



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

ENVIRONMENT, RECREATION, COMMUNICATIONS
AND THE ARTS LEGISLATION COMMITTEE

Consideration of Estimates

THURSDAY, 20 NOVEMBER 1997

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CONTENTS

THURSDAY, 20 NOVEMBER

Department of Communications and The Arts—	
Program 4—Communications—	
Subprogram 4.3—Telstra Corporation Ltd	418
Subprogram 4.4—Australian Communications Authority	457

SENATE

Thursday, 20 November 1997

**ENVIRONMENT, RECREATION, COMMUNICATIONS AND THE ARTS
LEGISLATION COMMITTEE**

Portfolios: Environment, Communications and the Arts

Members: Senator Tierney* (*Chair*), Senator Schacht (*Deputy Chair*), Senators Bartlett, Eggleston, Lightfoot and Lundy

**Senator Tierney appointed to 27 January 1998; Senator Patterson appointed from 28 January 1998*

**Senator Chapman to replace Senator Tierney for additional estimates*

Senators in attendance: Senator Carr, Senator Boswell

The committee met at 10.09 a.m.

DEPARTMENT OF COMMUNICATIONS AND THE ARTS

Proposed expenditure, \$22,793,000 (Document A).

Proposed provision, \$2,295,000 (Document C).

Consideration resumed from 14 November 1997.

In Attendance

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

Department of Communications and the Arts

Executive

Mr Neville Stevens, Secretary

Program 4—Communications

Ms Faye Holthuyzen, First Assistant Secretary, Telecommunications Industry Division

Subprogram 4.3—Telstra Corporation Limited

Mr Graeme Ward, Group Director, Regulatory and External Affairs

Mr Peter Frueh, Managing Director, Sales Commercial and Consumer

Mr Geoff Barkla, Director, Industrial Relations

Ms Amanda Harkness, Director, Strategy, Telstra Multimedia P/L

Ms Margaret Portelli, General Counsel

Mr Chris Hansen, Counsel, Commercial and Consumer

Mr Noel Robertson, Group General Manager, Corporate Development

Mr Bob Samarcq, Director, Federal Government Relations

Mr Tony Bundrock, National Manager, Customer Strategy

Mr Lawrence Paratz, Executive General Manager, Network and IT Infrastructure

Mr John Stanhope, Director, Finance

Subprogram 4.4—Australian Communications Authority

Mr Tony Shaw, Chairman

Dr Bob Horton, Deputy Chairman

Mr Peter Stackpole, Acting Senior Executive Manager Group

Mr Geoff Luther, Executive Manager

Mr John Haydon, Executive Manager, Licensing Group

Mr Peter Gilmartin, Acting Executive Manager

Mr John Grant, Executive Manager Group

Mr Jeremy Chandler, Manager—Finance

Department of Finance—

Mr David Hugill

Mr Neil Bulless

ACTING CHAIR (Senator Eggleston)—I declare open this Senate Environment, Recreation, Communications and the Arts Legislation Committee estimates hearing. This is a continuation of the Communications, the Information Economy and the Arts portfolio hearings. Questions on notice will be accepted until close of business, Friday, 21 November. Unless otherwise stated, answers to questions on notice are to be returned to the secretariat by close of business, 30 January 1998.

The committee has the following subprograms to consider: subprogram 4.3, Telstra Corporation Ltd; subprogram 4.4, the Australian Communications Authority; and subprogram 3.6, the National Office for the Information Economy. I welcome the Minister, the honourable Senator Richard Alston, and agency staff. Senator Schacht, are you able to begin asking questions?

[10.12 a.m.]

Program 4—Communications**Subprogram 4.3—Telstra Corporation Ltd**

Senator SCHACHT—I wondered if, in your opening statement, we could agree that the questions on notice can be lodged by close of business on Monday? We know the time constraints and there will be questions that are put on notice to save time, but in making sure that none fall between the cracks in the paperwork from senators' offices, I wonder if we can make it close of business on Monday rather than tomorrow?

ACTING CHAIR—I am quite happy to agree to that.

Senator SCHACHT—Thank you.

ACTING CHAIR—Since we are the only two full members of the committee here we can consider it passed.

Senator SCHACHT—We could have a very good relationship here, Mr Chairman. Minister, I want to start my questions as a follow-up to what was raised last week about the issue of how the department got the majority report of the Telstra privatisation inquiry in the department before it was released. I put a number of questions to you and you took them on notice and said we would come back when we reconvened as a hearing, which is today. Minister, can you or Mr Stevens clarify who provided the copy of the majority report to the department before it was released and tabled in the parliament?

Senator Alston—A copy of a draft—indeed I think there were successive drafts of the majority report—were made available by the secretariat to a member of my staff for the purpose of assisting in the drafting of the minority report. A final copy of the majority report was made available to a member of my staff and that draft was provided to the department on 4 September. The draft was made available to the department in order to enable it to provide a ministerial brief in relation to matters which might arise subsequent to the tabling of the report, which actually occurred on 9 September. The department made no comment to anyone on the majority report prior to publication of the report and the department made no use of the majority report in assisting in the preparation of the minority report. Indeed, the last input into that occurred on 20 August, which is roughly two weeks prior to receiving the only copy of the majority report.

Senator SCHACHT—Minister, you were saying in your remarks that—thank you for that information—it was provided to a person in your office by the secretariat. Who in the secretariat provided the draft report, or one of the draft reports, to your office?

Senator Alston—You will be aware that I do not have any direct knowledge of any of this, but my advice is that the secretary of the committee made a copy of the report, and indeed the successive drafts, available to a member of my staff on instructions from the committee, or certainly the members of the committee who constituted the minority. I think the chairman of the committee would have given those instructions. Sorry, it was not the chairman. It was a member of the committee who was effectively requesting that that document be made available in order to enable the minority senators to end up with a better response in terms of their minority report.

Senator SCHACHT—As a member of the references committee chaired by Senator Lees, there was never, in any private hearing, any request by any senator that a draft of the majority report be provided to anybody else because that is a clear breach of the privilege under standing orders of the committee.

Senator Alston—I am not aware of any particular standing orders that govern this. I can certainly say that the practice, as you well understand, is for all members of the committee, whether they are majority or minority members, to seek outside advice and input. The most effective way of doing that, particularly when you are dealing with a matter as technical as this, is to make available the actual document in order for sensible comment to be made on its content.

Senator SCHACHT—Minister, I have never argued that any senator in doing their work on a committee does not have the right when they have published submissions—hundreds of submissions are published and made available to the public—to go and talk to anybody they like to help them draft responses as they put it together for what is either the majority, the minority or the consensus report. But that is not the issue. The issue is that the majority report, which was considerably opposed by the minority, for obvious reasons, ended up in your office and in the department before the date it was tabled in the parliament—not your own work, not seeking advice, but the actual majority report which we were required to provide to the minority senators so that they could prepare a minority report. Where a clear breach has taken place is that that has now ended up not with them working with it themselves but it has been handed on to your office and on to the department.

Senator Alston—But not for the purpose of—

Senator SCHACHT—It does not matter for what purpose, Minister. You cannot, as I understand the standing orders, pass on a majority report when it has been completed and before it is tabled to anybody else, because that is a breach of the privilege of the committee.

Senator Alston—Are you pointing to any particular rules that you say we ought to take into account?

Senator SCHACHT—I want to find out. You said initially in your remarks that the secretary of the committee passed it on to your office. That is a very serious allegation against the secretary of the committee because he or she—the secretary of the time—would be in breach of the standing orders applying to committee work. We will have to check with that person. Now you are suggesting that one of the minority senators may have instructed the secretary of the committee to pass it on. Even if a minority senator, or any senator, had instructed that, I am sure that that is still a breach of privilege of the committee. First of all, who was the senator who asked the secretary to pass the report on to your office?

Senator Alston—I think what you ought to do if you want to pursue the matter is to have a discussion as a committee and investigate for yourselves. I am simply providing to you information that has been provided to me. If you want to pursue it, you can. I do not think it is necessarily helpful to be naming people.

Senator SCHACHT—But you have named them, Minister. You have named the secretary of the committee.

Senator Alston—I have not named anybody by name.

Senator SCHACHT—But you said the secretariat, and the secretary is responsible for the secretariat and the staff of the committee.

Senator Alston—I do not know—

Senator SCHACHT—You put him right in it.

Senator Alston—I do not know the name of the person who actually made the report available. I am simply saying to you that my information is that the secretariat—and I think that means the secretary, but certainly the secretariat—made a copy available to a member of my staff at the request of a member of the committee who constituted the minority. In terms of privilege, that is a matter of judgment; it is not a specific limitation. In terms of any privilege issues, surely what you examine is the purpose for which the action was carried out, whether it was simply designed to pre-empt the majority report in some way to enable people to have an advantage that they might not otherwise have. But it seems to me that, to simply enable the department to do their job and provide a response to the minister after the tabling, it is perfectly consistent with what one would expect.

Senator SCHACHT—I disagree. I do not think that is consistent with the rules of Senate committees. It is not a matter of having the—

Senator Alston—Let us have a look at the rules rather than us arguing over what we think they ought to be.

Senator SCHACHT—The majority report was provided to your office. Can you tell me who the senator was who asked the secretary to provide it to your office?

Senator Alston—As I say, rather than me relaying second- or third-hand information, I think you are much better off having a meeting of the committee to pursue the matters if you want to do that.

Senator SCHACHT—Minister, members of the Senate references committee have been asked if they have any knowledge of this because it was raised at a committee in view of the answer you gave on notice from DoCA a couple of months ago which confirmed that the majority report was in the department before publication and before tabling. Information is being sought from senators. I do not know the result of that. I do not know if all replies have come in to the references committee—it is not this committee; this is a legislative committee, as you are aware. But it would help the references committee, where it will be discussed, whilst we have you at the table to get information about who actually passed it on to your office and who then passed it on to the department. I am sure Mr Stevens does not want to be in breach of privilege of the Senate, do you, Mr Stevens?

Senator Alston—I have told you that my understanding is that the report was made available by the secretariat to a member of my staff who then passed it to the department who then simply held it in abeyance in order to enable them to brief the minister once the report was tabled. It was in no shape or form used in order to shape the views or provide any input into the minority report.

Senator SCHACHT—Mr Stevens said at the last hearing last week that nobody in the department had any involvement in preparing the minority report.

Mr Stevens—No, Senator. I said with the drafting of it. We had an input into the minority report, Senator.

Senator SCHACHT—Oh, input now?

Mr Stevens—No, we said that in answer to a question on notice at the last hearings. I think your question, and I am going on memory now, was: did we draft it? No, we did not draft it. We certainly provided—

Senator SCHACHT—But you had an input.

Mr Stevens—We provided factual information on the basis of the input.

Senator SCHACHT—And who did you provide that factual information to?

Mr Stevens—I think it went through to the minister's office, Senator.

Senator SCHACHT—But who in the minister's office did you provide it to?

Senator Alston—The principal person who was responsible for dealing with the issues.

Senator SCHACHT—Who is that, other than yourself?

Senator Alston—I do not think we need to be naming names. It is a very undesirable precedent. If you are wanting to pursue—

Senator SCHACHT—No, but when privilege of the parliament is being breached, sooner or later, someone is going to ask the question.

Senator Alston—That is not clear. All I am saying to you is, and you would well understand it, that it is not a desirable practice to go around naming names of staff members. If you want to know what the procedure was, we are telling it to you. If you want to explore that in your private committee meeting—

Senator SCHACHT—I am exploring it right now. Did Mr Paul Fletcher draft the minority report in your office?

Senator Alston—My office had a significant input into the drafting of the minority report. The ultimate responsibility for drafting it—and you would claim it as much as anyone else, no matter what input you might have had from others—resided with those who put their name

to the document. Certainly, I know former Senator Baume, for example, was at great pains to ensure that he had a significant input into—

Senator SCHACHT—And you say that with a straight face, Minister?

Senator Alston—If you do not believe me, I am only here to tell you what I understand to be the case. Senator Baume was—

Senator SCHACHT—No wonder you appointed him Consul-General to New York.

Senator Alston—I am just saying that all senators on committees will have ultimate responsibility and will want to be involved in the final draft. That is not to say that others do not provide a very significant input, particularly on technical issues. You would expect that to be the case. You will get a much higher quality outcome if you take advice from those who have lived with the issue for a period of months and who are able to draw on expert advice.

Senator SCHACHT—Under the arrangements for the drafting of a majority and a minority report, the secretariat of the committee is available to assist senators in drafting the minority report.

Senator Alston—They may be available, and no doubt drawn on, but it does not mean that all knowledge resides with the secretariat.

Senator SCHACHT—No. I would have thought the standard practice would be that, if there were areas in which the minority senators thought the secretariat was either overworked or did not have a chance to know everything about some particular point, they could have sought some further advice. But the advantage they had was that it looks like former Senator Baume passed the majority report on.

Senator Alston—All I said was that former Senator Baume—

Senator SCHACHT—You said it was in your office.

Senator Alston—I said former Senator Baume would vigorously dispute the proposition that the minority report was drafted by anyone other than members of the committee. Senator Baume himself would no doubt maintain that he had a very significant input into the form of words used. If you are suggesting to me that it is not common practice for members of committees to get advice beyond the secretariat, then I find that extraordinary.

Senator SCHACHT—No. I have never said that. It is active use of the majority report. Minister, what was said to us last week and when this was first raised was that the report was in the department and in your office.

Senator Alston—It was in the department on 4 September.

Senator SCHACHT—Only for preparing advice to you on how to respond to the report after it was tabled.

Senator Alston—The draft provided to the department was dated 4 September. The draft was made available to the department in order to brief me to respond when the report was tabled on 9 September. The department made no comment on the majority report prior to publication and made no use of the majority report in having any input into the preparation of the minority report.

Senator SCHACHT—Mr Stevens, when Mr Fletcher was clearly helping the minority senators prepare their minority report, did he at any stage call on the department for assistance?

Mr Stevens—I would have to take that on notice. I am quite sure there were probably discussions on particular issues at some point. I would expect that to be the normal practice.

Senator Alston—What is wrong with that?

Senator SCHACHT—One moment you are telling us the department was absolutely pure—

Senator Alston—No, they did not draft it.

Senator SCHACHT—They were only dealing with advice to you on how to respond to the majority report after—

Senator Alston—What stage are we talking about?

Senator SCHACHT—When the majority report is down in the department and it is in your office.

Mr Stevens—I see.

Senator Alston—That is a different issue.

Mr Stevens—I was referring to discussions at an earlier period than that.

Senator Alston—Between 4 September and 9 September the department made no comment on the majority report.

Senator SCHACHT—Mr Stevens, during that period after 4 September, did anybody in your department have any discussions with Mr Fletcher or anyone else in the minister's office helping them draft the minority report or providing comment about it?

Mr Stevens—Based on the majority report draft?

Senator SCHACHT—Yes.

Mr Stevens—I would have to check that. I am not aware of any. Again, I would have to ask the officer concerned.

Senator Alston—My advice is the last departmental input into the minority report was on 20 August, which is two weeks before the majority report is provided to the department. If those dates and facts are right, then clearly they could not have made use of the majority report.

Senator SCHACHT—So far this has been consistently muddy. Last week we could not even get an acknowledgment that the report had been provided and how it had been provided. Today we get an acknowledgment that it was provided by probably a Liberal senator—maybe former Senator Baume.

Senator Alston—I did not say that at all. That is an outrageous proposition.

Senator SCHACHT—I will go back one step.

Senator Alston—Do not talk about perceptions or your misunderstandings. Just remember what I said to you, and I have now said it twice. Michael Baume would dispute your proposition.

Senator SCHACHT—You raised what I am saying first, not me.

Senator Alston—You asked me whether my staff member had drafted the report. That is where this all started. I said, 'Senator Baume, in particular, would vigorously dispute that proposition, because he would tell you, in no uncertain terms, that he was responsible, along with his colleagues, for the final draft of the report.'

Senator SCHACHT—But he did receive assistance from Mr Fletcher, or someone else in your office, about the drafting, because—

Senator Alston—I dare say they all had assistance from a variety of sources.

Senator SCHACHT—And Mr Fletcher had the—

Senator Alston—Certainly my office had a significant involvement in assisting.

Senator SCHACHT—But Mr Fletcher had an advantage, in that, in the last few days of the drafting, he had access to the complete majority report. Did he not have—

Senator LIGHTFOOT—I wonder if I could interrupt. I do not want to curtail Senator Schacht, but my time is finite, Mr Chairman, as I guess everyone's here is. I have some specific questions I would like to ask and I am wondering whether Senator Schacht would be kind enough to indulge me while he draws breath.

Senator SCHACHT—No, not till we finish this. We went through three hearings and I have been very patient in allowing the minister and the department to take questions on notice and respond. This is the third hearing. When I first raised this issue, it was taken it on notice. Last week, more questions were asked and the minister asked for more things to be taken on notice. He said that he would respond today. I think I have been more than patient. I do not want to waste the time unnecessarily—

Senator Alston—You are going over the same ground. I have already given you—

Senator SCHACHT—Minister, only today did you actually admit that the secretary, on advice from a Liberal senator—

Senator Alston—It is not a matter of actually admitting today. You asked for further information and I have obtained it.

Senator SCHACHT—Yes, and it is clear that there is now, in my view, a breach—

Senator Alston—We are not interested in your view. If you want to ask questions and pursue them, do that.

Senator SCHACHT—Can I just ask Mr Stevens—

ACTING CHAIR—With respect, Senator Schacht, it is repetitious, and Senator Lightfoot—

Senator SCHACHT—Trying to get something of this minister is like trying to pull teeth, without anaesthetic, out of some patient.

Senator Alston—But you have asked and you have been given answers.

Senator LIGHTFOOT—Gentlemen, on a point of order, please: the chairman is trying to speak.

ACTING CHAIR—It is repetitious, and Senator Lightfoot does have a right to ask some questions. We have been going on this for 25 minutes now—

Senator SCHACHT—Just before we move on: I do not concede that I am not going to come back to it, but I do want to put one further question to Mr Stevens, on this issue.

ACTING CHAIR—One further question.

Senator SCHACHT—Is the file in the department that contained the draft report still there, or have that and its notes and associated material been shredded?

Mr Stevens—As far as I am aware, the draft report is still available in the department.

Senator SCHACHT—After this issue was raised—or even before it, in view of the fact that it could be sensitive—was there any shredding of material associated with the draft majority report which listed contact between your department and the minister's office?

Mr Stevens—Not that I am aware of. When this was first raised at the hearings before last, I think we did not know that a copy of a majority report had been received in the department.

We checked our files after the hearing and did, in fact, find a copy. That is still there, and there has been no shredding of any documents.

Senator SCHACHT—When a document goes into the department from the minister's office, is there not a record of logging in and logging out and so on?

Mr Stevens—It is not necessarily the case that every senior officer would know when these documents came in and which documents came in. I was not aware that it had come in. It was a faxed copy that went to an officer in the division. He found the copy in the department, and there has been no shredding of documents.

Senator SCHACHT—When it came in to that officer in the division, did the logging-in show who sent it to him?

Mr Stevens—Not that I am aware of, no.

Senator SCHACHT—So it mysteriously arrived and he logged it in, saying, 'arrived from unknown source'. That is an unusual record in the department.

Mr Stevens—We will have to take that on notice. I have not seen the report.

Senator SCHACHT—I think you should take on notice the questions about the logging-in and what the record is of where the document came from. Mr Stevens, clearly you run an efficient department and I would have thought you would be very careful to ensure that the logging-in and the records are kept properly of where material as significant as this is would have come from.

Mr Stevens—We will check.

ACTING CHAIR—Senator Schacht, he has said that he will take it on notice. With your permission I would now like to ask Senator Lightfoot to—

Senator SCHACHT—I put on record that this is not the end of the questioning, even at these estimates, about this matter. It is an extraordinary performance that the minister and the department had access to the majority report, when that is a clear breach of the procedures of a Senate committee.

ACTING CHAIR—Your comments are noted. Senator Lightfoot.

Senator LIGHTFOOT—I have several questions that should not compromise your time too much. I refer you to a longstanding dispute between the then Telecom National Telemarketing Centre, based in Melbourne, and Mr Terry Southall, the managing director of Specialised Personnel Pty Ltd, of Mount Eliza, Victoria. Specialised Personnel claim that formal and informal agreements with the company to be a supplier of telemarketers for Telecom since 1992 have been continually breached, and the complaints made at various levels of Telstra, including CEO Mr Frank Blount have been ignored.

My questions are as follows. What action has occurred at the most senior levels of Telstra to examine these longstanding allegations by Mr Terry Southall? What is the national policy for recruitment of telemarketers? That first bracket will conclude with: do Telstra continue to maintain that you had no formal, informal or oral contracts with Mr Southall and Specialised Personnel?

Mr Ward—We at the senior level are aware of the complaint. I would ask Mr Chris Hansen, my colleague, to join us at the table and respond to what he can in terms of the detail.

Mr Hansen—Could I just ask you to repeat your questions so I can respond.

Senator LIGHTFOOT—I am quite happy to do them one at a time, perhaps. You are quite happy with the preamble to my questions?

Mr Hansen—Yes, I am.

Senator LIGHTFOOT—My first question is: what action has occurred at the most senior levels of Telstra to examine these longstanding allegations by Mr Terry Southall?

Mr Hansen—We have had lengthy discussions with Mr Southall over this dispute. From a company level, appropriate levels of local and senior management have been involved, including Mr Blount, our chief executive officer, to whom you referred; the relevant business unit group general counsel or legal officer, together with the Telstra National Telemarketing Centre manager; and other senior members of staff who have looked at Mr Southall's complaint on a number of occasions over several years.

Senator LIGHTFOOT—Could you give the committee some idea of how many years?

Mr Hansen—I think it has been over two or three years at least.

Senator LIGHTFOOT—My second question is: what is the national policy for the recruitment of small-t telemarketers?

Mr Hansen—We have a generic recruitment process of telemarketers. We have a policy of preferring to look internally within the company's ranks for telemarketers. However, if we do have a need to look outside of the company, we have a panel of preferred suppliers who provide us with candidates for telemarketers. That list of preferred suppliers was a result of a public tender process; various firms put their proposals forward and Telstra submitted those to various evaluation criteria and selected a panel of preferred suppliers of telemarketers to us.

Senator LIGHTFOOT—So you have no printed or documented criterion for selecting or recruiting telemarketers?

Mr Hansen—I would imagine that the tender process would have set out some tender criterion evaluation that candidates would have been assessed against.

Senator LIGHTFOOT—My next question is: do Telstra continue to maintain that you had no formal, informal or oral contracts with Mr Southall and the company Specialised Personnel?

Mr Hansen—Telstra's records indicate that we have taken approximately 50 telemarketers from Specialised Personnel, which is run by Mr Southall—37 of those were obtained through the course of 1994—in relation to which Telstra has paid Specialised Personnel approximately \$450,000. Other than that, Telstra continues to maintain to Mr Southall that we have no other arrangements with him in relation to the provision of telemarketers.

Senator LIGHTFOOT—Does Mr Southall run and own Specialised Personnel?

Mr Hansen—As I understand it, yes.

Senator LIGHTFOOT—My next question is: what supporting material and documentation is now available in Telstra to verify Mr Southall's claim that Telstra owe him in excess of \$400,000 for lost revenue as a direct result of Telstra's breach of contracts for the supply of trained telemarketers?

Mr Hansen—As I mentioned earlier, we have conducted a fairly extensive investigation, at senior levels of management, of Mr Southall's claims. I must say that I have been personally involved in those investigations. We cannot find any substantive documentation to support Mr Southall's claim that we owe him \$400,000.

Senator LIGHTFOOT—My next question is: why is a fax dated 14 February 1994, from Mr Ken Planner, the manager of sales operations of that company—which I will table—not

proof of clear intent that Telecom had made an agreement with Specialised Personnel? Can you explain that?

Mr Hansen—I do have a copy of the relevant fax. Given my answer to the previous question so far as our dealings with Mr Southall's firm in 1994 and other periods are concerned, we believe that Telstra has acted genuinely in accordance with Mr Planner's fax of 14 February 1994.

Senator LIGHTFOOT—I refer to another letter, dated 17 November 1997, written by Mr Ken Planner; I expect also to table it. Does this letter explain why the earlier mentioned fax from Mr Planner was unsigned?

Mr Hansen—I am unaware of that correspondence. Did you say 17 November 1997?

Senator LIGHTFOOT—I am finding it difficult to hear.

ACTING CHAIR—Could we have some silence, please. With respect, could committee members be a little quieter.

Senator LIGHTFOOT—Let me repeat that question. I refer you to another letter, dated 17 November 1997. It is written by Mr Ken Planner, and I expect also to table that letter. Perhaps if you were to peruse it quickly, Mr Hansen, it might refresh your memory and you would be better able to answer the question. I understand that this letter should explain why the earlier mentioned fax from Mr Planner was unsigned.

Mr Hansen—Again I would respond by saying to you that Telstra believe that we have acted in accordance with the fax of 14 February 1994 in so far as we did take up to 37 candidates from Specialised Personnel in 1994 and in total over 50 telemarketers, for which Specialised Personnel received a fee. Accordingly, we would maintain that we have acted in accordance with the contents of our fax of 14 February, whether it be signed or unsigned.

Senator LIGHTFOOT—Would you now accept that Telstra's employees in February 1994, namely, Mr Planner and David Thornton, did make a binding agreement with Specialised Personnel and Mr Terry Southall?

Mr Hansen—There would be a suggestion that there is an understanding between the parties. Again, Telstra believes that it has acted in accordance with that understanding.

Senator LIGHTFOOT—Was that a yes, Mr Hansen?

Mr Hansen—That would be a yes, Senator.

Senator LIGHTFOOT—Thank you. That is all the questions I have for the moment. I now seek to table those two letters I referred to.

Senator SCHACHT—Can I just say that, like Senator Lightfoot, I have had approaches by Mr Southall, as, I think, have other senators on this committee about this case. One can just hope that we are not developing another CoT variation going on here, which is something that ought to be resolved. It has been going since 1992. I do not know the ins and outs of it, but I have to say some best practice operation here in Telstra would be pretty useful so that these sorts of things do not occur where there is misunderstanding about what the status of arrangements were between certain levels of officers, such as Mr Southall, as compared with other levels of officers. I think you will obviously resolve it quickly, won't you, Mr Ward?

Mr Ward—I understand the comments you are making, Senator.

Senator SCHACHT—I have a question in relation to the annual results of 1996-1997 which were published the day after the last hearings of the estimates committee. I trust that was not a deliberate attempt to—

Mr Ward—Entirely fortuitous, Senator.

Senator SCHACHT—Entirely fortuitous, Mr Ward. It is always entirely fortuitous in Telstra I suppose.

Senator Alston—How to win some.

Senator SCHACHT—I know. You were the same when you were in opposition, Minister. Now that you are the government you have to defend them.

Senator Alston—I never sank that low.

ACTING CHAIR—Senator Schacht, before you proceed, Senator Lightfoot wants to conclude the last matter.

Senator LIGHTFOOT—Thank you, Mr Acting Chair. I do apologise, Senator Schacht. I hope I have not broken your—

Senator SCHACHT—My consciousness, no, you have not.

Senator LIGHTFOOT—I hope I have not broken your momentum. I have some questions I want to put on notice. I request that those questions be answered, if practicable, before Christmas. I seek to table those letters I referred to previously.

ACTING CHAIR—Thank you, Senator Lightfoot.

Senator SCHACHT—Mr Ward, I presume that the financial results, annual results, are in the official annual report. Is that right?

Mr Ward—Yes.

Senator SCHACHT—You can take this on notice, but page 4 of this document lists recent business initiatives. It says that Telstra required 26 per cent equity interest in IBM Global Services. What did Telstra pay to have its 25 per cent? What was the equity worth? You can take it on notice, if you like, if it is not in the annual report, which I only got today.

Mr Stanhope—We will have to take it on notice, Senator, because it was a combination of contributions to the business such as some outsourcing of Telstra's activities.

Senator SCHACHT—Okay. I now turn to where it talks about abnormals and write downs in the report. Senator Carr has already asked on several occasions about the JORN issue, which is listed here at \$394 million. But for pay-TV and broadband asset write down, broadband asset write down is at \$342 million and rationalisation of pay-TV is at \$476 million. Could you tell me, first of all, how much you invested in the broadband roll-out?

Mr Stanhope—Yes, I can, Senator, if you will just bear with me for a second. The broadband assets invested were \$797 million at the time. The write down came from that amount. That excluded an amount for pipe and pit work.

Senator SCHACHT—Oh, you excluded them. In relation to the cable roll-out, which has gone past two million homes, what was the actual expenditure? It was more than \$700 million.

Mr Stanhope—Yes; this was the capital expenditure.

Senator SCHACHT—What was the capital expenditure on the broadband roll-out?

Mr Stanhope—On the capital expenditure with the broadband cable, I said \$790 million. There was also pipe and pit work associated with that which was also around \$700 million. That is \$1.4 billion. That is the capital expenditure. There was also expense expenditure associated with that.

Senator SCHACHT—How much is that?

Mr Stanhope—Just off the top of my head I cannot recall. It was about a \$4 billion program. By curtailing it at 2.5 million homes that saved \$1.5 billion, so the expenditure—

Senator SCHACHT—Another \$100 million or something? So, the capital expenditure to get it pass 2.5 million homes was about \$1.5 billion?

Mr Stanhope—Of capital expenditure.

Senator SCHACHT—You have written off \$342 million. How did you arrive at that figure?

Mr Stanhope—It is in fact more than \$342 million. The \$342 million was written off to the profit and loss account, another \$245 million was also written off that broadband asset, so the total write-down was \$587 million, \$245 million of which was posted or booked against an asset revaluation reserve. So there are two elements of it. But, in essence, the total write-down of the broadband asset was \$587 million.

The way we arrive at that is that we apply an accounting standard—10:10 it is called—which you have to apply every half year when you do your accounts. It is a recoverable amount test, so we test whether in fact the revenues will recover the cost of that asset that you have in your books of account. We calculated that we would not recover that asset to the extent of \$587 million.

Senator SCHACHT—So the asset is now worth about \$1 billion, compared with the capital expenditure?

Mr Stanhope—The asset in the books is written down to \$210 million, in fact.

Mr Ward—Senator, can I just make a comment which—

Senator SCHACHT—I hope you can explain to me how, suddenly, \$1.5 billion of capital expenditure is now worth \$200 million.

Mr Ward—The issue is that—

Senator SCHACHT—That is a lot of money that has gone down a black hole.

Mr Ward—You are seeking the total expenditure, which is broken down into capital expenditure and expense expenditure. The asset write-down is against what has been written up as assets in our account, not the total expenditure.

Mr Stanhope—And only the cable as well.

Mr Ward—That is right.

Senator SCHACHT—Only what?

Mr Stanhope—Only the cable.

Mr Ward—It might be useful, Mr Stanhope, to take that from the beginning, in terms of the expenditures.

Mr Stanhope—The expenditures are broken up—

Senator SCHACHT—Did you display all of this calculation in the prospectus?

Mr Stanhope—Yes, we did.

Senator SCHACHT—In detail, did you?

Mr Stanhope—Yes, we did. There are two elements of the expenditure on the pay TV or broadband asset. There is capital expenditure, which is actually broken into two parts. There is the cable—and when I say that we wrote down the broadband asset we only wrote down the cable element of it. There is the pipe and pit work that is done down the street before you pull the cable through. That was about another \$700 million.

Senator SCHACHT—But that is telephony, isn't it?

Mr Stanhope—The reason we did not write down any of that is that it is able to be used for both broadband and telephony PSTN. Its usefulness remains for who knows how many number of years—until its technical obsolescence, I guess. Then there are also expenses incurred in putting in that broadband asset.

What I am saying is that the capital expenditure is about \$1.5 billion of a \$4 billion program; to reach 2.5 million homes is about \$2.5 billion; therefore, \$1 billion of it is expense—\$1.5 billion capital, \$1 billion expense.

Senator SCHACHT—The question I want to get to now is that this came out of your capital works program, right—the \$1.5 billion of expenditure?

Mr Stanhope—Yes.

Senator SCHACHT—So what we have had is that all the Australian telephony subscribers to Telstra, whether they are local, STD or international, have subsidised to a large extent the roll-out of the cable for pay TV, because you do not use the cable for telephony, do you?

Mr Stanhope—No, we do not.

Senator SCHACHT—What is the rationale? Why should telephony subscribers to Telstra cross-subsidise the pay TV operation when that pay TV operation is now only going to be to 2½ million homes compared with 6 million or 7 million telephony subscribers? Wouldn't it have been better to give a lower price for telephony charges and use the \$1 billion to at least give them a reduction in prices?

Mr Stanhope—It has always been our intention to use that broadband cable for other services other than pay TV.

Senator SCHACHT—For telephony?

Mr Stanhope—No.

Senator SCHACHT—But the telephony business has subsidised, and has done cold, over \$1 billion.

Mr Ward—The cable is there for telecommunications users, not just for narrow parts of the business. This industry and investment by telecommunications companies always have up-front expenditures on new and developing networks and products. It is very much a network business. The broadband network is being used for other purposes—

Senator SCHACHT—But it is not being used for telephony.

Mr Ward—Not as yet for telephony. It may not be used for telephony. But it is more a telecommunications users issue than just telephony.

Senator SCHACHT—If you had not had to sustain such an enormous loss on the roll-out, maybe you could have reduced the cost to ordinary telephony users, given a 2c reduction on untimed local calls.

Mr Ward—The decisions about the expenditure at the time were all based on what was in the best interests of our business at that time in terms of the dynamics—

Senator SCHACHT—But not the best interests of the telephony users, that is for sure.

Mr Ward—and in the best interests of our whole consumer base. That is what drives us all the time.

Senator SCHACHT—Mr Ward, your sophistry is very good, but what you were all about was thinking that this was the way to try to knock over Optus's cable roll-out for telephony. Isn't that correct?

Mr Ward—If that is the commercial driver for the business, and the business is in better shape than it would have been, then all our users benefit over time.

Senator SCHACHT—Do you think that the shareholders, the one-third of them now, have a legitimate reason to ask: wouldn't it have been better in the next year to have nearly \$1 billion, instead of written off, actually paid back as dividend to the shareholders?

Mr Ward—I have no idea what they will put to us over the next 12 months. We are only at the start—

Senator SCHACHT—Well we are trying here.

Mr Ward—We have started a new journey here, Senator.

Senator SCHACHT—Yes. There were people responsible for the decision of the cable roll-out that has now lost probably \$1 billion plus, according to one form of the figures. Are any of the people responsible for making that advice to the board still in the same positions, or has anyone suffered a penalty for doing in \$1 billion?

Mr Ward—The ultimate accountability is with the board and the management. As you know—

Senator SCHACHT—No-one in the area has resigned?

Mr Ward—That is a big question—'nobody in the area'. I cannot answer that definitively in terms of all the people in that area at the time. But this was very much a company decision, Senator, not a line of business decision, in my view.

Senator SCHACHT—I think Telstra management were very keen to have a privatised, more responsible, more accountable system.

Mr Ward—Indeed.

Senator SCHACHT—I suspect a lot of people will say, 'We'd rather have \$1 billion in dividends than \$1 billion written off for a bad decision.' It seems that nobody in Telstra has paid the penalty yet for making that bad decision.

Mr Ward—As you know, it is a very complex set of issues surrounding these decisions.

Senator SCHACHT—And on the write-down in JORN, has anybody in Telstra, in view of the write-down of \$394 million of loss, responsible for the JORN project had to resign or been demoted?

Mr Ward—Our entry into the JORN project was back in 1989 and there has been a lot of turnover since then, as you know.

Senator SCHACHT—Even so, has anybody in the history of this, when the thing was unravelling, done the right thing and tendered their resignation before they were put to the sword themselves?

Mr Ward—I am not aware of that.

Senator SCHACHT—So in two major areas of losses that have occurred since the corporatisation of Telstra, \$1,500 million has gone out the window, and no-one in senior management has been asked to—

Mr Ward—On the JORN position, I am saying that there has been quite a lot happening since that decision.

Senator SCHACHT—There has been turnover. People have been transferred sideways or whatever. Anyway, I just make the point that it is an extraordinary amount of money to write off. It seems that no-one is taking responsibility for it.

Mr Ward—The responsibility is vested in the management team that took the accountability for the write off.

Senator SCHACHT—Because time is going to run out, I want to turn now to the—

ACTING CHAIR—Just on the point of time, Senator Schacht, Senator Carr has some questions and then, I gather, Senator Boswell will have some, too.

Senator SCHACHT—I want to turn now to page 5 of that financial report.

ACTING CHAIR—And Senator Lightfoot, in fact, has some more.

Senator SCHACHT—In the report, it mentions the merger between Australis and Foxtel and that Telstra would end up with 33 per cent of the new merged entity. In view of the court case launched by the ACCC, as far as Telstra is concerned, is the merger now off?

Mr Ward—I understand that we have issued a notice of intent that we will not pursue the merger or that Foxtel would not pursue the merger.

Senator SCHACHT—With a 50 per cent shareholding in Foxtel, have you taken that decision purely because of the court case because the length of time that it is going to take to resolve would make the merger inoperable?

Mr Ward—As I understand it, the terms included that the merger would go ahead if there was no ACCC intervention. As you also suggest, it is a pretty dynamic area of the business, and a court case taking a long period of time certainly does not help us move forward in that part of the business.

Senator SCHACHT—Apart from the court case, if the company Australis is liquidated, would Telstra be willing to bid for some of the assets that are in Australis and get them at a cheaper price than from a merger?

Mr Ward—Certainly, from my point of view, it is a bit premature to know exactly what is going to happen there.

Senator SCHACHT—It must have crossed your mind, though.

Mr Ward—It is just difficult to speculate on what is going to happen in this part of the business, as you know.

Senator SCHACHT—On the finances, before we go to another senator, I just want to—

Senator BOSWELL—How long are you going to be?

Senator SCHACHT—I will be just two minutes.

ACTING CHAIR—Senator Carr and Senator Boswell have questions.

Senator BOSWELL—Mr Chairman, will it be 15 minutes before I get access?

ACTING CHAIR—I would say so, yes.

Senator SCHACHT—We will give you a baseball bat as well, Ronnie. Can I just ask the minister—

ACTING CHAIR—We are to finish this segment at 12 o'clock, I would remind senators.

Senator SCHACHT—Minister, I asked Mr Stevens about whether his department had recorded in the log when the document arrived. Does your office have a log or a record of sending the document of the majority report from your office over to the department?

Senator Alston—I am unaware of that, but they may have.

Senator SCHACHT—Can you check that, please.

Senator Alston—Yes.

Senator SCHACHT—Can you also check, Minister, whether anybody in your office has checked whether there was any correspondence recording the forwarding of that draft majority report and successive drafts to the department?

Senator Alston—All right, I will take that on notice.

Senator SCHACHT—Mr Stevens, was there any discussion in the department—you might have to take this on notice; I accept that—about whether any of the documents should be shredded?

Mr Stevens—I am not aware of any, Senator.

Senator SCHACHT—Would you take that on notice and check with the officers concerned? You have implied that the—

Senator Alston—There might be a note saying, ‘re shredding of documents’.

Senator SCHACHT—No, there might be a note—but that probably got shredded as well. I want to find out what level of discussion there was and whether any documents were shredded once people became aware that there may well have been a breach of privilege.

Mr Stevens—My understanding is that no documents were shredded, Senator, but I will check.

ACTING CHAIR—I think it has been answered already.

Senator SCHACHT—Was there any dispute in the Department? Has any officer, or any former officer, complained that they were being required to prepare the minority report, which they themselves believed was contrary to what they should be doing?

Mr Stevens—Again, I am not aware of it, but I will check.

Senator SCHACHT—Thank you.

Senator CARR—I have a question about Telstra’s answer to question 178 on the JORN project. You advised me that in the 18 months from January 1996 to June 1997, \$31.4 million was spent on consultants, agency staff and contractors in relation to the Jindalee project. Can I have a list of all of those consultants, agency staff and contractors that made up that \$31.4 million worth of expenditure?

Mr Ward—Can we take that on notice?

Senator CARR—Yes, of course.

Mr Ward—I am not quite sure of how we could do that, but we may—

Senator CARR—You would recall that I asked a series of questions about the money spent on consultants on the Jindalee project.

Mr Ward—Yes.

Senator CARR—Can I also have an update on the amounts of money spent on consultants, agency staff and contractors between June and November 1997?

Mr Ward—Is that subsequent to the information that we have provided?

Senator CARR—Yes.

Mr Ward—We could take that on notice.

Senator CARR—Thank you, that would be appreciated. I take it that you would regard \$31.4 as a large sum of money to be spent on consultants over an 18-month period for a project which I understand your accounts are telling us has been written down to the tune of \$300-odd million. Why is it that you would have to spend that amount of money on consultants?

Senator SCHACHT—To find out you have lost \$300 million.

Mr Ward—If I could ask my colleague, Noel Robertson, to come to the table, he can handle some of the detail. I would start by suggesting that some of the skills that are required to meet our contractual obligations required the use of these consultants. That really is the essence—

Senator SCHACHT—It was written down by \$300 million.

Mr Ward—It is a big project Senator.

Senator SCHACHT—You should have thought of that before you bid.

Mr Ward—It is in the order of a \$1 billion project, so that sort of expenditure—

Senator SCHACHT—Mr Ward, you should have thought of that before you bid.

ACTING CHAIR—Thank you, Senator Schacht. Could you let Senator Carr get on with the questions because the remaining time is not long.

Senator CARR—Mr Robertson, why was it necessary to spend \$31 million for a project that you have now written down at \$394 million against your forward accounts?

Mr Robertson—I do not have specific knowledge of the detail, but I think Mr Ward has provided an answer that the project is a \$1 billion-plus project. It involves very specialised skills that are not readily available in the marketplace. I think Telstra has provided that answer to previous questions.

Senator CARR—Mr Robertson, you have advised me on a number of consultants which seem to me to have very strong links with the management of TAT. Have your inquiries demonstrated to you any reason for concern as to the way in which these consultancies have been let?

Mr Robertson—I am not aware of any direct relationships between the management of the project and specific consultants.

Senator CARR—I think I will come back to these matters.

ACTING CHAIR—Are you suggesting that you would like to put them on notice?

Senator CARR—No.

Senator SCHACHT—Of the \$31 million for consultancies over about an 18-month period, how many individual consultancies did that consist of?

Mr Robertson—I think our answer to the question will provide the details of that.

Senator SCHACHT—Including how much each consultancy got?

Mr Robertson—I do not know what detail is available out of the records of the project. I would assume that we should be able to provide some substance behind that \$31 million. We will do what we can.

Senator SCHACHT—When you give us the list, could you also tell us how many of those consultancies were technical in getting people together to provide advice about the Jindalee, or the over the horizon radar, and give a bit of a description so that we can see whether some

of those consultancies were, in fact, not being spent on PR or other related matters? It still seems an extraordinarily high figure.

Senator CARR—We do know that some of those consultancies were in fact to provide media services.

Mr Robertson—I think we provided answers along those lines previously.

Senator CARR—Yes, that has already been demonstrated. What troubles me is that the Telstra Corporation would not have the skills available within its normal framework of operations, and why you find it necessary to actually go to private consultants at these extraordinary rates of pay?

Mr Robertson—I think at the time—

Senator CARR—We are not talking about the long history here. We are talking about what has occurred over the last 18 months.

Mr Robertson—The project has unfolded over time. I think you would appreciate that the developments occur sequentially and, as a consequence, you do not always know when you go into the project, particularly a project of this nature which has a very high technology component to it, exactly what skills may be required as you progress through the project. It should not be unusual in a project of this nature.

Senator CARR—I have asked a series of questions concerning these issues. At the previous round of estimates, I asked you to update your records as to information provided to the committee on previous occasions. Can you indicate to the committee why the information provided at previous estimates was incorrect?

Mr Robertson—I am not specifically aware of any incorrect information.

Senator CARR—Let us take the case, for instance, of Robert Stinson where I asked questions in relation to question No. 164 in the budget hearings. You wrote back to me, under question No. 202, and said that Robert Stinson was to be engaged for approximately eight months and should be added to the list of the number of consultants. Why was it that information that was provided to the committee did not contain accurate answers?

Mr Robertson—I am not sure. I was not involved in putting that list together. I will need to take that question on notice, because I cannot provide a specific answer. It may have been an oversight or it may have been recorded elsewhere in the accounts for the project.

Senator CARR—I would ask that, where there are other corrections, why was it necessary for those corrections to be made and why weren't the answers provided originally on an accurate basis? The more general issue of outsourcing, of course, is the one that concerns me here, not just the particularities of the JORN project, which I do think reflect a broader problem within Telstra. Perhaps this is a question for Mr Ward. Is it Telstra's intention to outsource any part of its operated assisted services?

Mr Ward—I have not got a detailed answer for that other than, if you are really questioning outsourcing per se, that is something that the business has to continually review in terms of the best and most efficient way of us providing service, and what are the core competencies and skills that we need to keep in our company versus what is the most efficient way of providing service. In terms of outsourcing of operator services or further initiatives, there is none in my mind at the moment, but I can certainly take that on notice.

Senator CARR—If you would, please. You say that this is an issue about the core competencies. I have already put to you cases where I think there may be some questions as

to whether or not it is less efficient to contract out, given the example within the JORN project. So I will pursue this, Mr Ward. Is it the case that Telstra has been conducting discussions with Excel or any other company with a view to establishing a joint venture to handle Telstra's current call centre functions?

Mr Ward—Can I take that on notice?

Senator CARR—You have no officers here today who can advise me on—

Mr Ward—Given the knowledge that we have here, it is best that we take that on notice comprehensively for you.

Senator CARR—Thank you. Given your response to that particular matter, I suspect there might be a series of questions that you will need to take on notice. Could you advise me, please: what is the impact of such an initiative on Telstra's current staffing, will there be any displacement of staff and will such staff be offered the opportunity to work in any proposed joint venture which would be established by Telstra? I take it that it is on notice.

Mr Ward—They all flow from that same question, yes.

Senator CARR—Is it the case that the proposal for a joint venture with Excel will involve any rationalisation of the numbers of call centres currently operated by Telstra? Is it the case that Telstra currently operates some 60 centres? Can you answer that question?

Mr Ward—Yes. I think that sounds right.

Senator CARR—Is it proposed to reduce the number of call centres to between four and six?

Mr Ward—Of our call centres?

Senator CARR—Yes.

Mr Ward—In association with that same previous question?

Senator CARR—Yes.

Mr Ward—I would be very surprised if that were the case.

Senator CARR—We do recall we had some discussions about this in regard to project Mercury.

Mr Ward—I do have some memory of those discussions.

Senator CARR—I have no doubt you would have some memory of it, but is it your intention to reduce the number of call centres from the current 60?

Mr Ward—It is best if I take these on notice in the context of—

Senator CARR—Thank you. While you are there, could you advise me how many, at the end of this process, call centres you are intending to operate? Would you be able to advise the committee on what impact such a proposal will have on regional and rural employment, given, as you would understand, the significance of call centres? In the debate on the privatisation of Telstra, it was a matter Senator Colston, I recall, was able to point to as a basis for his support for the legislation—that he would be able to secure a number of call centres in his immediate locality. Is that a deal to be dishonoured?

Mr Ward—I can take all those questions on call centres on board.

Senator CARR—Will you please advise me on the effect of the anticipated outsourcing of operator services, particularly on centres in Hobart and Toowoomba?

Mr Ward—Have got all that.

Senator CARR—I might continue on this question of outsourcing. I understand that there has been some discussion regarding the outsourcing of occupational health and safety functions of the corporation. Is that the case?

Mr Ward—I am not aware of that at the moment. But one of my colleagues might be. Mr Barkla may be able to assist.

Senator CARR—Mr Barkla, what can you tell me about Telstra care?

Mr Barkla—I am the director of industrial relations, so I have not got a detailed knowledge of those particular programs you talk about. Telstra Care, as I understand it, is a new safety program that is being introduced across Telstra. It comprises quite a number of elements, from driver safety right through to various other things. I can certainly take it on notice and get you a full—

Senator CARR—If you would, please; give me a comprehensive brief on what Telstra management understands to be involved with the notion of Telstra Care. Could you advise me on who or what is Zeal Consulting?

Mr Barkla—I cannot advise you, but I will take that on notice as well.

Senator CARR—Would you please advise me as to what is the commercial agreement between Zeal Consulting and Telstra? I would appreciate it, Mr Barkla, if you did not assert commercial-in-confidence.

Senator SCHACHT—And even if you do, we can hold a private hearing, if you like.

Senator CARR—We do not need to go through that. Mr Barkla, I think Mr Ward would be only too happy to advise you on—

Senator SCHACHT—So, if we do not get you on the swing, we will get you on the merry-go-round.

Senator CARR—What is the level of remuneration for the principal of Zeal?

Mr Barkla—That is in relation to a contract between Zeal and—

Senator CARR—Yes, the contractual arrangements between Telstra and the firm known as Zeal. What are the financial arrangements between Zeal Consultants engaged by Telstra under this particular agreement?

Mr Barkla—I am sorry, Senator; just to clear—

Senator CARR—How much is the consultancy worth to Zeal? I would like to know two things: what is the remuneration paid to the principal of Zeal as a result of arrangements entered into between Zeal and Telstra in relation to this Telstra Care proposal, and what is the cost of the consultancy engaged by Telstra under this particular agreement? Would you be able to advise me, please, as to what was the tendering process developed by Telstra with regard to the letting of this particular consultancy for Zeal? I take it that there will be a formal contract between Telstra and Zeal. Is that the case? Was there a formal contract entered into?

Mr Barkla—Yes.

Senator CARR—When was such a contract signed and when was it approved by Telstra's legal section? Does it differ from the standard contractual arrangements entered into by Telstra for consultancies of this type?

ACTING CHAIR—Senator Carr, you have been going for 25 minutes now. Is there any possibility of putting these questions on notice?

Senator CARR—We will see. The officers are here and I am sure they are only too happy to assist me. If they cannot assist me, we will put the questions on notice. If they can, I would prefer to be able to engage them in discussion about these issues. Mr Ward and I have been through this before.

ACTING CHAIR—I am sure you have, but we have a limited amount of time, and Senator Lightfoot has some more questions as well.

Senator CARR—Yes. Mr Ward, is it the case that Telstra is planning to centralise its current network operation centres?

Mr Ward—Yes, I think we did cover that briefly at the last hearing. We are reviewing that issue at the moment internally with management.

Senator CARR—Is it the case that you are intending to have in operation only one centre now located in Melbourne?

Mr Ward—It is my understanding that there are several options that we are looking at in terms of that decision. That, indeed, is one of the options. Technology now makes that a feasible option and that is one of the options that are being considered. But my understanding is that that is still being analysed.

Senator CARR—When will you have a decision on that?

Mr Ward—I think they are hopeful of having a decision this calendar year. But at this stage I do not want to pre-empt the timing of the CEO or board's decision making.

Senator SCHACHT—I hope these people are not being sacrificed because of the bad management decisions that cost a \$1.5 billion write-down for JORN and cable roll out.

Mr Ward—The decision will be made in the interests of the company and all its shareholders going forward.

Senator SCHACHT—What about the employees?

Mr Ward—All of the considerations associated with that decision, which we understand and appreciate is a significant issue for us, will be taken into account.

Senator CARR—Is this rationalisation proposal called the one network operating centre proposal?

Mr Ward—It may be for some people, but it is not in my mind as that.

Senator CARR—What do you call it?

Mr Ward—It is a network centralisation issue, if you like.

Senator SCHACHT—Is that centralising to one?

Mr Ward—No. As I suggested, that is one of the options set.

Senator CARR—Can you indicate to us what the cost of the proposal is?

Mr Ward—The cost of the proposal?

Senator CARR—Yes.

Mr Ward—Do you mean the benefits of the proposal?

Senator CARR—You might call them benefits, but what is the financial cost?

Mr Ward—I certainly do not have those figures. They vary by the option, of course.

Senator CARR—Yes, of course. But at this stage you must have an understanding of the options.

Mr Ward—The data would be prepared against each of the options. The benefits would vary by option.

Senator CARR—Would you take on notice what the costs of the various proposals are and whether such costs have been factored into the business plan?

Mr Ward—At this stage we do not have a final business case.

Senator CARR—You will not have for another six weeks. Is that what you are saying?

Mr Ward—As I said to you, we are hopeful of making the decision this calendar year, but I cannot be definitive about that. I believe that is the objective.

Senator CARR—For instance, is it proposed to introduce the plant trouble manager—the PTM?

Mr Ward—You have drifted beyond my expertise with that latest—

Senator CARR—Is it envisaged that such a proposal would have a cost of some \$75 million to \$100 million associated with it?

Mr Stanhope—There was a system being considered called plant trouble management. There has been a look around at what is a reasonable system and that activity and selection are still going on. When you say ‘plant trouble manager’ it is a plant trouble management system.

Senator CARR—If there were a case, for instance, in terms of the transfer and relocation of, perhaps, as many as 200 staff, is that involved with this particular project?

Mr Stanhope—That also is very early days because we have not even decided what system to purchase yet.

ACTING CHAIR—Senator Carr, you have had nearly half an hour on this and Senator Lightfoot has some questions.

Senator CARR—That may be the case, but I have sat here patiently. I have three more questions to ask in this particular matter. It is a matter of some significance.

ACTING CHAIR—Can you conclude that and then give Senator Lightfoot a go?

Senator CARR—I have three questions and I want to flesh out these points. For instance, in terms of the cost of front end database for the exchange manager, I understand that the cost associated with that involved some \$23 million worth of expenditure. Is that the case?

Mr Ward—I will ask my colleague to come up and talk about some of the system issues around this decision. He will explain some of the technical issues surrounding those judgments.

Mr Paratz—In connection with the plant trouble manager, and expanding a little bit on the previous information, the plant trouble manager is a concept of the way in which you would deal in an integrated way with alarms and issues arising in a network. Telstra has been examining a number of options including systems and the use of existing systems.

Senator CARR—Is the proposal one where the current centres in Sydney, Brisbane, Adelaide and Perth with a number of regional centres will, in fact, be closed?

Mr Paratz—As indicated previously, the company at the moment is considering a number of options to better improve both the service and the underlying cost structures of the operation of the network. The proposition as to closure of any, or all, or any combination of centres, really flows through a wide range of options.

Senator CARR—Yes, but that is at the core of this proposal, is it not?

Mr Paratz—The options are very wide ranging, and include options which include some potential closures, and certainly options which do not include that possibility.

Senator CARR—So you would be able to give me a breakdown of the full costs of such proposals?

Mr Paratz—There is working going on the company, and I believe members of the committee are well briefed on this to identify the benefits, the costs of all of those options, and as that progresses to a decision, or potential decision, in the time frame, those things will become clearer.

Senator CARR—Will you take on notice—I asked you a specific question—will you please provide me with the costs associated with the one-centre proposal.

Mr Ward—Senator, we will certainly take that on notice, but in respect of the provision of any information that is still being developed, obviously there may be a timing issue there, but I understand the question you are asking.

Senator CARR—Yes, I understand that, Mr Ward. You are making a decision of the next month, effectively.

Mr Ward—The next couple of months, yes.

Senator SCHACHT—You will give it to us by the time we sit again in the next estimates in March, won't you?

Mr Ward—Well, I would imagine that would be just the time when—

Senator CARR—Mr Chairman, when are the questions due back? What is the date you have set?

Senator SCHACHT—By Christmas. That is reasonable.

ACTING CHAIR—The questions have to be in by Christmas.

Senator CARR—And you are making a decision in that time frame.

ACTING CHAIR—And the others are due in 28 January.

Senator CARR—I think that is more than enough.

Mr Ward—Senator, I will undertake to meet your question in the context in the way the decision goes forward in Telstra.

Senator CARR—Thank you very much, Mr Ward. Have you done any studies of the effects of the centralisation of network operations in other countries?

Mr Paratz—Telstra, as part of its ongoing management and adoption of desirable practices in the management of network and management of customers, of course has very strongly liaisons with other countries, with other operators, and certainly would be aware of those trends.

Senator CARR—Has there been any liaison with other sections of government about the strategic and what we call the national interest issues associated with the centralisation of a network into one centre?

Mr Paratz—I am not personally aware of discussions that fit the description.

Senator CARR—Mr Ward, has there been anything?

Mr Ward—I am not sure in relation to the federal government. I know that we have had several discussions with state governments around the issues.

Senator CARR—Yes. Quite clearly, the state governments would have an interest in terms of their region—

Mr Ward—Yes, their own agendas.

Senator CARR—But I am asking you specifically: has there been any consideration on the national security issues associated with this proposal?

Mr Ward—I personally am not aware of dialogue with the federal government on this point.

Senator CARR—Mr Stevens, are you familiar with any dialogue around the issue, the national security implications of this proposal?

Mr Stevens—No, Senator.

Senator CARR—Is it likely, Mr Ward, that there will be discussion with other aspects of government about the national security implications of this proposal?

Mr Ward—As and if that is an issue, I am sure we will discuss it, but I am just not sure—

Senator CARR—After the decision is made, or before?

Mr Ward—I am just not sure what elements of national security are involved.

Senator CARR—You mean the centralisation of our telephone system is not a matter that would not concern you?

Mr Ward—Oh, it absolutely concerns us. That is why it is such an important decision. But I am suggesting to you that in terms of security issues, as that arises as an issue in this process, I am sure we will consult with those involved.

Senator CARR—And at this point, it has not arisen in your estimation?

Mr Ward—Not in my knowledge, and I do not know about Mr Paratz.

Mr Paratz—I am not aware of it having arisen as an issue that has been discussed with national government agencies. It probably is worth mentioning that the network management centre is, in fact, a management centre, and the network operates independent of that centre. The role of the centre is a management and change reconfiguration, rather than keeping the network operating on a day by day basis.

Senator CARR—So you are saying to me that you are making a decision of this significance over the next month or so and at this point there has been no discussion with other agencies of government about the strategic or national security issues?

Mr Ward—I do not think either Mr Paratz or I are aware of any such discussions, but I will take that issue on notice. I can assure you, Senator, that if there are any issues of national security, we would indeed be talking to such agencies—no question.

ACTING CHAIR—Senator Carr, could we leave it at that point and now move to Senator Lightfoot, please, just to give him a go?

Senator LIGHTFOOT—Thank you Mr Chairman. I appreciate the opportunity. Thank you, Senator Carr. Gentlemen, I have a number of questions, some of which are complex, and I obviously expect those to be taken on notice. I would like those to be answered no later than 19 December, if that is appropriate, to collate the detail for those questions. I do not expect an answer here today. However, if you feel you can answer the questions in detail and to the satisfaction of the committee, I would certainly appreciate that as well.

Could I begin with the first question and refer you to a matter of *Eddie Saul v. Telstra*. It is currently being heard before the Australian Administrative Appeals Tribunal and the reference number there is N93/46. In so far as it is not sub judice in any way whatsoever, my

questions are: could Telstra please provide an estimate of the full costs of defending the legal matters raised in the AAT by Mr Eddie Saul. In providing those estimates, could Telstra please itemise clearly and separately those costs relating to the employment of counsel and those costs involved in the preparation of the matters by general staff. I would also like to take this opportunity to state that the answer to a related question that was asked on 26 September by Senator Paul Calvert, on whose behalf I am asking these questions at the moment, was completely unsatisfactory. You will want some notice for those I imagine, Mr Ward.

Mr Ward—Perhaps some of the detail, I suspect. But Mr Hansen is across this issue and will perhaps want to comment first up.

Mr Hansen—I think that, given the level of detail the Senator is after, that we would have to those questions on notice.

Senator LIGHTFOOT—All right. I will make copies of my questions on behalf of Senator Calvert available to whoever in your particular team wants them, Mr Ward. Could I continue. Question 2: could you please confirm that in the matter of Eddie Saul v. Telstra, AAT reference N93/46 that I have referred to, the Sydney legal firm of Eakin, McCaffery and Cox which was formerly known as Price, Brent and Cox, has been continuously employed by Telstra since the commencement of the matter in mid-1992. You will take that on notice?

Mr Hansen—I can take that on notice but perhaps comment that Eakin, McCaffery and Cox is representing Telstra in those proceedings.

Senator LIGHTFOOT—And has been since 1992?

Mr Hansen—I cannot say for sure.

Senator LIGHTFOOT—Well, you will answer that on notice then, Mr Hansen, thank you very much. Question 3: could you please explain the reasoning behind Telstra's decision to employ a Melbourne barrister, Mr John Wallace, receiving instructions from a Sydney firm of solicitors—the same one I mentioned in question 2, Eakin, McCaffery and Cox—in a matter that has been heard before the AAT in Port Macquarie and Sydney and is set to resume in Sydney?

Mr Hansen—We will take that on notice.

Senator LIGHTFOOT—Thank you.

Senator SCHACHT—Can you also advise how much that firm has been paid since 1992 to represent Telstra in this case?

Senator LIGHTFOOT—I will not have that on my document, but you might be kind enough to make a note of that, Mr Hansen.

Mr Hansen—Yes.

Senator LIGHTFOOT—Question 4: could you please confirm and explain why the Government Insurance Commission of New South Wales since is now responsible for the handling of all Telstra workers compensation claims? I am only reading that. Do you understand the text of that precisely, Mr Hansen?

Mr Hansen—I understand the question.

Senator LIGHTFOOT—Thank you. Question 5: in and around the months of June and July of 1992, Telecom, then being Mr Saul's employer, contacted Mr Saul concerning various allegations relating to the 'Misuse and abuse of travel allowance', as well as 'Corrupt management within his section'. In and around that time, Mr Saul was seconded and directed to provide information relating to the same and the progress of Telecom's investigation known

as 'Operation Sadler'. Mr Saul's evidence was collected by a series of personal interviews and telephone conversations. This evidence was employed by Telecom/Telstra to initiate further investigations in regard to the issue of 'Misuse'.

Senator Calvert's question continues as follows: this same evidence forms the content of documents currently being employed by Telstra in the abovementioned AAT hearing. It is my understanding that there are several classes of documents—some of which Mr Saul has access to and others which he does not. The documents in question are held by the AAT in Sydney and are available to both Mr Saul and/or his counsel to examine by attending the registry in Sydney to gain access to them. It is also my understanding that the AAT has indicated that they will not send the documents to Port Macquarie where Mr Saul resides.

Apart from being an ex-serviceman and ex-Commonwealth employee, Mr Saul has no assets or savings, is on a disability support pension, has been denied legal aid in New South Wales and has been denied legal and financial assistance by the Commonwealth Attorney-General's Department. Mr Saul is being represented before the AAT by a Mr Alex Tees, a solicitor with the Sydney firm Remington & Co. The arrangement between Remington & Co. solicitors and Mr Saul is on a no win, no pay basis.

I will interpolate that I am sure that that does not mean a contingency basis, because I understand that that is illegal. Senator Calvert's question continues as follows.

Such an arrangement means that Mr Saul is responsible for the payment of all court documents, medical examinations, reports and disbursements. Could you please advise as to whether Telstra would be willing, in the interests of fairness and natural justice, to provide a copy of the said documents—or the documents that I have referred to—to Mr Saul and/or his legal counsel. If you deny that request, you may be kind enough to explain why.

Mr Hansen—I will take that question on notice as well.

Senator LIGHTFOOT—Thank you, Mr Hansen. Question 6: in relation to the documents which have been produced by Telstra and are lodged at the AAT, some of these documents have been marked as being confidential. In order to review these documents it would be necessary for Mr Saul to lodge a separate application under the Freedom of Information Act. Could you please confirm that Telstra's argument, expressed through its solicitors and confirmed by them, is that paragraph 37(1)(a) of the Freedom of Information Act operates to exempt from access documents which are relevant to undetermined proceedings before the AAT.

Mr Hansen—I will take that question also on notice but perhaps add the further comment that, as I understand it, Mr Saul has complained to the Commonwealth Ombudsman about Telstra's decision and the ombudsman is currently considering that issue.

Senator LIGHTFOOT—Thank you. Question 7: given that, amongst other legal experts in matters pertaining to freedom of information, there exist doubts vis-a-vis the interpretation of section 37(1) of the Freedom of Information Act by Telstra's own legal advisers—a provision which Telstra have used to prevent Mr Saul from accessing certain documents—would Telstra seek a further legal opinion from the Attorney-General's information access unit, who are the acknowledged experts in the FOI Act. If not, could you explain why not.

Mr Hansen—I will take that question also on notice.

Senator LIGHTFOOT—I understand, Mr Hansen. Thank you. Question 8 is: could you please outline how Telstra's new revised employee travel allowance policy was formulated.

Mr Stanhope—I think we could provide a copy of that policy in response.

Senator LIGHTFOOT—Thank you, Mr Stanhope. The committee will appreciate that. Question 9 is: could you please disclose which person and/or section was responsible for the new revised policy's formulation with respect to the employee travel allowance policy.

Mr Stanhope—The employee relations part of our organisation was responsible for formulating that policy.

Senator LIGHTFOOT—You have a department called Employee Relations?

Mr Stanhope—Yes.

Senator LIGHTFOOT—Question 10 is: could you please disclose between what dates the policy was revised.

Mr Stanhope—The policy has been revised over, probably, the last 12 months. Its date of implementation was 29 September, if I recall correctly.

Senator LIGHTFOOT—Would you care to be more specific on that? Perhaps you might like to take that on notice then, Mr Stanhope.

Mr Stanhope—Certainly, if you want an absolute start date and end date.

Senator LIGHTFOOT—Yes, that was the question. They are rather generic and I would appreciate more precise figures. Thank you very much.

Question 11 is: could you please confirm whether Telstra regional managers are responsible for the supervision of work crew composition vis-a-vis employee home address detail, or does the responsibility reside with the operations and functional managers?

Mr Stanhope—The record of an employee's address is the responsibility of the employee. The employee advises us of a change of address. On their employment, we record their address; and if they change their address, they are required to notify their manager and the employer relations area, to update their records.

Senator LIGHTFOOT—Is there any penalty for not notifying?

Mr Stanhope—No.

Senator LIGHTFOOT—My last question is: could Telstra please arrange a copy of the corporation's new revised travel allowance policy. I think that is the one you said was effective on 1 October 1997.

Mr Stanhope—No, 29 September was the date I gave you. I have already offered to provide a copy of that.

Senator LIGHTFOOT—Thank you, excellent. I would want that to be supplied to all senators and members. If it is not appropriate for you to supply it to all senators and members, Mr Stanhope, if you can supply a copy to this committee then the committee will review it and perhaps make that available.

ACTING CHAIR—It will go into the record as a question.

Senator LIGHTFOOT—It will go into *Hansard*, I imagine.

ACTING CHAIR—Yes.

Senator LIGHTFOOT—That is all. I appreciate your indulgence, Mr Chairman and my fellow senators. Thank you.

ACTING CHAIR—We were going to go to Senator Carr and then to Senator Boswell, who arranged to come back. Senator Boswell.

Senator SCHACHT—I have got to say that we are going to go over time, then. There is no other way.

ACTING CHAIR—Senator Boswell is entitled to ask his questions.

Senator SCHACHT—I am not arguing about that. I am just saying that we are going to have to go over time with Telstra.

Senator BOSWELL—Just go ahead and I will see if I can have another go. You go, and I will break in on you.

ACTING CHAIR—Senator Boswell, we had an arrangement under which we went to Senator Carr, and because you were not here we went to Senator Lightfoot. If you have your questions it might be better to deal with them and then—

Senator SCHACHT—I was just going to say that we are going to go over time, but that is fine. I know what Senator Boswell is going to be on about and I am not opposed to that.

ACTING CHAIR—Are you proposing to come back, Senator Boswell? Is that what you were proposing?

Senator BOSWELL—Thank you, Mr Chairman. I was proposing to see my adviser and see if I could put them on notice. Then, if that was not the case, I would come back and ask the questions.

ACTING CHAIR—That is all right. You can seek to do that. If you can get them on notice, we would appreciate it.

Senator Alston—Could you perhaps take Senator Schacht with you?

Senator SCHACHT—No such luck. You may wish, Minister! But I guess you would probably note that Senator Boswell and I have more things in common, I think, on issues of Telstra than he does with you.

Senator Alston—That is not what he tells me.

Senator SCHACHT—Could I ask questions—this goes to the minister as well as to Telstra—about the calling number display issue. Minister, you put out a statement and I think you answered questions in the parliament about emphasising that there has got to be 80 per cent awareness, et cetera, of what this issue is and this availability. I have been given to me copies of material that Telstra has put out promoting the calling number display. It is all very positive and so on. What I want to ask Telstra is this: you say that, if you want to block the number, if you do not want to have that access, you will then put the number 1831 in front of the number you are dialling and it will automatically be blocked. Is that correct?

Mr Ward—Yes, I think that is it.

Senator SCHACHT—Is 1831 the actual number that is going to be necessary?

Mr Ward—I do not know that, but we do have someone here. Ms Portelli.

Senator SCHACHT—Is that the actual number that will be used, Ms Portelli?

Ms Portelli—Yes, that is right. I think it is written as * 1831. Is that right?

Senator SCHACHT—Yes, it is. That means that, any time you want to block having the call number at the other end, you have got to put four numbers in front of the number you are dialling. Will Telstra also offer that, if someone generally just does not want that available to them, they can ring up Telstra as a consumer and say, ‘I don’t want any of my telephone numbers having access to call number display’?

Ms Portelli—That is right.

Senator SCHACHT—So you can do it both ways.

Mr Ward—Absolutely, by event or by totality.

Senator SCHACHT—That was not clear before. I think that is a major advance. Minister, I know that the issue about whether people should opt in or out of these processes is a vexed one. So far it has always been that people will have to opt out. If you read this material, the privacy issues are probably not given as much weight by Telstra as the Privacy Commission in New South Wales may give. Have you given consideration that maybe—with the privacy issues and the awareness arrangement—it might be better if you have to opt in to the system of having calling number display, rather than having to opt out?

Senator Alston—There are clear alternatives. They were both comprehensively explored by the Privacy Advisory Committee of Austel. Its advice was that as long as you had a sufficient level of public awareness—80 per cent—that would satisfy the concerns. Given that it is a service that is likely to be in considerable demand, you should not therefore unnecessarily inhibit its introduction as long as you have got the necessary safeguards in place. That is why the Consumers Association is working closely with Telstra on the methodology for ensuring that there is a genuine 80 per cent awareness level achieved before 1 December. As you would be aware, we have also asked the carriers—even the other two have already introduced caller-ID—to ensure as much as possible that business makes people aware of their entitlements.

Senator SCHACHT—How is the 80 per cent awareness going to be measured? Is it going to be a sampling method of survey—picking 5,000 consumers at random—to find out whether people are actually aware, that they have read this material or whatever?

Ms Portelli—It is quite a complex methodology. We started a benchmark study in May. It went through various stages and we have just completed what are called snapshot studies, so it has been in train over that period and the final results are being collated now.

Senator SCHACHT—Can you take on notice the details of how that methodology is being put together?

Ms Portelli—Yes.

Senator SCHACHT—There is probably a considerable percentage of the Australian population who are not fluent in English. This material that Telstra is putting out is all in English. What efforts are being made to explain this service to people for whom English is their second language, or to people who have poor English skills? If you were not fluent in English, this material would be a bit of a mystery.

Ms Portelli—Telstra has established a widely publicised 1-800 number that has 11 community languages attached to it. A person would be able, through ringing that 1-800 number, to get information in one of those community languages. We have also done extensive media advertising through the ethnic press and radio. One of the specific categories that we were asked to test by the Privacy Advisory Committee in its report was people of non-English speaking backgrounds. They will be tested as to their awareness.

Senator SCHACHT—Could you take it on notice to provide details to the committee of the scope and nature of the awareness program and the money that has been allocated for the material that goes out in the course of the program?

Ms Portelli—I can give you the overall figure that Telstra is expending on its public education campaign now. It is in the vicinity of \$8.5 million.

Senator SCHACHT—Could you give us a breakdown of how that is being spent?

Ms Portelli—Yes.

Senator SCHACHT—Thank you. That is all I have on that particular issue, though you may be the person to answer my next question. Minister, you announced the other day that you rejected on advice—I think it was from the ACCC—the charging for 013 calls. The directory assistance service will not be charged for; it will remain free. I think that was correct. It must be a month or so ago now.

Senator Alston—Yes, it is certainly more than the other day. It was some months ago.

Senator SCHACHT—A couple of months ago, yes. I understand that Telstra is now promoting another directory assistance. I think the number is 12456.

Senator Alston—If you ring 013, you will get a free promo, as I have discovered. I do not know that I am promoting it, other than by making a call.

Senator SCHACHT—If you ring that number you actually get charged for it. Is that correct?

Mr Ward—The purpose of the service is to through connect you with that service, so that does attract a charge. It provides the number and connects you.

Senator SCHACHT—Is it 50c?

Mr Ward—There was a 50c introductory offer, but I think it is 75c.

Senator SCHACHT—It is 50c to connect—

Ms Portelli—That was the introductory offer. I am afraid I do not know the end date of it.

Mr Ward—I would say it would be 50c at the moment.

Ms Portelli—Fifty cents. We think so, yes.

Senator SCHACHT—Now that you are promoting this nice leaflet—12456, an easy to remember number—at 50c, has there been a reduction in the resources provided for directory assistance if you ring 013?

Mr Ward—I could not answer that, but Mr Frueh, who is in—

Senator SCHACHT—Because, I think, Minister, they might have actually tried to get around your edict here.

Mr Ward—No, certainly not, Senator. That is not the case.

Mr Frueh—That is right. There is no reduction directly associated with the introduction of 12456. It adds another option to customers, particularly those who are mobile phone users who may want the convenience of being able to through connect to a number they select. There are some reductions that have been taken in Telstra in that area associated with completion of a change of work agreement which increased the working hours to 36¾ hours associated with the staff.

Senator SCHACHT—For 013?

Mr Frueh—For operators in 013.

Senator SCHACHT—Could you take on notice how many staff are provided to operate 12456?

Mr Ward—We will take that on notice, certainly.

Senator SCHACHT—And how much you have spent on promoting 12456 and how much you have spent in the last year on promoting 013.

Mr Frueh—Yes, we will certainly take that on notice and come back to you.

Senator SCHACHT—And you can absolutely assure the public that this 12456 number, by evolution, will not replace 013 so that just dissipates down to a low level service which people get frustrated with because they cannot get through. This is a way to get around the government's—supported by the opposition—edict. It has always been our policy that 013 cannot be charged for.

Mr Ward—It is purely in the hands of the consumers in terms of their choice. It is purely market driven demand for the option of the product.

Senator SCHACHT—It will be market driven if the 013 service is deliberately allowed to wither on the vine so that when you ring 013 it is perpetually engaged and you are put on a long waiting time before you can get through. That is a classic way to kill it.

Mr Frueh—We understand the issue you are raising, Senator.

Senator SCHACHT—I hope you do.

Mr Frueh—The performance of the 013 area is of equally high standard as it has been, and we intend to maintain that. There is no intention to degrade service in one area to promote another. I might also just add that services like 12456 are generally available in other countries around the world as well. There is quite a legitimate user demand for that service.

Senator SCHACHT—Just because it is in Albania, which the minister keeps quoting about the fabled privatisation, does not mean to say you have to do it here.

Mr Ward—I do not know if you have used it, Senator, but it is a very convenient service. We are getting a lot of positive—

Senator SCHACHT—Yes, but you make a quid out of it, right?

Mr Ward—We are getting a lot of positive feedback that people see it as value for money.

Senator SCHACHT—Good, but we want to make sure you are not doing that at the expense of 013.

Mr Ward—I understand the point.

Senator SCHACHT—I move onto another issue on billing. There was a press report on Telstra on 6 November in the *Financial Review* by Helen Meredith quoting the Australian National Audit Office report. The report estimated that overcharging by Telstra during 1995-96 averaged five per cent and maybe totalled as much as \$16.5 million. Does Telstra accept the audit office's figures?

Mr Stanhope—Obviously, we accept the audit office's report, but the report cites a 3.4 per cent billing inaccuracy for four of six selected agencies. The point that is being made in that report is that undercharging and overcharging takes place. It is about the relationship between the agencies and Telstra. There is ongoing dialogue between the agencies, and we are sorting out the issues. Most of that has been addressed by the account team in the business and government area. There is some late application of charges that has caused some overbilling. The agency has the definition of facilities being sorted through. Those issues have been raised with Telstra and we are dealing with each of the agencies that has a problem.

Senator SCHACHT—You mentioned that there has been underbilling. How much is the underbilling worth?

Mr Stanhope—I could not tell you.

Senator SCHACHT—Could you take that on notice?

Mr Stanhope—Yes.

Senator SCHACHT—Is the underbilling more than the overbilling?

Mr Stanhope—I will take that on notice, but some undercharging and some overcharging takes place, as I said, because of the relationship between the agencies.

Senator SCHACHT—I will just have a marginal bet here that, when you come back to me, the overcharging is greater than the undercharging. If there was more undercharging than overcharging, Telstra would be trying to fix it rapidly because they would be losing money—not that I want to sound too cynical about this!

Mr Stanhope—Senator, I decline to have a bet with you and I will just provide you with the information.

Senator SCHACHT—I never bet on football or politics, so we will not put the money on the table, but we will look at the answer when it comes back. You are saying that this overcharging is in what you consider a reasonable range of statistical error. Is it a matter that, in view of the overall size of the accounts et cetera, you can live with?

Mr Stanhope—Obviously, we are trying to get the bills as accurate as possible. One of the reasons that was found for this happening was that often the facilities listed in the agency do not exist any more. It is a matter of cleaning the record so we can get a more accurate bill. That is our objective, and we are working with the departments and agencies to do so.

Senator SCHACHT—That is the error rate for government agencies. Do you have any information on what the error rate for non-government bodies is in billing areas, and whether they are overcharging? Is it a similar proportion in percentage terms for the non-government customers?

Mr Stanhope—I do not have any records with me, but I doubt whether it would be anywhere in the same order because it is far more detailed billing for government departments and large customers. With smaller customers, obviously the billing accuracy is able to be more accurate.

Senator SCHACHT—You may want to take this on notice as well: do you have any error rate for the other carriers and service providers?

Mr Stanhope—I doubt it, but I will take that on notice.

ACTING CHAIR—Senator Schacht, I just call your attention to the time.

Senator SCHACHT—I just have a few more questions. I do not know whether Senator Lightfoot has got any more questions on Telstra.

Senator LIGHTFOOT—No, I am well and truly finished, Senator Schacht.

Senator SCHACHT—Minister, do you have any plan to release the consultants report into Telstra's billing system?

Senator Alston—I have not personally seen that report, so I am not in a position to make a judgment about the quality of it.

Senator SCHACHT—Have you been given a briefing of what the content of it is?

Senator Alston—We have had a cursory discussion only.

Senator SCHACHT—Are you aware that some service providers in this country are complaining that they have up to 50 per cent fault rates on their billing? That is their claim. I do not know whether it is correct or not, and I presume the report might have dealt with it.

Senator Alston—Claims were made in relation to the past which formed the basis of some litigation, which I think is still on foot. My investigation into the matter was really concerned with ensuring that there were not ongoing problems that might compromise full competition after 1 July. Therefore, complaints about past behaviour would not necessarily be picked up by the report. Whether SPAN or any of its individual members have ongoing concerns is not something that I am aware of from press reports. Certainly, they had concerns some months ago at about the time we commissioned that study, but they may well not now have the same level of concern.

Senator SCHACHT—Is it possible that, after you have received the details of the report, it will be published?

Senator Alston—It is possible but I will make a judgment when I have seen it.

Senator SCHACHT—On churn rates to Telstra, is it correct that Telstra currently offers service providers a non-negotiable churn fee of \$30 per transfer if the service provider wants total debt severance, and \$7 per transfer provided the service provider opts to take on Telstra's unknown contingent liabilities at the time of transfer? Do you want to take that on notice?

Mr Ward—I just need to get that confirmed, but those figures sound right to me.

Senator SCHACHT—Isn't a few keystrokes all that is required to transfer a customer from Telstra to AAPT or a reseller?

Mr Ward—I believe it is more than that, Senator.

Senator SCHACHT—Could you take it on notice?

Mr Ward—We are happy to describe the process to you.

Senator SCHACHT—I have a number of questions dealing with fixed demand calls for Telstra, but I will put them on notice.

I would like to deal with Telstra's pricing of STD charges. In September, I think it was, the second phase of STD charges and price structures was announced. Can you assure us that all of the new charges in the second phase that were outlined are not contradictory to what you put at the beginning of each White Pages directory about the call zones arrangements in Australia? In particular, I do not think anyone is going to complain if everyone of those new charges actually went down compared with what was in the White Pages outline, but is there any chance that some of those rates went up between some call zones, particularly in some rural areas?

Mr Ward—I believe that there were some increases. I cannot say what is in the White Pages, but I am sure there is something in there saying that the prices are as of the time that the directory was printed. I cannot swear to that but—

Senator SCHACHT—The escape clause is that there is a little piece of fine print at the bottom of the page saying 'these are the prices at the time of printing'.

Mr Ward—I would have to check that, but I would suspect that would be the case.

Senator SCHACHT—Can you take on notice what effort was made by Telstra to explain to people that in some of these areas the prices were going up when the announcement was made that prices were generally coming down?

Mr Ward—I cannot recall the fullness of the advertising around the changes, but I am sure we pointed out the variations that were increases as well as decreases.

Senator SCHACHT—As I understand it, for example, an advertisement was placed in the classified section of various newspapers to announce this, and that was about it. Do you also

know that the morning cut-off time for cheaper rates was moved from 8 a.m. back to 7 a.m., which makes it a bit more difficult for people to make calls? I know you are early birds in Telstra, but I would have thought that that really makes it more difficult for the—

Mr Ward—These changes are in some of the most contestable parts of our business.

Senator SCHACHT—Does it take account of the move to summertime: if you are ringing Western Australia there is a three-hour difference, or vice versa? Does it take account of that?

Mr Ward—The rates would have been set in the knowledge of all of that, Senator, without question.

Mr Hansen—Just in relation to the classified ad that you referred to, that is a statutory obligation that the company has under part 23 of the Telecommunications Act.

Senator SCHACHT—The advertising?

Mr Hansen—The classified advertisement that you referred to is in accordance with our statutory obligation under part 23 of the Telecommunications Act.

Senator SCHACHT—Did the ad appear on page 68 of the *Adelaide Advertiser* classified section between second-hand trailers for sale and old bottles, or where you can buy them, or was it up the front in a display ad section?

Mr Hansen—I do not know where it was placed in particular newspapers around Australia. However, I might point out that a fairly extensive press release was disseminated to the media at the time.

Senator SCHACHT—Did you place these ads in country newspapers?

Mr Hansen—I will take that on notice. My understanding is that they were placed in major regional newspapers as well as daily nationals.

Senator SCHACHT—Could you give us a list of the nature of the ad, where they were placed and in what papers. It is all very well meeting the statutory requirement, but really there are two ways to do that. As I say, if you put it in the back section of the *Advertiser* or the *Sydney Morning Herald* classified ads, no-one will see it. If it is not in a display area, particularly in rural and regional newspapers, in my view you are, by omission, misleading people, particularly as some charges are going to go up. I think everybody got the impression that charges were all going down.

Mr Hansen—We can provide that information.

Senator SCHACHT—I will put more questions on notice in that area.

ACTING CHAIR—It would help if you could do that, Senator Schacht.

Senator SCHACHT—I am absolutely being very efficient.

ACTING CHAIR—Senator Boswell has now put his questions on notice. We do have a time limit.

Senator SCHACHT—I refer this question to the minister. The *Melbourne Age* of 11 November contained an article referring to Australis's proposed \$2.4 billion legal proceedings against Telstra. I think there was actually an advertisement in the paper adjusting the prospectus. Mr Fahey, the minister, said that Telstra believed it had a strong defence. He went on to say:

"While these claims have yet to be particularised, Telstra believes it has substantial defences to any such claims and, if brought, intends to defend against them vigorously."

How could Telstra say this when the claims have not even been particularised, and indeed, as at the date of the article, proceedings have not even commenced? Is it just an assertion of hope?

Senator Alston—No, I think it is a general understanding of the parameters of the claim. You suggested that Telstra should not have ceased the roll-out and that they should have continued to cover four million homes. As I understand it, that is the principal basis of the claim. Mr Ward may be able to give a bit more detail, but I think Telstra is in a position to respond to that general allegation.

Mr Ward—That is exactly right. That supplementary prospectus was prepared after very careful consideration of the claim.

Senator SCHACHT—I expected that answer. I do not think it clears anything up, but we will wait and see how the court case goes, of course. I refer to an article also on 11 November in the *Melbourne Age* which quoted you, Mr Ward. It says:

. . . Graeme Ward, said the—

recent interconnect—

undertakings "represent another step forward in the establishment of open telecommunications competition".

"If approved, these undertakings will provide significant benefits to wholesale customers compared with those on offer before July," he added.

Do these comments only apply to other carriers or to other carriage service providers as well?

Mr Ward—That context would apply to all carriage service providers, particularly in relation to the previous national access prices, compared to what we file with the ACCC.

Senator SCHACHT—The same article goes on to say:

SPAN's chairman, Mr Brian Perkins, said that on SPAN's initial analysis, average interconnect prices had actually risen to 3.6 cents a minute from the 3.4 cents a minute contained in the ACCC's transitional pricing determination, issued in June.

Do you have a response to that?

Mr Ward—No. The comparison of interconnect rates is a fairly complex area. But the filing has a point price from which there are various elements and discounts that can be applied. So that is a very simple statement that has been made there.

Senator SCHACHT—In the *Financial Review* on 11 November, in a Steve Lewis article, a Mr Adam Smith, General Manager Business Development in Telstra's industry services division, is quoted yesterday as saying:

Telstra was largely basing its pricing on the historical costs of building its network costs, not forward looking replacement costs.

Is this true?

Mr Ward—We believe that the undertaking that we filed is broadly consistent with the ACCC's pricing principles.

Senator SCHACHT—Is that consistent with Mr Adam Smith? An appropriate name I might have thought for the free market.

Mr Ward—No, he is a chap that we went searching for at great lengths to get someone of that name, I can assure you of that.

Senator SCHACHT—I was just waiting for Malthus to be put on your list as well.

Mr Ward—He will be very important in the economic defence of our arguments.

Senator SCHACHT—Yes. But are Mr Smith's comments consistent with what you have lodged with the ACCC and what their own rules are.

Mr Ward—We will find this out. We believe we are.

Senator SCHACHT—You would have to know, shouldn't you?

Mr Ward—We believe they are, but there is a public process on this undertaking, so everyone will get a shot at the methodology.

Senator SCHACHT—Okay. But Mr Smith is not incorrect, as far as Telstra is saying at the moment, that it has largely based its pricing on the historical costs of building a network cost, even though the ACCC disagrees.

Mr Ward—The valuation of the assets is again a fairly complex matter in the costing. The costs from that particular methodology can also be quite appropriate for replacement costs, depending on the asset in the network.

Senator SCHACHT—If you have depreciated the asset to zero over a number of years you have got a return on the investment. Are you still putting in the cost in that that investment still has a figure in there?

Mr Ward—We believe that the methodology that we have applied will show that the assets we have used to calculate our costing will accord with the ACCC's methodology. Asset valuation is a fairly complex part of that. It varies greatly by the asset in the network.

Senator SCHACHT—But isn't this a way to make sure that you get the highest possible cost for interconnect fees, et cetera?

Mr Ward—That is certainly not our objective—to get the highest possible cost.

Senator SCHACHT—Or highest possible interconnect fee set?

Mr Ward—This should not be seen as a defensive part of the business entirely. This is a part of the business that is going to grow.

Senator SCHACHT—You are not trying to tell me that Telstra will not do everything possible to get the highest interconnect fee and other arrangements to put you in a better commercial advantage against people who have to interconnect with your system.

Mr Ward—We will aim for a commercial charge and a commercial return on the assets deployed.

Senator SCHACHT—A big tongue in the cheek when you say that.

Mr Ward—No.

Senator SCHACHT—It defies commercial outlook that you would not be out there trying to get the highest possible—

Mr Ward—What I am suggesting is that this is a commercial decision and that the wholesale part of our business is the growing part.

ACTING CHAIR—Senator Schacht, how are we going?

Senator SCHACHT—We are going pretty well. I will put a whole series of questions on notice, but this gives the flavour of a couple of them: how much has Telstra paid Mallesons Stephen Jaques in legal fees for work relating to the Telstra float? How much has the government paid Freehill Hollingdale and Page in legal fees for work relating to the Telstra float? There are a series of other questions that relate to that that I will put on notice.

I will put on notice a question regarding an issue to do with a mobile base station in New South Wales. I was at Wollongong two weeks ago where Telstra has a depot next to a Catholic parish school. Telstra put a mobile telephone tower for the cellular network in the yard, as they were entitled to under the then stage existing exemptions. The local school committee members protested vigorously about the placing of a tower with all this argument about electromagnetic radiation, which Telstra had some consultation but ignored. The local people said behind Wollongong there is an enormous escarpment and asked wouldn't it be more efficient to put the cellular transmitter on a tower that you already have up there? The response they got from Telstra, they tell me, was that it is actually less efficient to put it up on the escarpment than it is down on the flat in this urban area.

In one sense non-technical people might find it a bit strange that we have a tower that could give coverage of all of Wollongong—the Illawarra—but that it is actually more inefficient. I would appreciate you taking that on notice. I would also ask can you take on notice, even though you are exempt from planning arrangements, what consultation did you have with the local school committee? They were not, in the terms of the minister, fruitloops and fruitcakes on this issue. They were actually quite articulate in their concern about having it put right next to the school. Mr Acting Chairman, other questions I have on Telstra I will put on notice.

ACTING CHAIR—Thank you very much, Senator Schacht. I have a series of questions here from Senator Boswell, which he would like answered by 18 December, to put on notice.

Senator SCHACHT—Are they to do with COT cases?

ACTING CHAIR—Yes, they are.

Senator SCHACHT—Can I just ask one other question? Mr Ward—

ACTING CHAIR—Oh!

Senator SCHACHT—No, no, Senator Boswell is putting COT case questions. Mr Ward, from your perspective in Telstra, how is the working party that was established under the impetus of this committee as a legislative committee with your representation, and COT representation, and chaired by a representative of the Ombudsman's office, now working?

Mr Ward—I am not the representative but—

Senator SCHACHT—You are very lucky. Did you make sure of that, did you, that some other poor bugger got that job?

Mr Ward—No, I was probably knocked back as inappropriate. I am advised that they have had a couple of working group meetings, that they have broadly agreed to a framework in which to progress the identification of documentation. The advice I am getting is that it is progressing, but it is a significant task and I think they are due to report by 27 or 28 of this month. Whether they complete the task or have an interim report—I suspect it may be the latter—I understand that there is progress being made.

Senator SCHACHT—And you will certainly assert that Telstra has been absolutely cooperative in every way in accordance with the terms of reference of the working committee?

Mr Ward—I understand that we have met the costs of meetings, et cetera, et cetera, and we are cooperating as per the committee has asked us to do.

Senator SCHACHT—Okay.

ACTING CHAIR—Thank you, Senator Schacht. The last thing I would like to do is table a letter from Robert King, who was the former secretary of this committee, in relation to a statement made today by the minister that a copy of the draft report on the partial sale of

Telstra was provided to the minister's office by the secretariat prior to its tabling in the Senate. I ask the Minister, would you care to comment on this letter?

Senator Alston—Mr Acting Chairman, the first paragraph correctly states that I told this committee that a copy of the draft—presumably the majority report—was provided to my office by the secretariat. Mr King then says that is not a correct statement of the facts. Then, in the fourth paragraph, he says, 'I had a copy of the report delivered to', effectively, the minister's office. I really cannot see where there is any incorrect statement of the facts. That seems to be an unequivocal confirmation of the fact that the committee secretariat did in fact provide a copy of the report to my office. As far as the last sentence is concerned, can I simply say that I am informed that that is quite incorrect. I presume there is nothing in writing to that effect and I also presume that this is the first time that that assertion has been made.

Senator SCHACHT—Minister, which part of the letter do you think is incorrect?

Senator Alston—Mr King says in paragraph 2 that paragraph 1 is incorrect. Paragraph 1 says:

. . . a copy of the draft report . . . was provided to the Minister's office by the Secretariat. . .

Right?

Senator SCHACHT—Yes.

Senator Alston—Then the third paragraph says, 'I had a copy of the committee's report delivered to,' effectively, the minister's office. He is confirming that a copy of the draft report was provided to the minister's office by the secretariat.

Senator SCHACHT—Yes. But, Minister, in your opening remarks—

Senator Alston—No, no—we are only asked to address this letter and I am being asked to comment on it. I am simply pointing out that my reading of it is that the third paragraph confirms the first.

Senator SCHACHT—Minister, I have to say that we now have here—

Senator Alston—We are dealing with the contents of the letter.

ACTING CHAIR—We are dealing with the content of the letter.

Senator SCHACHT—I want to say in defence of—

Senator Alston—No, no, no. Do you disagree with that proposition?

ACTING CHAIR—Hear me through, please, Senator Schacht. I would suggest that, if there are matters arising from this letter which concern this committee apart from the minister's comment on the letter, we should deal with them in a private meeting.

Senator Alston—I am happy to put any further response to this letter in writing.

Senator SCHACHT—I just want to say in defence of Mr King—

Senator Alston—There is no need to do that.

Senator SCHACHT—No, no. Minister, you are giving an impression now that the letter actually confirms what you said. In your initial remarks you said the secretariat provided the report. It was only under further questioning that it dribbled out that maybe Senator Baume had requested that the committee—

Senator Alston—I have said to you—now this is the fourth time—that the only context in which Senator Baume's name was mentioned by me was after you had asserted that a member of my staff had drafted the report. I said to you that members of the committee, particularly Senator Baume, would presumably heavily contest that, as would presumably all self-respecting

members of all committees who would never concede that indeed they had not been the ultimate drafters of the report.

Senator SCHACHT—Yes, but Paul Fletcher is not Michael Baume's research officer—

Senator Alston—I don't want to argue about this anymore. I am simply saying—

Senator SCHACHT—He is yours.

Senator Alston—I am not interested in that.

Senator SCHACHT—And you were not a member of the committee.

Senator Alston—That is not what is being discussed now.

Senator SCHACHT—You just said that this letter was wrong and that Robert King is wrong.

Senator Alston—You clearly do not listen, do you. The first paragraph says, in summary: . . . a copy of the draft report . . . was provided to the Minister's office by the Secretariat prior to its tabling in the Senate.

That is what he says I said, and he says that is wrong.

Senator SCHACHT—He did say that to start off with today.

Senator Alston—I am conceding that. All right, he says that is wrong. This is not a correct statement of the facts, he says. Then he goes on in paragraph 4 and says:

I had a copy—

I, meaning the secretariat.

- of the Committee's report delivered to. . .

effectively, the Minister's office. Where is the difference?

ACTING CHAIR—Senator Schacht, I understand this matter is being looked at informally by the references committee anyway. I would suggest that the minister has made it plain that he has made his comments upon the letter, which is what he was asked to do.

Senator SCHACHT—But this letter has put the minister right in, hasn't it.

ACTING CHAIR—Any further discussion and investigation of this matter really should take place in a private meeting of this committee, bearing in mind that the other side of the committee, the references committee, is also considering this matter—

Senator Alston—Why don't you have a good think about it over the weekend. If you want to ask me in the Senate on Monday I would very much welcome the opportunity.

ACTING CHAIR—I do not see there is a great point in proceeding further at this time. I would suggest we move on to the next item on the agenda which is the next program.

Senator SCHACHT—I would just draw your attention, Mr Acting Chairman, to a decision of the Senate in 1971 about unauthorised publication of draft committee reports in which someone got a penalty imposed.

ACTING CHAIR—That may be relevant but, as I say, it is not a matter for this particular committee to consider further.

Senator SCHACHT—Is this the only way that we can get the information out of the minister who has been obfuscating now through three estimates hearing and now it has clearly been pointed out by Mr King that he disagrees with the minister's evidence.

ACTING CHAIR—It is a matter which can considered further by this committee in another forum.

Senator Alston—Lucky for you that I don't respond to provocation.

Senator SCHACHT—You are in such a mess on this issue you can't.

ACTING CHAIR—I would suggest, Senator Schacht, that we now thank subprogram 4.3 witnesses for their attendance and move on to subprogram 4.4, which is the ACA.

[12.29 p.m.]

Subprogram 4.4—Australian Communications Authority

ACTING CHAIR—Senator Lightfoot, do you have any questions on this program?

Senator LIGHTFOOT—No.

ACTING CHAIR—I welcome the officers at the table. Senator Schacht has some questions on subprogram 4.4.

Senator SCHACHT—Some of these questions may be for the ACA, the minister—or a bit of both—or the department. My first question is to the ACA. Have all state and territory governments now got in place planning regulations that deal with the infrastructure role of various telecommunications companies in accordance with the legislation that was carried early this year?

Mr Shaw—It is better if that issue is directed to the department to consider. At this stage, under the act we do not have direct responsibilities for those matters.

Mr Stevens—We have a paper which goes through the state by state situation which we are happy to provide to you.

Senator SCHACHT—Okay. Mr Stevens, some press publicity in the last few days has said that—whether you believe it or not—Optus may consider further investment in the cable roll out. Obviously, Telstra may choose to chase them down every street with a matching cable—as it is doing in Adelaide. Under the legislation, any further roll out in Adelaide would now have to go through the planning arrangement because the cut-off date of 30 September, which was in the legislation, has now passed. So any existing carriers who want to roll out cable in any form have to go through that planning process. Is that correct; there is no exemption?

Mr Stevens—That is my understanding.

Senator SCHACHT—I want to ask you about an issue in South Australia that Optus has got itself into—which is no fault of yours or anybody else's but their own. In the middle of the year, to try to meet the deadline of actually starting the roll out before 30 June, it hung hundreds of kilometres of continuity wire from electricity poles without the cable on it. It looks like a thin piece of washing line—it is a very thin piece of wire. You can see hundreds of kilometres of that all over Adelaide. If Optus now chooses to hang the cable on it, would it have to get approval through the planning arrangements of local council, as 30 September has passed?

Mr Stevens—My understanding is yes, because the transitional provisions have actually expired.

Senator SCHACHT—The transitional provisions have expired? That is correct, is it?

Mr Stevens—Yes, that is correct. The transitional provisions were with regard to work that had been commenced but not completed.

Senator SCHACHT—When I raised this during the last few days with somebody, they just expected that the roll out would continue, and I said, 'I think you are in for a big shock.'

Mr Stevens—Were they Optus people?

Senator SCHACHT—No, but it was someone who has a very keen interest in Optus surviving. You might be able to guess who that is. That was a shock to them, actually, obviously because of any future roll out, and even though the wire is up, as I understand it. We had a debate about this in the parliament: I wanted it to stop on 30 June, but the minister won the vote and got it to 30 September.

Mr Stevens—That is correct.

Senator SCHACHT—Thank you for offering to provide that other information when it comes through. Is there any evidence yet that carriers have complained to the department that, because of the slowness of some states, infrastructure—not just of roll out, but any infrastructure—is now being held up because it is unclear whether every state has those rules in place?

Mr Stevens—I will check, but I am not aware of any complaint at this stage.

Senator SCHACHT—So that means there has been no unnecessary hold-up?

Mr Stevens—That is my understanding.

Senator SCHACHT—Do you know if a complaint has been lodged with a local, state or territory planning authority; have any disputes been lodged?

Mr Stevens—We are not aware of any.

Senator SCHACHT—So is it correct that none of them have flowed through to the ACA itself?

Mr Shaw—The ACA has not received any complaints.

Senator SCHACHT—Concerning the ACA itself you have got the administrative arrangements in place now, but if someone did lodge the complaint that came through to you, would you be able to handle expeditiously?

Mr Shaw—Senator, we are working on the precise way that schedule 3 of the act would be administered but, clearly, for a person to come forward with a formal complaint under those provisions, they would have to go through the state complaint process to start with.

Senator SCHACHT—Mr Stevens, I just thought about this previous question about the rollout. It might be an idea that you indicate that to those carriers because I suspect that some of them might have a mistaken view about the situation, particularly in South Australia.

Mr Stevens—I will take that on board.

Senator SCHACHT—I think this question is to you, Minister, not necessarily to the ACA. I understand that you have not exercised the power given to you under subsection 593(1) of the new Telecommunications Act which says:

The Minister may, on behalf of the Commonwealth, make a grant financial assistance to a consumer body for purposes in connection with the representation of the interests of consumers in relation to telecommunications issues.

Nor, I understand, have you exercised your power under subsection 2 which says:

The Minister may . . . make a grant of financial assistance to a person or body for purposes in connection with research into the social, economic, environment or technological implications of developments relating to telecommunications.

Is this correct and, if so, why is it taking you so long to attend to the matter?

Senator Alston—I am aware of some informal suggestions, but I do not think that I have seen any formal application. There may be one in the office, but all that we did in passing

the act was to provide a power, or give the government a capacity to do that. It does not follow that it is a request—

Senator SCHACHT—But you are more or less going to do it. I accept the way it was written in the act, but I have to say—

Senator Alston—There is some issue about CTN being funded by Telstra and the funding running out at some point in the not too distant future. Therefore, we are having a further look at it. We have given \$4.5 million over four years for research—

Senator SCHACHT—When the act went through—and I think that there was fair bit of good will on this—the debate was that consumer organisations such as TCN did not want to see themselves beholden directly to Telstra or to any carrier, quite rightly, and therefore we agreed that there would be provision in the act that they could be provided an allocation. I think that they are getting nervous that no allocation has turned up and I am informed that there have been no monies allocated in the 1997/1998 financial year budget. I just wondered—

Senator Alston—That is a matter of historical record and, indeed, the budget did precede the act.

Senator SCHACHT—Is there any chance that this financial year that you will be able to convince the Treasurer because it is only a modest amount of money. It is not exactly—

Senator Alston—I am not sure how much is involved, but there are discussions with other members of the industry to see whether it might make more sense and, indeed, give a greater sense of continuity and budgetary certainty, for the industry itself to provide a level of funding.

Senator SCHACHT—Can I leave it on notice with you? Can we get a response?

Senator Alston—We will be making a decision on it at some stage.

Senator SCHACHT—By the time the parliament comes back in March?

Senator Alston—I would hope so.

Senator SCHACHT—Minister, some time ago there was an international communications conference in Dallas—I think it was called the PCS 97.

Senator Alston—I missed that, what was it like?

Senator SCHACHT—I did not attend. I do not get the range of travel you can obviously call on as a minister. Does the Minister know how many people attended PCS 97, a recent international communications conference in Dallas? Do you know, or does the ACA know, how many people attended a briefing held by the ACA to promote the sale of the spectrum in the 1.8 GHz range?

Mr Stevens—We will take that on notice, Senator.

Senator SCHACHT—There was a report in the *Financial Review* at the same time saying: One industry delegate said: "It was acutely embarrassing. No-one came." I wonder if you could check that and if that is the case—

Mr Stevens—We will check that.

Senator SCHACHT—How much did we spend on putting together the briefing at which no-one came? I suppose in view of the delay in the spectrum auction, they were probably quite perceptive.

Minister, do we have yet a date set for the spectrum auction that was to be this year but which is now put back into next year?

Senator Alston—We have indicated in the first half of the next calendar year.

Senator SCHACHT—What was the reason for the delay of the spectrum auction when it had been announced that it would be this year?

Senator Alston—In a press release that I put out on 24 September I said:

The Australian Communications Authority has advised the Government that interest in the auction could be boosted by providing greater certainty regarding the number of policy parameters affecting potential and new mobile services.

.

I have now asked the Australian Competition and Consumer Commission to consider whether it should establish appropriate access rights to facilitate inter-carrier roaming between digital mobile communication services

The Commission will also examine whether a code of practice is necessary to facilitate access by new and existing mobile communications operators to existing telecommunications towers and sites in order to facilitate network rollout.

These are important issues for potential bidders, and the Government is committed to providing them with as much certainty as possible regarding these issues. The delay in the auction will enable these issues to be given due consideration. . . .

Senator SCHACHT—There is no suggestion that the real reason is you wanted to delay it so it was well past the time for the float of Telstra?

Senator Alston—No, the reasons are as stated there.

Senator SCHACHT—So the article by Helen Meredith and Steve Lewis on 24 September, I think about the same time as your press release, where it says:

The Federal Government has had to delay the entrance of new players in the booming mobile-phone market, after fears the Telstra public float would have undermined the radio spectrum auction.

is not a view you agree with?

Senator Alston—Maybe someone put that to them as a possible reason. Maybe they had not read the press release.

Senator SCHACHT—Has the ACA received any complaints from various interested parties—there are always vested interested parties in any auction going on—that the rules are too much in favour of the existing three carriers who have got mobile phone operations?

Mr Shaw—As part of the process of getting comments on the draft marketing plan, there were a whole series of comments from different players about the rules and whether or not they favoured their particular position. Clearly, there is a wide diversity of opinion as to the way the rules work, dependent on the precise types of services that new entrants wish to provide and the way in which the auction was structured in relation to those particular types of services.

Senator SCHACHT—I presume that means you did receive some complaints?

Mr Shaw—Certainly there were complaints. Obviously, the existing mobile service providers had one view and different potential entrants had other views. They were not necessarily the same.

Senator SCHACHT—While we are on mobile phones, are we any further advanced about what will be happening with mobile phone analog services in rural areas? Which areas will be able to keep an analog service after the year 2000? Has there been any decision formally reached to designate those areas?

Senator Alston—No.

Senator SCHACHT—When will that be reached?

Senator Alston—It is a matter for continuing consideration.

Senator SCHACHT—Surely, sooner or later, someone in the industry and consumers should be able to be given some finality about where an analog service will still operate. Presumably, manufacturers and others will want to be able to provide the product and those in the areas that miss out have to know that they had better start thinking about getting rid of the analog handset and be ready to switch to digital because in 2000 it turns off.

Senator Alston—It is unlikely that whatever technology is involved will be unique to Australia. I would not have thought there would be a difficulty in identifying manufacturers of conventional equipment. That was not meant to be funny.

Senator SCHACHT—I know about the technology development. If some areas are going to be able to have an analog system, is it planned that people in areas such as west Wagga will be able to keep their existing analog mobile phone or will they have to go and get a joint analog-digital phone that can be produced? Do we know those decisions yet?

Senator Alston—At the present time, a number of those people may have existing analog services, so they will have analog handsets. There may also be digital services in some of those areas and they will already have digital handsets as well. If they have not bought those, then presumably they will continue to use the analog handset up to the year 2000 or they will wait and see whether your mode handsets become desirable and available.

Senator SCHACHT—That is fair comment that you make. But what I am interested in is: can we get a time scale of when those areas that will be able to have analog will be designated?

Senator Alston—Certainly in sufficient time to enable—

Senator SCHACHT—Is that in 1998 or 1999?

Senator Alston—In the lead-up, I think it is clearly desirable to be able to finalise the position with sufficient time.

Senator SCHACHT—I put it around the other way to Mr Shaw. How much interest have you had from regional and rural areas of Australia of community groups, councils or whatever, asking that they be given an exemption so that they can continue with an analog service?

Mr Shaw—It has always been part of the government's policy in this area, as I understand it, that there would be a review of precisely what areas would remain before 2000. As the minister has indicated, that issue is being looked at.

Senator SCHACHT—Is that review underway now?

Mr Shaw—The issues of rural AMPs is being considered, as the minister has indicated. On the question you raise about whether there is interest, I am not aware of councils or other people coming forward with interest. The interest is more from potential entrants wishing to use AMPs and have potential roaming onto the AMPs network with their new digital technologies.

Senator SCHACHT—When is the review due to be completed? Are we finding a date right now?

Mr Shaw—That is a matter for the minister to consider.

Senator SCHACHT—You have not considered yet, Minister, when the review will start work and be completed by?

Senator Alston—No, we are currently considering those matters.

Senator SCHACHT—No wonder people are getting a bit edgy about some of the planning arrangements and delays, Minister, if that is the best you can say when this issue has been around now for at least a year or so.

Mr Shaw, there has been a fair bit of controversy, which I am sure Senator Eggleston, from Western Australia, is aware of—probably even more than I am—about the concerns associated with the provision of television and radio signals to the remote areas of Western Australia. Where is that issue at at the moment? The ABC is looking at some technology at one standard and I think the commercials are looking at something else. What is going to happen in this area? Have we got any solution? I think Hendy Cowan, the minister in Western Australia, at one stage asked the minister for a subsidy to pay for the cost of the black box and so on. Do you have any further information you can give us about this issue—whether it is totally in your area or with the ABA? I know it crosses over.

Mr Shaw—It is not in our area at all. It is a question you perhaps should direct to the ABA or the ABC or the NTA.

Senator Alston—Which are all involved.

Senator SCHACHT—But not the ACA?

Mr Shaw—Not the ACA.

Senator SCHACHT—I did not get a chance to ask them in the time available. I will have to go back. Minister, I suppose you would not care to comment about how we are resolving this issue that Senator Eggleston and others have had an interest as well?

Senator Alston—I am happy to see what you put on notice.

ACTING CHAIR—You put can put your questions on notice.

Senator SCHACHT—Okay.

ACTING CHAIR—Senator Schacht, how are we proceeding?

Senator SCHACHT—We are proceeding very well.

ACTING CHAIR—Good. We do have an hour allocated to subprogram 3.6, but we are about half an hour behind.

Senator SCHACHT—This is not a question really to the ACA, it is more to you, Minister. Are you aware of a letter that went to the Foreign Investment Review Board from Putnam Investments in America complaining about the intervention of the ACCC in the Australis-Foxtel merger. I will quote from their letter, which I will subsequently table:

We originally invested in Australis because we felt Australis would provide a valuable service to the people of Australia, ie a multichannel television. Previously the Australian market had been underserved, based on standards due to regulatory restrictions. We believed Australis would provide a worldwide, state-of-the-art, multichannel television platform to Australia, giving the company good business and investment prospects. We continue to have this view. We are advised by local contacts, including Australis and Foxtel, that the ACCC itself has stated they would not oppose a merger between Australis and Foxtel after the market was deregulated in July 1997. Therefore, we continued to support Australis.

In conclusion, we are surprised at the apparent sudden reversal in the position by the ACCC. We are also concerned that an injunction of the Australis and Foxtel merger will deny a benefit to the people of Australia and could inflict damage on investors in Australis, including foreign investors who have supported Australian industry. . .

Please bring this concern to the attention of the federal Treasurer, the honourable Peter Costello, and other appropriate individuals.

The FIRB is not directly in your responsibility, Minister, and I acknowledge that. But the whole issue of pay TV is in the area and I just wondered: is the government concerned that a foreign investor who accepted one set of arrangements feels that the ACCC involvement has affected their investment and that they feel like the goalposts have been shifted at least from one end of the ground around to the half forward flank?

Senator Alston—I think it is a fair interpretation to say that that is what they are suggesting, but I am not sure that that is accurate. My recollection of what happened when the ACCC rejected the first merger proposal was that there were reports that they would not necessarily take the same view after 1 July. That is not the same thing as saying that they would approve a merger after 1 July and, indeed, they ultimately did not. So all I can say is that I am sure that the precise facts of what was said and the basis on which they made their investment decisions will emerge, but it would not be the first time that people have complained after the event and sought to put a particular interpretation on the matter.

Senator SCHACHT—Would it concern the government that such a letter indicates that, even though it is a perception and so on, this could affect future foreign investment?

Senator Alston—I think we are always keen to correct perceptions that are inaccurate. I think that most people accept that that is part and parcel of the business. You often get tenderers, as you know, complaining vigorously about the process and why they missed out. As long as the ultimate factual basis is sound, I do not think people are ultimately deterred.

Senator SCHACHT—Minister, have you expressed any views to the ACCC about the Australis-Foxtel merger case and the decision of the ACCC looking at competition policy in their terms, which may have some undesirable effects on the structure of the delivery of pay-TV to consumers in Australia?

Senator Alston—No, it has been an arms-length arrangement. It is a matter for them to make their judgments. They have not sought advice from us, nor have we offered it.

Senator SCHACHT—Do you know whether they have sought advice or been offered any advice from the Treasurer, who is responsible for the ACCC in its statutory obligations?

Senator Alston—No, I do not know that. I would be surprised.

Senator SCHACHT—The whole issue of the ACCC's public record remarks, which Professor Fels has put on the record in last week or so, defending the position when he has been under a fair bit of criticism by some of the vested interests, quite rightly, who identify—

Senator Alston—Well, I think he copped a bit of a serve from Pierpont and also—

Senator SCHACHT—There is a reasonable list by now, but that would not worry—

Senator Alston—Mark Westfield.

Senator SCHACHT—Yes, Westfield, and Terry McCrann. Professor Fels, as we know, can look after himself as well as anybody. He is quoting competition policy, which is his statutory requirement. Does the government have any view that the imposition of the competition rules or the interpretation by the ACCC might have some adverse effects on the delivery of, in your portfolio, a stable pay-TV arrangement?

Senator Alston—I think Professor Fels has made it clear on several occasions that he was also concerned to look at the long-term competitive viability of the local telephone call market, and that that was a factor in his considerations. Our position on the future structure of the pay-TV industry has been that it is really a matter for the market. But we can understand arguments that a country of our size may not be able to accommodate three or more players in the long

term, and it is therefore not inconceivable that there might be some rationalisation. As long as that is in the interests of consumers, we would not seek to intervene.

Senator SCHACHT—He has said on the record that if Australis is liquidated—the assets sale that takes place by the liquidator to try to get some return to the shareholders—he would not be supportive of the two existing operators, Optus and Foxtel, taking over all the assets at a fire sale price, even though that might be the only way in which some of the Australis pay-TV customers actually can guarantee that they are going to get a program on their screen after the liquidation.

Would that be a concern to the government? I think Australis has well over 100,000, probably closer to 200,000, subscribers. They provide programming to other people, but those subscribers, through no fault of their own, suddenly might have a blank screen one night when the programming content is sold off to somebody else, if it does not go to one of the existing players.

Senator Alston—I do not think it necessarily follows that people like Austar would not be in a position to immediately take over those subscribers. I did not see that comment, although one of the players did have a word in my ear about it. Our general view would be that Professor Fels will presumably act within the bounds of his statutory powers, and it is really a matter for him.

Senator SCHACHT—You do not think there is a case, Minister, for the government in the ‘national interest’ to express some views about getting the structure right, rather than letting purely the competition law and rules decide what we end up with?

Senator Alston—Obviously, we will continue to take a close look at developments. But I certainly have not had any advice that it is about time we jumped in and started to impose our views on market structures. Have you put out a press release to that effect?

Senator SCHACHT—No; but I am not the government, unfortunately.

Senator Alston—I just thought you might have had some gratuitous advice on it. You are considering—

Senator SCHACHT—If you want to read my transcript with the questions to the ACCC last week, in Treasury estimates, I think you will see a very clear view that I had. Unfortunately, Professor Fels was not present, so practically every question they took on notice. You will see in that that I actually raised the issue that if you are looking at telephony competition, which is a relevant issue, you may well achieve more of that for more of the consumers of Australia if you get the interconnect price right, and number portability and local call resale issues sorted out. That will actually guarantee more competition to six million subscribers than to two million who may be lucky enough to have a cable going past that there is some doubt will be able to take all the telephone calls. I think I put that on the record.

Senator Alston—To the extent that constitutes the boundaries of intervention, I certainly share your view. I think they are important issues and we are addressing each of them.

Senator SCHACHT—Do you agree, Minister, that you will get more competition for all the telephone subscribers in the local loop if the interconnect fee is sorted out at a reasonable level for new players, Optus and others, number portability is properly achieved and there is local call resale, not just at the rate that Telstra wants to offer it—at 15 per cent retail discount to everybody, take it or leave it?

Senator Alston—They are all ingredients. You cannot separate out the effect of any of them.

Senator SCHACHT—No; but the three of them together, wouldn’t that make—

Senator Alston—Again, I do not think you can make sensible qualitative judgments about that. They are all important matters. Pay TV may also be another important factor. The UK experience certainly suggests that—

Senator SCHACHT—Yes, but they get—

Senator Alston—it dramatically reduces churn rates. It may well be that people do want a suite of services. I think we will leave that to the marketers.

Senator SCHACHT—I know some of this is a mixture between ACCC and ACA. On the issue of number portability, is the suggested deadline of May next year when the issue will be resolved about number portability—that, technically, Telstra, in their exchanges, will be able to provide number portability so that when people change telcos or carriers they can keep the same number?

Mr Shaw—There is a draft—I think it is still a draft—licence condition which the department has issued in relation to this matter which does set May as the deadline. But I understand that that condition still has not been—

Senator SCHACHT—That is a DOCA question then, is it?

Senator Alston—We have set a default position. But I think the carriers are on record as saying they expect to meet the 1 May deadline in any event.

Senator SCHACHT—On the local call resale, which I would think is obviously more an ACCC issue, does the department have a view that unless you get proper competition in wholesale prices in local call resale, you will automatically disadvantage new players vis-a-vis Telstra's position?

Senator Alston—That is a basic policy question, isn't it? Undoubtedly, the extent to which you have a low interconnect rate and you make local call resale more attractive, you are more likely to incline people to use existing services rather than build their own.

Senator SCHACHT—Yes. That is the way I would have thought we will get more—

Senator Alston—I think the general approach of the ACCC is to be indifferent, to the point where players can make a sensible choice about whether to lease or buy.

Senator SCHACHT—If the ACCC is indifferent, and does not be a bit proactive, some of these issues will not be resolved in a way which means the competition would be able to come in and provide effective local loop competition. I think that is the big issue.

Senator Alston—There are incentives both ways, and that is why we have to try and strike the balance.

Senator SCHACHT—I do not have any more questions on the ACCC from my list here. You might be relieved to hear, Minister, that Senator Lundy has been caught up in another estimates hearing and her questions on the information economy—part of your portfolio—which she was taking responsibility for, she will put on notice. I will just check that I have all my questions covered.

Senator Lundy wants to make it clear that she is actually in the middle of questioning in the other estimates and just cannot leave. She will provide the questions on notice as soon as she leaves that meeting.

Senator Alston—I think we said that you have got until Monday anyway.

ACTING CHAIR—Monday afternoon.

Senator SCHACHT—Monday afternoon, close of business.

ACTING CHAIR—I was going to say that, that she is engaged in another estimates committee which meant she could not be here. So all her questions will go on notice. Senator Schacht, do you have any other questions?

Senator SCHACHT—No, I think that is the lot.

ACTING CHAIR—Not that we wish to encourage you.

Senator SCHACHT—I know.

ACTING CHAIR—If you have concluded, that will conclude these estimates. So have you concluded, Senator Schacht?

Senator SCHACHT—I have questions which will go on notice. They will deal with issues that came out of the audit office report on the Australian Telecommunications Authority and Spectrum Management Agency. I do not think there is much there that is of overwhelming concern to you, Mr Shaw. You have got a reasonable tick. There will be other questions that will come out of the annual report of the ACA. You are in the transition—you have not actually got an annual report.

Mr Shaw—There are two annual reports—

Senator SCHACHT—There is Austel and—

Mr Shaw—Spectrum Management Agency.

Senator SCHACHT—Out of those we may have some questions.

ACTING CHAIR—Thank you, Senator Schacht. I would like to thank the minister and the officers for attending today and I hereby close this meeting.

Committee adjourned at 1.09 p.m.