Senate Environment, Communications, Information Technology & the Arts
Legislation Committee

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Communications, Information Technology and the Arts Portfolio

Department - Telecommunications

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Outcome 2, Output 2.1   **Question: 147**

Topic: BITS Incubator Program

Hansard Page: 205-206

Senator Lundy asked:

Could you just take on notice providing me with the number of incubatees for each of the seven incubators that are actually up and running – how many are in each of them.

These quarterly reports they provide to you, can you provide those to the committee?

I ask you to take on board this other request. It really is in the interests of accountability of spending public money – no more than that.

Answer:

Based on the December 2000 Quarterly reports and supplementary information received from the incubators since that time

- ADI has 11
- ePark has 4
- Item3 has 3
- InQbator has 3
- ICV has 2
- Epicorp has 2
- ITCINT has 2
- Bluefire has 1
- EiR has entered into a due diligence process with 3 prospective incubatees.

In relation to the question of provision of the quarterly reports to the Committee, the Department notes that, in performing its estimates function, the Committee cannot agree to receive information in camera and / or on a confidential basis. The Department does not propose to release the reports to the Committee because the reports contain significant financial information showing the performance of each incubator and all their business dealings. The release of this information would effectively make public their business activities, expose them to significant commercial disadvantage and would jeopardise the relationships and reporting structures already in place. Successful applicants in the BITS Program are at a crucial stage in their development and are actively seeking private sector investments. Release of information about their market advantage or projected revenues may compromise their current shareholders and their ability to access necessary capital. However, the Department intends to release quarterly aggregated BITS Program

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reports showing performance against milestones and to that end, has made public (through conference presentations) some early aggregated results similar to those provided to this Committee on 24 February.

Outcome 2, Output 2.1   **Question: 148**

Topic: BITS Intelligent Island Program

Hansard Page: 209

Senator Lundy asked:

The incubator is $8 million; the skills development program is $5 million. That is $13 million of $40 million. What else is coming out of that $40 million?

Could you give me the draft plan.

Answer:

The Strategic Plan currently applying to the program was approved by the Intelligent Island Board and submitted to the Commonwealth and Tasmanian Governments on 9 June 2000. The Strategic Plan detailed the following indicative funding levels:

Incubator	$8 million
Investment Fund	$10 million
Centre of Excellence	$10 million
Skills Development Fund	$5 million
Investment Attraction	$6 million
Marketing and Promotion	$500,000
Telecommunications Study	$500,000

The plan can be varied with the agreement of the Commonwealth and State governments. A copy of the Strategic Plan is attached.

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Outcome 2,

Output 2.3- Strategic advice, programs and policy to advance Australia's participation in the global information economy.

Question: 149

Hansard Page/Written Question on Notice: Hansard page ECITA 202

Senator Lundy asked:

With regard to the ICT Centre of Excellence, is it correct that the $62.5 million from the ARC is not additional to the doubling of the ARC money, but inclusive.

Answer:

The attached Fact Sheet "National Competitive Research Grants" that accompanied the Prime Minister's "Backing Australia's Ability" statement makes it clear that new funds allocated to the Australian Research Council (ARC) would be used, in part, to contribute to the establishment of world class centres of research excellence in information and communications technology and biotechnology.

The Fact Sheet "Funding the Plan" states that "funding for World Class Centres of Excellence will be matched in years 2 to 5 by additional funding from ARC National Competitive Grants ($85m)". As the Prime Minister announced, this represents approximately half the funding allocated to the establishment of the Centres of Excellence.

Backing Australia's Ability will provide an additional $129.5 million over five years for an ICT Centre of Excellence, of which $67 million will come from this portfolio and $62.5 million from the Australian Research Council (ARC).

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ATTACHMENT

DOUBLE FUNDING FOR NATIONAL COMPETITIVE RESEARCH GRANTS
How will this initiative contribute to innovation in Australia?

The national competitive research grants administered by the Australian Research Council are a vitally important source of funding for university research. These grants fund research in the enabling sciences (physics, mathematics, chemistry), research which can rejuvenate our existing industries and underpin emerging ones, and research in information and communications technologies and the organisational, management, legal and social frameworks which underpin the national innovation system.

Doubling funding for these grants will ensure the continuing supply of new ideas, new applications of knowledge and the identification of new areas of inquiry which are essential to innovation, and support the generation of tomorrow's good ideas. This additional funding will also provide opportunities and incentives for our best and brightest researchers to build careers in Australia.

Details of the initiative

The research funds administered by the Australian Research Council will be doubled over 5 years, to around $550 million a year by 2006 (outturn prices).

These new funds will be used to:
- introduce new Federation Fellowships from 2002, paying internationally competitive salaries to help retain key researchers in Australia;
- double the number of ARC-funded postdoctoral positions from 2002, from the current 55 to 110;
- improve the competitiveness of researchers' salaries from 2002, to get better parity between the salaries payable to research-only and research-and-teaching academics;
- double the funding available for specific research projects in both basic and applied/collaborative research, to substantially improve grant application success rates and average grant sizes; and
- contribute to the establishment of two world-class centres of research excellence, in information and communications technology and biotechnology.

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Outcome 2

Output 2.3 – Strategic advice, programs and policy to advance Australia's participation in the global information economy.

Question: 150

Hansard Page/Written Question on Notice: ECITA 202

Senator Lundy asked:

Does the biotechnology Centre of Excellence operate on a funding formulation of half departmental and half ARC money? (ECITA 202)

Answer:

The Department of Industry Science and Resources advises that:

Total funding for the biotechnology Centre of Excellence is $46.5 million. ISR is providing funding of $24m over 5 years. ARC is providing funding of $22.5 million over years 2-5 inclusive.

Outcome 2, Output 2.1   **Question: 151**

Topic: Social Bonus Funding

Hansard Page: 210

Senator Lundy asked:

Can I ask the department to take on notice – and I confess it is probably a research project waiting to be done- an analysis of all of the social bonus funding, just a simple breakdown in allocation to the various projects and initiatives-the proportion of that funding which has been spent to date and the proportion of that funding which is anticipated to be spent before the end of this calendar year.

Answer:

See attached table.

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SOCIAL BONUS INITIATIVES

Initiative	Allocation	Proportion Committed to 28.2.01	Proportion Paid to 28.2.01	Estimated Proportion Paid to 31.12 .01
NTN General Fund	$250m over 5 years from 1997-98	76%	47%	64%[1]
NTN BARN	$70m over 5 years from 1999-00	23%	4%	10%[1]
NTN Local Government Fund	$45m over 5 years from 1999-00	42%	6%	13%[1]
NTN Internet Access Fund	$36m over 3 years from 1999-00	73%	12%	47%[1]
NTN Remote and Isolated Islands Fund	$20m over 3 years from 1999-00	24%	13%	18%[1]
Connecting Tasmanian Schools	$15m 1999-00	100%	100%	100%
Extended Mobile phone coverage for SA, WA, Tas	$3m 1999-00	33%	15%	100%
TIGERS (Trials in Innovative Government Electronic Regional Services) for Tasmania	$10m over 3 years from 1999-00	10%	8%	50%[2]
BITS - Incubator Program	$78m	84.4%	26.0%	41.7%
BITS - ANP	$40m	0.0%	0.0%	N/A[3]
BITS - Intelligent Island Program	$40m	100.0%	50.0%	50.0%
Launceston Broadband Project[4]	$15m	100.0%	16.0%	45.7%
Social Bonus – Mobile Phones on Highways	$25m over 3 years 1999-02	100%[5]	0%	38.5%
Untimed local calls in the extended zones fund	$150m over 3 years from 1999-00 to 2001-02 (2002-03 if specified by the Minister)	100%[6]	0	33.3%
Television Fund	$120m over 5 years from 1999-00	69.7%	68.6%	87%

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NetAlert Limited	$3m over 3 years from 1999-2000[7]	100%[8]	43.3%	100%

1. Payments for July-December 2001 are partly dependent on project approvals in the NTN funding rounds yet to occur during 2001, therefore these estimates are based on known commitments plus a continuation of spending rate at 2000-01 levels

2. TIGERS Steering Committee has endorsed projects expected to involve significant expenditures during 2001.

3. The selection round for ANP is due to be completed in April at which time budget projections for proposals will enable future expenditure to be determined.

4. The LBP comprises payments to Telstra and the Tasmanian Electronic Commerce Centre.

5. Mobile Phones on Highways - Government announced Vodafone as the preferred tenderer on 28 February 2001. At mid March, contract close to finalisation.

6. Untimed Local Calls in the extended zones fund - Government announced Telstra as the preferred tenderer on 14 February 2001. At mid March, contract close to finalisation.

7. NetAlert has been allocated total Government funding of $4.5m over 4 years with $3m from social bonus funds. The remaining 1.5m was transferred from within the portfolio during the 2000-2001 Budget. This table <u>only</u> reflects the $3m social bonus fund allocation.

8. Under an Agreement between the Commonwealth and NetAlert, the Department transfers NetAlert's funds on a yearly basis upon receipt of an agreed work plan. The Social Bonus funds are committed as follows: $1m in 1999/00, $1m in 2000/01 and $1m in 2001/02.

Outcome 2, Output 2.1   **Question: 152**

Topic: IT Outsourcing – Industry Development

Hansard Page: 210

Senator Lundy asked:

I note that with your response to question 15 you are relying on OASITO's advice in relation to releasing the contents of the ID schedules, which are a component of the various service agreements, and also you claim that you believe you have an obligation of confidence in regard to the contractors ID annual reports.

I would like to formally place on notice that request again and ask you to offer some justification for refusing to provide to the committee information that is quite reasonable, albeit it is within your capability to deliver those reports with a request that they be kept in confidence, and we would consider that as a committee.

Answer:

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The Department's previous response to the Committee's request to provide contractors' full 1999-2000 ID Progress Reports is shown below. The response outlines the Department's reasons for proposing not to release contractors' full 1999-2000 ID Reports. Since the preparation of the response below the Department has released the *"1999–2000 Industry Development Progress Report"* describing the ID outcomes achieved by the three contractors who have completed a full reporting cycle (ie EDS, CSC and Advantra). In the process of preparing the Progress Report the Department consulted all three contractors who said that they did not want their full reports made publicly available and identified commercial information which would detrimentally affect the affairs of the business in the hands of a competitor.

The Department notes that Senate Legislation Committees cannot take evidence in camera when performing the estimates function.

Response to Question 15 from the previous round of Questions on Notice

"Legally an obligation of confidence will exist where the information provided is confidential (ie not a matter of public knowledge), the information has been provided in circumstances which imposed an obligation on the recipient to respect its confidentiality (eg the information is for a limited purpose or provided to limited persons) and any disclosure by the recipient is unauthorised. This exists to provide commercial protection for those parties. The ID Schedules also impose a specific obligation on the Commonwealth to gain the prior written approval from contractors prior to making public statements on any information marked "commercial in confidence".

The ID annual reports are provided to the Department by contractors marked "commercial in confidence" and are not a matter of public knowledge. The reports are provided exclusively to the Commonwealth for the purpose of assessing the contractors' performance in meeting their industry development commitments. The Commonwealth has not sought contractors' approval to release the information contained in their industry development reports. However contractors will be consulted, as required by the provisions of the ID Schedule, in regard to the information to be publicly released shortly in the Department's annual industry development report.

Based on the circumstances outlined above the Department believes it has an obligation of confidence in regard to contractors' ID annual reports.

The Department understands that the Australian National Audit Office had full and appropriate access to all of the contracts and schedules under the ITO Initiative.

In a practical sense, the Government prefers not to release the reports themselves because they include detailed financial and other data and details of subcontractor relationships. If closely analysed by a competitor, sensitive details about the

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commercial practices and activities of the reporting company could be identified. This could lead to the reporting company being commercially disadvantaged.

The Department aims to work with and support the ID activities of companies in an environment of full and open disclosure. Moving to a system of automatic release of ID reports could restrict the level of information companies are prepare to provide and therefore restrict our ability to understand their strategies and work to support them.

It is for these reasons that the Department will not automatically release contractor's industry development reports. However, the Department is fully committed to releasing an annual report on all contractors' performance against their contracted industry development commitments, which will include aggregate and company specific data. This report will allow interested parties to see how industry development is evolving through the initiative."

Outcome 2, Output 2.1   **Question: 153**

Topic: IT Outsourcing – Industry Development

Hansard Page: 211

Senator Lundy asked:

With regard to the Humphry review on the IT outsourcing.…Could you take on notice and provide me with a schedule of that consultation, whom you intend to consult and what the process of, I suppose, acting on the results of that consultation will be?

Answer:

The Department has adopted an open approach to consultations with industry and agencies to assist in the development of the new framework and has been willing to engage with any person, organisation or group with an interest. The list below shows the organisations that were *specifically* invited to provide comments on the industry development framework to apply to future IT outsourcing contracts. The Department attended meetings with those organisations marked with asterisks.

Government	Industry Bodies	Outsourcing Companies	Outsourcing Sub-Contractors	SMEs
Finance and Administration*	AIIA*	Ipex*	IBM*	RPT Group*
Prime Minister and Cabinet	AEEMA*	IBMGSA*	Compaq*	Grouputer*
OASITO*	AIMIA*	CSC*	Telstra*	STM Consulting*
Education Training and Youth Affairs*	ACS*	EDS*	Microsoft*	DA Consulting*
		Advantra*	Optus*	Access On-line*
		Unisys*	Dell*	Protech*
		Sausage/ SMS*	Lexmark*	Exceed Systems*

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Employment Workplace Relations and Small Business* Centrelink* Family and Community Services* National Library of Australia Group 10 agencies Group 9 agencies Cluster 3 Management Office* ATO Group 8 Health			Fuji Xerox* Nortel* Hewlett-Packard* Cisco* Sun* Ericsson* Hitachi Data Systems	Wizard Information Services* Tower Technology* Tower Software*

The views of these organisations are being taken into account in developing the ID framework applying to the IT Outsourcing Initiative. Further input from groups and individuals likely to be affected by the new ID regime will be sought as the development of the framework proceeds.

Outcome 2, Output 2.1   **Question: 154**

Topic: Untimed Local Calls Tender

Written Question on Notice:

Senator Mark Bishop asked:

a) How many companies originally bid for this tender and which companies were they?

b) On what basis was Telstra selected over the other bidders?

c) Were any of the unsuccessful bidders fully compliant with the selection criteria for the tender?

Answer:

a) Seven companies were invited to submit tenders. They were AAPT Limited; Australian Business Technologies (Heartland); Datafast Telecommunications Ltd; Optus Networks Pty Ltd; Pacific Telco Australia Limited; Telstra Corporation Ltd; and Vodafone Pacific Limited. Of those, four companies submitted tenders. They

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were Australian Business Technologies (Heartland); Optus Networks Pty Ltd; Pacific Telco Australia Limited; and Telstra Corporation Ltd.

b) Telstra was selected as the preferred tenderer against the evaluation criteria specified in the Request for Tender. Tenders were assessed on the basis of best value for money consistent with Commonwealth purchasing policies. For the purposes of evaluation, the following criteria applied:

    (i)   the extent to which the tenders met the Statement of Requirements (including the attractiveness of the enhancements offered) and the Commonwealth's policy objectives;

    (ii) the extent to which the tenders complied with the Conditions of Tender and draft terms of contract; and

    (iii) the corporate and financial capability of the tenderers to provide the required services.

The criteria were not necessarily in order of priority nor necessarily had any particular weighting.

Overall, Telstra's offer was assessed as being superior to the other tenders evaluated against the criteria, offering value for money consistent with Commonwealth purchasing policies.

c) None of the tenders was fully compliant; the preferred and second preferred tenders were substantially compliant.

Outcome 2, Output 2.1   **Question:155**

Topic: Digital Data Service Obligation

Written Question on Notice

Senator Bishop asked:

Digital Data Service Obligation:

(a) How many people have taken advantage of the Digital Data Service Obligation by quarter and in total since its introduction?

(b) How many people currently rely on the Digital Data Services Obligation?

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(c) What is the current cost of providing the Digital Data Service Obligation?

Answer:

(a), (b) & (c).

The answer to the honourable Senator's question is based on advice received from Telstra.

The Digital Data Service Obligation (DDSO) consists of two component obligations, the General DDSO and the Special DDSO. Telstra fulfils its General DDSO by supplying on request its On Ramp ISDN service. Its fulfils its Special DSSO by supplying on request its Big Pond Broadband – Satellite service.

Telstra is unable to provide data on the number of On-Ramp ISDN services supplied in fulfilment of its General DDSO. Telstra does not differentiate between ISDN services supplied as part of the obligation and those supplied as part of normal commercial operations. The services are supplied on the same basis. According to the report of the Australian Communications Authority on industry performance for 1999-00 under s.105 of the *Telecommunications Act 1997*, the number of Telstra basic rate ISDN services installed at 30 March 2000 was 125,013. The number of Telstra installed digital data equivalent lines at 30 June 2000 was 1,048,808.

Telstra is able to claim an annual subsidy for equipment rebate costs incurred under the Special DDSO and data on service numbers are available. As the rebate is claimed at the end of each financial year, data are currently only available for 1999-00, the first year of the DDSO's operation.

According to the ACA's 1999-00 s.105 report, Telstra supplied 74 special digital data services (ie. Big Pond Broadband – Satellite services) in fulfilment of the Special DDSO. Telstra claimed $19,953 net digital data service cost for rebates on equipment supplied in relation to these services.

Outcome 2, Output 2.1   **Question: 156**

Topic: USO Contestability

Written Question on Notice

Senator Bishop asked:

a) When will the details of the USO contestability pilot trials be released?
b) What is the proposed start date of the USO contestability trials?

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c) What will be the USO subsidy level or levels in each of the pilot zones or parts thereof?

d) What traffic and customer data will be made available to actual and potential competing universal service providers?

e) From when will this information be available?

Answer:

a) On 22 August 2000 the Government announced that the two pilot projects would be undertaken in:

- central-west and south-west Victoria and south-east South Australia; and

- north-eastern New South Wales and the inland south-east-Queensland.

In September 2000 the Government released for public comment the Australian Communications Authority's advice to the Minister on the overall USO subsidy for 2000-01 to 2002-03. This advice proposed 'headline' subsidy amounts in relation to the Extended Zones, pilot areas and the remaining 'default' area.

The remaining details of the contestability trials are outlined in the subordinate instruments, which are currently being drafted by the Department. These subordinate instruments will be released as soon as possible.

b) Given that USO funding operates on a financial year cycle, the Government has decided that the most sensible approach will be for the subsidies to be payable from 1 July 2001.

c) The level of per service subsidies that will be available in each universal service area will be outlined in the subordinate instruments to be released shortly.

d) The Government is aware that access to adequate information will be important for aspirant competing universal service providers (CUSP) to assess the business case for entering the universal service areas. The Government is also aware that the provision of information must be balanced against the interests of the holder of the information. It is particularly concerned to ensure that any information provided is only used for USO purposes. The types of information and the level of dissagregation of that information are matters currently being discussed by the Department of Communications, Information Technology and the Arts, the Australian Communications Authority, Telstra and other industry players. It is envisaged that customers specific data would not be provided.

e) The Government's objective is for appropriate information to be available to aspirant CUSPs when they request it.

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Outcome 2, Output 2.1   **Question: 157**

Topic: Mobile Phones on Highways Tender

Written Question on Notice:

Senator Bishop asked:

a) When will the Mobile Phones on Highways tender be announced?
b) What has been the delay in announcing the outcome of this tender?

Answer:

a) The Mobile Phones on Highways Tender was announced on 28 February 2001.

b) There has been no delay in announcing the outcome of the tender. The decision was announced once the Commonwealth had completed the appropriate evaluation process and obtained appropriate assurances from the preferred tenderer in relation to aspects of its bid.

Outcome 2, Output 2.1   **Question: 158**

Topic: Local Call Internet Access

Written Question on Notice

Senator Bishop asked:

(a) When will the final arrangements for this program be announced?

(b) What has been the delay in announcing the final arrangements for this program

(c) How much money remains to be spent under the NTN both nationally and in each State of the remaining years, including the current financial year?

(d) Has any evaluation been made of the RTIF or NTN programs to determine the effectiveness and efficiency of the program and, if not, why not?

(e) In 1998-99, $750,000 was set aside for a report by Purdon and Associates to do an evaluation, did that evaluation take place, when was it completed, how much did it cost and can I have a copy of the report and, if not, why not?

(f) Have any other evaluations been done, who by, when, how much did they cost and can I have a copy and if not, why not?

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(g)   Of the projects approved, how many both as a number and percentage and total cost are grants aimed to assist with the preparation of further applications (ie consultants costs)?

(h)   How many both as a number and percentage and total cost are grants to set up (i) regional telecentres and (ii) ISPs?

(i)   How many both as a number and percentage and total cost are grants to other tiers of Government or Government agencies for Internet training and equipment?

(j)   Has any estimation or calculation been made about the amount of money that is being paid indirectly to Telstra for the services they provide in assisting successful applicants fulfil the objectives of their grants?

(k)   Of the grants monies allocated, how much money has actually been paid to grant recipients and in relation to amounts outstanding when is it anticipated that those outstanding amounts will be paid?

Answer:

Questions on Notice – Senator Bishop – under Local Call Internet Access

(a) and (b)

Arrangements have been announced for the Internet Access Fund. In December 1999 the Minister for Communications, Information Technology and the Arts released the *Internet Access for Regional and Rural Australia* Fact Sheet, containing the guidelines for the allocation of this fund under the Networking the Nation (NTN) program. The first NTN funding round to consider applications was in March 2000 and a range of projects has been approved and announced.

The program has been complemented by the *Extended Zones* tender, through which the extended zones, numbering more than 100 and covering about 40,000 services and 80 per cent of Australia's land mass, will now have access to untimed local calls, including local call access to the Internet.

(c)   How much money remains to be spent under the NTN both nationally and in each State of the remaining years, including the current financial year?

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The table below shows the amounts remaining by fund, nationally and in each State and Territory. The allocation and expenditure of amounts remaining will be dependent upon the applications received and the funding decisions of the NTN Board, which meets for two major funding rounds each year.

The total allocation and time frame for each fund is as follows:

- NTN General fund - $250m over five years from 1997-98;
- Local Government fund - $45m over five years from 1999-2000;
- Building Additional Rural Networks (BARN) - $70m over five years from 1999-2000;
- Internet Access fund - $36m over three years from 1999-2000; and
- Remote and Isolated Islands fund - $20m over three years from 1999-2000.

STATE/ TERRITORY	FUNDS REMAINING BY FUND				
	General	BARN	Local Govt	Internet Access	Remote & Isolated Islands
National			$2,816,660	$9,579,772	$15,280,067
ACT	$1,495,408				
NT	$7,732,526				
Territories (ACT + NT)		$7,614,285	$5,060,580		
NSW	$5,455,193	$4,296,285	$4,313,119		
QLD	$21,835,063	$9,614,285	$4,687,629		
SA	$5,851,003	$6,654,285	$4,472,334		
TAS	$2,916,243	$8,136,110	$4,956,334		
VIC	$6,618,344	$8,774,285	$0		
WA	$687,135	$4,059,285	$0		
TOTAL	**$52,590,915**	**$48,148,820#**	**$26,306,656**	**$9,579,772**	**$15,280,067**

This figure includes a deduction of $1m for a project that has been approved by the NTN Board, but participation by a specific state or territory has yet to be confirmed.

(d)   There are a number of components of the evaluation strategy for Networking the Nation.

(i)   The Australian National Audit Office has conducted a performance audit of the program (Audit Report No. 43) which was tabled in Parliament on 2 June 1999.

(ii)   An independent consultant, Purdon and Associates, has been contracted to conduct an ongoing evaluation through the life of the program. The contract provides for a series of data collections from projects, undertaking case studies and the provision of written reports.

(iii)   Projects are required to provide progress reports at various stages of the project to confirm that agreed milestones/outcomes have been

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achieved. Project officers also undertake site visits for assistance and monitoring purposes.

(iv)   Networking the Nation projects are required on completion to prepare a final report on project outcomes which is in the form of a public document. These reports are intended to provide guidance and assistance to other projects as well as providing more detailed information on program outcomes. They will be posted on the Networking the Nation website over coming months.

(e)   See answer to (d). The contract with Purdon and Associates operates over the life of the program. As at 8 March 2001, $150,000 has been paid to the consultant. A draft report covering the period from the commencement of the program to the end of December 1999 is currently being finalised. When complete, it will be available on the Networking the Nation website. Further data collections, each covering six month periods, will subsequently be published.

(f)   See answer to (d).

(g)   The Networking the Nation program has funded 493 projects in rural and regional Australia at a total of $238m in funding approvals.

The independent NTN Board has funded planning projects where it considers that there is a need for the community to clearly define their priorities for the application of NTN funds and the business case for the development of sustainable infrastructure. Not all projects undertaking such planning have involved consultancies.

A total of 105 projects have been funded for purposes including planning for telecommunications service and infrastructure provision, representing 21% of all projects funded. Total funding approvals for these projects is $6.92m, representing 2.9% of total funding allocations.

It should be noted that a significant number of these 'planning' activities have formed part of broader projects featuring a number of elements such as awareness raising, provision of training and equipment and demand aggregation, as well as planning for telecommunications services or networks,

or preparing applications for additional NTN funding for further project expansion.

(h)   (i) A total of 65 projects have been funded for purposes including the establishment or extension of telecentres, representing 13.2% of all projects funded. Total funding approvals for these projects is $26.4m, representing 11.1% of total funding allocations.

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(ii) A total of 42 projects have been funded for purposes including the establishment of Internet Points of Presence (POPs) offering wholesale or retail Internet access, or both. These projects represent 8.3% of all NTN projects. The total amount approved for these projects fund is $44.4m, representing 18.6% of funds allocated.

(i)   A total of 50 projects, which include a training or awareness raising component, and which have been proposed and operated by local and State Government entities, have been funded by the NTN Board. This represents 10.1% of all funded projects. The total amount approved for these projects is $36.4m, representing 15.3% of funds allocated

(j)   The Department does not collect specific information on that issue.

In order to ensure that the Networking the Nation program is implemented in an accountable and pro competitive manner, successful applicants are required to tender for services, including telecommunications services. Tenders for the provision of telecommunications services and infrastructure provide the opportunity for all interested carriers to submit a bid. This process is managed by the applicants themselves.

(k)   A total of $238m has been allocated from the NTN program to projects. Payment of these committed funds is made in accordance with the provisions of the relevant Deed of Agreement or Memorandum of Understanding between the Commonwealth, represented by the Department of Communications, Information Technology and the Arts, and each project.

A number of projects and initiatives have completed their activities and have returned unspent funds, totalling nearly $4m to the Secretariat.

As at 8 March 2001, Deeds of Agreement and Memoranda of Understanding yet to be signed with approved projects are worth around $38m

Of the remaining $196m, a total of $119m has been paid to projects funded by the NTN Board to date. A total of $77m is committed to be paid to projects under current Deeds of Agreement or Memoranda of Understanding. The following table shows the rounded amounts due to be paid:

2000/01	2001/02	2002/03	2003/04
44m	28m	4m	1m

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The payment of uncommitted funds from the program will be dependent upon the applications received and the funding decisions of the NTN Board, which meets for two major funding rounds each year.

Outcome 2, Output 2.1   **Question: 159**

Topic: Universal Service Provision (Untimed Local Calls Tender)

Written Question on Notice:

Senator Carr asked:

1. Can you explain what stage the Extended Zones Tender has reached?

2. There seems to be little recent information on this process on the Department's website. Has the actual Request for Tender been made public?

3. Have all those companies that were invited to tender for the Extended Zones project actually tendered: If not, how many have responded and who are they?

4. Will any details of the competing tenders be released either before or after the tender has been awarded?

5. It appears that Heartland Communications was one of the companies that was invited to tender for the $150 million available for providing untimed local calls in these areas. Heartland is now in the hands of administrators. What criteria was used in determining which companies would be invited to tender for these monies?

6. Optus Communications, which was also invited to tender, is now being broken up and sold. Is this, in your view, likely to have any bearing on its suitability as a potential universal service provider?

7. The winner of this tender will automatically become the Universal Service Provider for the Extended Zones. What scope, if any, is there for any further public input into this selection process?

Answer:

1. The Minister for Communications, Information Technology and the Arts announced on 14 February 2001 that Telstra is the preferred tenderer. The Commonwealth is now negotiating an Agreement with Telstra. The Commonwealth has reserved the right to negotiate with the next preferred tenderer, Optus, if a satisfactory Agreement is not reached.

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2. The untimed local calls tender involved a two stage process. Firstly, a publicly advertised Registration of Interest and Proposed Tender Approach stage was undertaken in May/June 2000, which provided all interested parties with comprehensive information on the proposed approach, with the opportunity to provide comments. Comments received were taken into account in developing the Request for Tender. In the second stage, the Request for Tender was issued to approved applicants, but not made public, on 5 October 2000, with a Closing Date of 20 November 2000. Seven companies were invited to submit tenders. They were AAPT Limited; Australian Business Technologies (Heartland); Datafast Telecommunications Ltd; Optus Networks Pty Ltd; Pacific Telco Australia Limited; Telstra Corporation Ltd; and Vodafone Pacific Limited. Of those, four companies submitted tenders. They were Australian Business Technologies (Heartland); Optus Networks Pty Ltd; Pacific Telco Australia Limited; and Telstra Corporation Ltd.

3. Of the companies that were invited to tender, four companies – Telstra, Optus, Pacific Telco and Heartland – submitted tenders.

4. Subject to commercial-in-confidence considerations, the Commonwealth intends to make public the terms of the Agreement with the successful tenderer. The Executive Summary of each tender will also be made public.

5. The following criteria were used to determine which companies would be invited to tender

- (a)   the application for registration was to be in the form requested;
- (b)   the application for registration was to be signed and dated on behalf of the applicant by a person authorised to legally bind the applicant;
- (c)   applicants were to provide suitable evidence that they were, or had applied to become, carriers licensed under the *Telecommunications Act 1997*; and
- (d)   applicants were to provide comments on the proposed tender approach.

If all of these criteria were complied with, and if the applicant complied with the other terms and conditions set out in the ROI, the applicant would be entered onto the list of registrants and issued with a Request for Tender, unless:
- (a)   the response was a late response to be dealt with under clause 5.5 of the ROI; or
- (b)   the Commonwealth, at its sole discretion, decided not to proceed with the procurement process.

6. Tenderers' suitability to be the universal service provider for the extended zones over the long term formed part of the Statement of Requirements in the evaluation criteria. The evaluation of Optus' suitability to be the universal service provider included an assessment of its corporate and financial capability, which in turn

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included an assessment of the impact of the potential restructuring of Optus. In the event, the corporate restructuring was not a determining factor.

7. The successful tenderer must commit to be the Universal Service Provider for the extended zones for the 10 year term of the Agreement. Any change to this arrangement would include public consultation in relation to a determination by the Minister and regulatory action by the Commonwealth, which would be required for a carrier to cease being a Universal Service Provider.

Outcome 2, Output 2.3   **Question: 160**

Topic: Modelling re parallel importation of software

Hansard Page: 200

Senator Lundy asked:

Has the Department done any modelling on the potential impact of importing changes on Australia's local software industry? The changes to – I cannot recall what it was called.

Mr Stevens: Parallel importing changes?

Senator Lundy: Parallel imports of software?

Answer:

The Department has not undertaken or commissioned any modelling of the potential impact of parallel importation of software. However, the Government's decision to remove parallel importation restrictions on software was taken in the context of a series of reports by various bodies which have considered the issue over the past decade: the Copyright Law Review Committee (1988 and 1995); the Prices Surveillance Authority (1992); the Industry Commission (1995); the Australian Consumers' Association (1999); the Australian Competition and Consumer Commission (1999 and 2001); and the Intellectual Property and Competition Review Committee (2000).

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Outcome 2,

Output 2.1- Strategic advice, programs and policy to achieve competitive and diverse communications and information technology industries and services.

Output 2.3- Strategic advice, programs and policy to advance Australia's participation in the global information economy.

Question: 231

Hansard Page/Written Question on Notice: ECITA 215

Senator Lundy asked:

Could the Department provide an update on the implementation of the recommendations of The IT Engine Room report.

Answer:

Previous advice was provided on *The IT Engine for Growth* in response to Budget Estimate Hearing 2000-2001, Question no. 136. Attached is a summary of the recommendations updated for recent initiatives by the Government.

The IT Engine Room report looked at the situation of SMEs in the IT&T industry and at their relationships with key stakeholders. The report made a series of recommendations, which cut across several IT&T stakeholders including Government, associations, research and development organisations and small firms themselves.

The report has been used by Government as a valuable resource and was a significant input into the development of the BITS incubator program in this Department. A range of Government initiatives managed by the Department of Communications, Information Technology and the Arts, the National Office for the Information Economy and the Department of Industry, Science and Resources respond to the recommendations eg DISR's Comet and IIF programs.

Since the previous response on *The IT Engine Room*, the **Backing Australia's Ability** statement has provided $129.5M over 5 years for an ICT research centre of excellence and a number of general initiatives to accelerate commercial application of ideas which are likely to stimulate growth in the IT&T industry. The ICT centre of excellence implementation is the responsibility of the DCITA portfolio in collaboration with DETYA. ITOL was provided with $13M over 5 years.

IT Engine Room Recommendations	Programs Relating to Recommendations
8.1.3 Incubators and technology parks 8.1.8 Finance ready 8.1.9 Small business advisory service 8.1.13 Alliance programs 8.2.3 Executive warehouse	DCITA's BITS incubator program covers issues raised in these recommendations. Details have been provided in response to another question.
8.1.6 Software Engineering Australia (SEA)	Through the Software Quality Engineering Centres Program the Government has assisted SEA to offer a common selection of products and services to improve the quality and competitiveness of the Australian software industry.
8.1.10 Business networking	The Information Technology On-Line Program (ITOL), administered by the National Office of the Information Economy, has provided 4 rounds of funding to strategically important projects which include the adoption of on-line technologies by small and medium businesses which can be replicated to other industries. The fifth round is currently underway.
8.1.1 *R&D Start* Grant 8.1.2 Outreach programs for SMEs 8.1.4 Regional headquarters 8.1.5 125% R&D tax deduction 8.1.7 R&D commercialisation 8.1.14 Innovation Investment Fund (IIF) 8.2.1 Research commercialisation programs	These recommendations have been brought to the notice of the Minister for Industry Science and Resources who has responsibility for these matters. The ICT Centre of Excellence will contribute to commercialisation of R&D as part of its role.
8.1.11 Export Marketing Development Grant Scheme 8.1.15 Market research	These recommendations have been brought to the notice of the Minister for Trade who has responsibility for these matters.
8.1.17 Capability database	The Commonwealth and States have been in discussion on sharing information and resources on their capability directories to make them more widely accessible and useful.
8.1.18 Year 2000	The Government's Y2K awareness raising program has had success in raising the consciousness within corporate boardrooms of IT matters generally.
8.1.16 Business angels 8.2.4 Venture capital access programs 8.2.5 IT&T SME survey 8.2.6 IT&T SME networking	These recommendations have been discussed with the AIIA but no specific action has occurred to date.
8.2.2 Key customer/industry programs	Whilst no specific program has been established in this area, it is expected that programs such as BITS incubators and COMET will lead to stronger links between SMEs and key customers.
8.1.12 Partnerships for Development and outsourcing	The PfD program has been refocussed to promote strategic alliances with SMEs and encourage greater inward investment into Australia. The Government's IT outsourcing initiative has, as a major objective, the involvement of SMEs in the delivery of goods and services.