



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ENVIRONMENT, COMMUNICATIONS,  
INFORMATION TECHNOLOGY AND THE ARTS  
LEGISLATION COMMITTEE

**Consideration of Budget Estimates**

WEDNESDAY, 9 JUNE 1999

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**

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

**Wednesday, 9 June 1999**

**Members:** (*Chair*), (*Deputy Chair*), Senators Allison, Bishop, Bolkus, Eggleston, Lightfoot and Payne

**Substitute members:** (As per most recent Senate Notice Paper)

**Senators in attendance:** (Insert, in alphabetical order, the names of senators provided by committee secretary)

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

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

Proposed expenditure, \$1,753,131,000 (Document A).

Proposed provision, \$83,973,000 (Document B).

**In Attendance**

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

Arts and Cultural Policy—

Rob Palfreyman

Neville Stevens

Lennard Marsden

Les Neilson

Lynn Bean

Peter Young

Bill Henderson

James Barr

Australia Council—

Jennifer Bott

Sarah Gardner

Don Baxter

John Wicks

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ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

## National Library—

Warren Horton

Peter Hughes

## National Gallery—

Brian Kennedy

Alan Froud

Kieron Roost

Peter Gunning

## Australian National Maritime Museum—

Kevin Fewster

Quentin Howarth

## National Film and Sound Archives—

Ron Brent

Margaret Baird

## National Museum of Australia—

Dawn Casey

Dr Darryl McIntyre

## National Archives/National Science and Technology Centre

George Nichols

Chris Bee

Ann Landrigan

## Broadcasting and Film

## Broadcasting and Film Policy—

Rod Badger

Alan Stretton

Megan Morris

Beverly Hart

Colin Lyons

Simon Pelling

## Special Broadcasting Service—

Peter Cavanagh

Quang Luu

Maureen Crowe

## Australian Film Commission—

Catherine Robinson

Ron Neale

Australian Film Finance Corporation—

Catriona Hughes  
Michael Malouf  
Michael Ward

Australian Film, Television and Radio School—

Rob Bishop  
Pat Macintosh

Australian Broadcasting Corporation—

Brian Johns  
Russell Balding  
Sue Howard  
Colin Knowles

Australian Broadcasting Authority—

Gareth Grainger  
Giles Tanner  
Andrew Wright  
Jonquil Ritter

Information Technology

Office of Government Online—

Glenys Roper  
Warren Ritcher  
Peter Anderson  
Gary Allan  
Susan Page  
Steve Fielding  
Brian Stewart

National Office for the Information Economy—

Fay Holthuysen  
Tim Field  
Tom Dale  
Chris Cheah  
Richard Thwaites  
Brendan Harkin

Department of Finance and Administration

Adrian Moss

**CHAIR**—I declare open this public hearing of the Senate Environment, Communications, Information Technology and the Arts Legislation Committee considering the budget estimates in respect of the year ending 30 June 2000. On 11 May 1999, the following documents were

referred to legislation committees for examination and report: *Particulars of proposed expenditure for the service of the year ending on 30 June 2000*; *Particulars of certain proposed expenditure in respect of the year ending on 30 June 2000*; and the portfolio of budget statements for the Communications, Information Technology and the Arts portfolio.

Following the hearings, the committee will prepare its report for the Senate to be tabled on 31 August 1999. Unless otherwise stated, responses to questions placed on notice at the hearing today and tomorrow can be sent to the committee secretariat until the close of business on 16 July 1999. I remind colleagues that the Finance and Public Administration Legislation Committee is continuing its inquiry into the format of the portfolio budget statements and the portfolio additional estimates statements. As we go through the documents, you may wish to put on the *Hansard* record any comments about the format or content of these documents.

#### **DEPARTMENT OF COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS**

**CHAIR**—I welcome the minister, Senator Richard Alston, and officers from the Communications, Information Technology and the Arts portfolio. Departmental officers will not be asked to comment on the reasons for policy decisions or the advice they may have tendered in the formulation of policy or to express a personal opinion on matters of policy. The program is set out in the agenda. The committee will begin with arts and culture, then proceed to broadcasting and film, followed by information technology. Minister, do you have any opening comments you would like to make?

**Senator Alston**—No, Mr Chairman.

**Senator LUNDY**—Can I just clarify which day has been allocated for the flow-over for today's estimates?

**CHAIR**—Hopefully, we will be finishing within time, but Friday could be a flow-over day.

**Senator LUNDY**—Could I just confirm the minister's availability?

**Senator Alston**—If there is any spill-over, it is tomorrow, not Friday.

**CHAIR**—Thank you.

**Senator LUNDY**—My understanding is that tomorrow's program is already full.

**Senator Alston**—As I understood it, that was the spill-over day, so if it has been filled for other reasons, there is no capacity to go beyond that.

**Senator LUNDY**—So it will extend beyond 3 o'clock tomorrow if necessary?

**CHAIR**—We are scheduled to finish at 3 p.m. tomorrow.

**Senator Alston**—No, I am on a 4.45 p.m. flight. I have a commitment tomorrow, and I am certainly not here Friday.

**Senator LUNDY**—I would still like my question answered as to when the flow-over day is, if required.

**Senator Alston**—I think the Chairman is saying it is premature to talk about it at the moment, but it was originally intended to be the Thursday.

**Senator LUNDY**—I would like to clarify it, because I have been in the position before where time has been running short and at the eleventh hour, Minister, you declare yourself unavailable.

**Senator Alston**—I am telling you right up front now what my position is.

**Senator LUNDY**—I am sorry, that is just not good enough. I would like to be advised of what opportunity there will be for a flow-over day in case we extend beyond time either in today's or in tomorrow's program.

**Senator Alston**—We do not have an open-ended approach to estimates. We had this discussion last time, and I seem to recall—

**Senator LUNDY**—You might not, but we have a series of questions that we will proceed through over the next two days.

**Senator Alston**—I spelt out in some detail last time the extent to which estimates have blown out. It is quite clear that, rather than us trying to take points of order or somehow suggesting which particular lines of questioning ought to be pursued, there is a global amount of time made available and you can use it as you see fit. But to think that you can simply take whatever program is set and then meander through that and say that you still need more time is not consistent with past practice. I think it is certainly unnecessary, given the fact that you have virtually two days for these estimates. It is only a matter of a few weeks since we were here last time.

**CHAIR**—Thank you, Minister. I think we will proceed.

**Senator LUNDY**—I still do not have my answer.

**CHAIR**—I think the Minister has laid down the parameters within which he is prepared to accommodate you.

**Senator LUNDY**—With all due respect, that is making the presumption that the asking of questions is the sole determinant of how long the hearings take.

**Senator Alston**—Are you saying that at this point in time you do not think you can complete the program in two days?

**Senator LUNDY**—No, not at all.

**Senator Alston**—Why are we having this discussion?

**Senator LUNDY**—I am asking the question, because I do not want to be put in the position where there is an hour of time left and you declare yourself unavailable for future questioning. If I know that there is a flow-over time, can I suggest that I am more likely to make sure it fits in within the two days.

**Senator Alston**—We had this discussion last time around.

**Senator LUNDY**—No, we did not. You left.

**Senator Alston**—You chose to take the bulk of the evening off to go and do *Good News Week*. You cannot have it both ways. You have got to fit in with the convenience of the committee and the department.

**Senator LUNDY**—Minister, that has nothing to do with it, and I still would like an answer from the Chair as to what flow-over day has been allocated if we go over time.

**CHAIR**—The Chair's reply is that we will see how these estimates proceed. The Minister has laid down the parameters of the time he is available, and if a flow-over time is necessary at the end then we will consider that later. I think we should proceed now.

**Senator LUNDY**—Can I put on the record my dissatisfaction with the procedure. I am getting pretty tired of the Minister determining the time frames of these committees, given that the asking of questions is not the sole determinant of how long it takes. Quite often it is



the responses and the quality of the responses, in fact, that determine how long the hearings take.

**CHAIR**—We note that, Senator, but we should proceed now. The first section is general questions.

**Senator LUNDY**—I have a series of general questions relating to the nature of the portfolio budget statements.

**Senator MARK BISHOP**—Before you do that, Senator Lundy, could I just ask a couple of questions of guidance on when I may raise matters. I will then withdraw and leave it to you for the time being. Where are questions on broadcasting and IT policy—going to CDMA, the RTIF, Cox Peninsula, international broadcasting, digital data, USOs and those sorts of issues—best raised, Mr Stevens?

**Mr Stevens**—Actually in two spots. The telecommunications questions you refer to would be under communications policy, which is tomorrow morning. The broadcasting matters would be under broadcasting film policy, which is this afternoon. So Cox Peninsula would be this afternoon, for example, but your CDMA and USO questions would be tomorrow morning. I understand the IT industry policy items were to be asked under communications tomorrow morning.

**Senator MARK BISHOP**—And the digital data as well will be tomorrow morning?

**Mr Stevens**—Digital data will be tomorrow morning too, yes.

**Senator MARK BISHOP**—So the only thing today is Cox Peninsula on broadcasting?

**Mr Stevens**—Cox Peninsula would be this afternoon.

**Senator MARK BISHOP**—Fine. I have a series of questions on notice following up some matters concerning the radio communications bill. Where will they be?

**Mr Stevens**—Again, they will be on tomorrow morning in communications policy.

**Senator MARK BISHOP**—That is all I needed, thank you.

**Senator LUNDY**—I have a suggestion. If there are IT policy matters that are not scheduled until tomorrow, for the purpose of this evening those officers could be available concurrently with the National Office for the Information Economy.

**CHAIR**—I suppose if we conclude a program, we conclude a program, and IT and NOIE are scheduled for tonight.

**Senator LUNDY**—Yes, but what Mr Stevens is saying is that there is an IT policy component of communications policy that will be on tomorrow.

**CHAIR**—All right then.

**Mr Stevens**—I am happy to have the officers available tonight to handle those questions.

**Senator LUNDY**—From experience, Mr Stevens, I know that some of those questions cross over.

**Mr Stevens**—We were reacting to advice we had received, but I am happy to change that. I am not sure the officers will be, but we will make sure that they are available.

**Senator LUNDY**—As I said, I have a series of questions relating to the accrual accounting process within each department. For each administered item listed in resource summaries contained in the portfolio budget statement, can the agency provide an estimate of expenses for 1999-2000, 2000-01, 2001-02 and 2002-03? Can estimates be provided for any

administered items that are expected within the period of the forward estimates that do not take effect until after 1999-2000?

**Mr Stevens**—We will take that on notice.

**Senator LUNDY**—For departmental output groups and suboutputs listed in the resource summaries contained in the portfolio budget papers, can the agency provide an estimate of the expenses for 1999-2000, 2000-01, 2001-02 and 2002-03, and can estimates be provided for any outputs that are expected within the period of the forward estimates that do not take effect until after 1999-2000?

**Mr Stevens**—We will do what we can on that, but that is not as easy as the earlier question. Many of those outputs go to departmental operations and how we allocate our resources and we do not produce forward estimates in regard to those types of running cost items because we do not know what issues we will be working on. We tend to change from year to year. Therefore, I do not believe, for all the issues in those outputs, that we would have the information you are seeking. We would for some, and where we have it we will give it to you.

**Senator LUNDY**—Thank you, and could you perhaps extrapolate on your reasons why you would not be providing that in your response?

**Mr Stevens**—We can certainly add a few more words to that. Essentially, we do not do those types of forward estimates.

**Senator LUNDY**—I understand that, but any detail you may have would be appreciated. Can the agency provide an estimate of the total cost of the move to accrual accounting?

**Mr Stevens**—That is going to be very hard because the great bulk of our costs is staff costs. For people who do the budget, it is their regular job. They obviously did it on an accrual basis this year. There is no additional cost involved. What we can identify, if any, are additional costs that may have been occurred for consultancies, for example, which we let.

**Senator LUNDY**—You are anticipating the next part of my question very well, Mr Stevens, which is: can you provide details—for instance, cost specification, recipient—and whether or not a competitive process for a tender was held of any consultancy contracts awarded in relation to accrual accounting?

**Mr Stevens**—Certainly.

**Senator LUNDY**—Were there any?

**Mr Stevens**—I am told there may be a minor one or two, but we will certainly get that information.

**Senator LUNDY**—Out of interest, what support was received by you, for example, from the taxation department? Were there any secondments or transfers during the period?

**Mr Stevens**—From the taxation department?

**Senator LUNDY**—Sorry, from another department for any advice on accrual accounting.

**Mr Stevens**—Obviously we sought and received a great deal of advice from the Department of Finance and Administration during that period. There was an ongoing dialogue.

**Senator LUNDY**—Did that involve any secondments?

**Mr Stevens**—No.

**Senator LUNDY**—Have any issues been raised by community or industry groups in relation to understanding the new budget reporting arrangements?

**Mr Stevens**—Not that we are aware of. Again, I can check for any representations that we may have received.

**Senator LUNDY**—If you have, could you please provide correspondence to the committee or any details of complaints or concerns received?

**Mr Stevens**—Certainly.

**Senator LUNDY**—When did the agency first start using accrual accounting?

**Mr Marsden**—We have been using accrual accounting in whole of government financial statements for about four years now. As you know, this is the first time we have presented it in the portfolio budget statements.

**Senator LUNDY**—And what information is available on the programs on an accrual basis, like historical information? Do you have, for example, documentation showing your accrual accounting dating back four years that you could provide to the committee?

**Mr Marsden**—It would be a little bit patchy because the financial statement guidelines vary from year to year. One year, for instance, I think it was broken down to program level. Those programs do not map across now to the new programs, and prior to that there was just a whole thing for the department without a split to program level. So it would be difficult to provide that sort of information, Senator.

**Senator LUNDY**—Could you take that on notice and provide anything that is available, along with any corresponding cash based information, that is, records of expenditure and so forth.

**Mr Stevens**—That is a fairly broad question. Is there some specific issue that we can perhaps concentrate on?

**Senator LUNDY**—No. It was designed to be a very broad question.

**Mr Stevens**—It is just that we provide cash information year after year to the parliament in our program statements.

**Senator LUNDY**—Could we be provided with information that corresponds with any historical information on an accrual basis.

**Mr Stevens**—I guess my difficulty is going to be that because we have changed to outputs from programs, we haven't gone back over the years to work through what those programs would have been under an output framework. So we do not have that sort of information. We will have a look at what we have and see what we can give you.

**Senator LUNDY**—Thank you. Are you able to provide an itemised list of any liabilities you are recording as accounts payable and any cash flow profile of those liabilities?

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

**Senator LUNDY**—What do they apply to?

**Mr Stevens**—We do not have the itemised figures in the budget papers. We will have to provide those to you separately in the detail you want.

**Senator LUNDY**—Thank you. And a cash flow profile of those liabilities, on an itemised basis?

**Mr Stevens**—Certainly.

**Senator LUNDY**—Concerning the performance indicators contained in the budget statements, can you provide an explanation of how you have managed the transfer from the

previous format and your efforts to define the new outcomes in the PBS? I just want some overview of how you have been able to transfer the—

**Mr Stevens**—Do you mean how we have mapped the previous performance indicators to these current performance indicators?

**Senator LUNDY**—That is right, yes, some explanation. Can you provide it now?

**Mr Stevens**—I would like to take that on notice and give you a full explanation.

**Senator LUNDY**—What general principles did you apply to that process?

**Mr Stevens**—What we have tried to do with the outputs is to identify individual outputs and, against those, measure performance indicators which we believe are relevant, measurable and give an indication about the effects of those programs and outputs. That was the guiding principle behind the determination of the performance indicators.

**Senator LUNDY**—Do you use those same indicators that are published in the PBS for internal management purposes?

**Mr Stevens**—We will be, yes.

**Senator LUNDY**—You will be, or are they already in place?

**Mr Stevens**—These are indicators that in some cases we have now established for the purposes of these estimates and we will as a result be now using them, but we have not always used them in the past.

**Senator LUNDY**—Have you used them at all?

**Mr Stevens**—Not these current indicators, no.

**Senator LUNDY**—How do you apply that in terms of your management structure? Does everyone get sent a copy of their particular outcome?

**Mr Stevens**—The outcomes tend to be the result of a range of different people working on them. In terms of performance management, we have individual agreements with officers which go to more specific issues. They may be related to that, but they may also be more specific.

**Senator LUNDY**—In terms of overall management of the department, I wanted to ask some questions about your expenditure on the department's IT outsourcing. Is this the appropriate place?

**Mr Stevens**—We will certainly try to answer them.

**Senator LUNDY**—The whole of the department has entered into a contract with Advantra for the provision of IT services. What is the value of that contract?

**Mr Stevens**—Can we take that on notice? There is a question of commerciality here and we need to check with OASITO about these issues as to what we can and cannot make public.

**Senator LUNDY**—An approximate figure has been fairly widely reported. Perhaps you could take that on notice and, if you choose not to provide the information to the committee, state specifically on what basis you are claiming commercial-in-confidence.

**Mr Stevens**—I am very happy to do that.

**Senator LUNDY**—As part of the IT outsourcing program, the Minister for Finance and Administration has been very overt in his claim for savings. What savings has the Department of Finance and Administration nominated from the signing of the contract between the department and Advantra?

**Mr Stevens**—My understanding is that the only public figures which have been made available are savings which flow from the cluster, not from individual agencies within that cluster. I believe that the press release of 26 March talks about savings of close to \$10 million. That is a public figure which is available in that press release.

**Senator LUNDY**—What proportion of that is your department?

**Mr Stevens**—Again, I would have to take that on notice because of commercial-in-confidence issues.

**Senator LUNDY**—I do not accept that because the minister has made a public statement about the extent of savings.

**Mr Marsden**—The difficulty with providing that is that Advantra, the contractor, is still in various tender processes within the outsourcing process across the government.

**Senator LUNDY**—Who is?

**Mr Marsden**—Advantra is tendering for other contracts within the government. If we gave you the individual information on ourselves and then other information came out on other departments in group 5, a smart operator could almost work out backwards what the bidding process was and what the costings were that Advantra put up in that process. It might affect their commercial competitiveness at this point. If we can provide that, we certainly will. I would like to check with Advantra and OASITO.

**Senator LUNDY**—The fundamental question, of course, is: what commercial-in-confidence commitments is the government signing within these contracts that extend beyond the current situation in terms of protection of commercial-in-confidence information? Are you aware of whether the contract actually contains any clauses that extend confidentiality beyond the normal parameters?

**Mr Marsden**—No, not beyond the normal parameters.

**Senator LUNDY**—So with respect to any savings nominated by the Minister for Finance and Administration, I would expect your department would have been notified of your proportion of those savings.

**Mr Marsden**—Yes, I am aware of our proportion.

**Senator LUNDY**—You have been given a figure by the Department of Finance and Administration?

**Mr Marsden**—Yes, I have a figure, but for commercial reasons I would like to check with Advantra and OASITO before I release that information.

**Senator LUNDY**—Can you get someone to make the call?

**Mr Stevens**—It might take some time.

**Senator LUNDY**—I am sure it might, Mr Stevens, but I am particularly interested in the answer. What is the process with respect to those savings being delivered to the Department of Finance and Administration?

**Mr Stevens**—My understanding is that there is no specific change in our allocation as a result of this outsourcing agreement.

**Senator LUNDY**—There is no change?

**Mr Stevens**—The savings have in fact been—

**Mr Marsden**—In previous budgets the Department of Finance and Administration estimated savings across various departments in the outsourcing process. Those savings, you are probably

aware, have been taken from our allocations, but with respect to any future savings, if we achieve those, we are allowed to keep those savings.

**Senator LUNDY**—With respect to the proportion of the \$10 million that the minister has nominated, how have you paid for that? How is that being delivered?

**Mr Marsden**—The billing process in this contract is monthly and is based on a usage basis so—

**Senator LUNDY**—No, I am not talking about the arrangements between you and Advantra; I am talking about the arrangements between the cluster and the Department of Finance and Administration in the delivery of that \$10 million. What I am concerned about is that the minister has claimed \$10 million in savings but they have not been realised.

**Mr Marsden**—They will not be realised immediately. They are savings over five years and are based on our usage patterns at the point in time when we did the cost models for this tender process. It is up to us now to manage our usage patterns to achieve those savings or do better if we can.

**Senator LUNDY**—What is your arrangement with the Department of Finance and Administration in delivering those savings?

**Mr Marsden**—The billing goes directly to the group 5 agencies so, as I said before, we pay for what we use. If we can manage our usage patterns, control our behaviour patterns, then we will achieve even more savings than that—or less if we cannot control those behaviours.

**Senator LUNDY**—It is still very unclear. You will need to take me through this really slowly.

**CHAIR**—Would it be possible for Senator Lundy to be given a briefing privately?

**Senator LUNDY**—No, it is not possible for a briefing. I would like to know the answers now.

**CHAIR**—If there are commercial-in-confidence issues, perhaps it is best done outside the forum of the estimates, which is public.

**Mr Marsden**—I am happy to answer this question because—

**CHAIR**—If you are happy to do so with the minister's agreement, then please proceed.

**Senator LUNDY**—Thank you for that intervention, Chair; I do not think it was necessary. Please proceed.

**Mr Stevens**—I think we can answer that question about the savings issue.

**Senator LUNDY**—Thank you.

**Mr Marsden**—It is just a normal contractual arrangement, except in this one it is five agencies to the one contractor. As I said, we all get billed based on our usage. Our cost model calculated our costs at that point in time, extrapolated out for five years. On that basis, we assumed, based on our current costs, that we would achieve savings of about \$10 million over the five years. As I said before, if we do not control our usage behaviour or some other thing goes beyond our control, then maybe we will not achieve as much as that or maybe we will achieve more. It is a one-to-one relationship with the contractor. Finance does not step into the equation anymore.

**Senator LUNDY**—On a monthly basis, you will assess whether or not you have achieved your identified benchmark in savings?

**Mr Marsden**—We will certainly be monitoring it on a month by month basis. We are putting in place a charge-back mechanism with our own department to help modify behaviour. We have our own contract management team in-house to monitor those sorts of things. We deal directly with Advantra on a regular basis in setting up the various models, how we want those accounts to be broken up by cost centres to report back to us, and the level of detail required to allow us to do that.

**Senator LUNDY**—At what point do the Department of Finance and Administration see their savings? Do they save \$10 million in their allocation to the department over five years?

**Mr Marsden**—The Department of Finance and Administration do not see those savings; we do. We see our portion of those savings.

**Senator LUNDY**—You see those savings?

**Mr Marsden**—Yes.

**Senator LUNDY**—So when the Office of Asset Sales and IT Outsourcing assisted you in the development of that contract, there was no requirement for a saving to be realised up front either in forgone revenue to the department or in an arrangement that would require you to return, perhaps, a dividend over time as the \$10 million was realised back to the Department of Finance and Administration.

**Mr Marsden**—As I said before, there were savings taken several budgets ago. They have gone from our base. But in addition to—

**Senator LUNDY**—Sorry, say that again?

**Mr Marsden**—When the outsourcing process was first announced, there were estimates of whole of government savings. They were apportioned across all departments. Those savings were taken from us, but once we then stepped into this group 5 outsourcing process, started to tender and so on, there were no further savings taken from us.

**Senator LUNDY**—So with respect to the \$10 million, if you realised those savings, you get to keep them.

**Mr Marsden**—That is correct.

**Senator LUNDY**—That is different from cluster 3.

**Mr Stevens**—We are not familiar with cluster 3 arrangements.

**Senator LUNDY**—No, I am sure cluster 3 will be very interested in your arrangements, though.

**Mr Stevens**—I think there was a whole of government approach. My recollection was that there was a whole of government approach going back a couple of years, but I can only help you with our own department.

**Senator LUNDY**—That is fine. I am just exploring what terms and conditions are imposed upon your agency as part of cluster 5 with respect to these contracts.

**Mr Marsden**—I am surprised by that comment about cluster 3. I am happy to pass that question on to OASITO to answer that in a whole of government sense, if you like.

**Senator LUNDY**—Yes, that would be useful. In the realisation of \$10 million over five years, you are the largest agency in the cluster?

**Mr Marsden**—No, we are one of the smallest ones.

**Senator LUNDY**—What sort of proportion of the cluster in terms of value do you represent?

**Mr Marsden**—The Minister for Finance and Administration announced this \$100 million contract, as you are aware. Our portion of that is about 13 per cent.

**Senator LUNDY**—So the savings you are required to achieve would be approximately 13 per cent of \$10 million over five years?

**Mr Marsden**—That we would hope to achieve, or better.

**Mr Stevens**—Can I make one point on savings which is very important from our perspective. It is not just a dollars and cents issue; it is also a question of service levels and functionality. We are very interested in ensuring that we have higher service levels for our IT. So when we look at the total contract, we look at both the monetary savings that might accrue and the levels of service which the department will get. Particularly in this department, there have been changes following last year which tended to make the IT environment far more complex than we had in the past. So we are certainly looking forward to a very high level of service from Advantra in this quite complex environment.

**Senator LUNDY**—Thank you, Mr Stevens. You once again anticipated my next question, which in fact went to service level agreements. A final point on the overarching cluster 5 contract: my understanding is that those contracts are managed through a steering committee which includes representatives of the five agencies that are part of group 5. Is that the case, and who is your representative?

**Mr Marsden**—I am the representative. The steering committee was the committee that recommended the decision up to the options committee in the outsourcing process. The steering committee, now that it has gone to the contract management stage, has called itself the management committee, and I am this department's representative on that.

**Senator LUNDY**—What is the process if the contract is required to be varied?

**Mr Marsden**—There is an MOU between all five agencies on the management committee. If the variance is going to affect other members of the management committee, we need to clear it with each other before we actually approach the service provider, Advantra. Then, of course, as in any normal contract arrangement, you negotiate that sort of amendment.

**Senator LUNDY**—How does that affect the savings pool, if you like, and the calculations in terms of the delivery of the proportion of savings across the contract?

**Mr Marsden**—Again, that would be a negotiation between the various agencies. It is hard to say. I would be crystal ball gazing as to what sort of amendments we are going to require to this contract. Certainly, if it adversely affected those savings and I wanted to do something for our portfolio, I am sure the other agencies would have something to say to me about that, and we would have to look at that at the time that it arises.

**Senator LUNDY**—You mentioned before that the IT complexity has been enhanced over the last year. Can you explain what changes have taken place?

**Mr Stevens**—With the changes in the administrative arrangements of last October, where OGO and the IT group from the industry department, for example, came into the portfolio, different systems were brought in. That has created great pressure on our existing IT systems which were not well geared to cope with a larger group of people.

**Senator LUNDY**—What was your pre-existing platform and what platforms were introduced into your network?



**Mr Marsden**—Banyan Vines was the sole platform we ran prior to the changes and then NT came in. Unfortunately, as the secretary said, we were not geared to it because we did not have the skill sets in NT. That sort of plugged those gaps with the user contractors.

**Senator LUNDY**—Have you moved to a homogenous platform under the Advantra contract?

**Mr Marsden**—Not yet. We are trying to do it in a structured fashion. We are looking at the price of doing an IT strategic plan at the moment to see what position the whole organisation is in and then we will start to move ahead. As you know, under the IT outsourcing arrangements, they do tend to stand on the IC platforms, therefore we are conscious of that as well and how we can run with that existing platform under the contract which is, in our case, with Novell.

**Senator LUNDY**—Does the department have a position on a preferred platform in the context of the cluster?

**Mr Marsden**—Do you mean are we happy with what is in the contract?

**Senator LUNDY**—What is in the contract? Does that define a platform?

**Mr Marsden**—It does not necessarily have to, but the costing of the contract was based on Novell. We can negotiate to change our own platform, but clearly there would be overheads in doing that if we move too far away from the rest of the group. At this point in time we are comfortable with what is in the contract, otherwise we would have voiced our concerns earlier. We are still working through strategically where we think we could best position ourselves for the future.

**Senator LUNDY**—Is there any view within the department that you should move away from the Novell platform?

**Mr Marsden**—There is no strong view emerging to that effect to date.

**Senator LUNDY**—Are you in a position to advise me of what the dominant platforms are within the other four agencies?

**Mr Marsden**—I may have an officer here who can. I do not know myself. I assume, Senator, that you know which agencies are in our group.

**Senator LUNDY**—I would really appreciate it if you would remind me.

**Mr Marsden**—There is ACCC; the Department of the Prime Minister and Cabinet; the Department of Transport and Regional Services; and the Department of Industry, Science and Resources. Our understanding is that the Department of Industry, Science and Resources, the Department of the Prime Minister and Cabinet and the ACCC are substantially Novell already. Transport is a Banyan environment like ourselves, but I believe they have some NT as well.

**Senator LUNDY**—In terms of variations to the contract, can we go back to that question about how that impacts on savings? What formula is currently in place within the management committee to modify savings expectations, based on the requirement for individual agencies within the cluster to vary the contract?

**Mr Marsden**—I am not quite sure I understand that question. As I said earlier on, the whole billing and charging direct to agencies is based on a usage basis. There is no formula approach to splitting up those savings. That was simply an estimate done at the time we put the contract together and signed it, based on our cost models.

**Senator LUNDY**—If every agency within the cluster needs to modify their aspect with the contract for some reason that affects the savings call, or their demand increases and affects

their particular savings estimation for a given month, that has the effect of making that \$10 million saving over five years completely flexible, does it not?

**Mr Marsden**—Yes, it does, but it comes back to the issue of the management committee. For instance, if one of your other agencies was doing something to the platform that was impacting adversely on this department, then I would be raising that before it even happens with the management committee. If they insisted that they needed to go in that direction for a certain reason, then I would be expecting them to cover my costs for that increase to myself. That sort of negotiation process would go on between ourselves.

**Senator LUNDY**—How would that occur in terms of a payment from one agency to another?

**Mr Marsden**—We can do it by a number of means. We can send each other cheques, we can do cash transfers through section 31 of the FMA Act to each other to cover that sort of arrangement, or we can slightly modify the billing process if need be, depending on the magnitude of the change.

**Senator LUNDY**—If it was a cash transfer and an arrangement interdepartmentally, you would not have to concern yourself with the contract, but anything that changed the billing arrangements would require full agreement and cooperation with the vendor.

**Mr Marsden**—With Advantra, that is correct.

**Senator LUNDY**—With the benchmarking process for the contract that established the pre-existing costs that I presume, can you tell me whether the \$10 million identified by the Minister for Finance and Administration represents the difference between the benchmark costs for IT across the five agencies involved in the cluster and the value of the contract?

**Mr Marsden**—I may have to refer that to OASITO. I do not have some of that detail myself.

**Senator LUNDY**—Were you involved in benchmarking your internal IT costs?

**Mr Marsden**—I was involved in settling my IT costs, yes.

**Senator LUNDY**—At the time of the benchmarking, was that before or after the machinery of government changes that introduced NOIE and OGO, in particular, into your department?

**Mr Marsden**—We virtually went through that process twice: once was when the original RFT went out and again after the machinery of government changes. The second process went from late November through to early January and we did a re-bid exercise.

**Senator LUNDY**—That was the delay in the contract?

**Mr Marsden**—That is correct. We all wanted to see what the nature of our departments would be so we stopped the process until after the machinery of government changes.

**Senator LUNDY**—In establishing a benchmark, did it incorporate all the machinery of government changes?

**Mr Marsden**—As best we could, bearing in mind the comment the secretary made that we were not familiar with some of the IT environments we inherited, such as NT. We had to do estimations and we called in auditors to have a look at our estimations and we made the best effort we could to get that right. As the secretary said, over time we found that our costs were going to increase anyway.

**Senator LUNDY**—Could you provide the committee with details of what the benchmark costs were for IT across the department?

**Mr Marsden**—Yes, I can provide that, but I do not have that with me.

**Mr Stevens**—I make the point again that we really were struggling with the environment in the first part of the year. I am more of a user than an IT expert. The combination of platforms meant that we had some real issues. I have to be honest and say that I am not sure that the benchmarking was very satisfactory, even at those stages. It was hard to know what sorts of problems we were having to grapple with because of the need to integrate various systems. It was not a simple exercise.

**Senator LUNDY**—I certainly appreciate that, Mr Stevens, but the concept of the benchmark within the Department of Finance and Administration's model is absolutely critical to underpinning the credibility of any ministerial claim for savings. It is a difficult situation. Whilst I appreciate what would be considered quite reasonable difficulties in establishing those benchmarks in the first place, that is more a reflection on the challenges that this program presents as a whole, rather than any deficiency on your part.

**Mr Stevens**—I guess we probably had even greater challenges than may have been the case in some departments which are on a more stable environment and platform.

**Senator LUNDY**—Were you able to provide a definitive benchmark figure for the department to the steering committee for the purposes of establishing a baseline benchmark cost for the whole of cluster 5?

**Mr Marsden**—Yes, we were, Senator. As the secretary said, it was our best effort at that time and was subject to external audit to make sure we had gone as close as we could.

**Senator LUNDY**—Could you also provide the details of that and the outcomes of that external audit to the committee?

**Mr Marsden**—Yes.

**Senator LUNDY**—This is one area where the Office of Asset Sales and Information Technology Outsourcing continually refer me back to the departments. Unfortunately, I do not have the opportunity to question the management committees of clusters. Can you take on notice a question on the whole of the benchmark figure for the group 5 or cluster 5 management—it would have been the steering committee—with the answer to be provided to this committee. I am not really sure how else I am supposed to get that information. Minister, do you have any clues on that? Do you think that, because these contracts are arranged in clusters, it would be possible to have an estimates style process that brought together all partners in a given cluster under the IT outsourcing?

**Senator Alston**—Do you mean a mega estimates?

**Senator LUNDY**—No, really just the officers involved—for example, Mr Marsden—who are part of the management committee, and perhaps the appropriate officer leading up the department so that we could ask them questions about the management and application of those clustered contracts.

**Senator Alston**—In one, rather than in a series of different estimates committees?

**Senator LUNDY**—Yes, because at the moment the challenge—and I am being straight-up about this—is that asking this series of questions to every department involved in a given cluster is an impossible task logistically, particularly with your laboured points about time, given that it is now nearly 10 o'clock and I probably have about another half hour to go.

**Senator Alston**—I am happy to discuss it, particularly with Finance.

**Senator LUNDY**—Perhaps we could look to that in the additional estimates or supplementary estimates or whatever the next phase is, to bring together a special estimates session that would allow me to question each cluster on their IT contracts. Can I leave that with you?

**Senator Alston**—We will have a look at that.

**Senator LUNDY**—What is the process I should follow to pursue that?

**Senator Alston**—We will take that as a question on notice and advise you.

**Senator LUNDY**—Thank you. Mr Stevens, going back to the point you raised earlier about the service level agreements and functionality, putting aside now the issue of savings, I presume you have a target of savings. Is that target established on a monthly, a six-monthly or an annual basis over the next five years?

**Mr Stevens**—Our concern at this point is to ensure that we get the best possible value from a contract. So we do not look at it on a monthly basis. These contracts need to be managed very carefully, and that has to be where our priority now lies, in the sense that, depending on how we use the contract, it can affect our costs. In that sense we have to have an interplay between management of a contract and the savings that we can accrue from that contract. The two are related, and there is indeed a need to very carefully manage the contract. We are putting in place a group to do that.

**Senator LUNDY**—If it is \$10 million over five years, it is \$2 million per annum. So 13 per cent of \$2 million is \$260,000?

**Mr Stevens**—Except that, in doing that, you are assuming that all the savings right across the various agencies are going to be the same and shared proportionately.

**Senator LUNDY**—Yes, I am assuming that. Is that far too simplistic?

**Mr Marsden**—Yes it is.

**Senator LUNDY**—Do you have a formula to calculate your proportion of savings?

**Mr Marsden**—That was done in the tender process but, again, I just want to check that with OASITO, as to how we present that information.

**Senator LUNDY**—How will those savings, your proportion of the \$10 million, show up in your budget papers as the years go by?

**Mr Stevens**—I think it is going to be very hard to show that up in any of the budget papers that you see, because it does depend on how we manage the contract, and the IT costs are simply a cost that tends to be reflected in the various outputs we established. It is no different from legal costs or anything else. We do not report separately on the IT costs as such in our budget papers, any more than we report separately on legal costs or other corporate overheads.

**Senator LUNDY**—So we will not be able to identify a savings dividend as we have in the past with respect to IT in the out years?

**Mr Stevens**—I do not think in the past we have identified IT as a separate item in our budget papers.

**Senator LUNDY**—The program was first initiated in 1996. Didn't you say earlier that you had already paid a dividend?

**Mr Marsden**—That was the whole of government savings based on estimations done at that point in time.

**Senator LUNDY**—Can you remind me what you have paid in terms of IT savings to the department of finance since 1996?

**Mr Stevens**—We can take that on notice, I think. Again, it would be complicated by the administrative changes that took place, because these savings were done prior to those administrative changes.

**Senator LUNDY**—I appreciate that, and it is a question relating to historical circumstance. But the point is that, whereas the previous methodology allowed the savings to be identified in your budget statements, the IT outsourcing program, as it is currently structured, and as you are currently involved in it, will not.

**Mr Marsden**—It is very hard to give that sort of information over years, because the department grows and changes, so the nature of our costs changes with that.

**Senator LUNDY**—That is a very interesting point. Given that the minister has announced \$10 million savings, you have taken great pains so far to make the point that in fact your emphasis, Mr Stevens, will be on functionality and on service levels.

**Mr Stevens**—No, I am not suggesting costs are not important. I think costs are very important.

**Senator LUNDY**—I know, but it is appropriate I think to draw the balance, as everyone does.

**Mr Stevens**—I am saying that service levels are also important for a department.

**Senator LUNDY**—I think that the minister himself identified three issues: one was savings; one was service quality, I think; and the other one was industry development, but I will come to that as well. In the current contract as it stands, what provisions exist for you to move with technological progression within your agency in terms of equipment replacement, software development, applications development, systems upgrading, network expansion and all that stuff?

**Mr Marsden**—In relation to software, from recollection, the contractor needs to keep us within one version of what is current in the market place.

**Senator LUNDY**—Needs to keep you within one version?

**Mr Marsden**—Of current software, so that we cannot fall too far behind. For instance, if we are using—

**Senator LUNDY**—I thought you were going to say that it is so that you cannot leap too far ahead into beta versions.

**Mr Marsden**—No.

**Senator LUNDY**—I am so disappointed. So you can be only one version behind the marketplace. That is pretty shabby, isn't it?

**Mr Stevens**—It is better than we had.

**Senator LUNDY**—I cannot see the minister wanting to use the old version of anything. He would not be able to talk to anyone.

**Mr Marsden**—The contract allows us, in the software section, to try to keep as current as we can. In relation to PCs, I believe it is a refresh at least every three years, but it depends again how the marketplace moves. You mentioned applications development. We do not have that in scope. They certainly maintain our hardware but they do not develop our applications.

**Senator LUNDY**—I could go off on four different tangents on the basis of your answer. Firstly, who is doing your applications development?

**Mr Marsden**—We have a very small number of applications, and we do that in house at this point in time. Occasionally, if we do not have the skills, we may bring in a contractor.

**Senator LUNDY**—Have you any intention to outsource that, given that the minister for finance has indicated applications development is now in for the purposes of the IT outsourcing program?

**Mr Marsden**—Predominantly, applications are from the shared systems—personnel systems, finance systems and that sort of thing. So, no, we do not see a need to outsource that.

**Senator LUNDY**—On the refresh every three years: when was your hardware last refreshed, or your PCs? I presume you are talking about desktops?

**Mr Marsden**—That is correct. We just did a major refresh from the period of March through to the end of April.

**Senator LUNDY**—Of this year?

**Mr Marsden**—Yes.

**Senator LUNDY**—So that was done through the contractor?

**Mr Marsden**—No, it was done through a leasing contract prior to the outsourcing contract coming into place, but that was flagged with all the bidders in our original RFT and also in the rebid process, and the bidders were comfortable with that process.

**Senator LUNDY**—I am sure that they would be. Did they get to acquire all your hardware as part of the terms of the contract?

**Mr Marsden**—They are leased. They novate the leasing contract to the outsource provider.

**Senator LUNDY**—They do not acquire it?

**Mr Marsden**—We do not own the hardware; we lease the desktops.

**Senator LUNDY**—Where do you lease them from?

**Mr Marsden**—A company called Corporate Acceptance.

**Senator LUNDY**—Who has the contract with Corporate Acceptance?

**Mr Marsden**—Initially, it was us, and when that went out to tender, we flagged with whoever was going to pick up that contract that we would novate it under the outsourcing arrangements. Advantra and Corporate Acceptance, I understand, are just going through the process of novating that contract at this moment.

**Senator LUNDY**—Of doing what to the contract?

**Mr Marsden**—Novating it. Basically, we transfer the contract from ourselves to Advantra, and the contract then is between Advantra and Corporate Acceptance.

**Senator LUNDY**—What did you do with your old hardware?

**Mr Marsden**—I think as part of the leasing contract we actually traded those in to Corporate Acceptance.

**Senator LUNDY**—Could you take on notice to provide the committee with the value of that lease and the transfer arrangements, and some details about the hardware? I am looking for even just a half-page brief on what you have told me.

**Mr Marsden**—I think you think it is a block contract. What we do under the contract is issue an order for each block of PCs we want at that point in time, so it can change over time, but I think your question relates to the handover point, and I can give you that information.

**Senator LUNDY**—Yes, thank you. In terms of software upgrades, network changes, et cetera, the contract provides for a certain degree of change. What happens if the department for some reason decides to strategically manage it in a different way, or change strategy—beef up your online presence, et cetera—that has a fundamental impact on the current terms and conditions of the contract with Advantra?

**Mr Marsden**—Like all contracts, Advantra is covered in that contract. For instance, if we were making a significant change we would negotiate with Advantra. If we feel and Advantra feel that they are not in a position to provide that service, I believe we have the option to look for someone else to make that substantial change. Indeed, if we are looking for some sort of substantial change, that is your outlining.

**Senator LUNDY**—Could you just clarify? You would have to clear through the management committee—

**Mr Marsden**—Then with Advantra, and then negotiate that process.

**Senator LUNDY**—What happens if the management committee says, ‘No, get lost.’

**Mr Marsden**—Then I guess I rely on my negotiating skills with my colleagues, if I believe it is important to the organisation, to try and get that through. But I may not win all situations.

**Senator LUNDY**—So the strategic control of information technology is effectively in the hands of the determination of the management committee, and then you carry the can in terms of whether or not the department’s position lives or dies. It is a very powerful position.

**Mr Marsden**—In simple terms you can summarise it like that, but in practical terms the management committee is fully aware of whether the government has policy agendas with IT, and will obviously work with those agendas, so I don’t think I would be pushing all issues uphill. We would have to negotiate certain situations.

**Senator LUNDY**—Then following that clearance process with the management committee, can you describe how your negotiations with Advantra would be initiated and how they would be conducted?

**Mr Marsden**—Yes, Senator. Obviously, after we go through the management committee stage, we also have a small contracts office for all of group 5, which consists of two officers. We would actually then channel those negotiations through that contract office. Obviously the point of doing that is to keep a single point of contact as far as possible with Advantra on those issues, and we would go through that route.

**Senator LUNDY**—How proscriptive is your contract with Advantra?

**Mr Marsden**—In relation to what?

**Senator LUNDY**—Service level agreements.

**Mr Marsden**—It is fairly tight on service level agreements, and obviously there are also penalties for failure to meet those service levels.

**Senator LUNDY**—And in the negotiation phase of the contract or the development of the RFT and the subsequent negotiations with the successful tenderer to tie off loose ends, who represented your department in those negotiations?

**Mr Marsden**—There were a number of officers involved towards the end of that process. At some meetings it was myself, at other meetings an officer from an IT area and at other

meetings it was Colin Roberts, who is on my right-hand side, as well. Who we sent along to those meetings was dependent on what issues we thought were going to arise and, on other matters, occasionally, if it was a financial thing, I may have called in a consultant to help me on certain issues where I wasn't sure.

**Senator LUNDY**—Who was your legal representation at those negotiations with Advantra?

**Mr Marsden**—That legal representation was provided by the office of asset sales. We did not have our own representative there.

**Senator LUNDY**—Who from OASITO provided that representation?

**Mr Marsden**—From memory, it was Cheryl Pitman. There were at least two main people from that company there. I cannot remember the names of the officers, Senator, but I can direct that question to OASITO if you are interested.

**Senator LUNDY**—So what was their role at those meetings? They are providing legal advice for OASITO during those negotiations?

**Mr Marsden**—Cheryl Pitman, from memory, was certainly providing legal advice and contractual negotiation advice. OASITO also engaged another law firm to provide independent legal advice to that as well.

**Senator LUNDY**—Independent legal advice.

**Mr Marsden**—Yes, back to the group that OASITO was managing at the time.

**Senator LUNDY**—Okay. In terms of the nature of the contract, the prescriptive approach obviously means that any variations would have to be formalised.

**Mr Marsden**—Of course.

**Senator LUNDY**—What opportunity is there for the department to remedy any breaches of the contract, including substandard delivery of service level agreements?

**Mr Marsden**—With service levels, clearly that is covered by the service levels agreed in the contract. Where they fall below, we can impose penalties. I cannot imagine other things arising but, if they do arise, then clearly we rely on the law of contract to take that up with Advantra.

**Senator LUNDY**—Sorry. Say that again?

**Mr Marsden**—We would use contract law, Senator. If it falls outside service levels—

**Senator LUNDY**—So you would have to enter into litigation?

**Mr Marsden**—We would hope to avoid that. Like all contracts, you try to negotiate between parties to come to an acceptable outcome.

**Senator LUNDY**—Sure.

**Mr Marsden**—That would be very much a last resort.

**Senator LUNDY**—Yes, I would hope so. The point I am trying to get at, though, is that if you have a prescriptive contract in the IT field—and the minister would vouch for this 100 per cent, how dynamic and rapidly changing IT is—the potential for variations of the contract to be required I would expect are reasonably high. Now I know that is a big assumption, but I would think that it is a reasonable one. What position are you in to negotiate variations if Advantra say, 'No. Get lost. We have got the contract. We don't want to vary it. We are happy with it. We are making lots of money'?



**Mr Marsden**—The main area of prescriptiveness in the contract is with the service levels. Those service levels are based on the environments that we have and are moving to, so that is prescriptive. If we move from that, then we move away from that prescription to some degree and we renegotiate the position. Like all contracts, if the contractor is not prepared to move with you and have those negotiation clauses in the contract, like you do in all contracts, then we would obviously look at some other arrangement. But, clearly, that sort of situation wouldn't arise.

**Senator LUNDY**—It is a little hypothetical, I realise that, but I do think it is important in the context. In terms of opportunities to remedy breaches, what formal sanctions are available to you with respect to the cluster 3 contract and what power do you have to impose them within the context of the management committee and the overall contract? That is, can you impose a sanction, or what would the process be to impose a sanction, and how would you do that within the broader cluster?

**Mr Marsden**—Yes, there are certain penalties, particularly for service levels, but I would like to take that on notice, mainly because I would like to check with the office of asset sales. Again, I don't want to upset any competitive position the Commonwealth may also have in the marketplace negotiating these contracts whilst the outsourcing process is still continuing.

**Senator LUNDY**—You talk about this outsourcing process still continuing. Does that mean there are some aspects of this cluster 5 contract that are still not tied up?

**Mr Marsden**—No, I am referring to other groups. I believe there are other groups still in the process.

**Senator LUNDY**—Sure. The minister has made sure it has dragged out well beyond his original timetable. I expect it will go on for some time if he is allowed to persist. Are you saying that you cannot talk about those things just because Advantra is tied up in negotiating other contracts?

**Mr Marsden**—For that reason—

**Senator LUNDY**—Sorry, I don't understand why that actually constitutes a reason why you can't talk about what is currently locked up, finalised—a contract in place that affects you. You shouldn't be worried about what Advantra are doing with anyone else.

**Mr Marsden**—Senator, the Commonwealth, like any other player in the marketplace, respects the suppliers. I do not want to do anything at this stage to upset their competitive advantage, nor do I want to do anything that would upset the Commonwealth's competitive advantage in this continuing process in other groups. I am, however, happy to take that on notice, and what I can provide, I will certainly provide.

**Senator LUNDY**—Thank you. Are Advantra insisting on any confidentiality clauses of the nature that you have been traversing?

**Mr Marsden**—No, just the normal commercial-in-confidence, that is all.

**Senator LUNDY**—The service level agreements and functionality within the contract would, I presume, define specific services like answering a phone call within a certain amount of time—that type of thing. What is your quality assurance process for the maintenance of those service level agreements?

**Mr Marsden**—We are still in the transition phase and we are still developing some of those with consultants. We are also—

**Senator LUNDY**—Who are the consultants?

**Mr Marsden**—We are using KPMG to assist us in developing models to monitor this. We are also insisting on certain levels of reporting from Advantra as well. Some of those are still being settled within the transition phase that is going on right now. I am not in a position to provide it to you yet.

**Senator LUNDY**—Presuming you put in place a quality assurance system for service level agreements, how will that information be documented? Will it be available for scrutiny by parliament through either this process or as part of the annual report?

**Mr Marsden**—Because it is just an internal working document, I assume it can become available. We will make it available when we have that ready and the contract is in place.

**Senator LUNDY**—Can you take that question on notice—when is it available?—and also provide details of your quality assurance scheme applying to service level agreements and any data arising from the collation of that material.

**Mr Marsden**—Certainly. Just so that you do not expect that in the next few weeks: we do not actually hand over until 1 July, and it would be some time after that point.

**Senator LUNDY**—I would hope to see it as soon as possible after that point. On a more general question, were you given an option as an agency to do your IT in house?

**Mr Marsden**—Basically—and some of this is before I took it over—my understanding is that all agencies were asked to do their cost models to see where they sat and then we tested the marketplace.

**Senator LUNDY**—After you set your benchmark?

**Mr Marsden**—Yes, then we tested the marketplace and, if there was a business case for the government as a whole or a group, then we moved ahead and outsourced.

**Senator LUNDY**—When you market tested, you did it on the benchmarks before the machinery of government changes, I presume? In terms of timing?

**Mr Marsden**—Yes, in the initial bidding process.

**Senator LUNDY**—What was your process for market testing? Or was that handled by OASITO?

**Mr Marsden**—It was essentially handled by OASITO.

**Senator LUNDY**—In terms of your previous IT management, could you tell me how that was managed? Was it, for example, a combination of some contractors and in house or predominantly in house?

**Mr Marsden**—Predominantly in house, with some user contractors—such as, our voice was already outsourced.

**Senator LUNDY**—How many direct employees involved in IT management that were with you are now not—that is, how many jobs were lost to the department? I will ask the next question, about transfers, in a minute.

**Mr Marsden**—On 30 June this year, seven employees will finish as a—

**Senator LUNDY**—All seven?

**Mr Marsden**—No, seven employees will finish. We actually have an area of about 15 at this time.

**Senator LUNDY**—You lost approximately half. Were they given transfer options with the outsourcer?

**Mr Marsden**—Yes. The outsourcer advertised and invited all Commonwealth employees—it was not so much a transfer option—to actually apply for positions.

**Senator LUNDY**—That is not a transfer.

**Mr Marsden**—No, it is not a transfer. We offered transfers to our own people in house if we could find suitable positions for them. So there was a process done in house as well, and to my knowledge all the staff are comfortable with the outcome.

**Senator LUNDY**—They are happy with the outcome?

**Mr Marsden**—Yes, Senator. Very happy, I am told.

**Senator LUNDY**—Okay. Were any of them employed by the vendor?

**Mr Marsden**—That has not been announced yet by the vendor.

**Senator LUNDY**—Okay; but you are sure they are all very happy?

**Mr Stevens**—That is what they tell us, Senator.

**Senator LUNDY**—I will wait with interest. Can you take it on notice to provide me with details of the outcomes of all of the former employees?

**Mr Stevens**—That is a bit hard for us because it is not in our gift. This is a private sector decision by Advantra as to whom they employ. I am not sure they will want to give us details of their employment policies. Once these officers have left the department, as far as we are concerned that is it.

**Senator LUNDY**—Yes, fair point; it is more out of human interest than anything else.

**Mr Stevens**—Yes, I understand the point; but I am saying it is not that simple for us to do.

**Senator LUNDY**—With respect to year 2000 compliance, my understanding is the liability cannot be transferred, but is the responsibility for Y2K compliance within the scope of the contract with Advantra?

**Mr Marsden**—Yes, it is.

**Senator LUNDY**—To what degree did the turnover—the refresh of hardware prior to the contract being implemented—in fact address any issues relating to Y2K compliance?

**Mr Marsden**—In relation to our software, it fully addressed our compliance. We were actually on Word 6 at the time, and we have moved straight to 98 across the department.

**Senator LUNDY**—Am I making a reasonable assumption to say that that refresh prior to the contract being implemented effectively resolved Y2K issues for the department?

**Mr Stevens**—It went a fair way towards doing it, but there are some other issues we had to look at independently of the PCs and software.

**Senator LUNDY**—Given the department had, I think, the most appalling record in terms of the report—

**Mr Stevens**—I do not think we accept that, Senator.

**Senator LUNDY**—Then it was one of the worst outcomes. Perhaps you could provide me with an update as to the level of Y2K compliance in the department?

**Mr Stevens**—I am very pleased to do that, because it is actually quite a good story now.

**Senator LUNDY**—Ah; you have something good to say about it.

**Mr Stevens**—Yes, we have actually.

**Mr Marsden**—We are 92 per cent back on line and compliant now.

**Senator LUNDY**—Was that great leap in compliance as a result of the hardware and software refresh in March and April?

**Mr Marsden**—A large degree of that was, Senator, and part of the reason why we had originally delayed was that we were waiting for the machinery of government changes to settle down before we pursued the PC leasing contract. So there was just a delay for that reason only.

**Senator LUNDY**—Do you expect that the remaining 8 per cent of compliance will be fulfilled?

**Mr Marsden**—Yes, we do. There are only a couple of areas where we are behind. That is relating to insurance and certain things in the building, that is all; it is not our IT environment as such.

**Senator LUNDY**—Are you on track to meet the 1 July deadline?

**Mr Stevens**—We believe we are, yes.

**Senator LUNDY**—Well, I will watch with interest. Does that include having in place contingency plans on potential failures?

**Mr Marsden**—Yes, we are just over 75 per cent complete on contingency plans at the moment. We will have those finished very shortly. I beg your pardon, we are 85 per cent complete on those contingency plans.

**Senator LUNDY**—With the ongoing contract with Advantra extending over five years, what exit clause opportunities exist for the department and how have the department's interests been protected in case the potential failures of that contract do not emanate from your department, necessarily, but from other major partners or agencies in the cluster 3 contract?

**Mr Marsden**—It is a difficult question to answer, because I cannot envisage any of the other group 5 agencies doing something to adversely affect the contract to that extent.

**Senator LUNDY**—Or Advantra doing something adversely?

**Mr Marsden**—At this point in time I cannot envisage that either. Remember, we are still in a transition phase.

**Senator LUNDY**—One of the issues with Advantra was that they had no previous experience with respect to information technology outsourcing. What is your department's view on their capabilities generally?

**Mr Marsden**—If I could correct that misunderstanding: that statement would certainly be correct regarding a large contract with the Commonwealth, but they have very large contracts in the private sector.

**Senator LUNDY**—Advantra do?

**Mr Marsden**—Yes.

**Senator LUNDY**—In information technology?

**Mr Marsden**—With the Colonial Bank and Shell, from memory.

**Mr Stevens**—Yes, in information technology.

**Senator LUNDY**—Can you describe the nature of those contracts?

**Mr Stevens**—Again, I think you are getting into detail we do not really have.

**Senator LUNDY**—I think it goes to a question of capability.

**Mr Stevens**—We can give you the information we have. We are very confident about their technical capabilities. We have no reservations.

**Mr Marsden**—I will take that on notice.

**Senator LUNDY**—Thank you. I have a few more general questions about the contract. Mr Stevens, I presume you are aware of the ownership structure of Advantra?

**Mr Stevens**—I think so.

**Senator LUNDY**—Fifty per cent Telstra, 30 per cent IBM and 20 per cent Lend Lease. Are you aware of the membership of the board of Advantra?

**Mr Stevens**—I think I may know some of them, but I probably could not recite the names to you now, I am afraid.

**Senator LUNDY**—My understanding is that Ziggy Switkowski is a member of the Advantra board.

**Mr Stevens**—That would not surprise me at all, because I know there are Telstra representatives on it.

**Senator LUNDY**—And Lindsay Ellard.

**Mr Stevens**—That sounds right but, again, I am not an expert on their board.

**Senator LUNDY**—And one other. I cannot remember who the other person is. Maybe it was Gerry Moriarty.

**Mr Stevens**—I think there are some people from IBM on the board as well.

**Senator LUNDY**—Bob Savage from IBM. Is he the chair?

**Mr Stevens**—No, Bob is the CEO of IBM Australia.

**Senator LUNDY**—I know, but is he the chair of the Advantra board?

**Mr Stevens**—I am not sure. I would be happy to try to find the information and give it to you.

**Senator LUNDY**—The question I have is this: we know from previous estimates that the department, through its IT policy section, was implicitly involved in determining the industry development components through what constituted a two-envelope style process in the deliberations by the Department of Finance and Administration on the awarding of this contract. We also know that the department is engaged in a continual, almost ongoing, relationship with Telstra with respect to the government's privatisation agenda.

What specific provisions do you have in place in the department to ensure that there is no conflict of interest with respect to the consideration of the ID components of this particular contract and the ongoing management of the Advantra contract, given that obviously you have the same people on the Advantra board as you deal with on an extremely regular basis on matters of great political sensitivity.

**Mr Stevens**—The people involved in the ongoing monitoring of industry development are quite separate from the people who would deal with Telstra as a telecommunications carrier.

**Senator LUNDY**—Have you had this issue audited by an independent probity auditor? Have your arrangements been audited for probity?

**Mr Stevens**—There are probity auditors for the ID side of it.

**Senator LUNDY**—I appreciate that, but I am talking about the broader issue of the department handling, at the same time, sensitive negotiations with Advantra while Telstra is

continually being touted as being the major player in Advantra. They have just won your IT contract, and you deal with them on a vast range of policy matters.

**Mr Marsden**—There is a probity auditor on that whole group 5 process to look at those sorts of issues, and that probity auditor was engaged by the Office of Asset Sales to look at that issue, amongst others.

**Senator LUNDY**—I look forward to asking Telstra some questions in this regard. Is the minister available, because I would not mind asking him some questions about this? Telstra have espoused continually their desire to expand into information services markets. In fact, in their latest annual report, they have explicitly identified contracts in the IT services area—or in information services, as I believe they describe it—as being something they hope to expand their operations in. Then we find that Telstra has secured this particular group 5 contract under what I could only describe at the time as controversial circumstances for a range of reasons.

**Mr Stevens**—I think Mr Marsden has already gone through the probity auditors with regard to the letting of the cluster 5 contract. I don't think they found any problems in the processes that were undertaken with regard to that contract.

**Senator LUNDY**—They were looking at it from the perspective of the office of asset sales. What I am looking for are some guarantees within your department, given your management of Telstra privatisation and the involvement of Telstra executives directly on the board.

**Mr Stevens**—There were absolutely no people involved in the outsourcing assessment process who were involved in any of those issues with regard to the Telstra privatisation. They were quite separate issues. We had a limited number of people involved in the contract negotiations as part of the OASITO thing. Mr Marsden was our lead officer. Mr Marsden is in our corporate area. He does not involve himself with Telstra on a day-to-day basis at all. It was very much an arms-length transaction. I was not aware, for example, of the process of the negotiation with cluster 5. We made sure there was no involvement.

**Senator LUNDY**—If you could take on notice to provide in writing an explanation of how you managed that process of the officers' involvement.

**Mr Stevens**—I am happy to do that.

**Senator LUNDY**—And also whether or not any correspondence was received by the department from Advantra, the partners of Advantra or the board of Advantra.

**Mr Stevens**—About the contract?

**Senator LUNDY**—About the contract.

**Mr Stevens**—I am not aware of any correspondence about the contract. I will have a look at it, but I am not aware of any.

**Senator LUNDY**—Minister, thank you for gracing us with your presence. I have just been asking some questions with respect to the potential of a conflict of interest existing between the awarding of the Advantra contract with respect to your department and the board of management of that particular organisation, or company, and the ongoing involvement on a range of pretty weighty policy issues. Mr Stevens has kindly offered to provide me with a full explanation of what your in-house probity measures are to ensure that there is no crossover. Were you aware of Telstra's stated aim, or expressed aim, to involve themselves more comprehensively in information services work, in that direction?

**Senator Alston**—At the time of what?

**Senator LUNDY**—I am just reflecting on Telstra's previous annual report, where they make several references to wanting to develop Telstra's expertise in a range of information services areas.

**Senator Alston**—Yes, I think they have made some fairly grand statements about wanting to become a full services IT company. Clearly, that is the way technology is taking all telcos: you cannot just be a voice operator; you cannot stick to traditional services. I think all they are saying is that they are interested in expanding their horizons.

**Senator LUNDY**—I have a related question, Minister. The importance of a Commonwealth contract to a given company in information services is considered to be, certainly based on the evidence of several Australian SMEs who have sought to involve themselves in the IT outsourcing program, a critical credential, particularly when positioning oneself in the global marketplace. Has the importance of that ever been expressed to you by Telstra?

**Senator Alston**—That Telstra would like to get outsourcing contracts?

**Senator LUNDY**—Yes.

**Senator Alston**—I do not think I have ever had a discussion with them about that, no.

**Senator LUNDY**—Have you ever had a discussion with any Telstra executive about the outsourcing contract?

**Senator Alston**—No, I do not think so.

**Senator LUNDY**—I presumed you would say that.

**Senator Alston**—I would be more inclined to say it if it were true. I do not think it is something that has ever occurred for me to raise, and I do not particularly see why they would be wanting to share their strategies with the minister. I am sure, if they need permission for something, they might foreshadow new approaches, but beyond that I would have thought they would not see any need to let me in on board or senior management thought processes.

**Senator LUNDY**—Have you done an analysis of the impact of the GST on the value of this contract and its operation?

**Mr Stevens**—No.

**Senator LUNDY**—Do you intend to?

**Mr Stevens**—I am told that once the legislation is passed we will have a look at it.

**Senator LUNDY**—You have just signed a contract worth around \$100 million—part thereof—

**Mr Stevens**—OASITO may have done that. Are you asking has the department itself done that analysis?

**Senator LUNDY**—No, you are quite right. The Department of Finance and Administration has signed the contract which has locked you in for five years. Let me refer to a news report which I think sums up the concerns regarding the impact of the GST, particularly given its impact on software products which were previously untaxed. Do you expect that this may have the potential to eat into your savings estimates?

**Mr Stevens**—That is something that we would have to have a look at.

**Senator LUNDY**—Okay. But you will be having a look at it?

**Mr Stevens**—I am sure we will. If it has the potential to eat into our savings estimates, we will have a look at it.

**Senator LUNDY**—Do you think that potential variations to the contract will have the potential to eat into your savings?

**Mr Stevens**—We are not expecting that, no. As I said at the start, from the point of view of our savings, the important thing is how we manage the contract.

**Senator LUNDY**—Provided that the contract stays within its current framework—that everyone has no later than the last version in front of them in terms of software, and hardware is turned over every three years—you will not need to renegotiate any aspect?

**Mr Marsden**—No. If all things stay equal, I would not expect to.

**Senator LUNDY**—Do you think those terms and conditions will serve the needs of the department for the next five years?

**Mr Stevens**—Many of those terms and conditions go to speed of response and all of that. I believe they will be consistent over the five-year period. They are, in a sense, technology neutral. Help desk response times, service availability and all of that are generic issues which are always relevant. Frankly, from our perspective, they are the important issues.

**Senator LUNDY**—I appreciate that. I guess what I am trying to find out is whether or not the contract actually introduces some technological stagnation within the department over the five-year period.

**Mr Marsden**—No, it does not. As I said at the outset, the contract allows us to present our strategic plan and to negotiate the implementation of that with Advantra and obviously also with the other Group 5 management committee members if it impacts on them. It is fairly open in that sense.

**Senator LUNDY**—But those changes would require variations, would they not?

**Mr Marsden**—Depending on the nature of the changes. I would be guessing at this stage.

**Senator LUNDY**—And the variations can potentially cost money?

**Mr Stevens**—There are a range of issues in the contract that can cost money depending on how it is done. However, we are very comfortable with the contract.

**Senator LUNDY**—I will watch with interest as to how it develops. I am ready to move on to output 1.1.

**CHAIR**—We are going to do the National Gallery first, because they have a commitment around 11.30 a.m.

**Senator LUNDY**—I have some questions about the Nugent inquiry. Would they be general or in output 1.1?

**CHAIR**—We could ask for Mr Steven's guidance on that.

**Mr Stevens**—I think we would be happy to take them under—

**Senator LUNDY**—Particularly in relation to the GST.

**Mr Stevens**—It may be best to take them under the Australia Council. We would have officers here who can do that at the same time.

**Senator LUNDY**—Okay. We might do it in 1.1.

**CHAIR**—I will call the National Gallery, in that case.



[10.41 a.m.]

### NATIONAL GALLERY OF AUSTRALIA

**CHAIR**—We welcome officers from the National Gallery.

**Senator LUNDY**—I have a series of quite specific questions and it should not take too long. Dr Kennedy, perhaps you could provide us with a very brief update on some of the changes taking place at the National Gallery. Last time I spoke to you during estimates you were in the middle of some quite extensive processes, so just a couple of minutes would be terrific, thank you.

**Dr Kennedy**—I would like to thank the chair and the committee for accommodating me this morning, given our major function today. In June of last year we were in the process of effectively sorting out our outcomes. We were spending a lot of time focusing on our priorities and our strategies for the future. The result of that was a corporate plan into the new millennium, which we produced in October. We regarded this as a significant document not just for the National Gallery of Australia but for cultural institutions of our kind here and elsewhere. It contained our objectives for the future.

At that time, in October, we also achieved significant improvements to the basic policy that we had addressed. We said that, from now on, building on the success of the past in this regard, we would be focused on serving the public and that we would do that very simply by providing greater access than we had hitherto to works of art and greater access to information about works of art. We do those things locally here in Canberra, nationally in Australia and internationally. The whole of our focus in this document was directed to those.

We were able to announce at the same time that we were making the gallery free of charge for general admission. That has had a very beneficial effect. We also obtained the minister's agreement to raising the amount of money for which government approval had hitherto been required for the purchase of works of art—from \$450,000 to \$10 million. This is a significant reform which effectively, given that we have not got \$10 million, meant that we had liberty to select the works of art that we thought most suitable for the collection.

I declared at that time that we would be restructuring the staff very much along a program structure line. We were appointing seven senior positions within the gallery. We have five of those now and there is an important staff restructure going on. I alerted the committee in June last year that we had a particular financial situation that required addressing. That was dealt with by a shift within our budget so that we increased the amount of non-pay funding by reducing the amount of pay funding.

That was a required measure in order to pay off the new extension costs at that time, but also to address the new policy initiatives, and to have the money to be able to do that. At this point, we have changed our staffing from 224 when I arrived to an average of 210 at the moment. That has improved our financial situation considerably.

We have had a very successful year with our strategic focus to get works of art out around the country. We have lent over 1,500 works around the country, which is several hundred more than we have ever lent in a year before. That has been hugely important to regional museums and galleries. We have had major exhibitions abroad. We have focused on the permanent collection here in Canberra within the gallery, and are now moving into a major exhibition season again. We had the great good fortune also to improve our funding from private sources with a most extraordinary bequest, which will probably be nearer to \$6 million than the \$5

million that we have previously said, now that the estate has been wound up. It is not in to us yet. It will be in before the end of the year. That has improved our position.

We have focused on fewer works of art, but of more significance, and in the last year we will have purchased just shy of 300 works. The average for the previous seven years was about 2,000, and that was very much a strategic focus as well. Of course, you are going to get into the news if you spend a lot of money on works of art, but you have got to commit. I think we have done well, but we still have a lot of work to do.

**Senator LUNDY**—Thank you for that update. I note your comments about changing seven senior positions—appointing seven senior positions over that period of time?

**Dr Kennedy**—When I arrived there were three senior positions. That became two, and I flattened it out to seven.

**Senator LUNDY**—I do recall an explanation of that at some time in past estimates, Dr Kennedy. The appointment of John McDonald to the position of head of Australian art at the gallery has attracted some comment. I am interested in exploring with you the selection criteria and process attributed to this appointment and, in general, how many people applied for the position and so forth. Could you provide the committee with an explanation as to that appointment and the processes surrounding it?

**Dr Kennedy**—Yes, certainly. The head of Australian art is one of two senior curatorial posts that we have announced in the staffing restructure. The other is the head of international art, which we hope will be filled shortly. The head of Australian art was envisaged as a leadership position for the curatorial departments of Australian art, to develop and manage the collection at the gallery. We advertised the post very widely, because I was anxious to get as broad a sweep as possible. We sent it to all museums and galleries, we sent it to all universities, we put it on the Internet.

**Senator LUNDY**—Was this internationally as well as nationally?

**Dr Kennedy**—Not for the head of Australian art, no. Indeed, the head of international art was initially within Australia. With respect to the head of Australian art, if the point of the question is whether people who were expert in Australian art abroad were made aware of it, certain people indeed were. At the beginning, I have to say we did not have a huge response. It is a very demanding job and it is obviously a very focused job. I recirculated the duty statement, which was very specific. I invited a number of people to apply, and encouraged people to apply.

**Senator LUNDY**—How did you do that? Did you do that formally, via correspondence, or was it more of an informal kind of thing?

**Dr Kennedy**—It was not by correspondence, and it was not necessarily by me. You know the way—you would try to indicate to people, ‘Look we would be very interested in seeing you apply,’ because it is a fascinating job, and I wanted to be different.

**Senator LUNDY**—Did you get other people to do that on your behalf—to approach potential appointees?

**Dr Kennedy**—Initially, yes.

**Senator LUNDY**—Like who? I do not really want to know their names, but I am interested in the approach. Did you get involved in this, Minister?

**Senator Alston**—No, I left it to the experts, but I can well understand the informal approach that Dr Kennedy would no doubt adopt and I think that makes a lot of sense. Word gets

around; the director indicates to staff and others that he does not have a particular person in mind and that he is keen to see the best talent apply. Word of mouth no doubt is a very important means of communication.

**Senator LUNDY**—When these people were approached, was it clear that it was an approach that had been instigated through yourself?

**Dr Kennedy**—I think that rather dramatises it. For example, I remember—

**Senator LUNDY**—I do not mean to make a finer point on it. You mentioned it, so I am following through.

**Dr Kennedy**—At the art historians' conference, for example, I gave a rather impassioned speech, I was told afterwards. In that, I really tried to encourage people. I said: 'Look, this is a great job; will some of you apply?' and some people indeed came up to me after that and some contacted me. The outcome was that we had, I think, an impressive application for the post and then we went into what I would call due process.

There is a very specific procedure involved in a major organisation like our own, with appropriate selection criteria which are aimed at finding the very best candidate for the particular job in question. An interview panel was formed, which included a member of council and, indeed, included appropriate people to interview for such a post. We brought a proposal to council which, after considerable discussion, given that it was an innovative appointment—although I am not sure if 'innovative' is the word that some people would pick; that is what I would choose—was then unanimously approved by council.

**Senator LUNDY**—Who actually made the decision to appoint Mr McDonald? Was that your decision, on recommendation of the panel? What were the nuts and bolts of that process?

**Dr Kennedy**—No. I was a member of the interview panel. When I am a member of an interview panel and obviously have strong views on the way the gallery should go, I am much more concerned about what the other people on the interview panel will think, so that we can bring a unanimous decision, which we did, to council. But it is the council which decides, after considerable discussion.

**Senator LUNDY**—Was there considerable discussion?

**Dr Kennedy**—Yes. This is a very important post.

**Senator LUNDY**—I presume there were selection criteria advertised for the position?

**Mr Froud**—Yes.

**Dr Kennedy**—With the documentation.

**Senator LUNDY**—Were there any mandatory requirements detailed in terms of qualifications within that selection criteria?

**Dr Kennedy**—I suppose it depends on what you mean by mandatory. If you mean were there requirements—

**Senator LUNDY**—Did the advertisement say that there were mandatory qualifications required?

**Dr Kennedy**—Not in the advertisement.

**Senator LUNDY**—In the selection criteria?

**Dr Kennedy**—In the selection criteria there were a number of things that it was regarded that somebody might possess.

**Senator LUNDY**—Yes, but was it stated as ‘must be required’? What was the wording? Perhaps you could circulate that so that I could have a quick look.

**Dr Kennedy**—I can circulate that to you. I would be inclined to say, though, that there were 10 selection criteria. In fairness to all the candidates, the most important thing was to have the most appropriate candidate who satisfied the 10 criteria.

**Senator LUNDY**—I am not trying to say, Dr Kennedy, that obviously the unanimous decision was not the appropriate one. I am trying to ascertain the technical requirements that were put forward within that selection criteria because of the expectation that that generates within the group of applicants. This is an issue that we have traversed previously with respect to appointments to the gallery and, indeed, other institutions supported and funded by the Commonwealth government. I ask you if you could circulate that document and then provide an explanation as to why you deviated from the mandatory requirements as stated in the selection criteria. There have been a number of criticisms levelled against the appointment of Mr McDonald. You have just stated that you have looked for the best person for the position. What is your response to those criticisms about the appointment?

**Dr Kennedy**—I think it is very important to have criticism. Effectively, for two years I have been looking for some debate and now I have got one. Unfortunately, it is not one I was looking for: a debate about the scale of collections and important matters. However, this is an important matter and it is essential that we take note of what people are saying. For example, where a post can be perceived as part of a codified profession and people perceive there are methods of entry—and they perceive them in a particular way—and one chooses to broaden that or explore it from different angles. I think it is necessary to explain—and I do not shy from opportunities to do so—why I believe fundamentally that this is an important appointment, a different one, and that it is essential to do certain things that are important to Australian art.

I think the bar has been raised very high for Mr McDonald already and I have to have faith that he will do a good job. To a degree, I think the criticisms that have been levied have gone into the rather exciting debating world of the arts, which does not pull its punches. On the question of mandatory, I think we acted appropriately. On this particular issue, which is the key one that would be of concern to you and me, when you choose to select somebody who is from outside the general criteria for such a post, you have to be pretty sure that it is worth it, and I am. Obviously, that would not be good enough, but the chairman and the council of the gallery are, too.

**Senator LUNDY**—Okay. In regard to the collection stored in a warehouse in Fyshwick, is there anything being stored off site at the moment?

**Dr Kennedy**—Oh, indeed there is.

**Senator LUNDY**—Is it in Fyshwick or Mitchell?

**Dr Kennedy**—It is not quite Fyshwick and I would rather not specify the suburb. The gallery has a major store within the Canberra area. It has been my objective not to build another one and to make better use of what we have there. In our outcomes and output statements, we are addressing very seriously how we will make greater use of the material there by reviewing the collection. I believe we will exceed the targets that we have set.

What the gallery has achieved since it started is just wonderful. But it bought hugely, and now it does not need to do that so much. But it raises the issue: what do we do with what we have got? We are addressing those issues. Yes, we have a store. We have already been able

to provide some space for storing the collection of this parliament at the moment in the self same store, given that we have now made a bit of space for it.

**Senator FAULKNER**—But you have nothing against Fyshwick, have you?

**Dr Kennedy**—I think Fyshwick is a wonderful suburb of Canberra. Indeed, it was the first home of the National Gallery of Australia; the first warehouse was in Fyshwick.

**Senator FAULKNER**—I am relieved to hear that.

**Senator LUNDY**—Finally, I know there has been some concern expressed, certainly by my constituency and others, about the general state of repair of the buildings, in both the aesthetic and practical sense. Can you provide to the committee a synopsis of the state of repair of the general maintenance of the gallery and what funding is available within your budget to get it to a point where it serves the needs of the gallery?

**Dr Kennedy**—The gallery building has a long history—in fact, back to its opening—of serious difficulties, mostly related to water, to condensation. We had a number of incidents last year where we had to remove works from the wall, and the government gave us emergency funding of \$550,000. That has been expended to address some of the issues, but the gallery has put forward a number of new policy proposals in recent years—in fact, three—and each has been unsuccessful. Most recently, the—

**Senator LUNDY**—They have all been unsuccessful?

**Dr Kennedy**—Yes, and the chairman of the gallery has recently submitted a major document to the minister and the department which is under consideration and the serious issues are now before us.

**Senator LUNDY**—Over to you, Minister. Is the issue of the funding for adequate maintenance of the National Gallery something that you have provided for in the current budget.

**Senator Alston**—As you are aware, now that we have moved to an accrual basis, there is some greater scope for funding in that there is a depreciation allowance now available which reflects the costs of the assets and the cost of conservation and replacement so that the gallery will, for the first time, have a lot more flexibility in accessing that funding.

**Dr Kennedy**—Could I just add to that that the gallery has been pleased to cooperate with the government initiative of accrual accounting and that we see in this process the successful improvement of the issues which are before us. They are serious. It looks now that we will have the opportunity to be able to address them and we will be vigorously pursuing that in the next year, but the most important thing first of all was to very clearly define what was wrong with the building and indeed what is right with it.

**Senator LUNDY**—Minister, do you, I suppose, in the first instance, recognise what sounds to me like some of the assets within the gallery being actually at risk through the lack of resourcing for maintenance.

**Senator Alston**—Dr Kennedy certainly was not shy in making me aware of some of the emergency measures that he felt it was necessary to take. I think I described them as an unexpected move towards installation art at the time, but he actually installed a few red buckets to catch some of the rain that was coming into the building.

**Senator LUNDY**—Did that get the point across?

**Senator Alston**—Yes, I thought it was quite a colourful approach and probably had the desired effect. Certainly I think the budget outcome is one that does give the gallery the

capacity to address those issues. There is about \$7¼ million now by way of a depreciation allowance and one would hope that it will not cost that much to fix a few holes in the roof.

**Senator LUNDY**—Let us hope that patrons can look forward to a drip free gallery experience. They are all the questions I have for the gallery. Thank you very much.

**CHAIR**—Senator Faulkner, do you have any questions on the National Gallery?

**Senator FAULKNER**—No.

**CHAIR**—I thank the officers for appearing; that concludes your interrogation on this occasion.

**Dr Kennedy**—Thank you.

[11.03 a.m.]

### ARTS AND CULTURE POLICY

**Senator FAULKNER**—I have some questions to ask on the Federation Cultural and Heritage Program. I wondered if I could commence by seeking from Mr Stevens, through the Minister, an assurance that, as far as he is concerned as the secretary of the department, as far as the grants that have been determined under the FCHP, the selection process has been generally in accordance with the Auditor-General's best practice guide for government grants programs.

**Mr Stevens**—I think that is right.

**Senator FAULKNER**—You are able to give the committee that assurance.

**Mr Palfreyman**—Yes, Senator. We, in fact, consulted the guidelines and indeed the Audit Office in drawing up the guidelines for the program.

**Senator FAULKNER**—Thank you. Are you able to give that assurance for the 12 projects that rated below 15 by departments but which, regardless of that low rating, were approved by ministers?

**Mr Palfreyman**—Yes, Senator. In terms of the process, I believe that is the case. Ministers actually provided the department with a list of those reasons why all projects, in fact, were selected.

**Senator FAULKNER**—Could you explain for the benefit of the committee what the audit trail is for those 12 projects please?

**Mr Palfreyman**—Essentially, Senator, it would be the documentation that went to the two ministers and the minute which the two ministers provided to the department.

**Senator FAULKNER**—The documentation that went to the two ministers did not include any of those 12 projects as recommended and of course the minute that you refer to is dated in November—I will get a precise date in a moment—well after the announcement of these particular grants. But you are satisfied, given those massive qualifications, that this is a satisfactory audit trail?

**Mr Palfreyman**—In fact there were not recommendations that went to ministers. We provided ministers with an assessment of each and every project and provided separately was advice from the Centenary of Federation committee. On the basis of that information ministers made their decision and conveyed their reasons for those decisions to the department.

**Senator FAULKNER**—Yes, but you see part of any adequate audit trail would ensure that an important principle would be the transparency of the audit trail and the accountability of

the process. And I am sure that you and Mr Stevens would agree with that. Let me ask you if you agree with that.

**Senator Alston**—Yes.

**Senator FAULKNER**—Where is the transparency and accountability in relation to these 12 projects?

**Mr Stevens**—Mr Palfreyman has explained the audit trail in regard to all the projects, Senator. It is quite a clear audit trail.

**Senator FAULKNER**—Mr Stevens, I appreciate it might be clear to you. Because it is not clear to me I would like to ask some questions about it, if I could, and it may become clear to me after that questioning is concluded. And let me focus my attention, just so that we are clear, Minister, on the 12 projects that I think we have canvassed previously at Senate estimates committees, that we are all aware of, that were rated below 15 by departments. It is those 12 projects I will focus my attention on. Can someone tell me where these projects came from?

**Mr Palfreyman**—In what sense, Senator?

**Senator FAULKNER**—Well, in any sense.

**Mr Palfreyman**—They were applications and they were part of the 741 applications that were received and were assessed.

**Senator FAULKNER**—Who assessed these 12 projects, Mr Palfreyman?

**Mr Palfreyman**—I guess you had three groups of people assessing them, Senator. You had a group of departmental officials that went through all of them. You had the Centenary of Federation Council that provided an assessment, and you had ministers.

**Senator FAULKNER**—Who put these projects to ministers?

**Mr Palfreyman**—The department.

**Senator FAULKNER**—So can you explain to me why ministers did not have enough projects to choose from the 114 which were rated 15 or above which requested a total of \$262,967,096? Why were there not enough projects to choose from from those 114 that were actually rated 15 and above by the departments?

**Mr Palfreyman**—The departments provided advice to the minister along with the council and it is up to ministers to either accept that advice or make other judgments. In those cases that is what happened and that was documented in the minute of 5 November.

**Senator FAULKNER**—Yes but ministers could have chosen \$70 million worth of projects from the \$263 million worth of projects that were rated 15 and above, couldn't they?

**Mr Palfreyman**—Of course.

**Senator FAULKNER**—Yes. Without having to reach into the bottom drawer to find these 12 other projects.

**Mr Palfreyman**—I cannot go any further than say that the department provided advice along with the council. The final decision on the projects was always up to ministers. That was part of the process. They gave due consideration to all the documentation that went up and decided on the 70 projects on which they decided.

**Senator FAULKNER**—I am talking about an audit trail here. We have got 12 projects that did not pass departmental muster that got approved by ministers. It is that issue that I am trying to come to grips with.

**Senator Alston**—Can I make it clear. It was not a matter of the department recommending, let alone deciding in effect, that there were only 114 projects that were worthy of consideration. What the joint task force did was to look at all 741 applications, provide a rating on each of them, then submit all of those and we considered the lot. So there was no question of 12 or anything being the difference between 114 and 741 being somehow put in a separate category. We got the lot. They had ratings. We made our choices.

**Senator FAULKNER**—They were in a separate category, with respect, Minister. They were below a rating of 15 which, as you know, has significance in terms of the departmental assessment of the project. These were 12 not recommended by the department.

**Senator Alston**—The department did not recommend any.

**Senator FAULKNER**—There were 12 that did not rate 15 or above. They rated somewhere between nought and 14, and it is those 12 that I am very interested in. They came out of the bottom drawer. There were tons of projects. There is a \$70 million program and you had \$263 million of projects to choose from that rated 15 and above. But you and Senator Hill scabbled around in the bottom drawer and pulled out 12 projects that did not have 15 points, that did not rate 15.

**Senator Alston**—To the extent that some projects were ultimately successful that did not achieve a rating of 15 or above, then they could have been any one of the difference between 114 and 741. The 12 that you talk about would be something after the event that you could somehow say that they were in a separate category. But there was no suggestion that 12 or any other number were somehow set aside in what were submitted to us and contained ratings, both from the Centenary of Federation and from the joint departmental task force.

**Senator FAULKNER**—With respect, Minister, this is the third round of estimates in which we have been dealing with this issue. We have had two FOIs—one to the Department of the Prime Minister and Cabinet and one to your own department—and we have had a range of questions on notice. I do not think any reasonable person can be satisfied here with the audit trail; can be satisfied with the level of transparency and accountability with these 12. I am not saying they are necessarily 12 shonky projects. I am not saying that. But I am saying the processes appear to be pretty shonky that have brought them forward. I am trying to get to the bottom of it. We do know, don't we, Minister, that two of the projects were recommended by the National Council of the Centenary of Federation—two of the 12. That is something we know. I think that is right, isn't it?

**Senator Alston**—I am not aware of what you know.

**Senator FAULKNER**—I think that evidence has been given previously. Let me confirm it.

**Senator Alston**—That may be the case. I do not recall it emerging from these estimates, but it may have emerged from elsewhere. I suppose my broader point is that the audit trail involves looking at whether all of the projects were in the first instance considered by the relevant bodies, and they were, both by the joint departmental task group and the Centenary of Federation, and then seeing on what basis they were assessed by the ministers. As Mr Palfreyman has indicated, the ministers provided reasons for their decisions and that would seem to accord with the audit requirements.

In other words, the Auditor-General would take the view presumably that there is no necessary reason why the department should make the ultimate decision, that ministers should rubber stamp them. It is a perfectly proper process for ministers to make the ultimate judgment



on the basis of ratings provided. As long as the reasons are provided and the reasons are persuasive, then that would seem to satisfy the Auditor's requirements.

**Senator FAULKNER**—Minister, seems to me, from evidence that is available to me in relation to the selection processes for most of the grants, I would acknowledge that that appears to have been conducted in accordance with the Auditor-General's best practice guide for government grants programs, with the very serious exception of the 12 projects, the mystery projects, that do not appear in any sense to have been subject to the same level of process. As I say, that is what I would like to direct my questioning to.

**Senator Alston**—There is nothing exceptional about those 12 projects. At the end of the day—

**Senator FAULKNER**—There is something exceptional about them because you are covering up all the time about them.

**Senator Alston**—No. Unless you proceed on the basis that the minister is required to rubber stamp the department's rating system—not recommendations, but ratings—and somehow just arbitrarily accept that—in other words, taking out any level of discretion or capacity to differ. And as we know, in a lot of these things hard judgments have to be made—you do not get identical agreement between the Centenary of Federation Committee and the joint department group. Presumably, if the two departments had made their own separate ratings, you would not have got an identical outcome either. There is always room for people of goodwill to disagree, as long as all of those ones are properly considered in the first instance and then fully considered by the ministers. The fact that ministers ultimately disagree to some extent with assessments made by others does not render the process somehow inappropriate.

**Senator FAULKNER**—It depends. Of course there should be ministerial discretion. Of course ministerial discretion should apply. However, it depends on the departmental processes that are behind the various projects and grant applications on which you are exercising your discretion. We know you have had plenty of opportunity to select \$70 million worth of projects from a raft of applications—in fact, \$263 million worth—that rated 15 and above. But you did not.

What you have done is you have found 12 projects that rated between nought and 14—that is if they were eligible projects at all, and we do not know. If I knew what the projects were, if I knew what the ratings were, if I knew more about the minister's process, perhaps I would not be asking these questions. But I cannot accept and no reasonable person would accept the sorts of assurances you give and say, 'Well it is just a matter for ministerial discretion.' No reasonable person can accept that. That is why we have to get behind this and try to find out what the processes were that led you and Senator Hill, in the circumstances of an election about to be called, to make these decisions about a significant proportion of grants that were approved under this program.

But let us get to that and, through the questioning, if you can give me and this committee those sorts of assurances, I am sure we will be satisfied. We certainly have not received any so far, and that is why there is such a stench about these particular 12 projects. Can we now have confirmed, for the benefit of the committee, whether two of those 12 projects that were rated below 15 by departments were recommended by the National Council for the Centenary of Federation.

**Senator Alston**—I think that is the case.

**Senator FAULKNER**—Thank you, Minister. Can you identify for the benefit of the committee which two those were?

**Senator Alston**—No, we have not sought to identify any particular project or its rating for a very good reason: I do not think we should put anyone in an invidious position. It is not helpful to applicants, successful or unsuccessful, to know what others might have thought in the preliminary processes. The end result is what counts. I fully accept in the court of public opinion that these projects have to be able to be judged on their merits. We would certainly contend that each of the 60 successful projects is clearly deserving. You are perfectly at liberty to analyse each of those and seek to argue that somehow they were not worthy of support, but that is really where the public interest lies—if those projects are deemed worthy by ministers, then good reason needs to be advanced why you should somehow argue that the minister's decisions were, on their face, wrong.

**Senator FAULKNER**—So there is going to be no transparency about that element of it?

**Senator Alston**—They are ultimately very transparent.

**Senator FAULKNER**—They are not. Which two projects were recommended by the National Council for the Centenary of Federation?

**Senator Alston**—It is not relevant in judging the merits of the projects to know what some of the preliminary inputs might be. What is important is—

**Senator FAULKNER**—I see, so the National Council for the Centenary of Federation's input was not relevant?

**Senator Alston**—It was relevant. It was taken into account but it was not decisive.

**Senator FAULKNER**—It is relevant now but not decisive.

**Senator Alston**—That is right.

**Senator FAULKNER**—You said a moment ago that it was not relevant.

**Senator Alston**—What I meant was that the point of relevance for us is the ultimate decision and the integrity of those projects that were finally selected.

**Senator FAULKNER**—So you will not tell this committee which two of the 12 projects were recommended by the National Council for the Centenary of Federation?

**Senator Alston**—We have never sought to put ourselves in that invidious position of indicating what the ratings were from either source of input because we do not think that is helpful to either the successful or unsuccessful applicants.

**Senator FAULKNER**—You are aware, of course, that the National Council for the Centenary of Federation's list was excluded from the FOI material that was provided to me?

**Senator Alston**—I was not aware of that but I do not know what you asked for.

**Senator FAULKNER**—You are aware of it now; hence I have to ask the question here. I do not think it should have been excluded but it was. Given the circumstances that it was excluded, will you now provide an answer to the question?

**Senator Alston**—As I have already said, it is not, in our judgment, helpful or desirable to single out any particular project. The ultimate question is whether we were justified in selecting 60 projects.

**Senator FAULKNER**—Can you tell us what these two projects were worth? You will not name the projects; can you tell us the monetary value of these projects?

**Senator Alston**—I do not know whether that takes us any further in terms of making judgments about the merits of the successful projects.

**Senator FAULKNER**—I think it would.

**Senator Alston**—It might assist you in trying to identify several projects that you would say are in a particular category, but all that does is somehow say that the National Council for the Centenary of Federation had a different view from that of the departmental task force.

**Senator FAULKNER**—I think it is a good idea—

**Senator Alston**—How does that help?

**Senator FAULKNER**—I will tell you why: because I think it is a good idea to run the proposals past the National Council for the Centenary of Federation. It is part of the process that I think ought to be supported and I think you would know that previously I have publicly supported that. That mechanism, I think, is worthwhile.

It does appear that, of the 12 projects that did not rate 15 and above, two of those 12 projects were supported by the National Council for the Centenary of Federation. Because they were supported by the National Council for the Centenary of Federation, I think it puts them in another category to those 10 that were not. In other words, it certainly does have an effect on the way that I would consider the merits of the projects in terms of getting some independent assessment, apart from what happens to be in the political best interests of the ministers on the eve of a federal election. I think it does give me, and I suspect other members of the committee, some confidence that these particular projects may have had some value, and that is why I am putting them in a different category from the other 10. I am not critical of the fact that they are going to the National Council for the Centenary of Federation. So I will come back to it: could you provide for the benefit of the committee the dollar value of those two projects, of the 12, which were supported by the National Council for the Centenary of Federation?

**Senator Alston**—As I have said, I think that suffers from the same vice as actually identifying them, because there are no rights and wrongs in terms of the rating inputs. If you argued that somehow because something got over 15 from the joint departments that it was right, then to the extent that the National Council for the Centenary of Federation rated two projects above that line, that is saying that the joint departments were wrong. I do not think we should put either body in that position, to the extent that there were another 10 where the department had a different view from that of the National Council for the Centenary of Federation, or ministers disagreed with both. That is not particularly relevant, as long as they have all had the opportunity to offer the best advice, and we then make a decision on the merits.

**Senator FAULKNER**—Anyway, we know that 12 projects were not rated 15 or above. Did they fit the category of ‘little gems’? That is departmental terminology; it is not mine.

**Senator Alston**—It is not one with which I am familiar.

**Senator FAULKNER**—I think Mr Palfreyman would be aware of the terminology ‘little gems’—attachment F.

**Mr Palfreyman**—Yes.

**Senator FAULKNER**—Perhaps you could explain for the committee’s benefit what the ‘little gems’ attachment is. I know why you are smiling, Mr Stevens. You like the creativity of the department there. The ‘little gems’ project is attachment F to the submission which the department put to ministers on 14 August. Is that fair, Mr Stevens?

**Mr Stevens**—I would have to defer to Mr Palfreyman on what was attached to that submission. I did not see it—including the phrase ‘little gems’.

**Mr Palfreyman**—I do not think there is anything more in it than that departmental officials used that terminology because they were projects which were small in nature—hence the word ‘little’—and departmental officers thought that they were quite attractive.

**Senator FAULKNER**—Hence the word ‘gems’.

**Mr Palfreyman**—Hence the word ‘gems’.

**Senator FAULKNER**—I had worked that out for myself, Mr Palfreyman, but thank you. I think it might be useful if you outlined, for the benefit of the committee, the document to which attachment F, ‘Little gems’, was attached. I think I am correct in saying that it is the submission which the department put to ministers on 14 August. It had a significant number of attachments, and attachment F was one of them. I think that ought to be confirmed for the record so we know what we are talking about.

**Mr Palfreyman**—Could I read into the record that I think you are referring to the minute of 14 August from the acting first assistant secretary to ministers regarding the implementation of the FCHP Program, including attachments A to H of which there is attachment F, ‘Little gems or highly rated small projects’.

**Senator FAULKNER**—Thank you, Mr Palfreyman. That is absolutely correct. We know of that minute from Mr Neilson to ministers. Could you explain to the committee what attachment D was?

**Mr Palfreyman**—Attachment D was a list of all applications by state or territory by ranking.

**Senator FAULKNER**—Thank you. Could you explain to the committee what attachment B to that minute was, please?

**Mr Palfreyman**—Attachment B was a list of highly rated cultural and heritage projects.

**Senator FAULKNER**—Attachment B, as you say, is a list of highly rated projects. So that we can be clear, that is all the projects that rated 15 and above?

**Mr Palfreyman**—Yes, Senator.

**Senator FAULKNER**—So when we say ‘highly rated’ that is interchangeable with the terminology rating 15 and above?

**Mr Palfreyman**—It included those that were rated very highly and those that were rated 15 and above, which was mid-point between the scoring of 13 to 18.

**Senator FAULKNER**—I see. So just explain to me the categorisation you have given to 13 to 18? I think we might have had this evidence before. I just want to be clear on it.

**Mr Palfreyman**—I think you have, Senator. There were in fact a number of categories: low, 1 to 6; medium, 7 to 12; high, 13 to 18; very high, 19 to 24; and the highly rated category included mid-way between what was originally the high category and the very high.

**Senator FAULKNER**—Thanks for that. Given that we have—

**Mr Palfreyman**—I think that is all on the public record.

**Senator FAULKNER**—It is indeed, Mr Palfreyman. I think we have canvassed this before, but just for the record you might explain to the committee the significance of the rating of 15 and above.

**Mr Palfreyman**—There were quite a number of very high projects, and we were taking the view that we would take the upper part of high, which gave the 124 projects.

**Senator FAULKNER**—We know that none of the 12 projects rated 15 and above. Did any of the 12 projects appear in attachment B? I might say, Minister, that that was withheld from me in my FOI request, along with an awful lot of other information; hence I have to ask the question here.

**Mr Palfreyman**—Could you just repeat the question, Senator.

**Senator FAULKNER**—Did any of the 12 projects appear in attachment B to Mr Neilson's minute of 14 August?

**Mr Palfreyman**—The answer is no, Senator.

**Senator FAULKNER**—So that means we now know that not only did none of the projects rate 15 and above but none of these 12 bottom-drawer projects rated 13 or above? Am I correct in saying that?

**Mr Palfreyman**—No, the cut-off was 15.

**Senator FAULKNER**—I thought you indicated a little earlier that attachment B included projects 13 to 18 points?

**Mr Palfreyman**—No, I said it was midway: 15 was the high part of high, plus very high. That is what attachment B—

**Senator FAULKNER**—We have to get this clear. I understood you to say earlier, Mr Palfreyman—and I appreciate that we might have been speaking at cross-purposes—that that category of high, 13 to 18, was included. I am not suggesting that I am right, and I do not want to put words into your mouth; I just want to get it clear. Let us be clear about it.

**Mr Palfreyman**—Attachment B refers to projects 15 and above.

**Senator FAULKNER**—So none of the 12 projects appear in attachment B?

**Mr Palfreyman**—That is correct.

**Senator FAULKNER**—Thanks for clarifying that; I appreciate it. I have a question relating to attachment F—the little gems attachment, which you have defined for us. I think I understand what the department means by 'little gems'. I think you used the usual dictionary definition of 'little', but, in a technical sense, by 'little' do we mean projects that are valued below the program threshold of half a million dollars? Is that really what 'little' means, as opposed to your previous definition? I think we all understood it, but I am wondering if it has a technical basis.

**Mr Palfreyman**—Senator, they are around or below the threshold of half a million dollars. Some were a little higher, but some were lower than \$500,000.

**Senator FAULKNER**—Was the program threshold relevant in the use of the term 'little'? I appreciate you have said that they are smaller, and I understand that, but is the program threshold of \$500,000 relevant here or not?

**Mr Palfreyman**—No, they were thought highly of, and that is why we categorised them as they were. The guidelines provided for supporting projects if they were rated in such a way under the threshold of \$500,000.

**Senator FAULKNER**—Can you let us know whether any of the 12 projects were 'little gems' please?

**Senator Alston**—I do not think that is appropriate.

**Senator FAULKNER**—Why not?

**Senator Alston**—Because you are once again going to find yourself in a situation where you are seeking to identify the departmental ratings. You have your broad cut-off point, and that in a sense still goes further than I think it should; nonetheless, it is on the record. To go beyond that means you are getting closer to identifying which projects were in what other ratings categories, and I do not think that is helpful, because effectively it puts the public servants who do their best in an invidious position. On judgments with which others disagree, they offer their advice privately and in good faith, but they should not then be put in a position of having to defend—

**Senator FAULKNER**—With respect, Minister, it is not the public servants who find themselves in an invidious position; it is the ministers who ought to find themselves in an invidious position.

**Senator Alston**—The ministers make their judgments. They announce those projects, and those projects have to stand or fall in the court of public opinion. In other words, if you go out and crawl all over the 60 and you say that it turns out that some of those were offshore and others were on vacant allotments and they just did not exist, then you have yourself a point. Otherwise, you are arguing the merits of a decision between ministers and bureaucrats.

**Senator FAULKNER**—No, I am getting behind the departmental processes behind your decisions. You have approved 12 projects that do not get rated highly by the department when literally almost \$200 million worth of other projects that do rate 15 above have been ignored by you.

**Senator Alston**—Not ignored.

**Senator FAULKNER**—Let us not try to cover this up, Minister; you have a real problem with this one.

**Senator Alston**—No, let us be clear about this. We examine the whole 741. We take account of the ratings that are provided to us and we make our own judgments.

**Senator FAULKNER**—What does a threshold mean of \$500,000? You reckon you made the decision. Did you apply that strictly?

**Senator Alston**—I think it was probably a factor we took into account, but I do not think it was—

**Senator FAULKNER**—So it was not applied strictly. I am not suggesting it necessarily ought to have been, but you know as well as I do that some projects did not meet the \$500,000 threshold. In other words, they were below it. Are you aware of that? You approved them.

**Senator Alston**—I do not recall now, but I am not disputing the fact that some might have been below that threshold but nonetheless have been judged worthy of support in the same way that, presumably, the department's identification of 'little gems' was in the same category.

**Senator FAULKNER**—If they are identified as 'little gems', it gives a little more substance to your approval of them—your decision.

**Senator Alston**—That may be so.

**Senator FAULKNER**—I am asking: were any of the 12 projects 'little gems'?

**Senator Alston**—I do not think we need to identify down to that point. What we need to do is to make judgments about the totality of the projects that were approved.

**Senator FAULKNER**—That is not good enough, Minister. I am interested in accountability here; I am not interested in your face-saving mechanisms.

**Senator Alston**—The valuations attached to the 60 successful projects will be a matter of public record, so you can look at those—

**Senator FAULKNER**—That is a matter of public record.

**Senator Alston**—Is it not?

**Senator FAULKNER**—It is.

**Senator Alston**—That is what I am saying.

**Senator FAULKNER**—That does not mean they were on the ‘little gems’ list, does it?

**Senator Alston**—You can look at it and see whether there were projects that were well under—

**Senator FAULKNER**—I cannot look at the ‘little gems’ list because you have refused to provide it under FOI.

**Senator Alston**—No, I am saying that you could look at the valuation of the successful projects and, to the extent that some of those were beneath \$500,000, you can make a judgment.

**Senator FAULKNER**—It does not mean they are ‘little gems’. They might be little shonks, for all I know. That is what I am trying to get to: whether they are little gems or not.

**Senator Alston**—I am saying you can look at the value attached to the successful projects and you can make your own judgments.

**Senator FAULKNER**—I can make a judgment. But I am interested in the department’s judgment, which is, as you would appreciate, far more independent and far more professional in making these assessments than I am. I want their judgment; not mine, theirs.

**Senator Alston**—We deliberately had two sources of inputs on the basis that we do not regard anyone as having such overwhelmingly prescient judgment that their views ought to be accepted automatically. We have taken into account the best assessments of both streams and made our judgments accordingly, and our choices have to then stand on the public record.

**Senator FAULKNER**—Did any of the 12 projects come from attachment F—‘little gems’? That is my question.

**Senator Alston**—I do not think it is appropriate to get down to that level of detail.

**Senator FAULKNER**—You might not think it is appropriate, but you cannot justify that statement. I think it is appropriate, and properly canvassed here, and I would ask you to answer it, Minister.

**Senator Alston**—As I have said, I do not think it is fair to anyone to go beyond the decisions that were made, and for you to then judge those on their merits, as we did.

**Senator FAULKNER**—I am trying to make an objective judgment on the basis of—

**Senator Alston**—But the judgment you make should not be coloured by what the departments might have thought or what the Centenary of Federation thought.

**Senator FAULKNER**—I want to know whether it coloured your judgment. In other words, I want to know whether the department’s identified ‘little gems’ had any effect on you in terms of supporting or bringing forward 12 projects that do not rate 15. I am trying to give you an out. I am letting you off the hook.

**Senator Alston**—I am simply saying we would have taken all of the inputs into account in making our judgments.

**Senator FAULKNER**—Well, now, can you tell me if any of the—

**Senator Alston**—I am not going to tell you what the ratings were on these projects.

**Senator FAULKNER**—I am not asking for the rating. I am asking whether any of the projects were ‘little gems’.

**Senator Alston**—You are asking for categories into which the department put certain projects for the purposes of providing advice or assistance. I do not think, in general, that it is appropriate for us to expose what the advice we got was.

**Senator FAULKNER**—I am sorry, that is another question someone else must have asked. You are asking a different one. You are obviously not clear on the question I am asking. I am asking if any of the 12 projects we are talking about—in other words, the 12 projects that did not rate 15 points—were identified as ‘little gems’. You are talking about another question. I have not asked that. I may consider asking it—it is a good question and perhaps we can get to it later. But the question I am asking is whether any of the 12 projects that did not rate 15 were identified as worthy of support by the department because they were ‘little gems’.

**Senator Alston**—But you are asking me to identify the nature of the advice provided by the department. I am saying to you that is merely an input; it does not ultimately bear on the quality of the decisions that we make. They have to be judged on their merits and independently.

**Senator FAULKNER**—We all have to make those. I am interested in the departmental input because I accept they come to this, as I said, with the department on ‘little gems’, or the National Council for the Centenary of Federation in relation to them running the ruler over it—that is all well and good. What is wrong with telling the committee whether any of these 12 projects that did not rate were ‘little gems’?

**Senator Alston**—To the extent that we disagreed with the department on all or any of the ratings assessments that they provided to us is ultimately not the test. The test is whether the projects we selected were worthy of support.

**Senator FAULKNER**—I get the impression you are covering up.

**Senator Alston**—I am afraid I cannot help what impressions you might get in this or a whole raft of other areas.

**Senator FAULKNER**—It is pretty hard to come to any other conclusion.

**Senator Alston**—Every day in question time you seem to have wrong impressions about the quality of government policy.

**Senator FAULKNER**—Occupational hazard, isn’t it!

**Senator Alston**—I accept that.

**Senator FAULKNER**—What I would like to know now, given that you are not going to answer that question, is: did the department rate the ‘little gems’?

**Mr Palfreyman**—Yes, all projects were rated.

**Senator FAULKNER**—All projects were rated?

**Mr Palfreyman**—The whole 741.

**Senator FAULKNER**—In this case would ‘little gems’ lose rating points because some of them might have been under the threshold?

**Mr Palfreyman**—No.



**Senator FAULKNER**—I see. So that means that to be considered ‘little gems’, one assumed that they were at least 15 points or above. Would that be a fair conclusion for me to jump to?

**Senator Alston**—Sorry, what was that question again?

**Senator FAULKNER**—If you were concentrating, Minister, you would have heard Mr Palfreyman indicate to the committee that the department in its rating of the ‘little gems’—that it did not cost them any demerit points because—

**Senator Alston**—I heard that.

**Senator FAULKNER**—they were at or near or just below the threshold. In other words, the rating system was not polluted by the fact that they were smaller projects or little projects. So I have asked Mr Palfreyman now whether all the ‘little gems’ were either 15 points or above.

**Senator Alston**—Again, I do not think it is appropriate to try and identify particular projects.

**Senator FAULKNER**—If you were a ‘gem’ you would expect you would make the mark of 15, wouldn’t you?

**Senator Alston**—They can make the ratings that they want on ‘little gems’ or ‘big gems’. At the end of the day, we make the call. The mere fact that they might have a number attached—

**Senator FAULKNER**—We know you have made the call.

**Senator Alston**—Yes. But I am saying it is not—

**Senator FAULKNER**—It is the processes behind your call that I am trying to get to. I know you do not want us to—

**Senator Alston**—But the processes behind our call are transparent. The department—

**Senator FAULKNER**—They are not transparent. If they are transparent, answer the question. Don’t be absurd. I mean, that is ludicrous.

**Senator Alston**—No, you are wanting the precise ratings figures to be transparent. I am saying the process is transparent in that the department—

**Senator FAULKNER**—I would like the precise rating figures to be transparent.

**Senator Alston**—Yes, I know you would. But that—

**Senator FAULKNER**—And so they should be. But I am not asking that here.

**Senator Alston**—But that is not the same thing as the process being transparent. The process involved the department rating each and every one, providing them to ministers who at the same time considered the Centenary of Federation ratings and then made their own judgment.

**Senator FAULKNER**—We know that. What I am asking is: did the ‘little gems’ rate 15 and above?

**Senator Alston**—I am saying to you I do not think it is appropriate to seek to identify the ratings attached to any particular project.

**Senator FAULKNER**—Well how could a ‘gem’ rate below 15, for heaven’s sake. This is just absurd.

**Senator Alston**—That may be your judgment.

**Senator FAULKNER**—If the department thought it was a ‘gem’, they would have to rate it 15 and above, wouldn’t they?

**Senator Alston**—Not necessarily, but that may be so.

**Senator FAULKNER**—What do you mean ‘not necessarily’?

**Senator Alston**—Let us say it was 14.

**Senator FAULKNER**—Well it wouldn’t be a ‘gem’, would it?

**Senator Alston**—I do not know; it depends how you judge a ‘gem’.

**Senator FAULKNER**—Of course you don’t know, so why don’t you ask someone who does?

**Senator Alston**—A ‘gem’ is something that says ‘worthy of further consideration’.

**Senator FAULKNER**—It is pretty obvious you do not know. I think we have established that, if nothing else.

**Senator Alston**—All that you know is that the department took the view that smallness of size should not prejudice the ratings assessments. That is another quality of input, but, beyond that, I do not think it is appropriate for us to assist you in trying to identify any particular ratings for any particular projects.

**Senator FAULKNER**—Will you answer the question: were the ‘little gems’ of attachment F in the departmental minute rating 15 and above?

**Senator Alston**—Again, I do not think that is an appropriate question. You know the general categories. You know the process.

**Senator FAULKNER**—Does that mean you are not going to answer the question?

**Senator Alston**—That is right.

**Senator FAULKNER**—Well, really! Can I ask: did any of the 12 projects come from attachment H, which were projects submitted by the National Trust? I think it is pretty clear that they did. This is something that is clear, I suspect—don’t you agree, Minister?—on the material that has been made available to me. It is okay if we get an answer to this one, I am sure.

**Senator Alston**—If it is already clear to you, I am not sure why you are pursuing it here.

**Senator FAULKNER**—Because I wanted to expose your double standards.

**Senator Alston**—I see.

**Senator FAULKNER**—Mind you, when you have done it a few times, it is boring after a while.

**Senator Alston**—Again, I think the general proposition is that you get inputs from a variety of sources. If the National Trust put in applications, that was their perfect entitlement. I do not understand that they would have put in a rating.

**Senator FAULKNER**—No. I am talking about attachment H to a minute that went to you and Senator Hill. You are the decision maker here, with Senator Hill. You would recall the minute—I hope you do, because you signed off \$70 million of taxpayers’ money on these projects—and attachment H to the minute was a project submitted by the Australian Council of National Trusts. Part of that—not all of it—was released to me under FOI. That is why I think I know a little more about this one than some of the others.

**Senator Alston**—All I am saying is that if they are in the 741, which they presumably are, they are the subject of the ratings assessments made and considered by us. The fact that they came from the Council of National Trusts does not make them of any particular merit.

**Senator FAULKNER**—You released a FOI copy of the projects submitted by the Australian Council of National Trusts, didn't you?

**Senator Alston**—Yes. That tells you where some projects came from.

**Senator FAULKNER**—Well, can I ask that question: the department did release that under FOI, didn't it?

**Senator Alston**—If you have it under FOI, I am prepared to accept that you got it from the department. It does not necessarily follow, but if you say you did—

**Senator FAULKNER**—The department can confirm that that was released to me under FOI.

**Mr Palfreyman**—Yes, Senator. But without the ratings.

**Senator FAULKNER**—But without the ratings—thank you. Let us move on. So that we are clear: Mr Palfreyman, could you explain for the benefit of the committee what attachment D was?

**Mr Palfreyman**—Attachment D to the minutes was a list of all applications by state and territory by ranking.

**Senator FAULKNER**—Thank you. Can I ask if the 12 projects were picked out of attachment D? I assume they would have to have been. Did attachment D include all projects?

**Mr Palfreyman**—Yes, it does.

**Senator FAULKNER**—It includes all projects—including the ineligible projects?

**Senator Alston**—What do you mean by ineligible?

**Senator FAULKNER**—The usual dictionary definition, like 'little'.

**Senator Alston**—Like 'little'?

**Senator FAULKNER**—We had the usual dictionary definition of 'little' a little earlier.

**Senator Alston**—But if you are talking about the 'little gems', presumably the little gems were part of the 741. So everything was eligible for consideration; they were not ineligible.

**Senator FAULKNER**—Mr Chairman, I have just spoken in the margins to the minister and to Senator Lundy. I am sure Mr Palfreyman will be relieved to know that we will come back to this important line of questioning after a short break. Senator Lundy will take over. I know I will be missed, but I will be back.

**CHAIR**—Senator Lundy, do you have any questions on this program?

**Senator LUNDY**—Yes. I have some questions regarding the impact of the GST on the arts and also with respect to the Nugent inquiry. Senator Alston indicated at the last round of additional supplementary estimates that Dr Nugent would be reporting to the government mid-year. When is the minister expecting this report?

**Mr Palfreyman**—In September. A discussion paper will be released next month, July, and they will be seeking public comment on that. The final report is due in September.

**Senator LUNDY**—Was there always an intention to have a discussion paper prior to the release of the final report?

**Mr Palfreyman**—Yes.

**Senator LUNDY**—How does that reflect on the previous indication by the minister that he would be due to report mid-year?

**Mr Stevens**—It is fair to say that the process being undertaken by Helen Nugent has proved more time consuming than she might originally have thought, and that has led to a blow-out of the time line to a small extent.

**Senator LUNDY**—Has there been any public statement or indication from the minister's office about the change in the time frame for that?

**Mr Palfreyman**—I do not think there has been any formal press release by the minister's office, but Dr Nugent has indicated publicly that the report would be put back by a couple of months. The minister has commented on that.

**Senator LUNDY**—Can you provide details of both those communications to the committee?

**Mr Palfreyman**—Certainly.

**Senator LUNDY**—The Democrats' GST deal required that the Nugent inquiry consider the effect of the GST—which was something Labor said repeatedly; it should—but the terms of reference did not include it. What are the revised terms of reference that are affecting the work of the committee with respect to taking the GST into account? Has that been a factor in the change of the timetable?

**Mr Palfreyman**—It has been no factor in the change in the timetable. Dr Nugent indicated that before the agreement was reached between the Democrats and the government on the GST package. In fact, the government announcement indicated that that package for the arts would be taken in the light of, or after, the inquiry. It did not say that Dr Nugent would be formally asked to report on that issue.

**Senator LUNDY**—There are a couple of interesting points in that. You say that the timing change came before the announcement about the deal with the Democrats on the GST?

**Mr Palfreyman**—That is correct.

**Senator LUNDY**—What date was that? When did she make that public statement?

**Mr Palfreyman**—I would need to check on that, but it was about four or five weeks ago.

**Senator LUNDY**—About four or five weeks ago?

**Mr Palfreyman**—Yes, about four or five weeks ago.

**Senator LUNDY**—Is it possible to get a specific date?

**Mr Palfreyman**—Yes, Senator.

**Senator LUNDY**—When? Now?

**Mr Palfreyman**—We could provide it to you later in the day, if you like.

**Senator LUNDY**—Thank you, it would be useful. With respect to that timing, at this stage have there been any modifications to the terms of reference of the Nugent inquiry?

**Mr Palfreyman**—No.

**Senator LUNDY**—In terms of the Democrats deal, was there an expectation that, in fact, the terms of reference would be modified to take into account their concerns?

**Mr Palfreyman**—It is not a matter on which I can comment. I frankly do not know. It is something between the Democrats and the government. I know no more in that sense than what has been stated publicly by Mr Howard.

**Senator LUNDY**—By who?

**Mr Palfreyman**—By the Prime Minister.

**Senator LUNDY**—Given the minister has provided an indication to the Democrats that, as part of their deal, there is some sort of compensation being considered for the arts, is it intended at this point to modify or bring within the scope of the Nugent inquiry any consideration of matters relating to the GST and the impact on the arts?

**Mr Palfreyman**—It is not a matter I can comment on. I am not aware of any at the present time.

**Senator LUNDY**—Chair, perhaps we could make a note to defer that question to the minister on his return. Mr Palfreyman, what has been your involvement with the Nugent inquiry in terms of providing secretarial support and that kind of thing?

**Mr Palfreyman**—A small secretariat has been located in Sydney for the length of the inquiry. It is headed by a senior officer of the department. It includes some staff from the Australia Council, and they have engaged a small number of temporary staff as well.

**Senator LUNDY**—Would it be fair to say that if there was anticipation that there would be some modification to the terms of reference or to the scope of the inquiry, you would indeed know because it would require you to reallocate resources or to consider a resource question for that committee?

**Mr Palfreyman**—That resource question would be considered after some decision was made, if it was made.

**Senator LUNDY**—Have you been asked to look at the resources for that committee?

**Mr Palfreyman**—No.

**Senator LUNDY**—At this stage, it is a fair assumption that the Nugent inquiry will continue under the current terms of reference?

**Mr Stevens**—I think that is a question better asked of the minister when he returns. I think Mr Palfreyman cannot add—

**Senator LUNDY**—This is a problem when the minister is not around, isn't it?

**CHAIR**—That is a policy question, so it should go to the minister.

**Senator LUNDY**—I am just wondering how much further I can go with this, because I would really like to follow that path of questioning. Nonetheless, I will persevere to see how I go. During the GST inquiry, a number of representations were made, as I am sure you are aware, by a range of arts organisations—both major organisations and many smaller, not-for-profit arts organisations. To what extent has the department kept itself informed of those concerns?

**Mr Palfreyman**—We are obviously aware of the report of the Senate committee and in a number of cases copies of submissions have been made available to us.

**Senator LUNDY**—Has the department expressed a view that, in contemplating the impact of the GST on the arts, any consideration of the impact should extend beyond, for example, just major organisations, which is the scope of the Nugent inquiry?

**Mr Palfreyman**—Not publicly, Senator.

**Senator LUNDY**—What about privately?

**Mr Palfreyman**—That is something that is between the department and the Minister.

**Senator LUNDY**—Have you communicated with the minister on these matters?

**Mr Palfreyman**—There have been discussions between departmental officials and the minister and his office.

**Senator LUNDY**—And what prompted that? Was that just your assessment of the evidence collected in the GST inquiry or other things?

**Mr Palfreyman**—No, in the normal course of events it is the sort of issue which is actually discussed between the office and the department.

**Senator LUNDY**—Given that you are obviously quite aware of the impact on the arts community with respect to the GST, have you commissioned any work to be done to further analyse the impact, within the department?

**Mr Palfreyman**—No, Senator.

**Senator LUNDY**—Is it your intention to?

**Mr Palfreyman**—No, not at this stage.

**Senator LUNDY**—It is hypothetical, of course, but if the GST package is passed by the Senate, are you considering conducting further study or analysis of the impact of the GST on the arts community?

**Mr Palfreyman**—The government has, in the Prime Minister's statement, indicated that it will look at the impact on the arts sector in the light of the Nugent inquiry. There may well be some studies or consideration of that, but at present nothing is planned.

**Senator LUNDY**—Just let me clarify that. That public statement that you just referred to indicates that there will not be any modification of the terms of reference, that it will only be considered post that inquiry being completed.

**Mr Palfreyman**—I did not say that, and the words 'in the light of' are in fact the Prime Minister's.

**Senator LUNDY**—Can you provide me with the context of those comments?

**Mr Palfreyman**—I am not sure that I have got them here. Can I take that on notice and provide it?

**Senator LUNDY**—Yes. I would like to refer now to some comments by Senator Allison with respect to a \$30 million deal. I quote from a report in the *Sydney Morning Herald* dated 2 June:

The Democrats delivered a letter of demands to the Arts Minister, Senator Richard Alston, yesterday, after admitting that a \$30 million compensation fund had "fallen between the stools" in the final GST negotiations.

What is your knowledge of this \$30 million figure identified by the Democrats as being part of a compensation package for the arts?

**Mr Palfreyman**—Departmental officials were not engaged in the negotiations and therefore I am not able to comment on it.

**Senator LUNDY**—Have you received any indication from the minister's office about the identification of \$30 million for such purposes within your budget or discussions relating to a special allocation?

**Mr Palfreyman**—It is something I simply cannot comment on.

**Senator LUNDY**—Is that because there have not been those discussions or is it because you do not want to?

**Mr Palfreyman**—As I say, discussions on these sorts of matters as well as others are normally confidential between the department and the minister's office.

**Senator LUNDY**—I am not asking for the substance of the conversation, just whether or not the conversation on these issues has actually taken place.

**Mr Palfreyman**—I have got no further comment.

**Senator LUNDY**—When negotiations like this are going on between political parties, at what point does the department get involved in terms of the impact on the policy work that you do, the implementation of programs and ongoing inquiries?

**Mr Palfreyman**—Speaking generally, and not in this specific instance, once a decision is reached and conveyed to the department to action, or before then, when the minister or the office might seek either advice or factual information from the department.

**Senator LUNDY**—Where would the figure of \$30 million have come from?

**Mr Palfreyman**—I do not know.

**Senator LUNDY**—Did it come from the department?

**Mr Palfreyman**—You have put me in a difficult position in the sense that, in the generality of briefing ministers on subjects like this, it is hard to divulge.

**Senator LUNDY**—Perhaps I can ask it in a different way: has the figure of \$30 million been identified in any previous reports commissioned by the department in relation to support for the arts sector in the context of any tax changes?

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

**Senator LUNDY**—What about in any submissions to the GST inquiry?

**Mr Palfreyman**—It certainly was not in our submission.

**Senator LUNDY**—Are you aware of that figure being identified in any of the other major—

**Mr Palfreyman**—Not offhand. It does not spring to mind.

**Senator LUNDY**—Given the weight of evidence provided at the Senate inquiry, with regard to the KPMG report commissioned by the Australia Council, the Econotech report, if we were to wait and see what the impact is after the implementation of the GST, this report on the assessment after the event is predicted to read in part like a coroner's report—that is, there are arts organisations that are basically doomed to fail and others that will be chronically affected. What representation has the department made in the light of this report in seeking to look after the interests of the Australian arts community?

**Mr Palfreyman**—I am not quite sure I understood you. What representation—to whom?

**Senator LUNDY**—Either to the minister or in the preparation of material to ensure that the minister is kept fully apprised of the implications of the introduction of a GST on the arts community.

**Mr Palfreyman**—There is ongoing dialogue between the minister and his office on GST matters.

**Senator LUNDY**—Are you familiar with this KPMG report?

**Mr Palfreyman**—Yes, I am.

**Senator LUNDY**—Do you agree with its analysis?

**Mr Palfreyman**—I do not express personal views.

**Senator LUNDY**—Has the department expressed a view with respect to the validity of its analysis?

**Mr Palfreyman**—Not publicly.

**Senator LUNDY**—By saying ‘not publicly,’ I presume you have expressed a view, and you have expressed a view to the minister’s office?

**Mr Palfreyman**—As I say, we expressed views on a whole range of matters, including on GST.

**Senator LUNDY**—The rest of my questions on this matter, Chair, are probably best directed to the minister, given that I am making little ground with these policy matters with Mr Palfreyman. I will see if I can move on to another area prior to the minister’s return.

**CHAIR**—We could go to another program, but the minister did say he would be back in about 15 minutes. But a ministerial 15 minutes may be longer than other people’s 15 minutes in some circumstances.

**Senator LUNDY**—I have more questions. On page 22 of the portfolio budget statement, ArtsInfo and Australia’s Cultural Network is raised. ArtsInfo funds some publications like *Smarts* and *Artbeat*. Is that the case?

**Mr Palfreyman**—Just *Smarts*.

**Senator LUNDY**—Will that be continuing?

**Mr Palfreyman**—In light of the budget allocation, we are looking at the way in which ArtsInfo will continue. One of the things we will be looking at is whether we continue a separate publication or whether we combine it with something like *Artbeat*, which is produced centrally within the department.

**Senator LUNDY**—At table 1.2 on page 13 of the PBS, there is a savings items of \$1.5 million. Does that relate to the funding of \$1.5 million—

**Mr Palfreyman**—What page, Senator?

**Senator LUNDY**—Page 13.

**Mr Stevens**—Yes, it does.

**Senator LUNDY**—What does that savings item of \$1.5 million relate to?

**Mr Marsden**—Departmental expenses.

**Senator LUNDY**—Have they been itemised?

**Mr Marsden**—No, not to the extent I think your question is asking, because departmental expenses run across the whole operation of the department.

**Senator LUNDY**—So you cannot itemise things like the savings item of \$1.5 million down to a specific initiative being cut?

**Mr Stevens**—No, we cannot.

**Senator LUNDY**—So when we see something like ArtsInfo and Australia’s Cultural Network and funding of \$1.5 million, is an initiative like *Smarts*—which you have just mentioned might be folded back into the department—an area where some of those savings might be attributed?

**Mr Palfreyman**—No. It is not that specific.

**Senator LUNDY**—Is *Smarts* going to continue?

**Mr Palfreyman**—I said that we were looking at it.

**Senator LUNDY**—What does that mean?

**Mr Palfreyman**—I cannot give you an answer as of today.



**Senator LUNDY**—When will you be able to give an answer?

**Mr Palfreyman**—Probably within a couple of weeks.

**Senator LUNDY**—You are going to make a decision on *Smart's* future within a couple of weeks?

**Mr Palfreyman**—That is correct.

**Senator LUNDY**—If you are identifying savings items of \$1.5 million and you are making decisions on the future of initiatives like *Smarts* in the next few weeks, how does that stack up in the preparation of your budget? I do not know what the budgetary impact of *Smarts* is, but I presume there is some cost involved?

**Mr Palfreyman**—The \$1.5 million savings is unrelated to anything we specifically might do in the ACN ArtsInfo area. In fact, the \$1.5 million savings, which is taken across the department, is being used to fund the continuation of ArtsInfo and ACN.

**Senator LUNDY**—So the saving across the department is what the \$1.5 million for that whole area is made up of?

**Mr Palfreyman**—That is correct.

**Senator LUNDY**—I see. Thank you for that explanation. Can you take on notice to provide, to the degree of detail that is possible, where that \$1.5 million worth of savings is coming from?

**Mr Marsden**—I can give the bulk of that information now. Over \$600,000 of that is coming from property savings alone. We have had substantial savings when we moved out of Civic into our buildings in Forrest. We have just let a travel contract which will give us savings, probably in the order of about \$300,000 plus per annum. We also had other one-off initiatives in prior years which are not re-occurring—are not an expense from our departmental operating expenses—which makes up the difference.

**Senator LUNDY**—Like what?

**Mr Marsden**—For instance, in the additional estimates process last year, we gave the ABA half a million dollars as a one-off funding to assist them with digital planning. We do not plan that to be a drain on our priorities for this year.

**Senator LUNDY**—Anything else?

**Mr Marsden**—That is pretty much the \$1.5 million. We always reprioritise our budget right through the course of the year, so other things may crop up.

**Mr Stevens**—There is always a range of one-off expenditures in any one year which have to be assessed on their merits at the start of the year—coming consultancies.

**Senator LUNDY**—This might just be a technical question related to accrual budgeting: how vulnerable is that \$1.5 million ACN funding next year?

**Mr Stevens**—It is not vulnerable at all. The ACN ArtsInfo funding is for three years.

**Senator LUNDY**—Sorry, the \$1.5 million is over three years?

**Mr Stevens**—Yes. For ArtsInfo ACN and it is not vulnerable.

**Senator LUNDY**—How does that vary from previous years and is it going to be distributed, for example, at half a million dollars per annum over the three-year period?

**Mr Stevens**—Sorry?

**Senator LUNDY**—Is the ArtsInfo and Australia's Cultural Network \$1.5 million to be distributed equitably across the three years?

**Mr Palfreyman**—That is right. I think I am right.

**Mr Stevens**—Yes.

**Mr Palfreyman**—If you look at the table it is a \$1.5 million saving this financial year, to fund three years at \$500,000 each.

**Senator LUNDY**—What were the previous funding levels for ArtsInfo and Australia's Cultural Network per annum?

**Mr Palfreyman**—They were in the order of \$1.9 million.

**Senator LUNDY**—Per year?

**Mr Palfreyman**—Yes. And the reason is that, particularly with ACN, there was a lot of developmental work. There were two things: there was a lot of developmental work in terms of getting the site up and created and there was quite considerable seed funding to other, related web sites which were then connected to ACN. For example, I think—I can check the figures—something like \$800,000 or \$900,000 was provided to other related sites to give ACN some substance.

**Senator LUNDY**—Did that budget of \$1.9 million cover both ArtsInfo and ACN or was that just ACN?

**Mr Palfreyman**—That covers the actual spend for both. We think that will be about the spend that we had in 1998-99.

**Senator LUNDY**—\$1.9 million?

**Mr Palfreyman**—This financial year.

**Senator LUNDY**—Given that that is a dramatic decrease in the commitment to ArtsInfo and ACN, what proportion of the \$0.5 million per annum will actually be going to each?

**Mr Palfreyman**—We are in the process of working that out. You asked about the magazine; that is part of the consideration we are giving it at the present time.

**Senator LUNDY**—So between ArtsInfo and their publications like *Smarts* and *Artbeat*—

**Mr Palfreyman**—No, *Artbeat* is not ArtsInfo—*Smarts*.

**Senator LUNDY**—Is that the only publication by ArtsInfo?

**Mr Palfreyman**—*Smarts* is the only paper publication, yes.

**Senator LUNDY**—And the Australia's Cultural Network—that is an online initiative, is it not?

**Mr Palfreyman**—Yes.

**Senator LUNDY**—Does it involve multimedia as well in the production of CDs or is it just online?

**Mr Palfreyman**—No, it is online. There was a program which the department administered called Australia on CD which was CD Rom.

**Senator LUNDY**—And was that funded through ACN?

**Mr Palfreyman**—No, it was funded separately.

**Senator LUNDY**—So we are just talking about online?

**Mr Palfreyman**—Yes.

**Senator LUNDY**—Could you tell me what proportion of the 1.9 was allocated to ACN in this current financial year.

**Mr Palfreyman**—I would need to check, Senator, but it is roughly 50-50.

**Senator LUNDY**—Okay, so we are talking nearly a million dollars or thereabouts. Why is that project being cut back?

**Mr Palfreyman**—As I say, in the first phase it was front end loaded with a number of developmental costs including the design of the site, the hardware and the initiatives that I have already mentioned. We believe that we will be able to provide a good service with this level of funding.

**Senator LUNDY**—Can you provide on notice a description and the funded components of Australia's Cultural Network to date since its inception?

**Mr Palfreyman**—There are about 10 or 12 projects.

**Senator LUNDY**—As the decisions are made with respect to the allocation of the 0.5 over the next three years, could you provide that to the committee as those decisions are made?

**Mr Palfreyman**—Certainly, Senator.

**Senator LUNDY**—I note with interest the commitment by many countries to invest heavily in the development of an online cultural network. Is the department of the view that Australia's Cultural Network has come to fruition? That is, do you see the ongoing funding as part of the maintenance with perhaps a few minor projects? I am just trying to get an insight into what your assessment is of the project to date in its relative merit and its prospects for growth or further development, and whether or not this future funding is really seen as a maintenance allocation as opposed to future development and growth.

**Mr Palfreyman**—That is a long question, Senator.

**Senator LUNDY**—Yes. I appreciate it also may extend into policy, but please answer as best you can.

**Mr Palfreyman**—There are not too many countries that have an ACN as such, certainly not government funded, and the sort of work that we have done here and the amount of material that is on it we think are good.

Its future is a question which we will certainly be looking at and talking to ministers about. There is not that much that I can say here though. I mean, we do now have continued funding over the next three years and we will be talking further about the future operation of both ACN and ArtsInfo with ministers.

**Senator LUNDY**—Is there any chance that all of that 0.5 might go to ArtsInfo and ACN will be just left to rot?

**Mr Palfreyman**—Certainly that is not our intention.

**Senator LUNDY**—So you intend to maintain it?

**Mr Stevens**—Senator, we should also add that there are a number of other online programs which—

**Senator LUNDY**—I appreciate that, Mr Stevens.

**Mr Stevens**—are used by ACN. ACN in a sense is a web site in part which draws upon—

**Senator LUNDY**—I was just going to clarify that. My knowledge of ACN is that it certainly identifies and brings together the vast range of cultural sites that are being developed. But this is my point about its ongoing maintenance. As both public and private cultural institutions

prepare their own web sites, there will need to be ongoing development, maintenance and upgrading of ACN to embrace those worthy initiatives. Is that not the case?

**Mr Palfreyman**—I do not see ACN actually funding those sorts of initiatives as they have done in the past.

**Senator LUNDY**—No, I did not say that. I anticipate they would have funding through their own institutions. No, I did not mean to imply that. Certainly I am aware of a vast range of cultural institutions developing their own web sites.

**Mr Palfreyman**—It was sort of seen at that time as seed funding to get people interested and so on.

**Senator LUNDY**—Okay, and you see it continuing to perform that role of just identifying cultural sites and bringing them together as a common entry point.

**Mr Palfreyman**—Yes.

**Senator LUNDY**—Who is doing that?

**Mr Palfreyman**—The company that is doing that?

**Senator LUNDY**—The developing.

**Mr Palfreyman**—It is actually Apple Computing.

**Senator LUNDY**—And has that contract been extended to cover the three-year period to which funding has been applied?

**Mr Palfreyman**—Yes, we will need to engage Apple to have further talks with them about moving on for at least the next 12 months.

**Senator LUNDY**—And that is yet to be resolved?

**Mr Palfreyman**—That will be part of the discussions we will be having in a couple of weeks.

**Senator LUNDY**—With respect to ArtsInfo, given what you have said so far about *Smarts*, do you see the presence of a printed publication as an essential part of the array of information provided by the agency?

**Mr Palfreyman**—I am not sure of your question.

**Senator LUNDY**—I am just trying to ascertain whether or not a printed publication will remain part of what you have to offer.

**Mr Palfreyman**—As I say, that is something that we are going to look at. We are looking at it at the present time and we will take final decisions when we work out final budgets. But I think it is true to say that *Smarts*, from the feedback that we have got, has been fairly successful.

**Senator LUNDY**—I suppose the point I am trying to get to is that only a relatively minor proportion of the population are online and have the ability to access broad arts information and that a printed publication—

**Mr Palfreyman**—Don't forget that ArtsInfo is also a telephone information service as well.

**Senator LUNDY**—Thank you. For some people, print is in fact the only form in which they can access information.

**Mr Palfreyman**—I should say that the nature of *Smarts* is different to the information that is provided on ArtsInfo. It has articles about things of topical interest and so forth. ArtsInfo

is used by essentially arts practitioners and it is all about access to government grant programs, whether they be federal, state or local.

**Senator LUNDY**—And *Smarts* carries that type of information?

**Mr Palfreyman**—No.

**Senator LUNDY**—References to where it can be sought?

**Mr Palfreyman**—No. I was going to say that ArtsInfo in the database, which is regularly updated, contains hundreds, if not thousands, of government grant programs. You simply cannot put that out in a publication which is done quarterly.

**Senator LUNDY**—But it does have references back to where you can find that sort of information?

**Mr Palfreyman**—It does, yes.

**Senator LUNDY**—So it serves that purpose of being a source of information in printed form.

**Mr Palfreyman**—Yes. I was just saying that it is topical and it is not nearly as comprehensive as what is on the database.

**Senator LUNDY**—Okay. The remainder of my questions on this sector, Chair, relate more specifically to the minister and matters of policy, so I think I should call it up there.

**CHAIR**—Okay. It is 12.40, which is only five minutes short of our scheduled lunch break, so I think we will break for lunch and come back at 1.45.

**Proceedings suspended from 12.40 p.m. to 1.45 p.m.**

#### AUSTRALIA COUNCIL

**CHAIR**—We are going to hear from the Australia Council. I welcome representatives of the Australia Council to the table.

**Senator LUNDY**—The concerns expressed by the general manager for the Australia Council about the impact of the GST on the arts has been relatively well traversed in an information bulletin circulated. I just wanted to ask Miss Bott for her analysis of the impact of the GST on the arts sector.

**Ms Bott**—We have on the public record in our submissions to the GST Senate inquiry our views on the matter. To summarise very briefly, we are particularly concerned about the effect on the performing arts companies and performing arts venues, which appear to take the major brunt of the tax. We have also addressed particular issues that apply to visual artists who will be paying the GST on their raw products, as well as having the sale of their art subject to a GST. Of course, the issue of books and literature is well covered in recent times. So they are our concerns.

**Senator LUNDY**—Obviously you would have kept yourself well briefed over the course of the GST inquiry. In your assessment, is the impact on the arts going to be greater than you first envisaged in light of the evidence that came forward through that inquiry?

**Ms Bott**—No, I would not have said that. I think that we were always concerned about the performing arts industry in particular because of the lack of offsets of other taxes which apply in other industries, firstly; and, secondly, the discretionary nature of expenditure in the arts was always a cause for concern. So I do not think our perspective changed in any way during the inquiry, no.

**Senator LUNDY**—I note in your information bulletin that the chair of the council met with the minister and his ministerial colleague, Mr McGauran, to outline the findings of the Econtech report and to bring to their attention—I am quoting now from the information bulletin—two major areas of concern: the uncertainty surrounding the tax status of government grants and the potential impact of the GST upon the arts sector as described in both the Treasury and Econtech modelling. What were the responses you received from the minister on those two points? Minister, what did you have to say?

**Senator Alston**—I do not have a clear recollection of that discussion in March but I think our position has been essentially consistent right from the time that the GST impact was first debated. That has been that we are sensitive to concerns that it might have a deleterious impact and we would stand ready to take action if that impact were demonstrated. But it is premature to make worst case assumptions and therefore we would prefer to look at how we can satisfy ourselves about the actual impact, because the evidence of places like Canada and New Zealand is that there has not been any significant ongoing difficulty; at most there might be some transitional problems. But you really need to see how it works out in practice before you can seriously talk about what compensation might be needed.

**Ms Bott**—Could I just add a comment to that: the situation regarding grants has been clarified.

**Senator LUNDY**—That was my next question, actually: what had taken place since then. Can you provide an explanation as to what is the situation?

**Ms Bott**—There will be a neutral effect on grant recipients of the GST on grants and that will be achieved by the Australia Council paying an extra 10 per cent on grants to all recipients. That money will then be claimed back at regular intervals. In other words, within the envelope of government to government transactions we will receive the same appropriation as we would have in pre-GST days. We will cash flow ourselves a pass-on of the GST and recipients will in fact get some cash flow advantage. The Australia Council as an entity will get some cash flow disadvantage, but our estimates are that we can manage it within our cash resources.

**Senator LUNDY**—What will be the time frame in which you are able to claim that back through departmental processes?

**Ms Bott**—We will be claiming it back on a six-weekly schedule from recipients.

**Senator LUNDY**—When was that resolved?

**Ms Bott**—Late May, I would say, in discussions with the department.

**Senator LUNDY**—Minister, earlier I was questioning the department on the scope which they had to make some assessments or otherwise of the impact of the GST on the arts sector. One of the questions was what activities had taken place to try to address the negative impact that was anticipated in the arts sector. Obviously this is one of them. As this decision was taken in late May, was this a decision by you as minister or was it in relation to another department?

**Senator Alston**—I think the principal theme has been clear for quite a while. There might have been some small confusion arising out of some Treasury discussions but by and large we had made it clear going into the election campaign that grants would be GST free; it was just a matter of how that was worked out in practice. I think things like the timing schedule were matters of detail that needed to be discussed, but I do not think there was ever much doubt about the principle.

**Mr Stevens**—I think what we are saying, Senator, is that the arts community—

**Senator LUNDY**—I was going to say that you had better clarify that for the minister.

**Mr Stevens**—I think the position as we understand it is that where grants are given for a specific purpose as opposed to a general grant, GST is levied; I think that is right. In that situation the recipient gains something from it. The essence that has been resolved or clarified is this aspect of grants for a specific purpose. I think the situation was always that, but as we go through more and more individual grants we recognise that it will apply in a number of cases. That is the situation that has—

**Senator LUNDY**—Is this a special provision only applying to those specific purpose grants, given that you are saying that general grants would have always been embraced by such an arrangement?

**Mr Stevens**—My understanding is that the great bulk of the Australia Council grants in fact fall into the category of a specific purpose grant because they are for a specific purpose, as opposed to a general grant.

**Senator LUNDY**—This was always the difficulty. What about those grants that are considered general purpose or are more general in their application; are there any, or are they all for a specific purpose?

**Ms Bott**—If the definition of special purpose grant is that there is a performance agreement or conditions of grant attached to it, that would basically apply to 99.9 per cent of all grants that are given by the Australia Council; therefore, the system that I outlined is what applies.

**Senator LUNDY**—It would apply across the board?

**Ms Bott**—Yes.

**Senator LUNDY**—Are there any grants that you provide that would not be supplemented in the way you have described?

**Ms Bott**—Not to my knowledge. That may not apply to other areas of government. I am, of course, only speaking for the Australia Council.

**Senator LUNDY**—I appreciate that. I will pursue that general point with the minister shortly. In respect of your advocacy on behalf of the arts community, are there any other claims that you have made or initiatives you have called for to help lessen the negative impact on the arts sector as a result of the GST?

**Ms Bott**—The council as a whole will be putting in place a number of measures that address the issue of compliance in order to give good quality information and training to our grant recipients, many of whom are independently employed or are in small organisations which may not have particularly sophisticated financial systems. We will be making some internal investments in that kind of assistance. Other than that, the focus of our advocacy has been to try to point out as objectively as we can the possible effects.

**Senator LUNDY**—What is your knowledge of the \$30 million identified as part of the Democrats seeking some concessions for the arts sector with respect to the GST?

**Ms Bott**—I have never seen that figure before anywhere else.

**Senator LUNDY**—Have you got any idea as to what its application would be?

**Ms Bott**—No, I have not.

**Senator LUNDY**—Is it your understanding that the Nugent inquiry will be extended to cover issues relating to the impact of the GST?

**Ms Bott**—It is my understanding that it will not be extended to include the GST.

**Senator LUNDY**—Specifically not that?

**Ms Bott**—Yes.

**Senator LUNDY**—It will be confined to its current terms of reference only?

**Ms Bott**—Yes.

**Senator LUNDY**—Do you have any knowledge whether its terms or scope will be extended to cover more than just major arts organisations and to look more broadly at issues across the broader arts sector?

**Ms Bott**—No, my understanding of the terms of reference which I have seen and which I believe are unchanged is that it applies to the major companies listed, which extends beyond the Australia Council companies.

**Senator LUNDY**—What is your understanding of the process, given that we have heard this morning of the extended time frames for the reporting back period, and also what is your understanding of the discussion paper release process prior to a final report?

**Ms Bott**—I am sorry, Senator, is the question why was it extended or what is my understanding generally?

**Senator LUNDY**—Yes, the reasons for the extension, and then I will ask the other questions.

**Ms Bott**—My understanding is that, once the inquiry got into the actual detail of the level of analysis of data that would be required and the extent of consultation that would be required, given the issues with which they are dealing, it became evident that there would need to be some extension. I believe it is an extension of only about a month from the original time frame, so it is really fairly minor.

On the discussion paper, my recollection is that the original discussion paper was to be late May and that has gone out about six weeks, so they are reasonably some minor adjustments to the original time table due to the workload scale of the inquiry.

**Senator LUNDY**—What were the outcomes of the seminar you conducted on taxation reform?

**Ms Bott**—It clarified a number of questions and raised a number of questions about a whole range of issues. That then led to a follow-up meeting with some officials from Treasury, who were helpful in resolving some of these issues relating to grants to which I referred before. It also gave some, I hope useful, not-for-profit organisation type examples to the ATO which I think have fed into clarification of the legislation and no doubt some of the educational training initiatives that will come out of the ATO.

**Senator LUNDY**—Did you compile a summary of outcomes of that particular seminar that you could provide to the committee?

**Ms Bott**—Yes, there is a summary of specific questions and answers that were clarified during that period. We provided questions in advance to the ATO and they were answered in the course of the seminar, so we have a summary of that, yes.

**Senator LUNDY**—Thank you. If you could provide that to the committee. I note that you have formed a small working party to consider further activities that will best assist the arts in dealing with the GST and other taxation issues. What stage are you at in terms of the work of that party—that is, have you commissioned any other work—and is that able to be adequately resourced within your budget, given its importance?



**Ms Bott**—The committee has certainly started its work. I suppose it is fair to say that the two key prongs of their future work will be associated with the development of case studies which will focus on the possible effect of the GST on a range of artists in different art forms and arts organisations; and, secondly, we will also then start to look at the role of a consultant that the council intends to appoint to work with companies on the compliance issues. Both of those matters are certainly additional expenditure; they are coming from within the Australia Council fund.

**Senator LUNDY**—Have you got any concerns that you will not be able to actually resource that type of endeavour or that type of inquiry?

**Ms Bott**—I am not sure I can answer that fully. We are at the stage of developing a mechanism in working with the department to actually agree on the method of research and the kind of agreed framework for information gathering and forwarding that to the department and to the minister's office. I cannot really answer that in terms of what the actual scope of that inquiry will be yet in terms of its possible resourcing.

**Senator LUNDY**—Minister, can you shed any light on that issue?

**Senator Alston**—What particular aspect?

**Senator LUNDY**—The resourcing of a future inquiry into the impact on the arts community of the changes to the taxation system.

**Senator Alston**—You mean the GST?

**Senator LUNDY**—And others.

**Senator Alston**—As I said earlier, we stand ready to address any demonstrated need in that regard and we would hope to be able to agree upon a methodology with the Australia Council which would enable us to make those judgments down the track. Beyond that, I think it is premature to be anticipating any particular disadvantage.

**Senator SCHACHT**—Can I ask a question at this point?

**CHAIR**—You may do so, Senator.

**Senator SCHACHT**—The Office of Small Business has been given \$500 million to assist small business to adapt to the GST. We have not got any information yet from the Office of Small Business or the government on how the \$500 million will be spent to assist small business to adjust to the GST. As many artists and performing companies might be at least, if not small to medium size enterprises, meeting the definition in that area, has the Australia Council advice been sought on how they may wish to bid for part of that \$500 million?

**Ms Bott**—Advice has not been sought directly from us, that I am aware of, but we would certainly regard that compliance budget as a possible source of funding and one of the outcomes of the working party on tax is actually to try to define compliance needs in that regard.

**Senator SCHACHT**—There is a consultative committee on small business that the minister for small business has established which is working on recommendations which, according to the estimates on Monday—it seems like five years ago—will be coming forward with their recommendations. Were you requested or did you seek to put a submission to the consultative committee on how you could have access to the \$500 million?

**Ms Bott**—No.

**Senator SCHACHT**—Has the Australia Council internally, as the representative of many artistic small business operators, prepared any propositions on how artists or small businesses could get access to the \$500 million in terms of the special needs of the creative community?

**Ms Bott**—Has the consultative committee asked us; is that what you are asking?

**Senator SCHACHT**—You say they have not specifically asked you but has the Australia Council internally, as part of your preparation for the GST, knowing that \$500 million is out there in the ether somewhere—I have to say, I think it is very much in the ether—looked at ways in which you suggest it could be used to assist the artistic community?

**Ms Bott**—One of the things on the list of the working party is to approach that fund, once we have defined the best way. We have an extremely diverse group and it is helpful—

**Senator SCHACHT**—You do have that seminar coming up; have you prepared some ideas or alternatives about what would be the best or most cost efficient way for people to use the \$500 million in your area? You could ask for a rebate, a tax deduction, a tax grant.

**Ms Bott**—We have not yet.

**Senator LUNDY**—Going to the issue of how to assist the arts community in coming to terms with the GST, Minister, what has happened to the \$30 million compensation package that you offered to the Democrats?

**Senator Alston**—I do not know anything about this \$30 million compensation package. I was away last week but I gather there was some article in a newspaper that mentioned it. It is a mystery.

**Senator LUNDY**—Minister, are you saying there is no \$30 million package offered to the Democrats as part of the GST deal?

**Senator Alston**—Yes.

**Senator LUNDY**—None to your knowledge.

**Senator Alston**—No.

**Senator LUNDY**—Has your office been involved in discussions with the Democrats along the lines of a compensation package for the arts community?

**Senator Alston**—There is agreement in relation to the need to look at the impact on books. Beyond that, I think the only understanding was that we would review the need for compensation to the arts sector in general in the light of the findings of the Nugent report.

**Senator LUNDY**—Can you repeat that?

**Senator Alston**—We would look at the need for any additional compensation in the light of the Nugent report. That is what is contained in the agreement, or the exchange of letters between leaders, but the reality is that Nugent is not looking at the impact of the GST but rather structural change on the major organisations. So any question of compensation down the track will have to depend upon an analysis of its actual impact, rather than what some people fear might be the anticipated impact.

**Senator LUNDY**—How on earth can you say that the Nugent inquiry outcomes will be used as a guide?

**Senator Alston**—I am not saying it; I am saying that is what was contained in the exchange of letters.

**Senator LUNDY**—You may not be saying it, but it is obviously part of the government's commitment to look at it post inquiry.

**Senator Alston**—I am simply pointing out that in fact I do not expect that the Nugent committee will throw a great deal of light on that. That was something that the Democrats sought and we agreed to. I am really just elaborating on the fact that Nugent per se will not really address this issue. We do not have an objection to looking at it in the light of Nugent but I do not think that will assist greatly. We are much more likely to make concrete progress if we can agree on a methodology for assessing the actual impact.

**Senator LUNDY**—Just let me get this clear. You have signed off a letter with the Democrats saying that you will look at the issue post Nugent inquiry, yet we have heard from several witnesses this morning, including Ms Bott, that the Nugent inquiry specifically has no charter to address the impact of the GST on major arts organisations, or anyone else for that matter.

**Senator Alston**—That is right.

**Senator LUNDY**—Where does the government claim that there is some relationship between the Nugent inquiry and consideration of the GST, or is this just another con on the Democrats as part of the deal?

**Senator Alston**—No, I think the Democrats may well have been under the impression that Nugent was more wide reaching than it in fact is.

**Senator LUNDY**—Did you advise them otherwise before you signed off on the letter?

**Senator Alston**—All they sought was some sort of indication that we would sympathetically consider the need for an assessment of the impact of the GST on the arts community. To the extent that they wanted to do that in the light of the Nugent report was not a problem for us, but I am simply pointing out that I do not think it takes you a great deal further. Our core commitment remains that we will look at the actual impact, but I think there are better ways of doing it than simply awaiting the outcome of Nugent.

**Senator LUNDY**—I suppose the point being that the Democrats obviously mistakenly being of the opinion that Nugent in some way would address the impact of the GST, you were happy to sign off the letter but not draw this to their attention. It is very clever negotiation, Minister.

**Senator Alston**—No, what I am saying is that their major concern was that we would sympathetically address the impact of a GST and we gave that commitment. They also wanted us to take into account Nugent, which we were happy to do, but we did not think it took it much further. If they want us to specifically refer to Nugent then we are happy to do that as well but—

**Senator LUNDY**—The only impact that has is that you will defer your consideration of the arts community sympathetically with respect to the GST. From your point of view in signing off these letters with the Democrats, what is the impact on you and your intention to negotiate with them, or consider in a sympathetic light the arts community, of them including a reference to the Nugent inquiry?

**Senator Alston**—I do not think it will make a great deal of difference. I think what is much more important is the rest of that commitment. That is what they were really seeking and they were trying to give it a Nugent reference report, which I think overstates the relevance of Nugent to this exercise.

**Senator LUNDY**—Where did the \$30 million figure come from if it did not come from the department—

**Senator Alston**—Some journalist's fertile imagination presumably.

**Senator LUNDY**—and it did not come from Ms Brott?

**Senator Alston**—I do not know. Ask the journalist. We wonder this all the time, don't we?

**Senator LUNDY**—Was it a figure that was presented to you by the Democrats?

**Senator Alston**—It has not been presented to me by the Democrats. I did see an article or some report suggesting that Senator Allison was writing to me but I do not remember being told that she had mentioned that figure.

**Senator LUNDY**—Have you received any formal correspondence from the Democrats identifying a figure of \$30 million for the purposes of a compensation package?

**Senator Alston**—Not that I am aware of, no. I personally have not seen any such—

**Senator LUNDY**—You have not seen anything?

**Senator Alston**—My understanding is that the newspaper article may have suggested that Senator Allison mentioned the figure. As I say, I have not read the newspaper article so I am third-hand on all this. All I am telling you is that I do not know where the figure came from and it does not have any relevance to any of these discussions.

**Senator LUNDY**—The newspaper report quotes Senator Allison as saying that she felt the figure of \$30 million had fallen between the stools as negotiations have continued. Can you provide an explanation as to why Senator Allison would make that comment? Minister, to refresh your memory, I will quote from the *Sydney Morning Herald* on 2 June this year:

The Democrats delivered a letter of demands to the Arts Minister, Senator Richard Alston, yesterday, after admitting that a \$30 million compensation fund had 'fallen between the stools' in the final GST negotiations.

Democrats arts spokeswoman Senator Lyn Allison told the *Herald* on the night the deal was announced that 'we've got some money in there to make sure that can be used to deal with problems that might arise'. She said the figure was in the '\$30 million' ballpark.

Minister, there are several questions in that: one is a reported letter of demand to you with respect to these issues. Have you received any such correspondence from the Democrats?

**Senator Alston**—I do not doubt that we have. I personally have not seen it.

**Senator LUNDY**—Hang on a minute, have you or haven't you?

**Senator Alston**—I do not know. I have not personally, no, n-o.

**Senator LUNDY**—Has your office?

**Senator Alston**—I do not know. I presume it has.

**Senator LUNDY**—Can you find out?

**Senator Alston**—It is not of particular relevance to me.

**Senator LUNDY**—Yes, it is, because it goes to the core of the issue.

**Senator Alston**—Just a moment. Senator Allison has asked to see me about these matters. I saw her at 12 noon today and we have had some discussions about it. As far as I am concerned, that is all that we have been asked to do. From the way you read that report, it sounds as though at some stage the Democrats may well have been wanting to ask for a \$30 million fund to be set aside and maybe in the course of the negotiations that slipped off the agenda. That may be something that she wants to bring to our attention but it is not something of which we are aware.

**Senator LUNDY**—Can I get this clarified: have you, your office or your department received any letter of demand from the Democrats with respect to compensation to the arts?

**Senator Alston**—I doubt very much anyone has received a letter of demand; that is a journalist's florid expression. I would not be surprised if my office—

**Senator LUNDY**—Minister, I do not want to play semantic games with you. Have you received any correspondence from the Democrats?

**Senator Alston**—I have not seen any such letter. If you want me to find out whether one has come into the department or the office, I will find out for you.

**Senator SCHACHT**—Neville will tell us now.

**Mr Stevens**—I have not seen any such letter.

**Senator SCHACHT**—Thank you.

**Senator LUNDY**—Have you got any officers present who may know of the existence of any such correspondence in relation to these matters?

**Senator Alston**—I have been away. I would expect, in the normal course of events—

**Senator SCHACHT**—How long were you away for, five years?

**Senator Alston**—that it would have been sent to my office and that was probably the basis upon which we had the discussions and set up the meeting. All I am telling you is I have not seen a letter. I have no reason to doubt that Senator Allison sent a letter.

**Senator LUNDY**—You have no reason to doubt that she sent a letter?

**Senator Alston**—No.

**Senator LUNDY**—Did she confirm with you today that she sent a letter?

**Senator Alston**—No.

**Senator SCHACHT**—Wonderful negotiations.

**Senator LUNDY**—What a joke!

**Senator Alston**—We were there to have a discussion about the matters that were of concern—

**Senator LUNDY**—You met for the first time with Senator Allison on this issue today?

**Senator Alston**—Yes.

**Senator LUNDY**—So negotiations are continuing. Did she mention the figure of \$30 million. You are shaking your head, Minister. Does that mean no?

**Senator Alston**—No.

**Senator LUNDY**—Did she seek compensation for the arts sector as a result of the GST?

**Senator Alston**—We had essentially the discussion that I have just had with you about that.

**Senator LUNDY**—It must have been very fulfilling.

**Senator SCHACHT**—Are you trying to get the Democrats to fall out of the agreement, the way you are going on.

**Senator Alston**—I have told you that we think it is very informed—

**Senator SCHACHT**—More strength to your arm, Minister, with your negotiations.

**Senator Alston**—Rather than putting all your eggs in the Nugent basket, you are better to concentrate on establishing an agreed methodology by which you can properly assess the impact of the GST down the track.

**Senator LUNDY**—Minister, did you take the opportunity to advise the Democrats that Nugent did not have the scope within the terms of reference to look at issues relating to the GST?

**Senator Alston**—I think they are generally aware of that now.

**Senator LUNDY**—Did you advise the Democrats of that?

**Senator Alston**—When you say ‘advise’, I think the discussion proceeded on the basis that Nugent was not critically relevant to the impact of the GST on the arts sector.

**Senator SCHACHT**—Did you sell seats for this wonderful meeting? It would have been top comedy hour from the way you are describing it.

**Senator Alston**—I am now informed, for what it is worth, that we have not received any such letter and the newspaper article was incorrect.

**Senator LUNDY**—Is it a fair comment to say that the \$30 million compensation fund that has been identified, or at least raised publicly by Senator Lyn Allison, is back on the table; it has been found between the stools?

**Senator Alston**—As I say to you, my interpretation of what you read out is that at some stage the Democrats were going to propose that \$30 million be set aside for a compensation fund. Beyond that, it has not been raised with me and I am totally unaware of its origins.

**Senator LUNDY**—Up to this point, Minister, it is pretty clear that the government has no contemplation of any compensation fund for the arts. Can you give some indication as to the timetabling for these continuing negotiations?

**Senator Alston**—With the Democrats?

**Senator LUNDY**—Yes.

**Senator Alston**—We are not negotiating with the Democrats in relation to establishing any fund for compensation. We are talking to them about moneys that might be spent in relation to the impact of the GST on books.

**Senator LUNDY**—That is a different matter, Minister. The \$30 million compensation package I am referring to—

**Senator Alston**—I am telling you that I know nothing about any \$30 million compensation package, so by definition we are not discussing it.

**Senator LUNDY**—So it does not exist?

**Senator Alston**—No.

**Senator LUNDY**—It has never existed in your view.

**Senator Alston**—Not as far as we are concerned, no. It may well have been something that the Democrats canvassed at some stage in the negotiations but it did not ever find its way into any final agreement and it did not ever come to me for consideration or comment.

**Senator LUNDY**—So the arts community has no hope for a \$30 million compensation package?

**Senator Alston**—As I have said many times, it is premature to make judgments about what you think the impact might be. The proper thing to do is to set up a methodology which enables you—

**Senator LUNDY**—You do not need to embark on rhetoric. I am just following through the courses.

**Senator Alston**—You are saying: have we got a fund for compensation? I am saying to you that it is entirely premature to make assumptions about the nature and extent of any compensation. For what it is worth, the international experience does not suggest that there is likely to be any significant impact.

**Senator LUNDY**—Just on that point, Minister, that is actually not the case because we have heard certainly from the Australia Council that their view on that differs. What is your view or your assessment to date about the impact of the GST on the arts community?

**Senator Alston**—It is really a function of price sensitivity. If people get taxation cuts that give them higher levels of discretionary income then we will have to wait and see whether that enables them to accommodate any higher charge that might be made for a range of cultural services. It may have no impact at all.

**Senator LUNDY**—Minister, given the weight of evidence during the inquiry and the outcomes of the Econtech report commissioned by the Australia Council, et cetera, did you at any point in time advocate within your own ranks on behalf of the arts community on the negative impact of the GST?

**Senator Alston**—I have said to you many times that we stand ready to sympathetically address the issue in the event of demonstrated need, but we are not prepared to proceed on the assumption that there will be any particular problems in any particular areas because we simply do not know.

It is very easy for someone to say, 'If costs go up 7.7 per cent, I won't be able to afford it, I will go out of business as an artist.' It may well be that the 7.7 per cent can be passed on quite cheerfully and able to be afforded by people who have more than that in their pockets as a result of tax cuts. Whilst I can well understand the legitimate concerns of the Australia Council and others, that does not mean that we should be rushing to make judgments.

Let us say we said to them, 'Okay, you have persuaded us that you deserve a \$3 million compensation package per year for the next four years,' and we put that on the table and 18 months later there is no impact at all, they are laughing.

**Senator SCHACHT**—No, that is spent on developing the arts; it is not laughing.

**Senator Alston**—If it turns out that the impact is twice as much, they will be knocking on our door, saying, 'We want to reopen it. That was quite a false basis on which we did that agreement.' So why would you want to rush to judgment when there is plenty of time to see how it works out in practice?

**Senator SCHACHT**—You will wait until they go broke and then you might think about fixing them up?

**Senator LUNDY**—I think that is really the issue, the timing of it, Minister. You have the opportunity obviously to address some of these issues in advance and perhaps thwart some of the more negative impact but you are choosing not to.

**Senator Alston**—No, we will continue to be in sensitive and sympathetic discussions but we are not going to make a judgment at this point, more than 12 months out from the introduction of the new regime, that somehow we can quantify the impact in any particular areas, let alone globally. It just does not make sense.

**Senator LUNDY**—Turning to the issue of books, given that it is something that is being actively discussed, as part of the GST package there is \$240 million for the continuation of the book bounty. Is that to be additional funding applied? Can you explain how you are funding that part of the package?

**Senator Alston**—The book bounty was closed down a year or two back and there is a small scale replacement for printers, called PICS, of about \$4 million a year. Beyond that I think the agreement simply said that we would consider some form of book bounty and \$240 million worth of compensation over a four-year period. It is really a matter of looking to see where that can be most effectively provided.

**Senator LUNDY**—Will you reinstate the book bounty or will you extend PICS?

**Senator Alston**—I do not know what we will do at this stage. I would be surprised if—

**Senator LUNDY**—Have you finalised this part of the agreement with the Democrats?

**Senator Alston**—No. I just told you, our first discussion was less than two hours ago.

**Senator SCHACHT**—Minister, in view of the fact that in the last three years—

**Senator Alston**—I did not have a draft agreement in my back pocket.

**Senator SCHACHT**—Minister, I am intrigued.

**Senator Alston**—It was a very useful exchange of views and we will have further discussions.

**Senator SCHACHT**—Minister, in the last three years, from my recollection, on many occasions you have abused and been condescending in every possible way to Senator Allison as a spokesperson on Telstra and related issues. Did you feel nauseous that you had to sit at the same table and negotiate with her at last?

**CHAIR**—I am not sure that that is an estimates question.

**Senator Alston**—I have to say that I have never had any difficulty in discussing issues with Senator Allison.

**Senator SCHACHT**—Despite abusing her every—

**Senator Alston**—I wish I could say the same for your good self. The tragedy was that as a low impact facility you very quickly lost interest in policy discussions. As I recall that immortal interview you gave to the *Australian*, you much preferred to concentrate on the politics of issues. So that did make it a lot easier, but did not make for much progress.

**Senator SCHACHT**—You did not refer Senator Allison, as you usually do, to places like Albania or North Korea that still want to have fully publicly owned assets like Telstra? That did not go into the discussions today on the negotiations, I presume.

**Senator Alston**—In terms of guilt apportionment, I think you deserve the lion's share of the blame on that front, having privatised everything that moves when in government.

**Senator SCHACHT**—We are now shifting!

**Senator Alston**—At least the Democrats have been consistent; they have always opposed privatisation. You lot privatised everything you could get your hands on. You remember NOC. She was not worried about Labor in opposition; she was only worried about what they do to Telstra in government.

**CHAIR**—I think that is a hypothetical discussion.

**Senator Alston**—Senator Schacht is very good at those.

**Senator LUNDY**—I would like to be able to continue my line of questioning, Chair.

**Senator PAYNE**—Senator Lundy, I am also a member of the committee. It seems to me that the questions that are currently being pursued do not pertain directly to the Australia Council. I do not know whether Senator Lundy has more questions for the Australia Council.



**CHAIR**—The other point I would like to make about the Australia Council is that I understand Ms Bott has a flight to catch at 3.30. If we could expedite the questions that remain, would be very helpful.

**Senator PAYNE**—That was the purpose of my question, Chair, to see whether there are further questions for the Australia Council and, if there are not, given that the entire panel other than the minister and the secretary is comprised of the Australia Council, perhaps they can be excused and we can continue on with the general issues that Senator Lundy is pursuing.

**Senator LUNDY**—I have not finished with the Australia Council yet and I will let you know when I do.

**CHAIR**—All right, then proceed.

**Senator LUNDY**—You are very generous, thank you. Ms Bott, what work has the Australia Council done in establishing the impact of the GST on books?

**Ms Bott**—As part of our submission we made certain commentary. Of course, events have moved on since that point. Our literature fund specifically discussed this issue last week and we are making a number of recommendations on the subject, primarily concerned with our interest and support for the public lending rights scheme as a possible approach rather than the book bounty, but it will be the subject of separate advice.

**Senator LUNDY**—Do you have any knowledge of where the figure of \$240 million has come from with respect to the issues currently before the minister for discussion?

**Ms Bott**—I am sorry, I do not.

**Senator LUNDY**—That has not emanated from any of the research or commissioned work undertaken by the Australia Council?

**Ms Bott**—No, it did not.

**Senator LUNDY**—With respect to your consideration of compensation mechanisms like reinstatement of the bounty, perhaps the extension of PICS or whatever, have you been able to place a figure on what the cost would be if in fact a GST were not applied to literacy or books? Have you been able to apply a figure to that?

**Ms Bott**—Do I have a figure if books were to be GST free; is that the question?

**Senator LUNDY**—Yes.

**Ms Bott**—My understanding is that it is around \$100 million.

**Senator LUNDY**—So if any compensation package were to be applied, all things being equal, that \$240 million would adequately compensate that?

**Ms Bott**—I am sorry, what was the question?

**Senator LUNDY**—You said \$100 million?

**Ms Bott**—Yes.

**Senator LUNDY**—I am just trying to ascertain the relevance of this figure of \$240 million. Minister, can you shed any light on the figure of \$240 million?

**Senator Alston**—I was trying to reconstruct it myself. Total revenue from book sales in Australia, including imports, is in the order of \$1 billion. Forty per cent of that would be educational and therefore GST exempt, leaving about \$600 million. I am not sure whether that is the basis for that figure or not. Ten per cent of \$600 million would be \$60 million, but I do not think it would be fair to proceed on the basis that there is a full 10 per cent impact.

It may just be a very round figure that was agreed upon, rather than deriving from any particular calculation.

**Senator LUNDY**—Who at this stage has publicly put \$240 million on the table?

**Mr Baxter**—The figure is based on the Australian Publishers Association calculations which I believe were put to the Senate inquiry. They are Publishers Association figures and, as I think the minister has indicated, they are quite complex calculations to do.

**Senator LUNDY**—Perhaps you could take it on notice and provide the analysis.

**Mr Baxter**—The Australia Council itself has not done that research.

**Senator Alston**—The \$240 million is a figure agreed upon with the Democrats.

**Senator LUNDY**—That you have agreed upon with the Democrats?

**Senator Alston**—Yes.

**Senator LUNDY**—You have?

**Senator Alston**—That is right, yes.

**Senator LUNDY**—So that is agreed.

**Senator Alston**—In a sense, it does not quite matter what the genesis of it was. It sounds as though it is based on evidence to the committee. Senator Allison was on that committee, I think, so she would no doubt have picked it up.

**Senator SCHACHT**—You have agreed to the \$240 million but you have not agreed to the \$30 million and the other figure that Senator Allison put forward.

**Senator LUNDY**—Has the department done any study as to the impact of the GST on books?

**Mr Stevens**—Not specifically, no.

**Senator LUNDY**—I presume that, with the government agreeing to this \$240 million, you have been prepared to accept figures as presented by other bodies?

**Mr Stevens**—It is not a question for us to accept the figures or not.

**Senator LUNDY**—It is up to the minister.

**Mr Stevens**—Absolutely.

**Senator LUNDY**—And They have done that.

**Senator SCHACHT**—The \$240 million was agreed in the deal with the Democrats, so that gets a tick. Minister, were you involved in those discussions on the agreement of the \$240 million.

**Senator Alston**—No.

**Senator LUNDY**—Who was?

**Senator Alston**—I am not quite sure. Certainly at the end of the day it was Senator Lees and the Prime Minister. I think the Treasurer was certainly involved at every stage. Beyond that I do not know.

**Senator SCHACHT**—It was actually quite capricious good luck or bad luck as to whether various interests involved in the introduction of the GST got some compensation or not in the final deal between the Prime Minister and the leader of the Democrats? You had no input on that one, you have not heard of the \$30 million one and presumably Meg Lees forgot to put it to the Prime Minister.

**Senator Alston**—I do not know that at all.

**Senator SCHACHT**—One thing is becoming clear: we know that you know very little about the negotiations.

**Senator Alston**—That is understandable because I was not part of it.

**Senator SCHACHT**—You and your department—

**Senator Alston**—I am simply saying to you that I do not have any knowledge of the \$30 million figure. The most I can do from Senator Lundy's recital from the newspaper article is suggest that it might have been something the Democrats were intending to put and did not.

**Senator SCHACHT**—Chair, I have a couple of questions for the Australia Council which they can probably take on notice. In the PBS on accrual accounting in the new system the outputs and outcomes are all listed, but the outputs are rather vague in some cases. I understand that the nebulous nature of measuring artistic achievement is a matter of judgment. One thing I would like to ask is: in output 1.1 there is \$61 million going to investment in artistic production and development of artistic practice which I presume is another euphemism for grants going to individual artists and the various boards; is that right?

**Ms Bott**—Artists and arts organisations. They are in there as well.

**Senator SCHACHT**—From the various Australia Council boards. The grants are still advised to you by the various boards—the music board, the fine arts board, et cetera?

**Ms Bott**—They are, yes.

**Senator SCHACHT**—I know that DOFA has put this to you on how this is outlined. I think it would be useful—it may be at the back of an appendix, I do not know—to have a list of the amount of money each of the boards is in charge of in their appropriation of the \$61 million. What does the music board get—\$10 million, \$5 million?

**Ms Bott**—We can easily provide that. It is in our annual report.

**Senator SCHACHT**—I know it is going to be in the annual report but of it is in the PBS next to the line of outcomes, I think that there should be a subline 'Outcome: music board, \$6 million' and so on, with a more defined description about the outcome in the music area. So when your annual report comes before us in 15 months time for this full year, 1999-2000, against the output there should be a measure for each of the boards. At the moment there is no measure on the performance of the individual board; there is only a measure against the council. With all due respect to individual boards, I suspect that from time to time some may be a bit rugged, some may be beautiful, some may be good and some may be awful, but the whole of the council should not be dragged in; it is too global. May I suggest—as we all learn about accrual accounting—that next year, in your discussions with DOFA, you put an output line against the individual board.

**Ms Bott**—Certainly. That will not be a problem.

**Senator SCHACHT**—In the 1998-99 annual report, which will come to us in the next three or four months, will you have the individual grants per board and per individual within the board?

**Ms Bott**—We will.

**Senator SCHACHT**—Then in the following year, when we go to the full accrual accounting system, we will be able to easily compare the PBS outcome promised with the outcome delivered in the annual report of the following year.

**Ms Bott**—Certainly.

**Senator SCHACHT**—Thank you.

**Senator LUNDY**—They are all the questions I have for the Australia Council, thank you.

**CHAIR**—Senator Lundy, do you still have some policy questions?

**Senator LUNDY**—Yes, I have some follow-up questions for the minister.

**CHAIR**—The minister has gone. He will back soon.

**Senator LUNDY**—Mr Stevens, just to follow up on the issue of books, were there any consultations between the department and stakeholders in the book industry, like the Australian Society of Authors or the Australian Publishers Association regarding the impact of the GST on books and the likely consequent impact on Australian culture for the purposes of establishing an appropriate compensation package, given the deal with the Democrats?

**Mr Stevens**—Will there be?

**Senator LUNDY**—No, have there been?

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

**Senator LUNDY**—Will there be?

**Mr Stevens**—It depends very much on the outcome of the discussions between the minister and the Democrats.

**Senator SCHACHT**—Do you expect to be sitting in on those discussions with the Democrats?

**Mr Stevens**—No, I do not, Senator.

**Senator SCHACHT**—I bet you are very relieved about that. I am bemused at the idea of you, being one of the most outstanding economic rationalists in the bureaucracy, sitting at a table with Lyn Allison, who would never want to be called an economic rationalist under any turn of phrase.

**Mr Stevens**—I have been fortunate to sit here all day.

**Senator SCHACHT**—Yes, I know—defending economic rationalism all the way.

**CHAIR**—While we are waiting for the minister to return, I will call the National Library, then the National Maritime Museum, then the Film Archives.

[2.57 p.m.]

#### NATIONAL LIBRARY OF AUSTRALIA

**CHAIR**—I welcome the officers of the National Library to the table.

**Senator LUNDY**—I would like to draw your attention to an article that appeared in the *Daily Telegraph* with respect to the fitout of the executive offices of the Australian National Library. A whole series of details were provided. The article basically concludes that the National Library executive fitout cost around \$2,700 per square metre. The issue generally is one of the process through which the decision was made to decide on such expenditure. Could you begin by outlining the process of the decision to expend the money on that office fitout?

**Mr Horton**—The figures themselves are incorrect. Would you like me to clarify them?

**Senator LUNDY**—Please, if that figure is incorrect.

**Mr Horton**—Certainly.

**Senator LUNDY**—This is your opportunity to straighten the record.

**Mr Horton**—The article in the *Daily Telegraph* said that the National Library had built 260 metres of new executive suites at a cost of \$2,700 per square metre and said that the industry norm for an executive office area in Sydney or Melbourne would be \$1,350 to \$1,650. What the figures were referring to was the latest stage of our building asset maintenance program. It included the new executive offices, which I can elaborate on, new corridors into the building, a new 80-seat general purpose meeting room/public facility, council room refit and also a lot of work on the whole podium floors. There were 640 square metres. If you eliminate the other works which were not counted and just take the executive offices and apply the same ratio, the figure is \$1,476, which is actually within the industry norm that was quoted.

I would also point out that, as a deliberate decision, this area is in the foyer of the building, the main area, and has glass walls. Glass walls by nature are expensive. So the \$1,476 per square metre is not within the norm quoted back at us but does have to have an allowance for glass, which is expensive.

**Senator LUNDY**—Thank you for that explanation. In terms of the actual decision to fit out the executive offices and the other work, can you describe the process? You have alluded to the fact that it was part of a bigger refurbishment program. Can you spend a few minutes providing background to that program and the culmination of that program in the fitout of the executive suite?

**Mr Horton**—Certainly. In 1991-92 we adopted a 15-year life cycle asset repair, replacement and maintenance plan. We accepted the fact that we have a 1968 building and that it would require a considerable amount of work. We have since that date spent some \$9.3 million on the building, including most public areas. Under the plan, in 1993-94, 1995-96 and 1997-98 we were meant to replace all the walls, fittings and everything else in the executive areas but I deferred that in the plan and we did not do it at the time.

The asset plan is broadly approved by the council and the council each year is, of course, aware of the amount of money being spent on the building. The decision on what we do in the building each year is decided by the executive.

**Senator LUNDY**—Which is you?

**Mr Horton**—Me and the other executive officers, yes.

**Senator LUNDY**—What is that decision making process—is it a formalised, minuted decision making process? How does that work?

**Mr Horton**—There would be minutes in our corporate management group and things like that, but the recommendations are brought forward by our building services people.

**Senator LUNDY**—If you could provide the committee with any documentation of the decision making process on that expenditure.

**Mr Horton**—We could.

**Senator LUNDY**—Also with respect to that expenditure: Mr Horton, you have been quoted as saying you raised money for the library in the wider community as part of your justification for this expenditure. You required some up to scratch facilities to host—this is the implication; correct me if I am wrong—potential donors or supporters of the National Library. Can you explain the context of that quote and to what degree you are actually in a position to seek outside support from people who contribute to the library in a variety of ways?

**Mr Horton**—What I said to that reporter was that it was a complex process. The library facilities were built in 1968 and they did not reflect the way in which cultural institutions tend to think now. Quite apart from any issue of whether we would have to redo the building, it

was not thought of as having some profile areas and some executive areas where you can entertain and things such as that. The office I lived in for 13½ years, for example, did not have meeting facilities, bar a lounge—things like that.

We explained to the reporter that we had deliberately decided after much thought that the executive offices should be over the foyer and very public and in an area that had never worked for any other purpose in the 30 years, but that we were seeking to have executive space—it is not just an office for me, it is quite a series of spaces—which would be suitable for the role of the chairman, et cetera. My chairman, for instance, has as his main priority a foundation for the library. We already raise 22 per cent of our own money through businesses but we believe we can do more in terms of possible foundations and things like that and in that context the space was seen as a working space for that also.

**Senator LUNDY**—Does the foundation actually meet there?

**Mr Horton**—It does not exist, but the chairman is moving to establish it. Certainly we would use those areas. For instance, in this executive area there is a meeting room for some 13 people. That would be used for the foundation undoubtedly. So those sorts of uses are part of our thinking.

**Senator LUNDY**—In terms of the expenditure of this aspect of the budget, what was the total spend? I think the newspaper article listed \$650,000. You have already pointed out that it extended beyond just the new executive offices.

**Mr Horton**—The tendered costs for all these works were \$598,800. One or two matters have to be finalised but, as with any tender such as this, there is some overspill. For instance, you have to judge what you will find in particular roof spaces and, until you can get into them, you have to allow for the fact that you may need to adjust the tender. There will probably be about a \$40,000 adjustment, I am told, when everything is totally finished. The total, therefore, is \$600,000 essentially and with overspill it will probably be about another \$400,000. I can give you a breakdown of each area if you would find it useful.

**Senator LUNDY**—Yes. When was that budget for that expenditure approved by the council?

**Mr Horton**—It was not approved by the council as a decision. The council approves the overall budget for the year and the intention of how we intend to spend broad categories. My chairman's view is that the director-general controls the actual expenditure, such as the tender board and those sorts of things.

**Senator LUNDY**—Within that point, you have complete scope to determine what you will spend on the proportion of your budget allocated towards maintenance or capital works of this nature, as opposed to the ongoing administration, salary costs, et cetera, within the library. Is that something that is completely within your discretion?

**Mr Horton**—The council approves the budget breakdown each year.

**Senator LUNDY**—That was my question: the council approves specifically a budget breakdown. Where would this be defined, under maintenance and capital works?

**Mr Horton**—It will be in the asset program.

**Senator LUNDY**—What is the total budget of the asset program?

**Mr Hughes**—It is \$6.3 million for next year and this current year it was \$11.085 million.

**Senator LUNDY**—What else is covered in the asset program?

**Mr Hughes**—With the change to accrual accounting, it will include purchases of library assets, computer equipment and the like, and the majority of the library's collections.

**Senator LUNDY**—If you can clarify this: in this current financial year the decision to spend \$600,000 on this maintenance program was taken out of an overall asset program that included the source of funds for things like computer programs, collections, et cetera; is that right?

**Mr Horton**—Senator, I think we need to—

**Senator LUNDY**—Can you just clarify that?

**Mr Horton**—The budget this year is not, of course, accrual accounting.

**Senator LUNDY**—No.

**Mr Horton**—Mr Hughes has been talking about accrual accounting. I think we would need to give you a figure on notice. We have spent other money on the building this year; for instance, we have cleaned the outside of it for the first time for many years, which was a very major project. I think we will have to give you an answer on notice of all expenditure on the building, if you would find that useful.

**Senator LUNDY**—Thank you. That would be part of that \$11.085 million?

**Mr Hughes**—Yes.

**Senator LUNDY**—What is the figure for this coming financial year?

**Mr Hughes**—It is much less: \$6.3 million. The reason for that is that this current year we have the development of Kinetica, which is a big capital program to replace ABM.

**Senator LUNDY**—The expenditure on Kinetica impacts on that \$6.3 million; it is expenditure already made and that is why it does not show up in the accrued capital expenditure?

**Mr Hughes**—No, the \$11.085 million includes expenditure on Kinetica, which is why it is so much larger this current year than next year.

**Mr Horton**—Kinetica overall is \$13.8 million over six year, but \$5 million or so of it was in one early year, and that is why it is a big lump.

**Senator LUNDY**—Can you take on notice to provide to the committee some details about the process on the purchase of Kinetica as a system.

**Mr Horton**—Yes, certainly.

**Senator LUNDY**—How is that going?

**Mr Horton**—It is going very well, Senator. It is an absolutely major new development and a total system, which meant that our 1,300 customer libraries had to learn to use it, and it is of course Internet access. It has been up now for two months. We had two problems initially—no matter how much testing, you get them. The first significant problem was in response times from Kinetica. We have basically resolved those problems. We had one problem with one firewall and we had one problem with a piece of the computerware we had given our customers. They have been resolved and we have not had any significant comments on the response time issue from customer groups for some time.

The other issue has been, of course, that people have to learn to use it; it is a new system. The last figures I have are for the first week in June. In the first week in June we were having 90 per cent of the previous Australian bibliographic network coverage. The online holdings were at about 70 to 75 per cent, but people are using it differently and we are not sure what the long-term figure will be. The searching figures have held up very well.

This was not brought deliberately for you, but to give you an example, one of our customers, the Australian Stock Exchange, said to us two days ago, 'I just wanted to let you know we

have been using the search component of Kinetica for a couple of months now. We think you are doing marvellous things.' What she is saying is that everyone has to learn to use it. So we are very pleased.

**Senator LUNDY**—Your relationship with Kinetica is managed via a contract, is it?

**Mr Horton**—The system is us outsourced to IBM-GSA. Yes, it is a contractual arrangement.

**Senator LUNDY**—What role does IBM-GSA have in the delivery of service? Is that managed through service level agreements?

**Mr Horton**—The contract does have service level agreements which are not yet enforceable. Again, there is a period built in so that we can build it.

**Senator LUNDY**—How long is that buffer zone before service level agreements are actively applied?

**Mr Horton**—I think it is early August that they all have to be met. I will have to check that for you.

**Senator LUNDY**—Are you able to provide the committee with details of the service level agreements that they have committed to as part of their contract?

**Mr Horton**—We would certainly want to, Senator. It would be useful if we could, as usual—because it is commercially sensitive—make arrangements for it be provided on some sensible basis so that it is not on the public record. We do have competitors.

**Senator LUNDY**—I would expect, as has been the case with other IT outsourcing, that you would raise that question, but no doubt in the interests of the service you aim to provide to the users of this system, have you not supplied them with details of the service level standard that they can expect post-August or during the trial phase?

**Mr Horton**—Not the contractual arrangements, but they do have broad understandings. We do share information with the Kinetica advisory committee, the committee which is part elected by the 1,300 libraries and part appointed to represent different groups so that they are fully across these issues.

**Senator LUNDY**—Who collates information about whether or not service level agreements are being adhered to? What is your internal process for the collection and analysis of that information for the purposes of ensuring the outcomes of your contract are being achieved?

**Mr Horton**—I would have to get you an answer on notice. I do not know the details of how it is done, just that it is done.

**Senator LUNDY**—There is a process?

**Mr Horton**—Yes, we are very conscious of this.

**Senator LUNDY**—What remedies are available to you if those service level agreements are not achieved?

**Mr Horton**—I would have to check that. I do not know enough of the detail of the contract. We are still in the introductory phase.

**Senator LUNDY**—I appreciate the actual outcomes might not be achieved in the transition phase, although I think that is a reflection, I have to say, on the nature of the contract in being able to deliver a quality service. Are you aware whether or not sanctions exist within the contract?

**Mr Horton**—There certainly are such arrangements, yes, but I do not know the details of them.



**Senator LUNDY**—If you could also provide that to the committee.

**Mr Horton**—Certainly.

**Senator LUNDY**—With respect to the implementation of Kinetica, have you lost any information management or any staff in relation to this new arrangement?

**Mr Horton**—Lost any information?

**Senator LUNDY**—Information technology staff?

**Mr Horton**—I am not sure of the import of the question. There are always people coming and going but there has been no-one going for any reason to do with the introduction of Kinetica. The staff are very excited by it.

**Senator LUNDY**—It has been an issue in other agencies where a significant IT project has been outsourced.

**Mr Horton**—The staff are excited by it because ABM was such an old legacy system. It is a very exciting development for them.

**Senator LUNDY**—No-one has lost their job as a result?

**Mr Horton**—No.

**Senator LUNDY**—I am very pleased to hear that. I think that is all the questions I have. If you could take on notice to provide the committee with the details of the contract and also the time frame of the contract. What is the duration of it?

**Mr Horton**—It is over six years.

**Senator LUNDY**—What exit clause is available to you at the end of that period?

**Mr Horton**—I honestly do not know, Senator. I would have to check it. It has not been an issue of great concern. It was an issue in negotiating the contract but it is not an issue at the minute. I would have to check that for you.

**Senator LUNDY**—I do appreciate that. As you would be fully aware, there are occasions where projects fall over. It is in the interests of the body controlling it or that is charged with the responsibility for providing a service that they do have the appropriate mechanisms to exit.

**Mr Horton**—We will give you the details.

**Senator LUNDY**—Thank you. That is all I have for the National Library.

**Senator SCHACHT**—The story was wrong about the refit of the executive offices. I have not seen all the newspapers, but have you put a statement to the paper or asked them to correct the erroneous contents of that story?

**Mr Horton**—No, we have not in this case. We were aggrieved at the report. The *Canberra Times* last Saturday in another report virtually corrected it. It went into several other interstate papers and we decided realistically we would just spend the rest of our lives attempting to correct it. It is a complicated issue but the damage was done.

**Senator SCHACHT**—You think the *Canberra Times*—the local, domestic market here in the ACT—reasonably corrected it and got the truer story across?

**Mr Horton**—No, Senator, I would have liked to have had the other corrected, but after thinking about it we just decided that it was a complicated story and really we would probably not get any satisfaction.

**Senator FAULKNER**—Now you know what it is like to be a politician, Mr Horton.

**CHAIR**—Thank you very much. Senator Faulkner and Senator Lundy want to go back to the policy issues and ask some questions of the minister. We will then go to the National Maritime Museum. However, the officers of the National Maritime Museum have a flight to catch, I believe, so if we could get through these questions with the minister fairly expeditiously.

[3.18 p.m.]

### ARTS AND CULTURE POLICY

**Senator FAULKNER**—As you aware, Mr Chairman, I was ready to bat on at 1.45 p.m., unlike some others.

**CHAIR**—But you did not come here at that point. Anyway, proceed.

**Senator FAULKNER**—Thank you. We were canvassing the department's recommendation to ministers in relation to the Federation Cultural and Heritage Program grants. When we left this fascinating issue prior to the luncheon break we were talking about attachment D. I think Mr Palfreyman had informed the committee that all applications were included in attachment D. I asked whether that included ineligible projects, which Senator Alston seemed to find quite extraordinary. I think that is at the point where we broke for lunch, and I wonder if I could get an answer to that question.

**Senator Alston**—I think I did suggest that we were in agreement that the whole 741 were eligible. They simply had different ratings but they were all able to be sympathetically considered.

**Senator FAULKNER**—There is an attachment—you may not be aware of it—called attachment E, which was a list of ineligible projects.

**Senator Alston**—Beyond the 741?

**Senator FAULKNER**—The projects on the list of ineligible projects were included in attachment D. I know you would be aware of this, Minister, because it came across your desk.

**Senator Alston**—Naturally.

**Mr Palfreyman**—Attachment D did include the ineligible projects.

**Senator FAULKNER**—It did?

**Mr Palfreyman**—Yes.

**Senator FAULKNER**—Thank you. That means that the 12 projects that scored below the rating of 15 are obviously all on attachment D, by definition?

**Mr Palfreyman**—That is correct.

**Senator FAULKNER**—I am interested to understand the department's submission, that is the minute that was signed by Mr Neilson. I think it is fair to say that Mr Stevens and Mr Palfreyman have provided evidence to the committee that, apart from the actual ratings score itself, there was not any suggestion that ministers would select or approve projects from just those projects that had a rating score of above 15. I want to be clear on that: is that a fair interpretation of the evidence we have had to date?

**Mr Palfreyman**—Senator, could you just repeat that?

**Senator FAULKNER**—As far as the department was concerned, wasn't there an expectation that ministers would select projects from those that rated 15 and above?

**Mr Palfreyman**—I do not think so.

**Senator Alston**—If that were the case, they would be making recommendations, and they were specifically charged to merely to provide ratings.

**Senator FAULKNER**—So you do not think that is the case?

**Senator Alston**—No. The department always proceeded on the basis, as did we, that they would give us the benefit of their views but at the end of the day they would not have a list of priorities; that would be a matter for us.

**Senator FAULKNER**—So it was not true then that you were provided with a list of highly rated projects from which ministers were to select funding under the FCHP?

**Senator Alston**—We were provided with a full list of projects, all of which had ratings.

**Senator FAULKNER**—Is it true that you were provided with a list of highly rated projects from which ministers were to select projects for funding?

**Senator Alston**—No, that is not right. If by that you mean that we were simply told there are, I think you said, 114 that were 15 or above and that we were effectively told to choose from the 114, that is not right.

**Senator FAULKNER**—What I am asking is whether the department provided you with a list of highly rated projects from which ministers were to select projects for funding under the FCHP?

**Senator Alston**—You mean were we limited? No, we were not limited.

**Senator FAULKNER**—I see. So that is not right? Minister, wasn't the whole purpose of what the department did to provide you with a list of highly rated projects from which ministers were to select projects for funding under the FCHP?

**Mr Stevens**—Senator, that was not the case.

**Senator FAULKNER**—Did you say it was not the case?

**Mr Stevens**—We provided the ministers with a full listing of projects that had been submitted. We had our ratings. We also were aware that the centenary of federation had made separate recommendations to us and that in some cases these would not agree. So it was not necessarily our expectation that they would simply rubber stamp those particular projects. That is why they asked for them all—to have a look at them.

**Senator FAULKNER**—I am surprised to hear that, Mr Stevens, but just so I am clear, would you agree with Mr Stevens's interpretation, Minister?

**Senator Alston**—Yes.

**Senator FAULKNER**—Can someone then explain to me why the purpose on the front of the minute—this is why I am surprised—dated 14 August 1998 has precisely the words that I quoted to you? It says:

PURPOSE: To provide you—

this is you—ministers—

with a list of highly rated cultural, cultural/heritage and heritage projects from which to select for funding under the FCHP.

The departmental minute says that.

**Senator Alston**—That may be a shorthand description.

**Senator FAULKNER**—It is the minute's purpose.

**Mr Palfreyman**—I do not believe that there was any expectation that ministers were expected to confine their attention to that list of projects. That is in fact why the minute includes an assessment of each and every project.

**Senator FAULKNER**—The point I am making here is: I have asked you—not you personally, Mr Palfreyman; the officers at the table and the minister—what the purpose of the department’s process was. The minute that went to ministers set out the purpose. I have asked a number of questions about the purpose and it has been denied. The purpose is there in black and white on the minute that I got under FOI. Let me quote it to you directly:

PURPOSE: To provide you with a list of highly rated cultural, cultural/heritage and heritage projects from which to select for funding under the FCHP.

You cannot have this both ways. Either that is the purpose of the minute or it is not the purpose of the minute and the minute had some other purpose—and I would like to hear what it was—or the evidence we have just heard is wrong.

**Senator Alston**—To the extent that the purpose so-called is intending to convey that we were limited to selecting from those projects which were highly rated, it is not correct. The department did not set the guidelines or the riding instructions on this. It was quite clear from the outset that the input we wanted from the department was not its preferred list of projects, not its recommendations, but its assessments of the projects, and we would then make the final judgment. If that is expressed in a way that implies that we have no choice but to select from a list which itself would be a very selective list, then it is inaccurate. I suspect it was not drafted with any thought to constraining the process which everyone else well understood.

**Senator FAULKNER**—That is an interesting interpretation now, but the words are absolutely clear as they appear in this minute.

**Senator Alston**—But it is not up to the department to make that determination. They cannot unilaterally say to ministers, ‘You are only allowed to choose from a list of highly rated projects.’

**Senator FAULKNER**—They are not saying that; they are providing you with the purpose of the minute. I asked you what the purpose of the minute was and you denied it, but it is written here in black and white by the department.

**Senator Alston**—I didn’t know that you asked me the purpose of the minute. You asked me what the purpose of the exercise was and I am telling you that we were not constrained by any limitations that the department might have intended to impose but I do not believe that they did intend to do that.

**Senator FAULKNER**—Minister, let me ask this: isn’t it true that in terms of ministers making decisions—yourself and Minister Hill—the only information that you had on which to base those decisions was the departmental minute and the substantial attachments to that minute? Isn’t that true?

**Senator Alston**—We had a copy of every project with the ratings attached and we chose from that full list. We were not constrained or limited to those that the department might have rated most highly.

**Senator FAULKNER**—What you had before you was a copy of every submission.

**Senator Alston**—Or a description of.

**Senator FAULKNER**—What was it, just so we are clear?

**Senator Alston**—We had the actual projects.

**Senator FAULKNER**—You ought to know.

**Senator Alston**—You also have a copy of what we were provided with.

**Senator FAULKNER**—No, that is not right, Senator Alston. I have a copy—

**Senator Alston**—With certain excisions.

**Senator FAULKNER**—I have a copy of a highly expurgated version of it, let me assure you. It is basically a document of black paint, provided to me under FOI. I am terribly worried about the inking costs for your photocopying system, given the FOI document that I have received. I think I will have to ask some questions on notice about that. The amount of black pieces of paper I have received through the post will send the department broke. I acknowledge that I have the shell documents, if you like, with any vaguely interesting information blacked out.

**Senator Alston**—You do not have the actual applications, but we did.

**Senator FAULKNER**—I have the documentation provided under FOI.

**Senator Alston**—You have a description; that is right.

**Senator FAULKNER**—Are you saying you have the applications or the departmental report, like I have?

**Senator Alston**—We had both.

**Senator FAULKNER**—You indicated to me that you had what I have—a copy of it.

**Senator Alston**—Yes, I know, and I think that was understating what we actually had.

**Senator FAULKNER**—What you are saying to me is that you also had the original application forms?

**Senator Alston**—Yes.

**Senator FAULKNER**—But you also had the value of the departmental advice that we are speaking of and the attachments?

**Senator Alston**—And the centenary of federation advice.

**Senator FAULKNER**—That is an attachment, isn't it?

**Senator Alston**—Yes, it is an attachment.

**Senator FAULKNER**—That is what I am saying. So that was one of the attachments.

**Senator Alston**—Yes.

**Senator FAULKNER**—I appreciate that you have the advice of the National Council for the Centenary of Federation. I have that in mainly black ink, too. It is not a very helpful document in the form that you have provided it to me, let me assure you. The departmental advice you had before you. And you had some original documents—or you have been advised that you had original documents—before you. The departmental minute makes absolutely clear that the purpose of that minute from the department is to provide you with a list of highly rated projects from which to select for funding under the FCHP. The department at no stage ever contemplated that ministers would be selecting non-highly rated projects at all, did they?

**Senator Alston**—But you know as well as I do that we were at liberty to take full account—in fact, preferred account—of the centenary of federation advice. Even the department itself knew that we were not limited to those projects that they had highly rated. Look, I think that—

**Senator FAULKNER**—But the department took account of the advice of the National Council of the Centenary of Federation, didn't it?

**Senator Alston**—I do not think that is right.

**Senator FAULKNER**—You do not think that is right?

**Senator Alston**—I think they gave their independent assessment.

**Mr Palfreyman**—I believe it was independently done between ourselves and the council did their own independent assessment.

**Senator FAULKNER**—I accept that there were different assessment processes. Are you saying absolutely clearly that the department did not cast an eye over the advice of the National Council for the Centenary of Federation? If that is the case, I am interested to hear it.

**Senator Alston**—They might have done certainly at the stage where they were attaching them.

**Senator FAULKNER**—Either they did or they did not.

**Senator Alston**—In terms of making their judgments and their ratings, they were making them independently of the centenary of federation's own assessments.

**Mr Palfreyman**—Senator, could I just interpose there: the assessments that were done by departmental officers did not take into account the views of the council. The council wrote separately to the minister a week before this minute was sent to him. For ease of reference, a copy of that note, which I think was dated 7 August, was included in the package of papers that went to the two ministers.

**Senator FAULKNER**—Yes, so it forms part of the departmental advice to the minister, surely. It was an attachment. It was attachment D, wasn't it?

**Mr Palfreyman**—In terms of the individual assessments—

**Senator FAULKNER**—I am sorry. I apologise. It was one of the other attachments.

**Mr Palfreyman**—It was certainly an attachment to the papers, but in terms of the individual assessments and the ranking by departmental officials, they did not take into account the views of the Centenary of Federation Council.

**Senator FAULKNER**—But we cannot find out, of course, which two projects the National Council for the Centenary of Federation argued ought to be highly rated of the 12 bottom drawer projects that we are talking about.

**Senator Alston**—That proves the point, doesn't it—that to the extent there was a variation in the two separate inputs of advice, we could not have been required to prefer the department's list.

**Senator FAULKNER**—What it proves is the lack of transparency in the process. You received a minute from the department which provided you with a list from which to select for funding under the FCHP. You never contemplated or considered for one moment that you would be picking projects or selecting projects that did not have a rating. Let me take you to the second page of the minute.

**Senator Alston**—That is true: we did not think we would be selecting from projects that did not have a rating.

**Senator FAULKNER**—That did not have a rating of 15 plus.

**Senator Alston**—That is a different issue.

**Senator FAULKNER**—Thank you for correcting me. I should have added the words ‘15 plus’. I want to be assured that no ineligible projects are included in the 12. You have raised this issue. You assure the committee now that—

**Senator Alston**—What do you mean by that?

**Senator FAULKNER**—that nothing on attachment E, no ineligible project, was included?

**Senator Alston**—That is the case.

**Senator FAULKNER**—You are saying categorically that no project from attachment E was not included?

**Senator Alston**—My advice is that the department excluded some projects on the basis that they did not comply with the guidelines and all those that did were part of the 741 submitted to us for consideration.

**Senator FAULKNER**—That is not an answer to the question, and you know it, Minister. That might be an answer to another question that was not asked. I am asking whether you approved any ineligible project.

**Senator Alston**—By definition, what I have just said excludes the possibility of us choosing an ineligible project because they were not submitted to us.

**Senator FAULKNER**—They were submitted to you. What was attachment E? It was a list of ineligible projects.

**Senator Alston**—I do not think they were being submitted to us as ones from which we could choose. We were being told they were ineligible and we then chose from the eligible projects.

**Senator FAULKNER**—You had an attachment E, which was a list of ineligible projects, so they were submitted to you, weren't they?

**Senator Alston**—Yes, but not for the purpose of us taking them into account and overriding the department's judgment that they were ineligible.

**Senator FAULKNER**—If you go to page 2—

**Senator Alston**—You could say they were superfluous to the exercise. I presume they were given to us for completeness.

**Senator FAULKNER**—I want to be assured that nothing from attachment E was approved.

**Senator Alston**—That is the case.

**Senator FAULKNER**—If I can take you to the second page of the minute. Look at paragraph 5—it is one of the few paragraphs that actually has not been blacked out. This is a terrific page; this is the best page I have got because I have only lost about a quarter of it. It does give a modicum of useful information. It says:

Projects scoring below 15 points out of a possible 24 points did not compare well in terms of significance or community benefit to the highest ranked projects, or, answer concerns about the ability of the organisation to deliver the project on time and within budget and/or had ongoing viability problems.

The truth is that you and Senator Hill picked 12 projects in that category and dumped projects in excess of \$200 million worth of projects that were ranked eligible and 15 plus. So how do you explain that?

**Senator Alston**—There were 114 that were in the category of 15 points or above. At the end of the day there were choices to be made by us and we did that on the basis of judgments

that we exercised. We took into account the views of the department and the Centenary of Federation, but we were not bound to accept their view of the world.

**Senator FAULKNER**—In the view of the department you have chosen 12 projects that either ‘did not compare well in terms of significance or community benefit to the highest ranked projects, or, answer concerns about the ability of the organisation to deliver the project on time and within budget and/or had ongoing viability problems’. You and Senator Hill chose—

**Senator Alston**—In the view of those officers who did those ratings. That was not a view that was automatically accepted by the centenary of federation, nor was it a view automatically accepted by us.

**Senator FAULKNER**—I am aware that it was not accepted by you. What I am trying to establish is what criteria you applied to these, at the moment, secret bottom drawer projects that you have not let us into the loop on and allowed us to identify, so that we can scrutinise it, so that we can have some transparency about this. If you start telling us what the 12 projects are, we will probably get through this an awful lot quicker. But, unfortunately, this does smack of a cover-up.

**Senator Alston**—We took account of the need for a balance of cultural and heritage projects and the need for fair geographic distribution, both by state and territory and between metropolitan and rural areas. We also took account of the number of heritage sites in particular locations and we otherwise had regard to the guidelines that were taken into account by the department and by the centenary of federation.

**Senator FAULKNER**—What document are you quoting from there, Senator Alston? Could you table it for our benefit? What is that?

**Senator Alston**—I am reading from a briefing note.

**Senator FAULKNER**—I know that.

**Senator SCHACHT**—We know you could not have thought that up by yourself.

**Senator Alston**—I thought you might be interested to know.

**Senator SCHACHT**—Can you get all the advisers at the desk as well so that we can have a really good go?

**Senator FAULKNER**—I would be having a better go, Schacht, so you can be quiet.

**Senator Alston**—As I understand it, you have a copy of the memorandum.

**Senator FAULKNER**—I am sorry, Senator Schacht was diverting my attention.

**Senator Alston**—Yes, he often does that. We can both assume that we were not missing anything.

**Senator FAULKNER**—It is always a useful contribution. He has got you on the rack, I think. What are you quoting from?

**Senator Alston**—You have a copy of the memorandum which sets out the ministerial assessment process and specifies the matters that we took into account.

**Senator FAULKNER**—And you are quoting from that memorandum?

**Senator Alston**—Yes, and you have got it. I will read it to you if you like: ‘The general and specific assessment criteria—

**Senator FAULKNER**—No. I just asked you what document you are quoting from.



**Senator Alston**—I have told you. It is a memorandum—

**Senator FAULKNER**—There are some people who do not hang on every word and watch the television of Senate estimates committees as they are going on and they will be wondering whose eloquence it was.

**Senator Alston**—They are probably normal people.

**Senator FAULKNER**—There is a bit of plagiarism there and I thought we probably ought to acknowledge the author. The point is, of course, that you had a departmental submission which provided you a list from which to select for funding under the FCHP and at no stage, at any time, did the department contemplate that you would move away from that list of highly rated projects.

**Senator Alston**—That is just wrong, wrong, wrong.

**Senator FAULKNER**—It is not wrong. Look at the covering page of the minute.

**Senator Alston**—I think you accepted this morning; you are now trying to tailor your statement about the process to fit with a cover note from the department which I think probably is mildly inaccurate in its description but—

**Senator FAULKNER**—Minister, I was well aware of the covering note on the minute this morning and I suspect I have been a lot more aware of it than you have. I have probably taken a great deal closer interest in this than you.

**Senator Alston**—We both agreed this morning, did we not, that there were several projects that the centenary of federation rated higher than the department, so we were not at any stage simply required to confine ourselves—

**Senator FAULKNER**—You didn't. What you did do this morning was eventually get an official to acknowledge that my question to you about two projects that were recommended by the National Council for the Centenary of Federation were approved. I said to you that I put them in a different category to the other 10, but you will not even identify which two they are.

**Senator Alston**—My point is that at no stage did anyone proceed on the basis that we were required to simply rubber stamp the department's assessment priorities.

**Senator FAULKNER**—Mr Palfreyman in February described the 15 plus projects. Let me quote him:

. . . it was the judgment of officers doing the assessment that projects scoring 15 and above were probably worthy of support in terms of the six criteria against which they were assessed.

That was Mr Palfreyman's words in relation to—

**Senator Alston**—Did you say 'probably'?

**Senator FAULKNER**—That is right. It is on page 245 of the *Hansard*. I asked Mr Palfreyman the significance of the 15 score.

**Senator Alston**—That is right.

**Senator FAULKNER**—And that is what he answered.

**Senator Alston**—That is dead accurate. He was not saying that these were absolute and definitive and no-one else had the right to disagree. He was saying that in the view of the department these were probably the way—

**Senator FAULKNER**—Mr Palfreyman in the same answer to the same question went on to say that the group of 15 and above gave the ministers something in excess of 100 projects

from which to choose, totalling about \$250 million. Mr Stevens was helpful enough to say that it was precisely 114—the now much quoted figure of 114. Twelve do not make the mark. They do not get there. They are 14 points and below. Minister, can you or your officers give an assurance that the applications for the 12 projects that we are focusing on were submitted in accordance with the program guidelines?

**Senator Alston**—I have no reason to think that they were not.

**Senator FAULKNER**—You have got no reason to think they were not, but that is not an answer to the question. I want to know whether the applications were submitted in accordance with the program guidelines for the 12 projects that were 14 points or below.

**Senator Alston**—Every project, other than those that were determined to be ineligible, complied with the guidelines, and that included those 12.

**Senator FAULKNER**—Were they submitted in accordance with the program guidelines?

**Mr Palfreyman**—The answer is yes, Senator.

**Senator FAULKNER**—Thank you, Mr Palfreyman. You have assured me that none of the projects were rated ineligible by the department?

**Mr Palfreyman**—Yes, Senator.

**Senator FAULKNER**—Can you now supply for the benefit of the committee, without identifying the 12 projects, what the ratings were for the 12 projects?

**Senator Alston**—I think I have already said on a number of occasions that we do not think it is appropriate to be putting on the public record advice that is provided in confidence to ministers and upon which they are ultimately required to be judged by the decisions they make.

The ratings that were submitted to us from both the department and from the centenary of federation were simply their views of the matter. We think it would put successful and unsuccessful applicants in an invidious position. There would be, I think, probably a significant discouragement to departmental officers to provide confidential advice on sensitive matters if they were aware that it could be dragged through the public arena because it would be essentially asserting that they were right or wrong, whereas they are simply doing their best to offer advice on the basis that they do not make the final decision.

**Senator FAULKNER**—Obviously you have misunderstood the question; I will give you the benefit of the doubt, Minister. You are not willing to identify the 12 projects. We do not know what they are, but we do know that 12 projects received between zero and 14 points. I would like to know the name of the 12 projects, but I am not asking for that; I am asking for the 12 ratings.

**Senator Alston**—I do not think it is relevant to the exercise. All that is relevant—

**Senator FAULKNER**—I think it is very relevant.

**Senator Alston**—I know you do. I fully respect your right to hold those views very strongly. But at the end of the day we are judged on the decisions we make.

**Senator FAULKNER**—Your rather tortured reasoning behind not providing the answer is not relevant in these circumstances. These projects are not identified. I just want to know the ratings; how many at 14, how many at 1, how many at zero.

**Senator Alston**—I am sure there are a lot of matters you would like further information on but—

**Senator FAULKNER**—But you are not willing to provide that?

**Senator Alston**—No.

**Senator FAULKNER**—How does that fit with your commitment to transparency?

**Senator Alston**—I have told you. I think the process itself is very transparent.

**Senator FAULKNER**—Or your non-commitment to transparency?

**Senator Alston**—It is understood at all times the basis on which the final decisions would be taken. We would take into account the advice received from both streams and make our own judgments. That puts the responsibility where it ought to be—with the ultimate decision maker. It should not result in public servants being questioned about why they rated something in a particular manner.

**Senator FAULKNER**—I am not asking you to identify the projects, you know that; I am asking you to give us the ratings.

**Senator Alston**—I do not think it is appropriate that any of the projects that got final approval should have a rating attached to them in the public arena.

**Senator FAULKNER**—Why not?

**Senator Alston**—As I have said to you, because I think it creates all sorts of misunderstandings.

**Senator FAULKNER**—If no-one knows what the projects are, what possible misunderstanding can there be?

**Senator Alston**—How does it assist anyone?

**Senator FAULKNER**—Because I want to know if you and Senator Hill scabbled around in the bottom drawer and dragged out a couple of shonky projects and stuck them in. That is what I want to know.

**Senator Alston**—I can assure you that we did not.

**Senator FAULKNER**—I think the ratings from the department would help me make that judgment.

**Senator Alston**—That was not how we approached the matter.

**Senator FAULKNER**—If you are so confident that this will stand scrutiny, be accountable to parliament, be accountable to the estimates committee and front up with the information and tell us about these projects.

**Senator Alston**—I am saying that we make our judgments and we stand by them. If you want to disagree with our decisions, do so. If you want to look at the 60 successful projects and say that there is no way some of these should have been funded, do so.

**Senator FAULKNER**—I want to find out what the decisions are first.

**Senator Alston**—But that does not help you to make a judgment.

**Senator FAULKNER**—Yes, it does.

**Senator Alston**—That is just someone else's view of the world.

**Senator FAULKNER**—I want to know which projects you up-ended the departmental process on.

**Senator Alston**—If you have got the courage to criticise this, then you identify those projects that you say clearly could not have been supported by any reasonable decision makers.

**Senator FAULKNER**—I do not think I am lacking in courage in this at all, Minister.

**Senator Alston**—This is a big opportunity for you.

**Senator FAULKNER**—Perhaps. You get so many that maybe this is one I do not want to take up.

**Senator Alston**—You are world weary.

**Senator FAULKNER**—We will see. It is not a question of courage; it is a question of trying to delve into the process. It is not a question of criticising the projects at this stage; it is a question of understanding which of the projects that did not pass departmental muster you and Senator Hill dragged out of the bottom drawer and approved just prior to the election. That is what I want. There is no point in beating around the bush about it; that is what it is about.

**Senator Alston**—All you should be concerned about is whether the projects that we ultimately selected deserve to be supported. If you take the view that some of them did not, well, you have a perfect right to criticise all or any of them.

**Senator FAULKNER**—Was departmental reassessment sought after Mr Neilson's minute for any of the projects that had a rating of 14 points or below?

**Senator Alston**—If we were to do that, we would be effectively inviting the department to be the ultimate decision maker. We were not putting the department in a position where they had to ultimately justify or fall into line with our decisions. They were perfectly at liberty to offer their advice and we took it into account. To the extent the centenary of federation had a different view, we took that into account. But we are the ones who wear it; we make the decision.

**Senator FAULKNER**—Is that a longwinded way of saying no? I am asking a question: was there any reassessment by the department of projects between 14 August, the date of Mr Neilson's minute, and the time that you and Senator Hill made decisions on the 27th? This is worse than a caucus meeting. We are used to it, by suppose, Mr Chairman. Perhaps it isn't worse.

**Senator Alston**—As I understand it, they were not asked to reassess and nor did they.

**Senator FAULKNER**—Were they involved in any way?

**Senator Alston**—In any reassessment? No.

**Senator FAULKNER**—Were they involved in any other way?

**Senator Alston**—What do you mean?

**Senator FAULKNER**—I am asking an open-ended question.

**Senator Alston**—I have told you—they gave us the advice and we made the decision.

**Senator FAULKNER**—I am asking you, after the advice was forwarded to you via Mr Neilson's minutes and attachments on the 14th—

**Senator Alston**—Did we go back to them and ask for a further reassessment?

**Senator FAULKNER**—Was there any further contact with the department?

**Senator Alston**—Not to my knowledge by us, no.

**Senator FAULKNER**—Why didn't you or Senator Hill decide to seek departmental reassessment for 12 projects that received a rating of below 15 points?

**Senator Alston**—Why would we want to do that?

**Senator FAULKNER**—I would have thought that if you decide to up-end—

**Senator Alston**—What? Ask them to basically forget the advice they had given earlier and fall into line with our advice?

**Senator FAULKNER**—No, if you felt that the departmental rating was inadequate—

**Senator Alston**—We knew what their view was. We were at liberty to disagree. They accepted that we might do that.

**Senator FAULKNER**—I appreciate that you knew what their view was. You knew that their view was that none of those 12 projects should be selected for funding. That is quite clear from the cover page and the contents of one of the few minutes that has not been blacked out that has been provided to me under FOI.

**Senator Alston**—I have told you that that is demonstrably wrong.

**Senator FAULKNER**—It is not demonstrably wrong; it is quite clearly correct. If you were going to up-end these recommendations and ratings, why wouldn't you go back to the department and have a word with them?

**Senator Alston**—To do what?

**Senator FAULKNER**—What did you know that they did not know?

**Senator Alston**—Would we have any reason to think that they deliberately got it wrong?

**Senator FAULKNER**—Do you know why those ratings were made? Were you able to make the same judgments as the department was on ongoing viability problems?

**Senator Alston**—I don't know that they had any more information than we did on these issues.

**Senator FAULKNER**—Given that their minute talks about such things, surely you would think that they did? Are you in a more expert—

**Senator Alston**—We proceeded on the basis that they provided us with all the relevant advice sufficient to enable us to make our own independent judgments.

**Senator FAULKNER**—What makes you any more expert than the department to determine issues of comparisons in terms of significance or community benefit? Why wouldn't the department know more about that than you? It has got a lot more resources to throw at it than you.

**Senator Alston**—There is no reason why you should assume that we knew any less than they did. We may well have known more, in the sense that we would be familiar with those areas or would have actually heard of them through other means.

**Senator FAULKNER**—You just can't be serious. Do you really think that you and Senator Hill were in a better position than the task group to answer concerns about the ability of the organisations to deliver the project on time?

**Senator Alston**—We proceeded on the information they provided to us.

**Senator FAULKNER**—No you didn't, you up-ended the decisions they provided, you ignored them. That's the point, Minister.

**Senator Alston**—We disagreed with them. We didn't ignore them, we disagreed with them in some respects.

**Senator FAULKNER**—But I would have thought, in terms of probity and accountability, this is pretty important: the capacity and ability of an organisation to deliver on time, the capacity to deliver within budget, ongoing viability problems, community significance and benefit. You are putting yourself above a departmental task group on all these issues.

**Senator Alston**—As I recall it, they spelt out the reasons for coming to those conclusions and we took that into account. We did not necessarily agree with the conclusions they reached and we made decisions of our own and we have justified those by our own reasoning process.

**Senator FAULKNER**—What about viability, what about capacity to deliver on time?

**Senator Alston**—Again, to the extent—

**Senator FAULKNER**—What about community development?

**Senator Alston**—That these were matters of concern to them, they spelt out the basis on which they had arrived at that conclusion. It was therefore open to us to take account of their thought processes, to decide whether we agreed with that or not and to make our own judgments—and we did.

**Senator FAULKNER**—Was the department asked at any stage to identify the electorates within which the various applications fell?

**Mr Palfreyman**—The answer to the question is no, Senator.

**Senator FAULKNER**—Thank you. Did the explanation of reasons for decisions which the ministers set out in their memorandum of 5 November to Mr Neilson include an explanation of the genesis of the 12 mystery projects?

**Senator Alston**—The genesis of them is that they were in the same category as the 741.

**Senator FAULKNER**—They were not in the same category, Minister, they were rated under 15.

**Senator Alston**—They were all eligible projects. They were assessed differently. The genesis is the origin of them. The origin of those projects is that they were submitted as applications to be considered by the department and the Centenary of Federation and ultimately by the ministers.

**Senator FAULKNER**—Did the explanation of reasons in the memorandum to Mr Neilson include an explanation of where these projects came from and why they appeared on the list, even though they rated below 15 points?

**Senator Alston**—We spelt out the basis on which we preferred the projects, but I do not think we commented on the origin of them, which is the genesis. The origin of all these, presumably, is that certain people thought they were worthy of being funded and submitted applications accordingly.

**Senator FAULKNER**—Did you explain why ministers chose to ignore departmental assessments and ratings?

**Senator Alston**—We did not express it in those terms because we were not expected to do it. We simply spelt out the reasons that led us to conclude that particular projects were worthy of support.

**Senator FAULKNER**—I am asking these questions because this is the sort of material that comes through in terms of the explanations. This is really helpful.

**Senator Alston**—I remember seeing a lot of that when we were in opposition.

**Senator FAULKNER**—Maybe so.

**Senator Alston**—I am familiar with it.

**Senator FAULKNER**—I don't know whether you are familiar with this particular—

**Senator Alston**—It is not something new.

**Senator FAULKNER**—I don't know whether you are familiar with this particular FOI response or not. The reasons why you decided to ignore departmental ratings, I assume, is the sort of material that has been blacked out. It is covered up.

**Senator Alston**—I have told you many times, we did not choose to ignore, we took into account the views of both streams of advice and made our own judgments.

**Senator FAULKNER**—Can the department confirm for me, please, that the projects that scored below 15 points out of a possible 24 points, in the view of the department either did not compare well in terms of significance or community benefit to the highest ranked projects or answer concerns about the ability of the organisation to deliver the project on time and within budget and/or had ongoing viability problems? Regardless of Senator Alston's views, there is no question that it was the view of the department, is there?

**Mr Palfreyman**—Senator, I do not think you can put that precise connotation on it. We had a scoring system of 24 and there were a number of criteria—I think six, from memory—against which the individual projects were rated, so they could have anything from zero to 4. In that list, which was in the attachment to which you referred, we rated those 15 and above. There were various scores for the remainder of the projects, ranging from zero to 4, for each of the six criteria against which the projects were assessed.

**Senator FAULKNER**—With respect, Mr Palfreyman, I am not putting any connotation on it, I am just quoting from the department's minute to ministers. It is not my connotation, for heaven's sake, it is the department's words. I don't think it is fair to suggest I am putting a connotation on the department's minute. That is what it says.

**Senator Alston**—Are you referring to the purpose of the minute?

**Senator FAULKNER**—No, we have dealt with the purpose, we understand that you ignored the purpose of the minute. We are now dealing with issues in paragraph 5—as I say, it is one of the few paragraphs that has not been blacked out—in Mr Neilson's minute. If you go to paragraph 5, it is the second last sentence—

Projects scoring below 15 points out of a possible 24 points either did not compare well in terms of significance or community benefit to the highest ranked projects or answer concerns about the ability of the organisation to deliver the project on time and within budget and/or had ongoing viability problems.

**Senator Alston**—In other words, they brought together a whole range of reasons why they might have ranked some higher than others.

**Senator FAULKNER**—I am just asking for a confirmation, Minister. This one was not directed to you because it is a departmental minute. I appreciate you may not allow the officers to answer it, that is fine, but that is the view of the department, it is not a connotation of mine.

**Mr Palfreyman**—Senator, as a summary, yes. I think the important words are "and/or", you can't run them all together. That is the point I was trying to make.

**Senator FAULKNER**—I did try to stress those conjunctions.

**Mr Palfreyman**—I am sorry, I misunderstood you.

**Senator FAULKNER**—Thank you. We understand that is the view of the department.

Mr Palfreyman, let me make it absolutely clear, I am not critical of departmental processes here at all. I said in my earlier comments that, as far as I could see, the department had done its best. I accepted the assurance Mr Stevens made to the committee earlier today that the department had done its best to ensure that these processes were conducted in accordance with

the Auditor-General's best practice guide for the government's grants programs. I accept his assurance.

You see, it is not the department that is being shonky here, it is the ministers—Senator Alston and Senator Hill—who have engaged in a shonky process. I would like to know, Minister, how you justify such a shonk?

**Senator Alston**—I don't think your question adds anything new to what we have already canvassed.

**Senator FAULKNER**—What do you think the Auditor-General would think about this sort of process? He would think it is shonky, too, wouldn't he?

**Senator Alston**—Do you mean by that that the mere fact we disagree with ratings assessments provided by two different sources means that the process is somehow flawed? It would be if the riding instructions were that we were required to rubber stamp the department's advice, but we were not. I cannot see why the Auditor-General would take anything other than the view that the department did what it was asked to do and so did the ministers.

**Senator FAULKNER**—Are you aware of the department's approving minutes in relation to the Auditor-General's best practice guide?

**Senator Alston**—I do not know what you mean by that.

**Senator FAULKNER**—One of the documents you supplied to me under FOI—I think it is the only one that escaped the net without any deletions—was a minute from Mr Scott—I do not know who Mr Scott is but I assume he is a departmental officer—dated 1 June 1998 on the FCHP and ANAO requirements. That is why I raised the Auditor-General. Are you aware of that? The department, I assume—correct me if I am wrong, Mr Stevens—is well aware of what the Auditor-General has had to say about documenting the reasons for decisions.

**Senator Alston**—That is correct.

**Senator FAULKNER**—Thank you. And that is what Mr Scott's minute, of course, refers to.

**Senator Alston**—And we did.

**Senator FAULKNER**—You did not. You have not.

**Senator Alston**—We provided reasons.

**Senator FAULKNER**—Minister, with respect, you have not.

**Senator Alston**—We may not have provided them to you but we provided reasons, we justified our decision.

**Senator FAULKNER**—Is the department aware, Mr Stevens, of the Auditor-General's statement which says:

The criteria and basis for recommendations and decisions of the grant process, including appraisal and approval, must be effectively documented. Appraisal forms should provide for the recording of reasons for decisions and recommendations. They should be maintained consistently as part of the official record and be accessible under freedom of information provisions.

You see, this is just spitting in the face of the Auditor-General.

**Mr Stevens**—Senator, we do not accept that we are in conflict with the Auditor-General. We understand that his requirements apply to the situation where the applicant might be seeking that information, rather than the general public.



**Senator FAULKNER**—With respect, Mr Stevens, I do not believe that is correct. If you go to his *Better practice guide on administration of grants*, I think you will find on page 54 a very clear statement in this regard.

**Mr Stevens**—I might ask Ms Bean to comment on that, Senator, because she actually did the FOI request.

**Ms Bean**—The point I think I need to make here is that if an FOI request is put in by an applicant, they would get a different set of information than the information that would be given to you. If I was making an FOI decision, I would give an applicant most, if not all, their assessment papers.

**Senator Alston**—In relation to them.

**Ms Bean**—In relation to them.

**Senator FAULKNER**—Ms Bean, I would refer you and Mr Stevens to the Auditor-General's best practice guide. I do not want to spend a lot of time on this point at this committee today.

I would ask, though, in relation to this particular issue and in the light of the Auditor-General's comments, that you take a close look at that, and I accept that you will and you will treat that seriously. I particularly direct this to the departmental secretary.

I accept that the Auditor-General's advice forms the basis of the departmental procedures in relation to the FCHP, I accept Mr Stevens' word in that regard, but I would like to request formally through this committee access to the unexpurgated version of the minister's statement of reasons; that is what I would like. I would be happy for Mr Stevens to take that on notice. I think that is perhaps something he might care to reflect on outside the context of this hearing; I would ask him if he would do that and reflect on it in that way.

I would also ask, if Mr Stevens is not minded to respond in a way that I might be comfortable with, or regardless, I would respectfully suggest that this might be something on which he might appropriately seek some advice from the Auditor-General also—if you feel my interpretation is an unreasonable one; I think it is a very clear one. Could I ask you, Mr Stevens, to take that on notice.

**Mr Stevens**—Yes, Senator.

**Senator FAULKNER**—And, as I say, perhaps give it some reflection outside the atmosphere of the committee.

Can I ask whether the department can explain why it was testing the procedures we have been developing for the FCHP against the ANAO requirements—that is a direct quotation from the minute of 1 June—when the FCHP guidelines had been developed well before that date? I am interested, if you like, in the interface with Mr Scott's minute of 1 June, yet the guidelines were developed well before Mr Scott's minute. This seems to me to be a little extraordinary.

**Mr Palfreyman**—I think that was directed towards the assessment procedures. The guidelines have been put out to make sure that the way we assess projects against the guidelines is in accord with best practice.

**Senator FAULKNER**—Didn't ministers write to the Prime Minister seeking approval of the guidelines on 22 April?

**Mr Palfreyman**—Yes. I just repeat what I said, Senator: I think it was the implementation of the guidelines in terms of the actual assessment procedures.

**Senator FAULKNER**—In terms of forming the guidelines, developing the guidelines, establishing the guidelines, don't you have to have regard to ANAO requirements at that point?

**Mr Palfreyman**—Indeed, but this was directed towards the assessment procedures following that.

**Senator FAULKNER**—When ministers wrote to the Prime Minister for approval of the guidelines on 22 April, were they apprised of the ANAO requirements in that regard?

**Mr Palfreyman**—I am just seeking clarification, Senator. I want to make sure I get the sequence right. I wonder whether we could take that on notice.

**Senator FAULKNER**—That is fine. I would appreciate it if you could and I would appreciate an early response. My recollection is that ministers wrote to the Prime Minister seeking approval of the guidelines on 22 April. The Prime Minister gave approval on 14 May and applications were invited on 26 and 28 May. That is my understanding of the time lines and that is the interface of this with ANAO procedures. If you are unsure, I think it is a better idea to take it on notice. I am perfectly happy with that. Can I just briefly turn to an article that appeared in the *Sydney Morning Herald* on Monday, 7 June—I do not know if you saw it, Minister—called 'Funding the issue'.

**Senator Alston**—I did see that article, yes.

**Senator FAULKNER**—It talks about federation funds being used to provide the Howard government with its biggest ever barrel of pork—that is in the view of the *Sydney Morning Herald*. I wonder if the department can confirm Mr Seccombe's analysis in the *Sydney Morning Herald*, that is, that Labor's 12 marginal seats got \$6.1 million for 7  $\frac{1}{3}$  projects, compared to \$21.53 million for 22 projects for 25 marginal seats held by the coalition. The definition of marginal seats is outlined there. Labor's 12 marginal seats got \$6.1 million for 7  $\frac{1}{3}$  projects and the coalition's 25 marginals got \$21.53 million for 22 projects. Did the department run the ruler over that to check whether that was accurate?

**Mr Palfreyman**—Senator, I am not aware of any analysis. Do you want us to check, for some reason?

**Senator FAULKNER**—I just wondered if you did check.

**Mr Palfreyman**—I am not aware that we have done any analysis like that.

**Senator FAULKNER**—Minister, are you able to explain that outcome?

**Senator Alston**—We were conscious of the distribution to electorates. Thirty-one projects, which is 52 per cent of the total, went to 50 per cent of the House of Representatives electorates held by the Liberal Party; 12 per cent, that is seven projects, went to the 12 per cent of electorates held by the National Party; 30 per cent, being 18 projects, went to the 33 per cent of electorates held by the Labor Party; five per cent, being three projects, went to the five per cent of electorates held by Independents; and one project went across multiple electorates. That was the extent of our assessment or analysis.

**Senator FAULKNER**—Is that another helpful briefing note you might table for the benefit of the committee, Minister?

**Senator Alston**—You can make your own assessment about whether those figures are accurate.

**Senator FAULKNER**—I have made my own assessment, as a matter of fact—it might surprise you. I wonder whether that briefing note could be tabled.

**Senator Alston**—I have read out the relevant part and I think that speaks for itself.

**Senator FAULKNER**—But there might be some other interesting parts. We might perhaps all benefit with the wisdom of what is in there.

**Senator Alston**—That is the only reference to electorates.

**Senator FAULKNER**—Do I detect from the tenor of your answer that you are not going to table the briefing note?

**Senator Alston**—There is no need to table it. I have told you what the relevant part is in relation to electorates and I have given you the figures.

**Senator FAULKNER**—Can I ask the department when they became aware of such a skewed outcome in the nature of where these grants were going in terms of the political geography?

**Senator Alston**—There is no skewing in the figures I have given to you. Fifty-two per cent went to the 50 per cent of seats held by the Liberal Party, 12 per cent to the 12 per cent of electorates held by the National Party and 30 per cent to the 33 per cent of electorates held by the Labor Party. They are the three major parties.

**Senator FAULKNER**—Where did you get those figures from? The department said that they have not been dealing with these issues. They are not right. I just wondered where on earth you got them from.

**Senator Alston**—If you think they are wrong, you can do your own calculations.

**Senator FAULKNER**—I have done my own calculations. What are you basing those calculations on—some dodgy old document you have got in front of you provided by the national secretariat of the Liberal Party or something.

**Senator Alston**—I am just saying that 31 projects went to Liberal held electorates. If you say that is wrong, you tell me how many projects you think went to Liberal Party seats.

**Senator FAULKNER**—I believe the figures in the *Sydney Morning Herald* are extremely close to the mark. What is the basis of those figures?

**Senator Alston**—I have told you.

**Senator FAULKNER**—You are quoting them. You are the minister at the table. I want to make sure that you are not misleading the committee. What is the basis of them?

**Senator Alston**—The information available to me—

**Senator FAULKNER**—Have you gone out and worked them up or has someone in your office done them?

**Senator Alston**—No, I have not.

**Senator FAULKNER**—Who has done it?

**Senator Alston**—The information available to me—

**Senator FAULKNER**—Where is it from?

**Senator Alston**—is that 52 per cent, being 31 projects, went to the 50 per cent of House of Representatives electorates held by the Liberal Party; 12 per cent went to the 12 per cent held by the National Party; and 30 per cent of projects went to the 33 per cent of electorates held by the Labor Party.

**Senator FAULKNER**—Where did you get the information from is what I am asking?

**Senator Alston**—It is an objective assessment.

**Senator FAULKNER**—Who from?

**Senator Alston**—You do your own calculations. If you think it is wrong, say so.

**Senator FAULKNER**—Who is it from?

**Senator Alston**—It speaks for itself.

**Senator FAULKNER**—Who is it from?

**Senator Alston**—I am not sure who put these figures together.

**Senator FAULKNER**—You just pick up any old document—

**Senator Alston**—I have no reason to think those figures are inaccurate, but if you want to go off and do your own calculations you are free to do so.

**Senator FAULKNER**—You find some document lying around in the corridor and, like a vacuum cleaner, you go along and pick it up and come along and quote it at Senate commitments. That is a joke, Minister—fair dinkum. You cannot be serious. You are quoting these figures at an estimates committee.

**Senator Alston**—If you are telling me those figures are wrong, I am happy to hear your—

**Senator FAULKNER**—Whose figures are they?

**Senator Alston**—I am telling you what I say the figures are. If you say they are wrong, you can do your own calculations.

**Senator FAULKNER**—They are not your figures; you have found these figures somewhere else.

**Senator Alston**—They are not figures that have simply been fabricated for the purpose of advancing an argument.

**Senator FAULKNER**—How do you know?

**Senator Alston**—They are figures that are put forward which can be assessed objectively, and if you have any basis for disagreement, I am sure we will hear about it.

**Senator FAULKNER**—Where did they come from? You cannot come along here and just quote shonky old figures like that and expect to get away with it.

**Senator Alston**—You say they are shonky; I am just telling you what the figures are.

**Senator FAULKNER**—You tell us where they come from, if you have got enough confidence in them. Who did them? Come on, put your money where your mouth is.

**Senator Alston**—The figures speak for themselves.

**Senator FAULKNER**—Put your money where your mouth is.

**Senator Alston**—If you want to disagree with them, you are free to do so.

**Senator FAULKNER**—I do disagree with them. I am quoting some figures here and at least I am acknowledging the source, the *Sydney Morning Herald*. You are not even willing to acknowledge a source. Pretty embarrassing, eh? Anyway, the department has not looked at this issue, is that what the department is saying to me? Has the department done any work on this issue of marginal seat allocation of FCHP projects?

**Mr Palfreyman**—On marginal seats, no, Senator.

**Senator FAULKNER**—Or on the composition of the parliament as a whole?

**Mr Palfreyman**—On the basis of electorates and membership, yes, but not on marginals.

**Senator FAULKNER**—When did you do that, Mr Palfreyman?

**Mr Palfreyman**—Senator, I would need to take advice on the precise time, but it was shortly after decisions were made so it was some months ago.

**Senator FAULKNER**—Thank you, that is helpful, Mr Palfreyman, if you would take that advice and perhaps come back to us. Who did you provide the information to?

**Mr Palfreyman**—It would have been to the minister's office.

**Senator FAULKNER**—What did you do with it when you got it, Minister?

**Mr Palfreyman**—Senator, can I just take that as part of the notice?

**Senator FAULKNER**—That was to the minister, it went to the minister's office.

**Mr Palfreyman**—I said I assumed it went to the minister's office.

**Senator FAULKNER**—I must admit, I have the same assumption.

**Mr Palfreyman**—I am now advised that the advice was only provided to the minister's office following the article in the Sydney Morning Herald.

**Senator FAULKNER**—So you sat on it for a while?

**Mr Palfreyman**—Well, there was no reason—

**Senator FAULKNER**—I gather the material was prepared a long time ago and provided just recently.

**Mr Palfreyman**—As I said, my understanding is that in terms of what electorate these projects were in, that was done after the decisions, but I am advised that the actual advice on the sort of numbers that are now available was only provided recently to the minister's office.

**Senator FAULKNER**—Did you get asked to do that by the minister or someone? Why did you do that?

**Mr Palfreyman**—Senator, I am advised that we were not asked by the minister's office but the department provided it as factual information.

**Senator FAULKNER**—It was generated in the department?

**Mr Palfreyman**—That's correct.

**Senator FAULKNER**—It seems an unusual thing to do, but I accept that. If you see an article like this, you just want to check it out?

**Mr Palfreyman**—Yes.

**Senator FAULKNER**—Fair enough. Can someone tell me now, of the 12 bottom drawer shonky projects that we have been focussing on in this estimates committee, how many of those are located in coalition held seats and specifically how many are in coalition marginal seats?

**Senator Alston**—I think I have made it plain that we don't think it is desirable to seek to identify those projects, any more than the projects that were unsuccessful should be identified.

**Senator FAULKNER**—I am only asking how many, Minister. What is the point of covering this up, too?

**Senator Alston**—You can do your own calculations based on the 60 projects.

**Senator FAULKNER**—No, I can't, because I don't know what the blooming projects are. That's the point.

**Senator Alston**—Exactly.

**Senator FAULKNER**—I thought we had established that. I can't do my own calculations.

**Senator Alston**—You can do them on the totality of the 60 successful applications, but beyond that we are not in the business of identifying the 12 projects that you might have some interest in.

**Senator FAULKNER**—Can you help us out here or are you going to cover it up?

**Senator Alston**—I have said to you, I don't see that it is in any way relevant. The ultimate decision is one that we make in respect of 60 projects. If you want to argue that some or all of those should not have been funded then you are free to do so and you can have that discussion at any time. Mr Seccombe took issue with a couple of projects; you are free to do the same.

**Senator FAULKNER**—I am taking issue with the process. I'm sorry that you don't seem to understand that, but I'm taking issue with the process. I have got no reason to take issue with the departmental process, I am taking issue, very serious issue, with the shonky operation that you and Senator Hill engaged in. I would have thought that was pretty clear by now.

**Senator Alston**—You are not taking issue with the process.

**Senator FAULKNER**—I am.

**Senator Alston**—You are wanting to know the detail of decisions and the nature of the rating advice provided by the department.

**Senator FAULKNER**—I want to know why you have approved 12 projects—

**Senator Alston**—I have told you.

**Senator FAULKNER**—That have a rating of below 15 that were not on the list that was provided to you by the department from which to select for funding under the FCHP. I am interested in the whole range of accountability and transparency issues in relation to that, I am interested in the audit trail.

**Senator Alston**—The audit trail requires that.

**Senator FAULKNER**—It is clear at this time what I am interested in.

**Senator Alston**—The audit trail requires us to provide reasons for decisions and we have done that.

**Senator FAULKNER**—Mr Chairman, I would like to conclude this line of questioning, if I can, because I don't want to go around in ever decreasing circles, given the minister seems hell bent on covering this up. I have some questions about the FOI issue and I will probably conclude my questioning after that, unless I'm provoked, or unless I provoke Senator Schacht into asking some questions about this—I don't know, I might.

This is in relation to the FOI issue, Mr Stevens, if I can be clear on that.

**Mr Stevens**—You certainly can be, Senator.

**Senator FAULKNER**—Would it be reasonable to say that all information held by the department relating to the actual assessments and the ranking of FCHP projects has actually been withheld from the material provided to me under FOI?

**Mr Stevens**—I would have to ask Ms Beam to take that. She was the decision maker; I'm not aware what she decided.

**Ms Beam**—Yes.

**Senator FAULKNER**—Thank you, Ms Beam. For the most part—I showed an example earlier on—this has been held out by the process of blacking. This page is an excellent example of blacking out. One wonders why it was supplied.

**Ms Beam**—Because it was one page out of a document.

**Senator FAULKNER**—I didn't mean to make it specific. For the most part this has been withheld by the process of blacking out?

**Ms Beam**—That is correct. Where it is a whole page, the document is exempted rather than released like that.

**Senator FAULKNER**—Thank you, Ms Beam. I think much of the argument that is presented by the department in coming to this decision in my view is not unreasonable, which might come as a surprise, but nevertheless I think it is not unreasonable. I think most people would take the view that the assessments should not be included, and I think that is pretty standard practice, but I would like to hear from departmental officers about that.

**Ms Beam**—It is probably best that I answer, as the decision maker. I would just exercise my personal judgment in accordance with the act, and that is the view I took.

**Senator FAULKNER**—Of course, what I would say is that the assessment should be out but the statement of reasons should be in. I would say that very, very strongly to Mr Stevens: the assessment should be out but the statement of reasons should be in—and both are out.

**Mr Stevens**—The decision maker is Ms Beam and—

**Senator FAULKNER**—I know, but I am making that point to you.

**Mr Stevens**—There is an appeal process involved.

**Senator FAULKNER**—I am aware of that, Mr Stevens, I am just making that point to the committee. Also generously—not generously, but sensibly, I hope I am making the point that I do not dispute a lot of the argumentation that is being used by the department in coming to their decision.

I take very strong exception to the fact that the ministerial memorandum which contains the statement of reasons for the ministers' decisions to fund the 60 successful projects—this document here—has been gutted of any useful information whatsoever, absolutely gutted of any useful information. All the actual reasons in this documentation have been blacked out. It leaves nothing but a list of the successful projects and a very brief description of each successful project.

I would like to know what the background is to the memorandum. I suppose this is not a question about FOI; I have made the point about FOI and I might pretty well leave that here. In relation to this memorandum—you would be aware of the memorandum I am referring to, Mr Stevens: it is the reasons for decisions memorandum on the FCHP—what is the background to that memorandum; who generated it?

**Mr Stevens**—My understanding is that it was sent from the ministers to the department.

**Senator FAULKNER**—It was. It was sent by ministers. I do not know if it was sent—it was certainly signed by ministers. I am asking where it was generated.

**Mr Stevens**—My understanding is in the ministerial offices of the ministers themselves. It was not done by the department, if that is what you are getting at.

**Senator FAULKNER**—I did not ask that, but that is helpful. Who wrote it?

**Mr Stevens**—I do not know.

**Senator FAULKNER**—Can you help us with that, Mr Palfreyman?

**Mr Palfreyman**—Only that it came from somebody in the ministers's office. It certainly was not drafted in the department.

**Senator FAULKNER**—I was not suggesting that it was. Can you help us with that, Senator Alston?

**Senator Alston**—I cannot tell you precisely who drafted it but, proceeding from what has just been said, it was clearly the work of one or both offices and the end result was one that led to Senator Hill and I forwarding that memorandum.

**Senator FAULKNER**—Was the document produced at your initiative?

**Senator Alston**—I think that is right, yes.

**Senator FAULKNER**—When you say ‘I’, do you mean me personally—at your and Senator Hill’s initiative?

**Senator Alston**—I think that is right. I am not sure what you mean. Do you mean both ministers?

**Senator FAULKNER**—I did mean both ministers. Let me make it clear: was it produced at the initiative of yourself and Senator Hill?

**Senator Alston**—Yes, but not necessarily personally. You say, ‘Who drafted it? I would not say that I necessarily drafted any particular part of it, nor did Senator Hill, but obviously we approved the form of it and it becomes our document when we attach our names to it.

**Senator FAULKNER**—What you are saying is that it was generated in yours and Senator Hill’s ministerial office?

**Senator Alston**—That is fair enough—one or the other or both.

**Senator FAULKNER**—Fair enough, that is clear—for once. Did the department advise ministers that this needed to be done?

**Mr Palfreyman**—Senator, I am informed that the department advised ministers’ offices that this was in accordance with due practice.

**Senator FAULKNER**—So the initiative was taken at the departmental level?

**Mr Palfreyman**—No, I would not say that, Senator.

**Senator FAULKNER**—I would like to get this clear, if I could.

**Mr Palfreyman**—My advice is that in accordance with best practice a statement for reasons should be available, and this followed.

**Senator FAULKNER**—I agree with that, in accordance with best practice it should, there is no doubt about that. But was it your idea or the department’s idea? Obviously the department has said to these ministers, ‘Hell, you’d better lift your game.’ I gather that is what has happened.

**Senator Alston**—What? Are we jumping into fiction now, are we?

**Senator FAULKNER**—You tell me, Minister. Obviously the department advised ministers’ offices that this needed to be done.

**Senator Alston**—I am not sure that is obvious at all.

**Senator FAULKNER**—If it is not obvious, what did occur? You are only the signatory, Senator Alston, we would not expect you to have a clue—

**Mr Palfreyman**—Senator, can I just add to the answer that I provided before. In talking about due process, when the department was talking to the minister’s office about audit trails and so forth, I understand the specific suggestion and format of doing it this way came from the minister’s office and they then went ahead and drafted that.



**Senator FAULKNER**—Was there tick-tacking between the minister's office and the department?

**Mr Palfreyman**—With respect to what, Senator?

**Senator FAULKNER**—The memorandum?

**Mr Palfreyman**—No, not in terms of drafting or anything like that, no.

**Senator FAULKNER**—Whose idea was it?

**Mr Palfreyman**—I tried to explain that.

**Senator FAULKNER**—I know.

**Mr Palfreyman**—The need to have an audit trail and reasons for decisions was explained in a general way to the minister's office. They then thought that the best way to cover off ministerial decisions was for the two ministers to write a minute to the department which attached individual reasons for decisions.

**Senator FAULKNER**—So the department floated up the idea to the ministers?

**Senator Alston**—I do not know that Mr Palfreyman is saying that. He is simply saying that the department's view was that that was desirable. That does not mean they volunteered it, any more than that they were responding to a view from our officers that it was an appropriate idea.

**Senator FAULKNER**—You are saying he is wrong?

**Senator Alston**—I am saying the mere fact that the department had a view on it does not mean that the department came up with the original idea.

**Senator FAULKNER**—Who did come up with the original idea?

**Senator Alston**—These things, as you well know, are often a matter of discussion between the two and a general agreement on an approach. You cannot say at the end of the day that someone came up with the idea. There might have been a discussion about the appropriate way ahead, initiated by either or both. All that is really important is that it was done.

**Senator FAULKNER**—I do not really want to know if it was the department's idea. If it was the department's idea, they did the right thing—so there is no criticism intended at all. If they gave you the hint or the shove, as it appears they have, they have done the right thing and I would not argue with them. Why did you decide to do this? What were the reasons behind producing a memorandum for the reasons of decisions?

**Senator Alston**—I cannot tell you precisely now—

**Senator FAULKNER**—I bet Mr Stevens can.

**Senator Alston**—but it would certainly have occurred to Senator Hill and me that it made a lot of sense to provide reasons, so we had a record for our decisions. Rather than simply having to try to reconstruct the reasons at the time, many months down the track, it is more desirable to have a record of the way in which decisions were arrived at. I am not conceding that it was not something that originated from our offices; I am simply saying that it is perfectly consistent that both the department and the minister's office thought that this was the way to go.

**Senator FAULKNER**—It matters not where it was generated.

**Senator Alston**—I thought this was the whole purpose of your question as to who came up with it.

**Senator FAULKNER**—It was. I was interested. I did not think you would have taken the initiative, and you did not.

**Senator Alston**—I am not conceding that.

**Senator FAULKNER**—No, but I am accepting it. Wouldn't it be true, Mr Stevens, that if the ministers did not do this—let me put the question another way. I do not think you will answer that hypothetical question. Mr Stevens, it would be true that such a memorandum is important from the point of view of transparency of the process and conformity with the Auditor-General's guidelines?

**Mr Stevens**—I would agree with that.

**Senator FAULKNER**—Thanks for that. Given that you agree with that—and I thought you would; I am sure the minister does too—don't you see some irony in the fact that you have got a document—it has been created for the sake of transparency and has, at its heart, principles of accountability, if you like—which has effectively been withheld from parliamentary and public scrutiny?

**Mr Stevens**—No, I do not see any irony at all.

**Senator FAULKNER**—Do you, Minister?

**Senator Alston**—No, I do not.

**Senator FAULKNER**—Why create the document then, Minister? Why create it if you are not willing to front up with it—or are you willing to front up with it?

**Senator Alston**—There is all the difference in the world between keeping records and making those records publicly available. A lot of advice from the department on a whole range of subjects is reduced to writing so that there is no doubt about what the advice contained and it serves as a very valuable input into policy making. That is not a reason in itself why that advice should be put in the public arena. There is a whole raft of areas where—

**Senator FAULKNER**—Would you be willing now to provide for the committee, when you are able, an unexpurgated copy of this memorandum?

**Senator Alston**—If you want to pursue your appeal or seek an internal review, you are free to do so.

**Senator FAULKNER**—I am aware of that, but I am asking you now, at the estimates committee, to save time, trouble and money, all sorts of things, whether you would be willing to table here this minute, in the interests of transparency?

**Senator Alston**—You mean override the department?

**Senator FAULKNER**—It is not a question of overriding the department.

**Senator Alston**—I agree with the judgments that have been made.

**Senator FAULKNER**—It is not up to you to agree or disagree.

**Senator Alston**—I thought you were asking me to effectively disagree and to make the document available.

**Senator FAULKNER**—I am asking you effectively to provide the document in the interests of transparency and accountability.

**Senator Alston**—I have told you that I think the interests of accountability and transparency requirements have been satisfied by the audit trail and the records that have been kept. It does not follow from that that these matters ought to be put in the public arena.

**Senator FAULKNER**—I suspect, at the end of the day, Senator Alston, you will find we will get to the bottom of these 12 shonky projects and it would have been much better for you to front up today. I have no further questions, Mr Chairman, I will leave you in Senator Schacht's capable hands.

**CHAIR**—Thank you, Senator Faulkner. We are moving on to the National Maritime Museum.

**Senator SCHACHT**—Before we get to that, I have got some general questions under arts and culture. I will not be long. My question is to the minister. Minister, did you write to the ACCC and raise a concern about representations and therefore got them to make representations to Gleebooks about the receipt they were publishing? On the receipt it said:

The Gleebooks view. The book purchase you have just made would have cost 10% more if the proposed GST is approved. No aspect of the process of the production, distribution or selling of a book involves any form of wholesale sales tax under the present system. A tax on Books is a Tax on Knowledge! No GST on Books!

Did you write to and raise with the ACCC any concerns about what Gleebooks were publishing on their receipt?

**Senator Alston**—I have no recollection of my doing that but I will take it on notice and check for you.

**Senator SCHACHT**—You have no recollection. Did anyone from your office?

**Senator Alston**—I am saying that I don't know. I will take that on notice and make some inquiries.

**Senator SCHACHT**—When the ACCC wrote to Gleebooks on 6 May, was that the first time you had heard about the ACCC having a concern about the anti-GST ad being on the receipt?

**Senator Alston**—I personally do not have any recollection of Gleebooks and the issue you are addressing. Again, I will make some inquiries and see what further light we can shed on the matter.

**Senator SCHACHT**—The letter on 6 May from the ACCC to Gleebooks says:

Commission staff have been provided with a copy of what appears to be a Gleebooks receipt, dated 18 April 1999. Printed at the bottom of the receipt is the following phrase:

'BOOKS WILL COST 10% MORE WITH A GST'

Concerns have been raised over the accuracy of this statement, particularly as details of the operation of the proposed GST are not yet final. The GST, as currently proposed by the Federal Government, includes the withdrawal of several existing taxes, and an allowance for input tax credits for registered traders. Both these factors have the potential to impact the cost, and therefore the final price of new and second-hand goods, in addition to the imposition of a 10% GST.

A letter from the ACCC, which was signed by Carl Buik on 6 May, says:

Concerns have been raised over the accuracy of the statement on Gleebooks receipt.

You can't recollect raising it yourself and you are not aware of your office raising it. Are you aware that any other minister or minister's office may have raised it?

**Senator Alston**—No, but I will make further inquiries for you. I saw a letter from Gleebooks in the *Financial Review*, I think it was, the other day. Apart from that, I really haven't been acquainted with this issue but I will see what I can find out.

**Senator SCHACHT**—Does this mean that the ACCC, Minister, may well become more actively involved in checking all political advertising or political issues that may be advertised?

**Senator Alston**—I assume that the ACCC makes its own judgments about whether people are conforming with the consumer protection requirements of the Trade Practices Act. I imagine that it would always be concerned to ensure that people do not make misleading statements about any matters in general or, I suppose, about the impact of the tax reform package.

**Senator SCHACHT**—In the letter by Mr Carl Buik on 6 May to Gleebooks, in the second part of the letter he is pretty direct in stating such things as:

I am concerned that the representation in question may breach section 52 of the Trade Practices Act. Section 52 states:

'A corporation shall not in trade or commerce engage in conduct that is misleading or deceptive or is likely to mislead or deceive.'

I must say, as a former Minister for Small Business, I always found it very difficult to get the ACCC to send letters like that to big business who were using their economic power against small business; yet, bingo, out of the blue they are able to do it here against a small business person, on the basis of a political campaign.

**Senator Alston**—I do not know how easy or hard it might be to get the ACCC to take action. There is a bald statement that all books will increase in price by 10 per cent when I would be surprised if even the Labor Party would be alleging that—you might have a slogan or something. But most people would be aware that there will be a number of indirect taxes which will be eliminated or reduced and you would therefore expect the cost of production to fall. So on the face of it, I would have thought it is a very contestable proposition that all books will rise by 10 per cent. This is the sort of nonsense Keating went on with when we proposed a GST back in 1993. That does not mean it is right to run around that all things will rise by 15 per cent.

**Senator SCHACHT**—I would have thought, Minister, that the ACCC, which has been given certain consumer powers, would have been able to give detail of where the 10 per cent was wrong.

**Senator Alston**—I just told you that to baldly claim that all books will rise by 10 per cent is suggesting that they will derive no benefit at all from the elimination or reduction of a raft of indirect taxes, including wholesale sales tax, so on the face of it it is highly unlikely to be an accurate statement.

**Senator SCHACHT**—Minister, can you tell me, in the package of bills for ANTS, which is the GST package, where the power has been given to the ACCC to specifically ensure that the reduction of state taxes, wholesale sales tax, will be passed on down the line to the consumers? As far as I recollect, it is not guaranteed that the ACCC will have that power to act.

**Senator Alston**—If you were correct then the most you could say is that the price of books may well rise by up to 10 per cent. But to say all books will rise by 10 per cent seems to me to be a statement of certainty that no-one could make.

**Senator SCHACHT**—Minister, if I push this, you will say that the ACCC is not your responsibility; it is the Treasurer's responsibility. Mr Stevens is sagely nodding his head. So this is a matter I will also chase up with the ACCC when it comes before that estimates committee. I just make the comment that I am somewhat astonished that an organisation that was hard to get up to the starting line on many issues dealing with the protection of small business seems to have jumped out of the starting gates very quickly to deal with a small business who—

**Senator Alston**—Are you saying that, even if it took the view that this was misleading and deceptive conduct, it should not act because it was a small business?

**Senator SCHACHT**—I have to say that putting out a letter that this is a breach of section 52 because it is engaging in conduct that is misleading or deceptive or is likely to mislead or deceive—when they do not even know what the state of the GST package is, because you were in negotiations—not you personally—with the Democrats—I think is a bit rich on the part of the ACCC.

**Senator Alston**—Do you argue that all books will automatically rise by 10 per cent?

**Senator SCHACHT**—I think that, from the way you are going with the negotiations with the Democrats, anything is possible.

**Senator Alston**—Does Labor claim that? I have never heard them say that.

**Senator SCHACHT**—The way you are going with the negotiations, I think it is quite possible that people will gouge extra profits out, that they will not pass on the reduction of the wholesale sales tax and other state taxes.

**Senator Alston**—But you wouldn't say it with any certainty?

**Senator SCHACHT**—I think that is a very appropriate political statement to make.

**Senator Alston**—You say it is likely, do you?

**Senator SCHACHT**—You cannot prove to me that you have given the power to ACCC to price control. All you have said is that they will investigate. On all of that, I think that is a very fair statement to make because you cannot provide the detail.

**Senator Alston**—You can then say with certainty that all prices will rise by 10 per cent?

**Senator SCHACHT**—You cannot say they won't.

**Senator Alston**—Are you seriously suggesting that?

**Senator SCHACHT**—And therefore, on the basis of free speech, which you as minister for communications are supposed to defend, I would have thought this is a reasonable free speech issue. I am not going to belabour with you the point of free speech, I think that died a long time ago in your administration. Anyway, this is a matter we will—

**ACTING CHAIR (Senator Coonan)**—Senator Schacht, the ACCC is interpreting a piece of legislation and they took action in respect of an affirmative statement that was not able to be proven to be correct. Anyone trading who is making affirmative statements in their advertising gets into trouble with the ACCC. It is standard practice.

**Senator SCHACHT**—Goodness me. I would like to see the long list of actions the ACCC has taken on behalf of consumers in small business. They are usually very reluctant. If you go to an estimates hearing with the ACCC, or when we have had committee hearings on pieces of legislation, they are the most slow moving, cautious group to do anything to intervene in the marketplace in favour of consumers. When we have small business and consumers here, bingo, the letter turns up pronto because there is apparently some complaint. The minister says he does not know, he will take it on notice and respond to us. I will leave it at that for the moment; I will go down to the ACCC.

The other matter I wish to raise is that on 26 March this year, Minister, you and Mr McGauran announced tax incentives for the cultural sector. These included tax deductibility for gifts on assets worth more than \$5,000, exempting capital gains tax on bequeathed gifts and altering the capital gains tax treatment of the native cultural assets. It was argued this was the result of the taxation working group chaired by Mr David Gonski. Minister, do you have

any information about what impact this recently announced tax incentive scheme will have on improving donations to the cultural sector?

**Senator Alston**—To the extent that it makes it more attractive for people to make a gift or bequest it will hopefully make a significant difference, but you cannot be too dogmatic about that. All the taxation system does is provide incentives or disincentives. If we can make it more attractive for people to gift or bequeath then I think it is a step in the right direction.

**Senator SCHACHT**—In the preparation of the government's decision did you receive any advice or assessment that by making the change that was announced in the new tax incentives there was a probable likelihood that there would be a percentage increase to a certain level of gifts to the cultural sector? And, if so, what were they?

**Senator Alston**—I am advised that in announcing the package of measures we assessed that the cost to revenue would be approximately \$51 million. That is not breaking down any particular initiative but I think certainly we proceeded on the basis that it would have an effect of encouraging people to be more generous and therefore claim more deductions.

**Senator SCHACHT**—Minister, was your department directly involved through an IDC or through some other arrangement in discussing the preparation of this with the taxation and finance departments or Treasury?

**Senator Alston**—I assume so. I do not think there was a formal IDC but there would have been a fair bit of informal discussion between officers and departments.

**Senator SCHACHT**—Was this an initiative that came from you as minister in charge of the arts?

**Senator Alston**—My recollection is that this is an issue that had been discussed with me over a period of several years by a number of leading people in the business community and people like Mr Gonski, whose advice I would value very highly. When the Prime Minister established his business philanthropy round table, which considered a range of issues wider than this, I was particularly concerned to ensure that they looked at these specific proposals. Certainly I pushed in that area and I was very pleased with the outcome.

**Senator SCHACHT**—When the Prime Minister made his general comments about improving philanthropy in the broader community, you made sure your department had some input so that philanthropy would apply to the cultural area as well?

**Senator Alston**—Yes, because we have been running on these issues now for quite some time. We have got the Foundation for Culture and the Humanities which has been trying to encourage business to be more generous and we have participated in seminars and forums. It has been an ongoing issue of concern to the arts community. The Australia Council, I think, has had discussions with us about it as well, so it has been a significant agenda item for the last few years.

**Senator SCHACHT**—Just to get this clear, when you said you were advised that \$51 million was an assessment of what would come from philanthropy, was that \$51 million the total or just for the arts programs?

**Senator Alston**—The total package, including the arts component.

**Senator SCHACHT**—Would be \$51 million?

**Senator Alston**—Yes.

**Senator SCHACHT**—Revenue forgone?

**Senator Alston**—Yes.

**Senator SCHACHT**—Was any assessment done by the department, Treasury or any of the arts bodies about what percentage of the \$51 million would be culturally related?

**Senator Alston**—We may have done, but I can take that on notice.

**Senator SCHACHT**—If you could take that on notice. Minister, are you therefore saying that the overall outcome of this particular initiative as far as the cultural sector is concerned is basically in line with what you had been informally and publicly pushing for and what the cultural sector had been pushing for for some time as well?

**Senator Alston**—Yes, both in terms of capital gains tax relief and tax deductibility.

**Senator SCHACHT**—Thank you, that is all I have on that. I want to now turn to the issue of art forgery. I did not see the *Four Corners* program but apparently a recent report demonstrated that the industry is worth about \$450 million a year. They claimed the industry is rife with forgeries. It gave one example of a gallery in Paddington whose owner had been selling forgeries for years. It also raised the issue, as I understand it—in which I think you have a particular interest, Minister—of indigenous art and the possibility of forgery. I think that is a bit more complex in the Aboriginal and indigenous community than someone trying to pass off something like a Van Gogh down in the Paddington gallery. Are you aware of the allegations generally that *Four Corners* made about the Australian art industry? I did not see the program, but I heard about it indirectly; it got some publicity.

**Senator Alston**—I did not see the program but I have certainly seen a program called *Art From the Heart*. There have been a series of articles in the *Australian* by Suzanne McCullough which have principally focused on Aboriginal art and the extent to which contributions from other than the artist in person have not been disclosed.

**Senator SCHACHT**—As far as non-indigenous art is concerned, it is a very large industry in terms of money value turnover. Is the department or the government concerned about non-indigenous art forgeries? Have they had any discussions with appropriate authorities to see whether any of the allegations have been dealt with specifically? Is there a wider issue that the forgeries could undermine the confidence of Australian consumers who are bidding for art in this area because they are not getting what they actually bid for?

**Senator Alston**—There have been a few recent developments which I think have caused a number of gallery proprietors to be much more conscious of the need to ensure that they rigorously check paintings which they purchase. I can recall Lauraine Diggins Fine Art sending around an unprecedented letter identifying some works which she had purchased and subsequently discovered to be what she thought were forgeries and effectively encouraging people not to deal with that supplier in the future, and I think cancelling or certainly correcting catalogue information that had been provided. I think the response to that has been quite positive, in the sense that other gallery proprietors have acknowledged the need to be very careful. This has been an issue around the world. Sothebys—

**Senator SCHACHT**—It is not just an Australian issue; it is worldwide, I agree.

**Senator Alston**—There was a very big book written on how Sothebys supposedly turned a blind eye to art that was exported illegally from Europe to the UK. There are a lot of practices that the art world itself is seriously rethinking at the present time.

**Senator SCHACHT**—The only further issue I would raise is that because art is a sizeable and successful sector of cultural activity in Australia and we want to encourage people to purchase private sector art—therefore anything that undermines the confidence in it is very damaging, particularly to those artists who are genuinely producing their own work—has the

department or the government had any discussions with the appropriate authorities such as the police, at a state level, with a view to ensuring that they have the particular skills to deal with what is for many people a pretty difficult area of identification, knowledge and skill of tracing and so on?

**Senator Alston**—I doubt that ordinary members of the police force would regard themselves as qualified.

**Senator SCHACHT**—That is why I raised it.

**Senator Alston**—There are some highly qualified dealers who are involved in tax incentives for the arts schemes where they have to make very careful judgments about the genuineness and the value of art works. I think what you are finding is that there is a lot more interaction in the industry between those people. The University of Melbourne's art museum, the Potter Gallery, is establishing a conservation laboratory which will involve a database for all works. I have heard of other initiatives to build watermarks into paintings to enable prospective purchasers to check those with a database.

**Senator SCHACHT**—Do you think it is necessary—not to establish a new police force of sorts—to actually bring together the various people at the state and federal level so that they know what to do in handling this issue—the artistic side, the gallery side and the enforcement agencies which look at the issues of fraud, et cetera?

**Senator Alston**—Obviously, where fraud is involved you would expect the police to be brought in. But in terms of trying to take a proactive approach to cleaning up the industry, I think in many ways it is a classic area of self-regulation. Buyers will lose confidence in the sector and they will very quickly turn away from paying large sums of money if they are not absolutely sure. Most of the major art houses and auction houses are very careful to distinguish between provenance of works—'known to have been', 'assumed to have been' 'believed to have been'. There are about 10 different categories of difference in terms of certainty. I think, unless that degree of scrutiny is exercised, you will find buyers being very reluctant to buy, particularly when record prices are being paid.

**Senator SCHACHT**—Do you think the government should have discussions with the states about whether the penalties for art fraud are appropriate?

**Senator Alston**—I do not have any reason to think that the normal Crimes Act penalties are inappropriate. You can probably get yourself 10 years quite easily.

**Senator SCHACHT**—It depends what you are trying to get away with in the robbery, in the sense of how much someone has paid for a forged painting.

**Senator Alston**—I forget what that bloke got who knocked off Albert Tucker's painting. He got three or four years, I think.

**Senator SCHACHT**—Thank you.

**CHAIR**—Are we moving on, Senator Schacht?

**Senator SCHACHT**—Yes, I have finished general questions.

[5.15 p.m.]

#### AUSTRALIAN NATIONAL MARITIME MUSEUM

##### **Output 1.1—Acquire, manage and maximise accessibility to Australia's maritime heritage**

**Senator SCHACHT**—I want to turn 'Table 2.3.1: performance and information for outcome 1'.



**CHAIR**—What page is that on?

**Senator SCHACHT**—Page 228. On that table under Output 1.1—Acquire, manage and maximise accessibility to Australia's maritime heritage, there is a subheading 'Interactions—enjoyment/use of segregated sites, exhibitions, and programs of the Museum both locally and internationally'. In the opposite column are the subheadings, quality, quantity and the price. The figures for the output targets show that 20 per cent of visitors are repeat visitors and 85 per cent of visitors satisfied. Under 'quantity', it shows 1.1 million interactions by visitors. Are these existing figures that you are working from or are they your new set of outputs for the new accrual accounting system?

**Dr Fewster**—They are new figures, in that the 'quality' figures are based on our research that we have done in the past about how visitors and others respond to the museum's activities and programs, so in a sense that is projecting ahead on the basis of known figures.

**Senator SCHACHT**—So what you are doing is taking the figure of the present level of the satisfaction of the quality.

**Dr Fewster**—The second figure, the quantity one, is built up from tabulating our estimates for a range of activities that we will be engaged in.

**Senator SCHACHT**—Interaction by visitors is not the same number as actual visitors to the maritime museum?

**Dr Fewster**—No. We have taken a view on several things. Firstly, we offer a range of tickets and people do not all buy the same ticket. Hence, it is not a multiplier, but you have to add up the various categories. In addition to that, we have touring exhibitions. We also have web pages, like all cultural institutions now, and that is leading to a significant number of interactions, virtual interactions through the web, public inquiries and such like.

**Senator SCHACHT**—I note your comment, quite correctly, that when you put the annual report in for 1999-2000 in some 15 months time when it will be before the parliament, the achievement of those planned performances will be commented on and measured against. So, in the meantime, during the coming 12 months of the new financial year, you will continue to survey visitors to see what numbers are repeats and also how many are satisfied?

**Dr Fewster**—Yes.

**Senator SCHACHT**—Has the figure of 85 per cent of visitors who have been satisfied over the years of the operation of the museum been pretty standard, or was it a good year last year? I do not want to sound cynical.

**Dr Fewster**—I do not have the information in front of me to give you a year by year breakdown but, from the best of my recollections, that figure is consistent with past years.

**Senator SCHACHT**—If you held to that figure over the next few years, would you be satisfied as a museum that 85 per cent of visitors being satisfied is a pretty good outcome?

**Dr Fewster**—Yes, I would be.

**Senator SCHACHT**—Are the other 15 per cent apathetic or are they writing things like, 'This is dreadful; we didn't like what we did or saw,' or basically is it the case that they did not respond in a positive way?

**Dr Fewster**—With those sorts of surveys, we would ask people to place their responses on a continuum. In addition to that, like most institutions, we offer a visitors comments book where, from time to time—like everyone else—we get both complimentary comments and less than complimentary comments. If someone leaves their name and address, or a way by which

we can contact them if they have had a problem with something they experienced with the museum, we try to follow through on those and make contact with people to explore that.

**Senator SCHACHT**—The bottom figure, which is the price of outputs, is \$24 per interaction visitation. Is that a figure based on last year's activity or an average over the last couple of years?

**Ms Mason**—That is a figure based on the total price of outputs divided by the number of visitations.

**Senator SCHACHT**—But that is not interactions by visitors?

**Ms Mason**—The interactions are basically a separate visitation.

**Senator SCHACHT**—Do you anticipate that a way of improving your outcome over a number of years would be to get the price per interaction down per visitation from, say, \$24 to \$20 without reducing of the quality of the museum's exhibition? Is that a target?

**Dr Fewster**—In general terms we would try to do that. I am trying to think of the myriad of factors that influence that but, in general terms, like all agencies, we would seek to do that.

**Senator SCHACHT**—You said there is a range of ticket prices a visitor can pay for an interaction. What does the average visitor pay for the various tickets you are averaging out over their visit? Is it \$25, \$50, \$12 or \$2?

**Dr Fewster**—The average price is less than an adult ticket because of children's tickets, families, concessions, et cetera. If you average the adult ticket prices, we charge \$9 for our navy ticket, which includes entry to our destroyer and the submarine *Onslow*, and \$9 for the museum, as in the main museum building. We have just this week launched—if that is the word for it—a submarine at the museum, and that will have a price, linked in with the rest of the museum, of \$15, which is the same price we had several years ago when we had a visiting submarine.

During the year ahead we have two major visiting ships programs. One is a replica of the *Batavia* and the other is the *Endeavour* replica, which is coming back to Sydney. They too will require a range of individual tickets and a mix of tickets, if you like, to tie in with either visiting the museum or visiting our other vessels. It will potentially be a complicated mix. One of the issues we are addressing is how to simplify that to offer a range of options but not make it too difficult for explaining the mix.

**Senator SCHACHT**—On page 231, 'Table 3.1: Budgeted statements of revenue and expenses', it is anticipated for 1999-2000 that the operating result before capital use charge is a profit of \$178,000. Is that right?

**Dr Fewster**—Correct.

**Senator SCHACHT**—Last year you made a loss of \$4.6 million. Is that right?

**Ms Mason**—Yes.

**Senator SCHACHT**—Congratulations on the significant improvement from loss to profit. What was the main reason for that?

**Dr Fewster**—It ties in, I believe, with the change to introduction of capital use charges.

**Senator SCHACHT**—That is what I was going to come to next. This coming year there is a capital use charge of \$1.4 million, based on 12 per cent. Does that mean the capital asset base is about \$12 million, which the CUC is based on? I think 12 per cent is the standard DOFA percentage.

**Dr Fewster**—It is more like \$14 million.

**Senator SCHACHT**—I raised this at another estimates hearing with the Australian War Memorial, which had an extraordinary figure of \$550 million as their asset base. Of course, if they ever tried to sell the collection or rationalise it, there would be a riot in the veterans community. I wonder whether this figure of \$14 million is in fact a bit of a fiction, in that it is the asset of the museum, so if you ever sold it you would be destroying the museum: is that correct?

**Dr Fewster**—In the sense of the place collections play in museums, that would be true.

**Senator SCHACHT**—So the \$14 million is basically the collection?

**Dr Fewster**—And other things, too.

**Ms Mason**—The \$14 million represents a net equity. You will note in our financial statements—

**Senator SCHACHT**—I never note anything, because I do not follow these things very well, so help me.

**Ms Mason**—The \$14 million is a component of the total assets less the debt and provisions and payables. That is the financial assets, non-financial assets less provisions and payables.

**Senator SCHACHT**—The capital usage charge is based on the assets. The way the War Memorial explained it to me, they had \$550 million of which \$503 million was the collection and the other \$50 million is what you would get if someone—I won't say clown—had the idea to sell the War Memorial and develop it for land development and put up home units or something. I imagine what Bruce Ruxton would be saying if that actually came to pass. Is the \$14 million in the book the actual asset value of the collection and other buildings?

**Dr Fewster**—Yes. I should add one comment, and that is that the museum does not own its building, so in that sense we are unusual.

**Senator SCHACHT**—Does not own?

**Dr Fewster**—Our main exhibition building.

**Senator SCHACHT**—Because it is in Darling Harbour and you are leasing it?

**Dr Fewster**—Correct.

**Senator SCHACHT**—The \$14 million is basically your collection?

**Ms Mason**—The \$14 million is the net assets, and that is the gross assets that we have, less debt.

**Senator SCHACHT**—Where is the debt figure? I cannot see the word 'debt'.

**Ms Mason**—It is at the very top of page 232 under departmental assets.

**Senator SCHACHT**—I see, I was on the wrong page.

**Ms Mason**—Are we looking at page 232?

**Senator SCHACHT**—Yes, you have got 'debt', you have 'leases' which are zero, and then you have got 'other'. The debt is \$20 million, right?

**Ms Mason**—\$20.883 million, that's right. The total assets of the museum actually amount to \$38.952 million.

**Senator SCHACHT**—What is the debt made up of, the \$20.8 million? Is that borrowings from the past to establish the museum? Have you borrowed commercially or do you owe DOFA some money?

**Ms Mason**—During the 1998-99 financial year there has been a major construction project at wharf 7, and that is basically the value of that construction project. The museum has totally financed it by itself.

**Senator SCHACHT**—By itself?

**Dr Fewster**—Correct.

**Senator SCHACHT**—At a cost of \$20 million?

**Dr Fewster**—Correct.

**Ms Mason**—At a cost exceeding \$20 million. At this stage it is \$20.883 million.

**Senator SCHACHT**—Your business plan is that over a period of time that project as an asset will increase revenue and you will be able to pay the debt off?

**Ms Mason**—Correct.

**Senator SCHACHT**—That is why, compared with the War Museum, you are different. Thank you for explaining that to me. The collection less that debt would then be something like \$34 million; the assets would be \$34 million?

**Ms Mason**—The asset base comprises the land and buildings, which is around \$27 million. And the plant and equipment, which does include the museum collection, at this stage is around \$8.9 million.

**Senator SCHACHT**—When I go down to ‘non-financial assets’, land and building is \$26.9 million, infrastructure plant and equipment is \$8.8 million. You do not own the building, so what is your other infrastructure? Is that your software or computers or something else?

**Ms Mason**—There are two main buildings. There is the main museum building, which we do not own; we lease. And there is the wharf 7 building, which we do own. As far as infrastructure goes, that includes fitout within both buildings.

**Senator SCHACHT**—What is the name of the old destroyer you have there?

**Dr Fewster**—*Vampire*.

**Senator SCHACHT**—What is the value DOFA put on *Vampire*?

**Dr Fewster**—That is an interesting question, given the change across to accruals and depreciation. At this point that is still a matter that is under discussion between the museum and DOFA.

**Senator SCHACHT**—I would appreciate it if you could take it on notice and let us know at the next estimates what that figure comes out at. I noticed a country town in New South Wales—

**Dr Fewster**—Holbrook.

**Senator SCHACHT**—Has one of the Oberon submarines.

**Senator SCHACHT**—According to a *Four Corners* program, the Navy had to go and get a spare part from it to keep one of the other Oberons going. Have you had the good luck to be able to charge the Navy for a spare part from *Vampire* to be able to keep one of its destroyers going?

**Dr Fewster**—No, Senator, we have not.

**Senator SCHACHT**—You are after a submarine, though, at the moment.

**Dr Fewster**—On one or two occasions we have made a small amount of equipment available from *Vampire* to Navy when it was necessary—mainly aerials and such things.

**Senator SCHACHT**—How long ago was that?

**Dr Fewster**—Several years ago.

**Senator SCHACHT**—As I am on the defence committee of this parliament, just out of curiosity, what did you provide from *Vampire* that the Navy still found useful?

**Dr Fewster**—I would have to go back and check the exact details.

**Senator SCHACHT**—I would appreciate it if you could take that on notice. It is rather a curious question that I will front back to Defence and Navy at the next hearing and ask about. You have got ‘intangibles’ as zero, so there is no goodwill or intellectual property in the museum? It is down to zero?

**Ms Mason**—That is right.

**Senator SCHACHT**—You are pretty honest about that, compared with some other departments, who seem to claim enormous amounts for intangibles that I find hard to accept. When you get to the capital usage charge, that is on the net \$14 million. During this year you get paid the \$1.4 million as a CUC in regular payments and, at the end of the year, everything being equal, you pay the \$1.4 million back, unless you can find a way to rationalise the use of the asset and, whatever that is, you can keep the difference. Can you tell me whether there are any opportunities for you in the museum with your collection or property to rationalise it? That might mean, in non-rational economic terms, actually selling something from the collection.

**Dr Fewster**—I believe at the end of the year the \$1.4 million is to be paid back or adjusted, depending on what has been the movement up or down during the year.

**Senator SCHACHT**—One of the movements which other departments have openly discussed is that of rationalising their assets, as they use that wonderful phrase—if it is property, they can make more efficient use of it or dispose of some property. In your case you might say you have got some things in the collection which you no longer need, that you can auction or sell off; therefore that stays, and instead of paying back \$1.4 million, if you sold \$400,000 worth, you would only pay that \$1 million and you would end up with \$400,000 to the good. Do you think there is any opportunity of selling something of the collection or some of your property to achieve that, which will give you a big tick from DOFA, apparently?

**Dr Fewster**—Senator, we certainly do not have any plans to be doing such a thing.

**Senator SCHACHT**—I find it is an odd concept for Natural Heritage places and museums to have imposed a capital usage charge and to be rationalising collections and assets, when in many cases you would say something like the *Vampire* is priceless because, once it is gone, you will never have another one. On depreciation, how do you work out a depreciation figure on your collection?

**Ms Mason**—There is no depreciation on any museum collection items in these figures.

**Senator SCHACHT**—If you said there had been, I would have been curious to see how you had worked it out on a priceless collection.

**Ms Mason**—No, we do not have that.

**Senator SCHACHT**—All the best to you. That is all I have, Mr Chairman.

**CHAIR**—Thank you very much.

[5.36 p.m.]

### NATIONAL FILM AND SOUND ARCHIVE

**Senator SCHACHT**—Can you tell me where you are featured in the PBS?

**Mr Brent**—We are on page 23 and then again on page 31. On page 23, we are output 1.9 in the second part of the table.

**Senator SCHACHT**—What is the other page?

**Mr Brent**—Page 31.

**Senator SCHACHT**—On page 31, the total price output is \$20 million. In terms of quality and quantity, in your annual report, which will be tabled in 15 months time for the year 1999-2000, how would you report the percentage of clients satisfied with the service provided?

**Mr Brent**—We already undertake a range of customer service surveys to assess the quality, both in the direct services that we give through our client access area and through the outreach services we provide. We would be quantifying those; it will essentially be a percentage figure.

**Senator SCHACHT**—And the same with the proportion of the collection that is properly documented in the database?

**Mr Brent**—That is correct, we already have a number.

**Senator SCHACHT**—What is the percentage now?

**Mr Brent**—The figure is approximately 75 per cent of the collection at the moment.

**Senator SCHACHT**—Do you have a target over the next few years, or is it one of those things that you can get close to 100 per cent but you will never quite get there because more property keeps turning up?

**Mr Brent**—We will get very close to 100 per cent. Our anticipation is that in the next five years we would expect to be at 100 per cent, barring unforeseen events such as very large donations.

**Senator SCHACHT**—Is that where most of the stuff comes from now, from donations?

**Mr Brent**—Yes.

**Senator SCHACHT**—Is that from individuals or old film companies, or does someone discover that Granny had a bag full of these things stored under the couch or something?

**Mr Brent**—All of the above. We get a regular donation, for instance, from all of the members of the Australian Record Industry Association, all the major CD producing companies in Australia, of everything that they release commercially. We get things from individuals who find something in the shed when they inherit the house or whatever. There is a huge range of different sources.

**Senator SCHACHT**—The number of preservation carriers treated in accordance with published archival standard: will that all have a percentage figure?

**Mr Brent**—The first item will be a certain number. That will depend on exactly how many items need preservation but will generally be a reasonably consistent number from year to year.

**Senator SCHACHT**—In the next line it gives the percentage of Australians who see and hear some National Film and Sound Archive material. How do you tell that?

**Mr Brent**—One of the major outlets for archival material is to television producers, television stations and program makers. We already collect data on the number of viewers who watch the programs that have significant amounts of archival material in them. An example

might be the *Our Century* program, but equally it might be the Channel 9 *National News* or the *7.30 Report* or *This Is Your Life*.

We are now getting from the companies that do the viewer surveys an assessment of what percentage of the Australian population that represents. Those figures are apparently quite easy for them to generate. We had planned on using simply the number of viewers who saw our programming, but the number of viewers gets very large because of the amount of material from our collection that is shown on television.

**Senator SCHACHT**—On page 23, output 1.9, the estimated expenses are \$20 million. Where do I find the appropriation figure?

**Mr Brent**—That is effectively the appropriation figure.

**Senator SCHACHT**—That is an appropriation figure as well as the expenses?

**Mr Brent**—Yes. There should be an adjustment at one level, in that it does not incorporate revenue.

**Senator SCHACHT**—That is what I was going to come to. How much is your revenue?

**Mr Brent**—The revenue will be in the vicinity of \$1.7 million in the coming year.

**Senator SCHACHT**—What are you getting: about 17 per cent of your budget is on top of the \$20 million?

**Mr Brent**—That is on top of the \$20 million.

**Senator SCHACHT**—So it is about 15 per cent revenue?

**Mr Brent**—No, it will be less than that. But it is a more complicated equation because there are some adjustments that have to be made to the \$20 million figure, but approximately it is \$1.7 million out of \$21.7 million.

**Senator SCHACHT**—Did you get hit under this new accrual accounting system with having a capital usage charge?

**Mr Brent**—Yes.

**Senator SCHACHT**—Whereabouts is that in the figures?

**Mr Brent**—It does not appear separately in the figures because the archive is technically part of the department and is not a separate statutory authority; therefore our numbers are incorporated and rolled into the department's numbers, but I can give you those numbers.

**Senator SCHACHT**—Can you give me those numbers?

**Mr Brent**—Yes. Our capital use charge is \$4.145 million in the coming year.

**Senator SCHACHT**—Which means your capital asset net is about \$40 million: is that right?

**Mr Brent**—Yes, that is approximately right.

**Senator SCHACHT**—That is based on the value of the collection, or the material?

**Mr Brent**—That was an early estimate. There is going to be significant further negotiation and adjustment. In fact, our collection will be worth dramatically more than that, so that there will have to be adjustments to the way the capital use charge operates in relation to the collection.

**Senator SCHACHT**—How did you get the figure of \$40 million this time around?

**Mr Brent**—Essentially we put in an estimate early and since then we have been doing detailed valuations on the collection.

**Senator SCHACHT**—The \$40 million is your figure; you did not get in an outside commercial valuer who knows about old films and old 78s or anything?

**Mr Brent**—We have had commercial valuers in, but the \$40 million figure represents the figure prior to a lot of that work being done.

**Senator SCHACHT**—Where do you think you will end up? It is all good for the national heritage.

**Mr Brent**—In the vicinity of about \$120 million.

**Senator SCHACHT**—The CUC will be around \$12 million, as your contribution to Mr Stevens' empire?

**Mr Brent**—There will be adjustments to that.

**Senator SCHACHT**—You must be one of the most valuable parts of his empire, because a lot of other parts contribute nothing—other than their intellectual skill, I might say.

**Mr Stevens**—Highly valued, Senator!

**Senator SCHACHT**—Has Mr Stevens been a regular visitor to see your operations, in view of the value of the asset you have?

**Mr Brent**—He certainly has. He has taken a very keen interest in the archive.

**Senator SCHACHT**—I am sure he has. When he finds out you are worth \$40 million, he will be sprinting over there every day to make sure it hasn't disappeared. You might have heard the question to the National Maritime Museum. The concept of DOFA with the CUC is to encourage departments to take control of rationalising assets and then they keep the value. If it is \$4 million this time and you go to \$120, your CUC will be \$12 million. Although it is an in and out, if you rationalise assets, you keep the difference, the advantage. Are there any opportunities in your area to rationalise assets without destroying the pricelessness of what you have collected?

**Mr Brent**—I do not wish to sound at all facetious but, because we are so efficient, any opportunities have already been pursued. We are looking to reduce the size of the collection and I anticipate it will reduce significantly and has reduced recently. What we are getting rid of is the material that is of relatively little value. There may be some items that are not of value—

**Senator SCHACHT**—Can you give me an item of what is of little value? Is this when you take a 78 and put it on a database of digital recording, or what?

**Mr Brent**—Perhaps a better example of what we did dispose of, which was over 200,000 78 rpm records. But we kept the best copy of each record, so the poorer quality duplicates of foreign material we have disposed of.

**Senator SCHACHT**—You sold them?

**Mr Brent**—We sold them, yes.

**Senator SCHACHT**—Just out of curiosity, how much were they worth?

**Mr Brent**—Virtually nothing. The cost of selling them was roughly equivalent to the cost of the sale.

**Senator SCHACHT**—You won't be able to get that in your CUC?

**Mr Brent**—We are not going to get rich through that and we are not going to adjust the capital value of the organisation.



**Senator SCHACHT**—As I mentioned to the others, I find this CUC charge on institutions such as yours a very odd concept, because you are dealing with priceless assets of the national heritage. Whether it is the War Museum, your museum or the National Gallery, it is meaningless because you are doing something else, so it is good to hear you will not fall for the blandishments of Finance by trying to sell some of your collection to try to raise a bit of cash for them.

**Mr Brent**—I should make it clear that any adjustment to the size of the collection will be driven by what the collection needs and not by any financial incentives.

**Senator SCHACHT**—Just one last question: have you had people who come to the collection—film producers, historians, et cetera—asking for something that has been recorded in the past, whether it is film or recorded music, and you have found that you don't have a copy?

**Mr Brent**—Yes, certainly.

**Senator SCHACHT**—What is the percentage? It is frustrating for you that you do not have it, but is there any idea of how much is missing?

**Mr Brent**—Yes. I can give you a few indicators. It is thought that approximately only five per cent of all silent films shot in Australia still survives.

**Senator SCHACHT**—Only 5 per cent? Is that because it is nitrate film or something?

**Mr Brent**—Yes, because nitrate film was inherently unstable and no serious attempts were made to collect it until long after it had been produced. Of Australia's first ever feature film, and indeed arguably the first ever feature film in the world—a film that ran somewhere between 45 minutes and an hour—only nine minutes survive, of which only five minutes is really watchable.

**Senator SCHACHT**—That is the Ned Kelly film?

**Mr Brent**—Yes.

**Senator SCHACHT**—That is very sad. What about recorded music?

**Mr Brent**—Recorded music is a similar story. The bulk of the early recordings in Australia were done on what were called wax cylinders. They were cylinders that were made quite literally of wax and therefore were very fragile and susceptible to loss, and very few of them survive.

**Senator SCHACHT**—Do you collect the cylinders made out of brass that go into pianolas?

**Mr Brent**—Music rolls.

**Senator SCHACHT**—Do you have a collection of them?

**Mr Brent**—Yes, we have a collection of music rolls.

**Senator SCHACHT**—Do you have a good collection of those?

**Mr Brent**—We do have a good collection but we are going to significantly reduce that collection because we intend to collect only Australian material, and most of the stuff is foreign.

**Senator SCHACHT**—Thank you very much. One last question: you are not a statutory authority, are you; that is why you are in Mr Stevens's empire?

**Mr Brent**—Correct.

**Senator SCHACHT**—You have an advisory council or board, don't you?

**Mr Brent**—Yes.

**Senator SCHACHT**—Have they considered the recommendation that you should become a statutory authority?

**Mr Brent**—Yes.

**Senator SCHACHT**—What has happened to that recommendation?

**Mr Brent**—That recommendation is still being considered by government. It has been put up on a number of occasions under various governments, including the previous government.

**Senator SCHACHT**—Mr Stevens has always said no?

**Mr Stevens**—No, not at all.

**Mr Brent**—Both the department and we have provided a lot of advice to government and the decision on that is ultimately one for ministers.

**Senator SCHACHT**—Is there something contemporary about that recommendation or is it a bit historical?

**Mr Stevens**—No, I think it goes back 10 years.

**Senator SCHACHT**—Has the council advisory board activated a decision in recent times about being a statutory authority again?

**Mr Brent**—It has certainly been reactivated recently but I guess it is probably more accurate to say that my council has consistently activated the issue for at least 10 years and raised it with a range of governments, and it has received consideration on a number of occasions.

**Senator SCHACHT**—And been rejected?

**Mr Brent**—I probably need to be a bit more precise. Generally, I would say that it has required further consideration, rather than being rejected outright. No final decision has really been made.

**Senator SCHACHT**—Mr Stevens, I would ask you to comment on the merits. As you have been around on both sides—and this is a bipartisan position—what have been the arguments used against having a statutory authority for the Film and Sound Archive? Obviously both governments have used the argument.

**Mr Stevens**—My recollection is that in part it goes to the sales tax issue; it goes back some years to an exemption of sales tax. If it were to be a statutory authority then you would not be exempt from sales tax, whereas it currently is as part of the department. My understanding is that has been a concern going back quite a few years.

**Senator SCHACHT**—Thank you.

[5.52 p.m.]

#### NATIONAL MUSEUM OF AUSTRALIA

**Senator SCHACHT**—I have been to the National Museum two or three years ago and wandered through that extraordinary collection. It did not seem to miss much in the world, I noticed. You would have got the drift, Dr McIntyre, and Ms Casey, that the questions I am after are about output. Turning first of all to the budget statements of revenue and expenses, I notice that your capital usage charge this year is only \$228,000 and then jumps to \$16 million and stays at that figure. Can you explain how you have such an even capital usage charge after the first year of establishment?

**Ms Casey**—It is based on the transfer of the building to the National Museum.

**Senator SCHACHT**—It is only the building?

**Ms Casey**—It is the building.

**Senator SCHACHT**—What about the value of the collection? Is that separate? That has not been put into the calculation?

**Ms Casey**—No, it hasn't.

**Senator SCHACHT**—Is it planned to.

**Dr McIntyre**—Yes, it will be in due course.

**Senator SCHACHT**—So possibly in the next of couple of years that estimate for 2000-01 or 2001-02, the second or third or fourth outyear, will be dramatically increased?

**Dr McIntyre**—It could increase, yes.

**Senator SCHACHT**—Who is going to value the collection?

**Dr McIntyre**—We will probably seek external advice, probably from a commercial valuer.

**Senator SCHACHT**—Obviously the new building is set at \$16 million as a capital usage charge, which means it is \$150 million or something?

**Dr McIntyre**—Yes.

**Senator SCHACHT**—I notice that, although it is brand new, you have not put in a figure for depreciation of the building.

**Ms Casey**—Not at this stage.

**Senator SCHACHT**—But it will depreciate, clearly?

**Dr McIntyre**—Yes.

**Senator SCHACHT**—So we will see an adjustment in those figures in the outyears for depreciation. Because it is a new building, there is not much chance, like others, of having a capital usage charge as an in and out being property rationalisation, I would imagine, under \$16 million, is there?

**Dr McIntyre**—No.

**Senator SCHACHT**—When you get the valuation done of the collection, are there opportunities for rationalisation of the collection, for selling some parts of it, auctioning it and raising funds which you will then keep as part of the CUC?

**Ms Casey**—I would not see that there is much opportunity to raise funds out of the collection.

**Senator SCHACHT**—It is not your policy to dispose of any part of the collection at the moment?

**Ms Casey**—No; certainly not to raise funds. We have a de-accessioning program.

**Senator SCHACHT**—Let me put it another way: if you look at your collection and say—not specifically to raise funds—'We have too many examples of 1930s *Women's Weekly* magazines, so we can put them out to auction and someone will bid because they are collectors items. The film and archive people explained that they keep one good copy, and I am told that the War Memorial might do the same in some very limited areas. Is that how you would look at disposing of your collection? You obviously already have a good quality part of the collection, and so you do not need duplicates and triplicates.

**Ms Casey**—That is correct. In a number of cases, we would look at giving some of those to other museums, but Dr McIntyre knows the collection much better than I do.

**Dr McIntyre**—We have done some very limited deaccessions, for example, of some of our geological survey material, something like 1,000 items, and we have gifted that to small museums which have an interest in that area.

**Senator SCHACHT**—Would you give them to the museums or get them to buy them off you?

**Dr McIntyre**—No; our practice has been to gift them to those small institutions.

**Senator SCHACHT**—Does the department of finance agree with you giving away your collection?

**Dr McIntyre**—They have not commented on that.

**Senator SCHACHT**—I hope I haven't tipped them off for you.

**Dr McIntyre**—It realises very little in monetary terms.

**Senator SCHACHT**—I know, but some of the things I saw over there would obviously, if sold, realise a lot; others would realise almost nothing.

**Dr McIntyre**—Yes.

**Senator SCHACHT**—Do you have any idea yet of what the collection would be worth?

**Dr McIntyre**—Not at this stage, no.

**Senator SCHACHT**—Will the valuation be completed by this time next year?

**Ms Casey**—We are certainly trying to make every attempt to do that, but obviously our high priority at the moment is Acton Peninsula and the new museum.

**Senator SCHACHT**—I fully agree with your comment, I cannot argue with that. In the budget, apart from the money to build it, can you show me where you will get any income? On page 288, is that the money needed to spend on running the museum and also collecting further items, or are you relying on all donations of items to the collection?

**Ms Casey**—No, some of the money allocated is to acquire some objects.

**Senator SCHACHT**—Is that in the \$150 million?

**Ms Casey**—Yes; that is correct.

**Senator SCHACHT**—Can you bring my attention to what page the \$15 million is broken up on? Is it page 292?

**Dr McIntyre**—Page 294.

**Senator SCHACHT**—Thank you very much. Is that collection development?

**Dr McIntyre**—Output 1.1 is collection development; it covers acquisitions.

**Senator SCHACHT**—\$600,000?

**Dr McIntyre**—It will not be quite of that order, because that includes salary costs and other items. In that sense it is normally around \$250,000 that we are looking at.

**Senator SCHACHT**—Collection care and management is a much bigger budget than actually collecting.

**Dr McIntyre**—Yes; that includes conservation work, documentation of the collection and research activity.

**Senator SCHACHT**—What are you planning will be the cost of admittance to the National Museum when the new building is opened?

**Ms Casey**—That has not been determined at this stage.

**Senator SCHACHT**—Is that a matter for the government, or for the management and board of the museum?

**Ms Casey**—It would be a matter for the council, board and management.

**Senator SCHACHT**—Has DOFA or Mr Stevens and his department indicated to you what they think you should try to raise from the entrance fee?

**Ms Casey**—Not at all. We have a revenue target of \$4 million that has been set for the first year of opening.

**Senator SCHACHT**—Is that basically from visitors paying entrance fees?

**Ms Casey**—Yes; obviously some of that would have to come from entrance fees.

**Senator SCHACHT**—What percentage do you think it would be?

**Ms Casey**—We are looking at about 80 per cent but we need to do further study into that.

**Senator SCHACHT**—The questions I have previously asked other agencies, on page 296 and 297, were about quality and quantity. Are these figures all a stab in the dark, because you have not got your building up?

**Ms Casey**—That is correct.

**Senator SCHACHT**—We will have to wait to see a couple of years of activity to see whether you are meeting these targets. That is fine. I turn to an article that appeared in the *Herald Sun* on 3 June—not a noted highbrow paper for cultural activities, other than Australian Rules football, I suspect! There is some comment about where you are at with the planning, artistic impression and design of the gallery—which is, to say the least, spectacularly different from the initial concept I saw. I am not criticising that; you have gone for a remarkable design. What is called the knot, I suppose, in crude terms, the concept of the design for the building out of the knot: has that been agreed to now? Is that now actually committed to the design, or is there any further adjustment?

**Ms Casey**—No, there is no further adjustment to that design; in fact, that knot was always in the original concept.

**Senator SCHACHT**—In the original concept, but in the actual architectural plans?

**Ms Casey**—Yes, the knot has always been there.

**Senator SCHACHT**—There has been some adjustment in the detail on the way through?

**Ms Casey**—Yes, small details; but the concept has stayed the same.

**Senator SCHACHT**—Are you confident that the architectural design of the museum will fulfil its first object of being able to display the collection in a very sympathetic and user-friendly way?

**Ms Casey**—Absolutely confident.

**Senator SCHACHT**—It won't be like the National Gallery where, even 20 years on, they are still arguing about whether the walls are the right colour or too big and unfriendly for certain types of paintings? I was at the estimates this morning with Dr Kennedy, but in previous estimates there has been debate about renovating the interior where the original architect is saying that his concept is being destroyed, or changed dramatically. You are confident that will not happen?

**Ms Casey**—Absolutely confident that it will not happen.

**Senator SCHACHT**—Was that the number one criterion given to the architects: that they had to design it so that it was absolutely functional for the display of the collection?

**Ms Casey**—Yes; first and foremost it is a museum, and that is what we were looking for.

**Senator SCHACHT**—Once you get the building up, I suspect that donations of memorabilia and collection items are going to grow rapidly, as everyone in Australia says that Aunt Mabel has died, they have found something under the bed of a historic nature and it ought to be in the collection. You will have a lot of duplication; a lot of stuff will have to be politely rejected or not accepted, but there will still be a big growth, which is what you would want. Is the design big enough to take foreseeably in the future a growth in the collection?

**Ms Casey**—It is, but at any one time museums only normally exhibit about 1 or 2 per. We believe we will be exhibiting about 5 per cent, but the design is such that we will have turnovers much more readily than the current museum practice around the world has them.

**Senator SCHACHT**—Of the stuff that you are not displaying because it is out of its turn or on rotation or whatever, is it part of the plan to make that available to regional museums from time to time?

**Ms Casey**—Some items we currently have on loan to other institutions. There will be tours available at Mitchell and we also will have an open storage facility on Acton Peninsula. We will continue loans and online access as well, as Dr McIntyre just reminded me.

**Senator SCHACHT**—Once you establish the collection in the new building and it grows rapidly, as I would imagine, what role will you have in providing—not leadership—involvement with the other state museums?

**Ms Casey**—We intend to have and are currently working on extensive partnerships with other museums—state museums plus small museums. We currently have travelling exhibitions to small museums and state museums and we will continue that practice.

**Senator SCHACHT**—I will wait and see how you go with the building. You are all on target to have it finished?

**Ms Casey**—We are.

**Senator SCHACHT**—What is that target?

**Ms Casey**—March 2001.

**Senator SCHACHT**—You cannot open it on 1 January 2001?

**Ms Casey**—I think Sydney has that day.

**Dr McIntyre**—March has always been the date.

**Senator SCHACHT**—Thank you. I look forward to it and wish you well.

**CHAIR**—The next programs are the National Archives and National Science and Technology Centre. Although they do not appear in these portfolio budget statements, we do have their annual report to ask questions from. Do you have questions, Senator Schacht?

**Senator SCHACHT**—I have just been advised very kindly that they are not in this book.

**CHAIR**—That is right. That is why we have got you the annual report.

**Senator SCHACHT**—It is last year's annual report. Is there any figure at all about your budget somewhere?

**Mr Nichols**—It is page 32, Senator.

**Senator SCHACHT**—You are like the Film and Sound Archives?

**Mr Nichols**—That is correct.

**CHAIR**—I was misinformed. I apologise to you.

**Senator SCHACHT**—I was going to say, I know Mr Stevens tries to hide a lot of things but even that would be a big leap for him.

**Mr Stevens**—All open and above board, Senator.

**Senator SCHACHT**—Absolutely. That is what I am saying.

**CHAIR**—Page 32 or 33?

**Mr Nichols**—Page 32.

**CHAIR**—Output 1.1.0.

**Senator SCHACHT**—We get three lines and it says that \$37 million is the output. Is that all there is?

**Mr Nichols**—Yes.

**Senator SCHACHT**—Perhaps Mr Stevens is right in trying to hide something.

**Mr Stevens**—Not at all.

**Senator SCHACHT**—Of the \$37 million, that is your appropriation or your output?

**Mr Nichols**—Yes.

**Senator SCHACHT**—Do you spend the lot?

**Mr Nichols**—Yes.

**Senator SCHACHT**—You have a mixture, of course, of staff, buildings, storage, et cetera. How much do you raise by providing services to people—anything at all?

**Mr Nichols**—Yes. We raise just over \$1 million in revenue from members of the public through copying charges and through the sale of minor assets from time to time. We raise around another \$1 million in charges we make on government agencies, but that \$1 million goes back into consolidated revenue.

**Senator SCHACHT**—You have not put in a bid to keep that revenue?

**Mr Nichols**—No, we are working on the other side.

**Senator SCHACHT**—Good idea. Can I suggest for the future, as we all go through the development of accrual accounting, that the table on page 32 is a bit sparse in explaining how you expend \$37 million in the national interest for the archives, which no-one doubts.

**CHAIR**—A single line is sparse, is that what you are trying to say?

**Senator SCHACHT**—The descriptions of the quality and quantity are a bit sparse, in my view, a bit—

**CHAIR**—Cryptic.

**Senator SCHACHT**—You may care to break that up a bit more. When we come to the 1999-2000 annual report in 15 months time, there will obviously be a lot more detail in here. But I think that for next year's budget or any future budget it would be useful to have a bit more of a breakdown of what is under quality and what is under quantity. If I may be so bold as to suggest that.

**Mr Nichols**—I think we are constrained somewhat by the fact that we hang off the department's total picture.

**Senator SCHACHT**—In view of the size of the report, you should outline in each budget what your outcomes will be. I think more detail should be given. Something should be put next to it that breaks down the figure, so that, when we get the annual report in 12 months, what you have put up that you are going to do is more measurable. You have heard the questions to other agencies about the capital usage charge. What is your capital usage charge?

**Mr Nichols**—It is about \$1.35 million.

**Senator SCHACHT**—Which means that your capital asset is about \$10 million or \$11 million?

**Mr Nichols**—Yes, it is primarily shelving, office fitout—that sort of thing.

**Senator SCHACHT**—The actual archive material, all those endless bundles of paper and files, DOFA has not asked you to put a value on that?

**Mr Nichols**—They have. We have been working through that process in the last 12 to 18 months. The informal advice I have got and the advice I am expecting to get formally from the valuers is that they are unable to put a reliable value on the collection.

**Senator SCHACHT**—I am not surprised in one sense. You will not have any great opportunity, even if you dispose of some of your archives, to earn a bit more for yourselves on the capital use average charge, obviously?

**Mr Nichols**—No, unfortunately.

**Senator SCHACHT**—Can you just fill me in a bit further. I am not apprised of your annual report for 1997-98, but just tell me, has the \$37 million been a steady figure taking into account inflation or have the figures been going up dramatically because of increased demand for services, et cetera?

**Mr Nichols**—No, the figure is relatively static, if you take away the capital user charge that has been added in this year of \$1.5 million, but in the mid-30s.

**Senator SCHACHT**—I apologise in one sense for not reading your annual report. I will get round to that for when we come back in 12 months time. We will get your annual report for 1998-99, which is based on the old system, about two or three months time before the next hearing of the estimates?

**Mr Nichols**—Yes.

**Senator SCHACHT**—Thank you very much.

**CHAIR**—Is that it?

**Senator SCHACHT**—That is National Archives, yes. Now for Questacon.

**CHAIR**—The Science and Technology Centre, yes.

**Senator SCHACHT**—Which page are they on in the yellow book, Mr Stevens?

**Mr Stevens**—Page 30.

**Senator SCHACHT**—My question is similar to the questions to the other agencies as we go to the accrual accounting system. First of all, at the bottom of page 30, the quality, quantity and measures you have got there in table 2.3 as part of output 1.8, those are figures that you are aiming at based on the experience of the year just completed?

**Ms Bee**—Based on experience over the last few years, yes.

**Senator SCHACHT**—Again, you are like the National Museum, about 80 per cent satisfied, and you do that by random survey of people visiting the centre?



**Ms Bee**—People visiting the centre and also people attending our outreach programs, because we have a lot of things happening outside of Canberra.

**Senator SCHACHT**—Some 700,000 people participated in Questacon. Is that figure going up or is that a static figure over the last two or three years?

**Ms Bee**—It does move. There are four components of the figure. One is the visitor numbers in Canberra, and they have been declining slowly over the last few years, in line with declining tourist numbers to Canberra and cultural institutions generally. Secondly, there are visitors around Australia to our outreach programs and to our travelling exhibitions. They go up and down depending on the venue. If we have a major exhibition in Sydney or Melbourne, obviously we attract large numbers. If the exhibitions are travelling to smaller regional centres then the number are a lot less.

The last component is that we also travel exhibitions overseas. Again, it depends on the nature of the exhibitions and where they are going. Sometimes the numbers are quite substantial, at other times they are lower. The 700,000 has tended to be a base figure. It has got as high as 1.2 million in previous years when we have hit major population centres.

**Senator SCHACHT**—So the main growth in the figures for participants will be when you go outside Canberra?

**Ms Bee**—Particularly when we have major exhibitions in Melbourne and Sydney.

**Senator SCHACHT**—You mentioned something in your remarks about there having been a decline in Canberra in cultural visitors.

**Ms Bee**—Canberra tourism.

**Senator SCHACHT**—It has affected all institutions like yours?

**Ms Bee**—It has been common amongst institutions, yes.

**Senator SCHACHT**—Obviously the local territory government might be a bit concerned about it, and the national parliament, in view of the funding we provide. Is there any particular reason why it has gone a bit flat?

**Ms Bee**—I think there is a range of reasons: general economic circumstances and families choosing to do other things in their leisure time. It was a particularly difficult period earlier in the year. January was very disappointing, not only for the cultural institutions but also tourist attractions and indeed the hotel and tourist sector generally. It is a little hard to know exactly why but it seems to have been a trend down. Around Australia at the same time there tends to be people going to museums and art galleries less; it does tend to be on a little bit of a decline.

**Senator SCHACHT**—Mr Stevens, as the cultural tsar extraordinaire of Australian bureaucracy, on that matter of the feedback Ms Bee has just given us, have you detected that as well?

**Mr Stevens**—Yes, I am aware of the slight concern about falling numbers. We are seeing it in Sydney as well with the maritime museum. Other museums in Sydney have the same problem.

**Senator SCHACHT**—Ms Bee said it is changing entertainment values of people. The economy is not exactly flat at the moment, there was reasonable growth in the economy in the last 12 months: is there any view about why this is occurring? Is it the excitement of the Sydney Olympics that is attracting people to sport for a while? The Adelaide Crows winning two premierships in a row has made a dramatic cultural improvement in South Australia.

**Ms Bee**—There tends to be a range of those things. It tends to go in peaks and troughs, if you like. People are getting more sophisticated in how they spend their leisure time and their leisure dollars. Yes, the economy is more buoyant. To a certain extent, people are looking at travel in a different way. It also depends, too, I think, on the nature of exhibitions and shows. There have been some major things in Canberra in the past that have attracted a lot of people here, and I think we are just having a bit of a downturn as a result of that.

**Senator SCHACHT**—When you might get a French impressionist exhibition at the National Gallery or Reubens or the Dutch masters or something, which is pretty spectacular, that gives you a peak and that flows across everywhere?

**Ms Bee**—Indeed.

**Mr Stevens**—Senator, the National Maritime Museum has done a fair bit of work on this, and I am happy to see if we can provide to you some material they have done. I am told the reasons are as varied as the Internet—increased use of the Internet.

**Senator SCHACHT**—I was going to suggest the Internet.

**Mr Stevens**—I am sure pay TV is another factor as well. It is changing habits, changing customs. We will see if we can provide you something from their research.

**Senator SCHACHT**—It might be an idea to provide it to all the agencies, too.

**Mr Stevens**—I suspect it is issue which we have looked at generally. Yes, it is a concern.

**Ms Bee**—It is something we are all very conscious of and we are working together on it in terms of keeping abreast of the change.

**Senator SCHACHT**—And those not in the purview of the federal government, the state cultural institutions—art galleries, and museums: you said they are all a bit flat, too?

**Ms Bee**—It certainly has been an issue with the Powerhouse and the Australia Museum, yes.

**Senator SCHACHT**—Can I ask again the dreaded question about the capital use charge: did you get one?

**Ms Bee**—I would like to say no, but yes, we did get one.

**Senator SCHACHT**—How much was yours?

**Ms Bee**—Ours was a mere \$745,000.

**Senator SCHACHT**—Is that because DOFA cannot work out how to value your quality? Is that right? It is all a bit too interactive for them, I suspect.

**Ms Bee**—You are right in that we do not have a collection per se. Instead of a collection, we do have interactive exhibits. Instead of a collection that is worth many hundreds of millions of dollars, our exhibits are much more like the traditional asset base. Their value is much less but their longevity is much less; they are more a replaceable asset and it is easier to deal with.

**Senator SCHACHT**—I understand. So it is \$700,000, is it?

**Ms Bee**—Yes, \$745,000.

**Senator SCHACHT**—Is that basically the software and the building itself?

**Ms Bee**—No, it is mainly the exhibitions, the physical exhibits. There are a few other assets but that is basically what it is.

**Senator SCHACHT**—The total price output is \$11.5 million for the year 1999-2000. Is that all appropriation or do you get some of that as revenue from ticket sales?

**Ms Bee**—No, of the \$11.4 million, we raise \$4.9 million ourselves and \$6.5 million roughly comes from the government, so it is about a 56-44 split.

**Senator SCHACHT**—The price of \$15 per participants: is that a steady cost per participant or is it going up or down?

**Ms Bee**—It is an average price. Perhaps a better way to answer that is that in terms of the government funding we get the government base has stayed the same. We have been successful both last year and in the coming three years in receiving new policy money, so when you include that in the equation there are peaks, if you like, but our base ongoing government funding has remained the same and the amount of revenue and sponsorship we raise has remained the same.

**Senator SCHACHT**—The \$15 per participant: does that include the participants outside Canberra, of course?

**Ms Bee**—Indeed, that is an average figure that simply takes the gross cost divided by the total number.

**Senator SCHACHT**—So if you get the participant numbers up, wherever they may be, on the present budget the dollar number per participant comes down?

**Ms Bee**—Yes.

**Senator SCHACHT**—Do you have a target for that? In the outputs here, in 15 months time when you put in your annual report, if you got it down to \$14, would you put that to us as an achievement?

**Ms Bee**—I think we would tend to prefer to look at it as quite a separate issue, in that we would like to focus more on the quantity of people, taking into account where we are going, because we very much want to reach regional as well as the main populated states, and sometimes that will mean sometimes that figure will be less.

**Senator SCHACHT**—I presume it will be in your annual report about the individual regional exhibits?

**Ms Bee**—Yes. We have detailed attachments at the back of the annual report.

**Senator SCHACHT**—Again, we are all learning about this accrual accounting system. It is in the annual report, but how long ahead do you plan the regional exhibitions?

**Ms Bee**—It varies. For some it is as far out as three years in advance; for others it is 12 months. It depends on the nature of the exhibition, the sponsor's requirements and the venue interests and requirements.

**Senator SCHACHT**—Can I suggest that, in the PBS for next year, you list as an output the planned regional exhibitions and then, when you do the annual report a year later, we can see how you have gone and we can see what you have aimed to do? If you are having one at Wagga Wagga and you aim to get 30,000 people over whatever number of weeks your the target is, if you do it in the annual report, you and we can see a measure. I think that generally would be useful information. At the moment, there is nothing wrong with it, but it is just a bit short in the output description. You are not the only one: not just in this portfolio but right across the board, people are trying to juggle what is reasonable to put in the output and what is not; to keep it simple, to keep it short. It is a fine balance and it will never be completely satisfactorily answered either way, but I think in this case, as I suggested to a couple of other agencies, let's try it, anyway.

**Ms Bee**—Certainly we could look at an estimate based on each state, if you like.

**Senator SCHACHT**—Yes.

**Ms Bee**—The figures that I anticipate we might be able to get.

**Senator SCHACHT**—That is reporting after the event. The accrual accounting is supposed to show the output commitment; that this is what you are aiming to do. Therefore, measured in the annual report 12 months later, is whether you have achieved it, and we can ask you even more questions, or you can tell us, ‘Ha, ha, we did it; go jump.’ Thank you very much.

**CHAIR**—Thank you very much. We will adjourn for the dinner break and resume at 7.30.

**Proceedings suspended from 6.27 p.m. to 7.33 p.m.**

**Senator MARK BISHOP**—I have some questions to do with the Cox Peninsula. Dr Stretton, is it proposed to allow the use of the Cox Peninsula HF transmission facility for international broadcasting?

**Dr Stretton**—Senator, you are probably aware that the Cox Peninsula site was excluded from the sale of the national transmission network for a number of reasons, which I can go into if you want. When that was done the property was handed over to what was then the Domestic Property Group, which I think is part of the Finance and Administration portfolio, to dispose of as a surplus property.

Our latest advice from the Property Group is that they have recently appointed a sales adviser; they have recently appointed Macquarie Bank Ltd as the project manager to commence action to identify and contract a suitable broadcaster to operate the facility on a licence basis. Because there is a land claim on the site, it is not possible to sell it at this stage, so the arrangement, as I understand it, is to try to find a broadcaster who is willing to take it on a long-term licence arrangement.

**Senator MARK BISHOP**—What do we call long-term licence arrangement?

**Dr Stretton**—I am not quite sure at this stage whether we know a definite time period for the licence arrangement—if you are interested I could get a written legal advice on the difference between a lease and a licence. There is a distinction there which I am not quite sure of myself. But the licence arrangement would allow the broadcaster to use the land and the facilities on that land. I do not think it gives them the right, for example, to prevent entry to all others. I presume it is a way of allowing the indigenous people to enter the site in a way that perhaps leasing would not. I think there is a distinction there.

**Senator MARK BISHOP**—So Macquarie Bank has the job to lease or license the property and the facilities and it is proposed to be a long-term licence. Can I conclude from that that it will be intended to be used for ongoing international broadcasting?

**Dr Stretton**—That is the obvious use for it, yes. That, of course, assumes that the Property Group finds someone who is interested in doing it. But that is the plan.

**Senator MARK BISHOP**—Do you anticipate problems in that area?

**Dr Stretton**—I think we are aware that at least one international broadcaster would be interested.

**Senator MARK BISHOP**—One?

**Dr Stretton**—I think we are aware that at least one international broadcaster would be interested, but obviously these things become commercial decisions at some stage.

**Senator MARK BISHOP**—Is it proposed that the Minister for Foreign Affairs will be empowered to make decisions concerning the international broadcasting of material from Australia?

**Dr Stretton**—Yes, Senator. You are aware of the proposal to introduce an amendment to the broadcasting services legislation?

**Senator MARK BISHOP**—I have a press release on that, yes.

**Dr Stretton**—Unfortunately we do not expect that amendment to the legislation to become law by the time this process will be finished. However, the intent of the legislation would be implemented in this case. My understanding is that it is intended that there will be a two-stage process. The first stage is calling for expressions of interest from possible broadcasters and then a short list will be made from that of all those who make expressions of interest. Then as part of the expressions of interest it will be made clear to possible broadcasters that they would have to get the approval of the Minister for Foreign Affairs that they would not in any way harm Australia's national interest.

**Senator MARK BISHOP**—Will the Minister for Foreign Affairs have sole power in that area, or will he be required to consult with other ministers?

**Dr Stretton**—It is a decision for the Minister for Foreign Affairs if he wishes to consult with other ministers.

**Senator MARK BISHOP**—So there will not be a statutory obligation for him to consult with other ministers? He will have sole power in that area?

**Dr Stretton**—That is my understanding, but I would not pretend to be 100 per cent on that. If it is not correct, I will certainly let you know.

**Senator MARK BISHOP**—And that power to be granted to the Minister for Foreign Affairs, that will be part of the amendments to the act in due course?

**Dr Stretton**—Correct, Senator.

**Senator MARK BISHOP**—Has the department had consultation or communication with the Minister for Foreign Affairs or his department on this issue?

**Dr Stretton**—Yes. We obviously work very closely with the Department of Foreign Affairs and Trade both in terms of developing the cabinet submission and then working on the drafting instructions for the legislation, so we have been working with them closely on this for some time.

**Senator MARK BISHOP**—Just briefly, what is the main driving reason for this change?

**Dr Stretton**—The fact that at the moment there is no requirement for a broadcaster who wanted to broadcast either short wave or via satellite from Australian soil or from the Australian satellite into the region to have a licence other than a facilities licence. You perhaps are aware of a general concern—just take short wave, because it is easier—that if broadcasters were transmitting into Asia from Australian soil and if that material was thought by any Asian country to be against their national interest, that could obviously have an impact on Australia's standing with those countries.

**Senator MARK BISHOP**—So that's the driver?

**Dr Stretton**—That's the driver.

**Senator MARK BISHOP**—The press release refers to:

Existing and prospective international broadcasting services will now require a content licence from the Australian Broadcasting Authority (ABA) in addition to the transmitter licence from the Australian Communications Authority (ACA).

That is the minister's press release No. 51/99 of 19 April.

**Dr Stretton**—Yes.

**Senator MARK BISHOP**—As to that content licence from the ABA, again, will the minister be required to consult with any other agency or department in the issuing of that licence or will the act require the ABA to consult with other agencies or departments in the issuing of a content licence to a potential broadcaster?

**Dr Stretton**—It requires them to consult with the Minister for Foreign Affairs to ensure that the applicant meets Australia's national interests or would not—

**Senator MARK BISHOP**—So having met those requirements, presumably the licence is issued automatically?

**Dr Stretton**—That's right. The Minister for Foreign Affairs has the power to say no.

**Senator MARK BISHOP**—That is all I have on Cox Peninsula.

**CHAIR**—What is it envisaged would be the format of broadcast provided by a commercial broadcaster broadcasting into South-East Asia?

**Dr Stretton**—Obviously there are a number of national-international broadcasters—the BBC, Voice of America or whatever—who might be interested in the Cox Peninsula facility to transmit their material into Asia.

**CHAIR**—So you are talking about another national broadcaster using an Australian facility to broadcast into South-East Asia?

**Dr Stretton**—That is one possibility.

**CHAIR**—Including, I presume, Japan Radio, the Netherlands Radio, Deutsche Welle and perhaps Radio Free Asia, the United States broadcaster?

**Dr Stretton**—It is quite possible that any of those might be interested.

**CHAIR**—What other groups might you consider?

**Dr Stretton**—I'm aware that there is a group called *Heralding Christ Jesus' Blessing* broadcasters who are very interested in setting up their own short-wave transmitter in northern Western Australia and I think are interested in this legislation and are seeking a licence under that legislation.

**CHAIR**—Is that an Australian group or an American group?

**Dr Stretton**—They are incorporated in Australia, but it is an American parent body.

**CHAIR**—By preserving Cox Peninsula and maintaining broadcast facilities there, does that mean that at some future date it might be used to again broadcast Radio Australia programs?

**Dr Stretton**—That would be a commercial decision which presumably the new owner and Radio Australia could enter into, if the government in its wisdom should decide to reinstate it, Senator.

**Senator MARK BISHOP**—Thank you. I want to talk about digital community broadcasting. I am referring to the PBS, pages 42 and 43. In relation to the allocation of bandwidth for the digitisation of community broadcast material, has bandwidth earmarked for datacasting services been allocated for community broadcasts?

**Dr Stretton**—Not at this stage, Senator. You are aware that when the digital television conversion act was introduced, the arrangement was that the government was going to examine—one of the many reviews that we are undertaking at the moment—the feasibility of requiring one of the datacasters to carry community television.

**Senator MARK BISHOP**—Where is that at?

**Dr Stretton**—My understanding is that a discussion paper—an issues paper, I think they are called—is about to be released.

**Senator MARK BISHOP**—Is that one of the options considered in the issues paper?

**Dr Stretton**—It is, yes.

**Senator MARK BISHOP**—So no spectrum has yet been allocated solely for community broadcasting?

**Dr Stretton**—No, not for digital.

**Senator MARK BISHOP**—Has the ABA engaged in any ongoing consultation with community broadcasting for spectrum allocation?

**Mr Stevens**—The ABA will be here later tonight, so you might like to ask them directly.

**Senator MARK BISHOP**—Would the department be able to tell me now?

**Mr Stevens**—I don't know whether we can or not.

**Dr Badger**—The process of planning the spectrum involves discussions with a range of groups who may be interested in using spectrum, whether they are datacasting or free-to-air broadcasters or the community broadcasters, and the community broadcasters definitely make their presence felt in those discussions.

**Senator MARK BISHOP**—Are those discussions conducted on an ongoing basis?

**Dr Badger**—There is an ongoing process related to the spectrum allocation process for digital television.

**Senator MARK BISHOP**—Is there consultation with the community broadcasters?

**Dr Badger**—I would expect that that is true. The only reason I am not being definite is because I am not involved in the ABA's discussions. But it would be unusual for the community broadcasters not to be involved in those discussions. For example, in the corresponding area of digital radio, where we have a committee looking at the issues associated with digital radio, the community broadcasters are on the committee that is looking at the issues.

**Senator MARK BISHOP**—Does anybody else have anything further on that?

**Dr Stretton**—We are just checking.

**Senator MARK BISHOP**—Has any additional funding been allocated in the current budget for assisting community broadcasters to digitise content?

**Dr Stretton**—To digitise content? No.

**Senator MARK BISHOP**—What budget allocation has been made for community broadcasters?

**Dr Stretton**—In total, \$5.271 million will be provided to the Community Broadcasting Foundation. That comprises their basic ongoing funding of about \$3.3 million. It comprises the continuation of an infrastructure package and a multicultural funding which was part of the government's election commitment first time round and that funding has been continued.

**Senator MARK BISHOP**—What page are you reading from?

**Dr Stretton**—It is on a number of different pages, Senator. If you want me to take you through it, I can.

**Senator MARK BISHOP**—Dr Stretton, I'm sorry; you proceed.

**Dr Stretton**—Perhaps also you will recall that as part of the sale of the National Transmission Network, the government promised \$80,000 to assist with cost supplementation if there were any increases in transmission costs for community broadcasters, so that includes that.

**Senator MARK BISHOP**—How many community broadcasters will be able to access that \$80,000?

**Dr Stretton**—About 17 is the expectation.

**Senator MARK BISHOP**—Are there any preconditions on that funding?

**Dr Stretton**—The funding was intended for primarily those community broadcasters who are currently being transmitted from NTA sites, towers, et cetera, and if there is an increase in the fee, that is meant to cover that. But it was also felt that there is enough money there to cover a number of broadcasters who were in the process of negotiating that, et cetera.

**Senator MARK BISHOP**—This is a perennial question: what progress has been made in relation to the statutory review into the regulation of digital TV broadcasting? Where are we at again with that?

**Mr Stevens**—There has been fairly steady progress. I read in today's paper that an issues paper, I think we call it, was issued on datacasting this week as part of that process and we are in the process of doing other issues papers now.

**Senator MARK BISHOP**—Are we on schedule?

**Mr Stevens**—I believe we are on schedule, yes. We are on schedule.

**Senator MARK BISHOP**—Has any progress been made in relation to the development of a regional equalisation plan for facilitating the introduction of DTV services in regional areas?

**Dr Badger**—Yes, Senator. There has been considerable progress made. In keeping with the commitment made by the government in the last election, we have had an independent consultant do an assessment of the costs likely to be borne by regional broadcasters in the change to digital television.

**Senator MARK BISHOP**—Has that consultant reported?

**Dr Badger**—We have the first cut of the report. Since that first report came in, we have had a discussion or a series of discussions with the regional broadcasters, both those from the aggregated markets and the two licences and the solus markets, and that has allowed the broadcasters to comment on the consultants' numbers and there has been a further detailed discussion. We are now waiting, I think, for a follow-up report from the consultants which, if you like, will bring together the assumptions made by the consultants—

**Senator MARK BISHOP**—And the comments.

**Dr Badger**—And the comments.

**Senator MARK BISHOP**—When do you expect to get that final draft, Dr Badger?

**Dr Badger**—Probably next week, I understand.

**Senator MARK BISHOP**—And what progress, if any, has been made in relation to the statutory review of the HDTV standards?

**Dr Badger**—Mr Stevens described the group of digital reviews; that's one of them. Like the others, there were papers out for discussion earlier this year and we have got people's comments back and we are about to put out an options paper which draws together the major



views brought by the various players. We would expect to have the HD paper out within two or three weeks.

**Senator MARK BISHOP**—What is the process thereafter? You receive public or industry comment?

**Dr Badger**—Yes.

**Senator MARK BISHOP**—Does that take about six weeks, two months?

**Dr Badger**—I think three to four weeks.

**Mr Pelling**—It is three or four weeks.

**Senator MARK BISHOP**—Then a final decision is made?

**Mr Pelling**—Yes.

**Senator MARK BISHOP**—Dr Stretton, you were breaking up some figures before on the allocation for the 1999-2000 financial year for assisting community broadcasters to access the transmission services post the NTN sale. Can you do that again for me, please?

**Dr Stretton**—I was giving you the total funding for community broadcasting. Do you want me to go through the figures again?

**Senator MARK BISHOP**—If you don't mind, yes.

**Dr Stretton**—Ongoing what you might call base funding of about \$3.3 million. The government renewed two programs—one is generally called an infrastructure package, which is about providing an online network which joins up the various community broadcasters, plus funding for preparation of multicultural programming. That comes to \$1.5 million. It's \$80,000 for the NTN transmission supplementation.

**Senator MARK BISHOP**—That's by 17, isn't it?

**Dr Stretton**—Around 17 community broadcasters. And \$500,000 for the contemporary music initiative. I think that should come to about \$5.271 million.

**Senator MARK BISHOP**—Can you explain to me what methodology has been used to determine that figure of \$80,000 for the 17-odd broadcasters?

**Dr Stretton**—We were aware of the number of broadcasters who were using NTN or NTA sites. We were aware of how much they were paying currently. We were also aware that in a number of cases the NTA had already moved to what it called commercial fees for community broadcasters. We worked out what the difference was, multiplied it out and added a bit more.

**Senator MARK BISHOP**—And you haven't had any serious objections to the figure arrived at?

**Dr Stretton**—Not that I am aware of, no.

**Senator MARK BISHOP**—Has the department or the minister had any consultations with those community broadcasters with respect to arrangements post the sale of the NTN, or is that a commercial matter between them?

**Dr Stretton**—Obviously it would be a commercial matter between the broadcaster and the NTL. We would be talking, I am sure, with the Community Broadcasting Foundation, to which we will give the \$80,000 to pass out to their members as required. We have, I think, very close consultations with the Community Broadcasting Foundation on an ongoing basis and this would be just one of a number of things that we would be talking to them about.

**Senator MARK BISHOP**—I have some questions on notice concerning another old favourite, the radiocommunications legislation amendment bill.

**Mr Stevens**—I did say we would do that tomorrow morning, Senator, under Communications.

**Senator MARK BISHOP**—That's all right. I can give them to you tomorrow morning.

**Mr Stevens**—Is that okay? If you put the questions on notice now, I am happy to take them on notice now.

**Senator MARK BISHOP**—I will do them now. That concludes my questions on that.

**CHAIR**—That concludes that program. We now move to the Special Broadcasting Service, SBS.

[7.57 p.m.]

#### SPECIAL BROADCASTING SERVICE CORPORATION

**Senator MARK BISHOP**—Mr Luu, welcome. Have there been any interruptions to SBS transmitted analog broadcasting services since the privatisation of the National Transmission Network?

**Mr Luu**—As far as I am aware, there has never been any.

**Senator MARK BISHOP**—There have never been any?

**Mr Luu**—As far as we are aware.

**Senator MARK BISHOP**—Does anyone else have a different viewpoint from that?

**Ms Crowe**—There was one outage the other night, but it was nothing to do with the National Transmission Network. It was in fact an Optus satellite failure. It went off air for about one hour.

**Senator MARK BISHOP**—Thank you, Ms Crowe. Is the SBS taking any steps to maximise the quality of reception by audiences of SBS transmitted analog broadcasting services since the privatisation of the NTN? Is there any need to look at that?

**Ms Crowe**—We certainly intend to do that, Senator. You would be aware that the funding that we have received is for services to remain as is, coverage to be the same, standard of quality of service to be the same, but we would look to building a partnership with NTL which would enable us to be able to improve the standard of service. Some of it, of course, is dependent upon government funding. If we need new transmitters or extensions to our services, those are things that have not been covered in the current arrangement, but we would certainly be looking to talk to NTL about improvement to services.

One important improvement to service for us is that the government has funded in the upcoming financial year money for us to actually relocate our Sydney transmitter. As you would be aware, in Sydney the topography is quite difficult and where we are located on the ABC tower the picture is not wonderful, so the government has provided us with funds to relocate that transmitter in the next financial year and also to provide a redundant service in Sydney. All of that is all tied up in the move to privatisation of the NTN.

**Senator MARK BISHOP**—To relocate the transmitter out of the current location in Sydney, what allocation of funds has been made?

**Ms Crowe**—\$5.1 million in the next financial year.

**Senator MARK BISHOP**—But your basic charter in the post NTA privatisation is to maintain services at the pre-existing levels?

**Ms Crowe**—Absolutely—and audience coverage.

**Senator MARK BISHOP**—And are you confident that you are doing that?

**Ms Crowe**—We are at the moment, yes. We have only had two months experience, but yes, we are confident.

**Senator MARK BISHOP**—Do you anticipate any problems on that score?

**Ms Crowe**—No, because the contract that we have engaged with NTL also provides for that and the government and SBS have a compact as well, which is the government asking us to ensure that the coverage remains and standards remain in return for the funding that the government will provide us with for those services.

**Senator MARK BISHOP**—Is the five-year budget allocation to the SBS for purchasing transmission services in the post NTN sale environment adequate?

**Ms Crowe**—Yes. The money that is coming in to be paid out to NTL is exactly the same as the contract price and that is fixed for that period. We have also received some other funding to assist us with the administration of these new activities that we have taken on.

**Senator MARK BISHOP**—That was part of the guarantees when the NTA was privatised, wasn't it—there was funding for you and the ABC for five years?

**Ms Crowe**—That's true, but we also have within the contract with NTL options of renewal at the same price up to a maximum of 14 years. The options are to be exercised by us. So really we are looking at a period beyond five years. We have got certainty for 14 years, if you want to look at it that way.

**Senator MARK BISHOP**—Has the process of the privatisation of NTN caused any additional disruption or additional expense to the SBA in respect of management or administration of broadcasting?

**Ms Crowe**—It has certainly caused additional expense. We have been funded for that from the funds that have come with the sale of the NTN. We are actually recruiting at the moment two engineers to assist us with the planning activities that we have now taken on, which were formerly done by the NTA, and also to ensure that we are managing a quite complex outsourced contract professionally and well. In terms of disruption, absolutely not. The relationship with NTL two months down the track is very professional, very good.

**Senator MARK BISHOP**—What funding has been allocated in the current SBS budget for the digitisation of television production in the lead-up to 2001?

**Ms Crowe**—For what we call the first phase of digitisation, we were looking for an amount of \$21 million within SBS, of which the government has funded \$17.7 million over five years, and the upcoming year that we are talking about there is \$2.6 million funding coming in this year.

**Senator MARK BISHOP**—The other \$3.3 million? Is that coming from internal—

**Ms Crowe**—We are self-funding that.

**Senator MARK BISHOP**—That's in your budget and not a major problem?

**Ms Crowe**—It is certainly in our budget. That was part of the strategy. They were the figures we put to government as being our strategy to convert.

**Senator MARK BISHOP**—What funding has been allocated in the current SBS budget for the digitisation of radio production in the lead-up to 2001?

**Ms Crowe**—At this stage we don't have any particular funding for production as such. Those are costs yet to be assessed, really, and those, of course, will depend on what we end up doing in terms of production in the digital environment.

**Senator MARK BISHOP**—Are you determining a strategy for that at the moment?

**Ms Crowe**—Absolutely. We are working on that now.

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

**Ms Crowe**—In terms of production I would say probably not for another eight months or so; in terms of funding for phase 2 of digital broadcasting, the transmission costs, we have undertaken to provide the minister with our figures on that by 30 June this year. We are still pulling all that together. We do not yet have a final figure.

**Senator MARK BISHOP**—Has the SBS made any submissions to the ABA with regard to the draft channel allocation or digitisation handbook?

**Ms Crowe**—Yes, Senator, we have.

**Senator MARK BISHOP**—What was the thrust of those submissions?

**Ms Crowe**—The thrust of those submissions was that essentially we felt that we needed a little more time to look at it in depth. That was one of the issues. But essentially we were fairly happy with the proposed channel allocations that were being offered. For us, of course, there are always some issues about UHF coverage versus VHF. We have taken up those issues as well.

**Senator MARK BISHOP**—They are in the process of discussion with government?

**Ms Crowe**—With the ABA at this stage.

**Senator MARK BISHOP**—What multichannelling would SBS anticipate producing in the digital broadcasting environment? What markets would you be—

**Mr Luu**—Are you talking about television? Perhaps Mr Cavanagh can answer that.

**Mr Cavanagh**—There are a number of areas of programming that we are very interested in for multichannelling. As we have such a broad charter, it is almost impossible to meet all our requirements with a single channel. We are under a great deal of pressure just in terms of the available hours of transmission each day at the moment. One of the key areas that we would like to address is in the area of what we call our world watch schedule of foreign language news programs, which takes up the bulk of our daytime schedule currently. We have quite a long list of communities in Australia whom we currently cannot service with a foreign language news program from their home countries.

**Senator MARK BISHOP**—Is this a foreign news channel? Is that what you're saying, Mr Cavanagh?

**Mr Cavanagh**—At least in part. What we would like to be able to do is improve the service for those communities we already provide a service to. Currently we provide one service a day to, I think, 10 different communities in Australia, then a weekly service for, if you like, the next tier of communities in population size. Some of those services are at quite unsociable hours of the day at the moment. We would like to provide a better spread of services, perhaps two or three versions of news programs for some of the larger groups. But the main priority will be to provide a service for the first time to a large number of groups in Australia that we cannot currently service.

**Senator MARK BISHOP**—So that is your first priority. Is there a second and third area of interest?

**Mr Cavanagh**—Yes. Another key issue for us is what we might call a choice channel. One of the things that separates SBS from other television networks is the quite disparate nature of our programming. We do not rely heavily on long-run series product where people can lock into a viewing pattern. Virtually every day there is a different schedule on SBS. Because we have a market share of only three per cent or four per cent our own on-air promotion is not a particularly powerful vehicle for spreading the message about what programs are on SBS. We actually find that the most powerful of those tools for us is word of mouth. Ironically, in our case, most often when we have a particularly interesting program on people find out about it after the event rather than before the event. They are talking about it the next day or on the talk-back radio stations or whatever it might be. We would like to provide some additional opportunities to view those programs. One of our most common calls to the network at the moment is, ‘I understand there was a program on last night. When are you going to repeat it so we can see it or see it again?’ So we would certainly like to be able to put together a selection of some of those programs that have had an impact in the community and give a second or third opportunity for people to view those programs.

**Senator MARK BISHOP**—So essentially a repeat channel for high demand product?

**Mr Cavanagh**—Yes. We would certainly be looking at that and perhaps time shifting some of the programs that are in more inaccessible time zones at the moment so that they are accessible to as many people as possible.

**Mr Luu**—With SBS TV, the repeat programs sometimes have a higher penetration to the audience than the original one, precisely because we lacked the facility to promote it in the first place.

**Senator MARK BISHOP**—Because of the word of mouth argument, you mean?

**Mr Cavanagh**—Absolutely. Another important area for us too is that we currently find it very difficult to service some of the needs of various ethnic communities with community coverage—coverage of community and multicultural events and activities. The additional capacity provides the opportunity for reasonably low cost programming that would provide some exposure to those sorts of activities as well.

**Senator MARK BISHOP**—Would you see those three areas that you have identified as three separate additional channels, or are they part of the product delivered on one additional channel?

**Mr Cavanagh**—It may vary from time to time, I think is the answer. It may be a combination on some occasions and it may be separate on others, depending on the volume of the demand.

**Senator MARK BISHOP**—So how many channels is the SBS hoping to operate?

**Mr Cavanagh**—Ideally we would like to have one or two additional channels—that’s in addition to the simulcast digital channel—that would allow us to service those requirements.

**Senator MARK BISHOP**—Understood. The issue of Ms Wendt. There was a press article on that. She’s been hired by SBS. What is her role going to be?

**Mr Cavanagh**—Jana Wendt will be the presenter and interviewer on the *Dateline* program.

**Senator MARK BISHOP**—That will be weekly or nightly?

**Mr Cavanagh**—That will be the same as it currently is. It is a weekly international current affairs program. It runs for one hour. Currently it is on a Saturday evening, but it is about to move to Wednesday evening at 8.30 p.m.

**Senator MARK BISHOP**—And the period of her contract?

**Mr Cavanagh**—For one year.

**Senator MARK BISHOP**—Renewable at her option or that of the SBS?

**Mr Cavanagh**—There is no option in the contract.

**Senator MARK BISHOP**—I presume that the contract sum negotiated between the parties is not related to the relevant award that applies to SBS employees?

**Mr Cavanagh**—It's an individual negotiation.

**Senator MARK BISHOP**—Is there a privacy or confidentiality clause in the employment contract with Ms Wendt?

**Mr Cavanagh**—Yes, there is.

**Senator MARK BISHOP**—That is all I have on SBS.

**CHAIR**—I would like to ask a couple of questions relating to SBS services in Western Australia. SBS is now on the satellite over WA, and that is very pleasing. I wonder how many towns in regional Western Australia are now receiving and transmitting SBS.

**Ms Crowe**—Senator, we have now achieved satellite coverage in WA, as you said, so anybody with a dish, a direct-to-home facility, can of course receive the signal now. It is our understanding—if you bear with me I will just count these quickly—that there are currently 11 existing self-help groups now pulling down the signal. We are aware of other services being developed in Broome and the surrounding area. That will, I suppose, bring us up to about 15 self-help. In Perth, of course, we have coverage which spills over to Bunbury and those sorts of areas. There is no money at the moment, though, for additional terrestrial coverage.

**CHAIR**—Could you quickly run through the 11 towns?

**Ms Crowe**—Yes, I will. There is Albany, Bridgetown, Bunbury, Collie, Kalgoorlie-Boulder, Lancelin, Leonora, Molloy Island, Narrogin, Newman and Wickham.

**CHAIR**—Have there been any problems with the self-help groups being established?

**Ms Crowe**—Not that I am aware of but, as you know, Senator, they tend to set themselves up. We offer technical advice where possible, but at this stage no, there have not been any problems that I am aware of.

**CHAIR**—Have there been any delays in granting rebroadcast licences? Last week I was contacted by a group in Port Hedland who claimed that there were, but in fact I am advised that they only applied for the licence quite recently, in May, in fact. They claimed there was a five-month delay.

**Ms Crowe**—We have actually made some representations to the ABA on this issue, but I am not aware of where that process is at.

**CHAIR**—On the grounds that you have received other complaints of delay?

**Ms Crowe**—Not complaints. I would suggest that they were requests for assistance.

**CHAIR**—What does that mean?

**Ms Crowe**—It is just that the self-broadcast group contacted us and said they would like us to support their application.

**CHAIR**—So it is, ‘Where do we go from here’?

**Ms Crowe**—Yes.

**CHAIR**—Not that there’s a delay.

**Ms Crowe**—Not a complaint, no—I wouldn’t call it a complaint.

**Senator MARK BISHOP**—What has happened to Ms Vatsikopoulos. What is the story there?

**Mr Cavanagh**—Ms Vatsikopoulos is currently on leave until the end of this year and she will be—

**Senator MARK BISHOP**—On maternity leave?

**Mr Cavanagh**—No. She is on recreation leave and long service leave for a period of some months until the end of this calendar year with the intention of returning to the *Dateline* program in her former role as a travelling reporter next year.

**Senator MARK BISHOP**—So she will be on accrued annual leave and long service leave, did you say?

**Mr Cavanagh**—That’s correct.

**Senator MARK BISHOP**—For seven or eight months?

**Mr Cavanagh**—About six months.

**Senator MARK BISHOP**—Was that at her request or SBS’s request?

**Mr Cavanagh**—It was at her request.

**Senator MARK BISHOP**—And there is a formal agreement that she will return to SBS as a reporter?

**Mr Cavanagh**—That is the intention. It is not formalised at the moment. But that is the option available to her which she has indicated she will be accepting.

**Senator MARK BISHOP**—Why was it thought necessary to change the presenter? I understand Ms Vatsikopoulos is fairly highly regarded and has been recognised by the industry in terms of awards and things that matter in terms of the industry. What led you to believe that there was a need for change, Mr Cavanagh?

**Mr Cavanagh**—I suppose the change of presenter is one of a number of changes to the program. *Dateline* is a very prestigious and highly regarded program. It has been on air now for almost 12 years. However, the fact of the matter in the last few years is that the program’s audience has been dwindling, its costs have been going up, and we considered it was too important a program to allow it to drift into the background, so we wanted to revamp and reinvigorate it. To do that, we have put in place a number of changes, one of which is a change in presenter. But there are a number of significant changes. As I mentioned earlier, it is moving from a Saturday evening to a Wednesday evening, and there is a change from a 7.30 time slot to an 8.30 time slot. There will be some other changes in terms of set and titles as well.

**Senator MARK BISHOP**—How long has Ms Vatsikopoulos been the anchor person?

**Mr Cavanagh**—Two years.

**Senator MARK BISHOP**—Did that decline you referred to start with Ms Vatsikopoulos or had you identified it prior to her tenure as the anchor person?

**Mr Cavanagh**—No. The decline cannot be attributed to any presenter of the program. It has been a long-term trend. Unfortunately, there is a global trend away from serious quality international current affairs. So it is a drift internationally for that genre of television program. It is getting harder and harder to sustain an audience for that type of program. So we are doing everything we possibly can to reinvigorate the program, relaunch it and push it to the foreground again.

**Senator MARK BISHOP**—When Ms Vatsikopoulos vacated the chair, so to speak, what was the length of her outstanding contract?

**Mr Cavanagh**—Ms Vatsikopoulos was out of contract.

**Senator MARK BISHOP**—So she has gone on leave and has indicated to you and you have accepted that she will return as a roving international reporter some time early in the new year? Is that right?

**Mr Cavanagh**—In the year 2000 program season, yes, that's correct.

**Senator MARK BISHOP**—When does the year 2000 program season commence?

**Mr Cavanagh**—Usually early February.

**Senator MARK BISHOP**—Fine. Thank you, Chair.

**CHAIR**—There being no further questions, we thank the witnesses and move to Broadcasting and film, the Australian Film Commission. Regrettably, it seems we do not have any questions for you, which I was not previously advised of, or I would not have kept you here. There are no questions on the Australian Film Finance Corporation or the Australian Film, Television and Radio School. My apologies to both of those two groups. I am sorry I kept you here.

[8.23 p.m.]

#### AUSTRALIAN BROADCASTING CORPORATION

**Senator MARK BISHOP**—Just a few preliminary comments: I asked some questions in both the May and February estimates and the relevant officers at the time were unable to give me the answers and undertook to take them on notice and respond. I refer to questions at pages 382, 383 and 385 of the May estimates and 151, 154 and 155 of the February estimates. I have not yet received written answers to those questions taken on notice. So could you draw that to the attention of the relevant officers so I could have answers to those matters that were raised?

**Mr Balding**—Senator, to our knowledge the questions from the ABC's perspective have been answered and they have been forwarded.

**Senator MARK BISHOP**—The secretary has just advised me that the May ones have been circulated. I went back through my files and I had not received them this afternoon. I will check again, if you could also check again.

**Mr Balding**—We will undertake to follow up too, Senator.

**Senator MARK BISHOP**—Tell me, FTE staff dedicated to ABC Online. Is that still around 30 to 35?

**Ms Clayton**—Around 35, yes.

**Senator MARK BISHOP**—What is the total annual expenditure by the ABC in this area?

**Mr Balding**—It is in the vicinity of \$2.5 million to \$2.6 million per annum.



**Senator MARK BISHOP**—Is that a relatively static figure or is it increasing?

**Mr Balding**—It is relatively static at the moment, but it built up from the very first year when we got \$750,000. It has been sitting at \$2 million to \$2.5 million for the last two years.

**Senator MARK BISHOP**—So it has been sitting around about \$2.4 million for the last two or three years?

**Mr Balding**—\$2.4 million, \$2.5 million.

**Senator MARK BISHOP**—Is there a specific budget allocation for ABC Online or is it part of general allocation?

**Mr Balding**—It is an allocation within our national networks portfolio. It has its own budget and it operates to that budget.

**Ms Clayton**—Senator, if I might add, ABC News Online is also separately funded through the news and current affairs budget.

**Senator MARK BISHOP**—And News Online, is that part of the \$2.4 million Mr Balding was referring to?

**Ms Clayton**—I believe that News Online line is included—it's actually \$2.7 million now that the budget is sitting in. But I will have to double-check that, Senator. It is something less than a million dollars that is spent on ABC News Online out of Brisbane.

**Senator MARK BISHOP**—Current usage statistics for ABC Online. What figure are we at now in terms of hits per day?

**Ms Clayton**—In May 1999, accesses per week were 2.6 million. That compared with March of this year of 2.4 million accesses per week and March 1998 of 0.8—800,000 accesses per week. So it is now 2.6 million page accesses per week.

**Mr Balding**—I can confirm that the actual news part of that is included within the \$2.5 million.

**Senator MARK BISHOP**—Thank you, Mr Balding. That figure of 2.5 million hits; how is that audited? How do we know that is correct? Not that I am suggesting that it is not, but how do you verify it internally?

**Mr Knowles**—It is relatively easy to set up counters which access the number of counts of hits you have coming to your site, which is the way we count the number of hits coming into the site. When you go to some sites you find they run a counter up the front which says that you are 'the 956th visitor' or whatever. We do not go to that length, but we do count them that way.

**Senator MARK BISHOP**—Does the measurement also attend to the duration of the hit, or is it just the fact that the site is hit?

**Mr Knowles**—It is quite complex if you want to track the duration and the total accesses, because when a person receives data, they receive that data in a burst, so therefore they are making another connection, although it is still the same connection. We do not count that as a second connection.

**Senator MARK BISHOP**—When we met in May, we had a discussion on the decision of the board to reject the part privatisation of ABC Online. From memory, I believe Mr Lloyd-James said a report had gone to the board. Are you able to provide a copy of that report to the committee?

**Mr Balding**—Senator, it is not normal practice that the ABC board reports are circulated outside the board. I would have to take that on notice.

**Senator MARK BISHOP**—Can you take that on notice and give me a response either way?

**Mr Balding**—I will do.

**Senator MARK BISHOP**—Are you able to tell me, Mr Balding, what reasons the board had for rejecting the part privatisation?

**Mr Balding**—At this stage, Senator, I am not across the detail of that report.

**Ms Clayton**—I might be able to fill you in. I think this was probably discussed at the last meeting. The primary reason is that the production of ABC Online is integrated into the production of ABC television and ABC radio product. So the product is not divisible. That means our television and our radio product, of course, by our charter must be advertising free and sponsorship free, so the sale of the site would be extremely difficult.

We also believe that given the way in which the online business was developing we had ample opportunities for revenue generation from that online site through onsale of programming developed within the online site to other service providers. We are actively pursuing that strategy rather than the asset sale of the site.

**Senator MARK BISHOP**—Is ABC Online evolving into a useful profit centre, for want of a better description?

**Ms Clayton**—It is very early days yet, Senator. As you know, the market is very speculative at the moment and believes that there are opportunities all over the place for online. We have had a number of requests and we are providing our news service to a number of Internet service provider sites and to private intranet sites. This seems to be a growing area of interest in ABC news services, as well as some other ABC programming services which are of interest.

So we have created a business unit within ABC Enterprises, which handles our merchandising and retailing activities and which has also assumed responsibility recently for program sales for ABC television as well. In this area we are negotiating the contracts for the sale of our news material into other sites and other programming material and we are also exploring other e-commerce opportunities. But it is very early days yet.

**Senator MARK BISHOP**—This business unit—does that have responsibility also for the marketing of online services?

**Ms Clayton**—For the marketing of online services, not in terms of publicity and promotion for our free-to-air online service, but it has responsibility for any e-commerce, any commercial usage of our online programming.

**Senator MARK BISHOP**—Has the management of ABC looked at the likely development of the online services business within the ABC?

**Ms Clayton**—Yes. The paper which was presented to the board, which you referred to earlier, had a comprehensive sweep of developments within the industry and the ABC's business and how our business can match the way the industry was developing. So it was a very comprehensive look at the industry and our own growth and how we could match those while retaining of course our independence and integrity for our basic free-to-air service.

**Senator MARK BISHOP**—So is it fair to assume that both the management and the board of ABC are confident of the growth and success financially in the medium term of ABC Online?

**Ms Clayton**—We regard it as an area of high potential for growth of revenue, yes.

**Senator MARK BISHOP**—This is probably a question for the minister. Board member retirements, June and July—

**Senator Alston**—Are you available, are you?

**Senator MARK BISHOP**—No, I am not available—office of profit under the Crown, so I'm not available.

**Senator Alston**—You could forgo the salary.

**Senator MARK BISHOP**—When I retire, yes. Discuss that with Mr Entsch! Has a recommendation gone to Cabinet as yet?

**Senator Alston**—No.

**Senator MARK BISHOP**—When will a recommendation for replacements go to cabinet?

**Senator Alston**—In the not too distant future, I suppose.

**Senator MARK BISHOP**—Are we going to play this back—when?

**Senator Alston**—I don't know. I haven't focused on that.

**Senator MARK BISHOP**—You haven't focused on that?

**Senator Alston**—I have focused on possible replacements, but I haven't focused on precisely when the names would go to Cabinet.

**Senator MARK BISHOP**—Right, in the not too distant future. Do you intend to keep the board at full capacity, seeing the vacancies arise in June and July?

**Senator Alston**—Oh, yes, yes—we'll certainly maintain the numbers.

**Senator MARK BISHOP**—Is that a yes or a probably?

**Senator Alston**—No, we will be making two appointments.

**Senator MARK BISHOP**—Are you considering appointments from outside Melbourne and Sydney?

**Senator Alston**—Yes. I thought you were going to remind me that one of the retiring board members was from Western Australia.

**Senator MARK BISHOP**—No, I think you know where they come from as well as I do. I just want you to know that we're still interested.

**Senator Alston**—We are seriously interested in places beyond Melbourne and Sydney.

**Senator MARK BISHOP**—Back to funding for digitisation. What funding has been allocated in the current ABC budget for digitisation of television production in the lead-up to 2001? Who has those figures?

**Mr Balding**—In the actual television production or for digital conversion?

**Senator MARK BISHOP**—Digital conversion.

**Mr Balding**—In respect of phase 1, we have an estimate of \$110 million over the five-year period.

**Senator MARK BISHOP**—That hasn't been reviewed at all?

**Mr Balding**—It has been reviewed a number of times, in actual fact. It is still sitting around about the \$110 million. What has changed is the actual cash flow from year to year, the timing of the expenditure, but the total for phase 1 is still in the vicinity of \$110 million.

**Senator MARK BISHOP**—Has the ABC made submissions to the ABA with regard to the draft channel allocation?

**Mr Knowles**—Yes, we have, Senator. The ABC played an active part in the industry and ABA groups which in fact developed that channel plan and we have made submissions in relation to the final plan as was decided by the ABA.

**Senator MARK BISHOP**—You are after two additional channels, as I understand it, Mr Knowles?

**Mr Knowles**—No, the ABC, along with other broadcasters under the act, will receive one additional piece of spectrum to go with its analogue channel. In other words, there is an extra channel capacity of 7 megahertz to go with each analogue channel. So the ABC having one across Australia gets one digital channel.

**Senator MARK BISHOP**—Which particular new market are you going to try to be going into? You were discussing education at one stage, information technology at another. Have you resolved that issue?

**Mr Knowles**—You have two questions running there, Senator. In fact, what you are asking about is in fact the channel. While there are still some legislation reviews to be completed about the question of multichannel, multiprogram transmission on the digital channel, the ABC's strategy is that it will mix between high definition and multiprogram, presuming we were permitted to do that, and we are looking at several programming strategies ranging from an information channel through to learning channels and so forth. We are currently developing a content strategy for those.

**Senator MARK BISHOP**—The content strategy is not yet resolved?

**Mr Knowles**—It is an ongoing review, Senator, in terms of trying to find the right mix in amongst all of that and to find ways to reutilise the content that we have in an effective way.

**Senator MARK BISHOP**—Would you be looking to go further into news production or children's TV, those sorts of areas?

**Ms Clayton**—At the moment we are exploring a number of channels. I think in our digital content strategy document we produced at the end of last year, we indicated that information programming was one stream that we were looking at fairly closely. The other stream was education. We are now refining those ideas and looking practically at what programming we can produce within our existing resources and what would best meet the public interest in terms of a national broadcast multichannelling.

Information programming we are exploring. We are looking at a range of different styles of programming, innovative new programming that does not compete with or copy existing formats for news and information services, certainly services which reflect the interests of regional and state Australia.

So we are looking at a range of options for programming, but it will be confined by our ability to fund those, as well as, of course, whatever latitude we are given within the final decisions on multichannelling from government.

On the other channel, we have identified education early as an area of opportunity for us where we think we can develop further our programming potential with education partners across the country. We are looking at particularly preschool programming. As an adjunct to that, we are asking whether there are more opportunity for us to provide more preschool programming throughout the day.

There are other areas we are looking at. For instance, in terms of broadcasting of performance across all the states, how we can cover live performance of theatre and music and relay those on a multichannel as well. So there is a range of things that we are looking

at. It is going to come down to practicality—the practicality of putting it together—it is going to come down to budget and it is going to come down to an assessment of where we think audiences might find the best use from ABC multichannels. So it is an ongoing exercise for us and we are continually refining it.

**Senator MARK BISHOP**—The bottom line of that is budget allocation, is it not?

**Ms Clayton**—Budget allocation is one of the parameters within which we are working, yes. We are trying to find opportunities for utilising our existing resources, both in terms of material we have gathered already, but also in terms of the human resources and technical resources that we have available to us across the country in order to work with what we have. So that is a very large parameter in our decision-making.

**Senator MARK BISHOP**—I'll bet it is. Okay, that's fine on that. Let's turn to our friends down in the Victorian parliament. First question: Has the ABC executive examined the report prepared by the Victorian parliament on issues relating to the location of ABC production and administration?

**Ms Howard**—Yes, Senator, we have examined it in great detail and continue to do so.

**Senator MARK BISHOP**—How does the ABC answer the accusation made in the report that the ABC did not provide key information requested by the inquiry, that you were not helpful?

**Ms Howard**—I frankly find it astounding given that much of the time of a number of my colleagues and of myself was given up to helping the inquiry with information that they needed. We provided a great deal of information to the inquiry.

**Senator MARK BISHOP**—You provided a great deal of information to the inquiry?

**Ms Howard**—Information that they requested.

**Senator MARK BISHOP**—So you flatly reject that accusation, do you?

**Ms Howard**—Yes.

**Senator MARK BISHOP**—Why do you think they made such a serious allegation?

**Ms Howard**—Senator, there are a number of things in the final inquiry report that seemed completely to take no notice of any of the evidence that was given to the inquiry, a number of things where they completely ignored the things that we had said.

**Senator MARK BISHOP**—Ms Howard, in the Australian Parliament, if a Senate inquiry should table a report and the witnesses or participants are aggrieved at the findings or conclusions of that report and believe the findings or conclusions are erroneous in fact, the Standing Orders of the Senate provide opportunity for the aggrieved witness or participant to table a document identifying the deficiencies in the original report. Has the ABC given any consideration to exercising that potential privilege in the Victorian parliament?

**Ms Howard**—At this stage we are preparing a response to the inquiry document. It has not been to the board yet. It is not at the stage where the board has seen or approved that document, but we are providing a response.

**Senator MARK BISHOP**—Would you be seeking to have that response tabled in the Victorian parliament?

**Ms Clayton**—Senator, we have not considered what the options are in that response. We certainly intend to provide it to the economic development committee of Victoria, so we have not considered what the formal processes might be for that report.

**Senator MARK BISHOP**—You might consider that option and have it on the public record. How does the ABC answer the accusation made in the report that the ABC does not know the geographical breakdown of its staff and resources—a fairly offensive sort of comment, I would have thought.

**Ms Howard**—I find that surprising and odd.

**Senator MARK BISHOP**—Surprising and odd?

**Ms Howard**—Given that I myself was at great pains to explain where our staff were located and the facilities available at each of those places, as were a number of my colleagues.

**Senator MARK BISHOP**—So not only your personnel know the location of your staff and resources and equipment, but presumably your computer systems would be able to identify staffing locations and numbers and those sorts of things?

**Ms Clayton**—Senator, we did provide as part of our final submission—we gave three submissions to the inquiry—a breakdown of staff by place of payment, so that was the closest we could get to where people actually lived. These sorts of staffing breakdowns sometimes are by production unit—sometimes people are allocated to production units whose offices may be somewhere, while they may physically be located somewhere else. So there are various ways in which we can cut it. In the final cut, we actually gave them a figure—we said where people are paid.

**Senator MARK BISHOP**—If I asked you, Ms Clayton, to tell me how many staff are employed in an executive capacity, management capacity, administration capacity and production capacity broken up on a state and territory basis, how long would it take you to obtain that information?

**Ms Clayton**—I couldn't tell you. Can I say to you we are in the process at the ABC—and this is one of the problems for us—of actually changing over our human resource system. We have an existing system which has been in place for a number of years which was actually mapped against our previous structures. We are moving to a new human resource system. One of the things is whether we should be working with the old system or the new system.

We have, as I say, got broad breakdowns—in our monthly human resources reports we have breakdowns by state, by category of staff. However, those breakdowns may not again reflect the actual location of the staff. They may be by the state against which that program is allocated. So I cannot tell you precisely whether we could tell you how many people live in one state in whatever category, whether or not the system would cough that up at the moment. We can tell you how many people are paid in each state; we can tell you what categories of people live in each state; and how many of them. But whether that categorisation is against state of residence or the state against which the program is allocated I just cannot tell you at this stage. So that just gives you an indication of the complexity of the task.

When we actually enter the data, how do we enter it—by where they live or where the program is allocated? Those are the sorts of refinements we are going through at the moment in setting up new information systems for our staff members.

**Senator MARK BISHOP**—How does the ABC answer the accusation made in the report that the ABC intimidates or otherwise limits the freedom of staff in expressing views? That is a pretty serious accusation for a broadcaster, isn't it?

**Ms Howard**—In fact, I took this up with the committee chairman on two occasions when a number of my staff had come to me and said that they were going to talk to the inquiry and they did so and nothing has happened to them and they were not intimidated. A lot of staff

also said they were not prepared to give evidence to the inquiry. I think the inquiry was disappointed at the number of staff who volunteered. But there was no intimidation.

**Senator MARK BISHOP**—Why did staff, Ms Howard, not wish to give evidence to the inquiry? Did they give you a reason?

**Ms Howard**—Some of them believed that the inquiry was not in their interests. Some people gave no reasons in particular.

**Senator MARK BISHOP**—They just didn't wish to exercise their right?

**Ms Howard**—No, they didn't wish to be a part of giving evidence to the inquiry.

**Senator MARK BISHOP**—How does the ABC answer the proposition made in the report—the minister will be interested in this—that the ABC could save between \$25 million and \$74 million per annum by operating at best practice levels?

**Ms Howard**—We were interested in that too. We were trying to work out how, for example, the number of managers within the organisation was calculated and I think part of it was a terminology problem. For example, I have in local and regional services a number of people who are called regional program managers. In fact, they are not. Their management extends to things like looking after the petty cash, making sure that the cleaning is done. They are the senior broadcaster in the station. They are not, strictly speaking, managers. They all have jobs on air—you know, as breakfast announcers and things like that.

**Senator MARK BISHOP**—So they are already multiskilled!

**Ms Howard**—Oh, yes. So if I took away those 48-odd managers, we would have 48 fewer breakfast programs around the country, for example. So I think there was a misunderstanding of some of the terminology of what we describe as an RPM, as a regional program manager, and what is in fact a working broadcaster.

**Senator MARK BISHOP**—So you are very charitable, Ms Howard. You think it was a misunderstanding. You don't think it was malicious or deliberate or vicious?

**Ms Howard**—I'd like to believe it was a misunderstanding, Senator.

**Senator MARK BISHOP**—The ABC has been engaged in a fairly significant review of internal costs for certainly the last three years and possibly the last five or six years, hasn't it, Mr Balding?

**Mr Balding**—It certainly has, yes.

**Senator MARK BISHOP**—And it has suffered significant budget cuts in recent years.

**Mr Balding**—It has.

**Senator MARK BISHOP**—So I presume there would have been a series of internal reviews aimed at improving output and productivity over the last few years; is that correct?

**Mr Balding**—Senator, that is correct. The ABC in coming together under a new structure looked at a whole range of issues from its support services to the way it was structured. I think you have to recall that in 1997-1998 the ABC saved some \$29 million as part against those budget cuts. That \$29 million came as a direct result of restructuring, introducing new efficiency measures, reengineering our support services, our support functions.

Just in the support area, the ABC has saved some \$8 million per annum. In my own portfolio, the finance and business services, we have had a 17 per cent reduction in the budget funds for that portfolio, a 17 per cent, 18 per cent reduction in staff numbers. Again as a result

of reengineering our processes, introducing new technology. And all this was advised to the Victorian Government inquiry.

**Senator MARK BISHOP**—So the information you have just given us tonight was provided to the inquiry in Victoria?

**Mr Balding**—I gave it personally and it was also provided in a supplementary submission to the inquiry.

**Senator MARK BISHOP**—So what do you say to this proposition that you could save another \$25 million to \$74 million per annum?

**Mr Balding**—I'd like to talk to the consultant.

**Senator MARK BISHOP**—How does the ABC answer the proposition made in the report that the ABC should be the subject of an audit conducted by the ANAO?

**Mr Balding**—The ABC is already subject to audit by the ANAO.

**Senator MARK BISHOP**—It is already subject to audit?

**Mr Balding**—As with all Commonwealth departments and authorities, the ABC is a public body which is accountable to the parliament and we are already subject to audit. We are subject to a number of audits from the ANAO. We are subject to a financial compliance audit, which is the statutory audit—the Auditor-General signs off on our accounts every year. We are subject to a number of performance improvements audits, management audits, by the ANAO, which the ABC willingly participates in. We are currently subject to another audit with the ANAO in respect of our phase 1 digital costings. So the ANAO has continual residence at the ABC.

**Senator MARK BISHOP**—The Victorian economic development committee report, pages xvii and page 71 refers to 'the lack of high definition television production facilities planned for Ripponlea, the home of ABC television production in Melbourne.' Does the ABC have any plans to equip the Melbourne television production centre for HDTV?

**Mr Knowles**—Senator, I personally told the committee that we were planning to put HDTV into Melbourne. Our submission also in fact highlights that particular factor. We expect that high definition television is more than likely to go into Melbourne before Sydney for various practical reasons such as building construction and the like.

The real question about high definition is just precisely which point in time will it go, because at the moment if I went out to buy the equipment, I couldn't, although I will be able to from January next year. From the ABC's point of view, we will be taking a strategic decision at the time the pricing and availability of equipment is such that we get best value for money.

**Mr Balding**—Senator, when I appeared before the committee, I also assured the committee that we would be rolling out digital technology at our Ripponlea studios.

**Senator MARK BISHOP**—Thank you for those responses, ladies and gentlemen. I come to NTN transition arrangements: the same questions we did with SBS. Have there been any interruptions to ABC transmitted analogue broadcasting since the changeover?

**Mr Knowles**—No, Senator. In fact, it has continued fairly smoothly. It has been a smooth transition. Some factors we have settled, but some factors would not move across to the new arrangement until 1 July to allow for an effective transition, allowing the ABC to pick up things previously done by NTA. We are having regular dialogue with the new provider.

**Senator MARK BISHOP**—So you have no cause to complain at this stage?



**Mr Knowles**—No.

**Senator MARK BISHOP**—And is your budget for the next five years for purchasing the transmission services in a post NTN sale environment satisfactory?

**Mr Knowles**—There are two elements . We have the cash amount, which in fact covers the acquisition of the transmission services plus a small amount to cover extension and infills for minor ongoing works that are needed to fix up pockets of poor reception and the like. That is part of the budget and compact with government.

**Senator MARK BISHOP**—Fine. I understand that. Has the process of privatising the NTN caused any disruption or additional expense to the ABC in respect of broadcasting of services?

**Mr Knowles**—No, Senator.

**Senator MARK BISHOP**—Can you just outline the nature of the agreement entered into by the ABC and NTL Australia Limited in respect of the domestic analogue transmission services contract?

**Mr Knowles**—The contract is for the supply of transmission services according to certain performance parameters which are identical to the performance parameters we expected to receive from the NTA. So there is no change to what we get delivered, simply a change of agent.

**Senator MARK BISHOP**—Sale of the Adelaide Terrace property in Western Australia. What is the nature of the arrangement between the Fini construction group and the ABC in relation to the Perth Adelaide Terrace property? Can you take me through that?

**Mr Balding**—Yes, I can. At the moment the board has approved our negotiating with Fini to come up with a final heads of agreement, but generally the agreement would encompass Fini buying the Adelaide Terrace site from us and providing us with a new building on the new East Perth site. So it would be a turnkey operation.

**Senator MARK BISHOP**—And you have had the Adelaide Terrace property valued?

**Mr Balding**—We have had it valued, yes.

**Senator MARK BISHOP**—How many valuations did you organise?

**Mr Balding**—Offhand I'm not sure, but it would be two to three valuations.

**Senator MARK BISHOP**—Is there a standard practice for that with dispersal of property?

**Mr Balding**—Yes, there is. We have our own valuers whom we engage and we make sure that we seek our own valuation prior to and independent of what offer is being made.

**Senator MARK BISHOP**—So that has been done. Can you provide to the committee the names and positions of the directors of the Fini construction group?

**Mr Balding**—I will take that on notice. I haven't got it with me.

**Senator MARK BISHOP**—That is fine. Has the Fini construction group done any previous work for the ABC?

**Mr Balding**—I am not aware. I will take that on notice too, if I could.

**Senator MARK BISHOP**—Where will the additional \$3 million required for the relocation be sourced from?

**Mr Balding**—It may not be a specific \$3 million coming from one source. We are applying a number of sources to our property redevelopments throughout Australia. There are two major property redevelopments other than Sydney at the moment. There is East Perth, which we are

talking about now, and also Brisbane. We are looking to apply some future property funds, capital funds, as well as some borrowings.

**Senator MARK BISHOP**—As well as borrowings?

**Mr Balding**—Yes.

**Senator MARK BISHOP**—What sort of figures are we talking about in terms of borrowings?

**Mr Balding**—I haven't done the full mix on that as yet.

**Senator MARK BISHOP**—That Adelaide Terrace property would be a fairly prime site, wouldn't it, in terms of value?

**Mr Balding**—Oh, I presume so—fairly prime.

**Senator MARK BISHOP**—Fairly prime, yes. It intrigues me that there is this sort of negative cost in shifting out of Adelaide Terrace to a smaller facility in East Perth.

**Mr Balding**—How do you mean, Senator?

**Senator MARK BISHOP**—My understanding is that there will be a net cost involved in the relocation. Is that not right?

**Mr Balding**—Yes. But for that we are getting a brand-new building on a new site.

**Senator MARK BISHOP**—Yes. You are essentially shifting from the heart of the city to an inner city suburb, I concede that, in a newly developed area, but I would have thought the value of that property was fairly high.

**CHAIR**—Do you have an estimate of the value of the Adelaide Terrace property?

**Mr Balding**—Our estimate of market value is in the order of \$11 million to \$12 million.

**CHAIR**—And the purchase price of the East Perth site?

**Mr Balding**—From memory about \$2.17 million, I think it is.

**Senator MARK BISHOP**—What are the extra costs involved?

**Mr Balding**—The total project cost for the East Perth site is in the order of about \$23.5 million?

**Senator MARK BISHOP**—What is the timetable for studio relocation.

**Mr Balding**—They are still doing the finetuning on that now. You are talking about two to two and a half years.

**Senator MARK BISHOP**—Will the relocation have any impact on the digital broadcasting timetable for the Perth operations of the ABC?

**Mr Balding**—No.

**Mr Knowles**—Senator, in order to make sure that we do not spend money and then unspend it again, we are targeting our timetable for the full digitisation of Perth in conjunction with that new property development, but that will not stop digital television appearing in Perth. We will put the necessary transmission equipment in to deliver digital television in Perth and provide the local material from the existing facilities in the transition. That way we can actually maximise the simplicity of the transition by building the new facility and letting people start there.

**Senator MARK BISHOP**—Thank you, Mr Knowles. I just refer you to the PBS at page 112 under the heading of 'Competitive tendering and contracting'. The second sentence there says:

The ABC Board has agreed that between 10% and 15% of the annual program budget (excluding News and current affairs) is contestable.

Can you just explain to the committee what is the methodology used by the ABC to determine successful bids in relation to the 10 per cent to 15 per cent of the ABC's non-news production budget that is classified as contestable?

**Ms Clayton**—Senator, we can provide you with the guidelines for contestability which are published and provided to the independent production industry, which give out the assessment criteria, and we can take that on notice.

**Senator MARK BISHOP**—That will be fine. What is the current figure for 1999-2000 ABC production budget allocated to the contestable classifications?

**Ms Clayton**—At the moment I do not think we have an allocation, but I think in this current financial year it is 11 per cent.

**Senator MARK BISHOP**—What is the annual program budget?

**Ms Clayton**—The annual program budget—if you can just bear with me a little bit—for non-news and current affairs production is in the order of \$81 million.

**Senator MARK BISHOP**—That \$81 million is for non-news and current affairs?

**Ms Clayton**—Yes.

**Senator MARK BISHOP**—And including news and current affairs?

**Ms Clayton**—Including news and current affairs I would probably have to take that on notice. The news and current affairs budget figure I know, but it includes radio production.

**Senator MARK BISHOP**—Can you do that for me, please.

**Ms Clayton**—Yes.

**Senator MARK BISHOP**—Radio Australia: what countries in the Pacific and South-East Asia are serviced by Radio Australia through the two satellite subcarriers leased by Radio Australia from the ATVI Channel Seven group.

**Mr Knowles**—Basically countries in South-East Asia and some of the Pacific are the major coverage areas by those beams.

**Senator MARK BISHOP**—Which countries are they?

**Mr Knowles**—It extends from around Burma across into China on one beam and then out into the Pacific on the other beam, if I remember rightly.

**Senator MARK BISHOP**—So Indonesia, Malaysia, Brunei, Vietnam, Laos—

**Mr Knowles**—Thailand.

**Senator MARK BISHOP**—Into Burma—

**Mr Knowles**—Vietnam.

**Senator MARK BISHOP**—How far north?

**Mr Knowles**—About halfway into China, from memory.

**Senator MARK BISHOP**—Then heading east?

**Mr Knowles**—Heading east I think the beam cuts out around the edge of India. The final number, of course, depends on how big a dish somebody wants to put up.

**Senator MARK BISHOP**—In the Pacific does it go across to South Korea, North Korea?

**Mr Knowles**—No, Senator. I am fairly certain it does not. That beam is basically southern Pacific—the Philippines through around into Fiji.

**Senator MARK BISHOP**—The Pacific islands?

**Mr Knowles**—And the Pacific islands, yes.

**Senator MARK BISHOP**—What are the budgetary implications for Radio Australia in respect of their lease of satellite bandwidth from the Australian Television Channel Seven group if the consortium is dissolved or otherwise alters their satellite leasing arrangement with the Indonesian carrier? What are the budgetary implications of that?

**Ms Clayton**—We would have to take that on notice. At the moment I believe it is in the order of \$100,000 per annum, the cost of leasing that. I believe it is in that order, but I would take it on notice for confirmation.

**Mr Knowles**—I suspect, Senator, that you are talking about the budget implications if that service were not available through the ATVI transponder. There are a large number of potential transponder providers covering that same region from whom we would probably acquire transmission capacity at a very similar rate. We would test the market and see what was there. So it is not a case of it disappearing. There are an enormous number of potential providers—PAS is one of them. We've got a number of other things—Palapas satellite would still be available to us, for example. The satellite does not disappear with the service.

**Senator MARK BISHOP**—Do you have a contract with NTL Australia in respect of that Radio Australia transmission services contract? Are they involved in that at all?

**Mr Knowles**—There is an arrangement between the department and NTL for continuation of the Radio Australia service—this is a general Radio Australia service—while that agreement is being finally put together. That agreement was not in place on 10 May when the new contract came into being.

**Senator MARK BISHOP**—So when will it come into effect?

**Mr Knowles**—I'm expecting that it will be in by the middle of the year.

**Senator MARK BISHOP**—And the duration?

**Mr Knowles**—I think it is a 10-year contract. If you give me a minute, I will probably find the answer.

**Senator MARK BISHOP**—What representations has the ABC made to the Federal Government, if any, with regard to extensions to the two-year funding made available for news production to be broadcast by Australian Television International Pty Ltd? Have there been any representations to the government?

**Ms Clayton**—Yes, the ABC has made representations to the minister.

**Senator MARK BISHOP**—What is the nature of those representations?

**Ms Clayton**—I think we have written to the minister to seek negotiations for future funding of the provision of ABC news and current affairs services to—sorry, what am I thinking of? I'm in the wrong—this is for ATVI?

**Senator MARK BISHOP**—Yes, ATVI.

**Ms Clayton**—Sorry, I lost my train of thought. To seek continued funding for the provision of ABC news and current affairs services, we have written to the minister.

**Senator MARK BISHOP**—When did you write to the minister?

**Ms Clayton**—It would have been prior to the budget—I think towards the end of April.

**Senator MARK BISHOP**—When do you anticipate having those negotiations with the government?

**Ms Clayton**—I think those negotiations have been completed with the government. There is no additional funding provided within the current budget.

**Senator MARK BISHOP**—No additional funding provided for it within the current budget?

**Ms Clayton**—That is right.

**Senator MARK BISHOP**—So will you be able to meet your obligations?

**Ms Clayton**—For Australia Television news?

**Senator MARK BISHOP**—Yes.

**Ms Clayton**—No, I think there was an announcement on 4 June that we will be ceasing to provide news to Australia Television.

**Senator MARK BISHOP**—You will be ceasing to provide—

**Ms Clayton**—The news service to Australia Television. However, we are still in negotiation with Channel 7 over the provision of other news and current affairs programming on a commercial basis.

**Senator MARK BISHOP**—So where will Channel 7 get that—

**Ms Clayton**—You would have to talk to Channel 7.

**Senator MARK BISHOP**—And you will be unable to provide that because the government has refused additional funding in the current budget?

**Ms Clayton**—The original government agreement was only for two years. There was no guarantee of further funding. The government is no longer able to provide that. Channel 7 has indicated that they cannot purchase from the ABC a service at a cost which covers our cost. Under those circumstances, we cannot provide the service and subsidise Channel 7.

**Senator MARK BISHOP**—You made a commercial decision that you cannot provide a subsidy to an industry competitor?

**Ms Clayton**—If it is a commercial service, we should not be subsidising that service.

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

**Mr Knowles**—Senator, I can pick up your answer on Radio Australia. The current NTL contract was in fact settled on 1 May. At this stage we have no draft contract for the RA contract—that is still being developed. We expect that should be finalised before the end of the year. There are arrangements in place that cover that interim period. The final period will be subject to the discussion on the contract. We would normally expect it to be 10 years.

**Senator MARK BISHOP**—All right. Ms Clayton, coming back to you, what is the estimated cost of continuing to provide a similar level of production per annum for that service?

**Ms Clayton**—I think I would have to take that on notice. I am not close enough to the actual details of the costs, Senator Bishop.

**Senator MARK BISHOP**—I have a figure in my mind of less than \$120,000. Is that—

**Ms Clayton**—That is nowhere near the mark, no.

**Senator MARK BISHOP**—You will take that on notice?

**Ms Clayton**—Yes, we will take that on notice.

**Senator MARK BISHOP**—Do you have any ongoing discussions with ATVI regarding an ongoing relationship with respect to news production or is that—

**Ms Clayton**—The funding from government covers the provision of news and current affairs services. I believe that Channel 7 is still interested in purchasing some of our existing services—not the dedicated Asian news service—so I think we are still talking to them about the terms on which we might provide some of our other programming to them.

**Senator MARK BISHOP**—But you are not talking about the—

**Ms Clayton**—Not the dedicated, tailored Asian news service, which we made specially for Australia Television International.

**Senator MARK BISHOP**—Thank you, Ms Clayton, ladies and gentlemen. That completes my questions on the ABC.

**Senator COONAN**—I wanted to clarify a matter raised in previous estimates of scrutiny of ABC editorial policy and monitoring for bias, especially by reference to the ABC's coverage of the waterfront dispute. For the sake of continuity—I know some of the officers were not here on the last occasion—I should place on record that since the matter was last raised, there have been two additional reports: firstly, a critique by Professor Bell of the IPA report. I assume that that critique has been sent to the committee. Does anyone know about that?

**Ms Clayton**—Senator Coonan, I do not believe we have actually sent a copy of Professor Bell's critique to the committee. I think we sent it to individuals. I have a copy of it here if you would like it.

**Senator COONAN**—It should be tabled. And a response to Professor Bell's critique by the IPA which I will table. Additionally the ABC has provided some answers to questions on notice, which I assume you all have copies of.

**Ms Clayton**—We have, indeed.

**Senator COONAN**—Beginning firstly with the written responses to why the original Professor Bell report was commissioned by the ABC, you advised us that between 8 April and 6 May last year a number of complaints were made from various quarters. What was the nature of the complaints and from where did they emanate?

**Ms Clayton**—Senator Coonan, I will have to take it on notice for the details of it. There were a range of complaints about, for instance, the handling of the National Farmers Federation rally. There were complaints relating to particular news stories on the 7 o'clock news. There were a range of complaints. Eventually the minister wrote to us about, I think, 13 complaints seeking our response, and we responded to those complaints in detail.

**Senator COONAN**—I suppose the point is then that they were serious complaints—at least the ABC regarded them as serious complaints?

**Ms Clayton**—If they are passed on to us at that level, we do take the complaints very seriously, as we take all complaints very seriously.

**Senator COONAN**—How were they investigated?

**Ms Clayton**—Within the organisation. The investigation was carried out through our office, which is the corporate affairs office of the ABC. We interviewed various people across the corporation. We compiled the evidence.

**Senator COONAN**—So this was all done internally, was it?

**Ms Clayton**—Yes. The investigation of each of those complaints was carried out internally. They were scrutinised, as I understand it, by the chairman. The report also went to the board.

**Senator COONAN**—What I am interested in trying to establish is why it was thought necessary to go outside to commission Professor Bell to do a report. I mean, was it thought the existing internal mechanisms were not sufficient by themselves? What was the process that led to that?

**Ms Clayton**—It is a matter of perception, Senator Coonan. There was considerable criticism in the media as well as the direct criticism that we received by letter. Because of the high profile of these complaints in the media, we felt that to have a third party look at it would be wise and prudent on our part under those circumstances.

**Senator COONAN**—That is precisely the point, isn't it? There are clearly occasions when the ABC—as both, I suppose, producer and regulator of its own content—needs to be fortified by some third party evidence to be able to assure the board that it is abiding by its guidelines?

**Ms Clayton**—We regularly provide and have provided budgets regularly now for external monitoring of our election coverage. There may be other circumstances in the future where there is highly controversial public debate going on where we would feel that to have an ad hoc review of our coverage would be appropriate in terms of public perception, yes.

**Senator COONAN**—There is currently no source of independent advice, is there, available to the board. It is very much an internal process, an upwardly mobile process, perhaps, was the way it was described to me on the last occasion.

**Ms Clayton**—The independent advice that is available to us is that there is an independent complaints review panel appointed by the board which has independent—

**Senator COONAN**—But that's after the event, isn't it?

**Ms Clayton**—That is to respond to particular complaints.

**Senator COONAN**—What I'm getting at is that, as I understand it—and I have gone through it I think fairly carefully—there is no systematic independent process to provide advice on editorial policy.

**Ms Clayton**—No, and it is probably not the role of the ABC to provide that. It is certainly the role of the ABC to monitor its own performance and from time to time where we see that there is a public perception we do commission an independent process, but by virtue of the nature of our commissioning it, its independence is always questioned, as the IPA has done.

**Senator COONAN**—Yes, I understand the process. A little over a year ago in May last year the minister, on behalf of the government, put forward five specific suggestions for the board's consideration to assist the transparency process, if you like, of the ABC's internal review processes, including its editorial policies unit for the very reasons we have been discussing. What has happened to that suggestion?

**Ms Clayton**—We explained at the time, Senator Coonan, that we had—again within the corporate affairs area—an editorial policies unit which governs the development of our editorial policies and education about those editorial policies. That happens on a biannual basis. It is a corporate responsibility, as indeed it is in the BBC.

**Senator COONAN**—Is that a separate unit you are describing?

**Ms Clayton**—It is part of our corporate policy unit, but it is a discrete function of that corporate policy unit with discrete objectives.

**Senator COONAN**—When was that introduced?

**Ms Clayton**—That has been in place for many years.

**Senator COONAN**—If that's its role, it didn't help in relation to the waterfront dispute.

**Ms Clayton**—As I say, its role is the development of and the education on our editorial policies.

**Senator COONAN**—It doesn't provide independent advice?

**Ms Clayton**—It doesn't provide day-to-day independent advice on monitoring within the corporation of editorial activities.

**Senator COONAN**—I understood that that was what the minister had been suggesting—that it was worth considering some sort of separate unit to provide that kind of independent advice.

**Ms Clayton**—Our view very much is that, given our own internal mechanisms, given that these activities are happening on a daily basis, program decisions are being made on a daily basis, that we are responding to any complaints that come in from the general community promptly, and we do apologise where it is necessary, such an overriding body across the corporation which is separated out from the program department is not necessary and that our procedures are adequate. I might also add that it is the express and explicit role of the board to monitor the independence and impartiality of ABC news and current affairs and other journalistic output and they do that regularly through a quarterly report. That is a role that the board has actively taken on over this period.

**Senator COONAN**—Was Professor Bell's report the subject of one of these quarterly reports?

**Ms Clayton**—Professor Bell's report was the subject of two specific presentations to the board. I think one of them was within a quarterly report and one of them was without, because we weren't in sync with the quarter. Professor Bell came himself twice to the board, gave a presentation on his report, the board discussed in detail that report with him, questions about methodology, questions about the result, and at the end they were satisfied with that process.

**Senator COONAN**—I understand that. Did they also have a report on the IPA criticism of Professor Bell's report?

**Ms Clayton**—Yes, they have had a report at the last board meeting as part of the impartiality and objectivity report. The IPA report was provided to them. Commentary was provided. We advised them that Professor Bell's report was freely available—and I think it was available at that time, so, yes, they were fully informed.

**Senator COONAN**—To the extent that any of these reports are in writing, could you take on notice to provide copies of them? Thank you.

There is just one thing I want to clear up before I ask a couple of questions about the reports. In a previous estimates, in answer to a question by Senator Tierney, I think it was you, Ms Clayton, said that there was a threshold test before anyone could take a complaint to the independent complaints review panel, and Mr Lloyd-James said on the last occasion—in response to a question from me—that there is no threshold. Which is right?

**Ms Clayton**—The threshold test that exists is that it has to be judged as a serious complaint.

**Senator COONAN**—How do you do that?

**Ms Clayton**—That is a very good question, Senator. I think as long as the complaint itself relates to the terms, the independent complaints review panel has never rejected a complaint on the basis that it was not serious. But that was written into the guidelines.

**Senator COONAN**—I won't say it's a Clayton's threshold then! That would be unfair. In a written reply to my question on notice concerning the IPA finding that ABC reporting favoured MUA interests over Patrick interests by 36 per cent more air time, the ABC replied



that the methodology used by Professor Bell is properly a matter for him to comment on, which of course I think is absolutely the right answer. But I take it from that comment that the ABC simply does not know definitively whether Professor Bell's methodology is flawed or whether it isn't.

**Ms Clayton**—What we have done, of course, is commission an independent reviewer.

**Senator COONAN**—I understand that.

**Ms Clayton**—We have not commissioned an independent reviewer to review the independent reviewer.

**Senator COONAN**—But they seem to be arguing with each other.

**Ms Clayton**—The ABC board itself has a range of excellent expertise, but its members probably are not qualified to do that kind of study.

**Senator COONAN**—So you don't feel qualified to comment on it, which is interesting, because a specific conclusion on which the ABC appears to rely is Professor Bell's finding that almost equal exposure as measured by sound bytes was given to both sides of the dispute. I'm just wondering where we go with that.

**Ms Clayton**—I think Professor Bell in his report has indicated there are differences in methodology in the measuring of sound bytes.

**Senator COONAN**—The IPA report criticised Professor Bell's finding that there was almost equal coverage by finding that Professor Bell had used highly selective criteria and left a lot out.

**Ms Clayton**—Professor Bell has addressed that, I think, in his critique.

**Senator COONAN**—Yes, but I am curious to know by what process you adopted the Bell report as correct and the IPA report as adding nothing of value.

**Ms Clayton**—Professor Bell's report came as part of a general overview of our performance. We monitored audience complaints. We looked at specific complaints. There was nothing in any of that reporting which indicated to the board—and the board I think has made statements in this regard—that there was any evidence of systemic bias in any of the ABC's coverage of the waterfront dispute.

**Senator COONAN**—But what you said—at least what the press statement said, speaking of you generically—was that you made quite a feature of accepting Professor Bell's conclusion that there was almost equal coverage.

**Ms Clayton**—That's right.

**Senator COONAN**—Then you get a report that challenges the central tenet of that report. I am just wondering how you distinguish which is right.

**Ms Clayton**—You get another report from Professor Bell which challenges the central tenet of the IPA report.

**Senator COONAN**—And you get another report from the IPA which-

**Ms Clayton**—We commissioned an independent report. That was the finding of the independent report at the time, and that supported findings of other measures of our performance under the waterfront dispute. If that report of Professor Bell's had been out of line with our own monitoring and out of line with our performance in other controversial disputes since, you may have questioned it, but it has not been out of line with our performance in any controversial dispute since in terms of our monitoring of the federal

election, our monitoring of the New South Wales state election and our ongoing monitoring of audience complaints.

**Senator COONAN**—So you're not really interested in the methodology. You are just interested in the conclusion that so far as Professor Bell is concerned, he supports the ABC's view that it is not biased in the way that it conducted its coverage?

**Ms Clayton**—We selected Professor Bell on the basis of his reputation.

**Senator COONAN**—Just wait a minute. Just answer my question, if you would. You are interested only in the conclusion, not how Professor Bell got there?

**Ms Clayton**—We are interested in the integrity of the conclusion and the integrity of the conclusion is evidenced by Professor Bell's own qualifications and by, I might say, scrutiny of that report by the board at the time of its delivery.

**Senator COONAN**—We will see how they scrutinise the IPA report in due course, no doubt, but I am just interested, because the first IPA report came out on 3 April and the following day Mr Johns said he was satisfied with the coverage and findings of the Bell report. I was just wondering whether some further reviews were undertaken between 3 and 4 April to enable that statement to be made?

**Ms Clayton**—Mr Johns made the statement on the basis of the report as received. You must understand the environment in which this is happening.

**Senator COONAN**—I do, I do. I am just wanting to understand the process here.

**Ms Clayton**—We are dealing with an ongoing public issue and it is necessary for the managing director to make those statements at the time.

**Senator COONAN**—What I am interested in is whether anybody between 3 and 4 April turned their mind at all to whether or not the Bell report was highly selective?

**Ms Clayton**—The Bell report had been commissioned by us on the basis—

**Senator COONAN**—Had they thought about whether it was highly selective?

**Ms Clayton**—The Bell report had its own internal integrity on our reading and I think that internal integrity has been supported by findings from other measures of our performance since and I do not think that there is a serious challenge to it as a result of the IPA report.

**Senator COONAN**—What I put to you in a question that you have taken on notice was that you appear to have just rejected the IPA report out of hand and it seems to be supported by the fact that nothing much seems to have happened between receiving the IPA report and just saying, 'It doesn't add any value, goodbye.'

**Ms Clayton**—I think the actual quote that we provided to you in our response was that it comes from its own opinion base.

**Senator COONAN**—Would you discount it for that reason, assuming that was true?

**Ms Clayton**—We said of independent value, in that sense.

**Senator COONAN**—So you think it was biased itself, that report?

**Ms Clayton**—I think that the report itself came from a position—I think Professor Bell has explained this within his report, which we will table at the committee, that the benchmark of bias which the IPA used was a version of the history of the events and I think Professor Bell—

**Senator COONAN**—But just dealing with sound bytes for the minute, which seems to be the critical central issue, it seems to be the case that Professor Bell did not count some and the IPA report counted all of them. Is there any logic why he would leave out some?

**Ms Clayton**—I think Professor Bell has dealt with that.

**Senator COONAN**—The IPA dealt with it. Have you read—

**Ms Clayton**—I certainly have read the IPA report.

**Senator COONAN**—The recent one, a couple of days ago?

**Ms Clayton**—No, we have not yet received that.

**Senator COONAN**—Maybe I will leave it until you have had a chance to read that. I will pursue it on another occasion, because I have obviously run out of time. But Professor Bell had used a much narrower criterion than the IPA did in measuring all the sound bytes and I am just interested to know whether or not you reviewed what had been left out again or did you just leave it up to Professor Bell?

**Ms Clayton**—This was an independent commissioned survey. We did not interfere in the methodology because it was an independent survey. The methodology was agreed with—

**Senator COONAN**—Wouldn't this be something discussed by the board?

**Ms Clayton**—Certainly the outcome of the report was discussed in detail by the board and the board was very satisfied with the outcome of the report.

**Senator COONAN**—But if you leave out a whole lot of potentially relevant material, you'd have to justify yourself, would you not, as to why non-MUA people weren't relevant, non-office-holders of the MUA weren't relevant to be counted?

**Ms Clayton**—I think Professor Bell has explained himself within his own report.

**Senator COONAN**—This is turning into a bit of a mantra. We will obviously have to pursue it a little further. But I think what it does prove is that what is considered relevant and what is not is very much a matter of judgment and no doubt opinions can legitimately differ. But I certainly intend my questions to be a constructive focus about how the ABC adheres to its guidelines. That's really what this is all about. We can argue about different reports. I am interested to know what assurance you can give the committee that serious criticism will be properly considered and not rejected out of hand as being biased itself?

**Ms Clayton**—I think we can give you that assurance.

**Senator COONAN**—I certainly hope so. Also with the Victorian parliamentary inquiry Mr Johns was again quoted as having dismissed the report as an exercise in political lobbying. Is that also another instance where that is considered to be simply a biased attack?

**Ms Clayton**—On the basis of the efforts that we had put in, on the basis of the conclusions reached by the committee in their report, on the basis of the misleading information provided within that about our evidence, and on the basis of conversations that we had had with the committee all the way through, we felt that at the beginning of the process there had been an agenda and at the end of the process there continued to be an agenda on that and I think that was reflected in it.

**Senator COONAN**—I understand and accept without question that the aspirations of the ABC to be unbiased are genuine. I accept that. But there is a difficulty, I think—I just ask you to think about this, because I want to pursue it at some further stage—when you have a complaints system and a monitoring system that is dependent on subjective internal assessment and where there is no systematic independent advice for program makers, there is an

appreciable risk that guidelines will be breached. I think it is a serious matter that this committee has to pursue from time to time.

**Ms Clayton**—I think you ignore the role of the ABA in that assessment. The ABC provides a code of conduct to the ABA. The ABA receives complaints under certain circumstances that have been through the ABC and makes its own judgments on that. So I think that there is an independent regulatory body established under the ABA which serves the purpose.

**Senator COONAN**—So you do not think that there is any appreciable risk with the conditions that apply that there will be any breach of guidelines?

**Ms Clayton**—The ABC is one of the most scrutinised organisations in this country.

**Senator COONAN**—Absolutely, but I am afraid it has to be.

**Ms Clayton**—Apart from the formal regulation and committee hearings such as this, we regularly receive letters from our audience, the media—all of those we take into account, all of them we log, all of them we lobby. I think that our efforts to achieve fairness, accuracy and impartiality probably exceed any other organisation in the country. They should do, but they do and we take it very seriously.

**Senator COONAN**—I don't doubt the aspirations are genuine and the motives are genuine, but sometimes we fall between the cracks. Should we leave the war of methodologies to the next occasion when you have had a chance, perhaps, to look at the response?

**CHAIR**—Senator Payne has some questions on notice for the ABC. That concludes ABC. I call the ABA.

[9.35 p.m.]

#### AUSTRALIAN BROADCASTING AUTHORITY

**CHAIR**—Welcome officers of the ABA.

**Senator MARK BISHOP**—Welcome, ladies and gentlemen. The draft spectrum allocation: can you provide an outline of that to the committee?

**Mr Tanner**—You are referring to the digital television channel plans?

**Senator MARK BISHOP**—Yes.

**Mr Tanner**—The ABA is either nearing the end or has reached the end of the period for public comment on draft digital channel plans in areas where there is a serious intention or a legal requirement of starting transmissions in digital on 1 January 2001. Our aim is as far as possible to complete those, to finalise the digital channel plans, which are the allotment plans identifying the channels to be used by each broadcaster for conversion, by mid-year. We are at the moment in the process of analysing the submissions we have received. We should have a sense at the end of that analytical process of where the problems, if any, are, market by market, with the initial proposals that we have put out.

**Senator MARK BISHOP**—Can you provide the committee with the draft spectrum allocation? I know it has been published.

**Mr Tanner**—Certainly.

**Senator MARK BISHOP**—What has been the response of industry to date? Can you give me a broad overview?

**Mr Tanner**—I presently will be able to supply you with some sort of breakdown of how the submissions went in microscopic detail. I think in general the initial reception of the proposals was positive. I certainly was very struck by the fact that both the—

**Senator MARK BISHOP**—The press was favourable.

**Mr Tanner**—The datacasters were happy that we were not making excessively conservative or wasteful decisions, but on the other hand the free-to-air broadcasters felt that we were listening to them and taking account of their needs and concerns. Of course, we now have the benefit of all the submissions, so we now have detailed comments. In general, those comments raise market by market issues rather than generic issues about the process. The issues are mainly technical and really depend on the market we are talking about.

**Senator MARK BISHOP**—When you say technical do you mean in terms of transmission or reception or what?

**Mr Tanner**—They are issues either about transmission or reception. They are issues about the detail of the plan. I could go into that to some extent, but it may be better simply to provide you with a summary of the submissions once we have completed our analysis. As far as possible we will be putting those on to our web site as well.

**Senator MARK BISHOP**—I think a broad summary of the submissions would be more useful at 9.40 in the evening.

**Mr Tanner**—We would be happy to provide that shortly.

**Senator MARK BISHOP**—Are advanced digital planning techniques such as single frequency networking and terrain based provocation modelling to be fully explored by ABA planners?

**Mr Tanner**—Absolutely. I believe that was one aspect of the initial draft decision that was particularly welcomed by the aspirant datacasting sector. The ABA was in a situation where it was trying to complete plans for the metropolitan areas and for some of the adjacent regional areas and there is uncertainty still about what the total spectrum requirements will be of existing free-to-air broadcasters to convert.

I will give you an example. In the Sydney market and the overlapping northern New South Wales market, a Sydney broadcaster requires, in addition to the main transmitter usually at or around Gore Hill, about five translator frequencies—frequencies for smaller infill channels to complete the coverage of the areas—because the Sydney landscape is quite crumpled. One of the great advantages of the DVB standard, the European standard that Australia has chosen, is that it allows in some circumstances for single frequency networks.

The situation in the ABA as of April-May this year when we were putting out that first draft was that our knowledge of how single frequency networks might operate in a Sydney and Central Coast situation to minimise spectrum requirements was not complete. Our conservative estimate of how many additional channels would be required in addition to that main transmitter at Gore Hill was that you would require two. Obviously if we give two extra frequencies to each incumbent broadcaster, that uses up a great deal of the spectrum which is available during the simulcasting period.

But because that was a conservative estimate and because we believe more light can be shed on that question, the ABA made a decision to proceed at this stage with a draft of the main channel only and to invite further submissions and to seek further information on whether two are really necessary and whether we can do better. That is something that we will be looking into very hard over the next month. Hopefully that will be facilitated by some practical testing

as well. You have to realise that the ABA is very dependent on computer models and our computer modelling is very sophisticated, is terrain based, but it is only computer modelling.

**Senator MARK BISHOP**—So it could be flawed, by definition?

**Mr Tanner**—It is only a model and sometimes you find that in actuality things work differently. Also my understanding is—I'm not an engineer myself—that the sorts of questions we are raising about single frequency networks have not actually arisen in other countries yet. We have certain unique circumstances in Australia with our broadcasting system. For example, we are looking at trialling single frequency networks over much larger distances than have been proposed in other countries. We really need to know if they work. A great many issues will have to be sorted through before we can be satisfied that we have the answer.

The point is that the way the ABA has proceeded is that we are proposing to give channel certainty 18 months out, which is what we believe the industry needs to be able to fire up with confidence on 1 January, for those big main stations that require the major infrastructure investment and we are holding back those translators while we make absolutely certain that we are not being too conservative and therefore wasteful of spectrum. We are looking forward to a lot of work. That work, I believe, will be transparent to the industry groups that have an interest in this before we finalise the decision on translators.

**Senator MARK BISHOP**—Are you having a good look at European practices in this area?

**Mr Tanner**—Absolutely. I think another key source of information is European experience. In fact, it is watching what has happened in Europe that has enabled us to somewhat modify our planning assumptions in the 12 months or so that has been leading up to the draft decisions that have gone out now.

**Senator MARK BISHOP**—The information that was provided to us was that use of those techniques in both New Zealand and Europe has led to greatly improved spectrum efficiency and facilitated additional competitive opportunities for new entrants. Are you coming to that view as well?

**Mr Tanner**—Absolutely. We will use those techniques as far as is consistent with the legislation and the public interest. We believe our decision has given room as far as possible to explore those techniques, rather than rush into a premature and conservative decision which we believe would be counter to the public interest.

**Senator MARK BISHOP**—Are there any deficiencies in the legislation in that respect? Is it sufficiently broad to comprehend these technological changes that are emerging in Europe?

**Mr Tanner**—I don't think it is fair to call these deficiencies in the legislation. I would comment, though, that inevitably, by setting a time frame for certain things to happen, the legislation imposes certain limits. That is, we cannot conduct inquiries into these questions until the end of time. We are trying to deliver conversion within a fairly tight time frame. That sets certain limits. But that compels us and it compels industry to work hard and to work quickly to do the best jobs we can.

**Mr Grainger**—If we did feel there was a problem with the legislation, we would report to the minister under section 158N of the act to advise him of that.

**Senator MARK BISHOP**—And you have not come to that view?

**Mr Grainger**—No.

**Senator MARK BISHOP**—Is it possible that the new technologies will provide vastly improved receiver interference immunity and performance and therefore avoid more conservative spectrum planning?

**Mr Tanner**—I suppose anything is possible. The problem really is that the DVD standard is a standard which exists and works. It is a bit like not buying a new computer this year because they might be half the price in three years. As far as we can see, the whole world is moving very rapidly towards a conversion model which will see television moving from analogue to digital using the same parts of the spectrum it uses today.

There seem to be two standards. We have chosen one. We believe we have chosen the best one. I do not anticipate there will be rapid new developments that will render that decision redundant, but I do expect there to be change. I am perhaps not the best person to ask. I am sure Mr Knowles would have been happy to wax lyrical on this, but I understand things like compression technology are always improving. So at any given moment a particular standard may be the best that we can achieve.

**Senator MARK BISHOP**—It sort of leads to the conclusion that with the rate of technological innovation in this area there is going to be a lot more spectrum available than was perhaps anticipated 18 months or two and a half years ago, hence allowing for new competitors, new entrants and greater distribution of the spectrum. Or do you think that's not a fair comment?

**Mr Tanner**—I don't know whether that comment really applies in the digital television situation. I would say during the very short period we have been working on this since the government's decisions were taken, since we chose the DVD standard, we have been working very hard to get a fix on how much extra spectrum might be available. It is probably fair to say that at times there seemed to be more than there is now likely to be and at times it has looked a bit worse. I guess at the very beginning when we were first providing informal advice to government and to the Senate our engineers really had not been in a position to adequately factor in the power that would be needed. The amount of power you need to match analogue coverage is a key factor in working out how productive you are going to be. The greater the power, the fewer channels you will find in general.

During the course of the last year, we have pushed up quite high what we believe will be the power requirements, but now having regard to European experience we have been able to lower them somewhat. So I guess our estimates have gone down and then come up a little bit. So it has been a fast moving story for us in terms of getting a fix on just how productive we can be during that simulcast period. We are going to keep working. There is short and medium term—there will be ways of finding extra room on the spectrum if that is what we require.

**Senator MARK BISHOP**—There will be ways of finding extra room on the spectrum?

**Mr Tanner**—Yes.

**Mr Flint**—The view of the board was that we would go out with a minimalist plan and see what would happen in the submissions. We are waiting on the submissions rather than going out with a maximalist plan.

**Senator MARK BISHOP**—The minimalist plan seems to have met with a fair degree of approval, so it appears to this untutored person that you will have a lot of room to move once the industry comments come in in terms of allocation of the spectrum.

**Mr Tanner**—I think a lot of work now needs to be done to pin down those questions about the extent to which single frequency networks can be exploited. There are a lot of questions in that. We will be doing a great deal of work on that, I anticipate, over the next few months.

**Senator MARK BISHOP**—Will you do that work in house or will you contract it out?

**Mr Tanner**—We will do it in house, but with a great deal of transparency to industry bodies with an interest. Until now the way we have done this work has been that we have accepted inputs from a group—the Digital Television Channel Planning Consultative Group—which consists of interested parties. In its origin it consisted of the free-to-air broadcasters and government agencies. It has now expanded to include the aspirant sectors, the sectors that are trying to get on to the broadcasting services band. Anyone with an interest, community television, whoever, is able to join those groups.

The purpose of those groups from our point of view is to harness the expertise in the industry so the ABA is advised either where there is a consensual view what the view of industry is about planning options in an area or, if there is no consensual view, what the options and issues are. That process has been used to advise the ABA of the industry position or positions during development of the first digital channel plans. We propose to keep using that process during development of the regional plans. It has also been used for issues such as determining the definition of ‘same coverage’. It will be used to determine issues such as how far we can legitimately use single frequency networks.

**Senator MARK BISHOP**—How confident is the ABA that transmitter and receiver technical standards will be agreed in the near future? Where are we on that?

**Mr Tanner**—I am not sure that the ABA has a corporate view. I am aware that Standards Australia at present has the unenviable job of achieving consensus on both transmitter and receiver standards. I am also mindful that the minister under this legislation has a kind of reserve standard-setting power for digital transmission reception.

These issues do not directly affect the ABA’s planning process. The decisions that need to be made for us to proceed have been made. But we are very aware—in fact the ABA’s Director Technology, Mr Bob Greeney, who is not able to be here today as he is overseas, is actually the chair of the committee of Standards Australia which is driving this process.

**Senator MARK BISHOP**—In that case, that question might be directed to Mr Stevens. Do you have a corporate view on that?

**Mr Stevens**—It is very hard to tell given that our corporate person is either watching the State or Origin match or has gone home!

**Senator MARK BISHOP**—We might ask the corporate person to take it on notice and provide an answer. Also ask him what happens if the technical standards take another six months or more to reach agreement and what happens to the spectrum planning process if the standard is delayed for six months or longer? That probably comes back to you, Mr Tanner.

**Mr Tanner**—That probably is not going to affect our spectrum planning process. But basically the ABA is making certain assumptions about the amount of data. In coming up with a plan, we have to have assumptions in mind about how much data we are trying to deliver to the boundaries of analogue reception. We are making very high assumptions, up towards the top of what this technology is designed to do. Those are, if you like, conservative assumptions. They give the government and the industry a lot of room to determine what high definition television means and so on. Those issues, although they are extremely important, I do not believe are likely to impede or delay our planning process.



**Senator MARK BISHOP**—Is the work of the Productivity Commission of any significance to your progress in this area?

**Mr Tanner**—To date, to the extent that I am aware of the content of the debate, I think they have had more bearing on the standards issues than on our planning issues, but certainly the Productivity Commission has a lively interest in the scope for new services during the simulcasting period.

**Senator MARK BISHOP**—Perhaps Mr Flint can flesh out there.

**Mr Flint**—We have taken the view that we should be an *amicus curiae* for the Productivity Commission, that is to assist them and help them and we are watching with interest. Some of the submissions have been very interesting. I don't think in the actual planning of the ABO they have had a direct impact, but they are a very interesting context for what is going on.

**Senator MARK BISHOP**—You say you are a friend of the court in relation to the Productivity Commission; are you providing technical advice to the Productivity Commission's review?

**Mr Flint**—We have given them a general submission. We have offered them any assistance that they wish. I have told the chairman that any time they want something more, we are willing to provide that to them.

**Senator MARK BISHOP**—Have they availed themselves of that offer?

**Mr Flint**—I have just been informed that we appeared before them. Then they had a briefing—mainly with technical staff, I think, of the ABA—to inform them better about our position and what we do.

**Senator MARK BISHOP**—Did that go past standards and planning?

**Mr Tanner**—I might comment as I was present at that briefing. On the issue of advice on technology and digital technology issues, we did not have the Director Technology there or an engineer and they foreshadowed they may be interested in further briefings from us. Basically the briefing given was a very wide-ranging one on how the legislation works. We put a day into it. They indicated that they would almost certainly be taking up our offer of a briefing on some technology issues, but it has not yet occurred.

**Senator MARK BISHOP**—Have they explored some of the cost aspects of new technology and new developments with you?

**Mr Tanner**—Not with us in private, no. I know they have been canvassing cost issues in their public hearing.

**Senator MARK BISHOP**—And you expect to participate in further private briefings in areas of your expertise to the Productivity Commission?

**Mr Tanner**—My understanding is the ABA wants its staff to be available to assist the Productivity Commission as far as it needs assisting. They certainly are aware that we have a lot of information relevant to their project.

**Senator MARK BISHOP**—Have they given you any feedback on the progress of their inquiry? They would have a different analysis on a lot of that material than perhaps you do.

**Mr Flint**—I am not aware—I do not think we have received any briefings from the Productivity Commission. We did not really expect that. But if they wish to, we would be very interested.

**Mr Tanner**—I think they are picking our brains rather than we are picking theirs at this stage.

**Senator MARK BISHOP**—I would be interested in their analysis from a different perspective of the data that you provide them.

**Mr Flint**—No doubt in the long run they will announce that. Whether they give us an interim advantage, I do not know.

**Senator MARK BISHOP**—In relation to the allocation of bandwidth for the digitisation of community broadcast material, why has bandwidth earmarked for datacasting services been allocated for community broadcasts? Is there a reason for that?

**Mr Tanner**—I am not quite sure what you mean but I will have a stab. I am not sure if I am answering the right question. At present in all the major—

**Senator MARK BISHOP**—To make it clearer, I am talking about spectrum allocation.

**Mr Tanner**—Yes, you are talking about digital channel plans and channel 31?

**Senator MARK BISHOP**—Yes.

**Mr Tanner**—At present, channel 31, which is a spare high-powered frequency suitable for either analogue or digital transmissions, has been made available for an extended trial of non-profit community educational narrowcasting—that is what it technically is. That trial has been extended to, I think, the year 2000. No decisions that I am aware of have been made by government as to what exactly occurs after that.

So in drafting its initial digital channel plans, the ABA took the view that it should simply exclude from consideration channel 31, pending further decisions on the availability of that channel. I believe there are footnotes to that effect in the documentation that we have put out. So that is in fact the only decision we have made about community and datacasting.

The community television sector obviously has considerable interest in the process. It has considerable interest in the future use of channel 31 and it also has considerable interest in spectrum productivity more widely, given that government policy has foreshadowed that community television has a future as a must carry add-on service to a datacasting channel. In fact, community television broadcasters have been involved in the digital television channel plan consultative groups that I've already mentioned.

**Senator MARK BISHOP**—Can you advise us on the anticipated take-up of HDTV? Do you have any idea at all?

**Mr Flint**—I do not think the ABA has any particular view on that. We would be guided particularly by FACTS in that regard. We haven't ourselves done any work on that.

**Senator MARK BISHOP**—You have not done any research work on that?

**Mr Tanner**—No.

**Senator MARK BISHOP**—It is one of these things that have been floating around for years and years. People always say it is the next sort of breakthrough, but it never appears to come.

**Mr Flint**—It will be available and I assume that the broadcasters would not invest these amounts of money if they did not expect that somebody would take them up.

**Senator MARK BISHOP**—Do you have any advice on whether it has been taken up overseas in the United States, in North America?

**Mr Flint**—It has only just been introduced. I gather that it is being taken up, but the extent to which it is I have no information.

**Senator MARK BISHOP**—You have no information on that?

**Mr Flint**—No.

**Senator MARK BISHOP**—Mr Stevens, do you have any information on that?

**Mr Stevens**—I am happy to take it on notice. We have read the articles. In fact our man in Washington gives us a regular report on the whole thing. I would prefer to take it on notice and give you what we have.

**Senator MARK BISHOP**—That would be useful. Does the ABA have any role in respect of consumer standards in this area, when it emerges?

**Mr Tanner**—The relevant standards are presumably the receiver standards and the standard top boxes. Not formally, except in so far as our Director Technology is the chair of the relevant Standards Australia group. At present the standards work is all being conducted by Standards Australia.

**Senator MARK BISHOP**—What methodology is used by the ABA in assessing the issue of FM band licences in metropolitan areas?

**Mr Tanner**—Are you talking about new radio licences?

**Senator MARK BISHOP**—Yes.

**Mr Tanner**—Basically new commercial and community broadcasting licences—

**Senator MARK BISHOP**—Particularly commercial, I think we are talking about.

**Mr Tanner**—New commercial licences can only be allocated in an area if they are shown as available in a licence area plan, under section 26 of the Broadcasting Services Act. The ABA is required by section 24 of that act to establish priorities for the preparation of licence area plans for all parts of the spectrum that it administers and for all geographical parts of the country. The ABA has done that and it is currently in the process of finalising the third of five priority groups, while also getting quite deeply involved in the fourth.

As I think I have previously had cause to tell this committee, the fourth group consists of the mainland metropolitan markets where much of the Australian population and much of the demand for new services is concentrated.

**Senator MARK BISHOP**—Stop there, Mr Tanner. When you say demand for new services in the for profit sector, how do you identify that demand for new services in the profit sector?

**Mr Tanner**—Perhaps I should qualify that. I am referring to entrepreneurial and aspirant demand in particular. The measurement of community demand is somewhat more difficult. We do consult widely, as we are required to by the law, but it is probably fair to say that that public submission process seldom turns up a major public groundswell for new particular types of radio. There are some exceptions to that. I think the most obvious one is the groundswell that occurs in favour of certain aspirant community broadcasters.

**Senator MARK BISHOP**—Let's stay away from the community broadcasters and the legitimate demands that emerge through those groups for access. I am talking here about the additional commercial licences.

**Mr Tanner**—Perhaps I will go back to your original question and continue my explanation of how the ABA decides to plan.

**Senator MARK BISHOP**—Before you do that, I have had a number of organisations and lobby groups come to see me who have current commercial licences in the major cities and regions and they have provided me with a degree of material which suggests that there is not exploitation of rents, for example, in this industry, that it is by and large competitive, that the return on capital is by no means exorbitant, that their sole base of revenue is advertising and that if additional licences are allocated to new competitor entrants into these defined

geographic areas, as a matter of logic they are going to have their earnings significantly reduced. They seem to make a legitimate complaint that more entrants or more competitors will reduce their profits and they do not seem to me, on my preliminary analysis, to be a greatly profitable industry. They complain about your issuing or intending to issue new licences. How do you respond to that?

**Mr Flint**—Senator, we expect when we issue the draft plan that the entrepreneurs, the present incumbents, those who want to start new services will make detailed submissions. We expect that they will put in economic analysis and public interest analysis and we are considering whether we ought not ourselves to brief independent external consultants to advise us as well on these precise issues.

**Senator MARK BISHOP**—The Broadcasting Services Act requires you, *inter alia*, to promote the economic and efficient use of the radio frequency spectrum, does it not?

**Mr Flint**—Yes.

**Senator MARK BISHOP**—And this leads directly into the financial and economic analysis?

**Mr Flint**—That is right. We cannot divorce it also, although you have suggested we might put it aside, from the bank-up of aspirant community broadcasters, because there will be competition for those channels that we identify.

**Senator MARK BISHOP**—Are the community broadcasters permitted to carry advertising?

**Mr Flint**—They are allowed sponsorship.

**Mr Tanner**—Five minutes an hour and the sponsorship may be promotional, so there is a thin distinction.

**Mr Grainger**—It is called advertising with a tag.

**Senator MARK BISHOP**—To summarise, Mr Flint, you are considering having independent consultants do financial and economic analysis of the industry and the applicants for new licences; is that right?

**Mr Flint**—And that would extend to public interest considerations as to what audiences want and so on.

**Senator MARK BISHOP**—How many metropolitan FM licences have been allocated in the past financial year?

**Mr Tanner**—As we have not completed licence area planning in any metropolitan market we have never allocated a commercial or a community broadcasting licence that is a permanent licence. We have, however, made available—

**Senator MARK BISHOP**—How long are they made available when issued?

**Mr Tanner**—Five years, but their renewal is fairly automatic.

**Senator MARK BISHOP**—So how many new ones were issued last financial year?

**Mr Tanner**—We will have to take that question on notice. There have been quite a number over the last four or five years as we have rolled out regional radio licence area planning.

**Senator MARK BISHOP**—Take that on notice and also take on notice how many metropolitan FM licences the ABA anticipates will be allocated in the next financial year.

**Mr Grainger**—Senator, we do not have an answer to that, because that is the very matter which we are considering at the moment. Rest assured that all of the information which has landed on your table has also landed on our table.

**Senator MARK BISHOP**—We are both doing our job, Mr Grainger.

**Mr Tanner**—I can answer the first part of your question now. The question about what we anticipate coming up I would have to take on notice and that would probably involve an analysis of how many channels we believe are available. We cannot go into detail about what will become of them, because we have not made those decisions.

We have actually allocated 21 commercial radio broadcasting licences since 1 July 1998. Thirteen of those are broadcasting services, bands, licences—that is, probably all FM—allocated under a price based auction-style system. Two were allocated in single station markets under section 39 of the act. Six of those were non-broadcasting services bands licences so they are perhaps not directly comparable. Anyway, that is our quick breakdown on the period since last year. It gives you an idea of the throughput over the last three years, too.

**Senator MARK BISHOP**—It is significant, isn't it?

**Mr Tanner**—Yes, it is. There has been a pretty substantial expansion of commercial radio throughout regional Australia as we complete our licence area plans; ditto community radio, ditto narrowcasting.

**Senator MARK BISHOP**—Which might tell you why these associated groups have been belting down our doors in the last few months. Getting back to that issue, you are considering making a decision or you have made a decision to go out to independent consultants?

**Mr Flint**—We are considering it. We meet as a board every two weeks. We are advised by a number of committees. The board meets with the leading officers. We usually decide matters by consensus and this is one of the things that we have put in the pot, as it were, so we can do this properly.

**Senator MARK BISHOP**—Can I ask you to take on notice and advise the response when the board makes a final decision on that issue and any constraints you might put on that?

**Mr Flint**—Yes, Senator.

**Senator MARK BISHOP**—Finally, what potential impacts may digital broadcast tests have on medical telemetry equipment operating on a similar bandwidth?

**Mr Flint**—I can say that we have just issued today a press release on that.

**Senator MARK BISHOP**—This comes from that.

**Mr Flint**—We believe there will be no difficulties with that. There has been a close consultation with all of the health authorities and so on. There will be some need to make adjustments.

**Senator MARK BISHOP**—What do you mean by adjustments?

**Mr Flint**—I think adjustments to the machines that the hospitals have, moving them, I imagine, to different frequencies?

**Mr Tanner**—Yes. Those using VHF, for example, simply are going to have to use different frequencies. But we understand there are other frequencies available.

**Mr Flint**—I would also ask that that release, although we are assured by the hospitals department that they have this under control and I have no reason to believe that that is not so—

**Senator MARK BISHOP**—I can give you the tip now, I do not think it is under control.

**Mr Flint**—I have asked them to send it to every hospital in the licence area so that they receive direct advice from us and can consult with us if there are difficulties.

**Senator MARK BISHOP**—So you say that the potential impact is limited to adjustment of the frequency and you say you are advised by the relevant health departments that this issue is under control and they have advised hospitals to advise them of any problems?

**Mr Flint**—That is what we are told. That is why I also asked that that press release go direct to the hospitals so that they can contact us if they feel there is a problem.

**Senator MARK BISHOP**—When did the ABA become aware of this potential impact?

**Mr Tanner**—The ABA has been aware of it from the start. In fact, efforts have been made from early on to give notice. The difficulty really is that these services are authorised under a class licence which is a standing authority from the ACA. It means we do not know the names and addresses of all the people currently using the class licence.

What transpired when testing of some VHF frequencies in Melbourne began in the last six months was that the message had not got out to all users of this and there was a fair amount of airing of public consternation that maybe digital tests were going to cause health problems and things like that. I think that has put the industry on notice. We have obviously been working very hard with the ACA and the health departments to make sure that these subsidiary users of the broadcasting services bands are warned and can make provision for change ahead of time.

**Senator MARK BISHOP**—Those problems that you identified, were they in the smaller private hospitals?

**Mr Tanner**—I do not have the details of where the problems were.

**Senator MARK BISHOP**—Mr Flint said he had asked that the press release go to hospitals. Do you only refer to the public hospitals or do you mean private hospitals as well?

**Mr Flint**—I wanted it to go to all the hospitals in the licensed area plan. I will check that that has been done.

**Senator MARK BISHOP**—The fact that they have given me a question tells me that this has already been raised with us. Okay, so you are taking those steps to monitor that. Thank you, Chair, thank you, gentlemen.

**CHAIR**—Thank you, Senator Bishop. Thank you, Minister; thank you, officers. With that we conclude this hearing. We will resume tomorrow at 9 a.m. with Telstra.

**Committee adjourned at 10.13 p.m.**