance and accessibility of products and services for each category of retail outlet that we have: our corporate outlets, our licensed post offices and our community postal agencies.

**Senator MACKAY**—But does the word 'outlet' incorporate an Australia Post office and, say, a community mail agency? Would they both be regarded as outlets?

**Mr Ryan**—Yes, they are.

**Senator MACKAY**—What guarantees has Australia Post provided in relation to the term 'outlet'? Does that mean that current services will be maintained or current numbers of 'outlets' will be maintained?

**Mr Ryan**—Our performance regulations require us to maintain a minimum of 4,000 outlets, 2,500 of which are to be in rural or remote Australia.

**Senator MACKAY**—But what is meant by 'outlet'?

**Mr Ryan**—An outlet may be a corporate outlet, a licensed post office or a community postal agency.

**Senator MACKAY**—So it is not necessarily the retention of current levels of Australia Post offices, LPOs or community mail agencies?

**Mr Ryan**—No, it is not.

**Senator Alston**—Places where customers can get postal services. It is not necessarily where union employees can be located.

[10.42 a.m.]

**CHAIR**—That concludes Australia Post. I thank the officers for appearing. I call the Australian Broadcasting Authority. Welcome, Professor Flint and your officers, to the table.

**Senator MARK BISHOP**—I refer to page 136 of the PBS, the portfolio budget statements. In table 3.6, headed ‘Note of Budgeted Administered Financial Performance ... for the period ended 30 June’, the forward estimates show increases in revenue from ‘Other taxes, fees and fines’ of approximately \$10 million a year. What is the breakdown of revenues in each financial year across the types of licences? Can you provide that?

**Mr Tanner**—We might have to take that on notice.

**Senator MARK BISHOP**—That will be fine. What is the reason for the annual increases? Is it merely indexation?

**Mr Tanner**—Basically, the taxes on commercial radio and commercial television services are progressive. They are calculated based on the gross earnings and services. As the economy expands and that industry expands, the amount of gross earnings goes up at a steady rate. So you have got a larger gross earnings base to calculate from and also you have got a certain number of stations moving through progressive points. The chairman has just reminded me that there was a small additional impost to cover some of the costs of digital planning, which might also be a factor in increasing it. I think the thing that is pushing up the figure by the quite large amounts is basically the growth of the gross earnings of the industry.

**Senator MARK BISHOP**—You will probably have to take this on notice: what is the cost of administering each class of licence issued by the ABA?

**Mr Tanner**—I would certainly have to take that on notice. In asking about each category, are you thinking about commercial television broadcasting, subscription television broadcasting, that sort of a breakdown?

**Senator MARK BISHOP**—Can you be more specific than that? Are there subsectors under that?

**Mr Tanner**—Are you thinking of the relative cost as between, say, commercial television, commercial radio and pay TV?

**Senator MARK BISHOP**—Yes, I am.

**Mr Tanner**—We have done those breakdowns in the distant past. We will have to revisit that work, and I will take that question on notice.

**Prof. Flint**—Do you mean the total cost of administering, say, community radio compared with the amount we collect? Is that the sort of thing?

**Senator MARK BISHOP**—Yes. I want to get the break-up of cost versus revenue, if you like, for each class of license administered by the organisation. When we met last time, I asked you about the current review of the anti-siphoning list. I think you said the ministerial direction required the report to be given to the minister by 30 June of this year. Where are we at on this review?

**Ms Wright**—We have received public submissions, we have analysed those and we have been gathering material. We are in the process of drafting our report at this time for consideration by the ABA.

**Senator MARK BISHOP**—Do we anticipate adhering to that time limit of 30 June?

**Ms Wright**—Absolutely.

**Senator MARK BISHOP**—I want to now go to the cash for comment affair as it affected the radio industry last year, the role of the agency and the recommendations it came down with in the context of the TV industry. It is the same environment, the same approach, because you issue the licences for both the radio and the TV and the ABA is the appropriate regulatory authority. Is the ABA aware of any evidence of any undisclosed commercial arrangements on commercial TV?

**Mr Tanner**—The ABA is generally aware that there are likely to be issues about commercial arrangements other than straight advertising in relation to some programs. I am thinking here of, for example, lifestyle television; it is frequently nominated.

**Senator MARK BISHOP**—Lifestyle TV, sporting programs, commentary programs: those sorts of issues?

**Mr Tanner**—Yes. At the time that the issues in the commercial radio inquiry, which is the correct title, were winding up, we raised the issues disclosed in that inquiry with other sectors in the context of industry codes. There was some correspondence between the ABA and FACTS over the adequacy of its codes, which do to some extent already cover these issues. The ABA has not to date conducted any other more formal investigation of arrangements in relation to commercial television.

**Senator MARK BISHOP**—Were you satisfied that the industry codes administered by FACTS for the commercial TV operators covered adequately the issues that arose out of the radio inquiry?

**Mr Tanner**—I think that would be much too strong. I would make the comment that there are things in the FACTS commercial television code which do potentially bear on some of the issues raised in the inquiry. As to whether the ABA is satisfied, I am not sure the ABA has enough evidence of practices in the industry at this time to give you that assurance.

**Senator MARK BISHOP**—Let me ask the question a different way. If similar practices were occurring in the commercial TV industry that were disclosed in the commercial radio industry, would the current codes of practice administered by FACTS for commercial TV operators be sufficient or adequate to cover that situation?

**Prof. Flint**—Yes. I think paragraph 1.13 of the code gives us a remedy there. It provides that:

Where a licensee receives payment for material that is presented in a program or segment of a program, that material must be distinguishable from other program material, either because it is clearly promoting a product or service, or because of labelling or some other form of differentiation.

So there is a very precise provision there.

**Senator MARK BISHOP**—How is that issue of distinguishment determined? Is that in the eye of the viewer, the presenter or the licence holder?

**Prof. Flint**—It would be a question of fact, as to whether they had actually received any money—that would be factual. Distinguishable, from our point of view, means distinguishable by the reasonable viewer. So a reasonable viewer with no special training or preparation would be the correct test. If that person thought that what they were seeing was entertainment, and it was not entertainment, it was really an advertisement, then I suspect that would be a breach of 1.13. That is more specific than the codes that were being considered at the time of the commercial radio inquiry, I think—are they not? I am advised that is correct.

**Senator MARK BISHOP**—If a television presenter favourably mentioned or promoted a particular company or its goods or services during a program, and that company is a supporter, or advertiser, of the TV station, is that action by the presenter permissible under the code?

**Prof. Flint**—That is an interesting point because the code does say ‘licensee’. The ABA might be inclined to say, ‘Well, that is received on the part of the licensee, whether the licensee actually got the consideration.’

**Senator MARK BISHOP**—Let us be a bit more specific. The ABA issues licences to licence holders to operate commercial TVs, they hire servants to present programs at particular times, and those servants receive some sort of consideration for their services from the licence holder, either wages or consultancy pursuant to contract. If the presenter was engaged in promoting a particular company’s goods or services during his or her program and he received consideration from that company, would that be per se a breach of the industry code?

**Prof. Flint**—That would be my view. I would say that that is being received constructively by the licensee.

**Senator MARK BISHOP**—So if the presenter engaged in such activity with the knowledge or approval of the licence holder, would it still be a breach of the code?

**Prof. Flint**—If it were not distinguishable. That is my interpretation.

**Senator MARK BISHOP**—So if I am the host of an evening football show and I favourably mention the XYZ travel agency for booking of tickets on interstate flights, and that agency had a contract with me, would you regard that as being in breach of the code?

**Prof. Flint**—Subject, again, to a reasonable viewer thinking that was entertainment and not an advertisement, then it would seem to me to be in the nature of a breach of the code. These codes I regard as soft law, and I do not think that they should be interpreted in the same way that you would, say, the Income Tax Assessment Act.

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

**Prof. Flint**—They were never intended to be interpreted that way.

**Senator MARK BISHOP**—They are neither law nor regulation.

**Prof. Flint**—I would agree.

**Senator MARK BISHOP**—Nonetheless, in the commercial radio business there were codes that you could drive a whole truck through, weren't there?

**Prof. Flint**—There were attempts to.

**Senator MARK BISHOP**—Yes.

**Mr Tanner**—I think the largest problem encountered was more that the code seemed to be a dead letter. There certainly were references in the code which bore to the subject matter in the commercial radio inquiry, but the ABA did find a widespread culture of noncompliance with those codes.

**Senator MARK BISHOP**—If a television presenter favourably mentions or promotes a particular company's goods or services during a program, and that company is a supporter or advertiser, is that permissible under the code?

**Prof. Flint**—Again, it is a question of whether it is distinguishable, I would think.

**Senator MARK BISHOP**—And if it is not distinguishable?

**Prof. Flint**—If the viewer were to see this as entertainment or information and not as an advertisement, then I would think that would be a breach. But if, for example, you had a program that was obviously sponsored by a principal advertiser and at some stage there is a reference to that same advertiser I would not see that as a breach.

**Senator MARK BISHOP**—Are there any requirements for the disclosure of commercial agreements between TV presenters and third parties?

**Prof. Flint**—I am not aware of any such requirements.

**Senator MARK BISHOP**—You are not aware of such a requirement?

**Prof. Flint**—No.

**Senator MARK BISHOP**—So if I were a presenter of any of those types of shows that you identified, I might well hold a contract for consideration with a company and I would not have to disclose that either to my licence holder or to the ABA or any other authority?

**Prof. Flint**—I would have thought a prudent licensee would have in place—

**Senator MARK BISHOP**—Preventive measures.

**Prof. Flint**—measures which would ensure that—

**Senator MARK BISHOP**—But we know that did not happen in the radio inquiry. The licensees in that instance could not be characterised as prudent. That was the whole point of the inquiry.

**Prof. Flint**—And I think that was a learning exercise for the media.

**Senator MARK BISHOP**—I am taking the benefit of the learning to this instance and asking: are there any requirements for disclosure of commercial arrangements or agreements between TV presenters and third parties?

**Prof. Flint**—I think the ABA would expect that licensees would have in place a monitoring system because the licensee, in the ultimate analysis, is responsible for what appears.

**Senator MARK BISHOP**—That is a prudent answer. There may well be such an expectation or, indeed, formal arrangement between the licence holder and its servants. But,



ignoring that for the moment, are there any other requirements for such disclosure that you are aware of?

**Prof. Flint**—We are not aware of any.

**Senator MARK BISHOP**—Would the ABA take any action if there were evidence of suggestions of undisclosed commercial arrangements with commercial TV presenters, program producers or licensees?

**Prof. Flint**—If there were an apparent breach of 1.13—which is the clause I read to you—yes, we would. We would receive a complaint on that and if it were of such a serious nature we might directly investigate it rather than leaving it to the complaints process.

**Mr Tanner**—If the ABA became aware of a failure in the code to provide adequate community safeguards, it would have the same options open to it as it had in the commercial radio inquiry.

**Senator MARK BISHOP**—When you say ‘adequate community safeguards’, do you mean a form of disclosure?

**Mr Tanner**—No, I am simply referring to the legal test that the ABA must be satisfied of when it registers codes, and that it is also required to be satisfied of if it moves to replace a code with a standard. Basically, the code system is the default setting of the Broadcasting Services Act. There is a presumption that service providers themselves are directly accountable to their viewers for adhering to community standards. The test that must be satisfied before the ABA re-regulates and moves to a standard is one of whether or not the code is providing, in all the circumstances, adequate community safeguards. I mention that because if there is no breach of a code that is not necessarily the end of the road if there is obviously some egregious failure in the whole process thereby disclosed to provide safeguards.

**Senator MARK BISHOP**—Okay. Thank you, Mr Tanner. As there are no further questions, I thank the officers from the ABA for attending. We will move on now to the Australian Communications Authority.

[11.00 a.m.]

#### **Australian Communications Authority**

**Senator MARK BISHOP**—The first issue I wish to raise with you is the proposed auction of the two space licences. I am advised that the orbit locations have been available since 1977. Perhaps you can tell me, Mr Shaw, since when have the locations for space licences, for which the ACA called for applications last month, been available.

**Mr Shaw**—It is probably better if I pass the answering of that question to Mr Grant, our specialist executive manager responsible for that area.

**Mr Grant**—I understand that the allocations have been available since 1997 but it was not until the last world radio conference, some 12 months ago, that the planning for those was finalised.

**Senator MARK BISHOP**—So it was not possible to offer them prior to the conclusion of that conference?

**Mr Grant**—I would need to take that question on notice.

**Dr Horton**—The world radio conference in Istanbul in May last year, finalised what allocations would be applied to the countries around the world and Australia was given these

two orbital slots. The actual programming and the software which drove that was not completed until May and it went through its final run in—

**Senator MARK BISHOP**—May of last year?

**Dr Horton**—May of last year, yes. Then Australia was given these two orbital slots at 152 and 164 East and that was the first formal hand over of responsibility for orbital slots that we were given for BSS.

**Senator MARK BISHOP**—Who had responsibility for their authority before?

**Dr Horton**—It was a mad scramble in the past. In satellite allocations there is a queuing system, normally, with the ITU, so registration of interest for a slot is made with the ITU and then a coordination process proceeds beyond that, whether it is for fixed satellite services or broadcasting satellite services. What has happened according to the latest world radio conference is that there is a more structured approach to the BSS, the broadcasting satellite service bands, and this is being done now by taking an equitable approach whereby different slots are allocated to different countries.

**Senator MARK BISHOP**—Prior to the finalisation of that process, it would not have been possible for the ACA to offer any licences?

**Dr Horton**—It was not within the ACA's remit. We could have applied for them to the ITU. What the ITU has done is to assign this to Australia for forwarding into the market.

**Senator MARK BISHOP**—Is there sufficient market interest in those two slots?

**Mr Grant**—We called for applications for the two slots. For one of the slots we had four companies put their names forward.

**Senator MARK BISHOP**—Which slot was that?

**Mr Grant**—That was 164 East. For the other one, 152 East, we had two of those same four companies put their names forward.

**Senator MARK BISHOP**—Okay.

**Mr Grant**—We are unclear just how strong that demand is. We intend to test with the applicants whether they wish to proceed with their applications in the light of a 'use it or lose it' requirement that we would intend to impose and the requirement for an up-front payment. If there are still multiple applications for any single slot then we would propose to proceed with an auction. On the other hand, if there is only one taker for a given slot, then there would be no need for an auction.

**Senator MARK BISHOP**—No.

**Mr Grant**—So we are still testing just how strong that market demand is.

**Senator MARK BISHOP**—Has an amount been allocated for the sale of the space licences in the budget?

**Mr Shaw**—That is something you would have to ask the Treasurer. I do not know whether any allowance has been made.

**Senator MARK BISHOP**—Do you have any value in mind, Mr Shaw?

**Mr Shaw**—No, we do not have any particular value in mind, but my expectation would be that it would not be anything like the amounts we have received in a lot of other auctions we have had recently.

**Senator MARK BISHOP**—Is this really an international market sourced out of Australia for these two slots?

**Mr Shaw**—Senator, these two slots would effectively provide broadcasting services over the Australian continent. The way they are coordinated at the moment they do have, I think, 23 channels. One is more broad coverage and the other is focused on Western Australia but there would be scope for variation of those configurations as part of the ITU processes.

**Senator MARK BISHOP**—Is it just the Australian continent or does it also cover lower reaches of Asia and the Pacific?

**Mr Shaw**—I think there is some wider reach. I should correct the information I provided to you a moment ago. There are 21 channels, I believe, on these satellites. They are essentially Australia orientated beams or satellites which is why they have been passed to Australia under that ITU process.

**Senator MARK BISHOP**—When do we anticipate the process to conclude?

**Mr Shaw**—After having tested the market, if we believe that there is competition for either of those slots we would move to an auction and it is unlikely that would be concluded under about 12 weeks—about three months.

**Senator MARK BISHOP**—What do you do, say, if there are only one or two bidders for each, which is likely in at least one? Is it just a simple negotiation then?

**Mr Shaw**—If there were a single bidder then we would set a notional starting price, if you like, or a special tax, as a one-off up-front charge. But the licensee would be obliged to pay the normal annual charges for the use of spectrum.

**Senator MARK BISHOP**—I see. So it becomes a licence. Turning now to the outcome of this year's spectrum licences, projected vis-à-vis actual—and we had the figures provided to us by the minister earlier: \$1.325 billion for the four classes of spectrum. Can you please now provide the figures for the 2000-01 spectrum auctions, the details of projected revenue in last year's budget for each of the spectrum auctions, and the actual revenue that was received?

**Mr Shaw**—I do not believe we have any such forecasts, do we, Mr Grant?

**Mr Grant**—Senator, we are not privy to budget estimates, the reported figure of \$2.6 billion. We have no information within the ACA as to its make-up and you would need to refer that issue to Treasury.

**Senator MARK BISHOP**—I will ask the secretary to pass that question on. Let us turn now to the mobile phone spectrum licence fees, Mr Shaw. In relation to the \$120 million increase in the GSM spectrum licence fees, did the minister direct the ACA to increase the GSM licence fees?

**Mr Shaw**—Yes, he did.

**Senator MARK BISHOP**—When did the minister make his direction?

**Mr Shaw**—He made it the day before the determination was made by the authority. We received a direction on 3 May and the authority met on 4 May and gave effect to the direction.

**Senator MARK BISHOP**—And you had no choice in that?

**Mr Shaw**—We had no choice.

**Senator MARK BISHOP**—Do you know who was consulted about the increase in the licence fee?

**Mr Shaw**—No. I am not aware of what consultation the minister had.

**Senator MARK BISHOP**—Did the minister or the department consult with the ACA?

**Mr Shaw**—Early this year I did provide advice to the minister on a number of spectrum licence fee matters, including the GSM licence fee. We also had discussion with his advisers over the course of the lead-up to that direction.

**Senator MARK BISHOP**—Was industry consulted?

**Mr Shaw**—I am not aware of any discussions that might or might not have taken place.

**Senator MARK BISHOP**—Dr Watt, you might be able to help us there from a departmental perspective. Prior to the issuing of the directive and its action by the ACA in early months, was there consultation with industry at all about the proposed increase in the GSM spectrum licence fees?

**Dr Watt**—I am not aware of any consultation, but I would not necessarily expect to be.

**Senator MARK BISHOP**—Just for my information: how long have you been in the job?

**Dr Watt**—In a substantive position, about six weeks; in an acting position and substantive about 11. I think I started on 16 March.

**Senator MARK BISHOP**—Did you say you would not know?

**Dr Watt**—I would not necessarily know.

**Senator MARK BISHOP**—Why would you not necessarily know?

**Dr Watt**—The minister may have chosen to have any consultations directly himself or his office may have had consultations. I would not necessarily be expected to be aware of those on any subject.

**Senator MARK BISHOP**—A fair comment. In that case, the minister may well have had consultation with the industry or interested parties?

**Dr Watt**—I am just unaware, Senator.

**Senator MARK BISHOP**—Did the department?

**Dr Watt**—No, the department did not have any consultations.

**Senator MARK BISHOP**—And the ACA did not either?

**Mr Shaw**—No, we did not.

**Senator MARK BISHOP**—So, in fact, the ACA did not determine the quantum of increase. That was simply a direction from the minister?

**Mr Shaw**—That is correct.

**Senator MARK BISHOP**—Do you know how he arrived at that figure of \$120 million?

**Mr Shaw**—I do not know precisely how he arrived at the figure. Certainly in advice that I provided to him I did outline what the implications of some of the spectrum auctions that we currently had could be for spectrum in that band.

**Senator MARK BISHOP**—Did you see a relationship between the proceeds from the various auctions and this fee here?

**Mr Shaw**—The auction amounts, when calculated on a per megahertz basis, are quite variable, depending on which auction one looks at. It is really a matter of judgment as to what an appropriate fee might be for this spectrum in the light of the results of those auctions.

**Senator MARK BISHOP**—The question I am asking is this: in your advice to the minister, did you make any calculation based upon the results of those spectrum auctions?

**Mr Shaw**—We certainly provided what the amounts would be and suggested that there could be an increase in fees. But the matter of the final determination was clearly a matter for the minister and the government.

**Senator MARK BISHOP**—Was that figure of \$120 million in the ballpark of your suggested recommendations?

**Mr Shaw**—It was in the ballpark, yes.

**Senator MARK BISHOP**—At the top or bottom end?

**Mr Shaw**—About the ballpark. The range is quite extensive because of the variability.

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

**Mr Shaw**—The range could go up as high as five times, if you look at particular pieces of spectrum that were sold. Again it is a matter of judgment as to whether one, two, three, four or five is appropriate.

**Senator MARK BISHOP**—Are you saying that your advice is that the range could be between \$50 million and \$500 million?

**Mr Shaw**—What I am saying is that, compared with the previous fees that were in place and looking at the prices that were received at auction for particular parts of the equivalent sorts of spectrum, there were one or two observations which might be used to justify an increase of up to five. That is not saying that is necessarily the right amount.

**Senator MARK BISHOP**—Stop there, Mr Shaw. That increase of five is based on the pre-existing licence fees?

**Mr Shaw**—Yes. It is based on five times the pre-existing licence fees.

**Senator MARK BISHOP**—What were the pre-existing licence fees?

**Mr Grant**—They were a total of \$20.5 million.

**Mr Shaw**—That was for the three licensees in those bands.

**Senator MARK BISHOP**—So the minister has been a little bit overambitious. He has gone for six times, hasn't he?

**Mr Shaw**—No, he has gone for 2½ times.

**Dr Watt**—I think that \$20 million is an annual figure.

**Mr Shaw**—It is an annual fee. The \$120 million that is referred to is a fee over the course of the outyears covered in the budget. We were directed to increase fees as the previous fee

adjusted to take account of CPI changes over the last several years, which was about 4.6 per cent, and then multiplied by 2.5.

**Senator MARK BISHOP**—So the increase is 2.5?

**Mr Shaw**—Yes, plus CPI.

**Senator MARK BISHOP**—It is not as large as I had thought. It is quite modest, really. Your advice to the minister was that he could go as high as five?

**Mr Shaw**—No. We did not provide advice on what he could go as high as. We provided advice on what the implicit shadow price might be, from some of the spectrum sales that had occurred before.

**Senator MARK BISHOP**—Your observation from that process was that for particular areas it could have been as high as five?

**Mr Shaw**—Yes. The observation was that there was some spectrum that had been sold which implied a value five times the existing fees. As I said before, it is a matter of judgment of what an appropriate increase might be, which is clearly an appropriate matter for ministers and government.

**Senator MARK BISHOP**—In relation to the spectrum, a company or companies pay the licence fee and purchase the licence. Is that a negotiable asset?

**Mr Shaw**—These are apparatus licences that are involved here. They can be sold—

**Senator MARK BISHOP**—They can be on-sold?

**Mr Shaw**—they can be traded and indeed there is now a bank, Macquarie, that has established a trading room to deal with spectrum.

**Senator MARK BISHOP**—How long has that been in operation?

**Mr Shaw**—A bit under 12 months, I believe.

**Senator MARK BISHOP**—What is the correct name for these licences?

**Mr Shaw**—These are apparatus licences, as opposed to spectrum licences. These are annual licences where the licence fees are paid annually. The original licences were given to Telstra and Optus as part of the 1991 sale process and also to Vodafone as part of the sale of that third carrier licence in 1992, and some subsequent apparatus licences were also given to those three carriers several years later, for a fee which I think was about \$34 million.

**Senator MARK BISHOP**—The increase has gone through, or will have gone through or will be given effect to. Have any of those apparatus licences relating to that been on-sold as yet?

**Mr Shaw**—I am not aware that they have. I would expect, for those three carriers, that they had not been.

**Senator MARK BISHOP**—Did OneTel have one?

**Mr Shaw**—OneTel had spectrum licences which it purchased at two auctions—one was in 1998 and the other was in 2000.

**Senator MARK BISHOP**—But none of these apparatus licences?

**Mr Shaw**—No. These were just for those three—Vodafone, Telstra and Optus.

**Senator MARK BISHOP**—Is there any limit on the number of apparatus licences that can be issued?

**Mr Shaw**—There is a clear limit by the amount of spectrum available. That is the limit.

**Senator MARK BISHOP**—Are we close to the limit, then?

**Mr Shaw**—For spectrum availability in those bands, yes, there is little more available for sale.

**Senator MARK BISHOP**—I turn now to the PBS at page 211. In table 3.6, headed ‘Note of Budgeted Administered Financial Performance ... for the period ended 30 June’, the first two columns show an increase in taxation from \$117 million to \$120 million. What are those new taxation revenues?

**Mr Shaw**—I will ask Mr Daren Hooper, my chief financial officer, to come to the table.

**Senator MARK BISHOP**—Welcome, Mr Hooper. I am sure you will enjoy this experience. Everyone else does.

**Mr Shaw**—I assume that the revenue together with the \$117 million here is the radio communication licence fees which we collect annually, fees from taxes—

**Senator MARK BISHOP**—The heading is ‘Other taxes, fees and fines’.

**Mr Shaw**—Which is basically the radio communication licence fees, those annual apparatus fees we were just discussing. We have some 200,000 licensees on our register.

**Senator MARK BISHOP**—You could probably take this on notice: could the ACA provide the committee with a table comparing the various classes of licences that you administer on the basis of the cost of administration and the revenue raised by each class? In that analysis, could you include the licence, a description of its purpose, the licence fee and a comparison of administration cost and revenue for each?

**Mr Shaw**—Yes, certainly we can do that.

**Senator MARK BISHOP**—There was an article by Ms Christine Lacy in the communications section of the *Financial Review* on Wednesday, 23 May. The opening paragraph said:

The sale of datacasting licences by the Federal Government is expected to raise \$169 million for the Budget in the coming financial year.

Have the proceeds from a sale of the datacasting spectrum been included in the budget for 2001-02?

**Mr Shaw**—I do not know the answer to that question.

**Senator MARK BISHOP**—Is that because it is a Treasury matter?

**Mr Shaw**—Because it is a Treasury matter, I am not aware of what figures are in the Commonwealth budget for spectrum sales.

**Senator MARK BISHOP**—Dr Watt, can you—

**Dr Watt**—I think you would have to refer that to either the Treasury or the department of finance.

**Senator MARK BISHOP**—Could I ask the secretary to refer that question on and, if the answer is yes, what amount has been projected from the sale and is the figure of \$169 million identified by Ms Lacy correct? You can probably answer this question now: when do you anticipate the sale of the datacasting spectrum to proceed?

**Mr Shaw**—That is a matter for government. As you would be aware, the ACA received a direction from the minister to not proceed with the datacasting auction, and he has indicated in a press release that the policy and matters surrounding datacasting are under consideration by the government. We are waiting for the outcome of those discussions.

**Senator MARK BISHOP**—So it is just on hold and there is no further—

**Mr Shaw**—It is on hold, as far as the ACA is concerned, until such time as we receive advice from the minister.

**Senator MARK BISHOP**—So the answer to that is no answer. I want to discuss some matters relating to the USO in the pilot regions, particularly the premium payment. Are you on top of this, Dr Watt?

**Dr Watt**—Not entirely, but I am sure we have some officers here who are.

**Senator MARK BISHOP**—It is fairly technical, and I wonder if it is not more appropriately a question directed to the minister. I might ask, if his office is observing, if the minister could attend, because there were a range of decisions made.

**CHAIR**—We will arrange to get him now.

**Senator MARK BISHOP**—Welcome back, Minister. I wanted to briefly talk about the USO in the pilot regions. The government plans to introduce competition into the USO delivery with the two trials. Everyone is familiar with the background to that. Details of the subsidy levels available for participants in the trials were announced back in April, from memory. Whilst the government accepted most of the ACA's recommendations in this area, it rejected the recommendation from the ACA that Telstra be paid compensation, or a premium payment, for having to provide insurance in the trials; that is, act as a carrier of last resort. Can you explain, Minister, why you did not accept the ACA's recommendation to compensate Telstra for the requirement to act as carrier of last resort in the pilot regions through a premium payment?

**Senator Alston**—I cannot recall precisely whether we gave formal reasons on this or whether it has been canvassed publicly, but, to the extent that Telstra has the network in situ and clearly is likely to remain there as a carrier in any event, and indeed may need to be there if that default occurs, it seemed to us that, apart from the difficulties you might have in actually assessing what the true level of risk and therefore compensation ought to be, it was not imposing any significant burden on Telstra to stay in place.

**Mr Shaw**—Perhaps I can give a little bit of background to this premium payment.

**Senator MARK BISHOP**—Am I correct in asserting that the ACA made a recommendation to the minister that a premium payment be made to Telstra?

**Mr Shaw**—Yes. About 12 months or nine months before we provided advice to the minister, we were asked to provide advice on the level of subsidy that should apply in various parts of the contestable areas and on whether there should be a premium payment and what level it should be. We did engage consultants and we also did a lot of hard thinking ourselves. We subsequently did provide advice to the minister, and I believe that the documents that we provided were made publicly available.



**Senator MARK BISHOP**—Yes. I am familiar with them; I have had a look at them.

**Mr Shaw**—But there is little science in establishing what an appropriate amount of premium payment should be, if any. Although we did make a judgment call and provided advice to the minister, as we were asked to do, the minister, as he has indicated, chose to take a slightly different approach, and I also think it is within the boundary of what we are talking about here in terms of sensible outcomes—

**Senator MARK BISHOP**—I do not have any quarrel with that.

**Mr Shaw**—to make a judgment that in this case there should not be one.

**Senator MARK BISHOP**—I do not quarrel that the minister did not have the right to make that judgment call—that is a subjective matter for him. What intrigued me is that after hard deliberations you did come to fairly firm conclusions that there should be a premium payment made to Telstra, essentially for the cost of maintenance of the system. What intrigues me is why you, Minister, do not regard that argument as persuasive.

**Senator Alston**—There is a certain plausibility, if Telstra were just another company, or particularly if it were a small business, in saying that any disruption to your business that is imposed on you ought to result in your not being disadvantaged. But Telstra is not your everyday company. Telstra is far and away the largest company in Australia, if you talk in terms of where it derives its earnings, in terms of its capacity to absorb what essentially are changes at the margin, where it is not at all clear that it would suffer to any extent. It was indicated to me that even Telstra itself would probably not have said that compensation should be much more than modest.

**Senator MARK BISHOP**—What was the ACA's recommendation? What was the figure you recommended?

**Senator Alston**—I think what they were doing was essentially stating the principle that I have just stated.

**Senator MARK BISHOP**—They were stating the principle and they used the costings, too.

**Senator Alston**—They were also saying it is a hell of a job to actually try and quantify all this. There are so many variables at work you could just as easily come to the conclusion that, yes, in principle, but in practice it is either too hard or would not make any real difference—

**Senator MARK BISHOP**—But they did that exercise.

**Senator Alston**—But when you have an outfit with \$20 billion worth of revenue what you are trying to achieve is an optimum outcome that is not going to make any significant difference to them but not unnecessarily require the government to spend money on that when it could be spent better elsewhere.

**Senator MARK BISHOP**—What figure did you recommend?

**Mr Shaw**—From memory, it was a very modest figure of somewhere in the order of \$100 per customer, I believe. It might have been slightly higher than that—it might have been up to \$125—but it was of that order of magnitude.

**Senator MARK BISHOP**—The number of customers we are talking about in these two areas was in the order of how many thousands?

**Ms Kelleher**—Loss making customers—about 40,000.

**Senator Alston**—That is 40,000 services, but that is across the entirety, and we are talking about only two pilot projects there.

**Senator MARK BISHOP**—So the figure was less than \$10 million?

**Ms Kelleher**—Yes, I think the total figure was more like \$6 million or something like that.

**Mr Shaw**—Something of the order of \$6 million per annum.

**Senator Alston**—It is a company with \$200 million a month free cash flow.

**Senator MARK BISHOP**—Yes, it is a big company and it has got huge revenue, good earnings and high dividends. It is also 49 per cent owned by the community, and \$6 million here and \$6 million there all adds up. Were you lobbied by the industry not to make the payment, Minister?

**Senator Alston**—I would be very surprised if it was prominent on anyone's radar screen.

**Senator MARK BISHOP**—At that time?

**Senator Alston**—I do not recall. There may be something around suggesting that someone address that amongst a number of other issues, but I would be very surprised if this was a high priority for anyone.

**Senator MARK BISHOP**—Was your principal reason that the premium payment would be administratively complex?

**Senator Alston**—There are a bunch of reasons. I think, as Mr Shaw says, there are so many variables at work here you could, in fact, end up with any number of different outcomes and you could never be confident that any of them would be the right number. But over and above that, it just seemed to us that, at the end of the day, the claim itself is a fairly weak one given that they would not be about to rip up the infrastructure, you would not expect. They are, in fact, likely to be an ongoing provider. They may well need to stay there. I recall this with BT as well. BT used to say, 'We do not even want to have a USO imposed on us. We will do it voluntarily because we want to be able to claim the credit for providing a full range of services to everyone in the country.' So it seemed to us that that was quite likely to be part of Telstra's thinking as well, that they would want to stay there and compete. If that is the case, why would you want to compensate them for what might turn out to be no loss at all?

**Senator MARK BISHOP**—One of the government's aims in the pilot region process is to create sustainable competition in these areas, isn't it?

**Senator Alston**—That is not the endgame. The endgame is to reduce the cost of the USO and you achieve that by—

**Senator MARK BISHOP**—Competition—that is okay.

**Senator Alston**—allowing competition to identify whether there is a lower cost alternative.

**Senator MARK BISHOP**—All right, I accept that. How does the requirement that Telstra underwrite the USO experiment accord with that? You are not having pure competition, are you? Telstra either have to walk away from their infrastructure or, more sensibly I suppose, maintain it at some cost to themselves without any revenue flows. How does that result in a decent level of competition?

**Senator Alston**—In a sense, you are doing your best to guarantee competition. But at the end of the day what you are trying to do is to find out if someone will provide the same services for less money and, if you get that outcome, it is a bit like tenders in this building.

There is only one person who runs Aussie's but if you put it up for competitive tender every few years you will get a range of people bidding for it and you will get the lowest price.

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

**Senator Alston**—They then effectively provide a monopoly service until the next time it comes up for consideration. But the taxpayer in that instance is better off.

**Senator MARK BISHOP**—If Aussie's lose the contract, every three years, five years or whatever it is, you do not ask them to maintain the infrastructure of the premises, do you?

**Senator Alston**—No. That is the difference between a small sole proprietor and a huge monolithic outfit.

**Senator MARK BISHOP**—A huge monolithic agency that is 49 per cent publicly owned.

**Senator Alston**—Let us not go down that path.

**Senator Mark Bishop**—It has to subsidise competition. Your argument is that it has to subsidise competition.

**Senator Alston**—What do you mean it has to subsidise competition? Given that the real cost is not even certain to be there—in other words, there may not be any serious cost at all—there are a lot of areas where in theory Telstra might suffer a marginal loss through changes in government policies or agreements that you might reach with them to provide certain services. But you have to do your best to achieve a reasonable outcome. You do not run around looking to compensate them for every last dollar. In Besley they have come to the party on a number of things which they would say cost them real money. On the other hand they get the benefit of being the provider of that service. Presumably that helps them offer an across-the-board set of services. It is just much harder to argue that Telstra is significantly affected.

**Senator MARK BISHOP**—I think we might leave that in contest. Correct me if I am wrong here: it appears that the competing universal service providers, the CUSPs, in the trial zones will be able to offer USO services on the basis of resale. Is that assertion correct?

**Mr Shaw**—That assertion is correct.

**Senator MARK BISHOP**—So that opens up the possibility of CUSPs operating chiefly on the basis of arbitrage?

**Mr Shaw**—Arbitrage has a special meaning. It operates to the extent that there is a subsidy payable under the USO arrangement, which might flow to those CUSPs. The total cost that they incur, relative to the revenue that they get, results in their potential scope for arbitrage on the interconnection prices that they are actually paying for access to the underlying infrastructure. So there is some potential for arbitrage but the extent of it is a moot point.

**Senator MARK BISHOP**—I am advised that you estimate the cost of service provision in the Goldfields pilot region—GGT in the Goldfields pilot region—as being about \$1,801 per service in operation and USO subsidies are based on that figure. Is that correct?

**Mr Shaw**—I do not have those particular figures but they sound of the right order of magnitude.

**Senator MARK BISHOP**—Under current regulatory arrangements a service provider might be able to gain local access services from Telstra in the same region for about \$470 per year, based on the ACCC's 1999 estimation of efficient line costs in some rural areas. If both

of those figures are correct, that would provide a CUSP with a bonanza of some \$1,300 per customer per year—a significant amount.

**Mr Shaw**—There are clearly differences that can occur on the basis of what the ACCC might judge as an appropriate price for access, relative to the full costs—and you need to take account of revenues as well because you need a net position—or the net position that a CUSP might be in after allowing for the subsidy it receives under the USO arrangements. To the extent that that causes a problem for Telstra, there is scope for Telstra to take a dispute to the ACCC and for the ACCC to take account of the subsidy in deciding on any particular amount that should be charged for access to their infrastructure. The same thing happens with what is called the ‘access deficit’ which you might be familiar with. There is an allowance in the pricing arrangements that ACCC follows in deciding on what an appropriate price is for access, to allow for the fact that Telstra suffers a deficit on their local network because of price caps and other constraints.

**Senator MARK BISHOP**—The ACA is aware of a potential problem, and the government is aware of a potential problem. How do you intend to address it? Are you going to wait and see if it develops in the marketplace?

**Mr Shaw**—This issue has been evident from when we first started this work to the extent that any subsidy level potentially could create scope for arbitrage. We have been in constant contact with our colleagues in the ACCC over the matter and we have had discussions with the department. Where we all stand at the moment is that it is appropriately a matter for the ACCC to sort out, to the extent that there is a problem.

**Senator MARK BISHOP**—To the extent that there is a problem?

**Mr Shaw**—Yes.

**Senator MARK BISHOP**—And that will only emerge in the future?

**Mr Shaw**—That is correct.

**Senator MARK BISHOP**—Finally for your agency, Mr Shaw, what resources have been committed by the ACA to developing new contestability models?

**Mr Shaw**—We have established, over the last 12 or 18 months, a separate group within the ACA to work on all these USO issues. A lot of them are interrelated. It is hard just to look at contestability of those contestable pilots without looking also at the extended zones and the work that we have been doing there as well as the standard areas. We have something like a dozen people allocated to that work over the next 12 months.

**Senator MARK BISHOP**—Would they be senior policy people?

**Mr Shaw**—Yes, an executive manager, Mr John Haydon, is leading that group, and he has, I think, two people reporting to him and then staff below that. There is a significant amount of work.

**Senator MARK BISHOP**—I’ll bet there is! So you would have to maintain that unit for the foreseeable future?

**Mr Shaw**—We expect that for the next year or two we would need to have a dedicated unit. My intention would be that once we have a system in place we would be able to disband the group and, rather than a dedicated group, we would have a team as we had before, reporting through one of our normal groups.

**Senator MARK BISHOP**—What was the cost of the MJA consultancy which advised the ACA on the calculation of the premium payment, amongst other matters?

**Mr Shaw**—I do not have those figures at hand. We can certainly provide them on notice.

**Senator MARK BISHOP**—And also provide the total cost to the ACA of the consultancies engaged to assist in providing advice on the trial USO arrangements.

**Mr Shaw**—Yes, certainly we can provide that.

**Senator MARK BISHOP**—Apart from ACA resources and consultancy fees, what other costs are associated with the contestability trials, over and above those involved in the ongoing administration of the USO payment?

**Mr Shaw**—There are substantial costs which are not included, specifically, in the budget. In the out financial years we hope that we will be able to absorb those costs, which is why there is not a specific new policy proposal there. They do include, for example, ensuring that people in the contestable areas are fully aware of safeguards and the way in which the arrangements work. We would propose to have a significant public awareness campaign should there be CUSPs who enter, which we hope and expect there will be.

**Senator MARK BISHOP**—Can you provide on notice the costs over and above ACA resources and consultancy fees associated with the contestability trials for the next 12 months?

**Mr Shaw**—I can try and pull those figures out but, as I indicated before, the work merges in with other contestability work. For example, we have received a direction from the minister to recalculate the standard zone figures for the next two years out. Perhaps we could provide advice on the expenditures that we anticipate incurring specifically on universal service and the ones that we can specifically earmark as being associated with the contestable zones.

**Senator MARK BISHOP**—It would be good if you would do that. Earlier, you said that there was going to be a public awareness campaign in the USO areas. When do you expect that to kick off?

**Mr Shaw**—There seems to be little point kicking off a campaign until we know precisely who will be entering and where they will be entering. We have recently put out a draft set of guidelines for any carriers or service providers that wish to offer service in those areas. Under those guidelines and under the legislation as it stands, we are obliged to effectively approve their entry through approving their marketing plans. When we are aware that those events are occurring, we will then make sure that consumers in those areas know where they stand.

**Senator MARK BISHOP**—When do you expect to sign off on their marketing plans?

**Mr Shaw**—We have not received any yet.

**Senator MARK BISHOP**—Are we talking about three or six months—

**Mr Shaw**—It is entirely in the hands of industry.

**Senator MARK BISHOP**—Do you have a close date for receiving the marketing plans?

**Mr Shaw**—No, we do not. Anyone can enter at any time after 1 July—the date from when they are entitled to enter. But anyone can apply from now to enter the market.

**Senator MARK BISHOP**—That is very open ended. Sooner or later, you have to run the public awareness campaign, don't you?

**Mr Shaw**—If there were not, hypothetically, any entrants in a particular area then it would seem a waste of time and money to run a campaign.

**Senator MARK BISHOP**—Of course it would. But let us assume that there are entrants.

**Mr Shaw**—When we are aware of entrants we will then move to make people aware of what is happening and of what their rights are.

**Senator MARK BISHOP**—What funds have been reserved for that public awareness campaign?

**Mr Shaw**—We have earmarked something in the order of \$300,000.

**Senator MARK BISHOP**—Is that in this year's budget?

**Mr Shaw**—That is part of the budget expenditure that we expect to incur this year, but it is not a new policy proposal.

**Senator MARK BISHOP**—Where would I find that line item?

**Mr Shaw**—There is no line item, it is just part of the internal allocation of moneys—the appropriations that we have received.

**Senator MARK BISHOP**—Under what heading would it come in the PBS?

**Mr Shaw**—It is in the tables that you were referring to before. It is just part of the \$50-odd million figure that is being allocated to us as part of our expenditure. You will not find a specific figure. This is just our internal allocation of moneys that are provided to us.

**Senator MARK BISHOP**—Your internal budgeting process has suggested that you might have to run a public awareness campaign to the value of \$300,000 to inform consumers when you have some new entrants into the marketplace.

**Mr Shaw**—That is what we are anticipating.

**Senator MARK BISHOP**—The guidelines are out, and the closing date for response is 1 July?

**Mr Shaw**—Anyone may enter from 1 July, but anyone can apply at any time.

**Senator MARK BISHOP**—What test are you going to apply to assist you to determine when to run the public awareness campaign?

**Mr Shaw**—The test would be the timing of entry, and that would depend on industry: when they indicate to us and when we know that there is a marketing plan that is about to be approved.

**Senator MARK BISHOP**—You obviously talk to industry fairly regularly. What is the informal or anecdotal advice on the likely number of entrants?

**Mr Shaw**—I do not have a sense of that at the moment.

**Senator MARK BISHOP**—Is the public awareness campaign really an advertising campaign?

**Mr Shaw**—No, it certainly would not be an advertising campaign. It would make sure that consumers were aware of their rights and aware of what safeguards were in place, were they to decide to move to one of the new entrants. Essentially, it would ensure that consumers were fully aware of the way in which they should analyse any approach that is made to them and of the factors that they should take into consideration.

**Senator MARK BISHOP**—So you would be, in due course, letting a contract to some sort of PR firm or advertising agency to do that job?

**Mr Shaw**—That is correct. We did go out some time ago with a proposal. We received some tenders and they have been sitting, waiting. We have some arrangements in place so that we can trigger—

**Senator MARK BISHOP**—When you say you have received tender responses, are they more than expressions of interest?

**Mr Shaw**—In relation to this campaign, we have actually selected a company but we have not proceeded any further for the reasons I have just outlined.

**Senator MARK BISHOP**—What is the name of the company?

**Mr Shaw**—I do not have the name of the company off the top of my head. We could provide it to you if you wished.

**Senator MARK BISHOP**—If you do not mind. If you could provide the name of the company, the amount of the consideration—

**Mr Shaw**—I think it was open-ended, in the sense that—

**Senator MARK BISHOP**—It would not be open-ended, would it?

**Mr Shaw**—No, not open-ended. But at the time we were not sure exactly what expenditures might be incurred. I think we went out in the ballpark of about \$500,000 for a campaign. But clearly we would need to look at that.

**Senator MARK BISHOP**—And could it be plus or minus?

**Mr Shaw**—Within the totality of our budget, it could not be plus, because we do not have the money that we could allocate to this particular exercise. It would certainly be minus.

**Senator MARK BISHOP**—I would appreciate it if you could make some inquiries of your officers on the name of the company that has been given the contract to do that work; the amount of consideration; payment dates, if they are in the contract; and the tasks that they have undertaken to carry out, and perhaps get that information to the secretary of the committee today.

**Mr Shaw**—Senator, I may have misled you. I am not sure that a contract has actually been entered into. We went out with an arrangement and invited expressions of interest to undertake these tasks for us.

**Senator MARK BISHOP**—And you selected one of the—

**Mr Shaw**—I have just been advised by my staff that we do have a contract, so we can provide those details to you.

**Proceedings suspended from 11.53 a.m. to 12.08 p.m.**

**Telstra**

**CHAIR**—We will now commence on Telstra.

**Senator MARK BISHOP**—I welcome Mr Stanhope and the other officers of Telstra to this estimates consideration. For the record, I have just had a brief private discussion with Mr Stanhope to ask him how Telstra calculated the imposition of the GST. Mr Stanhope confirmed my understanding that, excluding the local call charge costs, it is just 10 per cent added to whatever the cost is, for the calculation.

Mr Stanhope, I might ask the attendant to provide you with a copy of a Telstra bill for your examination. Would you have a look at that and run through it with me. I put it on the record that this is a bill that was issued on 9 March this year. Under the headings 'Item' and 'Account Summary' there are three subheadings: 87, 'Usage charges to 03 Mar'; 89, 'Service and equipment to 03 Apr'; 88, 'Other charges and credits'. Then 'GST in this bill' and 'Total of this bill' appear. There are two further columns, headed 'Excl GST' and 'Incl GST'.

When I look at the first column, I see that for usage charges the amount excluding GST is \$1.14 and including GST it is \$1.25—and \$1.14 plus 10 per cent gives us \$1.25. I have no quarrel with that. Service and equipment to 3 April amounts to \$15.39; and 10 per cent of \$15.39 is \$1.53, which gives \$16.92. You have got a figure of \$16.93; that is fine. Then you have 'Other charges and credits' at \$154 and a figure of \$170.60. I query how that figure is arrived at. The total bill is \$170.53, and I would have thought 10 per cent was going to be \$17.05, but the figure there is \$18.25. I have had a large number of constituency inquiries as to how similar accounts are calculated, and for the life of me I have been unable to understand it. Could you put an explanation on the record?

**Mr Stanhope**—As I mentioned to you earlier—and Ms Shiff can elaborate—we did our bills on the basis of an agreement with the tax office on how we would arrive at the bottom line of this number. We are aware that some rounding takes place and it comes out to more than 10 per cent. We have had discussions with the ACCC about this and how it ought to be corrected. It was an unintentional outcome of an arrangement that we agreed on—this is a tax invoice with the tax office. The methodology has been changed since so that the GST will not exceed 10 per cent.

**Senator MARK BISHOP**—In the first column, excluding GST, the total of the bill is \$170.53. Is it fair for me to assert that the GST should be \$1.70 on top of that, that being 10 per cent?

**Mr Stanhope**—That is correct.

**Senator MARK BISHOP**—So the figure of \$18.25 is an increase of roughly 50c that should not have been there?

**Mr Stanhope**—That is correct. That is the issue that we have discussed with the ACCC, and we have amended the way we calculate this to correct that.

**Senator MARK BISHOP**—This was a simple retail bill that probably millions of consumers would have received. Ms Shiff is saying no. Is that not correct?

**Ms Shiff**—We have had statisticians try and calculate the probability of an amount in excess of 10 per cent occurring in the bottom line through the particular rounding methodology that we employed. Our understanding is that it occurred in a relatively small number of cases and typically in bills like this, where there are principally service and equipment charges and not a lot of other categories which get rounded down and rounded up through the bill itself.

**Senator MARK BISHOP**—I would have thought it was a pretty simple formula to have a sub-line multiplied by 1.1 to give you a final line, so I do not really understand how that mistake could have occurred.



**Ms Shiff**—It was a different methodology that was thought to be more accurate. It was done on the basis of consultation with the tax office, and it did the rounding up or down on a line-by-line basis rather than at the end of the total bill.

**Senator MARK BISHOP**—This bill was issued on 9 March, which is barely three months ago, and was due to be paid on 26 March. When did you become aware of this particular problem?

**Ms Shiff**—We became aware of it at approximately that time and moved quite quickly to correct it. In fact, we moved heaven and earth to change all our billing systems to lop any excess amounts off our bills.

**Senator MARK BISHOP**—The mistake had been in operation from 1 July last year until some time in early March this year?

**Ms Shiff**—I do not have the exact dates, but I can take on notice when the changes were made to the billing system to correct any bottom-line impacts.

**Senator MARK BISHOP**—But you would have gone into a new billing system on 1 July, wouldn't you?

**Mr Stanhope**—We would have started charging GST from 1 July.

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

**Mr Stanhope**—The exact date when the billing system started—the new bills with this problem fixed—is what Ms Shiff is referring to.

**Senator MARK BISHOP**—This account was brought to my attention at about that time. The fax date at the top is early April. This is just a retail consumer bill. How many retail consumers would Telstra have?

**Mr Stanhope**—About nine million.

**Senator MARK BISHOP**—Is it fair to conclude that, until the problem was brought to your attention and remedied via discussion with the ACCC and in-house, some nine million consumers had been overcharged?

**Ms Shiff**—No, because there is a rounding down and a rounding up that occurs line by line. Statistically, and judging by the number of complaints that have come in, it appears to be a very small number of consumers relative to the total population.

**Senator MARK BISHOP**—Can you give me a ballpark figure on how many consumers were affected?

**Mr Stanhope**—I would have to take that on notice, but we can. It is not the whole consumer—

**Senator MARK BISHOP**—I did not know that. Why would I, for example, in a suburb of Perth be treated any differently from this consumer in a suburb of outer Sydney? You have uniform billing practices?

**Mr Stanhope**—Yes, we do, but it is not where they are, it is how the billing system has calculated these amounts. I will give you on notice the number of customers impacted, when we fixed it and how we dealt with those customers who had an overcharge.

**Senator MARK BISHOP**—Okay. Have you had many queries drawn to your attention?

**Mr Stanhope**—No, not a lot. That was the point Ms Shiff was making. I cannot recall the number exactly, but it is a small number of customers.

**Senator MARK BISHOP**—The only comment I have is that you have uniform billing practices to a predetermined formula around Australia, all the suburbs in respect of retail customers are treated the same and, *prima facie*, this particular customer has been overcharged. Whilst it is only 50c on this bill, if there is some sort of formula that determines the final price, it is obviously going to be more for customers who have larger bills, and we are probably talking some millions of dollars.

**Mr Stanhope**—It is not all that high. It is better to give you the details, and I will do so, and how we have dealt with it.

**Senator MARK BISHOP**—That is fine. I have brought that to your attention and you will provide the response in writing. I notice that you were in the chamber when I was having that earlier discussion with Senator Alston on the USO contestability, Mr Stanhope. Did you hear that discussion?

**Mr Stanhope**—Yes, we all did.

**Senator MARK BISHOP**—I was paying attention to Mr Shaw and Senator Alston, so I did not see the reactions of the officers from Telstra. I acknowledge the minister's comments that you are a huge corporation and that you have multi billions of revenue, huge profits and all of those sorts of things. The figure that was addressed in that discussion by Mr Shaw was \$4 million or \$6 million, give or take. The minister wiped it off—and I do not want to misrepresent him—as not being significant.

I can remember past estimates that you have attended, Mr Stanhope, and you and your officers have made the point to me quite strongly that every cent made by Telstra is 'hard gained'—I think those are the words that were used—and that you have to fight to keep market share, revenue and profit. Do you regard that wipe-off of \$6 million by Minister Alston as not worth while addressing further or what?

**Mr Stanhope**—I do not know if that is the correct number, and I stand by our previous statements: it is a competitive market that is quite difficult and it is hard to earn the dollars, albeit that \$6 million might sound small amongst our many billions.

**Senator MARK BISHOP**—It doesn't sound small to me, I can tell you.

**Mr Stanhope**—We have had some issues around the USO contestability and possibilities of arbitrage, and so on. The minister and the department are well aware of our issues about that. We are still in discussions about those.

**Dr Watt**—It is worth pointing out that Mr Shaw also said that the estimate was well within, indeed very well within, the error term of the calculations.

**Senator MARK BISHOP**—What was that last phrase?

**Dr Watt**—Whatever the final estimate that the ACA might have made was well within the error term of the calculations. In other words, it was a relatively small estimate and the range of uncertainty around it is huge.

**Senator MARK BISHOP**—Yes, Mr Shaw made the point that there were a lot of variables. But he also made the point that they had done a significant analysis on all the variables and, having concluded that job, they then did the costing. Whilst different applications of the variables would alter the outcome—

**Dr Watt**—Very different outcomes.

**Senator MARK BISHOP**—the recommendation from Mr Shaw's organisation to the minister was that Telstra should be compensated by that premium payment. Do you still hold to that view, Mr Stanhope?

**Mr Stanhope**—Ms Shiff has been involved in the discussions. I do not know whether she would like to add anything.

**Ms Shiff**—In the overall scheme of things, this is a pilot in relation to two areas. It is not the entire USO population; it is about 80,000 services in operation. Obviously, Telstra would have liked to a carrier of last resort payment. We had not estimated it to be as large as Mr Shaw did, however. In the scheme of things, we would like to see the trials succeed and operate on a competitively neutral basis and we are working to sort through some of the issues discussed with Mr Shaw and with the ACCC particularly in relation to arbitrage. We would like to see people come into regional Australia offering investment in new services. If, at the end of the day, the absence of a carrier of last resort payment or some other issue in relation to the way the USO is apportioned is inadequate, then we are hopeful that the review of the pilot will correct those deficiencies before the experience is translated more broadly and it becomes a material issue for us.

**Senator MARK BISHOP**—Yes, that is fair comment. I have given you the opportunity to respond on that. Can we turn now to the untimed local call tender which has recently been out there in the public domain? What technology will Telstra use to deliver this tender?

**Mr Stanhope**—We have a representative from the Telstra Country Wide group here, Paul Granville, and he will be able to tell you.

**Mr Granville**—We have a range of technologies that we plan to use in this tender principally to replace technology such as our digital radio concentrator systems. The prime one is a new version of radio concentrator equipment which is basically a new generation of equipment which we have been using for the last four to five years. We are also still conducting field trials of CDMA wireless local loop equipment to test its suitability. If that proves successful, later in the program we would be using that equipment as well, which would have the added benefit of mobility in those areas. This is for fixed telephony, and on top of that we have satellite technology which we will be deploying for high speed Internet access.

**Senator MARK BISHOP**—You have used all those technologies previously to deliver services in remote Australia?

**Mr Granville**—The radio concentrator equipment is a new version of equipment that has been used for the last four to five years. It is an evolution rather than a different type of equipment.

**Senator MARK BISHOP**—The others have been tried?

**Mr Granville**—Yes. The CDMA wireless local loop is new, and that is why we are going through a pilot field trial in the Toowoomba area to test its suitability before we commit to using that in those areas.

**Senator MARK BISHOP**—What was the size of the program that Telstra previously had in place to upgrade the radio concentrator systems to remote Australia?

**Mr Granville**—It has varied from year to year. Basically, the drivers for that were to meet the growth in those areas. Basically, it was driven by systems which were reaching capacity

and the amount has thus varied from year to year. It has actually gone up and down over the years.

**Senator MARK BISHOP**—Can you give me the figures for the last five years?

**Mr Granville**—We have those, but I do not have them off the top of my head.

**Senator MARK BISHOP**—Will you take that on notice?

**Mr Granville**—Yes.

**Senator MARK BISHOP**—The figure I have been advised is around \$70 million a year.

**Mr Granville**—For the year before last it would have been in excess of \$70 million; in the current financial year it was somewhat less.

**Senator MARK BISHOP**—Did you suspend this program while awaiting the tender outcome?

**Mr Granville**—The program was certainly not as great in this current year as in previous years because of the uncertainty surrounding the outcomes of the tender. We did all the work required to meet our USO obligations, to provide for growth, but otherwise there was no large proactive program to replace systems because we were waiting for the outcomes of the tender.

**Senator MARK BISHOP**—So you maintained your legal and contractual obligations only?

**Mr Granville**—We maintained service levels and all USO requirements. We continued the program to ensure all growth requirements and service requirements were met.

**Senator MARK BISHOP**—In what areas did you cease providing?

**Mr Granville**—It was not a matter of ceasing but, rather, of ensuring that we met our legal requirements.

**Senator MARK BISHOP**—When did you suspend parts of the program?

**Mr Granville**—There was no suspension as such. In the previous financial year there was a program in place—quite a large one—that enabled us to catch up on a lot of the growth requirements. The program for the current financial year was sized to meet the same sorts of drivers, which were to maintain service levels and meet growth. Never, at any stage, did we have a program to go out and replace all those systems. We had a program that was continually meeting service requirements.

**Senator MARK BISHOP**—When will Telstra recommence the upgrading of its radio concentrator systems?

**Mr Granville**—We are heavily involved right now to meet the upgrade requirements. We have orders in for equipment and we are ramping up those activities. We actually started before the contract was signed, after it was awarded to Telstra.

**Senator MARK BISHOP**—When was it awarded to Telstra?

**Mr Granville**—I cannot recall the exact date. I might have that in my notes. It was actually only signed last week, but it had been awarded some months ago, so on that basis we started planning work.

**Senator MARK BISHOP**—When you were advised that you would be awarded the contract you then started to upgrade the radio concentrator systems?

**Mr Granville**—No, we started all the planning activity, the logistics, and the testing of new platforms was pushed along to put us in the position that we could hit the ground running when required.

**Senator MARK BISHOP**—Can you tell me how much you expect to spend over each of the next four financial years on implementing the tender?

**Mr Granville**—I would have to take that on notice.

**Senator MARK BISHOP**—You can probably answer this now: will that expenditure be in addition to the amount Telstra was previously spending or will it include that amount?

**Mr Granville**—If the tender had not occurred, we would have continued to replace systems as required to meet growth and service levels, so that component was certainly there. On top of that, we are now planning to replace all the systems in the period of the tender, so there is an additional amount brought forward which would otherwise have been some years out in the future.

**Senator MARK BISHOP**—The consideration for the tender was \$150 million?

**Mr Granville**—That is right.

**Senator MARK BISHOP**—Will that cover that additional work in its entirety?

**Mr Granville**—The business case we did was based on not only the replacement of the systems but also the satellite delivery. The actual financial outcomes will depend to some extent on the take-up of those services and the usage that is made of the satellite services. It was a commercial decision for us to go into, based on those sorts of parameters.

**Senator MARK BISHOP**—It would be appreciated if you could provide those figures for the forward four financial years. I am advised that the radio concentrators that Telstra will use are capable of 19.2 kilobits per second data speeds. Is this correct?

**Mr Granville**—Data speeds achievable on those sorts of systems are heavily dependent on the type of modem used and the way it is set up. We have a dedicated helpdesk service to assist customers on that equipment. If the right sort of modem and set-up are used, very commonly we get in the order of 24 to 26 kilobits per second. On top of that, as part of this tender we were offering a very attractive deal for people who require higher speeds to utilise satellite technology. We have a special entry package for those people to encourage them to take that up.

**Senator MARK BISHOP**—So will the minimum speed be the 19 or the 24/26?

**Mr Granville**—Under the contract the minimum line speed is 14.4. This is because there are a large number of technologies used in those areas. A large number of customers in fact live in communities and have copper service, so the radio is for customers in more remote areas, but there are actually a lot of communities, there are a lot of previous technologies there. So what we have guaranteed is a 14.4 line speed, which would require some upgrades as required to existing technologies, on a small scale.

**Senator MARK BISHOP**—Is that an improvement in those areas on current speeds?

**Mr Granville**—For some customers it would be. There are some older technologies which provide quite low data speeds and we would be upgrading those, providing principally with satellite technology.

**Senator MARK BISHOP**—Do you know the areas where you are going to upgrade to get to the 14.4?

**Mr Granville**—It would be scattered, Senator. For example, there are small radio systems which are used extensively and those would be scattered in more remote areas throughout the—

**Senator MARK BISHOP**—I do not want you to go to a lot of work on this, but if you could take it on notice I would appreciate it if you could advise me in what geographic areas, and the consumer base within those geographic areas, where you will have to upgrade from the current older infrastructure to get to that minimum level of 14.4.

**Mr Granville**—The answer would be that there would be isolated customers located throughout the entire extended zone area, based on the technologies used. Rather than the specific geographic area, it would be more the characteristics of the customer living out of range, for example, of a concentrated system. Or it could be someone where we have used technology, even within the communities in some cases. It is a technology outcome rather than a geographic—

**Senator MARK BISHOP**—So where you have got the older technology, the older infrastructure, in place and it is isolated or remote, there are going to be slower delivery speeds?

**Mr Granville**—That is correct, yes.

**Senator MARK BISHOP**—And part of the contract is to upgrade that delivery speed to a minimum of 14.4?

**Mr Granville**—That is correct, yes—on request from the customer. And we actually will do free tests as part of it to determine whether or not—

**Senator MARK BISHOP**—So the customer identifies that he wishes to have the delivery speed upgraded and he makes the request to Telstra. Is there then an additional price that the customer has to pay to get that?

**Mr Granville**—No, Senator. As part of the contract we would, within a certain period of time, respond and provide the minimum of 14.4 kilobits.

**Senator MARK BISHOP**—You said earlier—correct me if I am wrong—that in a lot of areas the minimum data speed would be 24/26.

**Mr Granville**—For the new generation of radio concentrator equipment we have been using in the last four to five years, if the modem is correctly set up and it is a suitable modem, then typically we get speeds of 24 to 26 kilobits per second achieved.

**Senator MARK BISHOP**—In these areas, what percentage of the consumer base is going to enjoy that higher level of service?

**Mr Granville**—I would have to take that one on notice as well. We have those figures but I have not got them here today. Many customers in those areas, as I mentioned earlier, live in communities and actually get quite high, metro type speeds because they are in a small community connected by copper. So there is a full range.

**Senator MARK BISHOP**—That is fine. Who can take a question on the Telstra sea phone?

**Mr Stanhope**—I can take that question, Senator.

**Senator MARK BISHOP**—Are you currently phasing out the sea phone coastal service?

**Mr Stanhope**—We are looking at alternatives. We will not phase out sea phone until we do have an acceptable alternative.

**Senator MARK BISHOP**—When do you think you will be making that final decision?

**Mr Stanhope**—There is no milestone date. It is an old technology—it is a VHF technology. It has a low number of users. It has got about 16,000 potential users but somewhere near 4,500 actual current users. We would like to offer an alternative technology to sea phone. It is not a profitable product, and that is why we are looking at it. We will not do it until we have consulted with our customer base and are able to offer them an acceptable alternative. We do not have a set date.

**Senator MARK BISHOP**—Have you increased the prices of the sea phone service since March 1996?

**Mr Stanhope**—I could not tell you off the top off my head.

**Senator MARK BISHOP**—Can you take that on notice and tell us, if you have increased them, what the price increases have been over that time and when those price increases occurred?

**Mr Stanhope**—Certainly.

**Senator MARK BISHOP**—Going to NDC and contractors, can you bring us up to date on the proposed privatisation of NDC?

**Mr Stanhope**—The NDC sale process continues. Our objective is to conclude it as soon as possible. It has been a fairly lengthy process. We are negotiating with a couple of potential buyers.

**Senator MARK BISHOP**—One of those is Leighton Holdings?

**Mr Stanhope**—I think they have made that known. Yes, they certainly are one. There are issues of volumes of work, price for the work and all those sorts of things that are being negotiated right now. We hope for an early conclusion, but it may well go on for another month.

**Senator MARK BISHOP**—Is it a priority matter?

**Mr Stanhope**—It is a priority matter for Telstra. We had hoped to conclude it earlier than this, but we continue to work through with the potential buyers. There was another part of your question—on contractors. I hate to remind you of a question!

**Senator MARK BISHOP**—I had a heading ‘NDC contract’ but I simply asked where the privatisation was up to. You have told us where it was at and that you are dealing with Leighton Holdings. Senator Mackay has some questions on contractors but she will return to the NDC issue in due course. Turning to call zones, when will you respond?

**Mr Stanhope**—Do you mean the outcome of the zoning review?

**Senator MARK BISHOP**—Yes.

**Mr Stanhope**—We expect it is not too far away—within weeks. We are discussing with constituents around it, the people we have called for submissions, et cetera.

**Senator MARK BISHOP**—My recollection is that you were going to make that announcement last October. What has caused the delay?

**Mr Stanhope**—It is a very vexed issue, when you look at outer metro zones and talk about changing those zones or addressing the issues of those zones where a timed call zone is next to an untimed call zone. It is not an easy issue to address.

**Senator MARK BISHOP**—Is that because of the various subscriber interests, or is it just more complex than you had anticipated?

**Mr Stanhope**—Subscriber interests are certainly part of it, and we are trying to address those. Do you address this with a technology solution or with a billing solution? Different ways of addressing the zoning issues are possible. So it has been a more complex than we had first thought.

**Senator MARK BISHOP**—You anticipate being able to put your response out within weeks?

**Mr Stanhope**—Yes, we hope so. I know you will always remind me of dates, but we are working hard for over the next couple of weeks or so.

**Senator MARK BISHOP**—Have you been engaged in any discussions with your competitors about the potential impact of any changes to the call zone pricing?

**Mr Stanhope**—I could not answer that.

**Senator MARK BISHOP**—Can you take that on notice, and advise us if you have been and who you have been discussing those changes with?

**Mr Stanhope**—Yes.

**ACTING CHAIR (Senator Calvert)**—I have a question on zoning. Have you done any work on what would happen if you did away with long-distance calls and the whole of Australia was on untimed calls? Would you have some figure on what that would cost?

**Mr Stanhope**—We have never done any serious detailed work, but long distance call products are worth about \$2½ billion to Telstra, and local call products are worth in excess of \$2 billion. If we made all of Australia a local call zone, the impact would probably be over \$1 billion. If you wanted some detailed work on that, I could do it, but the impact is probably in excess of \$1 billion. It would depend on what you charged for the local call.

**ACTING CHAIR**—But on the current—

**Mr Stanhope**—On the current basis, yes.

**Senator MARK BISHOP**—Could you please give me an update on the implementation of the next generation cost cutting program.

**Mr Stanhope**—There are nine projects inside the next generation cost reduction program. We are on track with all those projects. I have mentioned before that there was \$550 million in this year's budget in cost reductions as a result of those nine programs.

**Senator MARK BISHOP**—Will you achieve that purpose?

**Mr Stanhope**—We will achieve that cost reduction in this fiscal year. We are on track for that. I think you are well aware of what the projects comprised. We had call centre optimisation; we had sales channel optimisation; we had an IT effectiveness program, which



was some cheaper outsourcing of IT; we had layers of management reduction, which we completed last December; we had—

**Senator MARK BISHOP**—There will be no further layers of management reduction?

**Mr Stanhope**—I would not rule them out entirely, but there is no current program for management reduction—it may occur again. There have been product rationalisations, and sea phone was one of those on that list, but I have mentioned how we intend to deal with that. We have brought three service groups together. We have formed a corporate wide shared services group that does a lot of back office functions like accounts payable, accounts receivable, general ledger type functions and staff support type functions. We have rationalised some properties, and we had some vendor management activities as well. All that will result in cost reductions of \$550 million.

**Senator MARK BISHOP**—When we discussed this in November last year, you said that it was a two-year program that might spill over into a third year. Are we are coming to the end of the second year now?

**Mr Stanhope**—No, we are coming to the end of the first year.

**Senator MARK BISHOP**—What will happen in the second year?

**Mr Stanhope**—We have said that, in the second year, we expect at least another \$100 million from that program as an increment to the \$550 million, so on a total program basis the savings would be \$650 million. We are now in the middle of our planning for next year—in fact we are almost at the conclusion of it. That \$100 million increment may be a bit higher.

**Senator MARK BISHOP**—It may be a bit high?

**Mr Stanhope**—It may be a bit higher than the \$100 million, so the total program might be more than \$650 million. It might be higher because we are finding that the flow-on effect is a little larger than we had anticipated.

**Senator MARK BISHOP**—When you do the second year of the cost cutting program, will that be the end of it, or will you go back to basics and start again?

**Mr Stanhope**—No, in the case of the next generation cost reduction program, we have had an estimate of year 1, year 2 and year 3. Year 3 is quite small; it tapers away quite considerably. In the planning process we test whether that estimate, which was \$100 million for the next fiscal year, is still sustainable, whether the flow-on effect is greater, or what it is. That is what I am suggesting. We are in the middle of that planning process right now, and it appears that the \$100 million increment will be higher.

**Senator MARK BISHOP**—You said earlier that there are no further plans to reduce management levels as part of this plan. Have you advised managers:

Former staff members who have separated due to redundancy are not to be re-employed or directly engaged in a direct contracting capacity by Telstra either as an individual, as a contractor, or as agency staff within 24 months of date of separation.

**Mr Stanhope**—Yes, we have.

**Senator MARK BISHOP**—Why have you done that?

**Mr Stanhope**—It is a longstanding policy of the company right back to the days of AOTC when Telecom and OTC merged and a redundancy policy was established. It has always been Telstra's policy that people should not resume employment through any of those avenues that you referred to within the two-year period.

**Senator MARK BISHOP**—What is the basis of that?

**Mr Stanhope**—The reason behind that is that when people leave on a redundancy basis there are special tax concessions. For example, on an eligible termination payment they will receive certain tax rates. We have an obligation to make sure that it is a bona fide redundancy because otherwise people leave one day and come back one week later and that is not a bona fide redundancy and they have had a tax advantage that perhaps they should not have had.

**Senator MARK BISHOP**—I can understand that argument in terms of a week or a month. We are both aware that there is a fair degree of turnover and there is a lot of demand and a lot of people who are displaced by your organisation seem to find a similar type of employment with competitors within a relatively short space of time. There is a limited skills base around, I am informed, and a 24-month moratorium strikes me as being an inordinately long time.

**Mr Stanhope**—It is a longstanding policy and we struck it at two years because we thought it was a reasonable length of time.

**Senator MARK BISHOP**—Just because it has always been there. Does that pre-date you?

**Mr Stanhope**—No, I have been around a long time.

**Senator MARK BISHOP**—I have not heard of such a long period of time in any other company—two years before you can be re-employed.

**Mr Stanhope**—I have not had a comparative look at other companies' policies but it has been our longstanding policy for nearly 10 years.

**Senator MARK BISHOP**—I asked a question and you have given an answer. Call centre closures—we always visit that issue. You provided me with a table last time: can you update that table to today's date?

**Mr Stanhope**—We would have to take that on notice.

**Senator MARK BISHOP**—With question No. 231 from the November estimates you provided a list of call centres and staff numbers as at December 2000. Could you provide that as at the end of May?

**Mr Stanhope**—Yes, we will provide that table.

**Senator MARK BISHOP**—The call centres debate has been going on for some time now. Last time, when Ms Slatyer was here, I had a lengthy discussion with her and I think the nub of that conversation was: that Telstra are in an ongoing review of all cost centres within the company; that call centres are a cost centre; that they are located all around the country; that in the future some will be closed while some new ones will be added, and the basis upon which we do it is the utility of the location of the centre; and, indeed, some centres are going to be aggregated.

**Mr Stanhope**—Some will be expanded, yes.

**Senator MARK BISHOP**—That was the sort of thrust of her response to my questions last time. In that context, being an ongoing issue, you would receive a number of queries from members of parliament as to what is going on in the call centres in their particular constituencies. Is there any policy advice that employees of Telstra have to give to members of parliament when they make inquiries? Assume I am the member of parliament in Eden-Monaro and I ring and ask whether a call centre is going to be closed now or in a few weeks time and I want to know the effect on staff there. What will be the procedure and response of the person who takes the call?

**Mr Stanhope**—We do not have a particular patter for a member of parliament, but let me defer to—

**Senator MARK BISHOP**—I was told in a public hearing that when members of parliament make inquiries of this nature, there is a program response. That is why I asked.

**Mr Stanhope**—Let me defer to Mr Stirzaker who is here for Ms Slatyer, today, who is enjoying a holiday.

**Mr Stirzaker**—As I best understand it, when we get asked questions like that the response typically relates to the status of the centre as we know it at that point in time. I think Ms Slatyer has referred before to things changing quite quickly. It is very fluid and there is a need for flexibility. So we will provide our understanding as it stands and it could change quite rapidly.

**Senator MARK BISHOP**—In all instances, the staff member responding would be expected to give a full and frank response to the inquiry?

**Mr Stirzaker**—I would expect that they would, yes.

**Senator MARK BISHOP**—Do you keep a record of inquiries by members of parliament?

**Mr Stirzaker**—I personally do not.

**Mr Stanhope**—Yes, we do.

**Senator MARK BISHOP**—I thought you did. Do you have a record of an inquiry made by the member for Robertson, Mr Jim Lloyd, to officers of Telstra?

**Mr Stanhope**—It would have come through our normal process so we would have a record, I am sure.

**Senator MARK BISHOP**—Do you know whether it was in the form of a telephone conversation or by correspondence?

**Mr Stanhope**—I cannot tell you that. I was just asking one of our officers who administers that area. Can we take that on notice?

**Senator MARK BISHOP**—Could you advise us what advice was given to the member for Robertson about the suggestion that the Gosford Telstra call centre would be closed? Could you further advise when Telstra made a decision to close that call centre? How do you respond to this public comment by the member for Robertson, and I quote from the transcript of a news item on Radio 2GO on Friday, 1 June:

Certainly when these rumours were around five weeks ago I contacted Telstra and I was given assurances that it was business as usual at the call centre and not only have I been misled, but the staff of the call centre have been misled and the central coast community has been misled by Telstra.

**Mr Stanhope**—We will provide on notice the answers about the particular member. I think Mr Stirzaker can tell you about the Gosford situation.

**Mr Stirzaker**—I can. We took the decision about Gosford in about mid-May. It was associated with communication about a Newcastle centre as well. We became aware that the Commonwealth Bank made some announcements about their call centre activities in Newcastle. We also became aware of another part of our business, which had made a decision around the same time to expand their call centre activities in Newcastle. It has been quite traditional for some time now that if opportunities become available that we are aware of, we seek to utilise those opportunities where possible. We have been in discussion with other parts of our business and the Commonwealth Bank. There are also some other call centre activities

in and around the Gosford area that we have become aware of, even in the last few days, that give our people a good opportunity to make decisions about either going to another part of the company and/or gaining employment locally or very close by. So it was a very rapid decision and we moved very quickly.

**Senator MARK BISHOP**—That decision was made in mid-May?

**Mr Stirzaker**—Yes, the final decision was made in mid-May.

**Senator MARK BISHOP**—Was there an interim decision made prior to that?

**Senator Alston**—Perhaps I could say something here because I have looked into this matter. As far as I can tell, when Mr Lloyd made his inquiries he was told that it was business as usual. Telstra now accepts that that was not an appropriate form of words to provide. The matter was clearly under active consideration at that time, and in those circumstances there either should have been no comment or there should have been nothing that might have led Mr Lloyd to assume that the call centre would not be closed. I regard 'business as usual' as effectively meaning that and I think Mr Lloyd was entitled to proceed on that basis. I think Telstra has already explained to him that those words were not appropriate.

**Senator MARK BISHOP**—Right, because Mr Lloyd made some quite strong comments on the radio and in a newspaper article.

**Senator Alston**—He did, and I think he was entitled to.

**Senator MARK BISHOP**—So you believe that when Mr Lloyd contacted Telstra, probably in mid-April, he was misled?

**Senator Alston**—Can I put it this way: I think what was said was probably said in good faith because it was their way of saying that no decision had been taken. The actual allegation, I think from the union, was that the call centre was going to close in six weeks. Just on the edge of that six-week period they announced that closure. The closure itself does not take place until October. So you could technically argue that, back in April, it was not about to close in six weeks. You could also argue that no final decision had been taken. All I am saying is that I do not think there was an intention to deliberately mislead Mr Lloyd. But I think that the form of words was unfortunate, and even though you could strictly say it reflected the current situation, in the sense that, as at that very day, no decision had been made, I think Mr Lloyd was entitled to take that as a sign that they had decided not to close the call centre.

**Senator MARK BISHOP**—I thank you for that advice, Minister, because that is why, when I opened up this line of questioning, I asked Telstra whether there were a set of procedures and policies in place around this issue of call centre closures. I know from a lot of my lower house colleagues that it is an ongoing issue/problem. I have even had a number of matters referred to me in my office in Perth, and I recalled the discussion with Ms Slatyer which was really not helpful on that issue. We do know from that previous discussion that there are going to be call centres closed in the future. How do we get around this problem that while the advice that is given out by various officers of Telstra might be technically accurate it is misleading to interested parties?

**Senator Alston**—I think this has been a learning experience. Certainly, Telstra is much more alive to the need to ensure that something does not come back to bite it later and that no-one is misled by words used. The best way of doing that is to ensure that whatever statements you make are ones that will hold up in the longer term.

**Senator MARK BISHOP**—And will that now be the policy of Telstra?

**Senator Alston**—There are always going to be problems in what you say but I think that, as a general policy approach, they will be much more careful to ensure that they are not just technically correct but that people are not led into thinking that somehow that reflects a policy position when it does not.

**Proceedings suspended from 12.59 p.m. to 2.02 p.m.**

**Senator MARK BISHOP**—Mr Stanhope, I want to talk briefly about business line rental increases. You recently announced increases in business line rental costs to be offset in part by decreased call prices. Can you tell the committee how much additional revenue will be generated by the increased line rentals and how it will cost to provide the lower call costs?

**Mr Stanhope**—I might defer that question to our chief of consumer sales, Mr Stirzaker.

**Mr Stirzaker**—I actually do not have an estimate of the additional revenue with me.

**Senator MARK BISHOP**—Can you take that on notice?

**Mr Stirzaker**—Certainly.

**Senator MARK BISHOP**—You should be able to answer this: are these changes to the charging structure designed to be revenue neutral or will they result in increased revenue in totality to Telstra?

**Mr Stanhope**—Perhaps I can answer that. It, of course, depends on the volumes. We hope that it would be a little bit better than neutral, if it generates the volumes we expect.

**Senator MARK BISHOP**—So it is intended to increase revenues?

**Mr Stanhope**—Yes, because we hope the lower call costs entice or encourage more volumes.

**Senator MARK BISHOP**—The line rental has, in the past, been characterised as a remarkably inefficient method of pricing, has it not?

**Mr Stanhope**—That is true. It should be understood that we are going through a process of re-balancing. This morning when we were in the gallery we heard about the access deficit, and it is designed to re-balance.

**Senator MARK BISHOP**—All right. So you will take the exact questions on notice and provide us with a written response?

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—Have any arrangements been put in place to protect businesses that merely receive calls over a business line and therefore do not get the advantage of reduced call costs?

**Mr Stanhope**—Not to my knowledge.

**Mr Stirzaker**—I hope I understand the specific meaning of your question. We thought the communication that went out to business customers laid out quite well what was happening. A number of customers contact us. We then work through their specific circumstances with them, as there is now a broader range of choice, to see what best suits them on the basis of their usage.

**Senator MARK BISHOP**—I saw some figures in the paper when the announcement was made that the increase in revenue arising from the change in the pricing structure was something in the order of between \$70 million and \$120 million. Does that ring a bell with you, Mr Stanhope?

**Mr Stanhope**—That certainly is not the net outcome. We have done sensitivities across various volumes and even the best outcome does not have a net outcome anywhere near \$70 or \$120 million. The best outcome is in the low tens.

**Senator MARK BISHOP**—On 5 April, the Expenditure Review Committee of the government directed officials from the Department of Finance and Administration to meet with representatives of Telstra to explore the implications of revising existing arrangements for the Commonwealth superannuation liabilities to these agencies. Have those meetings been actioned within Telstra?

**Mr Stanhope**—There have been discussions probably as far back as T1 about Telstra's superannuation scheme and its relationship with the Commonwealth. Those discussions are continuing. There have been recent discussions but nothing has been concluded.

**Senator MARK BISHOP**—But have there been specific discussions arising out of that decision of the Expenditure Review Committee of 5 April?

**Mr Stanhope**—I do not know whether they were prompted by the Expenditure Review Committee. Telstra and the government department have been speaking about superannuation and the arrangement since T1.

**Senator MARK BISHOP**—I am aware of that.

**Mr Stanhope**—I suspect the discussions will be ongoing.

**Senator MARK BISHOP**—How many funds does Telstra have on behalf of its employees, Mr Stanhope?

**Mr Stanhope**—The Telstra Superannuation Scheme has about \$6 billion invested. That is people who have left and rolled over and spouse funds, and so on.

**Senator MARK BISHOP**—Is that the main fund for non-executive employees?

**Mr Stanhope**—Yes, it is. We still have some residual employees in the Commonwealth Superannuation Scheme, but numbers are around 7,000 or 8,000.

**Senator MARK BISHOP**—How many would you have in the TSS?

**Mr Stanhope**—In excess of 50,000, including those who have rolled over and those who are employed.

**Senator MARK BISHOP**—Is the TSS a defined benefit fund or an accumulation one?

**Mr Stanhope**—The TSS superannuation scheme has a defined benefit division; an accumulation division; a spouse division; and a special division for NDC, which is accumulation. It is a fairly scheme. It is both accumulation and defined benefit.

**Senator MARK BISHOP**—Australia Post advised us earlier that the trustees of their main fund had taken actuarial advice at board level and, arising out of that actuarial advice, Australia Post had been granted a contributions holiday for something in the order of 2½ years from 1 January last year. Are similar arrangements in place with respect to Telstra and the TSS?

**Mr Stanhope**—Yes, Senator. I am a trustee on our Telstra Superannuation Scheme. Telstra, as an employer, is enjoying a superannuation contribution holiday on the advice of the actuary.

**Senator MARK BISHOP**—I would have presumed so. Mr Stanhope, are the non-employer representatives nominated by a trade union or are they directly elected by employees of the company?

**Mr Stanhope**—They are nominated by the ACTU.

**Senator MARK BISHOP**—On the issue of special dividends, you pay—as we know—regular dividends to the major shareholder, and have done so for a number of years. Have any requests been made of late for payment of a special dividend?

**Senator Alston**—I think, as I indicated with Australia Post, it is not appropriate to be canvassing what discussions there might be between the government and Telstra. They are commercial-in-confidence. If, and when, there might be any change in dividend payments, that will show up in due course in the annual report and probably elsewhere. However, until such time, it is not appropriate to be canvassing any possible private discussions.

**Senator MARK BISHOP**—Are such private discussions going on? I am not asking for the detail.

**Senator Alston**—I am just saying that it is not appropriate to canvass those matters, whether or not there have been any discussions.

**Senator MARK BISHOP**—When we were discussing Australia Post, Minister, you made the clear point that Australia Post was a wholly owned GBE and if there were revenues surplus to requirement, the government had an absolute right to issue a direction as to the outcome of those revenues. That was your view.

**Senator Alston**—I do not know whether I said we have the absolute right to issue a direction, but that may or may not be so at law. I think it was more in the context of whether it was reasonable to expect Australia Post to pay if there were sufficient funds available.

**Senator MARK BISHOP**—You made the point that, in the final analysis, you could convene a meeting of the shareholders and make a decision consistent with your desires. That is a fair enough point. Australia Post is a wholly owned GBE which is significantly different from Telstra which is 49 per cent owned by private interests. Does the government see the same test applying in that area?

**Senator Alston**—I am not sure what test you are talking about.

**Senator MARK BISHOP**—I might be putting it a little harshly, but you made the point that, if there was surplus cash within Australia Post, the sole shareholder had a right to be involved in where that was going to be distributed, particularly if it was surplus to operational requirements, and you could use your rights as the sole shareholder to achieve that purpose. I am drawing a distinction between that and Telstra which is 51 per cent government owned and 49 per cent privately owned. In respect to the payment of special dividends, does the government have a different policy position in terms of carrying that out?

**Senator Alston**—I think you will find that the acts differ in certain key respects and there are probably different approaches that could be taken, particularly given the differential shareholding arrangements.

**Senator MARK BISHOP**—So different approaches would be taken?

**Senator Alston**—No, I am really saying that it is a matter of looking at the issue on the merits in respect of each organisation. Obviously, there is nothing to preclude the government from having discussions with Telstra about the payment of an additional dividend.

**Senator MARK BISHOP**—In Budget Paper No. 1, on pages 10 to 12, the government has projected a dramatic increase in dividends from \$2,172 million in this financial year to \$4,628 million, and remaining at over \$3 billion in 2002-03, and 2003-04. Can you explain that initial upward revision and then ongoing higher revision?

**Senator Alston**—Apart from the fact that we do not disaggregate the numbers, I think the Treasurer has said, via a spokesman, that the largest contributor is the Reserve Bank so it probably deserves the lion's share of the credit. However, beyond that, I do not know that I can go much further in terms of a break-up.

**Senator MARK BISHOP**—Is it partially due to an upward revision in Telstra's performance?

**Senator Alston**—As I said, I am not proposing to go into who else might be contributors other than to say that Australia Post, Telstra and others make contributions and the government always has the option of seeking additional payments. To the extent that it does that, and it factors those into the budget forecast, they will appear in the aggregated figure.

**Senator MARK BISHOP**—You do not propose to disaggregate them any further?

**Senator Alston**—No, and I do think successive governments ever have done.

**Senator MARK BISHOP**—Do you care to comment on whether it is due to any increased performance on the part of Telstra?

**Senator Alston**—Yes.

**Senator MARK BISHOP**—It is?

**Senator Alston**—No—I do care to comment.

**Senator MARK BISHOP**—Okay.

**Senator Alston**—So I will not be.

**Senator MARK BISHOP**—There was recently a major line break in central and northern New South Wales. When did it occur, what was the precise cause and what was the effect on customers?

**Mr Hatton**—The outage occurred on 17 May, at around about 11 a.m.

**Senator MARK BISHOP**—What was the precise cause?

**Mr Hatton**—The cause was a backhoe pulling up a number of optical fibre cables.

**Senator MARK BISHOP**—What was its effect on customers?

**Mr Hatton**—It mainly affected customers in the Grafton and Coffs Harbour areas, and there was some effect for customers around Newcastle. Basically, Grafton and Coffs Harbour were isolated, and Newcastle was more congested than isolated.

**Senator MARK BISHOP**—When you say isolated, do you mean that services were unable to be provided for a period of time?

**Mr Hatton**—No. People could actually make calls within Coffs Harbour or within Grafton, but could not call outside those areas.

**Senator MARK BISHOP**—For how long did that isolation last?

**Mr Hatton**—The isolation varied because there were a number of activities undertaken to restore service during the night, and some of that activity was re-routing the signalling via Brisbane. I can look up the exact time that that happened.

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**Senator MARK BISHOP**—General figures are sufficient.

**Mr Hatton**—It was towards the evening when those services were put back in place. There was still congestion, but basically the calls could get through at that time.

**Senator MARK BISHOP**—How long before services were fully restored?

**Mr Hatton**—Services were fully restored the next day, at approximately 1 p.m.

**Senator MARK BISHOP**—So full services were out for, what, about 24 hours?

**Mr Hatton**—Around about that amount of time, yes.

**Senator MARK BISHOP**—My recollection is that Telstra undertook to review its procedures following this incident. Have you put in place any additional measures to prevent this occurring in the future?

**Mr Hatton**—Yes. Basically, the cable cut was due to a contractor digging up the cables. Beforehand, the contractor contacted Telstra, and Telstra had physically gone out to the site and identified where the cables lie. Unfortunately, the contractor dug outside that area, snagged the cable and pulled up approximately 1½ kilometres of cable—which is quite a considerable amount. There were around 130 fibres within that cable. During the night we had to bring cable up from Sydney, run the cable and joint the cable. That process would normally take about a week—for a job of that size—so the guys did quite a good job of putting that in overnight, and in pretty poor conditions. During that time, Telstra worked extremely hard in the background to re-route various types of traffic and various types of signalling to bypass that break.

As well as that, we have redundancy in our network, and at the particular point where the cables were coming into Newcastle they come close together. This is due to reasons of getting into Newcastle. There have been negotiations to run a fairly diverse stand-by cable, and there have been negotiations regarding water crossings and running through a national park. Those negotiations have been successful and that cable was in the process of being run through. Within a short period of time that next cable will be up and working, and so we will have full redundancy.

**Senator MARK BISHOP**—What level of redundancy was available?

**Mr Hatton**—The actual services were on separate cables. For approximately four kilometres where it comes into Newcastle, those cables come within a number of metres of each other. Unfortunately, that is where the backhoe dug up the cable.

**Senator MARK BISHOP**—Was it just a mistake on the part of the contractor, or what?

**Mr Hatton**—We are assuming so. As I have said, Telstra staff went out there and pegged the route of the cable to ensure that there were no mistakes, but unfortunately the contractor dug outside those pegs.

**Senator MARK BISHOP**—Going back to the redundancy, why was it insufficient to restore full capacity quickly—just because the lines were coming in?

**Mr Hatton**—There are a number of issues around that. One is that the redundancy cable was pulled up within that also. We were able to route traffic via Brisbane and then back down; so that was from Sydney to Brisbane and then back down to Newcastle. That took a little bit of time but not too long. Obviously we would not have had so many circuits as we would have had with a full capacity, so there was some congestion there. Some services are basically

dedicated services, and so they had to be physically patched. We sent techs out who patched on the mainframes to bypass the break.

**Senator MARK BISHOP**—At estimates for PM&C, the head of the Government Communications Unit, Mr Williams, said that there was an advertising campaign being planned to respond to the Besley report. The figure that was identified there was something in the order of \$6.9 million. Mr Stanhope, can you confirm that?

**Mr Stanhope**—No, I cannot.

**Dr Watt**—Senator, the public relations campaign is not a matter for Telstra; it is a matter for, and lies within, the department. I do not have the right officers here at the moment. We assumed that you would deal with this when you deal with the other telecommunications issues tonight.

**Senator MARK BISHOP**—I was intending to ask questions of the department, Dr Watt, but I was covering off the other end.

**Mr Stanhope**—We have no knowledge of it.

**Senator MARK BISHOP**—You have not been involved in any preparation—

**Mr Stanhope**—No.

**Senator MARK BISHOP**—planning or participation?

**Mr Stanhope**—Not to this point, no.

**Senator MARK BISHOP**—Have you been invited to participate?

**Mr Stanhope**—No.

**Senator MARK BISHOP**—We will revisit that later then. Mr Stanhope, you might recall that when we met last November we had a discussion about the servicing of Commander telephone systems at remote locations—

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—particularly in the Northern Territory. From memory, I identified two or three Aboriginal communities.

**Mr Stanhope**—Yes.

**Senator MARK BISHOP**—You responded as best you could on the day, and then I think there was further information provided in writing at a later time. Recently the issue has come back on the table with some problems in the Northern Territory being identified by Mr Snowden—I think late last week or early this week. Does Telstra have any comment to make?

**Mr Stanhope**—I will defer to Mr Hatton. We went away and addressed these issues, as you alerted us to them. We have some procedures in place with PlesTel, so I will let Mr Hatton take this question.

**Senator MARK BISHOP**—I received the answer to question on notice No. 156, and I have that here, so you might just bring us up to date.

**Mr Hatton**—There is an informal process at the moment with PlesTel where we supply service on a fee for service basis, and that is on a service by service request. We also have drawn up a contract and are in negotiation with PlesTel for a formal agreement on delivering service in the country and remote areas. In that way, Telstra basically has technicians scattered all over Australia, and it is much easier for us to get to those jobs quickly and, obviously, a lot

more cost effectively. I think both PlesTel and Telstra would win out of those negotiations—and the customer obviously.

**Senator MARK BISHOP**—Does Telstra have an interest in PlesTel?

**Mr Stanhope**—Yes, we do.

**Senator MARK BISHOP**—Is it 50 per cent?

**Mr Stanhope**—No, it is about a third.

**Mr Hatton**—Yes, about a third.

**Senator MARK BISHOP**—Who are the other shareholders—Leightons?

**Mr Stanhope**—I think the rest of the holding is PlesTel Asia or something like that—GPT Plessey.

**Mr Hatton**—GPT Plessey.

**Senator MARK BISHOP**—The specific issue that was raised last year was the high call-out costs for repair or maintenance of existing systems, the high call-out costs for replacement of existing systems and the high travel costs that were involved in going out to remote locations, including Aboriginal communities. Where are we at on addressing each of those issues, Mr Hatton?

**Mr Hatton**—Basically, we have technicians who are scattered throughout the country areas, and the travel itself is minimised by having those technicians out there. Basically, that is addressed this way: where PlesTel passes any jobs in those remote areas, we send our local techs in to fix the faults. So there is no question of major travel or major costs with getting those technicians there.

**Senator MARK BISHOP**—So if we had similar complaints—and I have not got them—in Nhulunbuy or that island off Arnhem Land, where I think the travel costs were in the order of a couple of thousand dollars, that would no longer be the case?

**Mr Hatton**—We actually have a permanent depot right in Nhulunbuy, and so there should not be any problem there.

**Senator MARK BISHOP**—In terms of the travel costs at Nhulunbuy?

**Mr Hatton**—Yes, in terms of travel costs.

**Senator MARK BISHOP**—What about the island off Arnhem Land?

**Mr Hatton**—There are still travel costs for Telstra to get out there. We need to fly people out there as required, and I am not sure what the actual costs to go out there would be.

**Senator MARK BISHOP**—So that would still be fully charged to the consumer?

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

**Senator MARK BISHOP**—Could you take it on notice?

**Mr Hatton**—Yes.

**Senator MARK BISHOP**—In one of the questions on notice, you responded that the figure of \$168 does cover normal repair and maintenance of Commander systems. Is that still the case?

**Mr Hatton**—I do not know the cost structure of PlesTel, I am sorry.

**Senator MARK BISHOP**—That was a response from Telstra, Mr Hatton.

**Mr Hatton**—That may have been what it was; I am not sure what the costs are now today with PlesTel.

**Senator MARK BISHOP**—That \$168 was charged by PlesTel?

**Mr Stanhope**—I would imagine that would be the normal maintenance fee, and that would cover maintenance. It would depend on what each of these customers have in their contracts, of course. There would be certain maintenance clauses in their contracts.

**Senator MARK BISHOP**—The complaint appears to be that there still are exorbitant bills in rural and remote communities, and customers are having to pay those exorbitant bills for normal repair and maintenance. Is that permitted under the contract that you have with PlesTel?

**Mr Stanhope**—We are trying to minimise the additional costs of maintenance by having people at depots near a location of the customer to attend to the fault. That is what Mr Hatton was trying to describe. There will be certain conditions, I am sure, in customer contracts about travel costs and out of pocket expenses. So it would depend on each individual customer's contract.

**Senator MARK BISHOP**—Is Telstra involved in any further negotiations to try to resolve this situation or, as far as you are concerned, is it now closed?

**Mr Stanhope**—I understand that they are ongoing.

**Mr Hatton**—Yes, there are still ongoing negotiations around a formal agreement with PlesTel.

**Senator MARK BISHOP**—That agreement will go to the charges that that company can make?

**Mr Hatton**—When you say 'go to the charges'—

**Senator MARK BISHOP**—Those negotiations that Telstra is having with PlesTel go to the repair and maintenance of existing systems—

**Mr Hatton**—That is correct.

**Senator MARK BISHOP**—and the installation of new systems?

**Mr Hatton**—It is more the repair and maintenance of existing systems.

**Senator MARK BISHOP**—The complaint that we are receiving goes to alleged high costs, well in excess of the pre-existing \$168 for that repair and maintenance. So my question is: does the contract that is currently being negotiated address that issue?

**Mr Hatton**—I am not sure of the details of the costs there. But the contract basically offers that we will use techs who are either in the remote areas or close by to those customers so that there will not be the travel costs involved—and the majority of the costs we are talking about here is actually getting technicians to the site: flying them there, overnight accommodation and carrying their gear. Here, our techs are basically out there and it is more a matter of just a jump in a truck and a drive out to the customer's premises, which would minimise that cost considerably.

**Mr Stanhope**—At the end of the day it is PlesTel's business, not our business, to provide, install and maintain Commander systems. To minimise the cost of maintenance for customers, we are trying to provide our people to that company on a fee for service basis. That reduces the cost, therefore, of the maintenance to that customer. That is what we are trying to do.

**Senator MARK BISHOP**—When you conclude those negotiations—and you can take this on notice—would you provide a copy of that contract to the committee?

**Mr Stanhope**—If it is not commercial-in-confidence.

**Senator MACKAY**—What arrangements were in place previously when Telstra owned this Commander system?

**Mr Hatton**—Before Telstra was there, the techs in the field were multifunctional. Those techs would work on both non-Commander faults as well as the small business services faults. Therefore, we had a distribution of techs throughout Australia.

**Senator MACKAY**—Were there any guarantees in relation to services on repairs and maintenance between Telstra and customers?

**Mr Hatton**—That would be part of individual contracts with the various customers with these small business systems.

**Senator MACKAY**—So were there or were there not guarantees in relation to repair and maintenance?

**Mr Hatton**—There would have been service level agreements within those contracts—not necessarily guarantees on repair times.

**Senator MACKAY**—Did the service level agreements to which you have referred go to—not guarantees, I appreciate that—the issue of cost in terms of repair and maintenance?

**Mr Hatton**—I am not sure. I think the existing contracts would have had some sort of costs in there, but I am not sure what they would have been.

**Senator MACKAY**—It is my understanding that previously there were guarantees inherent in the customers' service agreements in relation to repair and maintenance.

**Mr Hatton**—That is more repair times and response times, yes.

**Senator MACKAY**—Would you be able to provide me with some information about what pre-existed in relation to that?

**Mr Hatton**—Yes, we can look at that.

**Senator MACKAY**—I understand that the Commander phone system was sold to PlesTel three years ago; is that correct?

**Mr Hatton**—That would be about right, yes.

**Senator MACKAY**—Why is it taking so long to get a formal agreement with PlesTel?

**Mr Stanhope**—There have been previous arrangements in place, and it has been obvious that they have not been satisfactory. Again, I point out that we sold them the business and we have a small equity in it. What we have done since this issue has arisen is try to mitigate the problem for customers by exactly what I mentioned before: having people close to the customer go and service the customer on a fee for service basis to PlesTel—so they pay us.

**Senator MACKAY**—When did you commence the discussions with PlesTel in terms of the latest incarnation?

**Mr Stanhope**—About November last year.

**Senator MARK BISHOP**—Are you aware of any plans to upgrade the Nowra exchange in New South Wales?

**Mr Stanhope**—I cannot tell you off the top of my head.

**Senator MARK BISHOP**—I received a fairly lengthy complaint. I might forward it to you formally in writing and ask for a written response.

**Mr Stanhope**—Certainly.

**Senator MARK BISHOP**—That might be the best way to address that issue. I have concluded my questions on Telstra.

**Senator MACKAY**—Going back to the issue of network design and construction: Mr Stanhope, can you run me through what is happening to the sale price? I understood that Leighton were publicly talking about a bidding price of approximately one-third of the original sale price.

**Mr Stanhope**—There has been a lot of speculation right from the start when we announced we were looking at selling NDC. It ranged from a billion dollars down to low numbers. There is not too much point in me commenting on the speculation of the price. We think it is worth a certain amount, which I am not going to reveal. There is a whole range out in the public domain. We are negotiating the best price we can get.

**Senator MACKAY**—Do you still think it is worth a billion dollars?

**Mr Stanhope**—I never did.

**Senator MACKAY**—How much did Telstra think it was worth?

**Mr Stanhope**—I would not like to reveal that. Indeed, I cannot. We are in negotiations.

**Senator MACKAY**—How many expressions of interest have you received in relation to the proposed sale?

**Mr Stanhope**—I think five or six. They fluctuate a little. There were a couple early and they have disappeared, and Leighton were not there in the first place but now they are. So it has fluctuated a little. Over the term, there have probably been six or seven.

**Senator MACKAY**—How many are in the run at the moment?

**Mr Stanhope**—Two or three are still there.

**Senator MACKAY**—As you indicated previously, this has been a bit of an ongoing saga. I think you indicated to us in estimates last time you hoped for a conclusion by March. You indicated to Senator Bishop that you are looking at now another month. Is that still ballpark in terms of the time line, or are you expecting finalisation?

**Mr Stanhope**—It is getting closer and closer. We are negotiating with parties now, so that means it is not far away. It is speculation really on my part that it will take another month; it may conclude earlier, it may take a little longer. It will depend on the outcome of the negotiations and what we are after and what they are after.

**Senator Alston**—I presume all parties are aware that, if this were to drag on until next year and Senator Mackay and her colleagues were to be in a position of power, this would be frozen immediately. It would be a core commitment not to allow the divestment of any assets of Telstra, or presumably the purchase of assets if you are going to be consistent. That does seem at odds with all those things that were allowed to be divested by Telstra during Labor's term in office, but it is just worth while making sure the parties are aware of that threat.

**Senator MACKAY**—That is a good idea, Mr Stanhope. You can take the minister's suggestion up. Can you indicate how many voluntary redundancies have been taken up by the 6,000-odd staff to date?

**Mr Stanhope**—You will recall that 400 were announced last year and, as we discussed last time we met, there were a further 250. Of the 400 last year, not all that were targeted have gone; 370 have, and they were all voluntary. Of the 250 that were announced in January not all have left the company. Of those, 192 have been voluntary and 31 have been management-initiated.

**Senator MACKAY**—Are any more redundancies likely to be offered in the near future?

**Mr Stanhope**—No. NDC has sufficient work and we see no announcement of any further imminent redundancies.

**Senator MACKAY**—The 31 involuntary redundancies: were they all Tasmanian?

**Mr Stanhope**—Yes, they were.

**Senator MACKAY**—I understand that these workers are due to be made redundant next week. Is that correct?

**Mr Stanhope**—No, I could not confirm that, and there is nobody here who could confirm that, but I could respond in writing.

**Senator MACKAY**—Minister, several local MPs have written to you from Tasmania in relation to these 35 redundancies—written to the Prime Minister, and copied I think to you—including the Premier, Mr Jim Bacon, me of course, and I think all of my federal Labor colleagues from Tasmania, also the state Leader of the Opposition, Mrs Napier; basically asking the federal government to reconsider the issue of the forced redundancies in Tasmania on two bases—

**Senator Alston**—This is NDC, is it?

**Senator MACKAY**—Yes. The two bases are, one, are that indication was given initially that there would be no forced redundancies—and clearly there are in Tasmania—and, two, that the final details of the sale had not yet been negotiated. To my knowledge, you have not responded, certainly not to me. Have you responded to anybody else, including the Leader of the Opposition in Tasmania?

**Senator Alston**—I do not recall. I did get a letter from Jim Bacon recently, but I do not recall seeing anything from Sue Napier. I do not recall seeing anything from you. I get the odd entertaining press release but I do not recall—

**Senator MACKAY**—I sent you a copy as well. So you did not get a copy of Mrs Napier's correspondence?

**Senator Alston**—It may be in the system, but I do not recall seeing it.

**Senator MACKAY**—Can I suggest you have a look at that and perhaps respond to all of us. That would probably be a good idea. I take it, though, that there will be no intervention in relation to these forced redundancies in Tasmania?

**Senator Alston**—In the commercial activities of Telstra?

**Senator MACKAY**—No, in relation to the request from Mrs Napier et alios that Telstra reconsider the situation. I guess I am asking Mr Stanhope—

**Senator Alston**—Do you mean merely asking us? Well, you are asking me to reconsider now, presumably.

**Senator MACKAY**—I suppose I am asking Mr Stanhope.

**Mr Stanhope**—We have no intention to reconsider because it is a workload issue. If we do not have work for the people then the redundancies will proceed.

**Senator MACKAY**—I guess, Minister, that my interest in your views on this occasion is that, as I understand it, you were the one who made the initial indication that there would not be any forced redundancies. You have got an opportunity now to clarify that if you wish.

**Senator Alston**—Well, you will have to remind me of when you say I said it.

**Senator MACKAY**—I can get you the details. I will take that on notice.

**Senator Alston**—I will be happy to respond.

**Senator MACKAY**—Mr Stanhope, last time we had a debate about E71s and the issue of getting the advice. You indicated that it was available. Subsequently you responded to me on notice that it was commercial-in-confidence in relation to Telstra's operations. I then sought advice from the Clerk of the Senate and subsequently we have had the Audit Office report on commercial-in-confidence issues. I would ask you to explain why this issue is commercial-in-confidence?

**Mr Stanhope**—Certainly. When we had our last discussion, I was unaware of the exact detail in the database. The database does contain information on Telstra's assets and the technologies we use. That is sensitive from the point of view that we would not want it made public because firstly, the competition would know what technologies we use and, secondly, it does contain sensitive customer details such as customers' names—because a pit lid might be located outside the address of such and such a customer at such and such an address. We need to respect customer privacy. We did offer a private viewing of that database.

**Senator MACKAY**—That is correct. The opposition will not be taking that up. Our view is that it is not commercial-in-confidence, so we believe this information should be publicly available. I also notice that the Audit Office, inter alia, indicated that that were mechanisms that agencies could follow in relation to commercial-in-confidence matters, such as not disclosing the names of individuals, et cetera, or blanking out sections that may deal with commercial-in-confidence matters. Has Telstra considered that at all in relation to this request?

**Mr Stanhope**—No, we have not. It is a large database and it would take a fair bit of work to blank out the technology types and the names, so we have not seriously considered that. But if we were compelled to do so, we would do so.

**Senator MACKAY**—Prior to any necessity for compulsion, would you indicate here whether you would be prepared to consider that?

**Mr Stanhope**—Certainly, if we blanked out those things, it would take away our reasons for commercial-in-confidence. It would take us some time, and I would ask that you be patient if we do that.

**Senator MACKAY**—All right. There are several ways this can be tackled, including mechanisms through the parliamentary process. To obviate the necessity for that conduit, can we take it from you here today that you will be doing that for us?

**Mr Stanhope**—I will have a look at that. I would rather be cooperative than otherwise.

**Senator MACKAY**—If you could respond to me as soon as possible as to whether you intend to do that, that would expedite actions that we intend to take.

**Mr Stanhope**—I will do.



**Senator MACKAY**—Thank you. Perhaps in the next week would be good.

**Mr Stanhope**—Yes.

**Senator FERRIS**—I would like to ask some questions relating to commitments that were made recently not to sell any more of Telstra, or not to sell the NDC. Perhaps before I pursue those with Mr Stanhope, Minister, could I ask you a policy question related to any implications, as you see it, of recent suggestions that the competitive arrangements governing the telecommunications industry be rolled back, and what the effect of that would be in a policy sense.

**Senator Alston**—Certainly, if you are referring to yesterday's scoop release, which I presume was leaked to the *Financial Review* by Barry Jones, who seems to be getting increasingly frustrated at the lack of action on behalf of Mr Beazley. He has been running around giving documents to Paul Kelly and Glenn Milne in recent times, so he is probably the prime suspect, but it may have been Stephen Smith. What seems to be under serious contemplation is a reregulation of the telecom sector—a roll-back of competitive laws applying to Telstra, to allow it to play a better role as a national telecommunications carrier; in other words, doing your best to restore the old monopoly—

**Senator FERRIS**—And, presumably, to put up phone charges.

**Senator Alston**—On the one hand you would be trying to allow it maximum freedom and minimum competition, and the trade-off for that would be that you would impose a whole series of uneconomic cost burdens on it. You would force it to provide services in rural areas and to operate at lower prices than are otherwise sensible, and you would give it a whole series of directions to do things that you thought made political sense, but that no-one else thought made commercial sense. I would have thought that not only Telstra shareholders, but the community at large should be quaking in their shoes, because you are inevitably looking at higher prices, without maximum competition.

At best, competition would be chilled under this regime. At worst it would be frozen stone dead. And the whole range of innovative products and services that are delivered by competition would simply go out the window. So we would end up being a 19th century, old economy, museum piece—and I am sure even the Albanians and the Cubans would be laughing.

I notice that Mr Smith has put out a release saying that reports that Labor may seek to reregulate the telecommunications industry do not reflect Labor policy. I think that is true, because they do not have any policies. But this task force is essentially Labor reporting to itself, because it has got a couple of token outsiders but otherwise they are all the usual suspects—professional politicians—and quite clearly they are making it plain in this document that they recommend a roll-back of competitive rules applying to Telstra. That has been confirmed, no matter how much Mr Smith may want to pretend it 'ain't so'. He is on the committee. He knows what documentation has been put in, whatever is left of it—we know it was originally 50 pages and it was shredded down to five. So I think there is a very big dead cat in the ring at the moment, a very big question mark over not just competition policy but the future of this sector.

If you look at yesterday's national accounts figures you will see that communications was the biggest single growth area, with 4.2 per cent increase. This is a sector that has been

growing at double digit rates for some years. We are regarded generally as being world's best practice when it comes to full and open competition. The Economist Intelligence Unit only a few weeks ago had us No. 2 in the world in terms of e-readiness, largely because of the highly competitive nature of the telco sector and the legal and regulatory framework that is required for e-commerce. And of course that is all built on a telecommunications platform.

So all those companies that are busy rolling out networks around Australia, all those IP backbones that are being put in place, the advanced network program that we announced only last week, all of these things would be very much at risk. It seems a hell of a price to pay to pander to the trade union movement, who want to bring everything back under central command and control.

The only way that any of this can be sorted out, I think, is for this document to be released in all its glory. If Mr Smith wants to disagree with it, he can put in a dissenting report. But I have no doubt he has been up to his eyeballs in it. It is a very serious concern. I do not think it is going to do much for our international reputation. But I am much more concerned about what it is going to do for consumers, because it has to be comprehensively bad news.

**Senator FERRIS**—It sounds like a roll-back to the days of that Morphy-Richards toaster so beloved of former Prime Minister Keating.

**Senator Alston**—Yes. I think it is very much back to the future stuff.

**Senator FERRIS**—Thank you, Minister. Mr Stanhope, I have some question related to the commitment not to sell any more of Telstra and not to sell the NDC—commitments which have been made publicly, I believe, on behalf of a future Beazley Labor government, I think by Senator Mackay in a press release—

**Senator Alston**—By no less than Senator Mackay.

**Senator MACKAY**—Can you be more specific?

**Senator FERRIS**—I am not sure, but I certainly am able, for the sake of *Hansard*, to cite the date of 17 May—

**Senator Alston**—A bit of insurance, is it?

**Senator FERRIS**—I am just wondering if you are able to tell me whether any previous government has ever issued a future ministerial direction of this type to Telstra.

**Mr Stanhope**—Certainly not to my knowledge, Senator, and I have been there 34 years.

**Senator FERRIS**—So it would be quite unusual for any future government to indicate that it would interfere with Telstra's decisions to sell assets if it so wished?

**Mr Stanhope**—That is right. It has been normal practice, from our point of view, that there has been very little interference in our commercial operations.

**Senator Alston**—It is worth saying that to interfere in the marketplace to the extent of telling a company that it cannot divest itself of underperforming assets would have an absolutely chilling effect on the whole commercial operations. What would happen is that every time they were contemplating making a change, either buying or selling, they would have to get government approval. And, of course, if the government did not like it, then it

would be all over the media. It would be an absolute nightmare. Of course, that is why, when Mr Beazley was the communications minister back in the early 1990s, he was quite happy to see Telstra divesting itself of assets, because he understood that that was enhancing the value of the company and opening it to perform more efficiently and therefore provide the services that we all expect from a company of this size.

The notion that somehow the government should be second-guessing the commercial operations is utterly unprecedented. One can only assume that Mr Beazley was asleep at the wheel when these sorts of press releases were put out. Fortunately, most of the media do not seem to have taken Senator Mackay or even Mr Smith seriously. If they did, there would be a lot of anguish about the implications of that.

**Senator FERRIS**—I would have thought there would be a bit of apprehension by shareholders of Telstra. I was wanting you to confirm for me, Mr Stanhope, that Telstra is actually required by law, as I understand it, to operate commercially and in the best interests of shareholders. Surely that would then put on to Telstra the requirement to look at underperforming assets and act accordingly by law?

**Mr Stanhope**—That is correct, and that is what we do. We are there to optimise shareholder value, and that is the way we operate the business. The board is charged with that responsibility and, through the board, the management is charged with that responsibility, and that is what we are doing.

**Senator Alston**—You might be interested to know who put those arrangements in place—it was Mr Beazley as communications minister back in 1991. He corporatised Telstra.

**Senator FERRIS**—Senator Alston, your memory!

**Senator Alston**—Well, them's the facts! It really just highlights the huge hypocrisy in this whole area. When you are in government you do what you think is right and proper. In fact, you go to the Press Club and you boast about all the privatisations and sell-offs that you have personally managed to achieve. But, of course, when you get into opposition, all bets are off and none of that ever made any sense and you just deny it if you have to.

**Senator FERRIS**—I am glad you reminded me of that, because I was going to ask Mr Stanhope if he could recall for me some of the assets that were, in fact, sold off within the Telstra structure prior to 1996. I can remember a couple of them—I certainly remember OTC—but I was wondering whether there were others that perhaps you could remember that were sold off in that period prior to 1996 when there was a Labor government and Telstra was operating to divest itself of assets.

**Mr Stanhope**—I guess OTC was a merging, rather than a selling-off. We looked at the PABX installation business way back in probably 1992 or so— maybe before that. We have got out of certain businesses that we did not believe that we should be in. That is one that readily comes to mind. The Commander business is another one that comes to mind. We have taken a lot of commercial decisions along the way pre-1996 under various governments.

**Senator FERRIS**—What would be the likely financial impact of a government veto on any further divestment of Telstra assets which the board itself, acting independent of government, might decide was appropriate?

**Mr Stanhope**—I think it makes it very interesting for the board with their obligations to maximise shareholder value. If they are unable to get rid of underperforming assets, it is hard to see how the board can claim they are maximising shareholder value.

**Senator FERRIS**—Would that in any way interfere with the way the board members may feel about their fiduciary obligations to shareholders? Would you think it would compromise the board of directors?

**Mr Stanhope**—I cannot speak for the board, of course.

**Senator FERRIS**—Of course you cannot.

**Mr Stanhope**—They certainly have that fiduciary duty, and they would have to think hard about how they exercise that.

**Senator FERRIS**—What about the likely financial impact of having to carry non-performing assets that you might otherwise decide you would like to divest yourself of because of a government directive that you are not able to do that whatever the financial circumstances? Have you given any thought to any likely financial impact of a decision such as that?

**Mr Stanhope**—I have not given that any thought. I would have to go away and work that out. It would obviously be—

**Senator FERRIS**—Presumably there would be some actuarial calculation that could be done.

**Mr Stanhope**—It would have some financial impact, but I would have to sit down and do that analysis. You have asked me a fairly complex question.

**Senator FERRIS**—Given that it was described as a rock solid guarantee, might I respectfully suggest that it might be something you may wish to look at.

**Mr Stanhope**—Yes, certainly.

**Senator Alston**—It is worth saying that the reason that no-one has seriously looked at this is because it is utterly unprecedented. If board members were told that they were not allowed to make any structural adjustment decisions, or anything that any other company in the marketplace was allowed to do, without government approval then it would fundamentally change the whole way in which that company would operate. You would have a very underperforming Telstra. You may find a number of board members resigning because, as Mr Stanhope implied, it is quite clearly in conflict with their fiduciary responsibilities. The only way you could impose it on them would be by direction. If you did that then you would be treating this company in a way that, to my knowledge, no other company in Australia has ever been treated, other than perhaps those that are wholly government owned. You would be creating an awful precedent. That would be Third World intervention stuff.

Telstra, which is now in the top 14 or so telecommunications companies worldwide, would very quickly become a company that no-one wanted to have anything to do with. You would not want to enter into commercial negotiations with it. It would be an absolute nightmare. There would be no more offshore acquisitions or mergers or joint ventures, because every time you would have to get government approval and we all know what that would involve under a Labor government. It would be crawling all over it to see what the trade union movement thought of it, whether it was going to affect their rights and entitlements. The way in which the Labor party operates hand in glove with the trade union movement would mean that, even if it did not have direct responsibilities, they would seek some leverage. They would be prepared to allow something to happen if they got a trade-off—that is the usual deals mentality in all this. But for people like Senator Mackay to be putting out a bald

statement—presumably with Mr Beazley's knowledge, although maybe after the event—is something that I think would make any serious investor run a mile.

**Senator FERRIS**—It is perhaps worth reading the following statement into *Hansard* for the purposes of the context of these comments:

It is a rock-solid commitment that a Beazley Labor Government will not sell NDC or any more of Telstra; and will use the company's profits to provide decent telecommunications services to every Australian, unlike the Howard Government's one off election fizz.

That implied to me that there would not only be intervention in the sell-down, but that there would also be a direction to the board on the services and infrastructure that would be provided. I am wondering whether that also sets an interesting precedent in terms of decisions that a commercially operating company might make that the government might intervene to determine priorities for. Over your 30 years, Mr Stanhope, do you have any recollection of being involved in anything like that in the past?

**Mr Stanhope**—No.

**Senator FERRIS**—Would that be a worry to you?

**Mr Stanhope**—It is very directional and it takes away some of management's ability to manage the company. I do not know what is implied or intended in those statements. I have not operated in that sort of environment before.

**Senator FERRIS**—I would think it could make for some interesting shareholder meetings.

**Mr Stanhope**—It could well do.

[3.07 p.m.]

#### **Australian Broadcasting Corporation**

**Senator Alston**—Mr Chairman, before we formally commence with the ABC could I draw the committee's attention to the death of Mr Peter Lidbetter, after a long illness, on last Saturday June 2. Those of us who have been around for a while will remember Mr Lidbetter's frequent appearances at estimates committees over a period of many years from the late 1980s through to the mid-1990s, as both director of finance and deputy managing director of the ABC, and I think he was indeed acting managing director on a number of occasions. Mr Lidbetter did work for many years in the Commonwealth Public Service, principally in Finance and A-G's, where he became a First Assistant Auditor-General. He was awarded the Public Service medal in 1993. He was certainly highly respected and, I can say from first-hand knowledge, he had an unparalleled set of insights into the way the ABC's finances worked—and I am sure that they were even more complicated in those days. He certainly was, I think, a quintessential public servant who was very proud of the work that he did over many years, and I would like the committee to record its appreciation for his work and to extend our condolences and sympathy to his wife and family.

**CHAIR**—Thank you, Senator Alston. The committee certainly endorses those sentiments and does express its appreciation for the work Mr Lidbetter did for the ABC, and we certainly express our condolences to his family over their sad loss.

**Senator FAULKNER**—I would like to associate the opposition with the remarks that the minister has made. We do of course recall many appearances at this committee by Mr Lidbetter from my own experiences on both sides of the table. I would join with the minister and other committee members on behalf of the opposition in expressing our sincere condolences to his families and friends.

**CHAIR**—Thank you, Senator Faulkner. Mr Shier and the ABC, we welcome you to this session of the estimates.

**Senator MARK BISHOP**—I also welcome Mr Shier and the other officers of the ABC to estimates. We do have a large number of issues that are relatively topical that we wish to pursue with the ABC. Advance notice has been given in the press of some of these issues so I do not think there is going to be a great deal of surprises. The first issue that I wanted to ask about today relates to the matters arising out of the Claypole allegations as reported in the *Sydney Morning Herald* and a number of other press outlets, in early to mid-March. The opposition's take on those remarks, if made to the reporter and if accurately reported in the press, is one of great concern. At first instance, a number of us were surprised that such allegations could be made about directors of a major public entity like the ABC, albeit presuming those persons thought they were private conversations, particularly in the light of the emphasis the ABC has put—under your administration, and in previous administrations—on respecting political rights and political affiliations of individuals, employees, and members of the public generally; and also in light of the comments that you have made in this forum and in other forums that you just have no time, in your period as the senior officer of the ABC, for allegations of political bias or improper treatment of staff members because of their political affiliations.

The opposition does not make any assertion that the remarks as reported are accurate, and we do not, at this stage, repeat them. We are concerned that they have been out in the public domain, have been discussed in a range of circles, and have certainly done the rounds within the ABC. We are certainly aware at the outset that you, sir, were not alleged to have been participating in those conversations, and we do not assert that here. The allegations were not general or vague. They were both serious and specific, and they went to the fact that one or more current directors of the ABC had put to a candidate for the most senior position within the ABC that one of his jobs would be to get rid of, within the management structure of the ABC, persons who have had affiliations to, or loyalties to, or association with, the opposition, the Australian Labor Party. If accurate, that is just totally unacceptable.

What I would ask you to do, Mr Shier, as you cannot offer comment from first-hand knowledge because you were not participating in those conversations, is to provide a written statement from each of the board members who were on the board at the time of the appointment, addressing the issues raised by Mr Claypole. Specifically, were any of them involved in any discussions with Mr Stephen Claypole at which there was any discussion that certain ABC presenters and executives with links or associations with the ALP should be removed? Can the chairman of the ABC be asked to provide a written statement detailing the nature of the selection process used by the board, for the position of managing director, detailing all interviews and who was present at each of the interviews with each of the applicants, and whether a subcommittee of the board was used to undertake part of the interviews, and if so who was on that subcommittee? Further, was the same process used for each of the applicants? Can the chairman also explain the nature of the investigations he undertook, upon which his statement was based, that there was no basis to the allegations? I would ask you, Mr Shier, firstly if you would care to comment on what I have said; and secondly, if you could relay that request formally to each member of the board and provide the committee with the written response as appropriate in due course.

**Mr Shier**—There are a number of points to make clear up-front. First of all, I have never met Mr Stephen Claypole. We would know of each other because we were both in Britain at various stages, so he would know of me and I have heard of him. All I can tell the committee,

which I think will be of some comfort to them, is that after I was appointed managing director of the ABC a headhunter in London advised me that Stephen Claypole was happy to be appointed as my director of news and current affairs. Whether that is correct or wrong, the headhunter made the statement, and I have to assume he had discussed it with Mr Claypole. I must say, I find it difficult for Mr Claypole to have been so ready to embrace the organisation that he has suggested that he would not want to be associated with because he would have been asked to do things which he suggested were not palatable to him. I would like to make it clear that no such requests were ever made to me, so I have no idea what credibility you give to this. I am only familiar with the final candidates for this position, and Mr Claypole was not one of those, so it was an earlier stage. However, as I understood it from the press—and it is only a press report—Mr Claypole suggested that he himself would not have been happy to be managing director of the ABC because he would have been required to undertake tasks similar to the ones that you suggested. I would say that that is completely inconsistent with a subsequent telephone call, after I was appointed, from a headhunter in London saying that in fact Mr Claypole would be very happy to be appointed as my director of news and current affairs. I took comfort from the fact that he assumed he would not be asked by me to do anything of that type, but I also question whether the report is really accurate. I can only provide that. I will certainly relay to the chairman the question you asked.

**Senator MARK BISHOP**—Thank you, Mr Shier. I want to go back to the interview process that applied to you, Mr Shier, and ask you some questions about that. At previous hearings of this committee, you stated that you had four or five interviews for your position. Is that correct?

**Mr Shier**—Yes. I had a meeting with the headhunter. I had a meeting with a subcommittee of the board and I had two meetings with the full board.

**Senator MARK BISHOP**—Could you outline who was present at each of those interviews?

**Mr Shier**—At the first one, there was simply the consultant at the head hunting firm. At the second one there was the chairman and the then deputy chairman of the ABC, Di Gribble. The full board as it then was constituted were of course present at the next two meetings.

**Senator MARK BISHOP**—And when did those next two meetings occur.

**Mr Shier**—It always impresses when you see court cases where people remember dates so wonderfully. I would have thought that it was probably early October, Senator, and probably the third week of October. It would have been October.

**Senator MARK BISHOP**—Were those all formal interviews or were there informal meetings as well?

**Mr Shier**—No, those were all formal interviews

**Senator MARK BISHOP**—There were no informal meetings?

**Mr Shier**—No, I had no informal meetings, other than when I met the chairman on one occasion.

**Senator MARK BISHOP**—Did you have any further meetings with any board members after the announcement that you were to be appointed managing director but before you commenced your duties as managing director?

**Mr Shier**—Are you talking about between when I was appointed and when I started work?

**Senator MARK BISHOP**—Yes.

**Mr Shier**—I think I met Ian MacPhee in Melbourne briefly. He was on the board that appointed me. Then I went back to the UK, and I was not back until February then, Senator, so you could assume that he was the only one.

**Senator MARK BISHOP**—You previously stated in evidence that over \$250,000 was spent on headhunters before you commenced work with the ABC. Do you recall that?

**Mr Shier**—I'm sure Mr Balding has a figure. I cannot remember the precise figure, but certainly expenditure was incurred on searching for people after I was appointed but before I commenced duties, and I asked the chairman to approve that, and he approved that expenditure, and that was dealt with appropriately.

**Senator MARK BISHOP**—You have recounted what was the substance of a discussion you had with Senator Quirke at this committee meeting some time ago.

**Mr Shier**—Yes. Sorry, I am all ears.

**Senator MARK BISHOP**—When you commenced work at the ABC, did you have a list of positions you wanted to declare vacant within the senior ranks of the ABC?

**Mr Shier**—No, because I did not know the people at that stage, Senator. The only way I knew of the people in the ABC was by reputation. Obviously, as headhunters had interviewed people or had recounted to me who they had talked to, I got opinions expressed to me about the people that I had in-house as well. Can we go back a stage. The reason this exercise was being undergone was that I had been out of the country for 23 years. My feeling was that the time between when I was appointed and when I started was a wonderful opportunity to get a thorough survey, if you like, of all the talent in Australia in each of the particular areas of broadcasting that we are associated with. I did not go looking necessarily for particular jobs. I looked for people who had expertise in particular areas.

**Senator MARK BISHOP**—And you retained a firm of headhunters.

**Mr Shier**—A number of firms, and they sometimes came back and said, 'In our considered assessment, the best person in the country to do this job is the person doing the job at the moment at the ABC.' That was not the purpose of the exercise but, in some cases, the reputation of the people at the ABC was such that that was relayed.

**Senator MARK BISHOP**—What were the instructions that you gave to those series of headhunting firms about the availability of talent? What firm instructions did you give?

**Mr Shier**—For example, if you went to Korn Ferry, one of the firms, I said to Korn Ferry that I wanted to know who were the experts in new media and in online in Australia and what positions they held. Of course, I had to learn things like what type of remuneration people got and what sort of skill base there was. If you went to Spencer Stuart, which was another firm, I asked what was the expertise in relation to television. They were probably the main two jobs.

**Senator MARK BISHOP**—Did you retain any other firms to engage in similar projects?

**Mr Shier**—I did. We used a small firm called Anstee Executive Search. They looked for research people for me, because the view was that people who were experienced in audience research were relatively hard to find in Australia. There was one other firm, Garner International, that I retained in London to look at Australians who were working outside the UK. There were a number who were working in America, particularly on news channels in America, and I used them to look for Australians offshore.



**Senator MARK BISHOP**—So the purpose of those requests to those headhunting firms was for them to identify who would be the most suitable persons who would be available to fill a range of positions within the ABC?

**Mr Shier**—The real purpose was, as I think I indicated in a previous committee, that it was inappropriate at that time for me to be talking to people within the ABC, because I had not taken over my duties. So, if you like, to use modern language, I was trying to benchmark what the talent base was in each of those areas, such that when I joined the ABC and I met the people there I would have a rough idea of how those people stacked up. This was not disconnected from the fact that a lot of people said to me that, in some areas, the talent base was relatively small and, therefore, the quicker I got on and established who was there, the better. Headhunters have a vested interest in pushing that view, but it was helpful to me.

**Senator MARK BISHOP**—Did you receive advice from one, some or all of those four firms that some of the then current occupants of positions within the corporation were suitable and should be retained?

**Mr Shier**—Absolutely. I indicated that earlier, and one of them is with me. Sue Howard on this table was strongly recommended to me by two firms as quite an exceptional radio executive.

**Senator MARK BISHOP**—Did you similarly receive advice from one or more of those firms that some of the then current executives were not suitable to be retained and they should be let go?

**Mr Shier**—No. That was not their job, Senator. I think it is fair to say that they were very professional. If they could say something positive about people internally they chose to do it. But their job was not to look at ABC people. Their job was to look at non-ABC people. So it was only where they felt that, quite frankly, I might be exerting a lot of energy where I did not need to consider exerting energy that they made a comment.

**Senator MARK BISHOP**—Presumably those reports were provided in writing?

**Mr Shier**—Yes. They would provide me with what I suppose you would describe as a ‘list of talent’.

**Senator MARK BISHOP**—Was that referred on to the board or did that remain with you?

**Mr Shier**—It was entirely my decision. The only other person involved was Mr Balding, who I arranged through the chairman, to make sure that the payments were made to the relevant parties.

**Senator MARK BISHOP**—Finally on this issue, did you consult with Mr Paddy Conroy, the ex-head of television, as to who would be suitable?

**Mr Shier**—No, I did not know Paddy Conroy until I joined the ABC. In fact, I did not know him until some months after I joined the ABC. I probably should have known him sooner, but I did not know him before I joined.

**Senator FAULKNER**—Mr Shier, I would just like to very quickly follow through from what Senator Bishop was asking. I was otherwise occupied with a technological crisis, but I think I heard you say that you utilised ‘a headhunter’ or ‘the headhunter’ to find the best person for, I thought it was, audience research.

**Mr Shier**—The best people, Senator.

**Senator FAULKNER**—Best people?

**Mr Shier**—Their job was not really to find the best person for me; they were to tell me basically who in Australia had that expertise. The way I expressed it to one headhunter was: ‘If I had been living here, who would I know because of my own associations and how do I overcome the disadvantage that I do not personally know them?’

**Senator FAULKNER**—What is the key position in terms of audience research in the ABC executive?

**Mr Shier**—The ABC does not have the head of research on the executive; it reports to development. But I was looking for a well-rounded audience both in terms of analysing the numbers and moving into attitudinal research.

**Senator FAULKNER**—I am trying to understand whether you actually appointed any senior officer at the ABC as a result of the utilisation of the headhunter in the audience research area?

**Mr Shier**—Without going into detail, I did not get the person I wanted. They stayed where they were, and we appointed a more junior person into one of the positions. That person was appointed by another director after I had said to him that we would have to have someone at some level. He decided to go ahead and appoint the more junior person.

**Senator FAULKNER**—But that was in the audience research area.

**Mr Shier**—In the audience research area, yes.

**Senator FAULKNER**—What is that job actually called? I do not know the name of it.

**Mr Shier**—The way I described the job I would have liked to have filled was ‘Head of Audience Research’.

**Senator FAULKNER**—Head of Audience Research? What was the job you did fill categorised as?

**Mr Shier**—It was more junior than that. But, subsequently, the person responsible for research felt that the more junior person was suitable for the job and gave them that title.

**Senator FAULKNER**—So it had the title ‘Head of Audience Research’?

**Mr Shier**—Yes.

**Senator FAULKNER**—Was the person appointed as Head of Audience Research found by the headhunter?

**Mr Shier**—The more junior person was.

**Senator FAULKNER**—Is that person still in that job?

**Mr Shier**—Are we talking about Chris Bowden?

**Senator FAULKNER**—I do not know who we are talking about.

**Mr Shier**—No, the more junior person would be Chris Bowden.

**Senator FAULKNER**—Is that person still in the job?

**Mr Shier**—He is not. He has come back from his honeymoon and he has been appointed by AC Nielsen to work in Ireland on audience research.

**Senator FAULKNER**—When did that person leave his job?

**Mr Shier**—He has not left yet.

**Senator FAULKNER**—Oh, whoops—another one’s hit the fence!

**Mr Shier**—When you say ‘another one’s hit the fence’, he is going a long way to Ireland to work for Nielsen. He used to work for Nielsen. I would think he would regard it as a significant career step for him.

**Senator FAULKNER**—At what level of the executive or non-executive of the ABC administration was the former Head of Audience Research?

**Mr Shier**—He reported to the director of development, who was Sandra Levy at the time. She is now, as you know, director of television. He would have worked with Sandra Levy but I saw him occasionally because of the Oztam issues.

**Senator FAULKNER**—Can I follow up a quick one from the last estimates, Mr Shier? This should not take long. It is just an issue relating to some evidence given by Mr Balding. It may be better directed to Mr Balding. This was on the Federal Police investigation. You would recall there was a significant amount of questioning around that issue. Senator Bishop was questioning you, Mr Balding, about whether there was an executive meeting on 30 January. I am just interested in just trying to establish what the situation was in relation to that. I wondered if an article that appeared in the *Sydney Morning Herald* on 12 March 2001 throws some light on this issue. My reading of the evidence at the last meeting was that clearly there was no executive meeting on 30 January. Could you just confirm that for me?

**Mr Shier**—I cannot tell if there was or was not. I would have to get that checked. I am sorry. Can you tell me which day of the week it was?

**Senator FAULKNER**—I might be able to. I believe it was a Tuesday.

**Mr Shier**—In that case there would not have been a meeting.

**Senator FAULKNER**—That was the evidence that was given. Was there, however, a subcommittee of the executive that met on 30 January 2001?

**Mr Shier**—Mr Balding is suggesting that there might have been. The operations group meets every second Tuesday, so that is quite likely.

**Senator FAULKNER**—I just wonder why that information was not provided in answers to Senator Bishop’s questions at the last hearing. It seemed to me to be a rather important piece of information, given the issue that was being discussed. I am not going to go as far as to say that the committee was grievously misled, but I do think that if you have a look at the *Hansard* record that is a rather important piece of information that was omitted.

**Senator Alston**—What question do you say should have been answered more fully?

**Senator FAULKNER**—Minister, I do not want to spend a lot of time on this—I am not making this into a Crown case. I would ask Mr Shier and Mr Balding to examine the *Hansard* record of the last meeting if they could, so we could clarify the record—if they believe it is appropriate in the circumstances to clarify the record, appreciating there was not an executive meeting, but it does appear that an executive subcommittee did meet.

**Mr Shier**—I am happy to do that.

**Senator FAULKNER**—The reason I have established this is I read an article in the newspaper—

**Mr Shier**—It does not mean it is correct of course.

**Senator FAULKNER**—Exactly, Mr Shier. I am always acknowledging that. Nevertheless, an article appeared making a statement that related to a meeting. It said:

Hutchinson—

and I interpolate here, Mr Shier—and I am sure you would know—that that is Jaquie Hutchinson, an ABC director of human resources from 1995 to 2001—

went after a heated January 30 meeting of senior executives where sources present said Shier ‘jumped up and down’ at her for running a department he claimed leaked sensitive documents, including one paper on executive numbers.

It goes on to say:

The next day Shier’s finance director ordered a special 9.30 a.m. meeting with the ABC’s internal auditor to discuss that document. A contentious Federal Police probe of ABC staff followed, which Shier denies initiating.

That is a direct quote of the article. The point I make here is only this: if it is true that there was a subcommittee of the executive that met, as opposed to the executive—and I accept the evidence that was given that the executive did not, but I do think it is likely, from what I hear from you today, that possibly in this case the article in the newspaper is right and there was some meeting and it may have been a subcommittee meeting—I think it probably had the effect of very significantly changing the line of questioning that Senator Bishop was engaged in at this committee, and may have also influenced questions I might have asked. So I do ask Mr Shier and Mr Balding in this instance to have a look at that. Come back to the committee, when you are able to, to indicate if you believe, in the circumstances that did take place, that a correction to the record is justified. Could I ask you to then to take on notice: if there was a subcommittee of the executive on 30 January, who was at that meeting?

I would like to hear, in these circumstances, if there was any discussion of the leaked document at the meeting. I will not bother asking you, Mr Shier, whether you jumped up and down, because I expect you did not, but I would like to ask—on a serious note—whether the subject of a Federal Police investigation was raised at the meeting. I am just mentioning this at this stage of the estimates hearing.

**Mr Shier**—I can categorically tell you there was not any discussion of a Federal Police investigation at any meeting on that sort of date, so whether that meeting was on that date or not—

**Senator FAULKNER**—I appreciate that is in conformity with evidence that you have given to us before, but my concern here is that I do feel that in the circumstances of a subcommittee of the executive meeting, as opposed to the executive, it did certainly affect the line of questioning.

**Senator Alston**—What question are you saying was not fully answered?

**Senator FAULKNER**—I am asking Mr Shier to check the *Hansard* record and if he can come back to the committee and indicate—

**Senator Alston**—But in relation to what question, because if the question—

**Senator FAULKNER**—In relation to the evidence that was given about executive meetings.

**Senator Alston**—No. You are dancing around the issue. Let me explain to you what—

**Senator FAULKNER**—We can go into it at great detail if you want. I do not think it is worth while. I am just asking the officers to check the record.

**Senator Alston**—I am just concerned at the gratuitous slur.

**Senator FAULKNER**—There is no gratuitous slur.

**Senator Alston**—There is. You said, ‘I am not suggesting that this is sufficiently misleading to constitute a crown case.’

**Senator FAULKNER**—There is no slur, gratuitous or otherwise.

**Senator Alston**—In other words you are saying there was a low level of misleading, right? As I understand it, you are saying: in answer to a question, ‘Was there an executive meeting in which something to do with the police was discussed’, you said ‘No’, and what you should have said was, ‘There was a subcommittee meeting on the same day.’ Given that he has just said that even if there was they did not discuss that matter, that cannot be misleading. And if you are saying that when asked, ‘Was there an executive meeting?’ and he says no that that is misleading—because he somehow should have volunteered something else—again, I think you are overstepping the mark.

**Senator FAULKNER**—No, because you do not appreciate, Minister, that what Mr Shier and I are talking about here is a time line that Senator Bishop was trying to establish at a previous estimates committee. All I am asking Mr Shier and Mr Balding to do is to carefully check the *Hansard* record.

**Mr Shier**—Senator, I am happy to do that. All I am saying is that Mr Balding’s evidence was, in response to Mr Bishop’s question:

There was a full meeting of the executive on 30 January, wasn’t there?

Mr Balding said:

I presume so.

Now, I am only going to say, ‘Well, without getting diaries out and checking things’—I mean, I have to check that.

**Mr Balding**—But then I have gone on to say:

No, there would not have been.

**Senator FAULKNER**—Then he said:

No, there would not have been.

I understand that. You appreciate what Senator Bishop was trying to do at that stage, I assume, which was just to establish the time lines? That is perfectly reasonable.

**Mr Shier**—Yes.

**Senator FAULKNER**—I heard the evidence saying—

**Senator Alston**—It is not just a matter of establishing time lines. You are saying that when Senator Bishop asks, ‘Was there an executive meeting on,’ and they say no, you are saying, ‘Ah, but you should also have said there was a subcommittee meeting on.’

**Senator FAULKNER**—Then he went on to ask:

The meeting in your office was on Wednesday 30 January. When was the meeting of the executive prior to that?

Mr Balding said:

The executive meets every second Thursday.

Mr Shier said:

It meets every second Thursday morning, Senator. I would have to check which one it was.

Mr Balding said,

It would have been the 18th.

So there is possibly a problem there. I think that, if there was a meeting on the 30th, there is a problem with the evidence that was given. I do not believe it is a hanging offence; I just want it to be clear, because the issues around the chronology and the Australian Federal Police investigation were important. All I am asking Mr Shier and Mr Balding to do is check about the subcommittee of the executive.

**Mr Shier**—I am happy to do that.

**Senator FAULKNER**—They have said they are happy to do that. Come back to us on it, and we will see if there are any other issues—

**Senator Alston**—No-one is quarrelling with that. I am quarrelling with your starting point: that there is some degree of offence here but maybe not a hanging offence, or there is some degree of misleading, but not a Crown case.

**Senator FAULKNER**—Maybe it is, I do not know.

**Senator Alston**—You should not be putting that proposition. You should simply be asking to check the time.

**Senator FAULKNER**—If there was a meeting of a subcommittee of the full executive that deals with finance and administrative matters—which I think is possible, given what I have heard today and given what I have read in the newspaper—then advertently or inadvertently I think the committee has been misled. But let us check it later.

**Senator Alston**—You have asked whether there was an executive meeting, and we know there was not. He said no.

**Senator FAULKNER**—You have to look at all the evidence which I have just read onto the record for you, Senator Alston. It is not just that one question. It went on to other subcommittees.

**Senator Alston**—The obligation is on you to specify which questions you say were not properly answered.

**Senator FAULKNER**—That is not true. The obligation is on senators, of course, to ask questions that elicit the answers they want. But the obligation is also on Mr Shier or Mr Balding or anyone else at the table at any other committee to answer those questions accurately or truthfully, as you know. They appreciate that.

**Senator Alston**—Or to know what Senator Bishop really had in mind and to—it is nothing to do with being truthful. No-one is suggesting untruthfulness.

**Senator FAULKNER**—You are making this into a bigger issue than it probably is.

**Senator Alston**—It's not issue at all to date.

**Senator FAULKNER**—But they have offered to check, and that is all I am asking them to do. I would like them to check, and if we need to address it again then we will. I think that is a pretty reasonable way to put it, to be honest with you, without you turning it into a—

**Senator Alston**—It is good of you to start being honest at this late stage, but I would have thought that if you would just identify your problems then we can respond to them.

**Senator FAULKNER**—If you are going to interpose like that as the minister, that is fine, but please read all the *Hansard* record and try to concentrate when the original questioning is

being undertaken at the committee so that you can make a sensible intervention. Thank you, Mr Shier, for coming back to me on that.

**Mr Shier**—Of course we will establish whether such a meeting took place—

**Senator FAULKNER**—That is all I am asking.

**Mr Shier**—But I also make the point that there was no meeting in that period at which the issue of the Australian Federal Police was discussed. We can put another meeting in a time line but, at the end of the day it does not go to that issue.

**Senator FAULKNER**—I hear that evidence, and you gave it to us strongly at a previous meeting. I appreciate that and I understand that. I heard it at the time and I hear it again today. But you might indicate also whether some of those other events that I have outlined took place. That is what I am asking of you. I think it is a pretty reasonable question, and probably without the minister's interference we would have been able to move on five minutes ago.

I now move briefly to another time line issue: the one relating to your own performance remuneration. I appreciate that you may not necessarily be in the strongest position to answer that, but understanding, in a general sense, how the performance pay process works I do not think there is anyone else I can ask in the circumstances of the ABC. I do not ask the question to make you feel uncomfortable; I am just interested in time lines. There is, as I understand it—given the previous evidence we have heard at this committee—the capacity for an additional payment of \$20,000 in terms of performance remuneration in relation to your own position.

**Mr Shier**—Yes.

**Senator FAULKNER**—Let me take you back a step. You would appreciate that in, say, relationship to the secretary of a Commonwealth department, there are effectively three rates of remuneration: 0, 10 per cent or 15 per cent. There is no flexibility within those three possible decisions in relation to performance remuneration. It is not clear to me in relation to the managing directors of the ABC whether it is effectively nought or \$20,000 or some point in between. That is a process issue.

**Mr Shier**—I think it is fair to say that it is whatever the full board of the ABC decides.

**Senator FAULKNER**—But it could not be in excess of \$20,000, could it?

**Mr Shier**—I think under my contract, no.

**Mr Balding**—And that is also set by the Remuneration Tribunal.

**Senator FAULKNER**—Yes, but it could, Mr Balding, be some point between nought and \$20,000?

**Mr Balding**—Correct. And Mr Shier is correct; it is the board that determines the level of that performance pay.

**Senator FAULKNER**—No, I appreciate that.

**Senator SCHACHT**—And the Remuneration Tribunal then approves it?

**Mr Balding**—No, the board approves it. The Remuneration Tribunal sets the level—

**Senator FAULKNER**—The parameters.

**Mr Balding**—It sets the maximum level, then it is up to the board to undertake that performance assessment.

**Senator FAULKNER**—Thank you for that, Mr Balding. That is helpful. My next question about this goes to where we are up to in the process, and I have asked this of a number of departmental secretaries in this estimates round: can someone at the table—I do not necessarily want to ask you this, Mr Shier, but perhaps someone could let me know—tell me whether the decision in relation to Mr Shier’s performance bonus been determined by the board?

**Mr Shier**—I can obviously answer that, Senator.

**Senator FAULKNER**—I thought you may have excluded yourself from those discussions.

**Mr Shier**—I obviously excluded myself from those discussions, but could I answer such questions as I am asked on the subject? I have submitted to the board’s remuneration committee a view of my first year in office and the remuneration committee is considering that. It will ultimately make a recommendation, I presume to the full board, which will take a decision.

**Senator FAULKNER**—The way performance pay works with the ABC would, I suppose, be a little different, obviously—as you would expect—from the way it works for secretaries of Commonwealth departments, but what you have done there, which in other words is to make a self-assessment, is obviously in accordance—

**Mr Shier**—No, in fairness, I think I should point out that the chairman wrote to me specifying in his mind the key performance factors that I should bear in mind in my first year in office, and my letter is a response to his letter indicating how I have addressed each of those issues.

**Senator FAULKNER**—I see. What I wondered was—and, as I say, I have asked departmental secretaries this—beyond that, have you made a self-assessment? In a sense, have you suggested—and I do not think that this is inappropriate, I might add—what you think an appropriate level of performance remuneration would be?

**Mr Shier**—No more than in my own mind, Senator.

**Senator FAULKNER**—But not in a formal way?

**Mr Shier**—No.

**Senator FAULKNER**—I think that you said that the criteria on which your performance pay is based are communicated to you by the Chairman of the ABC—

**Mr Shier**—However it is communicated and written, ultimately the board decides what that remuneration will be.

**Senator FAULKNER**—I understand that. I am trying to understand at what stage in the assessment year for performance pay you are aware of the criteria against which your performance is to be judged.

**Mr Shier**—I think you can safely assume that I am.

**Senator FAULKNER**—Yes, but when were those criteria provided to you?

**Mr Shier**—I think, formally, the chairman wrote to me—I will have to think of the date—towards the end of last year, the last quarter of last year, but we had discussed the priorities many times.

**Senator FAULKNER**—So it has happened on an informal basis?

**Mr Shier**—Yes.



**Senator FAULKNER**—But in terms of a more formal communication to you—in other words, in correspondence if you like—that does not happen until relatively late in the performance pay cycle?

**Mr Shier**—I think that the first year is exceptional in the sense that I was reorientating some of the corporation's priorities. For example, distribution and the carriage of ABC on pay platforms would never have been in the performance criteria of my predecessors. So there were a number of key aspects of my job which were being discussed and agreed by the board in the first six months that I was in office.

**Senator FAULKNER**—Yes, but my questions go to your knowledge of those indicators or criteria as you work through the year in respect of which your performance pay is judged.

**Mr Shier**—I am satisfied that the chairman made it very clear to me what the key performance indicators were.

**Senator FAULKNER**—Yes, and you are also saying in a formal way it was communicated with you before the end of the last calendar year.

**Mr Shier**—Yes, and I think simply to make sure that the process was clear.

**Senator FAULKNER**—The performance pay cycle is a yearly cycle for the managing director of the ABC. I think that is right, isn't it?

**Mr Shier**—It is a start date annual—

**Senator FAULKNER**—Could you just tell me what the start date is?

**Mr Shier**—For me it is 17 March annually.

**Senator FAULKNER**—Its current status in relation to performance pay is before the remuneration subcommittee of the board—or as far as you are aware, it is before the remuneration subcommittee of the board?

**Mr Shier**—I am aware because of the advice at board meetings that the remuneration subcommittee would consider such matters, so I know that is where it is.

**Senator FAULKNER**—Yes, sure. The process as far as the ABC is concerned is that the remuneration subcommittee will report to the full board, who will make a final decision; is that right?

**Mr Shier**—That is right. Technically, of course, Senator, it is slightly more than a year now, but it would be to the period of 17 March this year.

**Senator FAULKNER**—That seems, on the face of it, to be quite a long period after the conclusion of the performance pay cycle—17 March—or do you think it is within usual parameters?

**Mr Shier**—I do not think it is outrageous. It has to be considered by the full board, and I do not have a problem with it, Senator.

**Senator FAULKNER**—Again, you may not know this, and I would appreciate it if you did not; I would understand why: is the ABC expecting a recommendation to go from the remuneration subcommittee—you might be best to answer this, Mr Balding—to the board at the next board meeting? Would that be a reasonable time frame?

**Mr Balding**—I am not aware of the date, but that is the usual process.

**Senator FAULKNER**—Would one of the performance indicators be ABC ratings?

**Mr Shier**—No, it is not, Senator. It is a comprehensive schedule that is required.

**Senator FAULKNER**—Is there any reason why the schedule might not be made public?

**Mr Shier**—The only person to answer that is the chairman, Senator. I think it is fair to say that the performance of television—if you are talking television—is an issue, and clearly there would be a rating level at which it would be an issue. But if you are saying, for example, ‘Is it specifically mentioned that a certain viewing share should be achieved?’ the answer is no.

**Senator FAULKNER**—Actually, to be honest with you, Mr Shier, I am not saying anything, I am just asking. I have a longstanding view—Dr Watt would know this—about these criteria being made public.

**Mr Shier**—I can only relay that to the chairman, Senator.

**Senator FAULKNER**—Yes. I would appreciate it if you would, but I just want to be very clear on this in relation to my last question about ratings. You are saying it is not a formal indicator, but perhaps a consideration in relation to television?

**Mr Shier**—It is one of many factors I am sure the board would take into account, but it is not—

**Senator FAULKNER**—In relation to television?

**Mr Shier**—Yes. But to suggest in some way it is a key performance indicator, it is not. I think I indicated the other day that at some point the ABC has been down to as low as six or seven per cent viewing share. That clearly would be an issue.

**Senator FAULKNER**—Yes, but be clear: I am not actually suggesting anything, I am actually asking. I do think there is a significant transparency issue involved here, but I quickly add, Mr Shier, that I do not think this goes to you alone. I think this is across the whole head of agencies—

**Mr Shier**—Again I think I—

**Senator FAULKNER**—That is a personal view. Let us not have the debate here.

**Mr Shier**—But I think I am moderately accountable, Senator—put it that way.

**Senator FAULKNER**—I am sure we are all delighted to hear that. Can I ask just one other quick issue, please. I did see, and you will quickly jump on me here, I am sure, Mr Shier, because I did read it in a newspaper, so—

**Mr Shier**—Jumping is something that apparently I do, Senator.

**Senator FAULKNER**—I have had no personal experience, but I did read, as you probably did, a recent newspaper clip indicating that you, on behalf of the ABC, had bid \$11,000 of ABC money for advertising on Channel 9. I think the suggestion in the clip I read was that you bought \$20,000 worth of advertising for \$11,000, but in the end someone else had the last laugh because the ABC could not be promoted on Channel 9. I am hoping I am giving a fair representation of what I read.

**Mr Shier**—It is not really, Senator. I would like—

**Senator FAULKNER**—I think it is a fair representation of what I read in the newspaper.

**Mr Shier**—I think that was Amanda Meade, so I discount it.

**Senator FAULKNER**—You jump to these conclusions that I do not jump to, so you tell me what the situation was and we can move on. I am just asking what the position was. I thought I fairly represented what I read in the newspaper.

**Mr Shier**—The position is this: I was at a charity auction—the ABC was at a charity auction—and Channel 9 offered \$20,000 worth of advertising, and it was put up to auction. We buy television air time off Channel 9 now. We have done that in a number of states to promote radio. The only way to use that money is to give it to your media-buying agency and ask them to buy it professionally. There was a certain pleasure in finding there was not a lot of interest in buying Channel 9's advertising at that particular charity auction, so I was lucky to get \$20,000 for \$11,000, and we will give it to our advertising agency and they will buy it. The auction did not specify that this could not be used for television.

I do not want to get into a nicety at a Senate committee, but I would have thought that I would have the right to decide how I used that air time. I understand that Channel 9 might not want me to use it to promote ABC television, but I think we have to establish whether I do or do not have that right. What I do know is: I have at least got \$20,000 worth of ABC radio advertising for \$11,000. That, on normal buying terms, is quite good media buying, although it is not normally the environment in which we media buy.

**Senator FAULKNER**—It did not strike me as being the normal approach.

**Mr Shier**—And I have until June next year, Senator, you will be pleased to know, to decide how we use that money.

**Senator FAULKNER**—So is there a bit of an ongoing brawl between you and some Channel 9 executives about how—

**Mr Shier**—No, I think it is fair to say that because of the OzTAM rating situation there is a camaraderie in a number of areas.

**Senator FERRIS**—Sounds like bonus behaviour to me, Mr Shier.

**Senator SCHACHT**—It would to you, Jeannie.

**Senator FERRIS**—It would to most people, I would think, Senator Schacht.

**Senator FAULKNER**—How are you solving this issue about television advertising with them?

**Mr Shier**—The issue is that I will no doubt have to have a discussion with Mr Leckie about whether he is happy for me to use that air time for ABC television, and I would love to promote *Changi* on Channel 9.

**Senator FAULKNER**—Ms Meade said that in her article. Her article is sounding pretty accurate to me.

**Mr Shier**—Occasionally, people say things to her that she reports. It is possible also that it could be used for radio advertising. It is also possible that Mr Leckie might send me a cheque for \$20,000.

**Senator FAULKNER**—One way or the other you reckon you are on a winner.

**Mr Shier**—One way or the other I think the ABC is ahead, Senator, and I am pleased to know that the charity auction raised \$11,000 which otherwise they would not have raised.

**Senator FAULKNER**—That is the other issue I was going to touch on. Again, I am not being critical here, but I would like to understand what the guidance is in relation to bidding with ABC funds at things like charity auctions, if there is any, and how it applies.

**Mr Shier**—What are the—

**Senator SCHACHT**—Guidelines.

**Senator FAULKNER**—Guidance or guidelines—if there is any, and how it applies. I am not being critical here; I just want to understand it.

**Mr Shier**—I am not sure we have a guideline. We may now look to have a guideline.

**Senator FAULKNER**—What if you had spent \$11 million?

**Senator SCHACHT**—That is right.

**Mr Shier**—That is right, Senator. I am aware, of course, of what is the budget available for advertising, and I am aware that there is an amount of money available there, and I am aware that perhaps I may have got access to use Channel 9 in a way that normally I would be precluded from doing. We will see whether I am lucky enough to convince Channel 9 of that.

**Senator SCHACHT**—But you would not be bidding for a bottle of Grange Hermitage?

**Mr Shier**—I certainly would not, no.

**Senator SCHACHT**—Although it is a good South Australian wine.

**Senator FAULKNER**—Is the other issue in relation to this a prerogative of the managing director, or are other senior staff able to do this?

**Mr Shier**—I do not know about a prerogative. I would not argue that it is a duty of the managing director to grab such an opportunity when it presents itself, but certainly when an opportunity like that presents itself, it is an opportunity for the ABC to do good for the charity auction and at the same time to help the ABC with its marketing.

**Senator FAULKNER**—I am not sure that that is quite an answer to my question. I presume you go to functions such as this in your capacity as managing director?

**Mr Shier**—Yes.

**Senator SCHACHT**—Who pays for the tickets? Do you pay for that personally?

**Mr Shier**—It depends on the function, but at that one the ABC took a table at the dinner.

**Senator FAULKNER**—So let us come back to this, because I am not entirely clear about it. Is this the prerogative of the managing director or can other executives do such things?

**Mr Shier**—I think if my director of corporate affairs, for example, who is responsible for the advertising budget, had been in that situation and had exercised her decision to do that, then I would be happy to come onside.

**Senator FAULKNER**—So no doubt we will hear the outcome of your discussions with Mr Leckie in the future.

**Mr Shier**—Yes, I am sure that is possible, Senator.

**Senator SCHACHT**—On the same issue, coming back to the estimates last time, regarding the police investigation and the calling in of the Federal Police. I raised the question of what the ABC would do if there was an investigation by the Federal Police where the ABC had access to a government confidential document that was then leaked and the ABC used it. I wanted to know whether the ABC would defend its own journalists against the use of the

Crimes Act in the national interest. I think your main answer was that it was really hypothetical. I asked the question without any great perspicacity, but to my astonishment at estimates yesterday with the defence department, I discovered that in the famous—or infamous—Jenkins case, the ABC *Four Corners* program in April this year got hold of the censored version of the Blunn report that investigated the unfortunate death of Mr Jenkins and put it on the ABC web site, freely available for anybody to go and use. I actually used it in questioning the department yesterday. They refused to confirm or deny that it was accurate, although later on under questioning an officer basically confirmed that it was correct, accidentally, I think. My first question is: do you support the ABC staff in that circumstance? They got access to a leaked confidential document that had a defence classification rating.

**Mr Shier**—I think I indicated that on these sorts of issues it is a difficult call because that is clearly the business that we are in as well, to the extent that investigative reporting can be helped with that information. We do not disclose the sources, and that is the situation we are in. On the other hand, as an organisation we have a need for loyalty to the organisation, so I think it is a case that the in-house rule has to be slightly different to how we address our responsibilities and duties.

**Senator SCHACHT**—The in-house rule? I have to say that the leaking of a document about management of the ABC does not, under any definition, rate in the national interest in the same way as a document that has a defence department security classification. You are saying that it does and that it is more important?

**Mr Shier**—No, I am not. I am simply saying that it is a matter for concern by management if information is leaked in the corporation. That is a reason for concern by management.

**Senator SCHACHT**—Someone called the Federal Police in to do an investigation at the ABC of an internal management document being leaked. I am not going to argue what the view should be, but you did not think it was necessary, nor did anyone else in the ABC think it was necessary, to call the Federal Police in to investigate how the ABC *Four Corners* program got hold of and then displayed publicly on the Internet a confidential document that had been classified by the defence department for Australia's security interests?

**Mr Shier**—I think the analogy in that case is that the problem there is the defence department's—how did this document get leaked? I am not comparing the seriousness of the event; I am simply saying that the defence department has an issue about how it deals with documents that get leaked. We have an issue about how documents get leaked but, in terms of how we as a media organisation use those documents when we find them, the editorial policies are clear: we do not disclose our sources.

**Senator SCHACHT**—Anyway, as far as you are aware, no-one in the ABC thought it necessary to contact the Federal Police or the defence department to seek their view on whether it was appropriate to put this on the Internet?

**Mr Shier**—I cannot comment on a thing on the Internet—it is the first time I have heard of it. But it would be the responsibility of the defence department, in my view, to address how they address leaks.

**CHAIR**—Just on that point, there is a similar matter before the Committee of Privileges at the moment concerning the *Australian* and the fact that they had published material from a document marked 'secret'. So there is a different set of rules that apply—it is not just a matter for the defence department at all.

**Senator SCHACHT**—Mr Shier, were you or your senior executive—there have been so many changes in the senior executive, who is in charge of television now? Are they here at the table?

**Mr Shier**—I have asked Michael Ward to join us today.

**Senator SCHACHT**—Mr Ward, were you aware that the ABC had access to that document?

**Mr Ward**—No. *Four Corners* is produced by the news and current affairs division.

**Senator SCHACHT**—Are news and current affairs here?

**Mr Shier**—No, they are not.

**Senator SCHACHT**—I suppose they have been sacked, have they—or they are in the process of being sacked or replaced. Can anyone answer the question?

**Senator Alston**—I think you ought to raise the tone a bit.

**Mr Shier**—I do not think we are familiar with the occasion or the event. I will take it on notice and I will find the information for you.

**Senator SCHACHT**—So no-one here at the estimates today at the senior level of the ABC even saw the *Four Corners* program? Is that right?

**Mr Shier**—I saw the program.

**Senator SCHACHT**—And you saw that they had access to the document or, in one way or another, they mentioned they had access to the document and gave information that added to the weight of their reporting?

**Mr Shier**—I do not remember the program that well.

**Senator SCHACHT**—You are taking it on notice. That is the best I will be able to do at the moment. My next question is: as a result of it appearing and being publicised by the ABC, did the Federal Police or the defence department make any inquiries or make any investigation?

**Mr Shier**—Not to my knowledge, but I will have to check.

**Senator SCHACHT**—Does anyone else at the front desk have any knowledge of whether the Federal Police made even a tentative inquiry?

**Mr Balding**—No.

**Senator SCHACHT**—Or from the defence department?

**Mr Shier**—No.

**Senator SCHACHT**—I might draw your attention to the fact that someone from Defence indicated at the estimates hearing yesterday that the defence department considered launching an investigation but then discovered that it would be too difficult to find out—through, I suspect, the structure of the ABC—who was responsible and be able to fit someone for it. I suppose the best cultural defence the ABC has is that people will find it difficult.

**Mr Shier**—It is quite clear that the Director of News and Current Affairs, Max Uechtritz, would be responsible for that. If anyone wanted to raise that issue, they would raise it directly with him.

**Senator SCHACHT**—Could you take that on notice: did the Federal Police or the defence department contact Mr Uechtritz or any of this senior staff, including the staff of *Four Corners*, about it?

**Mr Shier**—Certainly.

**Senator SCHACHT**—So, as far as you are concerned, a matter like that—national security classification leaked by the ABC—is not a matter that should be discussed unless it is raised by the department itself with you?

**Mr Shier**—This is the first I have heard of it, so I cannot respond other than by saying that if it is brought to my attention I would have to deal with it. But this is the first I have heard of it. I will deal with it for the purposes of today.

**Senator SCHACHT**—Does anybody else from the team here know that it was on the ABC web site? I was just told to go to the web site and get it and one of my staff got it.

**Mr Shier**—To my knowledge—and I stand to be corrected—I think there are 420,000 pages on the ABC web site.

**Senator SCHACHT**—Yes, but someone would know how to find—

**Mr Shier**—I think—

**Senator SCHACHT**—Sorry, I will let it go at that. It seems to me to be a bit useless without the people being here. But I note what you have said, and you will come back to me with questions on notice.

**Senator CALVERT**—I think it was Senator Faulkner who mentioned an article regarding Mr Shier's performance bonus. I have been reading the article and I notice that, in part of the article, Mr Shier is quoted as hinting at a new development of a new health program and a new art program. Are you in a position to elaborate on that or is it still in the development stage?

**Senator FERRIS**—That is some good news that Senator Faulkner overlooked.

**Senator FAULKNER**—I do not mind, but I actually did not quote any article in relation to Mr Shier's performance bonus.

**Senator CALVERT**—You did. You quoted the Amanda Meade article about—

**Senator FAULKNER**—No. You have got your wires crossed.

**Senator CALVERT**—One of you quoted it.

**Senator FAULKNER**—No. That was an article about the Channel 9 advertising.

**Senator FERRIS**—Let Mr Shier answer the question.

**Senator GEORGE CAMPBELL**—You have got it wrong again, Minister. You have given the wrong information—

**Senator FERRIS**—You boys just do not like good news.

**Senator FAULKNER**—We do not get any.

**Senator Alston**—They certainly did not like the good news about the national accounts yesterday, did they? It was a very black day.

**Mr Shier**—I can confirm that it is our intention to have a new 1½ hour arts program on Sunday morning. We are just finalising the terms of that at the moment, but it is our plan to have 1½ hours of arts every Sunday morning.

**Senator CALVERT**—While we are on the subject of good news, what was the major news story yesterday?

**Mr Shier**—I would have thought it was the economic news story, if you are asking me in terms of the news literally, as opposed to news about the ABC.

**CHAIR**—It was the best news story of the day.

**Senator CALVERT**—Why was it that *The 7.30 Report* refused to let the Treasurer on? I would have thought it was a good news story. Doesn't the ABC cover good news any more?

**CHAIR**—Not if they can help it!

**Mr Shier**—Let me look into that. Are you saying that it is a fact that the Treasurer indicated his willingness to appear?

**Senator CALVERT**—I understand that that is the case, and that he was refused. If there had been negative growth and there had been talk of a recession, I am sure they would have been chasing him to be on it.

**Mr Shier**—I will inquire into that.

**Senator FAULKNER**—Anyway, you made it on to *The 7.30 Report*, Mr Shier. It is not all bad news.

**Mr Shier**—Thank you.

**Senator GEORGE CAMPBELL**—He is more interesting than the Treasurer!

**Senator FERRIS**—That is a matter of opinion.

**Senator FAULKNER**—That is an important one about the Sunday morning arts program—

**Senator FERRIS**—I thought you were going to ask about the Treasurer!

**Senator FAULKNER**—We will get to him. I wanted to see how the old smirk consultant is going, and to see if it works on the *7.30 Report*.

**Senator CALVERT**—There is a pretty good one over there!

**Senator FAULKNER**—I wanted to ask about the Sunday morning arts program, because I think a lot of us are interested in that issue. I thought that basically that was to replace the Sunday afternoon arts program. Have I got that wrong?

**Mr Shier**—What we are doing on Sunday afternoon has not been finalised yet, but I can confirm that we are going to have an arts program in the morning for 1½ hours.

**Senator FAULKNER**—Yes, and that will replace the one in the afternoon.

**Mr Shier**—It will be a different show, and that issue is something I have to discuss with the new director of television.

**Senator FAULKNER**—Let us be honest. Yes, there is going to be a new Sunday morning arts program and it is going to take the place of the one in the afternoon.

**Mr Shier**—You are making that assumption.

**Senator FAULKNER**—You are not denying it. It does not sound like a tremendous breakthrough to me, but anyway—

**Senator CALVERT**—There is a new health program as well. You would be interested in that, wouldn't you?



**Senator FERRIS**—I doubt it.

**Senator FAULKNER**—There is an old expression in politics, Senator Calvert: quit while you are behind.

**Senator Alston**—It has not worked for you.

**Senator FERRIS**—It is obviously not one you are living by.

**Mr Shier**—Can I just put on the record that, while I was doing a talkback program yesterday, one of the listeners asked me, ‘What about health programs?’ and I simply said, ‘We would like to have a health program.’ I did not indicate that we were going to have one. I want to clarify that for the record.

**Senator CALVERT**—Thank you.

**Senator SCHACHT**—You could have Ms Phelps from the AMA and Dr Wooldridge debating on the first health program, if you wish. That would get a very high rating, as long as you have got your public liability covered!

**Senator FERRIS**—I am interested in the comments you made at the last estimates—and I think the comments were made by Ms Howard—about balance in the ABC. This comment was made by Mr Shier, I am sorry, in response to a question that was asked by Senator Mark Bishop:

I obviously cannot remember exactly what I said. This also attributes to me an expression, ‘Where is the right wing Phillip Adams?’

You went on then to talk about the option of starting a program which would in some way balance the program that Phillip Adams runs—*Late Night Live*, I think it is called.

**CHAIR**—*Late night live*

**Senator FERRIS**—Yes, I think it is called *Late night live*. Has there been any progress on that?

**Mr Shier**—There are two things. First of all—

**Senator SCHACHT**—This is the big search!

**Senator FERRIS**—They just do not want good news, the people on the other side of this table.

**Senator SCHACHT**—Who has got the holy grail of the right wing commentators?

**CHAIR**—I think Piers Ackerman would win the prize.

**Senator SCHACHT**—David Barnett.

**Mr Shier**—I am always worried about tagging anyone who joins us and saying that he or she is the right-wing Phillip Adams. We have made a number of recent appointments, and I think it is fair to say that there are one or two people who are noted for at least not being on the same side of politics as Phillip Adams. I would like to think that you will be aware in a couple of weeks of at least one appointment in relation to television; whether Imre Salusinsky is perceived as a right-wing commentator for his program on Friday on radio is for others to judge, and I do not want to make the judgment myself.

**Senator FERRIS**—Is that a radio program?

**Mr Shier**—Yes. But there will be a television program, which we will be announcing soon.

**Senator FERRIS**—Can you give us any more detail of that?

**Mr Shier**—It know it will be weekly, and I know it will be public probably within the next week.

**Senator FERRIS**—This is not the program that you are thinking of as the successor to Stuart Littlemore's program? Is this a separate program to that?

**Mr Shier**—No, it is a different program. It is a half-hour weekly program.

**Senator FERRIS**—What sort of format would it have—interviews? Would it fall into a current affairs area?

**Mr Shier**—What I am not trying to do—or any of us on the executive—is simply produce a ghetto program which satisfies that presumption of being the 'not Phillip Adams' program. What the ABC needs to do is offer a range of opinions and a range of views. We have tried to produce a number of programs that do that—to the extent that some of those programs have people on them who are demonstrably not on the end of the political spectrum where Phillip Adams is self-appointed as being. That is my wish. I want a range of programming, and that will manifest itself in two ways. One is in the new half-hour show, which I think I can tell the committee for the first time will be on Sunday morning as well.

**Senator SCHACHT**—Before the arts program or after the arts program?

**Mr Shier**—Before, probably.

**Senator SCHACHT**—At 7.30 or 8.30? You have a good time slot there.

**Mr Shier**—Let us not get into the actual scheduling. But, yes, it is before the arts program on Sunday morning. I have also made it clear that we will be producing a program that will travel Australia weekly. We would like to be on air by the end of July. It will be in a different part of Australia every week. It will have four people on the panel—and that will offer a range of opinions, too. The chairman will be a true chairman, and that will satisfy a need to demonstrate—

**Senator FAULKNER**—The chairman will be who?

**Mr Shier**—It will be a chairman rather than an interviewer. Those people will change every week, depending on the location that we bring the program from. There will be two shows a week that will offer a greater range of opinion than the current offering does.

**Senator GEORGE CAMPBELL**—Do you have a schedule for that program?

**Mr Shier**—I do.

**Senator GEORGE CAMPBELL**—Can it be made available to the committee?

**Mr Shier**—Do you mean when in the week or which locations?

**Senator GEORGE CAMPBELL**—Which locations.

**Mr Shier**—We have not finalised the locations. We have finalised the point in the schedule, but I would like to keep that in confidence now.

**Senator SCHACHT**—Is this the program that is on before the arts program, or is this another program as well?

**Mr Shier**—No, this is a different program.

**Senator SCHACHT**—The first program balances the Phillip Adams view of the world.

**Mr Shier**—No, the first program, without getting into details, is a current affairs program that will talk about the events of the week. It will be on Sunday morning.

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**Senator FAULKNER**—Who will host that?

**Mr Shier**—That is to be announced.

**Senator SCHACHT**—Is it in about the same time slot as *Sunday* and *Meet the Press*?

**Mr Shier**—Yes, a similar time slot.

**Senator SCHACHT**—So you are going in as the juggernaut to take the ratings of Nine, Seven and Ten.

**Senator GEORGE CAMPBELL**—Mr Shier, the program I was talking to you about I thought you said was regionally based.

**Mr Shier**—Yes.

**Senator GEORGE CAMPBELL**—This is a panel discussion?

**Mr Shier**—Yes. The format of the second program, which travels—which I think, Senator Campbell, you are interested in—is a weekly one-hour program. It will go to between 35 and 40 locations across Australia a year. It will have one representative of the government, one representative of the opposition, a third political figure of whichever note and a fourth person who has got absolutely nothing to do with the political spectrum at all.

**Senator SCHACHT**—Who selects the representatives of the parties?

**Mr Shier**—The ABC will.

**Senator FERRIS**—Mr Shier, I am absolutely delighted at the way the opposition has picked up my questions on this, and I wonder if I could just—

**Senator GEORGE CAMPBELL**—Mr Chairman, could I just finish off my line of questioning?

**Senator FERRIS**—Excuse me, Senator Campbell, these were my questions.

**Senator GEORGE CAMPBELL**—I asked Mr Shier a question.

**Senator FERRIS**—I would like to finish asking my questions.

**Senator GEORGE CAMPBELL**—And I am still in the middle of getting an answer, and he has had two more questions.

**Senator FERRIS**—You people interfered with my line of questions and I would like to pursue them if I may. Then, in due course, as I had good manners towards you earlier you will have them towards me I am sure.

**CHAIR**—You can come back to it, Senator Campbell. Senator Ferris.

**Senator FERRIS**—I am interested to further pursue the idea of the format of this program. Would you see it as a *Meet the Press* style of format? Would there be one topic raised where there would be different views put and then the chairman would bring in a panel format? Can you give us a little more idea of the way it would work?

**Mr Shier**—I think I can, and obviously I am trying to finalise this at the moment in-house with a number of the people who will be associated with it. The desired format is an audience of maybe between 60 and 100 people. Some people have described it as a ‘town hall’ meeting, which I think is an inappropriate description but those who are familiar with what happens in New England in the US will be familiar with that format. The audience will have in front of them a panel of four people, and they would vary depending on the location in Australia. So when we go to, say, Kalgoorlie there would be people who would be representative of that

part of the country. The audience clearly would be from that part of the country, and the program would be national. The next week we might be in Townsville.

I think the feeling is that, when we are in a capital city, we will probably pick an issue of significance. It may be health or it may be education, so it would be an issues based program for that particular visit to a capital city. But, when it is in regional or rural Australia, it would deal with whatever issues the people wish to raise. The questions would be obviously approved by the chairman of the program, but the audience would write the questions and pose the questions.

**Senator FERRIS**—Thank you for that very informative answer. Are you able to give me some indication of the budget allocation that you have in mind for the program?

**Mr Shier**—It will be in excess of \$2 million.

**Senator SCHACHT**—For the ‘town meeting’ program, and not the other one?

**Mr Shier**—No. It will be in excess of \$2 million for the year.

**Senator FERRIS**—I have another question related to the program. Can you tell me whether you had in mind appointing as the chair of the program the person who is permanently appointed to run the program each week, a person who currently works for the ABC, or are you looking to recruit somebody from outside?

**Mr Shier**—There are a couple of possibilities. One of them currently works for the ABC—or, shall I say, he is under contract to the ABC—and the other candidate is not.

**Senator FERRIS**—Are they male or female?

**Mr Shier**—I regret to say, Senator, as I have a very female executive, that on this occasion they are both male.

**Senator FERRIS**—And how quickly would you envisage this program going to air?

**Mr Shier**—We aim to be up in the last week of July.

**Senator FERRIS**—So it is almost imminent that you would begin the actual planning of it?

**Mr Shier**—No. We are moving very quickly on this, and I would like to think that it will be up by the end of July.

**Senator FERRIS**—Can I just clarify whether you see this program as being one that will reflect some comments you have made over the last couple of months in relation to a program that has some form of right of reply. Is this the program that we are talking about, or are you still looking at another program?

**Mr Shier**—No, I am sorry; it is yet another program.

**Senator FERRIS**—How exciting.

**Mr Shier**—I think that there are a number of issues that need to be addressed, because obviously we have a new director of television who, as you know, is extremely keen to put out Australian drama and there are some clear schedule constraints in the amount of time we have available to us. But what we would like to do is have: a weekly program that travels, of the variety that I have described; a Sunday morning program of the type I have described; a program that addresses the media issue—that previously has been *Media Watch*—and a program that provides an opportunity for a right of reply by people, in relation to maybe just the ABC but possibly also in relation to other media reports. What we will certainly be doing

is providing a right of reply web site which will deal with all media not just the ABC. So if you wish to express a view on how you have been treated in the media you will be able to do that on a web site of the ABC.

**Senator FERRIS**—This program you were talking about that would give right of reply: is that a television program or did you see that perhaps you would have one right of reply program on television and one on radio, since the right of reply would be related to each of those media?

**Mr Shier**—Well what has been decided is that there will definitely be one on the online service to deal with that. And that will not just be online, of course; that will be where someone can comment on a television program, a newspaper report, whatever. In relation to television it is clear that we want such a program. In the case of radio I have not yet discussed it with the director of radio.

**Senator FERRIS**—The program you are talking about, would that sort of follow the format of the Tim Bowden program *Backchat* of a couple of years ago?

**Mr Shier**—We have factored that in, Senator.

**Senator FERRIS**—That was a very popular program.

**Mr Shier**—The debate is between the *Backchat* program and a program which was on Channel 4 in the UK called *Right of Reply* that was in fact chaired by Roger Bolton and only stopped in the last couple of weeks but lived for many years.

**Senator FAULKNER**—It also sounds a bit like *Question Time* on BBC television.

**Senator FERRIS**—Fortunately people will not have to listen to you on it.

**Senator FAULKNER**—We have been pinching a few ideas from the BBC from the sound of it.

**Mr Shier**—We would not pinch ideas.

**Senator FAULKNER**—So it is not like *Question Time* from the BBC.

**Mr Shier**—There may be some similarities.

**Senator FAULKNER**—I bet there are. I bet there are.

**Senator FERRIS**—Mr Shier, the sorts of opportunities that would be given on this program would be from individuals or companies or would it be from the corporate level? Who would you envisage would be on this program? Would it be restricted in any way to individuals to have a right of reply since corporate Australia might have other ways of doing that? How would you see the people who were on it being selected?

**Mr Shier**—I think it is fair to say that we have not decided that yet. I think one of the key issues, of course, is the amount of time in the schedule that such a program would have. Is it the 15 minutes after *Four Corners* or is it in fact a half-hour program at a different point in the schedule? That will affect the style of the program.

**Senator FERRIS**—I ask that question because I am interested in the letters that were written to you, I believe, by the Institute of Public Affairs after a *Littlemore* program. Are you able to comment on those letters or would you prefer me to ask you some questions related to them? This was the attempt by the Institute of Public Affairs to in fact have a right of reply to comments that were made on the *Littlemore* program.

**Mr Shier**—I think on the general issue all I would say is that if our *Right of Reply* was up I would think that would be a possible candidate. But there would be a number of them. I would have thought, not wishing to go into detail, Wayne Swan also would be a candidate for that.

**Senator FERRIS**—And perhaps Senator Natasha Stott-Despoja.

**Mr Shier**—May well be. There have been a number of cases that have come across my desk where I think such a program would have provided an opportunity for someone to put on the record their view of something that we actually put out.

**Senator SCHACHT**—You mentioned one of our colleagues on this side of politics Mr Wayne Swan: what was the issue for which you thought he was a suitable candidate to be on this program? I am just getting confused: there are so many programs floating around, I am not sure whether he would be the chairman, the moderator or whatever. Which one are you talking about?

**Mr Shier**—Mr Swan is concerned that in a news and current affairs program of the ABC he was misrepresented.

**Senator SCHACHT**—So that is an example you would give of his right of reply.

**Senator Alston**—What about the ABC employees who were grossly defamed by Mr Swan and Senator Ray under parliamentary privilege: would they be eligible for a right of reply?

**Senator SCHACHT**—You had better agree with your minister, otherwise you have big strife coming.

**Mr Shier**—Well, that is the judgment that the producers of the program would have to make, and that is exactly the purpose of the program.

**CHAIR**—Senator Ferris still has further questions.

**Senator FAULKNER**—Could we just have a wrap up? We have *Right of Reply*—

**Mr Shier**—No, first of all the program on Sunday morning, the half-hour program—

**Senator FAULKNER**—Have we got a working title for the program on Sunday morning?

**Mr Shier**—I have, but I am not—

**Senator FAULKNER**—This is the four-person panel?

**Mr Shier**—It is not a four-person panel. No.

**Senator SCHACHT**—This is a current affairs program?

**Mr Shier**—This is a number of people commenting on current affairs issues of the week.

**Senator SCHACHT**—With a right-wing bias.

**CHAIR**—Not necessarily. That has not been stated.

**Senator Alston**—If you are serious about this, maybe Mr Shier could just send you a note on it but if we are just going to play games like this I do not see the point in continuing the exercising.

**Senator FAULKNER**—There is to be a Sunday morning television current affairs program, a Sunday morning arts program—

**Mr Shier**—It has been decided to do those two shows so it is simply a case, now, of producing them.

**Senator FERRIS**—Can I just finish my point on the IPA and then, in your excitement to hear these details, Senator Faulkner, I would be more than happy for you to listen.

**CHAIR**—I understand what you are trying to do, Senator Faulkner.

**Senator Alston**—I think we are all perfectly clear on what the proposals are. If Senator Faulkner needs to wrap up, well he can go and read the *Hansard* later.

**CHAIR**—If Mr Shier were to write you a letter and set out the details, might be a good idea. Let us go back to Senator Ferris who has every right to expect to be able to finish her line of questioning.

**Senator FAULKNER**—Now that we are going to have all the ABC programming announcements made at estimates committees, this is a really interesting new development.

**Senator FERRIS**—The good news is, Senator Faulkner, that you heard it first from the ABC. Just to finish off this comment about the IPA: for the benefit of those members of the committee who have not had an opportunity to see it, there is a letter that you have written to the IPA in response to two letters that they wrote to you complaining about the *Littlemore* program. I would like to table those letters so that there is an opportunity for other members of the committee to have a look at them. There is one letter from you, Mr Shier, where you foreshadow this program, the *Right of Reply* program, and there are two letters that were written to you complaining about the *Littlemore* program that go into some detail about the nature of the complaints, and I would like to table those letters now, if I may.

**Mr Shier**—Yes, Senator.

**Senator FERRIS**—They are all the questions that I have at this stage.

**CHAIR**—Is the committee happy to have them tabled?

**Senator FAULKNER**—I presume so. Can I now very briefly, Mr Shier, just try and consolidate the information that you have announced in relation to the new programs?

**Mr Shier**—Can I just make it clear that we are doing an announcement on this probably tomorrow or the next day, formally, and I thought that it was only fair to tell you today rather than say, ‘You will be seeing something in the press in the next 24 hours.’

**CHAIR**—We appreciate your consideration, Mr Shier.

**Senator FAULKNER**—I can think of better forums to make announcements about ABC programs than estimates committees. But let us not worry about that now.

**Senator FERRIS**—I cannot.

**Senator FAULKNER**—We have a Sunday morning arts program and a Sunday morning current affairs program. Both are in production.

**Mr Shier**—No, but both have now been signed off budget-wise and will be in production soon.

**Senator FAULKNER**—We have the *Right of Reply* program. I just want to be clear: that is the four-person panel or three—

**Mr Shier**—No.

**Senator FAULKNER**—What I call the BBC program.

**Mr Shier**—The working title I have for that program is *Australia Talks*, if that helps.

**Senator SCHACHT**—*Australia Talks* is the four-person panel?

**Mr Shier**—Yes.

**Senator FAULKNER**—*Australia Talks* sounds like the BBC *Question Time* format. *Australia Talks* is the three-person plus chair panel type—

**Mr Shier**—Four person plus chair.

**Senator FAULKNER**—Is that a weekly show?

**Mr Shier**—It is.

**Senator FAULKNER**—Have you thought about when that will be programmed?

**Mr Shier**—I have.

**Senator FAULKNER**—Could you let us know?

**Mr Shier**—Appropriately, yes.

**Senator FAULKNER**—Could you let us know now. All the other details appear—

**Senator Alston**—I thought you just indicated you did not think this was an appropriate place to be trawling through programming. If that is your view, then I think the sooner we move on to other important matters, the better.

**Senator FAULKNER**—This is the problem. We do not want half the story, Senator Alston. If we are going to have the story, let us have the story. If we are not going to have the story, forget it. We are not going to get half the story. That is the problem with using this committee as the forum for making announcements. These sorts of offerings beget further questions. My question is: when are you going to put it to air?

**Senator Alston**—These are not announcements; these are responses to questions asked.

**Senator FAULKNER**—My question has been asked: when are you going to put it to air?

**Senator Alston**—Presumably, you would be objecting if answers were not given to questions.

**CHAIR**—Senator Faulkner, Mr Shier has—

**Senator FAULKNER**—Because Mr Shier has chosen this forum to—

**Senator Alston**—To respond to questions.

**Senator FAULKNER**—to answer questions in the way he has and to make public these details, I am now asking a very simple follow-up question.

**Mr Shier**—Senator, I was asked what new programs there were, and I am indicating what they are. To ask me when they will be scheduled is, I think, one step beyond, at this stage, what we would announce.

**Senator FAULKNER**—You just told us when two of them have been scheduled—for Sunday morning.

**Mr Shier**—I have actually told that it would be Sunday in the a.m. I am happy to tell you the other one will be weekday in the p.m.

**Senator GEORGE CAMPBELL**—Mr Shier, earlier when you were talking about this four-person panel show, I understood that you said it would start about the end of July?

**Mr Shier**—Yes, indeed—that is the desire. That is what we want to achieve.

**Senator GEORGE CAMPBELL**—And this is a weekly show?



**Mr Shier**—Yes.

**Senator GEORGE CAMPBELL**—For an hour?

**Mr Shier**—Yes.

**Senator GEORGE CAMPBELL**—Does it have a similar format to the old *Monday Conference*?

**Mr Shier**—It is interesting that Senator Faulkner sees a relationship to *Question Time* and other people see a relationship to *Monday Conference*.

**CHAIR**—Why don't we wait until the formal announcement, Senator Campbell, because Senator Calvert has some questions and he would like to ask them.

**Senator FAULKNER**—Sadly, we have moved on from there.

**Senator GEORGE CAMPBELL**—Can I just ask one question of Mr Shier?

**CHAIR**—No.

**Senator GEORGE CAMPBELL**—Do you have a schedule—

**CHAIR**—Wait for the announcement.

**Senator GEORGE CAMPBELL**—of whether these programs will take place in a regional sense?

**Mr Shier**—No. I have someone at the moment looking at what we would regard as representative of Australia.

**Senator GEORGE CAMPBELL**—When will that be known?

**Mr Shier**—I think we will have the first cut of that very, very soon. I am talking a matter of days, probably two or three weeks. But we obviously have to know about the first two or three shows very quickly.

**Senator FAULKNER**—Did Ms Jarvis support *Australia Talks* and *Right of Reply*?

**CHAIR**—Senator Faulkner, just let it—

**Senator Alston**—This cannot possibly have anything to with the estimates process.

**Senator FAULKNER**—It has a lot to do with it, Senator Alston. I want to know if one of the reasons that Ms Jarvis resigned was because of this programming.

**Senator Alston**—It has nothing whatsoever to do with the estimates process, and you have no right to trawl over the minutiae of internal discussions. Internal discussions inside the ABC are quite equivalent to internal discussions in departments. You know you are not entitled to seek information on them.

**Senator FAULKNER**—There are a whole lot of issues we have not got to yet, Senator Alston, and we are going to get to them. One of my questions is: did Ms Jarvis support *Right of Reply* and *Australia Talks*?

**Senator Alston**—That has got nothing to do with anything that is relevant to this committee.

**CHAIR**—Senator Faulkner!

**Senator FAULKNER**—Why? What have you got to cover up on that?

**Senator Alston**—You might want to call everything that is not answered to your satisfaction a cover-up, but there are rules that apply to the conduct of estimates committees.

**Senator FAULKNER**—Isn't it true that that was one of the reasons that Ms Jarvis was forced to resign? Let us get to the nub of it: isn't *Right of Reply* one of the reasons that Ms Jarvis was forced to resign?

**Mr Shier**—The answer is no.

**Senator FAULKNER**—Did she support this programming, did she?

**Mr Shier**—That particular program, she did, but I think—

**Senator FAULKNER**—What about *Australia Talks*?

**Senator Alston**—This is an estimates committee process. If you are going to go on trying to trawl over the internal workings of an organisation—

**Senator FAULKNER**—That is exactly what we are going to do in this process.

**Senator Alston**—It is an absolute abuse of the process.

**Senator FAULKNER**—That is what this committee is about. We are going to trawl over the internal workings of the ABC.

**Senator Alston**—You will not get far, I can tell you!

**Senator FAULKNER**—And we are going to do it at our leisure. So just get used to it. That is exactly what we are going to do. I want to move to ratings. I know Senator Bishop and other senators do too. I want to move to a whole range of management issues, and I am going to do it today. If we do not do today, we will come back and do it at another stage. That is precisely what accountability means, and that is precisely what I intend to do at this hearing as we move through the afternoon. So just get used to it.

**Senator Alston**—You are not in any shape or form entitled to ask what individual employees—

**Senator FAULKNER**—Just get used to it!

**Senator Alston**—All right, we will adjourn this committee, Mr Chairman. I would ask that the committee be adjourned while we consider whether there should be any further sittings. I want to consider whether the ABC should be required to stay here to answer questions.

**Senator FAULKNER**—Every single committee in this parliament, Senator Alston, every estimates committee deals with the workings of each and every agency or department that comes before it. We are not going to have a situation where that does not apply to the ABC. It applies to your department, every other minister's department and every other agency that comes before every estimates committee in this parliament.

**CHAIR**—Senator Faulkner!

**Senator FAULKNER**—Don't cover up on this!

**Senator Alston**—If you think the phrase 'workings of the ABC' is a phrase that allows you to ask what individual employees of the ABC thought about individual programs—

**Senator SCHACHT**—This is about public money, you fool!

**Senator Alston**—then you are wrong, in the same way you are not entitled to ask public servants—

**Senator FAULKNER**—Minister, we want to ask about a range of issues that go to the administration of the ABC and Mr Shier's management of the ABC. A great deal of information needs to be put on the public record about recent events at the ABC. I want to talk about ratings. I want to talk about management. I want to talk about a broad range of issues relating to the staff of the executive of the ABC. So just get used to it!

**CHAIR**—You have said that, Senator Faulkner. We are going to have a break. The committee will resume in 20 minutes, and in that time we will have a private meeting.

**Proceedings suspended from 4.40 p.m. to 5.07 p.m.**

**CHAIR**—We will now resume after that short break. I would like, however, to first read from the opening statement which precedes the estimates. I remind all senators here that there is a guideline which states:

Departmental officers will not be asked to comment on the reasons for certain policy decisions or on the advice they may have tendered in the formulation of policy, nor to express a personal opinion on matters of policy.

That broad guideline is one that should apply throughout the estimates and means that departmental officers, program officers and other officers appearing before the estimates committees are not necessarily bound to answer every question put to them if it goes beyond the boundaries as outlined in this general statement of rules. With that, we will resume these estimates. What we plan to do is go to Senator Calvert and we will come back to the opposition senators.

**Senator CALVERT**—I have one batch of questions which all concern the same area and are to Mr Shier. Are you aware of a recent outburst by the chief executive of the Australian Gold Council, Mr Greg Barns, claiming that budget cuts to the ABC have been politically motivated?

**Mr Shier**—I am aware of the quote that I have seen reported, yes.

**Senator CALVERT**—Have you had any correspondence from Mr Barns since the last estimates regarding this matter.

**Mr Shier**—To my knowledge I have not—it has not been brought to my desk. I do not see every bit of correspondence, but I would have thought that, if he had written to me, it would have been brought to my attention.

**Senator CALVERT**—So you have not had any emails or—

**Mr Shier**—No. I have been told, and I do not know if this is correct, that Mr Barns is retained by the Friends of the ABC as a consultant.

**Senator CALVERT**—That was the other question I was going to ask you. If you have any information—correspondence, emails and the like—could you make it available to this committee?

**Mr Shier**—I will, indeed. I will check that.

**Senator FERRIS**—Mr Shier, are the Friends of the ABC paying Mr Barns as a consultant?

**Mr Shier**—I made it clear: I have only heard what other people have told me. Others can ask Mr Barns.

**Senator CALVERT**—Thank you. I have no more questions.

**Senator FAULKNER**—I was attempting before the interruption, Mr Shier, to briefly try and recapitulate what new programming you have effectively announced at today's estimates hearing. I will start again because I do want to get this right. You have announced a Sunday morning arts program?

**Mr Shier**—Yes, Senator.

**Senator FAULKNER**—I think you have indicated that it is being commissioned. That is its status.

**Mr Shier**—Yes.

**Senator FAULKNER**—Is commissioned the right terminology?

**Mr Shier**—Put it this way: it will not be commissioned unless, of course, the budget is approved. The budget has been approved and, therefore, it will be going ahead.

**Senator FAULKNER**—The budget has been approved?

**Mr Shier**—Yes.

**Senator FAULKNER**—Thank you. You have announced a Sunday morning current affairs program and, again, its status is that its budget has been approved.

**Mr Shier**—Indeed, Senator.

**Senator FAULKNER**—You have announced a weekday p.m. program—I assume you mean evening—with a panel of four plus a chair with a working title, which I do want to check, of *Australia Talks*.

**Mr Shier**—Indeed, Senator.

**Senator SCHACHT**—And an audience as well.

**Senator FAULKNER**—In a town hall type format.

**Mr Shier**—Yes.

**Senator FAULKNER**—I think it would be fair to say that would be evening.

**Mr Shier**—Yes. The audience thing is obviously more expensive so we just have to make sure that we do that one.

**Senator FAULKNER**—I think you have also announced a right of reply program as well.

**Mr Shier**—No, I have indicated a desire to have such a program. In other words, I will be discussing with the director of television the desirability of having such a program. Then, of course, the suitability of where it should sit in the schedule is something we would have to discuss as well.

**Senator FAULKNER**—Have you made any other program announcements today?

**Mr Shier**—No. I have just indicated that the question of the current 15 minutes after *Four Corners* needs to be addressed, and whether that is a right of reply program or another media program—certainly we would like to have another media program—has to be addressed too.

**Senator FAULKNER**—Let us just go through them very quickly. In relation to the Sunday morning arts program, I think I asked you before whether that should be seen in combination with the demise of the Sunday afternoon arts program. I think it is fair to say that you accepted that the Sunday morning arts program was a reality, but you were less than definitive in relation to the Sunday afternoon arts program. I think you hinted very strongly that it was about to hit the fence.

**Mr Shier**—We are putting an extra million dollars into arts programming above that which we are doing at the moment. I think it is probably likely that you are correct and the afternoon program would not continue.

**Senator FAULKNER**—Thank you. Let us move then to the Sunday morning current affairs program. That has, as you have indicated, an approved budget. What is that budget?

**Mr Shier**—I really do feel that if I have to discuss budget prices in the Senate I am at a commercial disadvantage with my competitors.

**Senator FAULKNER**—I can understand that point being made. Have you at any other time provided budgets for other ABC programming? There are broad budgets, obviously, in a range of divisions et cetera. Have you disaggregated it to the level of individual programs or not?

**Mr Shier**—In this very committee today I indicated, for example, that for *Australia Talks* the budget would be more than \$2 million. But that is because I do not believe, for example, that the commercial broadcasters would produce such a program. I think it is a classic public broadcasting program and, therefore, there is not a competitive discussion in terms of what we might spend on it or what we might be prepared to spend on it. For example, if you ask me what we were prepared to spend on acquiring a particular program I would find that extremely difficult to discuss with the committee.

**Senator FAULKNER**—Does the Sunday morning current affairs program have a working title?

**Mr Shier**—Not yet really. We know what it is in house.

**Senator FAULKNER**—Do you mean it does have one but you do not want to share it with us.

**Mr Shier**—It is called *Agenda*, but I do not think that advances the discussion much.

**Senator FAULKNER**—It helps if we actually know what we are talking about, but let us call it *Agenda*. Other voices appeared to interrupt at that point, but I think you gave evidence that there would be two presenters. Did I hear that, did you hint at that or did I mishear that?

**Mr Shier**—You misheard that. The proposal is that there will be a chairman and two. I advise that only in the context that, if we are going to be discussing future programming, I might as well tell you about it.

**Senator FAULKNER**—Very briefly, can you provide us with a little understanding of the concept of ‘a chairman and two’?

**Mr Shier**—No, I think that is best done in a formal press release in relation to the show. What I am making clear today is that the ABC is wishing to again appear on Sunday mornings, which we have advocated for some time.

**Senator FAULKNER**—You say that there is confidentiality about the budget for these sorts of things, but we know the budget for *Changi*, don’t we?

**Mr Shier**—There are numbers, yes.

**Senator FAULKNER**—They are public, aren’t they?

**Mr Shier**—There is a number of numbers, actually.

**Senator FAULKNER**—A number of numbers?

**Mr Shier**—That have been public.

**Senator FAULKNER**—The one that I think I read was \$4 million.

**Mr Shier**—I think that must have been quite early.

**Senator FAULKNER**—It has blown out since then, has it?

**Mr Shier**—I will not comment on that, but I am—

**Senator FAULKNER**—That was the first one I heard too. I had also heard that it had blown out to \$5 million—a 25 per cent increase. I wondered if that was right. Some of these figures are floating around. I hear what you say about it being a competitive market in relation to Sunday morning current affairs—I think everyone would acknowledge that. I am well aware of some of—

**Mr Shier**—And certainly in Australian drama.

**Senator FAULKNER**—That is the point I was trying to make. I would have thought it would be commercially competitive in that area too.

**Mr Shier**—That is what I am saying; it is highly competitive in that area.

**Senator FAULKNER**—So if figures are flying around—

**Mr Shier**—It is not just a question of what other stations may pay for programming; it is also quite frankly a question about what we are prepared to pay for a certain program and what sorts of deals we might do in relation to a particular program. So if I were not the ABC I would have a problem answering it, but being the ABC I would regard it as interfering with the independence of the ABC to delve into that area. I believe that they are management decisions that the ABC should be able to make as the management of the ABC, subject to the board of the ABC.

**Senator FAULKNER**—When are you making the announcement about the two presenters and the chair for the *Agenda* program? What is your timing for the public announcement? I think you have made the announcement, frankly, but what about the further public announcement?

**Mr Shier**—I think I have indicated to the Senate the responsibility that the ABC has taken on to provide a Sunday morning current affairs program. I think that is a reasonable example of where the ABC is delivering a range of programming that otherwise would not be part of the system. Who will actually present that is a PR announcement which is not of consequence to the committee and I think it is unnecessary—

**Senator FAULKNER**—Surely that is a matter of judgment for the committee. I am asking you when you are planning the PR announcement.

**Mr Shier**—I have not been advised by my director of corporate affairs or my director of news and current affairs, who would be responsible for the program, when they will be ready to make such an announcement in terms of people.

**Senator FAULKNER**—Because of that response, I have no alternative now but to ask you if Pru Goward, the PM's co-biographer, is one of the presenters.

**Mr Shier**—She is one of the names on a list.

**Senator FAULKNER**—Let us move on to *Australia Talks*. That is an evening weekly show, you have told us.

**Mr Shier**—Yes.

**Senator FAULKNER**—What duration does that have?

**Mr Shier**—The intention is that it will be a one-hour program.

**Senator FAULKNER**—That is a four-person panel plus a chairperson in a town hall type format?

**Mr Shier**—Yes. That is the program

**Senator FAULKNER**—The other one you have announced is *Right of Reply*.

**Mr Shier**—No, I have indicated—

**Senator FAULKNER**—I am sorry; the other one you have indicated you are giving consideration to—and I think you have come to a personal view yourself about—is *Right of Reply*. Given the nature of your evidence, Mr Shier, it is hard to contemplate that it will not become a reality. I think it is fair—

**Mr Shier**—I think in relation to the *Right of Reply* program we have made it clear that we want to produce a television program. But there is an issue about where it sits in the schedule and the exact format of it. But, yes, I think that is absolutely right, we do.

**Senator FAULKNER**—Is it true that Ms Gail Jarvis was summoned to an ABC board meeting to discuss the *Right of Reply* program or programming?

**Mr Shier**—No, that is not true. Gail Jarvis, the director of news and current affairs and the director of radio—who is at the table—attended the last board meeting. All three of them attended separately.

**Senator FAULKNER**—What sort of notice would each of them have had of—

**Mr Shier**—I cannot comment on that. The chairman would invite them, but that is not unusual. In fact, prior to me joining it was a regular occurrence at every board meeting.

**Senator FAULKNER**—I appreciate that, and I appreciate the changes that were made, because you have spoken about them before and it has been discussed at some length. That is, I think, well understood. Did Ms Jarvis, in this instance, have any notice about what the board wanted to discuss with her?

**Mr Shier**—I would not know. You would have to ask the chairman. I did not have a discussion with Gail about her board attendance. I regard it as nothing exceptional that she was asked to attend the board.

**Senator FAULKNER**—But the issue that was being discussed by these people who were asked to attend the board was the *Right of Reply* program or the program concept.

**Mr Shier**—Not at all. Each of those three people were invited—and, obviously, I will not go into board discussions—and they were each asked different questions related to their responsibilities.

**Senator FAULKNER**—Isn't it true that at a board level a proposal to graft this *Right of Reply* program onto the *Littlemore* program was discussed with Ms Jarvis and others?

**Senator Alston**—We have already, I think, established that you are not entitled to canvass board discussions, nor are you entitled to consider the internal working discussions that might occur between employees of the organisation.

**Senator FAULKNER**—Minister, what we have established, with due respect, is that your attempt to silence the committee has proven unsuccessful. We are going through the questions that the opposition senators wish to ask. This question is part of them.

**Senator TCHEN**—If you wish to speak on behalf of the committee, shall we take a vote?

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**Senator FAULKNER**—Mr Shier can respond as he sees fit. But I would have thought, in terms of process, that asking whether or not you give someone you summons to a board meeting some notice you will be discussing these sorts of issues is a pretty reasonable question. It does not go to anything other than the internal procedures of the ABC. The managing director today made announcements about programming and an indication of his approach in relation to a *Right of Reply* program. I have asked some questions about the interrelationship, if you like, of this *Right of Reply* program and Ms Jarvis's resignation. I think that is perfectly reasonable.

**Senator Alston**—The issue is not whether you think something is reasonable. You obviously have a series of questions that you might want to ask.

**Senator FAULKNER**—Yes, that is exactly right.

**Senator Alston**—But there are rules that apply to the conduct of these proceedings.

**Senator FAULKNER**—That is right.

**Senator Alston**—One of those rules is that you are not allowed to ask about discussions that might take place between employees or, indeed, about matters that might be canvassed at board levels.

**Senator FAULKNER**—Can you point that rule out to me?

**Senator SCHACHT**—Where is that rule?

**Senator Alston**—I would have thought you would be acutely aware of the way in which estimates processes are conducted in relation to departments.

**Senator FAULKNER**—I am.

**Senator Alston**—As you heard Senator Eggleston read out earlier, you are not entitled to comment on the reasons for policy decisions or on the advice that may have been tendered in the formulation of policy, and internal discussions about programming policy matters are clearly covered by that.

**Senator SCHACHT**—That is not a policy.

**Senator FAULKNER**—Anyway, we have established that there is no such rule.

**Senator SCHACHT**—There is no rule. You made it up as you went along.

**Senator Alston**—You know full well that you are not entitled to canvass internal discussions or advice that might be proffered from one employee to another, let alone from one employee to the —

**Senator SCHACHT**—Where?

**Senator Alston**—If you do not think that that is standard operating practice here, I do not know where you have been.

**Senator FAULKNER**—But I am asking about programming standard operating practice.

**Senator Alston**—What you have also been told is that you are trespassing very closely on the whole independence of the ABC in relation to programming.

**Senator SCHACHT**—Says Attila the Hun.

**Senator Alston**—It is one matter to canvass the reasons for a budget blow-out after the event. It is another matter entirely to ask whether or not a program should have been made,



whether there were internal disagreements about it and who had what views, internally. Those are not matters for public canvassing in an estimates committee.

**Senator FAULKNER**—You see, I want to know the basis and background, and I think this is perfectly reasonable.

**Senator Alston**—Again, I just remind you that we are not interested in what you think is reasonable.

**Senator FAULKNER**—We know you do not want to do this, and I can understand why you are covering up, I think we all do. But I want to understand the background to the *Right of Reply* statements that Mr Shier has made today, and in relation to—

**Mr Shier**—Senator, let us be clear, the only one that matters is that I have always wanted a *Right of Reply* program on the ABC, since I joined.

**Senator FAULKNER**—Yes, I have heard you say that and I appreciate that. I understand that that is your position. But I want to know if there are staffing consequences as a result of that. It seems to me that that is a perfectly reasonable area for this estimates committee to canvass. You see, if somebody comes before the board dealing with this *Right of Reply* concept—if I can use that terminology, which you and I can accept, can't we, Mr Shier—I wonder whether the approach with a programming concept like this is to ask the program director or someone else to produce a paper on such an issue.

**Mr Shier**—With respect, the board does not get involved in that sort of discussion. The board will be interested in the views of a particular manager in relation to what they are doing in their portfolio, but I think the board respects that it is the responsibility of management to recommend programs. That is my responsibility. I would remind you that I do not just attend the board. I am a board member.

**Senator FAULKNER**—Yes, I do know that. You see, I am worried that on this occasion the board has trampled a very long way into that particular programming area. That is why there is an issue for this estimates committee in relation to any interference, political or otherwise, with the board.

**Mr Shier**—Without in any way suggesting that there is anything in your line of questioning, let me be absolutely clear: I will not at Senate estimates discuss what took place at the board of the ABC. I think that goes to the fundamental independence of the corporation.

**Senator FAULKNER**—But are you saying to us, Mr Shier, that you can guarantee that programming issues in relation to *Right of Reply* have not been dealt with at board level?

**Senator Alston**—That is going to what was discussed at board meetings. He has just said he will not answer that.

**Senator FAULKNER**—Mr Shier made quite clear a moment ago what he considers the role of the board is in relation to programming.

**Senator Alston**—He has told you that he is not going to discuss what was said at board meetings, so do not ask him to do it.

**Senator FAULKNER**—I am making a different point, Senator Alston. I am going to the other point that Mr Shier made in relation to the board's involvement in programming decisions. You cannot have it both ways.

**Senator Alston**—Are you wanting to know whether this was discussed at the board?

**Senator FAULKNER**—I am wanting my questions to be answered, Senator Alston.

**Senator Alston**—What question are you talking about here?

**Senator FAULKNER**—I think Mr Shier is aware of the question I have asked, even if you are not.

**Senator Alston**—Well it sounded very much to me as though it was all about whether *Right of Reply* was discussed at the board.

**Senator FAULKNER**—You are not a member of the board, and I appreciate that you are in no position to answer and that you appear to have very little knowledge about the internal operations of the ABC.

**Senator Alston**—I am in a position to judge whether your question is trespassing, and it clearly is.

**Mr Shier**—I have to say that I am uncomfortable, because by not answering the impression is that there might be something in this line of questioning. The fact is that, as a matter of principle, I do not believe that the management of the ABC should have to answer questions in relation to board matters. Any matter relating to the board should be addressed to the chairman, and that is fundamental to the independence of the corporation.

**Senator FAULKNER**—Surely it is reasonable for me to ask this question then, Mr Shier—let us move back a step or two. As you have indicated, Ms Jarvis was asked to attend the board. I think that is already—

**Mr Shier**—I have also indicated that Sue Howard and Max Uechtritz were asked to attend the board.

**Senator FAULKNER**—Thank you.

**Mr Shier**—In fact, all the executive directors at some point during the year would probably attend the board.

**Senator FAULKNER**—Now I am asking: how much notice was Ms Jarvis given of the requirement for her to attend—

**Mr Shier**—I said that I did not know because the chairman invites them and all I knew was that they were attending. If the implication is that it was at very short notice, that is not how I understood it.

**Senator FAULKNER**—But is it not true that there has been a debate at the board level about the programming of *Littlemore* and giving Mr Littlemore free rein to ask questions about persons such as Professor Flint and Mr Warby at the Institute of Public Affairs?

**Mr Shier**—Chair, I do not think I can add anything to what I have said.

**Senator FAULKNER**—Is it not true that some members of the board insisted that there be a right of reply to those individuals?

**Senator Alston**—I do not know when you are going to take no for an answer. You have been told about five times that it is not appropriate to seek the disclosure of board discussions. You keep asking whether matters were discussed at board level and you cannot do it.

**Senator FAULKNER**—Were tapes or transcripts generated within the ABC and provided to board members of recent times? Is that a common practice, Mr Shier?

**Mr Shier**—I do not know what you are referring to, but I would assume that normally board members who wish to see any program put out by the ABC have access to it at any time, as do I, as do any senior member of the executive. If we want to see a show that has

gone to air and what was included, every opportunity would be provided for us to see it. It is our output; it would be right and proper we should see it.

**Senator FAULKNER**—I hear the assumption, but I believe I am asking a reasonably specific question about whether tapes and transcripts are made available to board members.

**Mr Shier**—Well, ‘made available’—

**Senator FAULKNER**—Made available on request or demand to board members.

**Mr Shier**—I think the answer to that is probably yes. If any senior executive or board member wishes to know what went to air in a program that they did not see, every opportunity would be provided to let that member of staff, executive director or board director see that output.

**Senator FAULKNER**—Was there any breach of ABC editorial policy—I use that term but I am trying to find the broadest terminology I can use—with the screening of *Littlemore* and his criticisms of the IPA and Professor Flint? Was there any breach of charter or breach of ABC policy in any way?

**Mr Shier**—I think it is an issue that is debatable. I think the view of news and current affairs would have been that some of the content of the *Littlemore* program would not have been acceptable if it was a news and current affairs program. At the moment, it is regrettable that our editorial guidelines refer to news and current affairs programs. But the *Littlemore* program was commissioned by television; it was not commissioned by news and current affairs. So, technically, it was outside our editorial policies. I have to say that is a gap which I think has to be filled when the editorial policies are corrected, which is in a matter of weeks. We have a final meeting in relation to editorial policy in a few weeks.

**Senator FAULKNER**—If I were to ask you whether the ABC board has discussed the issue of the slump in ABC ratings, you would say to me, ‘Oh, I can’t discuss that; it’s a matter for the board,’ I assume, would you?

**Mr Shier**—That is correct.

**Senator FAULKNER**—If I were to ask you whether the ABC board had discussed concerns about the TV division, you would not be able to answer that either?

**Mr Shier**—Not if you are asking me what discussion the board has had in relation to that.

**Senator FAULKNER**—If I were to ask you whether the ABC board had discussed the question of the performance of Ms Jarvis in relation to the *Littlemore* program, you would not be able to answer that either?

**Mr Shier**—No. You can record these in the *Hansard* but I have made it clear, Chairman, that no matter how long the list is the answer is: if it is a matter of board discussion, I would not discuss it here.

**Senator FAULKNER**—Did Ms Jarvis receive a payout on her resignation?

**Mr Shier**—I think it is fair to say that the view was that she was not entitled to the 13 weeks that her AWL required her to give us notice of. But at my discretion I decided she could have those 13 weeks. That is currently being discussed by the director of HR and Ms Jarvis. Technically, the position is that, because she resigned to us, she is entitled, as I understand it, only to her holiday pay. But at my discretion I have said to the director of HR that she should be entitled to the 13 weeks that she thought she was entitled to.

**Senator FAULKNER**—Was she required to sign a confidentiality clause in relation to the payout?

**Mr Shier**—Every ABC member of the staff, if they leave the corporation, signs such a document.

**Senator FAULKNER**—There are no exceptions to that?

**Mr Shier**—I have not been aware of any.

**Senator FAULKNER**—I would assume that you would know if there were.

**Mr Shier**—I do not see every separation settlement in the corporation.

**Senator GEORGE CAMPBELL**—Does that determination include every member of staff who has left without a redundancy payment or a payout?

**Mr Shier**—I would have to check that but certainly with a senior executive like that it would be in their contract. I am very happy to take that on notice and check whether that is true of everybody.

**Senator GEORGE CAMPBELL**—Would the termination payment be conditional upon the confidentiality provision?

**Mr Shier**—I think, without getting into individual contract situations, that in the case of Ms Jarvis the contract which she signed when she joined the corporation would require her to keep information confidential, even after she left the corporation. But, in response to Senator Faulkner's question—what the position would be in relation to a settlement—normally a settlement in the corporation requires that confidentiality is maintained after separation.

**Senator FAULKNER**—I want to ask a question about a program but I want to get the name right, Mr Shier, so let me just try to remember what it is.

**Mr Shier**—You probably want the working title.

**Senator FAULKNER**—No, you have given me the working title. I think it is *The Weakest Link* show. Is that being shown on commercial television?

**Mr Shier**—It is going on Channel 7.

**Senator FAULKNER**—I understand you were very keen to acquire that for ABC television.

**Mr Shier**—This has been much written about in recent days so I welcome the opportunity to state the position. I heard about *The Weakest Link* before it existed anywhere. I heard about *The Weakest Link* while it was in concept stage, and the view by the BBC was that it would be a genuine hit program for them.

**Senator SCHACHT**—What is the program?

**Mr Shier**—It would be a hit program.

**Senator SCHACHT**—A hit program, sorry.

**Mr Shier**—They thought it would be a highly successful program, as I am sure you are aware. Whether it is our type of program or not, you would know it has become one. So at that point I indicated that I thought we should investigate whether we should get that program, the reason being that, although we have an output deal with the BBC, this would be buying a format which is not an existing program. We would want to modify the program so it would be different in Australia, and of course we had no idea how much we would want to modify it

because we did not see a final version. This discussion took place two or three times and it was my view that this was not the most difficult negotiation that had to take place, that somebody had to ring somebody and ask and discuss that, and I was concerned at the slowness with which that was dealt with.

**Senator FAULKNER**—By Ms Jarvis?

**Mr Shier**—Without mentioning anyone's involvement, I was concerned that there was a slowness. I am not exactly sure when it was but I think it must be nearly six or seven months ago that Channel 7 bought the series. It has been a non-issue at the ABC for six or seven months because we have not been able to buy it. Since then, it has become a show which I do not believe the ABC would want to show in its format. You could argue that in the form of—and I perhaps jest—the 'Not-So-Strongest Link' or some other version, it would have worked well for the ABC, and I was disappointed that we did not get it. I was more disappointed by the fact that we did not examine the possibility of getting it and turning it into the sort of show that we would have liked at the ABC.

**Senator FAULKNER**—But there has been a very strong suggestion that *The Weakest Link* show is really unsuited, if you like, to the ABC's charter and ABC programming. Would you comment on that?

**Mr Shier**—In its current form at Channel 7, my judgment is that we would not take it. But let us be clear: this show was produced by a public broadcaster—the BBC—it has been highly successful and, yes, I think we would probably have wanted to do the show differently. My concern is that we never even got the chance to look at that. At the time I asked to look at the show, there was not a version to look at. Put it this way: if it existed, I had not seen it.

**Senator FAULKNER**—Did the discussions get a bit heated?

**Mr Shier**—No, I think the problem with the program is that it has a very quotable name. In the current environment it has been pulled out of a drawer.

**Senator FAULKNER**—No. I mean were internal discussions at the ABC heated?

**Mr Shier**—I would have expressed three times, I think, that I was concerned that we did not buy it, and those discussions obviously are of no consequence after Channel 7 bought it six or seven months ago.

**Senator SCHACHT**—But you were concerned that somewhere internally people were dragging their feet about the negotiations and were not as speedy as you would have liked?

**Mr Shier**—I think it is fair to say that I was concerned that over a number of weeks progress did not take place.

**Senator SCHACHT**—Because you believed the staff were sitting on their hands, did not like the program, had a different view from you and, therefore, undermined your view by not negotiating for it?

**Mr Shier**—I cannot attribute any of the reasons. All I am saying is that I thought that a program which was going to be a key part of the BBC schedule in the UK would have been something we could have established very quickly.

**Senator FAULKNER**—But you thought it would be a ratings winner, I suppose?

**Mr Shier**—Where it was intended to be scheduled—without going into details—it would have performed well. It would not have to perform nearly as well as it does at Channel 7 for it

to be a win for the ABC. So the show could have been modified and yet still be highly successful for us.

**Senator FAULKNER**—Could you share with the committee, Mr Shier, your general feeling about the importance of ratings to the ABC? I appreciate that this is not only television ratings; it is radio ratings as well.

**Mr Shier**—I welcome the opportunity. The fact is that I am concerned about audience share because it is the number of people who see or hear our programming. It is one factor to be factored in. But I was reminded, as I have indicated on an other occasion over the last few days, that the commissioners of the ABC—before the corporation was even established in 1965—expressed a concern that the share of viewing of the ABC had got down to an unacceptable low level. Even in 1965, they indicated that there was a need for increased promotion, improved scheduling and a greater effort to improve the quality of the programming. So there is a point when, if the audience share dips too much, quite frankly the ABC is not doing the job it should do, which is to provide a comprehensive range of programming to the people of Australia. The issue then of course becomes what is the optimum level? We know we are traditionally at high levels but we also know, for example, that the news on the ABC gets a share of about 22 per cent to 23 per cent on the average evening—it varies. The *7.30 Report* gets a share of around 18 per cent. So I have, on a number of occasions, indicated that we should look at our non news and current affairs programs and we should make an assessment as to how well that is performing. Some of our acquired programming, in particular, has not performed well, and that is a concern.

**Senator SCHACHT**—Could you give us a couple of examples of your acquired programming that have not performed well, disappointing as that may be?

**Mr Shier**—We had a recent program—without going into details, because obviously we value our relationships with the BBC—on Friday at 8 o'clock which was not performing well for us. You acquire material like that and sometimes you think, 'Hang on; we've brought that in and it's not performing well.' There is a need, of course, to inform, educate and entertain the people of Australia as well as we can, and when we produce great programming there must be a mission to make sure as many people see it or hear it as possible. I have never quantified, except in answer to a question asked by the former director of television, what level of audiences I would like for television. I said, 'David Hill, in 1991, said, "Let's aspire to 20 per cent in audience share",' and I had to say, 'That would settle me well. I would be very happy if, at the end of my term, that is where we were.'

**Senator FAULKNER**—Which former director of television was this?

**Mr Shier**—Gail Jarvis.

**Senator FAULKNER**—I read a speech that you made in the early days as managing director to the staff—in July 2000—which I think was, at the time, one of the first major speeches, if not the first major speech, that you had made as managing director. I note that in that speech you said, 'Ratings matter to me. Until someone tells me another, ratings is the means of telling me how many people I managed to deliver the mission of the ABC to.'

**Mr Shier**—By definition, that is correct. By definition, ratings are a measure of the number of people who see the output of the ABC. That is a matter of fact. That does not go at all to the quantity, range, diversity or the type of programming; it is just a matter of fact that ratings, until there is some other way to quantify it, will advise us how many people saw our output.

**Senator FAULKNER**—As I understand it as we meet now in June 2001, there has been an increase in ABC radio ratings, I think, haven't there?

**Mr Shier**—Significant.

**Senator FAULKNER**—Do you engage yourself a great deal in the radio area?

**Mr Shier**—I take a great interest in it, but I feel it is being managed well by Sue Howard.

**Senator FAULKNER**—Are you more involved in the television area?

**Mr Shier**—Let me put it this way: I have taken a great interest in new media, radio and television. I think it is fair to say that I am very comfortable with how new media and radio are performing. I am not happy with the way television is performing.

**Senator FAULKNER**—I hear that. I think it is, in part, an answer to the question. You are concentrating most of your energies in the television area, aren't you?

**Mr Shier**—Not really. All output concerns me, but I have got many things to be concerned about. I even attend Senate estimates.

**Senator FAULKNER**—I appreciate that and I appreciate they impinge a little on your time. Look on the bright side, Mr Shier: it is not anywhere near as much time for you as it is for me. You are lucky in that respect.

**Mr Shier**—In a given week, there will be a lot of demands on a manager at this time. Last Monday I was at the regional radio inquiry, for example. That takes up a day. Then there will be two days here. Without getting into all the correspondence we have discussed and everything else, there are plenty of things that I have to do apart from just getting interested in the schedule.

**Senator SCHACHT**—Parliament represents the total shareholders of the ABC, which is the Australian public; they pay the money. If you were a private company, you would be spending a lot of time with your shareholders—

**Mr Shier**—Absolutely.

**Senator SCHACHT**—at the same level and would not complain about it.

**Mr Shier**—Absolutely. I am not complaining about it.

**Senator SCHACHT**—I emphasise that you were not complaining; you just noted the time.

**Senator FAULKNER**—There has been, of course, a fall in the television ratings, hasn't there?

**Mr Shier**—Yes, there has been.

**Senator FAULKNER**—Do you consider that a significant fall?

**Mr Shier**—I think it is a significant fall. Part of it I think is attributable to the rating measurement service. Some say that is because the ABC has been disadvantaged and therefore I would say that, but I do think—certainly the last auditor to look at the rating measurement service has made it clear—that single-person households have been disadvantaged, and the ABC has a significant number of single-person households. Also older families have been disadvantaged, and families with large numbers of children—who might be particularly attractive to many advertisers—are over-weighted on the panel. As you would know, the new panel is in fact owned by the three commercial networks. I am not saying that that is the case; all I am saying is that the former panel that managed our ratings records ABC ratings regularly higher than the new panel for the same viewing experience.

**Senator FAULKNER**—In other words, this is the change from AC Neilsen to OZTAM?

**Mr Shier**—Yes. I am only indicating it is one factor, but I think it would be fair to say that, if you were to look at the current performance of television, you could not argue that it is all down to the quality of the programs. You could argue—and I am sure the former director of television would argue—part of it was down to the ratings.

**Senator FAULKNER**—Yes, but let me look at this a little more closely. I do not pretend at all to be an expert, but I would like to understand it. You make the point that, if ratings were still being measured by the Neilsen methodology, the ABC share would be proportionally higher. I think that is the point you make.

**Mr Shier**—Yes.

**Senator FAULKNER**—I understand that. What does the trend line show if you look at the Neilsen ratings?

**Mr Shier**—It shows that up to about week 16 of this year we are lineball with last year. Last year was a strong early part of the year, so that is pleasing. After week 16 it starts to drop. I would not suggest for one moment that it is all down to one or two programs, but it is interesting that Channel 10's increase, with the likes of *Big Brother*, is equal to the ABC's drop in audience share.

**Senator SCHACHT**—At that particular program time, or overall?

**Mr Shier**—The actual share of Ten is about equivalent to the drop of ABC. I would just indicate we are talking national figures. One of the problems with the rating panel is that each state has a panel, and some of those panels I think are definitely out of line. I would argue that the Victorian panel, for example, is seriously disadvantaging the ABC.

**Senator FAULKNER**—Yes, but hearing that, I think I am asking a different point. I have got a graph of the OZTAM ratings. You make the point that the Neilsen ratings would show proportionally a higher—

**Mr Shier**—Yes, but the trend would be the same.

**Senator FAULKNER**—That is the point. I am asking about the trend.

**Mr Shier**—We agree on that.

**Senator FAULKNER**—I just wanted to get that clear. So the trend is downward.

**Mr Shier**—There are two factors in that, too: one, the underlying trend is downward. That I agree with.

**Senator FAULKNER**—Yes.

**Mr Shier**—Two, the commercial broadcasters are not interested in ratings for the early summer part of the year, so they do not actually include them in their negotiations with the advertising agencies. Some people would suggest that the programming that they put in the early part of the year is relatively weak compared to our offering because we are not involved in satisfying advertisers. Therefore you get quite abnormally high figures for the ABC in the early part of the year, but by now the trend is downwards. The underlying point of your question—that the level of ratings is less than it was prior to week 16—is true.

**Senator FAULKNER**—Having heard that, then let me ask another question—and I simply do not know the answer to this question: if we compared, let us say, ABC ratings over the last



five, six or seven years, would it show a similar decline through the calendar year? Is that the point you are making to us?

**Mr Shier**—Yes. The shape of the curve would be similar, but it is true that the drop from the better-performing ratings previous to now would also be down.

**Senator FAULKNER**—If you look at those early figures—and one of them was back on 4 February 2001—I think you were about 18.4. Is that abnormally high?

**Mr Shier**—That is abnormally high. Our average household share—and you have got to be quite careful which shares you use; we use households—was 15.2 over the year. Would that be right, Michael?

**Mr Ward**—It is around that figure.

**Mr Shier**—So the average for the average is 15.2; 18 is a very abnormal week.

**Senator FAULKNER**—But last year's figures were higher?

**Mr Shier**—For that week I would have to check. Which week was that, Senator?

**Senator FAULKNER**—No, I meant the trend generally.

**Mr Shier**—Last year's figures were the highest television has had since—am I right, Michael?—the 1980s.

**Mr Ward**—Since the introduction of people meters in 1991.

**Senator FAULKNER**—So it was a good year?

**Mr Shier**—Last year was a very good year.

**Senator FAULKNER**—Who was responsible for programming in that good year? These were all decisions before you came on board, weren't they, Mr Shier?

**Mr Shier**—No; a number of the programs had been commissioned. A lot of the schedule is relatively fixed; but, of course, I signed off those schedules too.

**Senator FAULKNER**—But weren't these as a result of commissioning decisions made before you were the managing director?

**Mr Shier**—A number were; and also acquisition decisions were made.

**Senator FAULKNER**—Yes; so that would be people like Mr Lloyd James, who has visited us on many occasions here: would his programming decisions be reflected in that?

**Mr Shier**—I have almost given up trying to identify who claims credit for what, but my view would be that—

**Senator FAULKNER**—Mr McGowan, Mr Lloyd James, Mr Saunders: they are the names I know from previous Senate estimates. There may be others.

**Mr Shier**—Yes. For example, the former director of television would suggest that Mr McGowan's acquisitions are still a burden to us.

**Senator SCHACHT**—Who would suggest that?

**Mr Shier**—Gail Jarvis.

**Senator SCHACHT**—Gail Jarvis, who has already left.

**Mr Shier**—Because, obviously, with those programs the better ones were put on straightaway.

**Senator FAULKNER**—But, you see, the truth is that those programming decisions—or those commissioning decisions; I think that is your terminology—seem to be getting a lot better results, and those commissioning decisions were made under someone else's watch, weren't they?

**Mr Shier**—They were. Many of those programs would have been commissioned in the year before that.

**Senator FAULKNER**—Yes, that is what I mean; they were made under someone else's watch.

**Mr Shier**—Yes.

**Senator FAULKNER**—Does that worry you?

**Mr Shier**—I am not sure that Brian Johns would personally claim credit for all those decisions.

**Senator FAULKNER**—I do not know either. These are obviously matters that I assume you do reflect on.

**Mr Shier**—At the end of the day, Senator, I am responsible for all that happens at the ABC, but I have to say that the director of television is also responsible for what happens in television.

**Senator FAULKNER**—Last year, for example—tell me if I am wrong—but one really big winner for the ABC was the Paralympics.

**Mr Shier**—It was indeed.

**Senator FAULKNER**—That was a very good decision by the ABC.

**Mr Shier**—And that was a good decision by the director of television too.

**Senator FAULKNER**—And I suspect a poor decision by at least one commercial network. If they reflect on it they probably might take it all back.

**Mr Shier**—Yes. That was actually a very courageous decision, because the commercial network had decided not to take it and the ABC took it. That was a very good decision.

**Senator FAULKNER**—At what point does your programming come on-stream? I do not understand this. With most of those programs of last year, the highest-rating year since people meters came in for the ABC, were any of those programming decisions made under your watch as managing director?

**Mr Shier**—A number of the programs clearly were, but if you are talking about mainline drama and programs like that, on the whole those last year—

**Senator FAULKNER**—Could you just let us know what they were?

**Mr Shier**—Sorry, Senator, in relation to what?

**Senator FAULKNER**—I am trying to establish when programming decisions and other decisions made since you became managing director start to flow through and we see their impact on the ratings.

**Mr Shier**—Just to make the obvious point: I certainly was not last year instrumental in suggesting programs for the schedule. I looked to the director of television direct development to do that.

**Senator FAULKNER**—The reason I am asking this is that I read in the *Age*—last year, I admit—that you said ABC TV was not rating enough, and you did not think ABC television’s 16 per cent audience share was good enough. But since then that was a high point, as it turns out.

**Mr Shier**—Yes, I agree with you.

**Senator FAULKNER**—We have gone backwards—

**Mr Shier**—Absolutely.

**Senator FAULKNER**—at a pretty fast rate of knots. It is quite measurable, isn’t it? It is quite tangible, the reduction in the ABC’s—

**Mr Shier**—Certainly, as I have indicated, it is most recent that there has been a significant drop—but, at the end of the day, yes; and I am not happy with that.

**Senator FAULKNER**—So you said in June last year that ABC-TV’s 16 per cent audience share is not good enough. What was the figure—

**Mr Shier**—I am sorry; it is taken out of context. I am not saying that that is anyone’s fault. What I am saying is that there are a number of things to go to make the schedule perform better—partly the quality of the programs; secondly, how they are scheduled; thirdly, how they are promoted.

**Senator FAULKNER**—I am trying to establish—

**Mr Shier**—What I am saying is: if we are producing quality programs, we ought to aspire to getting more Australians to see them than we were. That is a desirable activity: to make sure that we make sure that as many Australians see them as possible.

**CHAIR**—Senator Faulkner, we have now reached our dinner break time.

**Senator FAULKNER**—Okay.

**CHAIR**—Do you want to finish this quickly or be here until seven?

**Senator FAULKNER**—Let us finish in a minute or two and then we will have the dinner break. I do not want to keep anyone, including my colleagues, away from their dinner. I suppose the point is that 16 per cent in June last year was described as ‘batch audience share not good enough.’ What was the figure for 27 May this year?

**Mr Shier**—I would have to check it for 27 May.

**Senator FAULKNER**—Wasn’t it 12.6 per cent?

**Mr Shier**—I am not sure if that is the national figure.

**Senator SCHACHT**—Does the gentleman at the end of the table have a figure?

**Mr Shier**—Do you have a figure for that sort of data?

**Mr Ward**—I do not have a figure for that week. I have the accumulated figures.

**Senator FAULKNER**—I am no expert on this, but I dug them out. I have got 12.6 per cent—the worst weekly figure of the year.

**Mr Shier**—We would not work on a weekly figure. But, leaving that aside, I hear what you are saying.

**Senator FAULKNER**—And I hear that, and I accept that you would not work on a weekly figure. But you and I have both accepted that the trend does not look good, either.

**Mr Shier**—Okay. So would I be right now to be concerned about the ratings?

**Senator FAULKNER**—Are you asking me?

**Mr Shier**—Yes.

**Senator FAULKNER**—I am asking you about ratings—

**Mr Shier**—You are suggesting to me—

**Senator FAULKNER**—No; you were saying in June last year that 16 per cent is nowhere near good enough; but the last figure is 12.6 and we are going backwards.

**Mr Shier**—The point is, it is fair to say, that without being in the context of criticism—which it was not—when I said that we should aspire to doing more than 16, I should certainly say we should aspire to be doing more than 12 or 13.

**Senator FAULKNER**—Yes. But if you are coming from a level of the current 12.6, which I hope picks up in the next figures—and you are right to make the general point, I suspect, not to pick one figure, but that is the last week that we have got available—

**CHAIR**—Gentlemen—

**Senator FAULKNER**—I will just finish on this question. If you are coming from the last figure of 12.6, 16 is starting to look pretty good.

**Mr Shier**—Absolutely.

**Senator FAULKNER**—I will stop there, because everyone wants to have their dinner.

**Proceedings suspended from 6.03 p.m. to 7.03 p.m.**

**Senator GEORGE CAMPBELL**—Regarding the program to multiskill five trainees, could you explain to us the background and purpose of that program?

**Mr Shier**—I am unfamiliar, Senator, with the fact that my predecessor interviewed those people. We bring in a number of people who will then be multiskilled so that they can do a number of jobs in television, radio and all the media.

**Senator GEORGE CAMPBELL**—Are you aware of the background as to why it was felt important to do that?

**Mr Shier**—Obviously I have been very conscious of the need to focus on all three platforms and I understand the logic behind it, yes.

**Senator GEORGE CAMPBELL**—Can you explain to us the logic behind it? Was this logic written down somewhere? Was it spelt out in terms of the program that was instituted to bring these trainees in, or was it just something that was in Mr Johns's head?

**Mr Shier**—I must assume that something was put down but I am not familiar with it myself. My director of HR might be but he is not here. I would have to take that on notice.

**Senator GEORGE CAMPBELL**—Can you do that—as to what the background reasoning behind the program was. Is it true that there were five trainees selected for this program?

**Mr Shier**—Yes, as I understand it there were originally five. It would have been slightly over two years ago that they commenced their training.

**Senator GEORGE CAMPBELL**—Is it true also that they were selected from a field of over 700 applicants?

**Mr Shier**—I am not sure of the number but it was a substantial number of people.

**Senator GEORGE CAMPBELL**—Was that normal, to get that number of applicants for a trainee position in the ABC?

**Mr Shier**—Regretfully, the ABC does not offer an entry like that very often. I would not be surprised, actually. I would think that if the ABC offered five traineeships into the corporation now we would be astounded by the number of people who would be interested.

**Senator GEORGE CAMPBELL**—Ms Howard was shaking her head in an affirmative fashion. Is it normal to get that level of applications for any positions that are advertised in the ABC? Was this for cadet journalist trainees?

**Mr Shier**—As I understand it—and I stand to be corrected—this was an opportunity for someone who had no specific experience in broadcasting to come into the corporation and be multiskilled. Normally we would require a particular skill, so I would have thought that a lot of people would be interested in that.

**Ms Howard**—For a cadet journalist position or for a traineeship those would be about the usual number of applications.

**Senator GEORGE CAMPBELL**—That is the level of applications you would get, so positions in the ABC are pretty well sought after?

**Ms Howard**—Trainee positions particularly, yes.

**Senator GEORGE CAMPBELL**—It is regarded as being a good area of employment?

**Ms Howard**—For cadet journalists, I know that the competition is always very strong.

**Senator GEORGE CAMPBELL**—Is this the first intake there has been of non-journalist broadcast trainees in over 12 years?

**Ms Howard**—I cannot answer that; I am not sure. There would have been, over the years, a number of sorts of trainees. We certainly take in rural radio trainees every one or two years.

**Senator GEORGE CAMPBELL**—These cross-media trainees: can anyone recall when was the last time something like this was done or if it has ever been done?

**Mr Balding**—That was the first cross-media training program that I was aware of.

**Senator GEORGE CAMPBELL**—Have there been other trainees taken on before that have been non-journalist broadcast trainees?

**Ms Howard**—Yes, there have been.

**Senator GEORGE CAMPBELL**—Would that 12-year time frame seem to be consistent with your corporate knowledge?

**Ms Howard**—I am not sure, but in my time within the ABC—and I have been there since 1986—there have been broadcast trainees brought in, particularly in regional areas.

**Senator GEORGE CAMPBELL**—Is it true, Mr Shier, that the cost of these traineeships over a three-year period, including the cost of their salaries, their trainers and the cost of courses they undertook, was in excess of \$1½ million?

**Mr Shier**—I must say I would be staggered if that were the case. I would have to take that on notice.

**Senator GEORGE CAMPBELL**—Would you take that on notice and provide us with an answer.

**Mr Balding**—Yes.

**Senator GEORGE CAMPBELL**—If that is the case, why is it that four of those five have either been made redundant or are in the process of being made redundant?

**Mr Shier**—I asked the question myself, and what I was reminded of was that these trainees have been working in parts of the ABC for nearly two years and for whatever reason—and I cannot identify it—at no point have any of the divisions that they have been working in felt that they wanted to take these people on on a permanent basis on their payroll.

**Senator GEORGE CAMPBELL**—So the reasons that they have been made redundant is because positions cannot be found?

**Mr Shier**—We did have a specific discussion with executive directors—it must be some three months ago—and we specifically discussed this issue because I was concerned that five people had been brought in and it had cost whatever it had cost and these people had not been absorbed within the corporation, because obviously one would have thought there would have been a number of opportunities for that to happen. That is the situation. At that meeting, no-one was of the view that they should take aboard those trainees.

**Ms Howard**—The one trainee who remains is currently working in rural radio and has made herself very available to work in all sorts of parts of Australia. We have offered a number of those trainees positions in regional Australia and in radio but they have turned down those opportunities.

**Senator GEORGE CAMPBELL**—Is it true, Mr Shier, that you gave an undertaking to Mr Thomson from the union, when he discussed this matter with you a little while ago, that you would have these people reinterviewed by a senior member of staff to establish whether or not they could be placed in the organisation?

**Mr Shier**—No. The meeting I had with Mr Thomson was also with our director of HR. I said at that meeting that maybe that was what we should do. I discussed it with the director of HR and he discussed it with the gentleman who had been overseeing these trainees, and I was advised that that had been done and that, quite frankly, to revisit that would not be productive.

**Senator GEORGE CAMPBELL**—Would not be productive?

**Mr Shier**—Put it this way: it would be an exceptional decision for me as chief executive to interview five trainees who had been with us two years and, except in one case, not been taken up by the corporation, when so many other people's careers would never come to my desk, and I would not be providing them with that opportunity to express to me why they were a special case.

**Senator GEORGE CAMPBELL**—But these four or five people fell into a particular category, didn't they?

**Mr Shier**—I think for them to have been interviewed by the equivalent of a head in the HR department and the director of HR and, no doubt, the people in the divisions where they worked meant they had enough exposure to senior people to be able to impress. I do not want to be misunderstood; I do not want to suggest that I would not be prepared to do it if there were a reason. I think the reality is that most of the 4,200 people in the ABC would not have that opportunity.

**Senator GEORGE CAMPBELL**—Is it true that at least one of these trainees has won awards for the programs they have produced?

**Mr Shier**—I would have to take that on notice. It was not brought to my attention.

**Senator GEORGE CAMPBELL**—Is Ms Howard aware of that?

**Ms Howard**—I have no idea, Senator.

**Senator GEORGE CAMPBELL**—The senior people are not aware that people in that particular category have won awards? I would have thought these five people stood out like the Usher of the Black Rod does in the Senate. They would be a bit hard to miss.

**Mr Shier**—Senator, I have to say that out of our 4,179 staff as of last week, these five people are conspicuous in the sense that they have had a unique induction into the ABC. But they have been in the ABC for more than two years. I would have thought that a lot of other people would be able to have a claim for special attention.

**Senator GEORGE CAMPBELL**—But they were brought in, Mr Shier, in a particular set of circumstances and obviously for a particular reason out of the mould that was applying at that point in time. I would have thought that in any organisation, never mind the ABC, if you had done that with people in a particular training category, you would have mentored them through the process or at least been watching to see whether or not your experiment was successful.

**Mr Shier**—They have been, but I have to be honest and say I have not personally kept an eye on these five people, who were appointed prior to my arrival in an organisation of our size.

**Senator GEORGE CAMPBELL**—You are not aware of people in your organisation who get awards for a program?

**Mr Shier**—I must say that, if they did win awards, I would have liked to have known about it. Either there were senior managers that work with me who were aware that they won awards but still felt they were not appropriate to be taken on in full-time employment or they were also not aware of it, in which case these people obviously had not made that conscious to the people they were reporting to.

**Senator GEORGE CAMPBELL**—Can you tell me when was the first time that these trainees were advised they needed to find ongoing positions for themselves within the ABC?

**Mr Shier**—I cannot. I can establish that. I do not know, but HR could tell me that.

**Senator GEORGE CAMPBELL**—Is it true that immediately prior to them being served with redundancy notices they were performing—and continued to perform—ongoing program making roles and that their programs were allowed to go on to fill the production schedules?

**Mr Shier**—I assume that, if they were working on existing programs, those programs would be part of our schedule. I would have to establish the case. As I understand, they are not all the same. Some have done different things. I would have to establish exactly what was the case in each case.

**Senator GEORGE CAMPBELL**—Can you take that on notice also, Mr Shier?

**Mr Shier**—Yes.

**Senator GEORGE CAMPBELL**—Is it true that they were told that the reason they were redundant was that they did not fit into the corporate plan?

**Mr Shier**—They certainly were not told by me and I cannot understand why anyone would.

**Senator GEORGE CAMPBELL**—I presume you would not go around telling the 4,100 or 4,200 people in the ABC about their work.

**Mr Shier**—That is right. I cannot comment. I do not know what was said to them. When you say they would not fit into the corporate plan, all I can assume is that a particular divisional director indicated that they did not have a place for those people in their particular division. It is pure guesswork.

**Senator GEORGE CAMPBELL**—Does it surprise you that they were told they did not fit into the corporate plan?

**Mr Shier**—I would have to establish that was the case. I have no evidence that it was ever said by anybody.

**Senator GEORGE CAMPBELL**—Can you take that on notice also?

**Mr Shier**—Yes, I will.

**Senator GEORGE CAMPBELL**—Has the radio division or the program production division been provided with additional funds that will provide opportunities for their ongoing employment?

**Mr Shier**—Additional funds? I would have thought not.

**Ms Howard**—As I mentioned earlier, in the normal course of a year we have quite a number of radio vacancies. We have had discussions with these people—and several of them—about working in radio. They have expressed no interest in working in radio, except for one trainee who has an ongoing position in radio.

**Senator GEORGE CAMPBELL**—I thought you said that before—working in radio in regional and rural areas. Where are these five people located?

**Ms Howard**—The one I know about is in Melbourne. As to the others, I presume Sydney, but I am not sure.

**Senator GEORGE CAMPBELL**—Where are the jobs available to them that you are offering them in regional—

**Ms Howard**—They are in all sorts of places. In regional Australia jobs come up all the time.

**Senator GEORGE CAMPBELL**—But where? Have you attempted to establish whether or not their family circumstances would allow them to move to regional and rural areas?

**Ms Howard**—Obviously we try and do that with everybody we possibly can, but we cannot invent jobs that are not there just to suit people's family circumstances.

**Senator GEORGE CAMPBELL**—I am told that one of these trainees, for example, on completion of her traineeship went on 12 months maternity leave, has just resumed duty and has not even been given an opportunity to find alternative employment within the ABC.

**Mr Shier**—If these people have been working for us for more than two years I have to say they have had a very significant induction into the ABC. They must have met many people and, I must say, I would be surprised if a quality appointee who had had that training was not picked up. We are always looking for talent to fill jobs at what are, with respect, relatively junior levels. It ought to be possible to accommodate these people if the divisional directors believe that they have potential. It would be very disappointing if that were true for four out of five people, but it seems to be the case that no-one is pleading strongly for them to join



their division on the basis of either their talent or skill base. But we are, with respect, Senator, talking about people I do not personally know, so I do not know whether that is the situation.

**Senator GEORGE CAMPBELL**—If one of them has won an award for their work, surely that is a reasonable demonstration that they have a skill base that is worthwhile keeping within the ABC.

**Mr Shier**—To be frank, if they are that talented they will find a job in another organisation as well. It would be frustrating if we had talent going out the door when we wanted it inside, but two years is a very long time to serve what many people would regard as an extended trainee probationary period.

**Senator GEORGE CAMPBELL**—Is it? I understand, for example, that their ongoing employment was the subject of a hearing before the Industrial Relations Commission and that they were under the understanding, as a result of that hearing, that the ABC had a responsibility to find them ongoing employment.

**Mr Shier**—I would have to establish that, Senator; I am sorry.

**Senator GEORGE CAMPBELL**—Can you take that on notice?

**Mr Shier**—Yes, indeed.

**Senator GEORGE CAMPBELL**—It might be useful, Mr Shier, as I have said at previous estimates, if there was someone from the training or HR department here. It would help facilitate a lot of these questions.

**Mr Shier**—I will provide that at the next Senate estimates.

**Senator GEORGE CAMPBELL**—On the general issue of training costs, we were advised in answers to questions on notice arising at our last hearing that the average training investment per employee for 1999-2000 was \$912, which represented a third of the BBC investment and 70 per cent of the CBC investment. Do you have any plans to increase your allocation on training?

**Mr Shier**—The finance area might have the precise numbers but, as a matter of policy, we have taken a decision to allocate two per cent of the salary bill to training for each division.

**Mr Balding**—That is correct. There will be a fairly significant increase in spending on training in the upcoming financial year.

**Senator GEORGE CAMPBELL**—Do you know what that two per cent allocation means in terms of training per employee?

**Mr Balding**—It will be around \$6 million spent on training.

**Senator GEORGE CAMPBELL**—In total?

**Mr Balding**—In total.

**Senator GEORGE CAMPBELL**—In question 59 at supplementary budget estimates you said that the training budget with human resources was \$2.34 million, and you revealed that a further \$1.5 million had been allocated in additional estimates, which makes a total of \$3.8 million. Are you saying that this two per cent is now on top of that again?

**Mr Balding**—No, two per cent will be the total spent on training, as a minimum. So, as a minimum, divisions will be required—

**Senator GEORGE CAMPBELL**—So you have lifted the spending from \$3.8 million to \$6 million overall?

**Mr Balding**—For the upcoming financial year from 1 July.

**Senator GEORGE CAMPBELL**—What proportion of the overall training budget will be spent on the delivery of broadcast and editorial training, compared with training on administrative, finance, human resource management and other such areas?

**Mr Shier**—It will be two per cent by division. We can get you the figures as to how that precisely breaks down, but what we are saying is that the available funds for each the of areas of activity in the corporation will be equally resourced with training capacity.

**Senator GEORGE CAMPBELL**—What I am particularly interested in is the break-up of that into broadcasting and editorial training compared to administrative and corporate-wide priorities.

**Mr Shier**—I am happy to provide that, Senator.

**Senator GEORGE CAMPBELL**—You have described other projects as corporate-wide priorities. I think you mentioned that in answer to question 70 of supplementary estimates. What do you define as corporate-wide priorities? What falls within that category?

**Mr Balding**—Was that the corporate-wide priority or an allocation to what were corporate-wide projects?

**Senator GEORGE CAMPBELL**—It was described as corporate-wide priorities in the answer that you gave to the question in supplementary estimates. What does that define?

**Mr Balding**—I would presume that that would be a training course that would be applicable across the corporation. It would not be specific to a particular area.

**Mr Shier**—Like a computer course or a general management course, I presume. It would be something that would have an application in every division.

**Senator GEORGE CAMPBELL**—It would not be priorities being established by the board or the executive?

**Mr Shier**—Obviously, those judgments would be recommended by the department of human resources for central funding, but those which are specifically relating to a particular division will be recommended by the divisional directors for that particular division.

**Senator GEORGE CAMPBELL**—Would the Launceston conference fall into the category of corporate-wide priorities?

**Mr Shier**—I had not viewed it as such but it could, yes.

**Senator GEORGE CAMPBELL**—Was the cost of that drawn from the training budget?

**Mr Shier**—No, not this year, Senator, but I think you raise a question in relation to next year, because we do want it to be an annual conference. This year it was regarded as a one-off.

**Senator GEORGE CAMPBELL**—How was that funded?

**Mr Shier**—It was funded out of the corporate-wide allocation of funds.

**Senator GEORGE CAMPBELL**—How much money is available in that pot?

**Mr Balding**—This year there was a contingency element of about \$5 million.

**Senator GEORGE CAMPBELL**—How much was spent on the Launceston conference?

**Mr Balding**—The amount of \$191,000 was spent, Senator.

**Senator GEORGE CAMPBELL**—What remains of the \$5 million?

**Mr Balding**—At the moment there is in the vicinity of about \$4.5 million.

**Senator GEORGE CAMPBELL**—So it has not been spent? They cannot find any way to keep these trainees on, while there is a pot of \$4.5 million sitting there?

**Mr Balding**—I am sorry, but those are funds that will need to be carried forward as far as the next financial year is concerned.

**Senator GEORGE CAMPBELL**—What is it earmarked for for next financial year?

**Mr Balding**—At this stage, we are expecting a shortfall in revenue from our enterprises operation in the order of about \$1.8 million. I will need to allocate \$1.8 million out of contingency to the output divisions, to ensure that their budgets come in on balance and I will also need to carry forward a similar level of contingency next financial year.

**Senator GEORGE CAMPBELL**—So you are projecting having another one of these conferences next year?

**Mr Shier**—I would like it to be an annual conference, Senator. It was particularly valuable this year.

**Senator GEORGE CAMPBELL**—And will that be funded out of the training budget?

**Mr Shier**—I think you are rightly asking the question, Senator. We have not made that decision yet, but I would want to be satisfied about how much money would go into training, excluding the conference, and then we ought to consider whether the two per cent should include the conference or not.

**Senator GEORGE CAMPBELL**—A number of guest speakers addressed the conference. Who paid for their attendance?

**Mr Shier**—We did.

**Senator GEORGE CAMPBELL**—Were they paid speaking fees? As well as accommodation?

**Mr Shier**—There was one consultant who was paid. The others were paid travelling and accommodation costs.

**Senator GEORGE CAMPBELL**—Was the consultant who was paid the one from the UK?

**Mr Shier**—No. It was a lady who spoke to us about corporate governance.

**Senator GEORGE CAMPBELL**—Was she a local?

**Mr Shier**—She is an Australian.

**Senator GEORGE CAMPBELL**—Was the person from the UK who spoke to you about ratings paid a fee?

**Mr Shier**—That particular consultant is on a retainer with the ABC anyway because he is looking at the question of the ratings survey at the moment. It is our wish that he joins the ABC, if we can convince him to do that. He had to come out for that conference and for one or two weeks work on the OzTAM ratings service. So we combined the two.

**Senator GEORGE CAMPBELL**—Did you pay his travel and accommodation?

**Mr Shier**—We did.

**Senator GEORGE CAMPBELL**—Did you pay him a consultant's fee as well?

**Mr Shier**—He is on a daily retainer and he was paid the same amount for the conference as he would be paid on his daily retainer.

**Senator GEORGE CAMPBELL**—Did he do work for Channel 9 while he was out here?

**Mr Shier**—No. Channel 9 wanted him to, because he is regarded as having special expertise. Channel 9 offered to pay a contribution towards his travel and accommodation, but I thought that was inappropriate.

**Senator GEORGE CAMPBELL**—He did not do any work?

**Mr Shier**—No, that was a definite fee.

**Senator GEORGE CAMPBELL**—How did you become aware of this individual?

**Mr Shier**—I became aware of him in the early eighties, when he was working for the advertising agency Proctor and Gamble. He became one of their major research people. He had a number of other jobs in independent television in the UK and, finally, he was appointed as a consultant to the British Audience Research Board. So he is a skilled researcher in audience measurement and audience research. He is particularly strong on attitudinal research—in other words, researching people's attitudes to programs as opposed to simply the quantity of people who watch them.

**Senator GEORGE CAMPBELL**—Did he do work with you in the eighties in that period that was a blank in your resume when you worked as a consultant?

**Mr Shier**—There was not a blank, as you suggest. Leaving that aside—

**Senator GEORGE CAMPBELL**—When you worked as a consultant.

**Mr Shier**—I think it is fair to say that he and I have always been competitors. He has tended to work for the stations I was not working for when I was in the UK. When I went to the continent, he remained in the UK.

**Senator GEORGE CAMPBELL**—When did the ABC engage the Polaris consulting group to assist with the recruitment of staff?

**Mr Shier**—I am not aware of that. I would have to establish that. I have not heard of them.

**Senator GEORGE CAMPBELL**—You are not aware that they have been engaged to fill the positions in training and development?

**Mr Shier**—You are suggesting they are consultants to HR?

**Senator GEORGE CAMPBELL**—Yes.

**Mr Shier**—I would have to establish that. I do not know.

**Senator GEORGE CAMPBELL**—Can you take that on notice?

**Mr Shier**—I will indeed.

**Senator GEORGE CAMPBELL**—Can you also take on notice why it is felt necessary to use a consultancy when the ABC has its own internal recruitment unit?

**Mr Shier**—I will. My gut reaction would be there must be some specialist skill provided there or at least there is a sifting process provided there. It would be a question of what cost was involved in doing that, but I will establish that—I am not familiar with the—

**Senator GEORGE CAMPBELL**—Are you or is anyone aware of whether an open tendering process was used to establish this consultancy?

**Mr Shier**—It is the first time I have heard of them.

**Senator GEORGE CAMPBELL**—Mr Balding?

**Mr Balding**—I am not aware.

**Senator GEORGE CAMPBELL**—Can you take that on notice?

**Mr Balding**—Yes.

**Senator GEORGE CAMPBELL**—Are you aware that the head of training and development, Ms Jenny Ferber, was proposed by Polaris consulting?

**Mr Shier**—I am not aware of any of this, but I will investigate.

**Senator GEORGE CAMPBELL**—Can you take that on notice?

**Mr Shier**—I will.

**Senator GEORGE CAMPBELL**—Can you also take on notice why the consultancy did not include the name of the ABC in the advertisements they placed?

**Mr Shier**—I will.

**Senator GEORGE CAMPBELL**—Can you also take on notice what role Polaris played in an active sense in the selection process?

**Mr Shier**—I will.

**Senator GEORGE CAMPBELL**—Can you also take on notice whether or not Polaris received a bonus for the placement of any external candidates into an ABC job?

**Mr Shier**—I will.

**Senator SCHACHT**—Mr Shier, I want to ask about the programs you announced before dinner. The program that you have tentatively called *Agenda* came up in response to questions from Senator Ferris and Senator Calvert. I think they used the phrase, ‘overcoming the bias of Phillip Adams.’ I think he has been demonised to the level that he must be able to ask for a several times increase in his contract because he must be having an influence on listeners.

**Mr Shier**—He has been seriously promoted.

**Senator SCHACHT**—Yes, it is extraordinary. The fact is, I think, that all my surveys in the Labor Party used to show that, despite all this left wing bias, unfortunately there is still a majority of ABC viewers and listeners who vote Liberal—so I do not know what they are going on about. Nevertheless, I want to get this quite clear: is the *Agenda* program being put forward as a way to balance either Mr Adams, who is not on television, or some other program that has a left wing bias?

**Mr Shier**—No. I am concerned that wherever possible the ABC should demonstrate a range of views in any program that it makes. The mission of this program is to discuss the events of the week and to interview people on a Sunday morning, and I would look to the director of news and current affairs to make sure that there is a range of opinion on that program. I think it is important that there be a demonstrable range of opinion. It should be conspicuous to viewers that there is a range of opinion and a range of views.

**Senator SCHACHT**—So what you are saying is that the range of usual suspects who get lined up for the *7.30 Report* or *Lateline* will be broader than the list that someone complains about. That means that the endless interviews with the Treasurer on the *7.30 Report* or

*Lateline*, or other senior spokesmen of the coalition, will now be balanced by a broader range of spokespeople?

**Mr Shier**—Just so we are clear, Senator, I am talking about the people who will present the program. I understand the intention is that there will be three: it certainly was when I saw the format. It is the range of opinion of those three people that ought to reflect itself in the program. Obviously those people who are interviewed should also provide a range.

**Senator SCHACHT**—Does that mean that of the three people there will be one from the Right, one from the Centre and one from the Left of Australian politics?

**Senator Alston**—That is childish.

**Mr Shier**—I do not think they will be standing there with signs on them, and I do not like to indicate how we regard people. But what I have said to the director of news and current affairs is that most viewers should be comfortable that there is a range of opinion being expressed.

**Senator SCHACHT**—It has been said here previously that the present director of the federal Liberal Party is probably the most consistent complainer and sends endless letters to you or to the ABC complaining about the content of various programs.

**Mr Shier**—I think it is the federal director, actually.

**Senator SCHACHT**—Yes, the federal director of the Liberal Party, whose name escapes me at the moment.

**CHAIR**—Lynton Crosby.

**Senator SCHACHT**—Just because you write more letters than anybody else, that does not indicate giving automatic weight to the bias allegation, does it?

**Mr Shier**—No. I would suggest that the volume of letters has been much commented on, but I would not attribute a lot to suggesting that there is a large volume from that individual. But I think it is very important that the ABC provide a range of opinions, a range of views, and is seen to be doing so.

**Senator SCHACHT**—I think you are going to get on a treadmill here whereby in the end you might say there is a broad range of views in the community, but there will always be someone in the community—for example, Pauline Hanson, who got 10 per cent of the vote at the last election—who will believe and complain bitterly that mainstream media, not only the ABC, will not give due weight to her view and that of her supporters. Does that mean, in the end, that you are going to have to keep subdividing and looking at interviewers who are known to have had some sympathy with every view that is expressed in the electorate of Australia?

**Mr Shier**—I think there have to be professional judgments made as to whether at the end of the day the ABC does allow that range of views. I think that is a very important thing to be done.

**Senator SCHACHT**—I would have thought it would be more interesting to have a professional interviewer who can be judged on interviewing a broad range of people, including Pauline Hanson, and anybody else from the Left, the Right or the Centre.

**Mr Shier**—I only hope that all three people who are finally selected will actually be quality interviewers and people will identify them.

**Senator SCHACHT**—Not ‘hope’. If they are not, I think you are moving outside the charter of the ABC.

**Mr Shier**—I am being modest by saying ‘hope’. I would clearly insist on it.

**Senator SCHACHT**—Correct me if I am wrong, but I don’t see anything in the charter that talks about employing people in the ABC on the basis of any predetermined view that they may have.

**Mr Shier**—No.

**Senator SCHACHT**—How do you then go and employ people to provide a so-called balance if the only criteria is their known professionalism and being able to perform as an interviewer, a presenter or a journalist?

**Mr Shier**—You are assuming that each of these three people will be attributed as having a particular view. I am not saying that. What I am saying is that, if views are well known, it would be desirable that there be a reflection of more than one view on a particular program.

**Senator SCHACHT**—Do you have any of your other interviewers on television or radio, other than Phillip Adams, who is a contract—

**Senator Alston**—I take it you would be relaxed if the ABC chose to employ four people, all of whom had previously been press secretaries with a Liberal prime minister. As long as the ABC was satisfied that they were highly professional, you would say that is all that counts, would you? Is that your view?

**Senator SCHACHT**—Going back to the Menzies period, that is what basically used to happen.

**Senator Alston**—And you were quite happy with that view?

**Senator SCHACHT**—No.

**Senator Alston**—You were not happy, and you would not be happy now.

**Senator SCHACHT**—What I was not happy with at the time was that there was a very narrow choice, but that is what I am coming to. Does Mr Shier believe—

**Senator Alston**—But I am asking you if the only thing you say is important is professionalism.

**Senator SCHACHT**—The professionalism comes from their training to be a journalist, an interviewer or presenter.

**Senator Alston**—All right. Let us say you have four highly professional people who all work for a Liberal prime minister. Is that good enough for you?

**Senator SCHACHT**—If they did the job of interviewing that showed that not that I said it, or you said it—

**Senator Alston**—You would be quite comfortable.

**Senator SCHACHT**—but people who are not partisan in their policy and that they were able to competently handle an interview with a range of people—

**Senator Alston**—You would be screaming from the rooftops, and you know it.

**Senator SCHACHT**—I was asking Mr Shier; not you, Minister.

**Senator Alston**—I was trying to show how silly your argument was.

**Senator SCHACHT**—Mr Shier, when applications are called for, will the interviewing process give any indication that somebody is to have a particular view of what they represent in the Australian community?

**Mr Shier**—I think you are well aware that it will not be a case of calling for applications. The director of news and current affairs, as director, will make a recommendation as to who should present that program. In many cases these people may be expressing views. It is not simply a case of being an interviewer and eliciting the comments of the people on the program. In some cases they may be expressing views. I go back to the point that it is important that the people of Australia feel that they are a cross-section representative—not a precise mathematical calculation—but that the feeling is that there is a range of views being expressed.

**Senator SCHACHT**—The range of views should come from the people being interviewed. I have to say that, if you start saying that the interviewer is going to have the range of views, I think you are on a treadmill that is going to lead you, sooner or later, irrespective of which government is in office, to a difficulty that means you either amend the charter or you don't. Anyway, you have explained more detail, and I appreciate that. The other thing is about the *Australia Talks* program. I will give you a chance to further explain because you suggested that on a panel there may be a Labor person, a Liberal person, a National Party person or a Democrat or whatever as part of that panel. Is that correct?

**Mr Shier**—And a person disconnected from politics completely.

**Senator SCHACHT**—Chairing it?

**Mr Shier**—No, there would be a fourth person.

**Senator SCHACHT**—Who chooses the so-called representative or spokesperson for the Labor Party, the Liberal Party, the Democrats or whatever? I have to say that I think, if you were going to put on a program at Wagga about the sheep industry, the Labor Party would say, 'Our best expert on this is so and so, and that is the person we should put', rather than you saying, 'We think it is Fred Smith from Cairns.' I think the Liberal Party would have the same view. I presume that is how the process would work.

**Mr Shier**—No. The people would be recommended by the producer of the program, and I would want to be satisfied that there was balance being demonstrated—and I will no doubt get much correspondence if it isn't.

**Senator FAULKNER**—I think Senator Schacht is asking for the job.

**Senator SCHACHT**—No, I am not asking for the job. The last thing I would need to be to do is wandering around in this particular role. What I am asking—

**Senator Alston**—It might be the only job offering in the middle of next year.

**Senator FAULKNER**—He would be very good at it.

**Senator SCHACHT**—Mr Shier, I am trying to be clear about the process. If there are people who are somehow introduced as being representative of a Labor Party view, a Liberal Party view, in a formal sense of politics, you could probably choose a very dumb Liberal person to make a mess of themselves on the program if you were malevolently inclined to do that.

**Mr Shier**—With respect, we are making these judgments every day. People can comment on whether they are made satisfactorily or not, but these judgments are made every day



whenever we ask someone to comment. For example, if we were in Townsville, the producer would have to make a judgment as to which people would provide an interesting range of views and opinions from that region—

**Senator SCHACHT**—From that region, on a regional issue?

**Mr Shier**—No. You might, for example, get the Premier of Queensland on the program. There are a range of options.

**Senator SCHACHT**—This is going to evolve: I understand that. You mentioned that it would probably be in front of an audience, and you went to a New England town meeting. Again, we all know the old trick in politics. Senator Alston and others have been involved in this, as have all sides of politics.

**CHAIR**—Such as yourself.

**Senator SCHACHT**—If you stack the audience the right way you will get an atmosphere that automatically predisposes how the program comes across.

**Mr Shier**—Can I simply say that we have addressed that issue and I would rather just keep that as one of the little things about the program we would like to keep to ourselves.

**Senator SCHACHT**—Okay. The existing programs of *Lateline*, *7.30 Report*—they will continue to be funded as they are now?

**Mr Shier**—I have not had any suggestion by the director of news and current affairs that he wants to change that.

**Senator SCHACHT**—Apart from Mr Crosby, maybe, and some other well-known partisan people in politics, are you flooded with letters complaining that the presenters and interviewers on the *7.30 Report* and *Lateline* are demonstrating bias—in favour of any side of politics?

**Mr Shier**—We are not flooded, but we take every objection or every comment and we respond to it.

**Senator SCHACHT**—Over the last six months, have you been running at 100 a week, 100 a month, 10 a week, five a week?

**Mr Shier**—I would like to get the precise figures. As I understand it, the figure for complaints about bias is around about three per cent. I might have a more accurate figure here. In relation to political bias, it is around one per cent. Of course, there are—

**Senator SCHACHT**—One per cent of?

**Mr Shier**—Of complaints that we received during a one-month period—in April-May, as an example.

**Senator SCHACHT**—Congratulations, Mr Shier, on having an organisation that is already running with only a one per cent rate. Statistically, that is not even registering on the radar screen.

**Mr Shier**—No, and we are pleased with it.

**Senator SCHACHT**—Yes. This obsession that some people have, that poor old Phillip Adams or somebody is actually twisting the ABC to be into a particular political viewpoint, is obviously not what the listeners and viewers are saying.

**Mr Shier**—Can I answer on exactly what we are not trying to do? We are not trying to have a political viewpoint. We are trying to make sure that all Australians feel the ABC is—

**Senator SCHACHT**—They obviously do already.

**Mr Shier**—Those who write to us, on the whole, do not write about that issue.

**Senator SCHACHT**—You could round up three fruit loops in the local park to get more letters in than that. I just want to ask one other question. The appointment of Ms Levy—she was already an employee of the ABC when she got that position. Refresh my memory: what was her previous appointment?

**Mr Shier**—Director of development.

**Senator SCHACHT**—When she got that appointment, she had been through all those intricate processes of interview, psychological testing, whatever?

**Mr Shier**—Yes.

**Senator SCHACHT**—So you did not think it necessary that she would have to resubmit for any of those to go to this new job?

**Mr Shier**—No. I have always been interested in Sandra Levy joining the ABC. I approached her when I first came to the ABC, and she was not available. Subsequently, I was able to attract her to come in to be director of development. When the situation arose where director of television was vacant, for me it was a very easy decision to approach her and ask her to move across to do that. I also see the added benefit that she understands entirely what is required of the development division because she had been doing the job for four months. She would understand the sort of brief that a director of development wants from a director of television in relation to what content they should be producing.

**Senator SCHACHT**—This is the last question I will ask about the departure of Ms Jarvis. It has been suggested in the gossip around—and I put it no higher than this but I want to give you an opportunity to put your point of view—that, when you hold meetings of the executive officials of the ABC, to say the least you are a little bit more than robust in the language you use from time to time and that for some executive staff, including maybe Ms Jarvis, in the end it became an intolerable atmosphere. Do you want to make any comment about that? Is that one of the reasons she may have left?

**Mr Shier**—There is much I could say, but simply to say that those who know Ms Jarvis will know that she is not a delicate flower, to start with. I am sure she can handle most situations. Secondly, I would obviously distance myself from the suggestion that in any way, other than the difficult task we have in front of us as the national broadcaster and the fact that we are in a highly competitive environment, the behaviour in any of those rooms is inconsistent with what you would expect in the circumstances.

**Senator SCHACHT**—I just wanted to give you that opportunity. That is all I have. Thank you.

**Senator FAULKNER**—Just following on from that area, could I ask one question in relation to the Sunday morning current affairs program, Mr Shier, tentatively called *Agenda*. One of the assessments I suppose you make in relation to such a program would be whether there is a real market for it. In other words, is it saturation coverage there with, obviously, the three commercial networks all having a Sunday morning current affairs program—*Sunday Sunrise*, *Sunday*, *Meet the Press*. I just wonder to what extent the ABC looked at that issue and thought carefully, or market tested if you like, the opportunities for the ABC to do the same thing.

**Mr Shier**—Let me tell you, Senator, that there has been much encouragement for us not to do it.

**Senator FAULKNER**—I was not aware of that.

**Senator SCHACHT**—From whom?

**Mr Shier**—Put it this way, people are suggesting that to go up against Channel 9's *Sunday* on Sunday morning is a tall order, but the ABC should be able to do that, and must do that, in my judgment. I think we will do this show better than others, and I think we will do it differently. I think at the moment we effectively hand away the Monday morning news and the Sunday night news to Channel 9. I think that the ABC should be dominant in the agenda in news right through the week, and it concerns me that Channel 9 has an opportunity to influence significantly the Sunday night news and the Monday morning news by having the only—shall I say not the only—but the gritty program on—

**Senator FAULKNER**—But it is not the only one, though, is it? That is really the point of my question. There are actually three current affairs programs.

**Senator Alston**—And you decline to go on any of them.

**Senator FAULKNER**—I go on as often as I think it is justified.

**Senator Alston**—I am told you have not been on any of those programs in the last five years.

**Senator FAULKNER**—If you look at the *Sunday* program the week after next, I will be there. So, there you are. I make a rare appearance but—

**Senator Alston**—This will be a first.

**Senator FAULKNER**—I keep a high standard. I actually prefer to go to the football on Sunday morning, but I am unusual in that regard.

**Senator Alston**—Well, after five or six years it is probably about time you had a run.

**Senator FAULKNER**—Exactly.

**Senator SCHACHT**—We have seen quite a few of your performances, Minister, and votes for the government go down as a result.

**Senator FAULKNER**—I go off to the footie on a Sunday morning and watch the kids play football. Call me unusual, but that is the way it is. So be it: we all have our little quirks, don't we. But I am making an exception in a couple of weeks.

**Senator Alston**—Most of us go on a Saturday.

**Senator FAULKNER**—Be that as it may, which I am sure does not interest you, Mr Shier, there are in fact three commercial programs—

**Mr Shier**—If I can assume what you are trying to address here—the whole program and the whole morning is not that style of program. As I have indicated, 1½ hours of the program will be art programming. We will be offering a range of programming and complementary programming across the entire network schedules on Sunday morning but we will, amongst our offering on a Sunday morning, have a half-hour program—

**Senator FAULKNER**—I am probably the only living Australian who thinks it is saturation coverage on a Sunday morning. I do not watch much of it, I have to say.

**Mr Shier**—I hope we will convert you, Senator.

**Senator FAULKNER**—I am just asking whether there is room for another one. I am asking whether you have made those sorts of assessments. You say you have and you believe there is an opportunity for the ABC.

**Mr Shier**—I think the ABC should do it. I think there is an opportunity. We have given a lot of thought to your football habits and how we schedule it.

**Senator FAULKNER**—I am sorry—and do not take it personally—but football will remain my priority. I do not say that I am typical.

**Mr Shier**—What I am saying is that it might be earlier and, therefore, there is an opportunity for you—

**Senator SCHACHT**—We would then expect to see that program, whereas at the moment you have to rely on taking grabs off the commercial stations that become news stories during the day as a result of that interview being replayed on the ABC news—with the courtesy of channels 7, 9 or 10.

**Mr Shier**—We would like to correct that, Senator.

**Senator SCHACHT**—You would like to correct that and say, ‘Courtesy of the ABC *Agenda* program’.

**Mr Shier**—I just think that we would like to own part of that turf.

**Senator FAULKNER**—What about business? At least two of the commercial networks have a business show also. As you gave this consideration, was there any thought about that balance too, current affairs versus—

**Mr Shier**—You will remember that in our recent submission for extra funding one of the categories we were looking for it was business programming.

**Senator FAULKNER**—I do recall that that has been canvassed. I wondered whether that was significant in terms of this decision that you have made.

**Mr Shier**—It would be yet a further show. As it would probably have to be an evening show during the week, there is a lot of demand for that part of the schedule. That is a judgment call that has to be made.

**Senator SCHACHT**—You are interested in getting balance, like a business show, representing capital. I presume that consideration will be given to a show representing labour, in the industrial sense—trade unions, et cetera. We might ask who would watch it, but this is the process where the ABC is going. A peculiar interest that I have—unlike Senator Faulkner, who goes to football on Sunday morning—is a program that you have late on Sunday morning, a religious program. Just under 30 per cent of Australians, according to the census, put ‘no religion’ in answer to one of the questions. When will we get a chance to have a program representing our views in the Australian community in view of this necessity to balance every view and make sure that there is no bias against anybody?

**Mr Shier**—I think it is fair to say that a number of the shows that we have mentioned would give anyone who had that range of opinions an opportunity to express them. In relation to the business program, to categorise it—to say the least—as capital and labour is somewhat anachronistic. The issue is—

**Senator CALVERT**—As you are talking about balance, I suggest you have a look at the reporting of what happened here earlier today on the news tonight.

**Senator FAULKNER**—What do you mean by that?

**Senator CALVERT**—There was not one government senator shown. You have a look at it and make up your mind about balance and bias.

**Senator SCHACHT**—Are you accusing the ABC of—

**Senator Alston**—There was a very nice vignette of pure thuggery from Senator Faulkner which I think will turn the viewers off in droves. It was a very valuable contribution. It made my blood boil and I am sure it will make others' blood boil as well. It is a pity they did not show the part where Senator Faulkner actually threatened Senator Eggleston after we adjourned. That would have been good viewing but, unfortunately, the cameras were not here.

**Senator FAULKNER**—Is there anything else you would like to add before we move back to the issues being discussed? With respect, as I understand it, the attempt to close down this committee and the questioning of this committee was not successful. I am pleased about this, and I want to take this opportunity to publicly acknowledge that even the government senators, at the end of the day, would not go along with Senator Alston in his attempt to close down the committee. If I were you, Senator Alston, I would try and claw back into the ring, too. Having said that, in relation to the Sunday morning arts program and the Sunday morning current affairs program, *Agenda*, you have not indicated that there has been a budget approval of those two programs, Mr Shier. That is helpful to understand. I do think I understand the status of the prospective right of reply programming. Is that a fair way of describing it?

**Mr Shier**—Yes.

**Senator FAULKNER**—Let me just clear one thing up, if I can, in relation to the *Australia Talks Back* program that you have made an announcement about. This is in a town hall type format for four panel members plus a chair. What is the status of that one?

**Mr Shier**—In budget terms?

**Senator FAULKNER**—Yes.

**Mr Shier**—Approved.

**Senator FAULKNER**—So it has in fact the same status as the Sunday AM arts program?

**Mr Shier**—*Sunday Morning* and *Australia Talks Back* have been signed off.

**Senator FAULKNER**—All three?

**Mr Shier**—Yes.

**Senator MARK BISHOP**—Whilst we are on programming, when will the ABC news in Canberra be starting?

**Mr Shier**—I would love to say that we are definitely there. I want to be there. We are viewing it in the context of the entire budget for next year, which we are looking at now. Our budget is tight, but it is absolutely one of our top priorities. I would be very disappointed if we could not do it, but I cannot now say we are going to do it, because we have not yet signed off the—

**Senator MARK BISHOP**—So it is still under review, is it?

**Mr Shier**—Yes.

**Senator MARK BISHOP**—So you have not gone down the path yet of deciding who would be host?

**Mr Shier**—No, we would not get to that point until, quite frankly, we have decided whether we are going to do the show.

**Senator MARK BISHOP**—If you do sign off on it, when would you think it would be starting?

**Mr Shier**—The wish is to start in September.

**Senator MARK BISHOP**—When do you think you will have made a decision?

**Mr Shier**—I would be disappointed if I were not there in 10 days.

**Mr Balding**—At the latest, the board meeting of 27 June, at which the budget will be presented to the board.

**Mr Shier**—We can lay down the budget we are presenting in about 10 days, and hopefully that will be acceptable to the board.

**Senator FAULKNER**—Can I go back very briefly to an issue I was canvassing before the break: the question of ABC TV ratings. Could I be clear as to the extent of the effect that you think two programs on commercial television have had—*Big Brother*, which has been canvassed previously, and *The Weakest Link*, and I could not even remember its name before.

**Mr Shier**—It was probably *Survivor* on the other channel. *Survivor* had a greater effect.

**Senator FAULKNER**—That is what I wanted to ask. Explain to me, in terms of the audience profile of the ABC, how you felt those programs—*Survivor* and *Big Brother*—affected the ABC audience share and hence the ratings.

**Mr Shier**—The *Big Brother* program we know has been highly successful overseas. We knew immediately that it occurred that one of the commercial broadcasters would buy it, and we knew it would do us an injury in ratings terms. Of course, we never considered that it was a program appropriate for us. We knew it was a train coming to hit us. It is fair to say that it both gets big numbers and skews young in terms of its profile. It is an excellent scheduling decision by a clearly commercial broadcaster in Channel 10, but it is not where we would go.

**Senator FAULKNER**—You make the point—and I understand this—that a program like *Big Brother* would not be broadcast on ABC?

**Mr Shier**—Absolutely.

**Senator FAULKNER**—But it does, nevertheless, have—I am interested in that concept, which I think I understand and accept—a consequence in relation to *Big Brother*'s ratings. You would not consider screening it, but does it have a significant effect on ABC audience share?

**Mr Shier**—It does, yes.

**Senator FAULKNER**—I am interested in understanding that.

**Mr Shier**—I could send you something which will show you. It is not just *Big Brother*. It affects the night because, if the show attracts people to the Ten Network, it improves their overall performance on the evening. One of the problems for the ABC at the moment is our performance between 6 o'clock and 7 o'clock, which means that, in many cases, we do not get an audience prior to the news at seven. If we could correct that with a program, we would be able to improve the audience we deliver to the news.

**Senator FAULKNER**—But those programs do have an attraction to a certain part of the ABC audience or part of your audience profile.

**Mr Shier**—Yes, they do.

**Senator FAULKNER**—Have you done any research yourselves—this is ABC generated research; I understand about the Nielsen research and the OzTAM research and the like—into trying to nail down a little bit more detail about the reasons why certain demographics have slipped away, why there is the decline in the ratings that we have talked about?

**Mr Shier**—It is fair to say that not enough has been done, and that is why we are wishing Gareth Morgan to join us. In terms of our rating performance, you do not need to get into subgroups. The fact is that the actual level of viewing has gone down, which affects all groups. So it is not as though, suddenly, all the young people have gone off to *Big Brother*. We have simply lost a range of people to the commercial networks.

**Senator FAULKNER**—I guess that is what I am asking: do you know where they have switched to?

**Mr Shier**—I do not know whether Michael could be more precise, but the answer is that I do not think our research is robust enough.

**Mr Ward**—That is correct. We do not have a precise answer.

**Senator FAULKNER**—The 16 to 39 profile is attracted to a show like *Big Brother*, which Mr Shier and I have been talking about here. Can you say that that is a consequential proportion of the ABC audience in that profile that has switched? Is there a correlation? Can it be empirically measured?

**Mr Shier**—It has two effects. We are probably seeing the most competitive television environment this year that has ever existed in Australia. You will have seen the speculation about whether the head of Channel 9, by bringing the OzTAM rating into existence, had jeopardised his own position. Channel 9 are very focused on performing well. Channel 7 performed well during the Olympics. They led the rating for a while and then they started to lose the ratings. I do not need to tell you that the pressure at Channel 7 has been very much on the case of, ‘How do we get back in front again, having been in front for a while?’ Channel 10 have made a huge investment in the likes of *Big Brother*, so they have had a real need to demonstrate that. So it is not just the *Big Brother* effect; it is the fact that the *Big Brother* effect affects Channel 7 and Channel 9, who have to counter that as well. All three commercial stations are absolutely committed to stealing whatever they can from the ABC at the moment.

**Senator FAULKNER**—The Gareth Morgan that you speak of is from the United Kingdom?

**Mr Shier**—He is a researcher, yes.

**Senator FAULKNER**—From the United Kingdom?

**Mr Shier**—Yes.

**Senator FAULKNER**—Does he have a formal consultancy with the ABC?

**Mr Shier**—Yes, he has.

**Senator FAULKNER**—Could you tell us the amount of that consultancy?

**Mr Shier**—I would want to check it.

**Senator FAULKNER**—Could you take that on notice?

**Mr Shier**—Yes.

**Senator FAULKNER**—Do you have anyone else in this audience research area?

**Mr Shier**—I think we have a staff of nine, but I would have to check.

**Senator FAULKNER**—I appreciate that.

**Mr Shier**—You mean at a very senior level?

**Senator FAULKNER**—No. I meant outside consultants working in that area.

**Mr Shier**—No, we have not. We approached Gareth Morgan because they are short in Australia. If they existed in Australia, OzTAM would have employed them.

**Senator FAULKNER**—What about the impact of some of the program changes on ratings that have received a lot of publicity—programs like *Sea Change*, *Grass Roots*, *Love is a Four Letter Word* and *Head Start*?

**Mr Shier**—They are performed differently, but I hear what you are saying about them.

**Senator FAULKNER**—I do not pretend to be an expert on how they are performed. As you probably appreciate, I am not. I am asking questions. I do not actually have the answers to them. I wonder what the impact of the ending of shows like that has had on this ratings decline?

**Mr Shier**—Without doubt *Sea Change* was a phenomenon for the ABC and the absence of *Sea Change* clearly would have an effect on the schedule. It is not just the viewing to the individual show; it is how it affects the entire evening because people come into the program and then they may watch the following program. *Sea Change* is a hit and it is the type of program that any broadcasting executive wants to come up with. They are hard to produce. I am of the view that Sandra Levy is the type of person who can produce them.

**Senator FAULKNER**—I read in the newspaper that those shows were produced under Sue Masters's watch. Is that correct?

**Mr Shier**—They were indeed.

**Senator FAULKNER**—When did she leave the ABC?

**Mr Shier**—I would have thought it was about mid-year of last year.

**Senator FAULKNER**—Is it fair to say that you have had quite a few people, as I understand it, filling that role and more than one individual trying to step into the shoes of Sue Masters?

**Mr Shier**—I think it would be fair to say that one person has not been able to take unto themselves that responsibility, yes.

**Senator FAULKNER**—You have had a range of people there. You have had Gail Jarvis.

**Mr Shier**—Yes.

**Senator FAULKNER**—Mr Virgo.

**Mr Shier**—Yes, and Guy Dunstan.

**Senator FAULKNER**—Ms Hardy.

**Mr Shier**—They are different in the sense that Virgo and Hardy were appointed to work specifically in the drama department and the other two were directors.

**Senator SCHACHT**—Mr McGowan too?

**Mr Shier**—No. He was a scheduler and he went in about April last year.



**Senator FAULKNER**—Is it true to say that Ms Masters was on a significantly lower salary rate to all those other names that I mentioned?

**Mr Shier**—I think it is fair to say that she had a very significant increase when she went to Channel 10.

**Senator FAULKNER**—What was her salary? It was around the \$90,000 a year mark. I have read that somewhere.

**Mr Shier**—I do not know off the top of my head, but I know it was well below that salary which she moved to Channel 10 for.

**Senator FAULKNER**—Were you responsible for the appointment of Gail Jarvis?

**Mr Shier**—I was.

**Senator FAULKNER**—She was on what—a quarter of a million dollars a year?

**Mr Shier**—Less than that, but near that figure.

**Senator FAULKNER**—Mr Virgo—he was on a quarter of a million dollars a year?

**Mr Shier**—Nothing like that, Senator.

**Senator FAULKNER**—What was he on?

**Mr Shier**—I would have to check, but it would be well below that.

**Senator FAULKNER**—There has been public speculation that he was on well in excess of \$200,000 a year.

**Mr Shier**—I would be very surprised. I would think not because he was a head of drama, not a director.

**Senator FAULKNER**—I am surprised to hear that. Ms Hardy—\$150,000 a year?

**Mr Shier**—I would have thought also below that.

**Senator FAULKNER**—Mr Dunstan?

**Mr Shier**—He would have been on a similar salary to Gail Jarvis.

**Senator FAULKNER**—In his case, I thought in excess of a quarter of a million dollars a year. We are talking about big money here. I thought it was well over \$800,000, but I hear what you say and you are probably saying it is around three-quarters of a million.

**Mr Shier**—I think we all recognise these are very big jobs. David Leckie of Channel 9 is on \$1.3 million basic, I think.

**Senator FAULKNER**—I understand that, but these people—the whole lot of them—have not been able to step into the shoes of someone who was earning \$90,000 a year. That is the point here.

**Mr Shier**—No. First of all, I think she was on a larger salary than that. Of course we would have liked to have kept Sue Masters, but it is not just for a creative—

**Senator SCHACHT**—You wanted to keep Sue Masters?

**Mr Shier**—I wanted to keep Sue Masters, yes. But for a person who is creative like that, not only are they concerned about their own salary—which is a key issue, of course—but they are more concerned about the amount of money that is available for them to produce quality drama.

**Senator SCHACHT**—But if you had offered her \$250,000 she probably would have stayed. For \$200,000 she probably would have stayed.

**Mr Shier**—I think that is unfair on Sue. It isn't just a money issue. To attract her, if she had been outside the corporation, we might have had to pay that sort of money. But the bigger issue for her was being tempted by Channel 10 to have access to a significant amount of extra new drama money. That clearly was attractive to her.

**Senator FAULKNER**—Don't get me wrong. I think she was absolutely outstanding, and good luck to Channel 10. They have an outstanding person.

**Mr Shier**—I would argue—

**Senator FAULKNER**—The point is—I agree with you—that she was on an absolutely moderate salary. There are all these other people on whopping great salaries in comparison. Frankly, at least three or four of them are doing the same job.

**Mr Shier**—Senator, just be clear that the salary that she was on was the salary that she was earning when I joined the corporation. Relatively soon after that she had an attractive offer elsewhere. It may well have been that if she had not moved on we would have tried to address her salary, but I think that is not the reason she moved.

**Senator FAULKNER**—We have some real problems with the new team in drama, it seems to me. You told us a bit earlier today that the budget for *Changi* has blown out from \$4 million to \$5 million, and that is a very substantial increase.

**Mr Shier**—I did not put a figure—

**Senator FAULKNER**—No, but—

**Senator Alston**—I said that, and I thought you agreed.

**Senator FAULKNER**—I thought Mr Shier did agree.

**Mr Shier**—No, the budget is more than it was budgeted to come in at, and it is actually more than \$5 million.

**Senator FAULKNER**—It is more than \$5 million.

**Mr Shier**—It is a matter of concern.

**Senator FAULKNER**—What is it?

**Mr Shier**—I would have to establish what it will be.

**Senator FAULKNER**—In other words, it is more than a 25 per cent increase?

**Mr Shier**—I think it is probably fair to say that it is.

**Senator FAULKNER**—It must be.

**Mr Shier**—Yes, it is.

**Senator FAULKNER**—What about this *Kath and Kim* show? That has just got buried in a whole lot of legal action over disagreements about residuals, hasn't it?

**Mr Shier**—I would be concerned about that as well.

**Senator FAULKNER**—Can you give us the status report on that and where the hell it is up to?

**Mr Shier**—As of last week, people were still working on it. I think it is fair to say that the program was allowed to be developed when still a number of aspects of the show had to be

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finalised. There should have been a situation where, quite frankly, until those issues were finalised, the show did not continue to be worked on. Michael, you might like to elaborate?

**Mr Ward**—The only thing I can add to that is that negotiations have been ongoing, and I was of the understanding that a meeting was to be held yesterday. Initially, Gail Jarvis was to have that meeting. At this stage, I do not know if that meeting was held or not.

**Senator MARK BISHOP**—Has that been cancelled?

**Mr Ward**—No, it certainly has not been cancelled. We are still negotiating, but as of yesterday—

**Senator MARK BISHOP**—What are you negotiating about?

**Mr Ward**—I have not been involved in the details of the negotiation.

**Senator MARK BISHOP**—Who has?

**Mr Ward**—Ms Jarvis was conducting those negotiations.

**Senator SCHACHT**—There are no more negotiations until Ms Levy gets up to speed in the new job?

**Mr Ward**—I cannot answer that. As I say, I was aware that a meeting was to be held yesterday. I cannot say whether or not that meeting was held. We would not be treating those negotiations as having been cut.

**Senator MARK BISHOP**—What do you mean by ‘having been cut’?

**Mr Ward**—I am sorry, I was responding to Senator Schacht’s question.

**Senator SCHACHT**—They have come to an end until Ms Levy takes it over some time in the near future.

**Mr Ward**—I would have to find the status as of yesterday.

**Senator FAULKNER**—But *Kath and Kim* is a seven-part comedy series, I think. Is that right?

**Mr Ward**—Offhand, I cannot recall the number of episodes. I can actually look.

**Senator FAULKNER**—Sometimes I think I know more about the ABC than you guys.

**Senator SCHACHT**—Can I ask, as shadow minister for veterans’ affairs, is *Changi* about the prisoner of war experience of our soldiers in Changi in World War II?

**Mr Shier**—Let us put it this way: I think that those who had that experience will appreciate the program. In fact, one thing I would like to do is make sure that they have an opportunity to see it. My father was a prisoner of war, and I would think that it would be the same—

**Senator SCHACHT**—I am not giving any comment in one sense about the content of the program. I just hope that you are able to handle, on a television production where you have got actors who are still reasonably well fed and looked after, the extraordinary privations that the prisoners suffered.

**Mr Shier**—It is a sensitive issue.

**Senator SCHACHT**—I just raised it as a—

**Mr Shier**—I hear what you are saying.

**Senator SCHACHT**—Good luck.

**Senator FAULKNER**—Slim De Grey is an ex-POW himself and I think I have seen him in the last 48 hours talking about the program. It looks to be very exciting indeed; I think it looks tremendous.

**Mr Shier**—The feedback I get from the people who are working on it is that it might be one of the great pieces of this decade. Let us certainly hope so.

**Senator FAULKNER**—Yes, I think we all do. The issue I raise with you does not concern any of those sorts of issues at all, because it does sound as if it is going to be a tremendous program. But of course there is a real issue here in relation to the budget blow-out. That is the issue I raise, but that does not go to its value or worth in terms of a programming decision of the ABC. But was I right, Mr Ward?

**Mr Ward**—Yes.

**Senator FAULKNER**—There you are.

**Senator SCHACHT**—Are you a scriptwriter?

**Senator FAULKNER**—No, I am not.

**Senator SCHACHT**—You are very good at humour.

**Senator FAULKNER**—Frankly, some of the subjects I work with lend themselves to that. Take that as you see fit, Senator Schacht. That will keep him quiet for a minute or two.

**Senator SCHACHT**—I will have to work that one out.

**Senator FAULKNER**—No, it is not that hard. Gina Riley, who is pretty famous for her work on *The Games* is pretty involved, I think, as a director or a producer on the show, isn't she, Mr Ward?

**Mr Ward**—The ABC is in fact the producer. Gina Riley and Jane Turner are the writers. The program was initially submitted to us in last year's contestable round.

**Senator FAULKNER**—What I wonder about with this show—in a sense, it is a similar issue to the one I raised with *Changi*—is what the costs are in relation to the pending legal action. Has the ABC already borne costs in relation to legal advice and legal action? If so, what sorts of costs are we talking about? Is this yet another strain on the budget?

**Mr Shier**—It has not come to me in a litigation form, because it has not reached that stage yet. Michael, are you familiar with the legal costs?

**Mr Ward**—I do not believe there are any legal costs at this stage. Obviously, we want to make this program—we want to broadcast it—and we are seeking to negotiate through any difficulties that exist.

**Senator FAULKNER**—But you must have done a bit of risk assessment with this one?

**Mr Ward**—In what terms?

**Senator FAULKNER**—There is the pending litigation, and certainly there are significant legal problems that have stymied the whole thing. Isn't that right?

**Mr Ward**—I have to keep apologising—I am sorry, but I do not work in this area and I have had to step in. I apologise that I do not know the details of that. But it is my understanding that, as I say, we are not anticipating that we would be in litigation, because we wish to make the program.

**Senator FAULKNER**—I accept, of course, that if you do not work in that area I cannot make an unreasonable demand of you to answer my question. But I could perhaps ask Mr Shier in this circumstance if he could take the question on notice.

**Mr Shier**—As I understand it, it is a question of creative tension on this, in the sense that the former director of television was unhappy with what was proposed to be delivered and those who are producing the program. That is the point of disagreement. So Senator Schacht is absolutely right: Sandra Levy will have to get over this very quickly and make a judgment in relation to it.

**Senator FAULKNER**—But my question on notice is: has there been a risk assessment and are there any contingency plans in terms of any possible legal costs or have you had to engage in legal work in relation to this particular program? I appreciate that Mr Ward has not got that information at his fingertips, but I thought you might be able to take that on notice.

**Mr Shier**—I will.

**Senator FAULKNER**—Can I ask about the *Littlemore* program. I always add the word ‘program’ after *Littlemore* because it sounds a bit strange if you do not. It is called *Littlemore*, is it not?

**Mr Shier**—Yes, it is.

**Senator FAULKNER**—What is its status?

**Mr Shier**—Its status is that it was a 13-part series that has completed its 13 parts, and there is no decision to have a second 13-part series. There has been no decision to not have one but there is no decision to have one.

**Senator FAULKNER**—Are we through one 13—

**Mr Shier**—We have finished the first 13 and we are now in a new program. There has been no decision to have another 13, but the formal decision not to have another 13 has not been taken.

**Senator FAULKNER**—What is the new program?

**Mr Shier**—*Law Matters* has replaced *Littlemore*. Quite frankly, this will have to be decided in the next couple of days by Sandra Levy and myself.

**Senator FAULKNER**—So the future of the *Littlemore* program is an urgent one?

**Mr Shier**—The future of the *Littlemore* program, yes.

**Senator FAULKNER**—There used to be a media watch unit in the ABC, did there not? Maybe I am not using the right terminology but you know what I mean.

**Mr Shier**—By definition, whenever we make a program there is a group of people who make it, so an ongoing program like *Mediawatch* had a number of people who, if you like, you would call the media watch unit. So, yes, a group of people.

**Senator FAULKNER**—Is that still extant?

**Mr Shier**—No. I stand to be corrected, but I think it is fair to say they are not.

**Mr Ward**—Most of the people who were working on *Mediawatch* moved on to work within the *Littlemore* program and some went to work elsewhere. With the finish of the *Littlemore* series, most of them have now gone to work in other parts of the production schedule.

**Senator FAULKNER**—I just wondered if that unit existed.

**Senator SCHACHT**—Mr Shier, the *Littlemore* program, or, before that, *Mediawatch*, generated an enormous amount of what you might say was controversy at times, even unnecessary conflict, but for a 15-minute program run for a quarter of the year there was probably no other ABC program, other than the national news, that was better known, more talked about, more watched, argued over, abused. In one sense for a national broadcaster it was an outstanding success. For the life of me I cannot see why you would not continue such a successful program, despite the fact that every now and again all of us get a bit of a bruising from it.

**Mr Shier**—I have to be honest, I do not either. My gut feel is that, subject to what Sandra Levy says, there is no reason why we should not have *Mediawatch* again, but that does require Sandra to agree, or to find a presenter that she thinks appropriate. It does require us to get that back into production.

**Senator SCHACHT**—You cannot have a bland presenter, you are going to have to have a controversial figure in one form or another.

**Mr Shier**—But you might not, for example, have just one person. I know you will probably say, ‘Here he goes again on range and diversity,’ but it may well be that you have a number of people presenting that program. I think a *Mediawatch* style program that deals with the media on a weekly basis for 15 minutes is, for me, very sensible. Part of the tension, as I am sure you appreciate, is how you reconcile that with, for example, the right of reply program when you look at the schedule and just work out the best place to put these shows. But, personally, I am not at all opposed to having a media watch program—in fact, I am not even opposed to having a program called *Mediawatch*. I just think that we have to finalise that.

**Senator MARK BISHOP**—I want to shift the agenda a bit and talk for a while about the various stages of the management restructuring process that has occurred under your time as the senior officer. In July of last year you announced a restructure of the ABC. Could you briefly explain how the structure was to operate and, in particular, explain who was going to be responsible for making decisions on the commissioning of programs under that structure?

**Mr Shier**—Indeed—and, may I say, I welcome the opportunity, because much has been written which is—

**Senator MARK BISHOP**—Yes. It is just that I think it is time to have that discussion.

**Mr Shier**—The commissioning of programs is the responsibility of the platform provider, if you like, in radio. Sue, on my right, would be the final decider of whether a program does or does not get commissioned. She would no doubt have a commissioning team in place that would do that. But, ultimately, she would decide whether a show is commissioned for radio.

**Senator MARK BISHOP**—That was a decision you made last July?

**Mr Shier**—Absolutely. Lynley Marshall does that job in new media, and Gail Jarvis’s job was to do that in television. So that was absolutely clear. Let us use television as an example, because I think that is the issue you want to address tonight. The view was that the director of television would be in charge of the schedule, would make judgments about the quality of ongoing programs—for example, she would make sure that they were, in her view, up to the mark—and would make any decision in relation to any alteration to that schedule, either by acquisition or by production. Meanwhile there was a development division, whose job was to

conceive programs and to develop programs from the ideas stage to the point where they became a project in a state ready for commissioning.

**Senator MARK BISHOP**—So that was pre-commissioning work?

**Mr Shier**—Basically, taking it from the ideas stage to the stage where it is ready to go into production and it has been accepted as a program that will go in the schedule. At that stage, quite frankly, I think it would be like Tuesday night, 10 o'clock—that decision would have been taken that it had a place in the schedule. In those days we had a number of genres, as you know—20, 21—and we allocated a number of people to those tasks. I think a mistake was made because the then director of content development was of the view that we should put in those jobs a number of our existing production people, because—I do not need to tell you—they were keen to make programs and develop programs. But, of course, it creates a tension because the external independent sector feel that they are not getting a look in, that there is a risk that the ABC people are in charge of that development process. When Guy Dunstan left us and I appointed Sandra Levy, the view was—and this was the only change from the first structure—that the production people should be back into television and that Sandra Levy's people would be people who were involved only in development and not in production and, therefore, if they developed a show to be made internally, they in turn would not be working on it.

**Senator MARK BISHOP**—Would not be working on it?

**Mr Shier**—No. So they would be genuinely interested in getting the best show up, whether it was an external project—

**Senator MARK BISHOP**—So you created a structure that resulted in an artificial division between the ideas and production people, and then with the ideas people in the development division and the production people, did you?

**Mr Shier**—No. I think it is fair to say that the problem was in the execution and the people appointed. We had not had a development division within the corporation, as I think you are aware, and we did not have people who specialised in that area in television—and that was what we were creating. We wanted a group of people—and now we have it, and Sandra has been managing it—who step back and look at ways that the schedule could be refreshed. But what had gone wrong is that Sandra's predecessor had staffed that division with people who wanted to make those programs themselves. Therefore, there was a clear problem externally with the view that they were not objective. In other words, if you were an independent producer, you would say, 'I want to get my science show up, but the person who's making the judgment is actually the internal person at the ABC who wants to make the show in the ABC factory for the ABC.' That produced a problem.

**Senator MARK BISHOP**—What was the problem that it produced?

**Mr Shier**—If I had to put it in one sentence, development did not develop anything. That is ultimately why we parted company.

**Senator MARK BISHOP**—So you had this development division. It became, for whatever reason, isolated or did not achieve its purpose. Were program makers required to take their ideas to Ms Jarvis—or was it to Mr Dunstan in those days?

**Mr Shier**—At that stage, if it were a project ready to be commissioned—in other words, it was very clear what the project was—it could go straight to Gail Jarvis. If on the other hand it were an idea, the idea would go to development. The fact was, of course, that it should not have mattered, because at the most there were only two people involved in that situation.

**Senator MARK BISHOP**—They should have been able to resolve it.

**Mr Shier**—If they related to one another and communicated with one another, then, quite frankly, there should not have been an issue.

**Senator MARK BISHOP**—If the programs were going to be co-productions, were the program makers required to also get involved in negotiations with Ms Watts, the director of content rights?

**Mr Shier**—The situation is, of course, that the director of television decides that they want a program. Let me take you through it sequentially. There is an idea that exists or a program that exists. The director of development may be excited about the idea of that project so the director of development discusses it with the director of television, who says, ‘I think that is attractive. It’s got legs. We would like to deal with it.’ The issue then becomes, of course, how is it funded. Is it entirely our own funding? Is it co-produced? Who are we going to make it with if it has not come from a particular independent producer? That contract then has to be written and those terms agreed, and that is the job of Robyn Watts who sits on my left. The accusation is, of course, that the process has been slowed down.

**Senator MARK BISHOP**—And is cumbersome.

**Mr Shier**—And is cumbersome because of the legal aspect. The reality is the process was slow because people did not take decisions. Let us be absolutely clear: all you need from a director of television is someone who can spot a great program, know how to schedule it, take a decision about it and make sure that it fits into the budget that they have. The hard part, and it is a hard part, is making that judgment. Now everything else is support, whether it be legal support in terms of what that contract should reflect or whether it is creative support in helping—for example, you mentioned *Kath and Kim*—to make sure that there is a mutuality of understanding as to what type of program we are trying to make here and how we are going to make it. At the end of the day people must take decisions. If people do not take decisions programs do not get made, schedules do not get refreshed and we have a problem.

**Senator MARK BISHOP**—So someone has got this ‘you beaut’ idea. It works through the system. It has got to go through the ideas phase. It has got to be funded. The contract has to be written. There might have to be co-production people involved so you have got to involve the director of production resources. So you might have to have, in some exercises, negotiations between up to four director level people.

**Mr Shier**—There could be up to four people because we should be doing a lot of this high speed on email.

**Senator MARK BISHOP**—I am trying to establish what, at worst, could be this process from ideas through to fruition.

**Mr Shier**—The worst process would be—

**Senator MARK BISHOP**—Four people do not strike me as a big deal to get around to sign off on a deal.

**Mr Shier**—I am sorry?

**Senator MARK BISHOP**—Having to get four directors on salaries of a quarter of a million to sign off on a deal does not strike me as being a huge ask.

**Mr Shier**—I would agree with you. That salary is not appropriate in all cases. But I think you are right. What has to happen is that the director of television—I am sorry I do not want

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to hold up the Senate with this—has to say, ‘By Friday night of next week I want to know that we are going to make this show,’ and wheels have to be put into place to make sure that draft contracts are prepared, funding is organised and decisions are taken. If that does not happen, if everybody suggests that some other part of the process is the problem, then ideas do not get put up and do not get produced and independent producers get frustrated, internal producers get frustrated, people who want to get programs up get frustrated, and we get a problem that to some extent, Senator, we may have had.

**Senator MARK BISHOP**—So you have got the director of television, the director of content development, the director of content rights and the director of program production. They are the four senior people. Who was intended to be nominally the most senior of those persons when you created—

**Mr Shier**—It was absolutely clear that it was the director of television. If it was a television program, the director of television’s job is to get the television program on screen.

**Senator MARK BISHOP**—Remind me of that person’s name.

**Mr Shier**—It was Gail Jarvis.

**Senator MARK BISHOP**—So that was Ms Jarvis and that was her job.

**Mr Shier**—Her job is to get programs on screen, and if that involves getting them selected, getting them made, getting them acquired, getting contracts written, that is the job of the director of television.

**Senator MARK BISHOP**—Before I jump to perhaps an easy but erroneous conclusion, does that structure you have outlined lie at the heart of the complaints made by Ms Cox and Mr Andrew Knight, the producers of *Sea Change*, when they said they could not work with the, and I quote, ‘muddled and confused management structure in place at the ABC’?

**Mr Shier**—I cannot be sure exactly which aspect of that they felt was unacceptable. What I would say is two things. It should have been crystal clear. We were talking about a television program to get on air.

**Senator SCHACHT**—Crystal clear to whom?

**Mr Shier**—Put it this way: the responsibility for delivering television programs on our network is the job of the director of television. It is no different from the director of radio. That is the person who, at the end of the day, has to make it happen. Everybody else—legal departments, rights management departments, production departments, all of these people—is there to help that happen, but at the end of the day it is the director of television who makes it happen.

**Senator SCHACHT**—Are you suggesting that the problem was Ms Jarvis or the position she held at the time that led to the difficulties with the *Sea Change* producers?

**Mr Shier**—In the case of the *Sea Change* producers I think there were two things. First of all, they are doing projects with us now. They are doing some interesting work with Sandra Levy. But there was a natural affinity with Sue Masters, which was natural; they had done a number of projects with her. Therefore, when she went to 10, there was an issue there that some of the work which we would have liked to have had went with her. That is clearly the issue: getting project—

**Senator SCHACHT**—Have you got any intellectual property rights or intellectual property protection so that *Sea Change* cannot just turn up on Channel 10?

**Mr Shier**—No. We are talking about *Sea Change* producers. The problem with—

**Senator SCHACHT**—You spend the money; you promote it; it is a wonderful success. If a commercial moves in and makes a bigger offer, for whatever reason, do you have any rights to say, ‘Channel 10, you can’t run *Sea Change* the way we developed it. We have some protection on that’?

**Mr Shier**—Just so that we are clear: first of all, that is the job of the lady on the end of the table, Robyn Watts. That is her job: to make sure our contracts protect us. It is important, for example, that options are refreshed and made sure that we have an option on that which we want. The issue with *Sea Change* was, as Senator Bishop pointed out, that the people who worked on it showed an interest in working with 10. It was not the show itself. The issue was a more fundamental one with *Sea Change*. The writers were—I think not to use the wrong terminology—tired. They had done some wonderful work, and they did not want to produce another *Sea Change*.

**Senator SCHACHT**—What a shame.

**Senator MARK BISHOP**—Senator Schacht might want to pursue that later on—the demise or otherwise of *Sea Change*.

**Senator SCHACHT**—No.

**Senator MARK BISHOP**—I want to come back to that line of questioning on the new management structure you put in place, which as you outlined to me seems to be reasonably simple to comprehend. There is a senior person there and it is her job to drive the work, but it has not worked in respect of that particular program.

**Mr Shier**—It has worked in new media and it has worked in radio.

**Senator MARK BISHOP**—I accept that it has worked in radio and it has worked over there in new media, but it has not worked in TV. The question becomes why it has not worked in TV. Obviously, you have come to the view that in respect of TV it is not capable of being made to work, because you have announced a new management restructure in the last few weeks, haven’t you?

**Mr Shier**—No, I have not.

**Senator MARK BISHOP**—About three weeks ago?

**Mr Shier**—No, three and a half months ago, when Sandra Levy joined, we discussed the fact that the development division was staffed with producers, and both Gail Jarvis and Sandra were of the view that those people should go back to television. That decision was taken then. It took a bit longer to execute it, because we had to negotiate with all of those people.

**Senator MARK BISHOP**—Let me interrupt you, Mr Shier. Perhaps I was not clear. Didn’t you make an announcement about three weeks ago about restaffing of the TV division?

**Mr Shier**—Yes. That was the final execution of the discussion that took place when Sandra joined.

**Senator MARK BISHOP**—Can you put on the record how that new structure is to operate.

**Mr Shier**—Let us leave aside for a moment the discussion of last week. Let us assume Sandra was doing the job she did last week as director of development. The people in the development division are only interested in developing programs and they will have a number

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of project people who will work in various states of Australia to get up projects across Australia. There will be a project leader, for example, in Adelaide, Perth and Brisbane who will be looking at projects in each of those states and looking at both how we might work with the independent sector and what we might produce. None of those people, at the end of the day—they may happen to have been producers—are being recruited as producers. They are being recruited, if you like, as television R&D people to make judgments about programming.

It was the job of Sandra Levy to read the scripts that came to us, to read the contestables that came to us, to listen to the project advisers in terms of what opportunities there were out there, and to make all those judgments and recommend to television how that might, for example, improve the television schedule. In return, of course, Sandra Levy would like a brief from television as to exactly what television was looking for. Television might say, 'We have a problem at 8.30 on this particular day and we need a show of this type,' and development would look at it.

Now that change has taken place, of course, and Sandra has moved across to television, in a way that could be very helpful—it was not designed that way but it could prove very helpful—because Sandra, if you like, has been on the receiving end in development. Understanding what sort of brief she wants from television, she will now be able to brief whoever replaces her in development about what she wants them to develop. So I see the relationship between development and television working extremely well under Sandra Levy.

**Senator MARK BISHOP**—You have outlined that quite succinctly. Is that not really a reversal of what you did last July?

**Mr Shier**—No, it is not. It is just that—

**Senator MARK BISHOP**—But you have these two groups now working together, exchanging views—

**Mr Shier**—They were always supposed to work together.

**Senator MARK BISHOP**—Oh, they were always supposed to. But they did not, did they?

**Mr Shier**—I do not want to get involved in individuals, but the fact that the judgment was made—and I did not oppose it at the time so I accept responsibility for it—that a number of the people in development should be production people, I think, distorted the development process.

**Senator MARK BISHOP**—All right. Was this second round restructure developed by Gail Jarvis and Sandra Levy in isolation or was it discussed and agreed at a full executive meeting?

**Mr Shier**—In terms of the changes that Sandra wanted to make, initially she discussed them with me. She then discussed them with Gail and I think it is fair to say they reached mutual agreement that it was the right thing to do. We would not normally discuss that amongst the full executive.

**Senator MARK BISHOP**—When those two had reached a common view, you signed off on it?

**Mr Shier**—Yes, I was happy with it.

**Senator MARK BISHOP**—That did not go to a full executive meeting?

**Mr Shier**—They became advised, like everybody else, but we would not normally discuss a divisional structure at EDs.

**Senator MARK BISHOP**—Is this new structure we are discussing similar to the structure proposed some time ago by Guy Dunstan?

**Mr Shier**—No, it is not.

**Senator MARK BISHOP**—Can you put on the record how it is different?

**Mr Shier**—The idea of having project people and people working in development as a small unit might have been the result of what Guy Dunstan suggested, but that was not the focus. The focus was putting the production people back into television, and I would have thought that had been Gail Jarvis's recommendation, not Guy Dunstan's.

**Senator MARK BISHOP**—That distinction you have outlined when I asked you to point out the differences on the record escapes me, I am afraid. It strikes me that you are talking about six and half a dozen; they are the same.

**Mr Shier**—I guess there is not a substantial difference in that sense, but that is because we probably discussed it over a period of three or four months. To portray it as Guy Dunstan's alternative model, I think, is less than fair on Gail Jarvis and my own input into that has probably been overseen. Someone has ignored my own input into that.

**Senator MARK BISHOP**—So what you really say is that if there is credit to be given for an effective new structure, you share some of that, Ms Jarvis shares a significant portion of that, and perhaps Mr Dunstan shares some as well.

**Mr Shier**—No. If I had to apportion any real credit, I would say Sandra Levy brought the clarity to it.

**Senator MARK BISHOP**—Having created a structure last July, having tried to get it to work—

**Mr Shier**—Can I just make one point? We can talk about structures for a long time.

**Senator MARK BISHOP**—We are not going to.

**Mr Shier**—No, but at the end of the day these are people, quite senior people, and, as you have readily acknowledged, in some cases there was a need for three or four people to talk. There was no structure that needed to clog up that. What had to happen was that people had to take decisions. The problem has been that some people have not taken decisions. Structures will not solve that. If people do not take decisions the corporation will not get projects to air, they will not get them commissioned and they will not get them made. You cannot be criticised for producing a bad project then because you have not made one, but you do have the problem for the corporation in that we are not making anything.

**Senator MARK BISHOP**—So you are not prepared to say to me tonight—I will invite you to say it; I will not give you the answer—that the structure you established last July did not work. The fault was in the structure?

**Mr Shier**—No, I would say the establishment of the development division, having that focus on development and having a separate division from television, which is what I created, is highly desirable and that is what we have. The mistake was, as I indicated, to allow that staffing of the development division to be of production people, and therefore I think it is fair to say my original idea got distorted. I allowed that to happen. That is regrettable. It has now been corrected.

**Senator MARK BISHOP**—I have a couple more questions on this and then I will hand back to Senator Faulkner. Are you committed to retaining a separate position of director of content rights?

**Mr Shier**—The director of content rights? Certainly.

**Senator MARK BISHOP**—Is that position going to be advertised or do you have someone to place directly into it?

**Mr Shier**—No, the director of content rights is Robyn Watts on my left. I think you meant, Senator, the director of development, and we certainly do want a director of development, and Sandra Levy and myself will be working to appoint somebody.

**Senator MARK BISHOP**—No, I meant director of content rights. That is the brief I have got. In that case the answer is yes.

**Mr Shier**—The director of content rights is securely in her position.

**Senator MARK BISHOP**—Where does the position of Drew Lean, director of program production, sit in the new structure? Does he answer to the head of television?

**Mr Shier**—He answers formally to me.

**Senator MARK BISHOP**—Directly to you?

**Mr Shier**—Yes, all the directors report to me. But he lives and breathes, and has to live and breathe his time with television, and therefore Drew Lean and Sandra Levy will have to have a very close working relationship.

**Senator SCHACHT**—What was Drew Lean's position again?

**Mr Shier**—Director of production resources. In a nutshell, very quickly, television commissions, development develops, content rights makes sure everything is legal, and production resources makes it—if we make it in-house.

**Senator SCHACHT**—Of all of those you just named, who puts what to air at what timeslot?

**Mr Shier**—Ultimately it is myself as editor in chief, but normally I would look to the director of television and hopefully agree with that recommendation.

**Senator SCHACHT**—The director of television now is Sandra Levy?

**Mr Shier**—Sandra Levy.

**Senator SCHACHT**—And she has control over what goes to air at 7.30 nationally?

**Mr Shier**—Yes.

**Senator SCHACHT**—As you know, there has always been this blue in the ABC ever since it has been going about television—and governments come and go—and about who controls what timeslot.

**Mr Shier**—She is in charge of all timeslots and all slottings. There are, of course, some in the schedule which it would be surprising if she recommended to me we change them.

**Senator SCHACHT**—If she recommended to change the 7.30 Friday slot on the regional, per state, is that her decision alone apart from the fact that each state—

**Mr Shier**—I would take that to executive directors because I just feel that would be a very significant schedule change and we would want to all be happy that that was the right decision.

**Senator SCHACHT**—As another example, could she change the time slot of *Four Corners* from 8.30 on Monday, which is a tradition, to 8.30 on Tuesday?

**Mr Shier**—The practical situation is that she would at least run a major change like that past me. I would probably want to take that to an ED, because ultimately I would want to recommend our collective view to the board.

**Senator SCHACHT**—You have described yourself as chief executive and chief editor.

**Mr Shier**—I am editor-in-chief under the act, yes.

**Senator SCHACHT**—Do you see your being the chief editor as more important than your being the chief executive, managing the whole show?

**Mr Shier**—If I get editor-in-chief wrong—

**Senator SCHACHT**—Editor-in-chief; that is what I am saying.

**Mr Shier**—If I get editor-in-chief wrong, that will be very serious. So I guess ultimately, yes, that must be the most important. But I have to also make sure that the corporation is managed.

**Senator FAULKNER**—Perhaps I can go back to one of Senator Bishop's questions about, for want of a better description, the 'Dunstan model and the Levy model'. Is it reasonable to talk about it like that?

**Mr Shier**—The modified model on the original one, yes.

**Senator FAULKNER**—I just want to be clear on this, because I am still not clear: what is the difference between the Dunstan model and the Levy model? What is the difference between the two models?

**Mr Shier**—First of all, I do not think they ever got to a point where you could describe them as—how can I put this—'a recommended model'. What we had was a view that a number of people who reported to development should report to television, because their main role in life was producing programs. I guess you could argue that, before he left, Guy Dunstan concurred with Gail Jarvis that that change should take place. When Sandra Levy came, it was her view that that was also a change that needed to take place. I guess I was trying to say to Senator Bishop that I think to describe them as the 'Guy Dunstan model' is very generous because, at the end of the day, the key thing in the decision making of those people was what decisions were being taken.

**Senator FAULKNER**—But in the models themselves is there a difference? I still do not understand any difference.

**Mr Shier**—There are small differences in that—

**Senator SCHACHT**—In the written form there is no difference, is there? In the written document that you have as a plan to give somebody as to how it works, there is no written difference between Dunstan's and Levy's model. I am speaking of the written model. There must be a written structure somewhere of what this is.

**Mr Shier**—In actual fact there are, because—

**Senator SCHACHT**—I hope there is.

**Mr Shier**—With the basic way it works, I agree with you, but there were differences in people and actual titles and roles.

**Senator SCHACHT**—But the written model is no different. One bloke got sacked and his model stayed; that is what we are really saying.

**Mr Shier**—I think that is far too generous.

**Senator FAULKNER**—I am not saying that. I am not saying anything at this moment. I just want to understand what the difference was. I think there is no difference. Is that right?

**Mr Shier**—No. The main concern was having decisions taken. So the model in itself—

**Senator SCHACHT**—It is a personality issue, Mr Shier.

**Mr Shier**—And that is fundamental.

**Senator FAULKNER**—You say that a personality issue is a fundamental, and so let us know a bit more about that.

**Mr Shier**—I was asked the question by Senator Bishop: what was the problem with development under Guy Dunstan? I do not want to spend a lot of time discussing individuals, but the problem was that we were not doing a lot of development. So it is not a question of changing the model so much; it is a question of taking decisions.

**Senator FAULKNER**—So, in other words, there isn't a difference between the models. I think we have established that now.

**Senator SCHACHT**—Just two different drivers—same car, different driver.

**Mr Shier**—Okay, let us agree on that for the purpose of this discussion: not a huge difference.

**Senator FAULKNER**—That is right. Therefore, didn't Mr Dunstan get sacked for proposing that model—

**Mr Shier**—No.

**Senator FAULKNER**—which is now the model?

**Mr Shier**—No. Mr Dunstan got sacked for a number of reasons, which on the right occasion I will be happy to discuss, but not today.

**Senator FAULKNER**—And that was not one of them?

**Mr Shier**—No.

**Senator FAULKNER**—That is what was reported.

**Mr Shier**—It often is. But there are two things: firstly, he does not deserve the credit for the model as it is produced; and, secondly, that is not the reason why he did not stay at the corporation.

**Senator FAULKNER**—But it strikes me that there is a hell of a lot of upheaval going on in the upper echelons of the ABC. Do you agree with that?

**Mr Shier**—I have seen the numbers speculated on. The fact is that there were two people whom I brought into the corporation at a senior level who did not stay. There were two other people who are my executive directors who were there when I joined, continued to do what they were doing when I joined but, subsequently, I decided that they should leave. We have appointed something like 40 new people—I need to check the numbers—at senior levels of the corporation, and we are talking about four or five people who did not work out.

**Senator FAULKNER**—Is there an extraordinary level of upheaval in the senior ranks of the ABC? There seems to be from afar. Is that fair or not fair?

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**Mr Shier**—Put it this way: I believe that the replacement of certain people is in the interests of the corporation and we have now got the right people in place.

**Senator SCHACHT**—But you told us that in February before Gail Jarvis left.

**Mr Shier**—I do not think I ever commented on—

**Senator SCHACHT**—Not about Gail Jarvis, but you said that you were pretty happy; the inference that was given to us was pretty substantial that the changes had been made, the show was going in the right direction, and that was it.

**Mr Shier**—And you would have been quite surprised if I had said anything else really, wouldn't you?

**Senator SCHACHT**—Yes, I know. We all know that famous quote, 'You would say that, wouldn't you.' You are never going to say anything different at estimates, because the bloke sitting next to you would hit you over the head immediately for perhaps causing political problems. But it does seem to me that, every few months now, since you became the chief executive, either someone who was there beforehand gets speared out of the joint—change is good, some change—or even the people you have appointed with great flourishes and to whom you have given high salaries have not lasted a year. It is a bit odd.

**Mr Shier**—I must say that—

**Senator SCHACHT**—It is a bit odd.

**Mr Shier**—Of course it is unfortunate. But what I would say is that, in a highly demanding area like ours, that is not unusual, except at the ABC. In media it is not that unusual to have those changes. But, of course, in the corporation they become quite public. Fairfax, to my knowledge, has had 11 chief executives in 10 years.

**Senator SCHACHT**—Whatever we may love about the Fairfax organisation, I think we should be careful in talking about what at the Fairfax organisation is described as a 'sheltered workshop' in many ways.

**Mr Shier**—What—

**Senator SCHACHT**—That is what you are implying.

**Mr Shier**—What I am saying is that change takes place in a lot of media organisations—

**Senator SCHACHT**—But I have to note that, on the front page of the *Sydney Morning Herald* and the *Financial Review*, every time a chief executive leaves or gets shafted, there is a dispute, a strike, a stop-work meeting of the journalists, there is a brawl, the share market drops the price, and the ABC and everybody else reports it. It is not exactly received with great equanimity by the community.

**Mr Shier**—No. But I would have thought that you might be a little bit more heartened by the performance of the ABC in that context.

**Senator SCHACHT**—I am just a bit curious.

**Senator FAULKNER**—I am actually not heartened, Mr Shier; I have to be honest with you. It strikes me that we have a real problem, a massive problem, with morale at the ABC amongst the staff broadly. Do you think that is fair? I do.

**Mr Shier**—No, I do not. I do not, Senator. I see the assertion, I regularly see assertions on many things, but I do not accept that.

**Senator FAULKNER**—So do I. Do you think staff morale is at a high level?



**Mr Shier**—It is not as high as I would like it, and I think we need to be doing more, producing more. I think morale is not disconnected by what the output is and the quality output and how the people perceive that output being delivered.

**Senator FAULKNER**—But it is rock bottom, isn't it? Let us be frank: isn't morale at—

**Senator Alston**—He is being frank; you have decided to be honest. He has told you three times that he disagrees with your assessment, and so it is not really worth pursuing, is it? What he is really saying is: do not believe all you read.

**Senator FAULKNER**—I am surprised at Mr Shier's assessment. I do not think you would know, and I do not think you have any interest.

**Senator Alston**—Do not believe all you read I think is the advice.

**Senator FAULKNER**—But you have upheaval, haven't you, at the senior management levels of the ABC? That is true, isn't it?

**Mr Shier**—No. I think upheaval is not a fair assessment of the situation at all.

**Senator FAULKNER**—It is no wonder that the output has suffered and the programming has suffered the way it has, with the issues that we have discussed at this estimates committee today.

**Mr Shier**—No. I think it is the exact opposite. I think we have put—

**Senator FAULKNER**—What about the ratings? They are a debacle too.

**Mr Shier**—I think it is the exact opposite. We have changes taking place in the corporation precisely because of the output, because of the ratings and because of the performance. If we did not have those problems, we would not have the changes.

**Senator FAULKNER**—But the whole show is akin to a battlefield; it really is.

**Senator Alston**—If you want to make those comments, make them. But do not pretend that somehow that is a question to Mr Shier. You have said it about five times.

**Senator FAULKNER**—Let me put a question mark at the end of the sentence: do you think the whole show is akin to a battlefield?

**Senator Alston**—Of course he does not agree with you, and he has made it abundantly clear.

**Senator FAULKNER**—He has not actually had an opportunity to answer me yet.

**Senator Alston**—All you are doing is trying to peddle a bit of florid rhetoric, which you hope gets a run in the media. That is what you are about.

**Senator SCHACHT**—Florid rhetoric—is that your accusation? I remember when you were on an inquiry into the ABC in the early nineties. You could not help yourself: slash and burn, abuse and so on, the end of the world was coming, the ABC was being destroyed! You signed off to a report on that. Goodness me!

**Senator Alston**—That is a good contribution to florid rhetoric, I agree, but none of it was mine.

**Senator SCHACHT**—That is what you did. You were down there every chance you got to beat it up.

**Senator FAULKNER**—I suppose, Mr Shier, you can have a different view to me about ratings, about what is happening in senior management at the ABC, about staff morale and the

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like; you and I can agree to disagree on that, and I think we do disagree, because I do have a different assessment to you. Let us put that aside. To what extent do any of these issues go back to your own management style? Do you think there is a case here for a little bit of self-examination, some introspection?

**Mr Shier**—I have seen some wonderful senatorial style tonight. If you are talking about management style, we are in a very—

**Senator FAULKNER**—Let me just respond to that before we move on. The ABC often has commentary on the effectiveness, or lack of effectiveness, of senators. We are used to it. I am used to it. I am used to getting the criticism from a whole range of media outlets. I just accept that as part and parcel of—

**Senator SCHACHT**—The job.

**Senator FAULKNER**—the political process. I accept that.

**Senator Alston**—You mean it never prompts any self-examination or consideration of whether it might be justified?

**Senator FAULKNER**—Mr Shier admits he has also been involved in some self-examination with his own performance pay.

**Senator Alston**—But you have not, obviously; you just treat it as part of the territory.

**Senator FAULKNER**—Whether or not I have—

**Senator Alston**—You should.

**Senator FAULKNER**—there is a real issue here about management style, and some of the buck stops, surely—and I reckon Mr Shier will agree with me—with the managing director of the ABC. The buck stops with you, does it not?

**Mr Shier**—Absolutely; I have to deliver the results.

**Senator FAULKNER**—Of course, and the results are not very good, are they? Their ratings are collapsing, you have a complete fiasco on your hands in terms of the senior executives of the ABC, you have staff morale at absolute rock bottom, we have the programming debacles that we have gone through—

**Senator Alston**—He has disagreed with those sorts of propositions about five times, so do not waste the time of the committee by peddling that sort of nonsense. It is not a question; it is simply abuse dressed up as a proposition.

**Senator FAULKNER**—Let me ask this question about management style. Is that something you have given some thought to, Mr Shier? Given events in the ABC since you have become managing director, have you given some thought to how appropriate your own management style has been, how effective it might have been? I am sure you have.

**Mr Shier**—I am sure any manager does. You reflect on that, but at the end of the day—

**Senator FAULKNER**—What are your reflections?

**Mr Shier**—the thing that makes you focus more than anything else is: are you making progress? Whilst you would argue, against certain benchmarks, we are not, I am very satisfied, against many other benchmarks, we are making a lot of progress.

**Senator SCHACHT**—Which are those benchmarks that we have made progress on?

**Mr Shier**—Despite the fact that you mention one or two people, the fact is that a significant number of the people who have come into the corporation or been promoted—many have been promoted—are of exceptional calibre. I believe at the end of the day the organisation will be infinitely more fit at the end of my term than it was when I inherited it.

**Senator FAULKNER**—But it strikes me that we have got a dysfunctional corporate restructuring—

**Senator Alston**—We are not interested in how anything strikes you. You are here to ask questions to elicit information. If you want to do that, do it, but do not start trotting out your prejudices in these circumstances.

**Senator FAULKNER**—and a lack of positive outcomes, but some of the responsibility for that must rest at your door, Mr Shier.

**Mr Shier**—What do you want me to say? That as managing director I accept my responsibility for everything that occurs in the corporation? I do.

**Senator FAULKNER**—I am sure you do.

**Senator Alston**—Why are we pursuing the issue then?

**Senator SCHACHT**—Mr Shier, if in 12 months time the ratings are still at 14, rather than at 16, 17 or 18, say they are at 16 or 15—you have said that the trend has not been good in the last few months—if the trend is not reversed and they do not go any further down but stay where they are, will that be a measurement to say, ‘You haven’t succeeded in turning the ABC around’?

**Mr Shier**—No. I am constantly saying to everybody that the only test is not ratings, but now everyone seems to think that maybe that is a crucial test.

**Senator SCHACHT**—Mr Shier, you have on a number of occasions on the public record at least inferred that you thought ratings were reasonable tests. You said it here tonight.

**Mr Shier**—No. What I said is that there are two things. If at the end of the day the ratings are not performing and in your own assessment the schedule sort of explains that, that is a problem that has to be addressed. To be frank, you have to make staff changes, and if they do not occur naturally you have to make them. If, on the other hand, the schedule is accepted by most people as offering a comprehensive offering in Australia of a public broadcaster and is appreciated by most people, the fact that its ratings might not necessarily be as much as you would like would not be a source of criticism.

**Senator SCHACHT**—When is the deadline for Ms Levy’s performance to be tested? Does she get 12 months? Does she get six months before she is for the chop because she has not got the ratings turned around?

**Senator Alston**—This is just childish.

**Mr Shier**—I just think this is grossly unfair.

**Senator SCHACHT**—You say that ratings are a test, that ratings are about performance and that there are staff changes. What you said was that you then have to make staff changes if there is not an improvement. Has Ms Levy been given a test? Has she been given a performance benchmark that, if she has not got the television ratings to a certain level by a certain date, she will have her position reviewed?

**Senator Alston**—If they put those sorts of benchmarks in place for you, you would have been gone 10 years ago.

**Senator SCHACHT**—You would not have even made it to the Senate—a sleaze-bag lawyer from the Prahran court or somewhere.

**Senator Alston**—Others make judgments about performance. The board is responsible here as much as the managing director.

**Senator SCHACHT**—I was asking Mr Shier, not you.

**Senator Alston**—The ABC is accountable to parliament. You can ask your questions at every estimates committee, but don't pretend that somehow there should be artificial standards put in place.

**Senator SCHACHT**—Has a benchmark of performance been put to Ms Levy about ratings or any other performance?

**Mr Shier**—No, and it was not put to her predecessor either.

**Senator SCHACHT**—How do we tell in 12 months time at estimates whether you, the ABC, Ms Levy or the new staff you have put in place have performed?

**Senator Alston**—You have already made up your mind. I do not think it will matter what is in place in 12 months time; the only difference is you will not be here.

**Senator SCHACHT**—You never know your luck.

**Senator Alston**—I do not think you are going to be here; I think that is pretty sure.

**Senator SCHACHT**—I may be here; I may not be.

**Senator Alston**—Bolkus will make sure you are not, even if the punters have a different view.

**Senator SCHACHT**—But one thing is for certain: you will not be here as minister, and one of my colleagues will have to take up the mess that you have left.

**Senator Alston**—We will see.

**Senator SCHACHT**—So there is no performance test given to—

**Mr Shier**—I will no doubt be having discussions as to what is achievable, and we will be talking about that.

**Senator SCHACHT**—As for the senior executives at this table, have they been given, in their contracts or from time to time, benchmarks that you want them to meet, to meet the performance level that you want for the ABC?

**Mr Shier**—We are developing key performance indicators for every executive, but I think you are being less than fair on executives who are probably their own hardest task masters in many cases. I am sure Sandra Levy will be her hardest critic.

**Senator SCHACHT**—I have the greatest respect for Sandra Levy, and I think her performance in Australian drama and media over many years has been outstanding, one of the best there is in Australia. The next thing is: when will these performance tests that you just mentioned be completed by being developed? When will they be completed for the senior executive?

**Mr Shier**—We expect to have all those aspects finished at the divisional level by October, but we hope to have corporate ready in August.

**Senator SCHACHT**—And they will be written into their contracts or attached to their contracts?

**Mr Shier**—No, they will be outside their contracts, but they will know what their divisional targets are.

**Senator SCHACHT**—Will that be only a matter between you and the divisional heads?

**Mr Shier**—No, this will be a matter that the executive is familiar with.

**Senator FAULKNER**—I think this is in your area, Ms Watts, but Mr Shier will no doubt correct me if I have got this wrong. I am interested in some speculation that I have heard that the ABC is considering selling its archive of film and sound of Australian cricket. I wonder if there is any truth in that and if you can just let me know what the situation is, please.

**Ms Watts**—There is no truth in that at all. I am not aware of any discussions of that kind.

**Senator FAULKNER**—I am pleased to hear that. So we can put that one to rest; that is good.

**Senator SCHACHT**—That was your self-interest question.

**Senator FAULKNER**—No, that was not actually about self-interest; I think there is a national interest in that question, Senator Schacht, but that is a matter of opinion I suppose. If you want me to move into the area of self-interest, I will. I indicate that I am also a subscriber to pay television, but it is not entirely self-interest at all in fact. I raised with the SBS this morning, Mr Shier, an issue in relation to the broadcast rights for the first session of the Ashes tour. You probably would not be aware of that. I had a discussion across the table with Mr Milan about this issue under the antihoarding provisions. I wanted to similarly address this issue, if I could briefly, with the ABC. I wondered if you could confirm that in fact Channel 7 notified the ABC about the possibility of broadcasting the first session of the Ashes tests in England. That communication would have occurred some time over recent weeks.

**Mr Shier**—Yes, they did.

**Senator FAULKNER**—Do you know when that communication was made?

**Mr Shier**—I would have to check the dates; I do not know.

**Senator FAULKNER**—What form of communication was that? Was it telephonic or—

**Mr Shier**—I think I got a fax, but the possibility that it might happen had occurred in a telephonic conversation previously.

**Senator FAULKNER**—Fair enough. Having received either an informal approach, which I think you are suggesting occurred, or a more formal communication by fax, how did you or the ABC go about determining a response to this?

**Mr Shier**—The first question I asked myself was why we were getting the offer. The answer was, of course, that the first morning session of an English test disrupts a peak time schedule so Channel 7 would be very happy to offer it to someone else.

**Senator Alston**—Is another reason that they are required by law to offer it?

**Mr Shier**—Yes.

**Senator FAULKNER**—Yes, they are required by law—

**Mr Shier**—But why they would not use it themselves, Senator—that is what I meant.

**Senator FAULKNER**—Yes. They are required by law, I think, Mr Shier, to offer it for a dollar—that is, the broadcast rights, if you like.

**Mr Shier**—But they had obviously made the assessment that they did not want to disrupt their schedule with that showing of cricket.

**Senator FAULKNER**—I agree with you completely. There is no doubt that they have made that assessment. I appreciate you made that assessment. I think your assessment is probably correct and I may have reached a very similar conclusion myself. What did you do about determining what the ABC's response would be? I hear what you say about why you felt the offer was made and—

**Mr Shier**—To go back to Senator Schacht before, this is when I become editor-in-chief and I asked myself a number of questions. First of all, we would be giving probably second to none radio coverage of the test. As far as I was concerned, the ABC's contribution to those tests was significant and it is based on a long-standing pedigree by the ABC which I think is impeccable. Secondly, we have over history, as you know, developed cricket for the ABC and when we had developed cricket for the ABC we then lost it. If I felt there was a long-term relationship here, that there was some potential, that would have been attractive, but to simply get a one-off offer that would disrupt our own schedule, that would not get us back into cricket and would take our eye off our very significant contribution to radio cricket, I did not think it was something that I needed to reflect on for long. In those circumstances I said no, having some comfort, of course, that it would then be offered to SBS. I stand corrected, but I think the figure—to have our people over there and do it the way we had to do it—would have been \$150,000.

**Senator SCHACHT**—Per test?

**Mr Shier**—Yes, and that would also probably—

**Senator FAULKNER**—That is the actual cost of the broadcast itself in terms of providing the facilities, commentators, et cetera?

**Mr Shier**—All of that on top of it and taking a—

**Senator FAULKNER**—I am surprised it is so low.

**Mr Shier**—No, that is supplementary. We would be—

**Senator Alston**—Is that the offer that you were made, that it could only be done on that basis, or were they also offering to provide you with access to their own commentators and facilities, but you were looking at it in terms of providing your own?

**Mr Shier**—I think that is a fair comment. The position is that it was a Channel 4 feed, so we would have had to accept that it would have had a commercial component in it, which may well have breached the ABC guidelines. I think that went to the necessity to have our own input to make sure that it would be consistent with our own output requirements.

**Senator FAULKNER**—When you say there might have been commercial considerations, do you mean it might have had advertising included in the broadcast?

**Senator Alston**—At the end of each over, I presume.

**Senator FAULKNER**—You could obviously chop that out.

**Senator SCHACHT**—Then just have silence.

**Senator Alston**—You could have voice-overs; you could have anything.

**Senator SCHACHT**—But then you have to have a team there to do the voice-over.

**Senator Alston**—You could use the commercial—Channel 7 are there for sessions two and three.

**Senator FAULKNER**—I am well aware of that.

**Senator Alston**—I am not arguing with you; I am pursuing the matter of conjunction.

**Senator FAULKNER**—You can argue with Mr Shier.

**Senator SCHACHT**—You might even have a better chance, minister.

**Senator FAULKNER**—I am actually seriously trying to nail this down. The \$150,000 per test was additional cost—

**Mr Shier**—Let me take that on notice—the \$150,000. I volunteered that comment—as I understand it, that was roughly a cost we were involved in. But let us be clear: the decision was not taken on the grounds of the \$150,000; the decision was taken on the basis that our own schedule would be disrupted.

**Senator FAULKNER**—I am also interested in those extra costs, because I am surprised that the figure was as low as you said—\$150,000 times five. I thought it might have been five or six.

**Mr Shier**—I think the minister is right in the sense that we are talking about marginal additional costs over and above a fee which would have been taken off Channel 4 for Channel 7 for the rest of the day's play.

**Senator FAULKNER**—Will you find out what that cost was for us?

**Mr Shier**—I will find out what the number would have been.

**Senator FAULKNER**—How was that drawn to your attention? Did you have a look at those costs before you made your decision?

**Mr Shier**—Like anything in this situation, that would have gone out to our head of sport, and at the end of the day the judgment was that it did not revolve around costs.

**Senator Alston**—Can I ask, Mr Shier, whether you ever thought of inviting your viewers to indicate whether they thought that would be an unacceptable interruption or whether in fact they would regard that as something they would appreciate?

**Mr Shier**—I would have to check the precise timing, but I think it would be the entire night's peak time schedule.

**Senator Alston**—No, it was 8.30 to ten.

**Mr Ward**—It was 7.45. It was English summertime too.

**Senator FAULKNER**—No. When you say 7.45 to ten, the actual play begins at 8 p.m. eastern standard time.

**Senator Alston**—Eight to ten.

**Senator FAULKNER**—Let us be clear: 8 p.m. eastern standard time.

**Senator SCHACHT**—That is 7.30 in South Australia—

**Mr Ward**—The terms of the offer—

**Senator FAULKNER**—Forget about the offer. I am talking about the programming and scheduling.

**Senator Alston**—The play.

**Senator FAULKNER**—The play, and when the first ball is bowled—8 p.m. eastern standard time.

**Senator Alston**—Two hours. So, Mr Shier, have you ever thought of inviting your viewers to indicate whether they actually preferred—

**Senator FAULKNER**—I think I agree with Senator Alston on something.

**Senator ALSTON**—There has been a fall. I am sure it is only temporary, but let us make the most of it.

**Mr Shier**—My judgment would be that this would be a one-off event.

**Senator Alston**—You might be able to enter into a long-term arrangement—

**Senator FAULKNER**—You are right about that—once every four years.

**Senator Alston**—If it is the Ashes only, yes—however frequently the Ashes series are and however long Channel 7 might have the rights—but, Mr Shier, let us assume that you were able to pursue it beyond just this series. Do you have an objection in principal to inviting your viewers to—

**Senator FAULKNER**—Who is asking the questions here, Senator Alston—you or me? That is what we have always found with Senator Alston—he is always with you, Mr Shier, to the second last ditch. Let us just concentrate a moment on the decision making process in relation to the ABC.

**Mr Shier**—I took the decision.

**Senator FAULKNER**—I appreciate that you took the decision. Could you let us know who you consulted with, if anyone?

**Mr Shier**—If I remember correctly, I asked the Director of Television, Gail Jarvis, to tell me whether she recommended that we put this into our peak-time schedule. She said that she would look into it and come back to me. She will have no doubt spoken to the Head of Sport, Geoff Barlow. Geoff Barlow would have given input to Gail—I must be frank: I am not sure what that was—and Gail has obviously—

**Senator FAULKNER**—I would appreciate you finding out. I hope the head of sport would have said ‘put it on’, but never mind.

**Mr Shier**—Your point is well made—he may well have. But at the end of the day the recommendation to the director of television was not to do it. I have to say that was consistent with my view that cricket is not a long-term prospect for the ABC, and there would be a lot of our viewers—

**Senator FAULKNER**—On television, are you saying?

**Mr Shier**—On television, because we have the radio broadcasts. To the extent that we would satisfy a number of new viewers to the ABC who might normally be watching something else, that would be helpful, but we would have alienated a lot of our existing viewers by removing our core programming.

**Senator FAULKNER**—I want to be clear on this. Let me say this: I agree with what you say about the ABC radio coverage. You are absolutely right, it is outstanding, and I think most reasonable people would acknowledge that that is the case. I certainly do, and, like many Australians, I certainly appreciate it. But I also am really concerned about a situation where the rights for the first session of the cricket are offered under the antihoarding provisions of

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the legislation to ABC and SBS. You make the point about SBS. Let's deal with that for a moment. Mr Milan today makes a point about the programming issues for SBS, and you say you have concerns about programming issues for the ABC. There is more background in terms of cricket broadcasting on television at the ABC than there has ever been with SBS: you would have to acknowledge that. SBS is very much the last port of call here. This is much closer to the charter, I would have thought, for the ABC than it is for SBS, surely?

**Mr Shier**—Yes, but it is a one-off.

**Senator FAULKNER**—Yes, it is a one-off, but, hell, look at your ratings. Was any assessment made of what the impact of showing that first session might be on the ABC's ratings?

**Mr Shier**—I am sure Gail Jarvis considered it, yes. I do not know the reason for that, but what I am saying is that I was not of the view that I should have got involved in strongly suggesting that we should carry that if my director of television felt otherwise. Her judgment was that it was not appropriate or we should not go for it.

**Senator FAULKNER**—But it comes down to competing priorities, doesn't it, really?

**Mr Shier**—Yes, it does.

**Senator FAULKNER**—I appreciate that.

**Mr Shier**—And competing brands, actually.

**Senator FAULKNER**—Well, perhaps, but competing priorities. One of the issues here is, and this is on pay, as I have mentioned to you, that Optus C7 does not even—as I understand it, unless there has been a change, and Minister Alston will be able to help us with this—are we concentrating, Minister?

**Senator Alston**—I do not need to be at full steam for your benefit.

**Senator FAULKNER**—Are you able to help us with Optus C7? I was going to ask—but I wanted to make sure you were concentrating—whether it went to Western Australia or South Australia, because I do not think it does. You are the minister; you would know. So people who live in South Australia and Western Australia have no chance of getting this, as I understand it. Is that right?

**Senator MARK BISHOP**—We do not get it.

**Senator Alston**—Is that right in Adelaide? Optus is not in Adelaide?

**Senator FAULKNER**—I knew you would not know.

**Senator Alston**—I do not live there.

**Senator SCHACHT**—There are still 50 kilometres of washing line all over Adelaide which Optus never got around to putting cable onto, so there is no Optus service at all.

**Senator Alston**—I do not get it in Melbourne, either, if that helps.

**Senator FAULKNER**—You personally may not subscribe but—

**Senator Alston**—No, it does not run past my home.

**Senator FAULKNER**—I see. So you actually cannot get it.

**Senator SCHACHT**—Did they find your address and deliberately give you a miss?

**Senator Alston**—No, my shire took it upon themselves to seek injunctions to restrain Optus.

**Senator SCHACHT**—They have punished you, Minister.

**Senator Alston**—I withheld a portion of my rates accordingly.

**Senator FAULKNER**—The situation is that there are those lucky people who are pay subscribers, but there are no lucky people who are C7 subscribers in WA and South Australia. Did the ABC give that any consideration?

**Mr Shier**—I think it is fair to say that the judgment was that it was not a long-term, favourable decision for the corporation and that those viewers would simply be watching Channel 7 for the rest of the broadcasts, so all we would be doing would be satisfying a part of the day's play and that, at the end of it, Channel 7 would have that relationship with the viewers.

**Senator FAULKNER**—But what is wrong with that? I know it is not the preferred position, and I know that this is unsatisfactory. I understand that. It would be much better if one free-to-air network had the cricket on. In the circumstances, all those hundreds and hundreds of thousands of Australians want to look at this, but very few will have any access to it. You talk about the SBS. Really, the ABC becomes the last port of call for this. You would appreciate that.

**Mr Shier**—Not really, because if the argument is as robust as you suggest, this would be an absolute rating winner for SBS. They would get a phenomenal rating compared to their normal rating.

**Senator FAULKNER**—So you seriously think, given your knowledge of the charter of SBS and the charter of the ABC, it would be more logical to screen the cricket on SBS than the ABC?

**Mr Shier**—No, I am not saying that at all.

**Senator FAULKNER**—Of course it is not. The ABC has a background in this and, as you say, rightly, it is outstanding in the area of radio and there has been a lot of television coverage historically on the ABC.

**Mr Shier**—We do not regard our radio cricket commentary as such that every so often it needs to be refreshed by a bit of television cricket. The fact is that we believe it stands alone, it is second to none and it is an award winning brand, if I can use that terminology. To occasionally take television cricket, disrupt our schedule and explain to our viewers that, whilst we are on radio, we have now also taken two hours out of the schedule to show cricket: it was an issue and it was a judgment call that we decided we would not go with.

**Senator FAULKNER**—But what about the ABC's ratings? You mentioned SBS ratings. You said they would go through the roof. I reckon the ABC's ratings would go through the roof, too. Anyway, it is a public service. Wouldn't your ratings increase?

**Mr Shier**—I am sorry, I have to believe that that was one factor, of a number of factors, that the director of television took into account when she recommended to me we do not do it.

**Senator SCHACHT**—The ratings are around 14 or 15 now in that period of television from 8 o'clock to 10 o'clock, or in my state 7.30 to 9.30.

**Mr Shier**—That would have been the share, yes.

**Senator SCHACHT**—Was any assessment given to the fact that, despite all the other problems affecting the schedule, if you had this cricket for two hours in the eastern states and Adelaide, you would have got higher than 15?

**Mr Shier**—It would not have been the only factor, but if it were a clear—

**Senator SCHACHT**—Would you have got a 20?

**Mr Shier**—If it were a clear win—

**Senator SCHACHT**—Would a 20 have been a clear win?

**Mr Shier**—That is not the only issue. The issue is that a large number of ABC viewers would miss the program that they normally expect to be slotted at that time.

**Senator FAULKNER**—That is true, of course. And a large number of other Australians who have got no opportunity to watch the first session of the cricket would get to see it.

**Mr Shier**—With respect, I hear the point and it may have been beneficial to the ABC to have done it and we might have made the wrong judgment call, but this was only created because Channel 7 decided not to show it.

**Senator FAULKNER**—Yes, of course. That is agreed.

**Mr Shier**—So at least two broadcasters in this country reached that conclusion.

**Senator FAULKNER**—Three, in fact, because the SBS have done it too.

**Mr Shier**—SBS did too. It may be that those three broadcasters all got it wrong, but at least I have some company.

**Senator FAULKNER**—It really goes to show that, if the antihoarding provisions won't work for the Ashes, they are not going to work for very much at all, I don't think.

**Senator SCHACHT**—Channel 7 in Adelaide rate around 25 per cent, I suppose, at that time in the evening. That is their range. They believe they would get less if they had the cricket on, so they are not going to put the cricket on. They may have only got 20. If you got a 20, you would have been five per cent better than what you are doing now.

**Mr Shier**—I fully accept that scheduling is a very exciting experience for you and talking about it is probably much more interesting than many other Senate committee meetings, but I have to tell you at the end of the day I have a professional adviser who advised me that, in her judgment as director of television, we should not run it.

**Senator FAULKNER**—She has been punted, Mr Shier.

**Mr Shier**—I have to say that the very same person at Channel 7 reached the same conclusion—

**Senator FAULKNER**— That professional adviser has been punted. That is the level of her professional advice.

**Senator SCHACHT**—Mr Shier, a lot of the punters pay 8c a day to the ABC and some of them would say, 'Maybe getting the first session of the cricket once every four years would not be a bad return on our 8c a day we pay in our taxes for the ABC.' There are plenty of people who say to you, 'We know that Channel 7 has been a drop kick about this, and Channel 9 has been a drop kick, but at least can the ABC give us the service?' People do raise it, so what do you say? We are not wasting your time. People do actually say it to us as senators and members of parliament. They make the query.

**Mr Shier**—We are not in the business of not delivering services. We delivered a service that night. It happened not to be cricket. I remind you that one of the decisions was to exclude sport from the list of multichannelled program genres, so there is another potential avenue down the road that would not address that issue either.

**Senator SCHACHT**—I do not think you can blame that on us. The bloke on your right is responsible for that.

**Senator MARK BISHOP**—You agreed to that.

**Senator SCHACHT**—And then you gave in on that.

**Senator FAULKNER**—I do not care about all that. So many people have contacted me about this issue—

**Mr Shier**—And they would have contacted me if we had put the cricket in place and pulled the evening schedule.

**Senator FAULKNER**—They may have; you may well be right about that. I just wonder whether this one isn't worth either taking it to the board or giving it some reconsideration.

**Mr Shier**—There are two issues there. One, just to recap, the board does not get involved in that type of program decision.

**Senator FAULKNER**—Okay, so you cannot do that. Will you reconsider this decision?

**Mr Shier**—Let us put it this way: I have an intense interest now in clarifying exactly what the recommendation was and why the decision was reached, and I will look at it. Of course I will.

**Senator FAULKNER**—I do appreciate that and I think a lot of Australians would, I have to say.

**Mr Shier**—I will certainly do that.

**Senator FAULKNER**—Because this is close to the heart of a lot of people. Frankly, once the first session of the Ashes is taken on pay TV, that counts out a lot of Australians who are not subscribers. In relation to Optus C7, it counts out everyone in the states of Western Australia and South Australia. I appreciate what you say about the radio coverage, and I agree with that. I would like to acknowledge what you have just said and thank you for it and I look forward to hearing what your response will be.

**Mr Shier**—Thank you.

**CHAIR**—Is that it, Senator Faulkner?

**Senator FAULKNER**—That is it for me. Because that is such a happy comment from Mr Shier, I think I will leave now.

**Senator MARK BISHOP**—I have one issue that I want to pursue at the outset with Ms Watts and then perhaps shift it to a couple of others. It is about the archive and library services. How many hands-on researchers and cataloguers will remain in the Sydney archives and library services if the proposed restructure proceeds?

**Ms Watts**—There will actually be 12 positions involved in the research and cataloguing function. We have also been taking on board a lot of the feedback, because this area has caused a lot of concern amongst staff. We are actually currently reviewing a lot of the feedback we have had during the consultation period, so that number may change.

**Senator MARK BISHOP**—If the proposed restructure proceeds in its current form, you will be left with 12 persons. Is that right?

**Ms Watts**—Yes.

**Senator MARK BISHOP**—Would any of those positions be supervisory?

**Ms Watts**—Yes.

**Senator MARK BISHOP**—How many of the 12 will be supervisory?

**Ms Watts**—There is one manager and two supervisory positions.

**Senator MARK BISHOP**—So you would have nine workers, two supervisors and one manager?

**Ms Watts**—Yes, but a portion of the supervisors' work will still be involved in researching.

**Senator MARK BISHOP**—What proportion of their time will be devoted to supervisory work as against normal work?

**Ms Watts**—We are in the process now of working through the job descriptions for those, but my guess is and I hope that it will be somewhere in the vicinity of a 60-40 or 50-50 split.

**Senator MARK BISHOP**—How does that figure of 12 that you mentioned compare with current staffing and resource levels?

**Ms Watts**—The current staffing is 16.5.

**Senator MARK BISHOP**—Does that include the management people as well?

**Ms Watts**—Yes, it does.

**Senator MARK BISHOP**—So a reduction from 16.5 to possibly 12?

**Ms Watts**—Yes.

**Senator MARK BISHOP**—Were any of the executive directors consulted about the structure prior to its release?

**Ms Watts**—The executive directors were.

**Senator MARK BISHOP**—Which ones were consulted?

**Ms Watts**—All of the executive directors were spoken to. My imperative there was to put forward something concrete that people could respond to, and that is what we did. We have had a lot of very constructive feedback.

**Senator MARK BISHOP**—So you are satisfied with the level of consultation that was taken prior to the restructuring proposal?

**Ms Watts**—There was not a lot of consultation before the proposal. The proposal was put in order to get feedback.

**Senator MARK BISHOP**—Putting out the proposal is the consultation process?

**Ms Watts**—Yes, exactly. I felt that it was more constructive to actually give something concrete for people to respond to.

**Senator MARK BISHOP**—All right. Ms Howard, are you satisfied that the radio program makers will have sufficient resources to properly research their programs if the restructure proceeds?

**Ms Howard**—I hope so, Senator. As Ms Watts has mentioned, we are still in discussion and consultation about the level of staffing, so I do not know what the final numbers will be yet. We probably will not know for a couple of weeks.

**Senator MARK BISHOP**—So we will not know for another two weeks whether the figure is going to go down to 12?

**Ms Watts**—We are hoping to finalise it in the next week and we will then present our final proposal at that time—towards the end of next week.

**Senator MARK BISHOP**—So when you have the final proposal you will then go back to the staff and say, ‘This is it; this is the deal.’

**Ms Watts**—Yes.

**Senator MARK BISHOP**—Ms Howard, you have mentioned before that you are planning to extend regional radio programming by 25,000 hours. I think that is the figure that has been bandied about. Do you recall saying that?

**Ms Howard**—I am not sure that I have bandied about the figure of 25,000 hours. We are hoping to extend regional radio programming, yes.

**Senator MARK BISHOP**—What figure do you have in mind?

**Ms Howard**—I do not have a figure in mind at the moment, Senator.

**Senator MARK BISHOP**—I should not have said ‘you’—I think that has been picked up from the media somewhere. Is that the ballpark figure, though?

**Ms Howard**—Honestly, I cannot say. At the moment, we are looking at what we are able to do with the new funding and it is, I think it is fair to say, pretty fluid. The major philosophical view we have taken is that we are looking at where there is real need and where there are real gaps.

**Senator MARK BISHOP**—About the extra money that has been given to you by the government, 100 per cent of it is going to be spent in regional Australia, isn’t it? Is that correct?

**Ms Howard**—I believe so. That is not a matter for me; that is a matter for the managing director, I would suggest.

**Senator MARK BISHOP**—Mr Shier, we will ask you that question. Are you going to be spending in regional Australia all of the four by \$17½ million that the government is going to be giving you?

**Mr Shier**—Sorry, Senator?

**Senator MARK BISHOP**—Is all the \$17½ million a year that has been announced by the government going to be spent in regional Australia?

**Mr Shier**—No, Senator. We indicated, and the budget papers confirm, that the major component of that will go into regional and rural programming, but it will not all be in regional and rural programming.

**Senator MARK BISHOP**—What percentage will go to rural and regional programming?

**Mr Shier**—We are still working on that, Senator. It will be viewed in the context of the total budget for the next fiscal, but a very substantial proportion will be allocated to that.

**Senator MARK BISHOP**—That is a fair comment. Ms Watts, in your deliberations on the restructuring proposal, have you factored in your obligations under the Archives Act? Is that one of the considerations you bear in mind?

**Ms Watts**—Yes, we have.

**Senator MARK BISHOP**—What are those obligations?

**Ms Watts**—There is a whole raft of requirements to do with—

**Senator MARK BISHOP**—Give me the key ones.

**Ms Watts**—preservation and collection. I actually would have to take that on notice.

**Senator MARK BISHOP**—So you take them into consideration but you do not recall what they are?

**Ms Watts**—Certainly the key ones for us are in terms of preservation, access to collection and also storage. All of those are integral to the activities of the archive in any case, and we do comply with those obligations.

**Senator MARK BISHOP**—Even though you cannot recall which ones they are?

**Ms Watts**—No, that is right. It is a very extensive document in terms of the obligations, and I am very happy to provide that to you.

**Senator MARK BISHOP**—I do not want you to provide it to me. If I want it, I will get a copy of it. You have assured me that you have taken it into consideration. We accept that late at night you cannot recall what those obligations are.

**Ms Watts**—All the activities in the archives are designed and carried out according to the obligations under the Archives Act and in accordance with our relationship with the National Archives of Australia.

**Senator MARK BISHOP**—I would have been surprised if it were otherwise. Have you benchmarked the ABC's A&LS against any other organisations?

**Ms Watts**—Not in any great detail. I look at what has happened in other library services around Australia, but I think that the ABC archive and library service is quite unique in Australia.

**Senator MARK BISHOP**—Why would that be?

**Ms Watts**—We look very closely at what the BBC does in this area. We are in constant communication with the BBC over their activities.

**Senator MARK BISHOP**—But you have not got any formal benchmarking against any other organisation?

**Ms Watts**—No, we have not to date.

**Senator MARK BISHOP**—Do you have any significant backlogs in the cataloguing of any of your collection?

**Ms Watts**—There are backlogs in a number of different areas in the archives. That is an issue that I will have to deal with.

**Senator MARK BISHOP**—What are the more significant backlogs?

**Ms Watts**—I would have to get those details to you; I have not got the details of those here. There are backlogs in film preservation, video tape libraries and sound libraries.

**Senator NEWMAN**—I want to follow up on the issue of plans for extending regional radio. I have a greater interest in one particular part of that: what plans do you have for NewsRadio?

**Ms Howard**—We have no plans to extend NewsRadio to regional Australia. There is no way that we can at the moment; there is no transmission facility to extend NewsRadio.

**Senator NEWMAN**—Have you costed what it would be to do it?

**Ms Shier**—Perhaps I could answer that because this is not a program issue. Transmission costs at the end of the day would be about \$6 million.

**Senator SCHACHT**—That is \$6 million to extend an AM broadcasting band across Australia?

**Ms Shier**—I will let Mr Knowles answer that. To extend the ABC's radio services to the extent that Ms Howard and Mr Knowles want—and he can explain the parameters—for all our services it is about \$14 million and for NewsRadio specifically it is \$6 million.

**Mr Knowles**—We have made an assessment about where it might be possible to obtain channels, which of course is an ABA matter. Therefore, we would only be able to extend it in places where channels are still available and had not been allocated for other purposes. Based on that assessment, the per annum figure to provide transmission for NewsRadio across Australia to most of the centres we currently provide our other services to is between \$6 million to \$8 million, depending on just how many we can roll out. That would probably end up being a mixture of both AM and FM, depending on exactly where the locations were.

**Senator SCHACHT**—On this point, do you mean that in some areas of rural Australia there is not the capacity on the AM or FM band to get the NewsRadio signal?

**Mr Knowles**—Yes. It is not necessarily only rural Australia. We are talking about places like the Sunshine Coast and Wollongong and so forth—quite popular centres, for which most of the frequencies have already been allocated.

**Senator SCHACHT**—Even on the AM band, with people now switching to FM?

**Mr Knowles**—There is virtually nobody switching to FM anymore. Take Gosford, for example: the AM frequency in fact has been allocated to a community commercial service.

**Senator SCHACHT**—I am glad Senator Newman raised this. I would be interested to see you provide on notice to the committee those areas of Australia where the ABA has let the spectrum go, where there is a problem of now fitting in the demand for what Senator Newman is raising, in those areas where there is now neither AM nor FM spectrum available for a signal for the ABC.

**Mr Knowles**—I think that is a question that ought to go to the ABA who have far more detail on that than we do.

**Senator SCHACHT**—The reason I am asking the ABC to do it is that you have a vested interest, probably, in getting it. I wondered if you had any information about it. I will put it on notice to the ABA anyway, but I would like to get your view about it because sometimes I have discovered the ABA's and your views technically do not always coincide.

**Mr Knowles**—We can provide you with a list of those areas where we believe we could reasonably roll it out with frequencies being available.

**Senator NEWMAN**—That would be very interesting to me because I have a great interest in this service. I think it is the best service you provide throughout the whole of the ABC, frankly—partly because they have a very strong policy of non-editorialising, which I approve of mightily. I am particularly concerned about it because the people for whom NewsRadio is not available are the very people who have—

**Senator SCHACHT**—You will be on *Australia Talks Back*, or something.

**CHAIR**—Senator Schacht, let Senator Newman have a run first.



**Senator NEWMAN**—I did not interrupt you. The people who have least access to radio of any kind and other media are the people in country Australia, yet we keep ladling the transmission into city areas where there is already an oversupply, in my view, of radio available to people in the city. You can have JJJ, MMM—you can go through the whole range. You have commercial and public broadcasting and yet people in country areas have very little choice. I would have thought if the ABA was going to divide up its spectrum it should be looking to balance that better.

I have a particular concern as a senator for Tasmania. I think most people in Canberra who are making policy just do not seem to have absorbed a basic fact: that is that the majority of Tasmanians do not live in the capital city—and that is the only place that NewsRadio is available. I wherever I go when I talk about this, find it being a particularly useful information service for people. People like Senator Minchin and me, when we can, keep our car radios on them all the time. We find taxi drivers say they do. Comcar drivers say they do. Certainly wherever people get exposed to this radio station they become advocates for it, as I am tonight. I really feel quite incensed that even in the ABC the priorities for the spectrum—which is not your affair perhaps—are to ladle more and more radio into capital cities when you have not ladled enough into regional centres and rural areas. When you have such a great product as this particular station, I think you should do better by it. I would like to see what your plans are to in fact start thinking about it for the future. If you are talking about extending regional radio, in my view this is one thing that should be at the top of your list. Would you like to comment?

**Mr Shier**—First of all, we are heartened by that because we think NewsRadio is an excellent service, too. If we can extend it to those extra parts of Australia for the six or eight million, so be it. I know because I was in Launceston for our conference that there are even Radio National issues, too, in northern Tasmania. If we were able to extend that, that would be good.

One thing I can say, having mentioned a few new things tonight, is that we are very desirous of creating a brand new radio station in Ballarat, Victoria, and we want to do that on the basis of it being a 'from scratch' service so that people will see what a 2001 radio station would be like. The FM band is available to us, so we are going to make an effort first of all with a brand new radio station.

Secondly, we will take aboard your comment about NewsRadio but, realistically, for us to use core funding to extend transmission is hard to justify when it could go into additional programming.

Thirdly, in relation to the recent money that we were granted, we will certainly be wanting to staff up our regional radio stations. The director of radio is actually about to advise me on an exercise she has done as to where those staffing appointments should be made. We will be substantially increasing our output in regional and rural Australia in the coming fiscal.

**Senator NEWMAN**—Thank you very much for that, but it does not really go to what I am asking. How long do we have to wait, and how much money are you going to have to spend to see that that two-thirds of the population of Tasmania get access to your best service?

**Mr Shier**—I have to be honest: it is very hard at the moment to justify the cost of transmission. Mr Knowles, what would it cost in Tasmania?

**Mr Knowles**—Senator, I think it would be useful to step back a little bit rather than answer Mr Shier's question.

**Senator NEWMAN**—I want the answer too.

**Mr Knowles**—You may recall that NewsRadio originally started off using what were really the stand-by transmitters in the main capital cities, as an ABC initiative for which we sought government funding.

**Senator NEWMAN**—But in northern Tasmania we used to get that radio station from Victoria. Now we cannot even get the low transmission one from Hobart.

**Mr Knowles**—If I might just finish—

**Senator NEWMAN**—Yes, I am sorry, but a lot has gone downhill.

**Mr Knowles**—The second stage of that process was that the government allowed a number of commercial stations in each of the capital cities to convert to FM. As a consequence, the AM facilities which they vacated were transferred to NewsRadio. Basically, some of them use the same frequencies. The basis of using stand-by transmitters was nothing but a stop-gap, because if the main transmitter failed for any reason or was taken out for maintenance you lost the NewsRadio service. The new service was acquired from the commercial results, and quite good transmission facilities were obtained as a consequence of that—facilities which were fully redundant and provided an excellent and reliable service for NewsRadio. Yes, some people did lose their original coverage of NewsRadio because of the frequency change, but those frequencies were not necessarily available for the long term.

**Senator NEWMAN**—No, I am going back some years to when the parliamentary network that was broadcast out of Melbourne was received in northern Tasmania.

**Mr Knowles**—That was when it was on the interim service.

**Senator NEWMAN**—Some years ago now.

**Mr Knowles**—That was on the stand-by transmitters.

**Senator NEWMAN**—It is many years ago that we are talking about.

**Mr Knowles**—That is back in 1982.

**Senator NEWMAN**—Then we got a very low service with a low level of transmission, and it does not make its way halfway up little Tasmania, let alone across Bass Strait.

**Mr Knowles**—To go beyond that, we need to take on another set of transmission funding. The government previously provided the funding of the national transmission service through the NTA, which was subsequently sold to NTL, and the ABC received funds to purchase the same level of transmission as was available prior to the sale. We have maintained that service fully to that degree. To extend it beyond that requires us to provide additional transmitters. We currently purchase all of our transmission on the basis of an annual fee for which the service provider would establish the transmission and maintain it. To establish a new AM station, for example, typically an investment of \$1 million is needed.

**Senator NEWMAN**—In what?

**Mr Knowles**—Any station.

**Senator NEWMAN**—Investment in what?

**Mr Knowles**—Just in the transmitter, the aerial and the piece of ground to put it on.

**Senator NEWMAN**—Why can't you use the existing transmitter ground? You just put another transmitter on the existing tower, don't you?

**Mr Knowles**—On AM, you cannot do that. You can do it on FM, because you share the antenna. But for AM the length of the towers and the space between the towers and the land they sit on are tied to its frequency.

**Senator NEWMAN**—Let me cut through this. I am not comfortable with your explanation because I do not understand the ins and outs of the technicalities. What I do want to know is: how would you explain to a senator from New South Wales that you did not provide a service for two-thirds of the state? That is what you are doing in Tasmania.

**Mr Knowles**—I would say that that is a consequence of history. It is the level at which the service was funded at the time it was established by the government—

**Senator NEWMAN**—I started out asking, ‘What are your plans for extending regional radio in the future? In that, what are your plans to do something about the expansion of NewsRadio to regional areas?’ So you are not doing anything?

**Mr Knowles**—We have variously addressed proposals for additional funding for the corporation to provide the transmission.

**CHAIR**—Is NewsRadio transmitted outside any capital city?

**Mr Knowles**—No, it is not. It is a significant new initiative.

**Senator NEWMAN**—It is in Newcastle and Wollongong, isn’t it?

**Mr Knowles**—Newcastle.

**CHAIR**—And it is the only carrier of the parliamentary broadcasts, which I would have thought are an important public service for people of Australia to hear.

**Senator NEWMAN**—When I came into parliament in 1986, wherever I would go around my state doing my job, truck drivers, policemen and doctors—people who would be in and out of their cars all day—would comment to me about some debate or other that had been on in the parliament that they had found particularly relevant and particularly interesting.

**Mr Knowles**—Absolutely.

**Senator NEWMAN**—If you live in regional Australia, you have the benefit or otherwise of tabloid papers that are focused on local government and state government issues. There is little or no coverage of national issues and of national debates on new legislation. They know nothing about what is happening to them in their lives, and I think it ill behoves the ABC to put that as a low priority, frankly. You are expanding in lots of other areas; why not this one, which is educating—

**Senator SCHACHT**—Just give them \$6 million and they will fix it.

**Senator NEWMAN**—It is educating the population about their national affairs; what could be more important?

**Mr Knowles**—Senator, we totally agree. The issue is that the ABC would have to take \$6 million out of its existing program funding if it were to provide that service.

**Senator NEWMAN**—What are you spending on ‘extending regional radio’? What does that mean?

**Mr Knowles**—We are not spending any money for extending regional radio transmission.

**Senator NEWMAN**—So what does ‘extending regional radio’ mean? That is where I started. What is the plan for it? What does it mean to us?

**Mr Shier**—The submission for additional funding that we recently put to government was to improve the program output of local radio stations across Australia, because the view was that we should at least try to aim for an additional shift to make sure that there are more rural reporters, to make sure that the number of people on the ground who are delivering local radio to local—

**Senator NEWMAN**—Very important, very good.

**Mr Shier**—It is the costing of that. With the \$17.8 million we have, the issue is whether we should be using any of that for transmission. That is not what was originally put in the submission. It is a hard call, because you can produce a lot of programming for \$6 million.

**Senator NEWMAN**—It does not cost you much to program for NewsRadio, though, does it?

**Mr Shier**—No. I hear the point—

**Senator NEWMAN**—There is a trade-off. You may have extra transmission costs, but presumably you have got much lower program development costs; it is ready-made.

**Mr Shier**—It was not—

**Senator NEWMAN**—It is ready-made in the sense that it is already going around the country. You are taking an awful lot from public broadcasting in other countries, as well as stuff from the ABC current affairs network.

**Ms Howard**—Yes, but that material from other public broadcasters comes at a cost. So it is not exactly a service that we run for nothing.

**Senator NEWMAN**—But is it comparable to starting programs that you are making yourselves? Surely that is a one-off in the sense that it is more expensive. You are buying opportunity costs, not the end result.

**Mr Shier**—You can leverage off your existing program contribution—absolutely. I hear that loud and clear.

**Senator NEWMAN**—I leave it with you. I will dog your steps one way or the other.

**Senator TCHEN**—Mr Shier, you mentioned a new project that you are about to start up in Ballarat. Can you explain a bit more about this new transmitter?

**Mr Shier**—Yes. There are in fact two, but this is one of the natural gaps we see in the network of ABC radio stations across Australia. Whilst we cannot get access to a frequency in Geelong, we can get access to a frequency in Ballarat. The feeling is that that frequency could be used to send a signal to the south-west of Victoria. We currently have a station in Bendigo that could deal with north-western Victoria. When you factor in the costs of staffing and the costs of capital, it is about \$1 million, as was indicated. So it is quite a big judgment to create a new radio station. But it is a long time since we did, and we think that there is merit in showing what can be done now in digital, producing a station at minimum cost. I do not know whether you would like to add to that, Sue?

**Ms Howard**—No, I do not think I need to.

**Senator NEWMAN**—Isn't there a lesson for what you might be able to do in Tasmania? If you have got spectrum vacancy in, say, the Launceston area, which is the biggest city, you can go right down the coast and you take in Devonport, Burnie, Ulverstone and smaller places all along the way. Or you have got some spectrum available down the north-west and you come back to Launceston. Has anybody even looked at any of this?

**Mr Shier**—I think it is fair to say that we have certainly looked at it but—

**Senator NEWMAN**—You went to Launceston, and that was a nice thing—we were glad to see you there. But is there going to be any benefit from it? Have you learnt anything from going there?

**Mr Knowles**—As the ABA has been doing its planning exercises, we have consistently sought frequencies and spectrum for services. But at the end of the day the ABA will not allocate frequencies unless it has a reservation from the government, and that requires a government call as to the extent to which those funds might be made available for extension of the service.

**Senator NEWMAN**—Doesn't that come back to you for prioritising?

**Mr Knowles**—No, we do not have funds for doing this. We make representations to the government for the possibility that it might fund an additional service for us.

**Senator NEWMAN**—What is your \$6 million about then?

**Mr Knowles**—The \$6 million is what it would cost the government to establish the parliamentary news service across the country to most of the major centres. That is a \$6 million per annum fee, which will be the cost.

**Senator NEWMAN**—So there will be additional costs to the government for dealing with the ABA?

**Mr Knowles**—Yes.

**Senator NEWMAN**—I am sorry, I did not understand that.

**Mr Knowles**—No, not the ABA—

**Senator SCHACHT**—To extend the network is six million bucks—

**Senator NEWMAN**—Yes, I hear that.

**Mr Knowles**—There are two things. Firstly, whenever the ABA is doing a planning exercise, we approach the ABA to set aside frequencies—for the ABA to allow the ABC to have the channels to extend its service and enrich its service to the community.

**Senator NEWMAN**—And?

**Mr Knowles**—We do not always get those frequencies because they are assigned for other priorities which become evident during the ABA's consultation process. It is a public process which they go through. They listen to all of the submissions that get made to them by community and commercial people and us and at the end of the day make a call as to how those frequencies should be assigned.

**Senator NEWMAN**—So do you tender for them?

**Mr Knowles**—No, we do not tender for them, and that is a difference between the ABC and the other commercial services. So, in order for the ABC to acquire a spectrum, it requires the minister, first of all, to decide that he should reserve spectrum for the ABC in the face of other advice from the ABA as to the other competing demands for channels. At the end of the day there is a proposal that comes from the ABA's public process of consultation with the community at a fair degree of depth.

**Senator NEWMAN**—Thank you. Senator Schacht asked you to provide some information, but I do not remember exactly the detail of that.

**Senator SCHACHT**—Can you tell us where spectrum allocation is readily available—and, by deduction, where it is not readily available—to put the extension in?

**Senator NEWMAN**—So that will cover Tasmania for me as well?

**Mr Knowles**—It will.

**Senator NEWMAN**—Will that give me an indicator of cost?

**Mr Knowles**—It will give you an aggregate indicator of cost because what we have done in terms of our costing is that we have estimated it on the basis of the similar cost of providing the other ABC services, which is an annualised cost. So we have extrapolated from that what would be the expected cost that we would get for producing that service, recognising that each individual service will vary in cost depending on how much land costs and on other sorts of things that take place.

**Senator NEWMAN**—You could not have much cheaper land than Tasmania's.

**Mr Knowles**—Certainly.

**Senator NEWMAN**—But I would like to not just know what is available; I would like to get an indication of what sort of money we are talking about to have two-thirds of the population effectively covered.

**Mr Knowles**—Certainly.

**Senator NEWMAN**—Particularly when you have it in Hobart already.

**Mr Knowles**—Certainly, as I say—

**Senator NEWMAN**—Don't you have something like a repeater?

**Mr Knowles**—In terms of what you are looking at doing, you need to provide very substantial coverage. For example, at the moment there are no FM frequencies available in northern Tasmania. There is a shortage of frequencies in Launceston because of the fact that the ABC continues to have to use Channel 3 for its broadcasts.

**Senator SCHACHT**—On the television?

**Mr Knowles**—On the television.

**Senator NEWMAN**—That was an output when they went over to whatever a few years ago.

**Mr Knowles**—Yes. We hope that shortly we will be able to start to talk about closing down Channel 3 once the last lot of translators are installed. That will be an issue which will probably affect some people in the community. In fact, the reason why it has not closed for what is probably five or eight years is that there have been some people who would have lost their ABC service on television as a consequence.

**Senator NEWMAN**—The transmission authority tells me there are some people who as a result of that will never get television of any quality again.

**Mr Knowles**—Yes, that is true. Therefore it is a question at the moment of saying there are no frequencies in northern Tasmania to do anything.

**Senator NEWMAN**—Does that mean the north-east or right along the whole of the Tasmanian—

**Mr Knowles**—That affects the whole of northern Tasmania, because what happens in Victoria also affects northern Tasmania as well.

**Senator NEWMAN**—Do you mean interference?

**Mr Knowles**—This is why people receive interference during certain times of the year from Victorian stations. Therefore, planning new channels has to work in conjunction with the others so that you get channels which do not get interfered with by Victorian services and the like.

In terms of FM channels, at the moment there are none. That would be a cheap solution if the frequencies were there. It is certainly much cheaper. In capital cost terms, a new FM service on an existing site would probably cost maybe \$50,000 or \$60,000 but probably more like \$300,000 for the main transmitter. For a smaller translator it would probably be \$50,000 or \$60,000. If it was an AM transmitter, the cost of establishing a new AM facility would be of the order of somewhere between \$750,000 and \$1 million, depending on the frequency and other aspects such as land, the number of towers you have to construct and so forth, for the frequency which is available. AM is an expensive option but it does provide much wider coverage if you can get the right frequencies.

**CHAIR**—How many transmitters are you talking about when you talk about covering the whole country for \$6 million?

**Mr Knowles**—Probably about another 60 transmitters. That is based on where we think we could get the channels. It would only give us coverage of probably something like 85 per cent of the population.

**Senator NEWMAN**—That is better than the about a third that we have got now.

**Senator SCHACHT**—Is the \$17 million per annum extra in the budget that the government has provided for regional services a mixture of television and radio, or is it all radio?

**Mr Knowles**—It is a mixture of television, radio and online. As we said, the main component would be regional.

**Senator SCHACHT**—Was that an offer the government made or did you put that forward as one of your proposals to the government for possible funding increase in the budget?

**Mr Shier**—You mean the regional and rural aspects?

**Senator SCHACHT**—Yes.

**Mr Shier**—It was one of four components that we put in our submission. It was family and children, business, an educational initiative and regional and rural.

**Senator SCHACHT**—What was the total amount that you asked for?

**Mr Shier**—It was \$37.25 million, plus the education initiative of \$2.8 million.

**Senator SCHACHT**—Apart from one-off infrastructure investment to build transmitters, the ABC is always a one-line budget under the charter, to ensure that the programming and the decisions of the board are kept separate from political interference. You are quite happy and confident that the way the process was there was no political pressure to adopt the regional option only? You will get \$17 million. You will not get \$35 million. But you have got to do the regional one and you will get it for that and only that?

**Mr Shier**—Our original submission identified regional and rural as the major component. The budget papers used that terminology in terms of giving us that back. It is fair to say that with the education initiative, for example, there would be little point in doing it unless we felt

we would subsequently get the funding to actually implement that. That is a judgment call we have to make.

**Senator SCHACHT**—So you are saying that the regional initiative was the major new ask in the total proposal?

**Mr Shier**—It was from us.

**Senator SCHACHT**—You said: if we get this money this is our first priority and this is where we will spend it.

**Mr Shier**—We did not indicate the first priorities but, to be frank, it was our first priority.

**Senator SCHACHT**—If this is in the budget paper, just draw my attention to it and I will look at it later: how is the \$17 million broken up?

**Mr Shier**—It is a one line \$17.8 million.

**Senator SCHACHT**—Can you take on notice to provide how you are going to spend \$17 million between television, radio, any infrastructure, programming and staff numbers?

**Mr Shier**—We have not got there yet.

**Senator SCHACHT**—You have a rough idea?

**Mr Shier**—Not quite.

**Senator SCHACHT**—I don't think Finance would give it to you unless you had a rough idea.

**Mr Shier**—It depends when I have to provide the answer to the question. We will be including that in the submission to the final board at the end of June. By the end of June I will know that.

**Senator SCHACHT**—Ms Howard, I noticed that in metropolitan ABC radio across Australia on the morning programs and through the day on major metropolitan radio you now have the tag team of two announcers operating on a lot of the programs. I noticed it on my own station in Adelaide at 5 a.m. I listen to 666 here of a morning.

**Ms Howard**—I think they are the only two.

**Senator SCHACHT**—I see. Was it a decision they took locally within their budget to try doing that? It didn't come as an idea out of the development area?

**Ms Howard**—No, they are local decisions, and those decisions are made absolutely at the station.

**Senator SCHACHT**—Has there been any indication yet in those dreadful rating figures that the decision has been successful?

**Ms Howard**—Certainly here in Canberra it has been phenomenally successful. In Adelaide it is a bit hard to tell; it is a bit early to say.

**Senator SCHACHT**—Because you were running two announcers at the same time, was that an increased budget item?

**Ms Howard**—No, it was not. They have managed to do it with the same costs.

**Senator SCHACHT**—So there you go: they are the only two main ABC stations I listen to.



**Senator FERRIS**—Stemming from the questions I asked earlier on today about a right of reply program, could you give us any indication of whether there has been an increase in the number of people complaining that they want to have a right of reply? Have you any figures that you could make available to the committee about the number of people who have issued writs or instigated legal action? Would you have any idea of whether the numbers have increased?

**Mr Shier**—I think there are two things. During my term of office I have not noticed a change, but I am happy to look back in time and provide an answer to you on notice. In terms of the number of writs that we receive, I have to say that they are very small as a percentage of the total transmission hours; nevertheless they are a matter of concern. Can I also get you some trend data too, to give you a feel for that?

**Senator FERRIS**—I would be interested to know, for example, whether it is possible for you to tell me how much is paid out in settlements. I know some of these matters might be commercial-in-confidence but, if they are given as a total number and are not broken down, would it be possible for you to give me some indication of what the ABC might have paid out over the last couple of years in settlements of legal action?

**Mr Shier**—I did have the figures for the last four years in my head, but I must say that I cannot remember them now. If I could take that on notice, I would be happy to provide those figures.

**Senator FERRIS**—Is it possible, again bearing in mind the commercial-in-confidence aspect of it, for you to give me an indication of how much you have paid as the largest amount to any individual or company that has actually successfully sued the ABC?

**Mr Shier**—Ever—is that what you mean?

**Senator FERRIS**—Not ever, no; I do not expect your memory to go back three-quarters of a century.

**Mr Shier**—I will go back 10 years.

**Senator FERRIS**—Perhaps over the last five years. Can you tell us a little about your new director of television? Can you give us a little bit of background?

**Mr Shier**—I have a note here—for those who do not know the director—on Sandra Levy. She is described in my note as—as she is—a true major player in the Australian film and television industry. She produced films such as *The Well* and *High Tide*, with Judy Davis. She had *The Well* at the International Cannes Film Festival. She was head of drama at the ABC from 1987 to 1989. For 10 years she has been the head of drama at Southern Star—a major independent producer in Australia. During that period she produced *True Believers*, *A Dangerous Life*, *Act of Betrayal*, *Ian's Lost*, *Darlings of the Gods*, *Body Surfer*, *Come in Spinner*, *Cassidy*, *GP* and *Rescue*. I am sorry, that is what she did when she was with us and when she was in the Australian Film Institute, and then during her time at Southern Star she produced *A Difficult Woman*, *Secret Men's Business* and *Serenades*, which is currently in distribution. So she is a well-respected drama producer.

**Senator FERRIS**—How was it that you were able to appoint her so quickly?

**Mr Shier**—I was lucky to already have her on board as director of development. Four months ago when Guy Dunstan left, I had an opportunity to bring a top-flight creative director into the corporation and I was lucky enough to get Sandra. She was working in development, working closely to television. When Gail Jarvis resigned I was in a situation to be able to ask

Sandra whether she would like to take it on. She indicated she would. I think we are very fortunate to have her in that role.

**Senator FERRIS**—Can you tell me who was going to take her place?

**Mr Shier**—I think the good news is that she has some ideas as to other people that she would like to work with. I think it is fair to say that we will probably want to think about that for a short while, but it should be, in my view, a senior creative. In the deputy director of development we have someone who is strong in factual programming, so it would be good to bring someone into the fictional role or into non-factual. I would expect that we would make that appointment quite soon. What is pleasing, despite what has been said earlier, is the number of people who want to come back to the ABC at the moment and also the people who are expressing interest who have not previously. I would think that we will have a very good news announcement when we make that appointment.

**Senator FERRIS**—I would also like to ask some question about the budget. If I ask them of you, anybody else who needs to make a comment can do so. I would just like to confirm to start with that this year is the first time in 16 years that the ABC has received additional programming funding in the budget outside the triennial funding round.

**Mr Shier**—To my knowledge that is correct. It is 16 years since we had that sort of funding.

**Senator SCHACHT**—Apart from the \$55 million cut five years ago. God, strike me!

**Senator FERRIS**—Chair, I didn't interrupt Senator Schacht.

**Senator SCHACHT**—If you're going to ask dorothy dixers like that!

**Senator FERRIS**—Senator Schacht, can I ask my questions and you can save your comments for another place?

**Senator SCHACHT**—I think the quality of your questioning has been recognised by the minister, who has left the ship.

**Senator FERRIS**—Mr Shier, can you try not to be distracted, and I will as well. Whilst recognising that the ABC now has additional digital responsibilities, is it a fact that the ABC's total funding in 2001-02 of the \$745 million is in real terms \$95 million higher than its total funding in 1995-96? Is someone able to confirm that for me?

**Mr Shier**—I think I want to pass that very quickly to my left, because it is for 1995.

**Senator SCHACHT**—You keep asking dorothy dixers.

**Senator FERRIS**—Chair, can we please have some order.

**CHAIR**—Senator Schacht, I think we should—you know—

**Senator SCHACHT**—You keep asking dorothy dixers. Does that come from the minister's office? He left before he got embarrassed by it.

**CHAIR**—Senator Schacht, you should give Senator Ferris some space to ask her questions. We have all listened to you politely all day.

**Senator FERRIS**—I will ask the question again, Mr Balding. While recognising that the ABC now has additional digital responsibilities, is it a fact that the ABC's total funding in 2001-02, the \$745 million, is in real terms \$95 million more than the total funding in 1995-96?

**Mr Balding**—I doubt that very much. I would like to go back and have a look at the figures. If you are talking in real terms, I would doubt that very much. What you need to be careful of is not confusing that you have national transmission funding in there where previously, back in about that period, that transmission funding was provided directly by the government to the NTA and it did not come to the ABC. I will certainly take that question on notice and come back to you.

**Senator FERRIS**—Thank you. I wonder if I could draw to your attention a letter that was published in the *Age* on 14 March this year from a woman in Melbourne. It says that Labor has refused so far to give an express financial commitment to properly fund the ABC should it gain power. Has the Labor Party given any commitment to the ABC to maintain the additional funding for the ABC that was provided in the recent budget? Has the Labor Party given any commitment to the ABC that it will increase funding for Radio Australia and, if so, what is the dollar value of that commitment? Has the Labor Party given any commitment to the ABC that it would give the ABC responsibility for ATV and provide funding to operate the service and, if so, what is the dollar value of that commitment? I ask whether any of those issues have been raised with you in a policy development sense by the opposition and whether or not it is possible for you to respond to her questions that I am putting to you.

**Mr Shier**—I cannot answer the specific questions. There has been no commitment by the opposition, but the shadow minister did indicate to me that, prior to the next election, the opposition will specify what amount of money they would make available to the ABC. That was what he said to me.

**Senator FERRIS**—Is that the only commitment that you have had?

**Mr Shier**—That is the only communication that we have had on the subject.

**Senator FERRIS**—Some people would say that is probably as much as you are going to get. I think that just about covers the questions that I have. I have a couple of other notes here that I will look at and, to save time, I might put them with the questions on notice.

**Senator TCHEN**—Mr Shier, just a quick question and one plea. The question is: can you give me some rough estimates that, of your \$830 million budget, what proportion would be spent on TV, what proportion on radio and what proportion on Radio Australia? I understand that you have a certain fairly large proportion going to corporate costs. Could you give me a rough break-up of the costs? I will not hold you to it.

**Mr Balding**—I have given the actual split of funding across all divisions at previous Senate estimates. At the moment we are going through the budget process which will be for the new financial year. That budget has not been finally determined. The allocations have not been determined and will not be until about 27 June.

**Senator TCHEN**—You say that you have provided them at previous estimates hearings. Which ones? I can probably track it back.

**Mr Balding**—It was two or three estimates ago, around November.

**CHAIR**—Could that be provided on notice to Senator Tchen?

**Mr Balding**—Yes.

**Mr Shier**—Are you happy with that, Senator? Let's give you precise figures. I could give you ballpark figures now: television is about \$175 million, radio is something like \$120 million—but let me give you precise figures.

**Senator TCHEN**—Looking through the budget papers, it is very hard to divide them out of the outcome. Secondly, I add my plea to Senator Newman's and ask that the ABC in its future forward planning pay special attention to regional and rural needs as well. Earlier, when you were answering the questions from Senator Faulkner and Senator Schacht, you talked about ratings and the ABC's share of the viewers. I suspect that there is a very large body of viewers in regional and rural Australia which is crying out to be taken up, rather than the competition you have to face from commercial stations in the metropolitan areas.

**Mr Shier**—It is certainly true that our viewing share in regional and rural Australia is more significant than it is in the metropolitan regions.

**Senator TCHEN**—I think that is probably where you should be developing and, also, your listening audience, which is probably even more significant.

**Mr Shier**—Yes. I mentioned both, actually. It is certainly true also in radio.

**Senator TCHEN**—I am not sure that this question is in order, but I am just curious: before Senator Newman raised this issue about regional services, during this estimates hearing were you asked any questions about regional services?

**CHAIR**—Not really; I do not think so.

**Mr Shier**—I do not think so.

**Senator TCHEN**—That was my impression, but I just wanted confirmation about it. Thank you very much.

**Senator MARK BISHOP**—Mr Chair, seeking your indulgence, I have a large number of questions which I have not asked. Could I have the indulgence of the committee to put them in writing by close of business on Monday, which would save me asking them now. Is that all right with the committee?

**CHAIR**—That is perfectly okay.

**Senator MARK BISHOP**—In that case, thank you, Mr Shier, and the other officers of the ABC for your lengthy attendance today.

**CHAIR**—Likewise, I thank the witnesses from the ABC for their attendance today. I now call on the department.

[10.27 p.m.]

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

**Senator MARK BISHOP**—I am going to be asking Dr Watt about the advertising campaign arising out of Besley, and I have a series of questions arising out of the Besley inquiry report response—mobile phones, communities of 500 plus and other areas, the national communications fund, the online technical assistance program, consumer representation, advertising campaign, and the ATSI community study—basically the stuff in the PBS at pages 44 to 46. I think that will take us through until stumps, and so, Dr Watt, if you have officers here who might be prepared for other areas, my questions for other areas will be put on notice, and those officers can get away half an hour early.

**Dr Watt**—That would be very kind of you. It would be particularly appropriate, given the disruption we have had through much of today.

**Senator MARK BISHOP**—Yes. I will ask you the question on the Besley response ads. Tell me what the government's plans are and where it is at.

**Dr Watt**—The government announced a funding campaign of \$6.9 million in the budget. It is not just for Besley; it is broader than that. It is to fund a community information campaign to improve awareness in regional, rural and remote areas of the benefits and opportunities of new developments in telecommunications, et cetera. So it really picks up much more than Besley. It includes the policies that go back to the Networking the Nation program, for which there has been no publicity campaign. As to where it is at, the campaign is being worked up and is going through various stages. It is expected that the campaign will in its various forms come into the public arena in the middle and later parts of this year.

**Senator MARK BISHOP**—All right. I might make the questions a bit more specific then. So it is \$6.9 million—that is in the budget papers. What is the lead government agency planning the campaign?

**Dr Watt**—The campaign is under the auspices of this department. Obviously, in terms of planning, there is also an involvement with the government communications unit in the Department of Prime Minister and Cabinet. Of course, all of this falls under the chapeau of the Ministerial Council on Government Communications.

**Senator MARK BISHOP**—What did you say, sorry?

**Dr Watt**—It all falls under the broad coverage of the Ministerial Committee on Government Communications—MCGC.

**Senator MARK BISHOP**—Is your department the lead department?

**Dr Watt**—We are the lead and indeed the sole client department.

**Senator MARK BISHOP**—Which officers are going to be involved in this?

**Dr Watt**—The two on my left—Ms Susan Leach and Ms Kim Ulrick.

**Senator MARK BISHOP**—You are the two nominated officers from the department to be involved in the campaign. Will it target regional and rural TV stations, radios and newspapers?

**Ms Leach**—Yes, it will.

**Senator MARK BISHOP**—Will there be any targeting of metropolitan markets?

**Ms Ulrick**—No, there will not. Essentially, the campaign is targeting rural, regional and remote areas. This is in line with the announcement made on the total TSR response package by Senator Alston on 15 May.

**Senator MARK BISHOP**—Will it target Darwin?

**Ms Ulrick**—Yes.

**Ms Leach**—The Northern Territory will be included in that, yes.

**Senator MARK BISHOP**—The Northern Territory is a large place, but it is classified as remote and will be part of the target as well, will it?

**Ms Leach**—I suspect there will be some areas that will be considered regional, some remote, yes.

**Senator MARK BISHOP**—But Darwin is definitely one of those?

**Ms Ulrick**—We can take that on notice and come back to you just to clarify—

**Senator MARK BISHOP**—Come back to me and advise if that is not the case, otherwise we will take it as read that it is.

**Dr Watt**—I suspect part of the mixture is it will target the areas where there has been spending under NTN and will be spending under Besley.

**Senator MARK BISHOP**—Okay. You were a little bit coy about when the campaign would kick off, Dr Watt.

**Dr Watt**—No, I am not exactly sure I know.

**Senator MARK BISHOP**—Presumably it is going to be in the second half of the year, so will it be in the first quarter or the second quarter?

**Ms Ulrick**—The first quarter of next financial year.

**Senator MARK BISHOP**—The quarter beginning July?

**Ms Ulrick**—Yes, that is right.

**Senator MARK BISHOP**—Will it be a three-month or a six-month campaign?

**Ms Ulrick**—We have not actually appointed consultants at this stage. Once we do that, we will be looking at developing the campaign along the lines envisaged by the successful consultant's strategy in terms of creative and publicity. But it is hoped that we will be able to get under way by July for some components of the strategy in publicity and possibly around mid-August for advertising. It is very dependent on what consultants can come back with.

**Senator MARK BISHOP**—You said hopefully by August—did you say for the full advertising?

**Ms Ulrick**—For creative advertising.

**Senator MARK BISHOP**—And that creative advertising will be concentrated in rural and remote TV?

**Ms Ulrick**—That will be dependent upon what the creative consultants come back with essentially. It will depend upon what their approach is, because we really have not got—

**Senator MARK BISHOP**—What is the process? Do you call for tenders for the job or do you just ask two or three companies to apply?

**Ms Leach**—No. We have gone through the normal tender process as required under government communications unit or MCGC requirements. We have put to tender three consultancies and we are in the process of looking at those consultancies. We hope that we will be able to appoint those consultancies within the next couple of weeks.

**Senator MARK BISHOP**—And you would anticipate appointing—

**Ms Leach**—We will be appointing a market researcher, a creative agency and a public relations agency.

**Senator MARK BISHOP**—Is there any research being undertaken at the moment?

**Ms Ulrick**—With regard to this campaign?

**Senator MARK BISHOP**—Yes.

**Ms Ulrick**—We have not appointed a market researcher as yet, so there is no specific campaign research under way.

**Senator MARK BISHOP**—Are you planning to appoint a market researcher?

**Ms Ulrick**—Yes, we are.

**Senator MARK BISHOP**—Who have you invited to apply for that?

**Ms Leach**—The tenders?

**Senator MARK BISHOP**—Yes.

**Ms Leach**—We put the proposal out to five or six market research agencies and three put in proposals.

**Senator MARK BISHOP**—Are they currently being evaluated?

**Ms Leach**—Yes, they are.

**Ms Ulrick**—Yes, they are.

**Senator MARK BISHOP**—When do you expect a decision to be made?

**Ms Leach**—Some time next week.

**Senator MARK BISHOP**—Is that research both qualitative and quantitative?

**Ms Ulrick**—Yes, it is proposed that it would include qualitative and quantitative research.

**Senator MARK BISHOP**—Is there a bias to qualitative or quantitative research?

**Ms Leach**—No, not at this stage.

**Dr Watt**—It might be one of the things that they are hoping the research will show.

**Ms Leach**—Yes.

**Senator MARK BISHOP**—I bet they are. Will most of the NTN programs be completed by 30 June next year?

**Dr Williamson**—There are five components to Networking the Nation as it is running at the moment. At the moment, three of the components are scheduled to finish by 30 June next year and two of them go for another two years beyond that.

**Senator MARK BISHOP**—For the two that go for another two years, what sort of quanta are we talking about?

**Dr Williamson**—One is the BARN program, which is \$70 million, and the other is the local government fund, which is \$45 million.

**Senator MARK BISHOP**—What is their life term after 2002?

**Dr Williamson**—They go to 30 June 2004.

**Senator MARK BISHOP**—For how long have they both been in operation?

**Dr Williamson**—Since July 1999.

**Senator MARK BISHOP**—So they will be halfway through?

**Dr Williamson**—I trust your arithmetic, Senator.

**Senator MARK BISHOP**—Yes, they will be. So three programs will be concluded by 30 June next year. You have two programs left to go—the BARN program and the local government fund—and both of them will be more than half concluded by 2002.

**Dr Williamson**—I should add that two of the others, which are currently scheduled to finish by 30 June 2002, can be extended by the minister for one additional year as part of the legislation.

**Senator MARK BISHOP**—Which ones are they?

**Dr Williamson**—They are the Remote and Isolated Islands Fund and the Rural Internet Access Fund.

**Senator MARK BISHOP**—Would a further injection of funds be required for the minister to extend both those programs for another 12 months?

**Dr Williamson**—No, it extends the time frame for which the funds can be expended but not the amount of funding.

**Senator MARK BISHOP**—So it would be spreading it out over a lengthier time but the funds would be the same?

**Dr Williamson**—Yes.

**Senator MARK BISHOP**—So it would be for work that had not been concluded at that stage?

**Dr Williamson**—Yes.

**Senator MARK BISHOP**—So the situation is that all of the NTN funds are already committed, three of the component programs conclude in the middle of next year, and two are outstanding but at that stage they will be halfway through.

**Dr Williamson**—Yes. Not all funds are committed at the moment. The expectation is that the funds will be fully committed by the end of those periods.

**Senator MARK BISHOP**—How many outstanding funds are there?

**Dr Williamson**—In the original \$250 million fund, which is termed ‘Networking the Nation general fund’, roughly \$52 million is uncommitted.

**Dr Watt**—‘Unspent’ might be more helpful than ‘uncommitted’, Senator.

**Senator MARK BISHOP**—They are different things, Dr Watt.

**Dr Watt**—I know they are. In a sense it is a matter of which metric you want. ‘Unspent’ might be more helpful. If you are asking a question about the timing of the publicity campaign, ‘unspent’ might be as helpful as ‘uncommitted’.

**Dr Williamson**—In which case it is a larger figure that is unspent.

**Senator MARK BISHOP**—It is a larger figure that is unspent?

**Dr Williamson**—Yes, because what is committed has not been fully paid out.

**Senator MARK BISHOP**—Let us just stay on this point. There was \$250 million already. You say \$52 million has been ‘uncommitted’. Do you mean ‘unspent’?

**Dr Williamson**—No, I mean ‘uncommitted’ by that. I have to do some arithmetic here as well.

**Dr Watt**—The unspent number will be considerably larger than the uncommitted.

**Dr Williamson**—Because of the flow of funds through the process of projects.

**Senator MARK BISHOP**—How much of that \$250 million is unspent at the moment?

**Dr Williamson**—I can tell you how much is spent. It is \$125 million, roughly, which has been spent of \$250 million.

**Senator MARK BISHOP**—Right, so there is still half of it to be spent.

**Dr Williamson**—So that is another \$125 million.



**Senator MARK BISHOP**—And, of that \$125 million that is left to be spent, \$52 million at this stage is uncommitted?

**Dr Williamson**—That is right.

**Senator MARK BISHOP**—Are there other funds apart from that \$250 million fund?

**Dr Williamson**—Yes, they are the other four that I was talking about earlier.

**Senator MARK BISHOP**—What was the total of them?

**Dr Williamson**—The total of them is \$70 million, plus \$45 million, plus \$36 million, plus \$20 million—that is \$121 million, from memory.

**Senator MARK BISHOP**—All right, so we have got \$250 million and \$121 million. Anything else?

**Dr Williamson**—No, that is the extent of the Networking the Nation program. They are the programs which are administered by the Networking the Nation board.

**Senator MARK BISHOP**—That is fine. I have got a picture of that.

**Dr Watt**—In a sense, we have a publicity campaign falling about midway through the expenditure profile of Networking the Nation. I am using ‘midway’ very loosely, but about midway through the spending profile—not the commitment profile; the spending profile.

**Senator MARK BISHOP**—I might take issue at that, Dr Watt. It seems to me that you have got an advertising campaign that is coming up in the first quarter of the next half and but for the \$52 million all of the money has been allocated, three of the components are concluded and two are halfway through. It strikes me as being a bit late to be having an advertising campaign.

**Dr Watt**—I am not able to make that overall judgment, but the point I would emphasise is that the benefits of NTN are starting to flow from past expenditure—it is expenditure that brings you the benefits. You would probably say that when you take into account expenditure occurring now you really have only yet got half of your benefits. It is also worth pointing out another thing: that the campaign is also about emphasising consumer service options and safeguards for consumers in regional and remote communities. It will also be aimed at improving awareness in those areas of the benefits and opportunities that have come through the new telecommunications programs. So it is quite a broad chapeau.

**Senator MARK BISHOP**—Broad chapeau? You are dead right it is a broad chapeau. This is an advertising campaign that is going to highlight a range of programs that are either concluded or well on the way to being concluded. That is the nature of the advertising campaign, isn't it, Dr Watt?

**Dr Watt**—I would put it slightly differently. I would say the campaign is going to focus on areas where the benefits are starting to flow increasingly with expenditure.

**Senator MARK BISHOP**—If the benefits are starting to flow and consumers are aware of those benefits—as it is fair to presume that they are, because a significant amount of the funds has been spent and all of the programs are either concluded or part concluded—why do you need to advertise benefits that are manifestly available to people with eyes?

**Dr Watt**—As I understand it, the Besley inquiry found that consumers in regional, remote and rural areas had a very poor understanding of the benefits and opportunities that were resulting from the government's telecommunications initiatives. Perhaps one of my colleagues, Mr Bryant, might like to elaborate on what Besley actually found in this respect.

**Mr Bryant**—The Besley inquiry found that there was a lack of awareness on a number of levels in terms of understanding the benefits of government programs and how they are benefiting consumers in regional areas—in terms of understanding the range of commercial services that are starting to push out into regional areas and certainly in terms of awareness by consumers of the various legislative safeguards that are available, principally the customer service guarantee.

**Senator MARK BISHOP**—When did the Besley inquiry come down?

**Ms Leach**—September last year.

**Senator MARK BISHOP**—It was almost 12 months ago. They concluded their deliberations in May, didn't they? When did they finish their tour?

**Ms Holthuyzen**—I think it would have been June or July. They did a round of hearings and then they took submissions.

**Senator MARK BISHOP**—The Besley inquiry did the tour around Australia. It was in the field for about six months. There was intensive amount of work done around Australia in April, May and June of last year. They then went off to consider their deliberations and deliver their report in August or September.

**Mr Bryant**—30 September.

**Ms Holthuyzen**—End of September.

**Senator MARK BISHOP**—Here we are now some nine months further on and we are talking about an advertising campaign, arising out of those deliberations which were written up in June of last year, to commence in July of this year, about programs of which three components are concluded and the other two components are half concluded. All of the funds have been allocated excluding \$52 million. We are going to be spending \$6.9 million on an advertising campaign highlighting benefits that are already in place and being used. We have a large number of service providers offering extra services to remote and regional Australia arising out of structural changes. The government is whacking out another \$7 million highlighting benefits that every man and his dog can see. That is just a rort, Dr Watts.

**Dr Watt**—I cannot comment on that. I can say, though, that there are three points that you might have missed. I do not think any of the programs in NTN are actually concluded. When Dr Williamson said they were coming to an end, I think he means in the 2001-02 financial year.

**Senator MARK BISHOP**—I thought Dr Williamson said there were five components. That is right: three were going to be concluded in 2001-02.

**Dr Williamson**—Also there is an additional amount, which is greater than that \$52 million uncommitted, which is still uncommitted from the other four components. That was the first component we were talking about.

**Senator MARK BISHOP**—How much is that other amount?

**Dr Williamson**—It is something close to \$100 million uncommitted, and there is over \$100 million not expended from those programs.

**Senator MARK BISHOP**—In the various NTN funds, we have got \$100 million uncommitted, we have \$52 million—

**Dr Williamson**—\$150 million in total.

**Senator MARK BISHOP**—Let me just break it up: we have got one pile of money of \$100 million uncommitted, we have got the second pile of money of \$52 million uncommitted, and we have how much unspent?

**Dr Williamson**—Something over \$100 million from those four, if you are grouping them that way, and the \$125 million we mentioned before. Sorry, that is spent, not unspent.

**Senator MARK BISHOP**—What is the unspent figure?

**Dr Williamson**—Sorry, I am getting myself confused. \$100 million is unspent and the \$125 million is split in the middle. That was right.

**Senator MARK BISHOP**—We have got two piles of uncommitted, of \$100 million and \$52 million, and we have got one pile of unspent, of \$100 million—is that right?

**Dr Williamson**—No, two piles of unspent, one of \$125 million and another one of something over \$100 million.

**Senator MARK BISHOP**—Which is?

**Dr Williamson**—Which is those other four components.

**Senator MARK BISHOP**—That is unspent as well?

**Dr Williamson**—Yes.

**Senator MARK BISHOP**—We have got one by \$100 million of uncommitted and one by \$52 million of uncommitted?

**Dr Williamson**—Yes.

**Senator MARK BISHOP**—So we have \$377 million either uncommitted or unspent?

**Dr Williamson**—One is inclusive of the other. I do not think you can add the two amounts.

**Senator MARK BISHOP**—Okay; someone else can, though!

**Dr Watt**—The joys of budgetary accounts, Senator.

**Senator MARK BISHOP**—We have \$152 million of 464 uncommitted and \$225 of 464 unspent—so a third and a half respectively.

**Dr Watt**—The second point that is worth drawing out is the response to Besley itself, with funding available under Besley of \$163 million, which is also picked up by this campaign. The third point on timing is that the government took a decision to respond to Besley in the budget context, and Besley was considered in the budget context. That explains something, I assume—the lag between the report being available and the response.

**Senator MARK BISHOP**—Thank you for that explanation, Dr Watt. I prefer my analysis of what is going on with the funds that are both now uncommitted and unspent. At a minimum, we are halfway through the programs but through to the end of some of them, and the government is allocating something in the order of \$6.9 million to be spent.

**Senator TCHEN**—Dr Watt, you said to Senator Bishop that you cannot answer the hypothetical question of whether the government is wasting money. Is there any point in advertising a service that is not yet available or is it better to advertise it when it is available?

**Dr Watt**—I am not a public relations expert.

**Senator TCHEN**—No, but just commonsense.

**Dr Watt**—There might be something in that. I suppose there are several different sorts of advertising arrangements. One could be before you start, another could be when benefits are starting to flow and the final one could be after you have come to an end. I guess governments over the years have used different campaigns at different times, depending on what they thought was most appropriate.

**Senator MARK BISHOP**—Is the campaign to promote the benefits of Networking the Nation or future benefits that might be available under NTN? What is its focus?

**Ms Ulrick**—In Networking the Nation, the focus would be to look at what is already happening on the ground. Again, this would depend upon the strategies that we receive from the consultants and how we think that is going to best achieve what we are trying to do with this campaign, which is to raise the awareness of the opportunities and benefits, as the secretary has mentioned. So it may be a mixture of looking at what is already in place and, if there have obviously been benefits to the community, highlighting that back to the community in an ongoing benefit, and continuing to support that project for its long-term viability. If there is a project about to happen, obviously the focus is to prep the local community about the project coming so that they can get behind it as well.

**Dr Watt**—I suspect the answer is that it is going to do both in different ways and in different mixes.

**Senator MARK BISHOP**—Is there any chance of this \$7 million advertising campaign coinciding with the lead-up to the federal election later on this year?

**Dr Watt**—Senator, you may know something about the timing of the federal election; I have no idea.

**Senator MARK BISHOP**—No, but we are going to kick it off in the first quarter of the next half, in July. Ms Ulrick, I think you indicated that the bulk of the spend would be occurring towards late August on television and radio?

**Ms Ulrick**—Again, we are not completely sure of how it is going to pan out until we see what comes back to us in consultancies.

**Senator MARK BISHOP**—But that is your thinking at the moment?

**Ms Ulrick**—Yes, our thinking is that that may be the case.

**Senator MARK BISHOP**—So it is going to be very close to the election campaign, I think it is fair to say. The money is being spent in September.

**CHAIR**—I do not think we should get into political imputations in the absence of the minister.

**Senator MARK BISHOP**—The minister chooses not to be here.

**CHAIR**—Let us just ask factual questions and get factual answers.

**Dr Watt**—Again, Senator, I cannot comment on the election because I do not pretend to anything about it.

**Senator MARK BISHOP**—Does the department understand the requirements of the caretaker conventions in this respect?

**Dr Watt**—Very well, Senator.

**Ms Ulrick**—Yes, we do, Senator.

**Senator MARK BISHOP**—That has been explained to appropriate staff?

**Ms Ulrick**—Yes.

**Ms Leach**—Yes.

**Dr Watt**—Coming from the Department of Prime Minister and Cabinet, I have caretaker conventions involvement in my heart.

**Senator MARK BISHOP**—I am pleased to hear that.

**Dr Watt**—I take them very seriously.

**Senator MARK BISHOP**—I think we have done that to death. I will put the rest of the questions on notice. It is five to eleven.

**CHAIR**—Thank you Dr Watt, members of the departmental staff and officers.

**Committee adjourned at 10.55 p.m.**