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SENATE

ENVIRONMENT, COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS REFERENCES COMMITTEE

Reference: Competition in broadband services

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SENATE
ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY
AND THE ARTS REFERENCES COMMITTEE

Tuesday, 30 March 2004

Members: Senator Cherry (*Chair*), Senator Tierney (*Deputy Chair*), Senators Lundy, Mackay, Tchen and Wong

Participating members: Senators Abetz, Allison, Bolkus, Boswell, Brown, Buckland, George Campbell, Carr, Chapman, Conroy, Coonan, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Harradine, Harris, Humphries, Knowles, Lees, Mason, McGauran, Moore, Murphy, Nettle, O'Brien, Payne and Watson

Senators in attendance: Senators Cherry, Lundy, Tchen and Tierney

Terms of reference for the inquiry:

To inquire into and report on:

- (a) the current and prospective levels of competition in broadband services, including interconnection and pricing in both the wholesale and retail markets;
- (b) any impediments to competition and to the uptake of broadband technology;
- (c) the implications of communications technology convergence on competition in broadband and other emerging markets;
- (d) the impact and relationship between ownership of content and distribution of content on competition;
and
- (e) any opportunities to maximise the capacity and use of existing broadband infrastructure.

WITNESSES

GRANT, Mr John, Acting Chief Executive Officer, National Office for the Information Economy 1

**LANSDOWN, Ms Anne-Marie, General Manager, Access and International, National Office for
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Committee met at 12.04 p.m.**GRANT, Mr John, Acting Chief Executive Officer, National Office for the Information Economy****LANSDOWN, Ms Anne-Marie, General Manager, Access and International, National Office for the Information Economy**

CHAIR—I declare open this hearing of a subcommittee of the Senate Environment, Communications, Information Technology and the Arts References Committee in relation to its inquiry into competition in broadband services. Until Senator Tchen arrives we are not fully quorate, so we will operate as a subcommittee until then. For the information of anyone who is not an avid Senate watcher, I gave notice of a motion for the deadline of this inquiry to be extended until 24 June, which will allow the committee to give time to the matters which have been raised during the inquiry. I welcome the witnesses from the soon to be disbanded NOIE—the National Office for the Information Economy.

I note for the record that Senator Tchen has now arrived. The committee prefers all evidence to be given in public, but should you at any stage wish to give your evidence, part of your evidence or answers to specific questions in private, you may ask to do so and we will consider your request. You are reminded that the evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. As officers of the Commonwealth government, you will not be expected to answer any questions which invite you to express an opinion on matters of policy and you will be given reasonable opportunity to refer questions to superior officers. I have put on notice to you a question which I am hoping you will deal with. I invite you to make a brief opening statement before we go to questions. I note for the record that Senator Tierney has arrived, so we are now quorate.

Mr Grant—Perhaps I can give a five-minute background on the package of measures announced in response to the Estens inquiry into regional telecommunications, or RTI. The response included three new programs. These programs were the Higher Bandwidth Incentive Scheme, or HiBIS; the Coordinated Communications Infrastructure Fund, or CCIF; and the Demand Aggregation Broker Program.

Unlike HiBIS, which is administered by DCITA, the CCIF and the Demand Aggregation Broker programs are not entitlement based. Applications are assessed against a number of selection criteria, and evidence from the first round of both the CCIF and the Demand Aggregation Broker programs suggests that the program is of considerable interest to a large number of stakeholders. The two programs administered by NOIE are quite different and, as a result, have differing eligibility and selection criteria.

The CCIF aims to encourage further investment in broadband infrastructure in rural and regional areas by funding selected projects. This infrastructure will support improvements in the delivery of health, education, government and other services that will lead to significant economic and social outcomes. Expressions of interest for the CCIF were advertised on 12 November and closed on 1 December 2003. One hundred and fifty-three expressions of interest were assessed and written feedback was provided to each applicant in December. Full project

proposals closed on 13 February this year. Fifty full proposals were submitted and are currently being assessed.

The amount of \$23.7 million has been allocated over four years to fund the CCIF program, of which \$21.9 million is in grants. Funding of between \$500,000 and \$2 million, excluding GST, is available for each successful application. CCIF funding must be at least matched by funding from sources other than the Australian government.

NOIE case officers are assessing each proposal against the selection criteria for the CCIF. Advice from the National Broadband Strategy Implementation Group, or NBSIG, was incorporated following a meeting of this body on 27 February. Advice is also being sought from independent business, technical and probity advisers. The appointed business and technical adviser is AAS Consulting Pty Ltd. Other government departments such as health and education have been consulted where appropriate. Once all advice has been considered, the NOIE delegate will make recommendations on the preferred applicants to the minister.

The Demand Aggregation Broker Program operates in three distinct but related areas. The first area is national broadband advisers for health and education, the second area is state based demand aggregation brokers and the third area is community demand aggregation broker grants. Two national broadband advisers will be engaged to focus on multijurisdictional broadband initiatives in health and education. The advisers will develop sectoral broadband strategies to improve broadband access and application in consultation with relevant agencies and institutions.

NOIE is working in consultation with DEST and the health department to recruit brokers and develop national plans. National broadband advisers positions were advertised in December 2003. The national education adviser is Mr Peter Nissen, and an announcement about the national health adviser is expected shortly. Program funding for the national broadband advisers will cease on 30 June 2006. Total program funding estimated to maintain the national advisers over the life of the program is \$875,000. Of that, approximately \$75,000 will be spent this year.

It is expected that a broker will be allocated in each state and territory, except the ACT. State brokers will assist state governments and communities to achieve affordable broadband pricing arrangements and improve choice and access to broadband. They will encourage investment in broadband infrastructure and services, identify priority areas for broadband development and interact with other Australian government broadband programs to achieve strategic outcomes. The Australian government will enter into a contractual agreement with each state government, and the recruitment of brokers will commence once the funding agreements are signed. The Australian government will allocate up to \$100,000 each financial year for each state broker and will match state contributions up to this limit. Funding for the state brokers will cease on 30 June 2006.

In relation to community based broadband demand aggregation brokers, funding is being provided to regional, rural and remote organisations to recruit, employ and support a community based broadband demand aggregation broker to assist with developing and implementing specific demand aggregation projects. This program uses the HiBIS program maps to determine eligibility. Communities will employ brokers for the duration of a specified project. Projects are expected to be completed over a period of between three and 18 months. Community brokers

will promote awareness of the benefits of broadband services to communities and encourage uptake and aggregate demand within the local area to secure more affordable pricing arrangements, greater choice and improved access for communities.

The assessment process for this program is similar to that for the CCIF program. Approximately \$4 million over three years has been allocated to fund the community brokers component of the program. Funding of between \$50,000 and \$300,000, excluding GST, is available for each successful application. Communities will be expected to make a cash or in kind contribution towards the cost of a broker. However, it is recognised that the majority of funding will come from the Australian government. Funding for community brokers will cease on 30 June 2006. To date, no administered funds have been expended under any of the programs.

CHAIR—I had put a question on notice relating to the boundaries of the various programs—particularly the CCIF but also the demand aggregation program, which you have just mentioned—in respect of the treatment of the Gold Coast City Council. Do you want to elaborate on that before we move on to formal questions?

Mr Grant—I will ask Ms Lansdown to help.

Ms Lansdown—The CCIF program does not actually have any geographic maps relating to eligibility. The guidelines state that anything outside capital cities is eligible to apply for CCIF grants.

CHAIR—So that would include the Gold Coast?

Ms Lansdown—That would include the Gold Coast City Council.

CHAIR—But the demand aggregation program works on the same basis as HiBIS?

Ms Lansdown—The third element, the Demand Aggregation Broker Program grants, uses the HiBIS maps. Because it is quite a different program, the grants are actually focused on a fairly constrained regional area. So there is some logic for using the HiBIS maps for that program.

CHAIR—From memory, the bulk of the Gold Coast was precluded from that.

Ms Lansdown—I think two-thirds of the Gold Coast is eligible.

CHAIR—By area but not by population.

Ms Lansdown—I am not sure about that. Certainly they are eligible by area, and I am sure they would not mind me telling you that they have put in an application for that part of the program.

Senator LUNDY—Following up on the Gold Coast, what, if anything, has changed with the eligibility criteria of the CCIF?

Ms Lansdown—Nothing has changed since the beginning of the program.

Senator LUNDY—So when the questions were asked by the Gold Coast City Council they gave evidence to say that originally they were advised they were not eligible—that they were excluded from CCIF. Can you explain that?

Ms Lansdown—I am not sure that that is accurate, strictly speaking. When they first rang one of our assessors the assessor said they would need to check, because obviously there are some areas of fairly high population concentrations outside capital cities. But the advice that they were given was that they were eligible but that they needed to think about the intent of the program. The intent of the program is to fund rural and regional areas, so when looking at developing an application, one should ask how competitive might that be against applications that covered broad areas in rural and regional areas.

Senator LUNDY—Have you read the *Hansard* from that hearing?

Ms Lansdown—Yes, I have.

Senator LUNDY—They actually do say that, when they phoned, Ms Cobb was verbally advised that areas classified as adjacent to urban areas—such as their area, Newcastle and the Central Coast—were actually excluded.

Ms Lansdown—I think there might be some confusion, because they are excluded from the Broadband Demand Aggregation Broker Grants program because of the HiBIS lines, but they are not excluded from CCIF.

Senator LUNDY—Have there been any changes to the eligibility criteria of the demand aggregation program?

Ms Lansdown—No.

Senator LUNDY—None at all?

Ms Lansdown—No.

Senator LUNDY—The committee has been getting feedback about this confusion and conflicting verbal advice, and that has been quite a consistent theme in a couple of the hearings at least. Are you able to provide an explanation as to why that was the impression people were getting?

Ms Lansdown—I am not aware of anybody else other than the Gold Coast City Council being uncertain about their eligibility. If there are other areas which are having a problem perhaps you could tell us which ones they are.

CHAIR—On this issue about the two-thirds, when we had the department in on HiBIS my understanding was that the western side of the city, which is the non built-up part, is the area regarded as non-urban and the eastern side, where all the people live, is regarded as the urban area—the area where all the people live. So when you say two-thirds of the city identification is in and one-third is out my understanding would be that probably 80 per cent of the people are out under that. Would you be able to give us a copy of the map?

Ms Lansdown—I believe that DCITA provided copies of the HiBIS maps during their hearing, but we can certainly undertake to get those again. I believe they are on their site—they are in the public domain.

CHAIR—The DCITA web site is not the easiest web site in the world to use, but you have heard that before.

Ms Lansdown—The intent of the program is to deliver services where they may be not delivered in the normal course of events in the near future, so more populated areas are in fact more likely to get services than less populated areas.

Senator LUNDY—On that point about the HiBIS maps, CCIF has different eligibility criteria to HiBIS.

Ms Lansdown—Yes.

Senator LUNDY—So when you are talking about the HiBIS maps that is not to do with the CCIF eligibility.

Ms Lansdown—No.

Senator LUNDY—But the HiBIS maps relate to some of the community demand aggregation—

Ms Lansdown—The grants part of the demand aggregation program.

Senator LUNDY—So what are the eligibility criteria for CCIF?

Ms Lansdown—I can look for the exact words, but I believe it says ‘areas outside capital cities.’

Senator LUNDY—Is that what we are talking about when we talk about the Gold Coast having been split up?

CHAIR—One-third of the Gold Coast is in the Brisbane metropolitan area defined by the Bureau of Statistics; sorry to obsess about the Gold Coast, but it is 400,00 people, so—

Ms Lansdown—It is probably one of the areas that is a bit grey. The expression ‘outside capital cities’ that we have used in CCIF is quite deliberate, because we expected that the sorts of proposals we would get would probably cover quite broad geographical areas. Of necessity, some of them will link back into built-up areas. We did not want to accidentally exclude good projects, so we have used an expression like that so that people can take into account that statement, the intent of the program as expressed at the beginning of the guidelines and the selection criteria and then think to themselves about where they might fit in terms of their competitiveness.

Senator LUNDY—I just want to clarify this: in asking questions about CCIF, the HiBIS maps are not relevant?

Ms Lansdown—No.

Senator LUNDY—I refer to the evidence about the verbal advice that was given that Canberra, the Gold Coast, Newcastle and the Central Coast were excluded from this CCIF definition of being outside cities. Are you now able to clarify what you said about the Gold Coast being two-thirds in and a third out and can we have the specific map? Also, can you explain the situation with respect to Newcastle and the Central Coast—and do you have maps?

Ms Lansdown—Maps are not relevant to CCIF. Newcastle, the Central Coast and the Gold Coast are all eligible for CCIF.

Senator LUNDY—They are all eligible?

Ms Lansdown—Yes.

Senator LUNDY—Completely?

Ms Lansdown—Completely.

Mr Grant—I think there has been some confusion between the two programs. The maps only apply to the demand aggregation program grants. They do not apply to CCIF.

Senator LUNDY—Absolutely, there has been some confusion.

CHAIR—The Gold Coast was applying under both programs.

Senator LUNDY—The impression they received from the department was that there was an issue between the two different definitions and that the department needed to go away and rethink the eligibility for CCIF.

Ms Lansdown—We certainly have not done that. I do not think we believed we needed to. I think some people heard what was said to them about how competitive they would be and decided that, for whatever reason, they were not eligible. In fact, we were trying to give them an indication of the sorts of applications that we expected and that therefore theirs may not be viewed as favourably as some of those in more remote areas.

Senator LUNDY—Have you published anything that expands upon the CCIF definition or actually names cities that are eligible?

Ms Lansdown—No. We have, however, offered a contact for anybody who wants to ring up and talk to the people running the program.

Senator LUNDY—Are you able to put on the record who is not eligible, or the areas that are not eligible?

Ms Lansdown—For CCIF it would only be capital cities that are ineligible.

CHAIR—Does that include Canberra and Hobart?

Ms Lansdown—Unfortunately yes, but the reason it is not articulated that those cities are out is because some of the good projects may link back into major metropolitan areas. So we have to be a little bit careful that we do not accidentally say that they are excluded.

Senator LUNDY—What does your published material say now about what cities are excluded?

Ms Lansdown—It does not say anything about what cities are excluded.

Senator LUNDY—It just says capital cities?

Ms Lansdown—Yes.

Senator LUNDY—It does not specify state or federal capitals—it just says capital cities?

Ms Lansdown—Yes.

Senator LUNDY—So Darwin is out.

CHAIR—As a matter of interest, Ipswich, which has a strong community telco running in it, is part of the Brisbane metropolitan area. Would that be regarded as out as well, if they were applying?

Ms Lansdown—I am not certain but if they are regarded as part of Brisbane then they would be out.

CHAIR—It often depends what the question is with Ipswich.

Ms Lansdown—We did not want to be too definitive because we did not want to accidentally exclude a project that would benefit large rural and remote areas but which linked into areas like Ipswich.

Senator LUNDY—I would like to explore this definition a bit further. Have you published anything that gives expression to what you are now putting on the record—that is, ‘We’ve excluded capital cities but we don’t want to exclude good projects, so make your submission anyway.’ I think it is clear that this needs some clarification. At the moment it says that capital cities are excluded. It would not be in the program’s interest, I would imagine, for that level of ambiguity to remain.

Ms Lansdown—To the best of my knowledge the only inquiries we had about that were from the Gold Coast and Newcastle. So the other 151 applicants had no trouble understanding what we were looking for.

Senator LUNDY—Except that you do not know who you have excluded by making that statement or who could have potentially made a submission and had some cross-over but did not apply because they presumed they were not eligible.

Ms Lansdown—Hopefully we did not exclude anyone inappropriately but it may have helped some people to understand that they would not be competitive in the process.

Senator LUNDY—I would like to go back to one of the other issues. For CCIF eligibility, there was \$23.7 million with \$21.9 million in grants. What is the anticipated expenditure of that fund over the next two financial years?

Ms Lansdown—We have a proposed funding profile, which may change depending on when contracts are signed with successful applicants and the roll-out of projects. But at the moment the administered expenditure profile is \$2 million this year, \$8 million in 2004-05, \$8 million in 2005-06 and \$3.988 million in 2006-07. It starts low, goes up and then falls away again.

Senator LUNDY—On the demand aggregation programs, what is the profile of those three across the out years as well, leading up to 2006?

Ms Lansdown—Are you asking about the three elements?

Mr Grant—We can give you the total quite easily.

Senator LUNDY—Okay, do that.

Ms Lansdown—The total is \$1.6 million this year, \$2.8 million in 2004-05 and \$2.8 million in 2005-06.

Senator LUNDY—And you do not know 2006-07?

Ms Lansdown—No.

Senator LUNDY—Regarding the whole concept of having demand aggregation brokers, my understanding is that you said there would be nationally one for health and one for education. Presumably they would work with federal departments in those portfolio areas?

Ms Lansdown—Yes.

Senator LUNDY—In the states, is the proposal that the brokers would be working with state government agencies?

Ms Lansdown—Yes.

Senator LUNDY—With a dollar for dollar contribution from the states?

Ms Lansdown—Yes.

Senator LUNDY—In the community proposal you are not looking for a dollar for dollar combination, because that is really grants based and you will look for interest from different regions based on HiBIS.

Ms Lansdown—Yes. We will call for grant applications.

Senator LUNDY—You have already selected one for education. What is the selection criteria for these demand aggregation brokers and what independence do they have to demonstrate in taking up the role?

Ms Lansdown—I do not have the selection criteria with me, but they related to an in-depth understanding of the education portfolio, for example, and the IT industry. They had to demonstrate that they had been able to work with the Commonwealth department and also with various state agencies. Peter Nissen is actually very well known in the portfolio. We were not surprised when he applied and was successful, because having gone through the process with the broadband advisory group and developing the national broadband strategy he was someone who was well known to us. He is effectively independent. To be able to work effectively with the state governments, he has to be able to demonstrate that he is independent from the education portfolio, and in fact us, because he may have information that he cannot convey to one or other of the players and he has to behave in a very professional way.

Senator LUNDY—And what has the online council said with respect to these proposals and the whole broadband strategy, of which this is a subset? Have the states agreed to make the co-contributions, particularly to the next lot, and are they making a contribution to the education and health broadband aggregation advisers?

Ms Lansdown—The states are not making a contribution to the health and education advisers, although they welcomed the fact that health and education national advisers have been appointed. A significant amount of feedback we got from the states was that if they could work more collaboratively with the national portfolios that would significantly enhance the infrastructure they could put in. They are more than happy to match the funding for the state demand aggregation brokers.

Senator LUNDY—And do they have a role in the selection process for them?

Ms Lansdown—Yes, we will select them with the states.

Senator LUNDY—So it is jointly determined?

Ms Lansdown—Yes.

Senator LUNDY—And what is the decision-making structure that allows that to occur?

Ms Lansdown—We will have contractual agreements with the states that agree what our role and the role of the agency with which we have the agreement will be. That includes things like the process of selection—how the broker will be recruited, contracted and remunerated—and the development of work plans.

Senator LUNDY—Can you describe what the public policy outcome of the demand aggregation program is? For example, what priority do you give in terms of those outcomes in creating a more competitive environment or reducing costs? How is each of the outcomes the program seeks to achieve weighted?

Ms Lansdown—The overarching public policy outcome of the three parts of the program is to enhance the market power of buyers in the marketplace. They might be Commonwealth government portfolios, state governments or individual communities and users. So, by looking at coordinated development and purchase of infrastructure, they may be able to influence their outcomes in the market.

Senator LUNDY—That statement makes an assumption that there is currently an imbalance of power and implies that there is some market dysfunction somewhere. What is the market dysfunction that this program is trying to address?

Ms Lansdown—I am not sure that it does necessarily imply that there is an imbalance; I think it just suggests that it is in the best interests, for example, of government agencies and state governments and communities to try and achieve the best financial outcomes for their taxpayers, ratepayers or whatever. So, if this is something that can be easily done to achieve that, then we should engage in it.

Mr Grant—I would add that sometimes imbalances can arise because of a lack of information or information that is not symmetric. By creating the demand aggregation brokers you in fact start to bring together the level of information that can perhaps change investment decisions and things like that, because you are providing aggregated, informed and developed information rather than piecemeal data.

Senator LUNDY—Going back to your point, Ms Lansdown, where you mentioned financial considerations, are they the overriding considerations—cost cutting to reduce taxpayers' expenditure?

Ms Lansdown—No, I do not think so. I think it is about the provision of infrastructure. In the course of the broadband advisory group inquiries the states and territories acknowledged the importance of broadband infrastructure for delivery of, particularly, services like education and health in remote and rural areas. They also acknowledged that as individual purchasers they were not necessarily able to get the best outcomes, and suggested that it would be helpful to them if we could have some mechanism for bringing together the ideas, the purchasing plans and the things they were engaging in and also some people to facilitate that sort of exchange of information—hence the three levels of the program, I suppose.

Senator LUNDY—The way I read the broadband advisory group information and the copious amounts of commentary was that demand aggregation was needed specifically to enhance market power to break Telstra's monopoly hold on the regional telecommunications market and force prices down. Is that not the obvious issue here?

Ms Lansdown—I do not think it was expressed that way necessarily but, certainly, to introduce competition into some of those markets would mean that services would be expanded into those regions faster.

Senator LUNDY—I am trying to state the obvious and you keep trying to make it confusing. The whole issue only arose because there was not perceived to be enough competitive tension in regional markets—that is, there was market failure as far as competition was concerned. Hence a level of intervention is required, which culminated in this policy.

Mr Grant—The decision recognised that there is market failure and this is an attempt to address that market failure. I do not think it arises because of any one reason. There are a number of factors that contribute to it. That is what Ms Lansdown has been trying to say.

Senator LUNDY—You agree that Telstra's dominance is one of those factors.

Mr Grant—It was certainly part of the discussion of the NBSIG. It is also public discussion.

Senator LUNDY—Sure. No-one is disagreeing. I am just asking that question because it leads to the next obvious one which is: what are the probity arrangements for these demand aggregator people and their dealings with Telstra? I refer back to your point about asymmetrical information. This inquiry has heard consistently, particularly from Telstra's competitors, about that asymmetry and the fact that Telstra is profoundly advantaged because it does have that network information and shares it on the basis of the regulated environment in which it has to share it and is forced to share it, and no other reason. What protections and probity arrangements have been put in place to ensure that this does not become a program specifically to give Telstra an edge in pulling the next lowest price out of the bottom drawer? Again we have heard evidence of that on this and other inquiries.

Ms Lansdown—We are certainly conscious of the issues you raise. In the design, particularly, of the state based brokers work plans we are working with the states to try to avoid the sorts of issues that you are talking about. One of the things they will be asked to do is to sign an agreement that they have no conflict of interest in this process.

Senator LUNDY—The states will be?

Ms Lansdown—The brokers themselves.

Senator LUNDY—It not only applies to Telstra but to every other conceivable carrier that is potentially going to benefit.

Ms Lansdown—Indeed. From our perspective the outcome is that communities get broadband connectivity at a reasonable price and that will mean probably that some of the deals that are done will be with Telstra and some will be done with other local carriers. Our expectation is that having a locally based demand aggregation broker might mean that some communities will get coverage from other carriers when Telstra is not particularly interested in moving into that area in the short term. That is what I mean about increasing their market power; it means they can take to an alternative carrier a proposal that says that this is a viable business case for our region.

Senator LUNDY—One case that came up, I think in the ATN inquiry—

CHAIR—They all blur after a while.

Senator LUNDY—Yes, they do. I have raised it at Senate estimates. It was GMTel, effectively a regional initiative that sought to aggregate their local demand through local councils, I believe, and then Telstra did in fact pull a lower price out of the bottom drawer. All that demand aggregation activity occurred at the community level—I presume much in the same

way that is envisaged here. A lot of effort was put into it. Some funding was sought from the state government or received, I am not sure which. Ultimately, once all that activity had finished, Telstra pulled a price out of the bottom drawer. What are you going to be able to do to prevent that from occurring, given the previous minister's words, 'that's competition'?

Mr Grant—I think that is something that has yet to be experienced. Certainly the way the demand aggregators operate, they would come to the attention of the states and the federal government.

Senator LUNDY—What would you be able to do about it?

Mr Grant—I think that is looking to the future; I do not think we have an answer for that at this moment.

Ms Lansdown—I am hoping that the exchange of information between regions through a state broker and national brokers will make it more visible when Telstra is engaging in those sorts of activities. For example, if they do that in one region, there are six other regions engaging in aggregation projects.

Senator LUNDY—But how will we know?

Ms Lansdown—They will talk to each other.

Senator LUNDY—But how will you know and how will the parliament know?

Ms Lansdown—We will know because we, through the NBSIG, will engage with all those levels of the community under the Demand Aggregation Broker Program—

Senator LUNDY—So you are confident of at least knowing if that is occurring.

Ms Lansdown—I expect we will know if that is occurring, yes.

Mr Grant—Under the program, it would have to be reported.

Senator LUNDY—That is the next question.

Ms Lansdown—However, this is something that may happen after the conclusion of a grants program, so I acknowledge that that might be a little bit beyond our control.

Senator TIERNEY—Do you mean 2006?

Ms Lansdown—No. Individual community grant programs normally go over an 18-month period and it is possible that something like that might happen after it concludes.

Senator LUNDY—Just to follow-up Senator Tierney's point, if you are confident that you are going to at least know about it, what reporting mechanism is in place from your perspective to

allow us, if we ask the question, to access that information or, even better, for you publicly to report on this aspect of the program and its operation?

Ms Lansdown—We will have in place the normal project evaluation—

Senator LUNDY—You have no idea how that does not inspire my confidence, given my experience with the department—but that is another matter.

Ms Lansdown—We are also exploring the possibility of having something like an annual report from the National Broadband Strategy Implementation Group. That is not been decided yet but that might be an outcome that we look to. Those sorts of things—the success or otherwise of some of those community based demand aggregation programs—would be part of that report.

Senator LUNDY—So, at this stage you cannot point to any specific reporting mechanism that can identify and expose potential anticompetitive behaviour? I do not know how you describe it. Some people would describe it as anticompetitive; others would, as the previous minister did, describe it as competitive behaviour, but it is obviously not fair.

Ms Lansdown—Our role is to administer the program, so I guess it would be in the context of program reporting. Outside the program, it is not really our role.

Senator LUNDY—Are you able to give the committee an assurance that not only will you monitor these issues but also you will report on them?

Ms Lansdown—We will monitor and report on them within the scope of the program administration, yes.

Senator LUNDY—I do not think that was the answer I was looking for.

Ms Lansdown—I am not sure that we have the authority to do it outside the scope of the program administration.

Senator TIERNEY—I would like to ask about the demand aggregation brokers and the possibility of doing this in isolated or rural areas. Could you draw me a picture of how that might work out in practice. Pick a geographic area like north-west New South Wales, for example, out beyond Armadale. How might they benefit from having a demand aggregation program?

Ms Lansdown—I think at the beginning John spoke about the type of role we see them undertaking. But we would expect that prior to anyone engaging in demand aggregation brokering, they have to go through a selection process with the program. So you would expect, either on the local council or in some community organisation, that you would have one at the very least or a couple of champions who understand the possibilities that might come from having a locally based demand aggregation broker.

They have to put forward a proposal which says they have a population that covers this area; the sorts of services that are or are not available and the sorts of things that they would like to do

in their region. If they are successful, the broker works with those people, potential carriers and the community to see how they might use the infrastructure effectively and develop a business case that can be taken to carriers to say it is worth making the investment to bring the infrastructure to the region sooner rather than later. They have a range of other tasks because, in exercising that, they do have to undertake a fair bit of education of communities. A lot of people do not understand why they might want, or how they might use, broadband. So it is important that they are working with all those local service providers so that they understand.

Senator TIERNEY—I am wondering how this would work across different departmental responsibilities. For example, the University of New England is trying to develop 11 points of presence across north-west New South Wales. Obviously, other activities could piggyback on that—perhaps health and business could come in on top of education. How does that strategy coordinate in remoter areas where total demand is very low anyway?

Ms Lansdown—That is why we have the three levels of the program. The state based broker is central. In making our selections about the regional grants, we will go back to state based National Broadband Strategy Implementation Group members and say: ‘The following six regions have come forward with grants. Can you tell us which ones you think would be most useful? If we were to provide funding, which would be the most consistent with your state strategy rollout and most likely to be successful?’ So the state based brokers and the state government representatives are very important.

The national brokers in health and education then need to be aware as well of who is working where in community grants, because they are the ones that will know, for example, what the University of New England is doing in developing points of presence and things like that. For example, they can say: ‘It would only cost an extremely small amount to get connectivity to this community; it is going to cost a significant amount to get it to this one,’ and try to help the community identify where the closest connection might be. Say, for example, a deal was being done with AARNet in the education space that the community could link to in the near future and they were not aware of it, the brokers could steer them in a particular direction until it became public. That is already happening.

Senator TIERNEY—You mentioned that in its implementation a lot of this has state based input. Are all the states being cooperative?

Ms Lansdown—They are being more than cooperative.

Senator TIERNEY—What about Victoria?

Ms Lansdown—The Victorian officials have been extremely cooperative.

Senator TIERNEY—But the Victorians are not endorsing the national broadband strategy.

Ms Lansdown—The Victorian minister is not endorsing a national broadband strategy.

Senator TIERNEY—The minister isn’t. Which particular ministry is that?

Ms Lansdown— Marsha Thomson.

Senator TIERNEY—But what sort of ministry?

Ms Lansdown—I do not know, because they all have different names. It is basically IT, but I cannot tell you the name.

Senator TIERNEY—What is the reason for that? Why is Victoria not on board if all the other states are?

Mr Grant—I think you will have to ask Victoria.

Senator TIERNEY—They think they have a superior approach or something, do they? In terms of these points of presence, which are a bit of a hobbyhorse of mine, post offices in Australia such as giroPost have a reasonable broadband delivery already. Can you comment on ways in which that might be advanced a little more than it is at the moment?

Ms Lansdown—Responsibility for that is not in our organisation, so I am not exactly sure what they do now and how that might be expanded.

Senator TIERNEY—They actually do very little. Given that you are trying to implement a broadband strategy across the country and that there are these points in huge numbers right across the country, I was wondering whether you see that as part of a broadband rollout and where do you see your office's involvement in advancing that.

Mr Grant—I am not sure that either Ms Lansdown or I know much about this particular program. However, looking at the points of presence, whether it is Australia Post, Centrelink or state government, that is clearly part of the work the aggregation broker would do in looking at the opportunities and putting forward proposals that will assist the community.

Senator LUNDY—On the key features of the CCIF, on page 6 of the documentation there are a number of dot points. Can you provide an explanation as to the dot point which says:

Funding will only be provided to projects that complement rather than duplicate other broadband and regional telecommunications initiatives.

Ms Lansdown—Obviously, the intent here is to extend broadband coverage as broadly as possible. So those types of applications are going to be more highly favoured than ones that duplicate infrastructure.

Senator LUNDY—We know that the HiBIS fund will fund, for example, the installation of DSLAMs in regional exchanges. Will CCIF do the same thing?

Ms Lansdown—We are working very closely with the HiBIS people to make sure that we do not duplicate funding. There are very clear wordings in the HiBIS guidelines about where the demarcations are.

Senator LUNDY—What is the demarcation if you received an application for the installation of DSLAMs in a regional exchange?

Ms Lansdown—I cannot tell you off the top of my head. The guidelines are still being developed and they have been changing until as late as last week.

Senator LUNDY—Which guidelines have been changed?

Ms Lansdown—The HiBIS guidelines. They have not been finalised yet.

Mr Grant—The HiBIS guidelines have not been finalised. If that came up, obviously because of the complementarity between the programs, we would have to talk to each other with a view to getting the right outcome.

Senator LUNDY—But conceivably that could be funded under CCIF?

Ms Lansdown—While assessing the CCIF projects, we have looked at ones that we think would otherwise be eligible for HiBIS. We have noted that in our consideration. If a project looks as if, fundamentally, it would be eligible under HiBIS, then that has not been as favoured as ones that would not be funded by HiBIS.

Senator LUNDY—Can you describe the sort of project you would look at that would not be eligible for HiBIS funding? Are you able to say that you will rule out funding projects that you think will be eligible under HiBIS from being eligible under CCIF?

Mr Grant—We do not actually manage HiBIS; the department does that.

Senator LUNDY—That is part of the problem, though, isn't it?

Mr Grant—So we cannot comment on what would or would not be funded under HiBIS. Perhaps with a little bit of experience—

Ms Lansdown—However, having said that, we have sent CCIF applications to the HiBIS area in the department and said, 'These are ones that we are looking at very favourably. Can we just check that they wouldn't be otherwise funded by HiBIS?' We are getting advice from the HiBIS area and working very closely with them.

Senator LUNDY—That in itself is a bit unusual. What weight do you give to the advice you get back from the department on HiBIS eligibility?

Ms Lansdown—We give it fairly significant weight because we want to be very careful about not inappropriately funding things under the CCIF.

Senator LUNDY—Can you explain the statement which says:

Proposals should seek to enhance the competitive environment for the supply of broadband.

Ms Lansdown—I think it is self-explanatory. Obviously ones that encourage competition in the market will also be looked upon favourably.

Senator LUNDY—As opposed to not enhancing competition?

Ms Lansdown—The issue is that not all proposals will be able to do all these things, so it is always a balance between what is a desirable outcome and what is not.

Senator LUNDY—Is that also the explanation behind the last dot point, which says:

Assistance will only be provided to high quality projects that require seed funding to be implemented—

as opposed to whole projects that, in themselves, achieve a certain outcome? What about long-term projects, which need capital investment at that point in time but obviously would not qualify for seed funding?

Ms Lansdown—I think this goes to several things. Obviously, we are interested in quality projects. We are interested in funding projects that will be matched by other sources. We are putting in this one-off funding, and we expect somebody else to provide funding into the future and for it to be a sustainable project. We do not want to put the money in and have the project only last for the period of the grant funding.

Senator LUNDY—But that implies it is not just a capital build. It is not just buying something and installing it to provide broadband; it is something else.

Ms Lansdown—I am not sure I understand the question.

Senator LUNDY—Cofunding for the purchase of DSLAMs for a given regional exchange would not fit that final criterion, would it?

Ms Lansdown—Why not? I am sorry, but I do not understand.

Senator LUNDY—Because it is not seed funding. It is a one-off purchase for the provision of an ongoing service but not for the provision of an ongoing installation of DSLAMs.

Ms Lansdown—I would see a one-off purchase of capital infrastructure as seed funding.

Senator LUNDY—You would?

Ms Lansdown—I would.

Senator LUNDY—Finally, what costs are associated with the National Broadband Strategy and what is the structure?

Ms Lansdown—The strategy is really the overarching document for the National Broadband Strategy Implementation Group. There is no administered funding associated with that. It is all departmental funding over the next four years.

Senator LUNDY—And how much is that?

Ms Lansdown—It is \$2.9 million.

Senator LUNDY—Can you give me the disaggregated figures?

Ms Lansdown—It is \$1.015 million in 2003-04, \$0.748 million in 2004-05, \$0.621 million in 2005-06 and \$0.519 million in 2006-07.

Senator LUNDY—Does that include the expenses relating to the implementation group?

Ms Lansdown—Yes. It includes a range of expenses.

Senator LUNDY—Like what?

Ms Lansdown—It includes a number of bodies to actually do the work, a number of ASLs. It includes things like the hosting of workshops. We have had drafting workshops for both the National Broadband Strategy and the action plan, to date. It includes research, some travel and some of the expenses associated with developing indicators so that we can measure the success of the broadband strategy itself.

CHAIR—Thank you very much for your evidence. It was very helpful.

Senator LUNDY—Can I just ask: is this going to be run from the Office of Information Economy within DCITA, now that NOIE is going to be busted up?

Mr Grant—From 8 April the changes come into effect. From 8 April this program will be run from the department, not from the Australian government information management office.

Senator LUNDY—And not the office for the information economy?

Mr Grant—The office for the information economy is an element of the department. So it will be done within the department.

Senator LUNDY—Do you fit under that?

Ms Lansdown—It will be done from within the department, yes.

Senator LUNDY—I know it will be back in the department. But will this still be part of that bit of the department—the office for the information economy—or just part of the department generally?

Mr Grant—That is up to the department to decide.

Senator LUNDY—They have not worked that out yet?

Mr Grant—No.

Senator LUNDY—So which output will you fall under in the department?

Mr Grant—I think the output for this financial year remains the same. Obviously they are working on it for future financial years; there is an admin arrangements order.

CHAIR—I thank the witnesses for their evidence today and declare this hearing closed. Barring some major, dramatic development, this is our last hearing for this inquiry.

Committee adjourned at 12.59 p.m.