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SENATE

ENVIRONMENT, COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS REFERENCES COMMITTEE

Reference: Australian telecommunications network

FRIDAY, 11 OCTOBER 2002

WOLLONGONG

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

Friday, 11 October 2002

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

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

Senators in attendance: Senators Allison, Lundy, Mackay and Tierney

Terms of reference for the inquiry:

To inquire into and report on:

- (a) the capacity of the Australian telecommunications network, including the public switched telephone network, to deliver adequate services to all Australians, particularly in rural and regional areas;
- (b) the capacity of the Australian telecommunications network, including the public switched telephone network, to provide all Australians with reasonable, comparable and equitable access to broadband services;
- (c) current investment patterns and future investment requirements to achieve adequacy of services in the Australian telecommunications network;
- (d) regulatory or other measures which might be required to bring the Australian telecommunications network up to an adequate level to ensure that all Australians may obtain access to adequate telecommunications services; and
- (e) any other matters, including international comparisons, which are deemed relevant to these issues by the Committee.

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Committee met at 11.06 a.m.

CHAIR—I declare open this public hearing of the Senate Environment, Communications, Information Technology and the Arts References Committee and welcome everybody here today. Today's hearing is the first of what is intended to be a comprehensive national program of hearings into two inquiries referred to the committee by the Senate on 25 June 2002: an inquiry into the Australian telecommunications network and an inquiry into the role of libraries in the online environment. As far as practicable, the committee intends to conduct the two inquiries together, although it will, of course, present separate reports to the Senate in due course. Its reasons for doing so are twofold: firstly, while the terms of reference are relatively distinct, there is some element of overlap in the need for the committee to examine the proper role of government in the delivery of online services; secondly, the terms of reference have particular resonance in regional and remote areas and, for pragmatic reasons, the committee would wish to maximise the value of any hearings it undertakes in such areas by combining the evidence collection process.

[11.07 a.m.]

GEORGE, Ms Jennie, Federal Member for Throsby

LENHART, Mrs Brenda, Director, M & M Ceramics Pty Ltd

CHAIR—I welcome our first witnesses: Ms Jennie George MP, who is appearing in her capacity as the member for Throsby, and Mrs Brenda Lenhart. The committee has your submission before it, which has already been published. Would you like to make any alterations or additions to that document at this stage?

Ms George—No, but I would like the opportunity to speak briefly to it.

CHAIR—Indeed. The committee prefers all evidence to be given in public, but should you at any stage wish to give your evidence, part of your evidence or answers to specific questions in private you may ask to do so and the committee will consider your requires. Finally—and I will say this only once for the benefit of all witnesses—witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I have also been asked by the Senate's Committee of Privileges to remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I now invite Ms George to make an opening statement before we go to questions.

Ms George—Thank you very much, Chair. I am pleased to have the opportunity to speak on behalf of constituents and businesses in my electorate. I know that much is made of telecommunications services in remote and outback Australia, but let me assure you that we are not very remote here; my electorate is 20 kilometres from the heart of Wollongong, which is a major, thriving centre. The issues I have outlined in my submission point to what I consider to be a totally inadequate level of service to the people of Throsby, exemplified, first of all, at the start of this year when it took nine days for a fault which affected 400 constituents to be rectified. I was not very impressed, because one of those constituents had just come out of hospital after an emergency operation and when her daughter contacted Telstra she was virtually told, 'What are you complaining about; surely, most people have a mobile phone.' As Mrs Swire said, neither she nor her neighbours, many of whom are also aged and not in the best of health, have mobile phones. I think that kind of response and taking nine days to solve a problem is totally unsatisfactory.

Brenda Lenhart, who is also a constituent of mine, runs a business on the highway at Albion Park Rail, and no sooner had the faults been repaired after nine days than the services for businesses on the highway were shut down, and Brenda will talk about the impact that had on her and the surrounding businesses. What really angered me was that Telstra then took it upon itself to declare a mass service disruption, which I think was used to cover up the run-down in maintenance and attention to the cables at Albion Park exchange. I think you will hear more about that from people with some technical expertise.

I have pursued this matter endlessly, and I was told that the reason for the MSD was very high rainfall which affected the capacity of Telstra to fix the problem. When we investigated further, we found—from the Bureau of Meteorology, which went back over the information

from many years—that the rainfall in Albion Park was not atypical in January to February this year. I was mightily surprised that in the rationale for the declaration of the MSD Telstra talked about the heavy rainfall in Sydney. Well, Sydney is Sydney, and Albion Park Rail is Albion Park Rail, and that seemed to me to have nothing to do with it. I fear that, come the next heavy downpour of rain, we will have an exact repeat of what we saw this year, because I think the fault inherently is a fault of cutbacks in staffing and a lack of proper recognition of the need to maintain those cables in an effective manner. The third issue I just want to touch on is access to broadband capacity. I have got a lot of young families moving into new housing estates, and one of them, Mr Morrison, summed up the issue very clearly when he said:

After much to and froing I was told that as our subdivision was on a RIM system, ADSL would not be possible. I would have to settle for satellite access. Satellite access is very expensive to set up and run compared to the cheap set-up and running costs of ADSL. Furthermore it is an obvious compromise in that it is slower than ADSL.

Telstra virtually said there is nothing they can do, yet they were the ones that used the cheap RIM system in the first place.

... ..

Can you please investigate whether there is anything that can be done to have proper ADSL in our estate.

So much for our government's so called promise for a better deal for the bush, when a town 20 kilometres south of Wollongong cannot take advantage of the latest developments.

Since I made that submission about my ongoing battle with the regulator and the ombudsman, let me say that I think the power of the regulator to rein in inefficiencies in the operation of Telstra is pretty ordinary. I was told in a letter that there was going to be a review of the basis on which MSDs could be declared, but I have heard nothing since. It just seems that the regulator's powers need to be strengthened so that people can have adequate redress, particularly in the case, as Brenda will outline, of businesses that lost thousands of dollars through no fault of their own.

So they are the three issues: access to cost effective broadband services, the basis on which mass service disruptions are made and my contention that in my experience Telstra has hidden behind the mass service disruption declaration to cover up its severe reduction in staffing in this area. We have had a huge loss of technicians—a 53 per cent reduction; 150 technicians four or so years ago down to just 70 today—at the same time as the population is burgeoning in various parts of the Illawarra. I am glad that I have had the opportunity to tell you that this is not a remote or rural problem but a problem that is very close to where you are sitting. This is the hub of an area that has to grow into the future, and we cannot do it without access to decent telecommunication services, and we cannot do it if Telstra is allowed to hide behind the regulator and these mass service disruptions.

If you think things are bad now, I am sure I speak on behalf of my constituents when I say that any notion of privatising Telstra would just leave people—like the 400 who were affected and people like Brenda—further in the lurch. It is hard enough now with some degree of control with majority government ownership, but if it were to fall into the hands of the private sector completely we would see an acceleration of what we have got now: we have got the motive being profit at all cost—profit that comes before service, profit that comes before jobs. While we have at least got some recourse, because government still has the majority ownership, if that

were removed, then I think the kind of stories you hear today would be replicated in a much more glaring way. So if you do not mind, Chair, Brenda will speak on behalf of the businesses.

Mrs Lenhart—I represent 18 companies in close proximity to Albion Park Rail on the Princes Highway. On 7 February 2002, the telephone services were severely disrupted for a period of 13 days. Seventeen to 18 businesses in close proximity to our premises were severely affected, and domestic houses on the opposite side of the street were also disrupted. Trying to operate a business with a mobile phone is not the most ideal situation. This disruption resulted in the loss of revenue, our auto banking facilities such as cheque, savings and bankcard facilities, fax modem facilities and sales, and the convenience of sending and receiving orders. We were unable to offer our service and communications through our sales department, losing more than 700 calls.

Tory Toyota is the largest of the companies, employing some 85 personnel. It was severely inconvenienced during this period. It lost 6,501 calls. Tory advised me that that equated to a 60 per cent loss of sales inquiries. A large number of these persons calling would have purchased a motor vehicle. Its estimated loss of revenue is in the vicinity of \$50,000. The company was unable to operate its modem to the Wollongong offices and its computer system was rendered useless. Staff had no input; they had to do manual costing and their multiple telephone line was reduced to one line. The Caltex service station had no emergency communications, and security services in the area were reduced to nil because back to base alarms via private lines were rendered inoperable. Additional costs were incurred because we were operating through our mobile phone service. Some local calls cost \$10 per call via our mobiles. Some of those calls were just to find out when the phones would be back in operation.

A letter from Telstra's infrastructure service stated that the problem was a mass disruption and was not their fault. Is that perhaps because the equipment is not maintained and upgraded regularly? If we do not perform as a business, should we still get paid for our mistakes? Everyone is accountable for their actions, aren't they? We, the consumers, are paying for Telstra's incompetence in maintaining a proper and professional system. After all, we are charged professional rates for these services. It is my opinion and that of the other 17 businesses that some form of compensation should have been considered.

CHAIR—What is the understanding of the businesses that you are representing about the customer service guarantee? Did your businesses go through the processes to receive compensation? What was the explanation given to you, was it timely and did you get a sense that this problem arose out of network problems as opposed to maintenance?

Mrs Lenhart—The weather had an impacting factor, but I made a log of every call that I made to the complaints department to find out what was happening with the system. I have absolutely no complaints with the technicians. They were trying desperately to fix it. They had brought people in from as far away as Newcastle to try and fix it, but they were not all familiar with the system. That is what they said. They also said that they were shocked about the way that the cabling system had been done. I cannot say anything about that, but they said that it was inadequate. That is why I felt that it was the fault not of the weather but of the equipment.

CHAIR—I asked you three questions in one, so I will go back to the first question. Are the businesses that you represent aware of their entitlements under the customer service guarantee?

Did they know what process to go through to ask for compensation? If they did go through the process, what was Telstra's response to that?

Mrs Lenhart—I acted on all of them. I rang Telstra to ask for 18 forms so that we could proceed with compensation claims. The letter from the infrastructure service said that it was not their fault, they had no claims to answer and that was it.

CHAIR—Was the matter of mass service disruption designation mentioned to you?

Mrs Lenhart—Not at that time. I asked for the letter in writing, and I then received a letter in writing to say that it was a mass disruption and therefore they were not accountable.

CHAIR—Was it made clear what the implications were, or how it was designated? Was there any explanation at all given about the service disruption?

Mrs Lenhart—Just the weather. Their answer was, 'It was not our fault.'

CHAIR—Okay.

Senator TIERNEY—Ms George, you raise in here one incident. Is that correct? Your whole submission is revolving around one incident that occurred in late January or early February in Albion Park.

Ms George—I am using that incident to highlight some general concerns.

Senator TIERNEY—Sure, I understand that.

Ms George—I have other matters that constituents have written to me about.

Senator TIERNEY—Yes, but the submission you have before us refers to this incident. It seems as though—I am quoting from the Australian Communications Authority, which did investigate this matter—that the actual period of rain can be divided into two sections. One section is that it basically falls late in January and the other section is in early February. You seem to be indicating to us that the mass disruption declaration actually is covering this whole period, but it is true that mass disruption only covered the second period and not the first period. Is that right?

Ms George—Yes, that is right.

Senator TIERNEY—According to the Australian Communications Authority, they did actually compensate for the first period in January, which was not declared mass disruption. Is that correct?

Ms George—That is correct. Of the nine days disruption that affected constituents, most of them that went through the grievance process end up with one or two days compensation for nine days loss of service. Just going to the line rental, the maximum that anyone was compensated was \$28. That is my recollection.

Senator TIERNEY—From what you are saying, you seem to be indicating that this was all mass disruption when, in fact, it was not.

Ms George—The first lot was not, but the second lot—

Senator TIERNEY—If I could turn to the second lot, the way you represented it does not really give us the full picture, does it? The Australian Communications Authority made some findings about the second period—and this is despite what you have said in correspondence to the minister about the type of rain, the period of rain and the extent of rain. The Bureau of Meteorology said:

Sydney experienced its wettest February since 1992—

One in 10 years.

with 345 millimetres of rain falling at Observatory Hill. Most heavy rain fell in the first week of February, and the wettest day was the 5th ...

According to Telstra, this created disruption across 20 per cent of the system. We are not talking about just southern Wollongong. We are talking about Telstra trying to cope with a problem that stretched from Sydney Harbour, at least, to southern Wollongong, with 20 per cent of the system affected. Then they have technicians who have to actually go out, and it is still pouring with rain. In terms of what you are saying about timing, you have to concede that there were some rather peculiar circumstances of weather that, regardless of best efforts, Telstra would have found it difficult to fix.

Ms George—I concede there was very heavy rainfall. The point I am making is that whatever happened in Sydney should not have had a bearing on what was occurring in Albion Park Rail. If Sydney's rainfall was extraordinarily high for that period of time, they should have had an MSD which encompassed the Sydney region.

Senator TIERNEY—Obviously the rain spread down here as well.

Ms George—But the Bureau of Meteorology told my office that, going back 107 years when they looked at the rainfall at Albion Park, 43 separate years had recorded at least one month of rainfall similar to the 300 millilitres that fell in January this year. My contention is that the rainfall in Albion Park, while heavy, was not atypical. It may have been in Sydney, but why was the region brought into what was happening in Sydney? We are far enough away from Sydney to be surely treated as a separate region as far as rainfall is concerned?

Senator TIERNEY—You can drive from Albion Park to Observatory Hill in about an hour and 20 minutes. In that range, obviously Telstra had enormous pressure on them, which was extraordinary and suddenly they had to fix things everywhere.

Ms George—Maybe if they attended regularly to the maintenance of the cables they would not have been caught. I am told by people who know better than I that, come another downpour of rain, we will have an exact repeat of the problem. The problem is not the rain; the problem is with the system.

Senator TIERNEY—But it is not a new problem. When we get extreme rain in Australia, because cables are in the ground this does become a problem.

Ms George—If we know there is a problem it can be attended to, but I do not see any evidence—do you Brenda?—that there has been any remedial work done in Albion Park Rail since that day.

Mrs Lenhart—No.

Senator TIERNEY—I was following this in parliament in the early 1990s as well—what Telstra was doing and not doing back in that era. Before I get to that, you were talking about the reasons the response was not good—not conceding that they had this massive problem right across north southern Sydney as well—and you mentioned cuts in technical staff from 104 down to 70. Of course, staff numbers have been dropping in Telstra for some time. But surely you concede that there has been a massive change in the technology as well, with optic fibre taking a lot of the load and the fact that there are digital exchanges. The level of maintenance that you needed on the old network, which used to take all the demand before optic fibre, is not there anymore. So surely you have got to concede that the reason for the changes in the numbers of technicians is that we have had changing technology as well. It does not need the maintenance it used to need.

Ms George—Yes. I do not profess to be an expert in the level of change in technology, and I concede your point that there has been significant change, but I do not think that that in itself warrants the cutting back. You can have access to the best technologies—the wonders of EFTPOS and everything else—but they need to be there on a secure basis, particularly for business people. If the technology breaks down because it is not properly serviced and maintained, customers do not have ready access to it and that creates problems. I am sure there will be others who will present that to you; I do not profess to be an expert in that area. All I do know is that we have been through this experience and nothing has happened since we have had this experience to reassure me that, come another heavy downpour, we are not going to have all this happening again. You can have the best technology in the world but, unless you are maintaining your cables and your network, you have a problem.

Senator TIERNEY—Of course, the new technology is a lot easier. Are you aware of the COT cases that ran from about 1992 through to about 1998?

Ms George—I am not.

Senator TIERNEY—For those who are not aware of it, COT stood for ‘casualties of Telecom’.

Ms George—As I said, I do not profess to be an expert. I want to be an effective local member and this is an issue that affects my constituents. That is why I have come here.

Senator TIERNEY—Sure. It is instructive in terms of what has happened in telecommunications in the last 10 years. COT cases were a group of people who had similar problems to those you are referring to, except I think it was for a lot longer. This was in the early 1990s, and we were not talking about nine days but weeks and weeks. Businesses went broke in the early 1990s. They formed a group that took Telstra to court. The whole court thing

cost about \$22 million and it went on for about seven years. They were casualties of Telecom in that earlier technology. We have not had COT cases, or anything like it, since we have had the new technology. Surely you would have to concede that, broadly, comparing the early 1990s with now, with new optic fibres things have improved dramatically. The case you are bringing up is just an extreme of weather conditions and that is very difficult to respond to anyway.

Ms George—Brenda, you might be able to comment on whether you have seen significant improvement since 1990.

Mrs Lenhart—In the year 2000, someone's pipe burst—not even in close proximity to our premises—and we were without any communications for seven days. Telstra did compensate us for the inconvenience.

Senator TIERNEY—Are you aware of the time it used to take in the early 1990s by comparison? There is a report that was released in the Senate in 1994 on southern and south-western New South Wales, which shows the response times of Telstra—

CHAIR—Could we have questions other than—

Senator TIERNEY—Yes. I am just giving some background and making the point that it did show extreme lengths of time to respond, and connections took an enormous amount of time. The broad point I am making is that we have one case here, which is unfortunate because of the weather, but it is trying to make out that there are huge problems across the system. Surely you would have to concede that the system over the last 10 years has improved dramatically on what we used to have.

CHAIR—I think that question has been put previously. We will move on.

Senator LUNDY—I would like to talk more about this mass service disruption and the allocation of Albion Park Rail as a part of the Sydney area. Based on what we have heard, and also thanks to Senator Tierney's contribution, it seems that the zones are so large that a disruption can occur at one end of the zone and draw Telstra's resources away from other areas in the zone, leading to unnecessarily long delays. Do you think that is what happened in this case?

Ms George—I think that is what happened. I understood at the time, from some of the locals, that people who were working on the faults had been brought in from as far as Perth and Newcastle—I do not whether you heard that too, Brenda—so they were drawing people from way out of the area to fix a fault that was here. I think the rationalisation of staff and not having a central core to deal with these problems on a region by region basis exacerbates the problem when breakdowns occur.

Senator LUNDY—The circumstance certainly implies that there are not sufficient maintenance staff to service the area particularly in times of abnormally high rain. Are you aware of any reduction in regional maintenance staff within Telstra or, even anecdotally, information about a reduction in that resource to your local community?

Ms George—I am aware that between Helensburgh, at the northern end of the region, and Albion Park over the last four years the technical staff have been cut by 53 per cent: I am

advised from 150 to 70 technicians. In an area where population is growing and where people are moving to, as I have pointed out, the problem with access to broadband just exacerbates the problem. Brenda, you were saying that there is a new block of units going in and you do not think the cable is going to reach. Could you tell the inquiry about that?

Mrs Lenhart—They are anticipating a new long area where there will be business units. If they do go in, they already know that there are no telephone cables available for that. We are still a growing region and there is an inadequacy in that we have been told, ‘You will not be able to get it.’ With the new company that has just opened, three doors away from us, it took them twice as long as it should to get extra cables run to their business. While all this was going on they were fortunate enough to get there but there were actually very few pairs of lines left.

Senator LUNDY—We have heard so far that the services that you lost during that period of time when you had no phone service go way beyond the phone, fax, computer, Internet, EFTPOS, security and all those sorts of things. What proportion within your business relies now on EFTPOS and phone line connected technology?

Mrs Lenhart—Our cash flow is immediate when we have EFTPOS facilities. If we have to rely on going to the bank we still have to wait for a cheque to be cleared and to go through the manual system. Obviously, to have electronic systems working all the time is far more useful than having to go back to the previous manual antiquated systems.

Senator LUNDY—In terms of any compensation recoverable, at least in that January period, that compensation does not go to any loss of income, does it; it just goes to line rental? What were you able to claim?

Mrs Lenhart—We never even got offered any line rental reduction at all.

Senator LUNDY—So you did not get any compensation even for the January period?

Mrs Lenhart—Nothing at all, not even on our line rentals.

Senator LUNDY—Did the period that you were affected cover part of January?

Mrs Lenhart—It commenced on 7 February for us and lasted for 13 days because we open seven days a week.

Senator LUNDY—I am just trying to get my head around the two lots of dates.

Ms George—The first lot affected residential people and the second lot—the MSD—affected the businesses.

Senator LUNDY—In terms of the opportunities available to you, as a business, to seek some sort of redemption or response, can you describe what your experience with Telstra has been? Without your local member intervening in this dispute, do you think you would have received any answer or response from them?

Mrs Lenhart—Eventually, after having rung service difficulties repeatedly and receiving conflicting statements on what was wrong, I was told by Telstra that it was a mass destruction. I then contacted Ms George, who was not aware that we were suffering any problems. But, knowing that this was happening and that businesses were being severely disrupted, it would have been nice if Telstra had made a public explanation—perhaps by way of television; they are in the business of communication—advising the community, ‘Don’t ring these people; they have no telephones.’ We lost sales, orders were cancelled and we had irate customers. Even some of our business banking went into some other facet and it took us ages to find it. All of this was time consuming. It was very frustrating during that period.

Senator LUNDY—Can you remember any of the excuses given to you by Telstra when you were making those early inquiries?

Mrs Lenhart—There was ‘the rain’. Yes, it did rain; but the rain stopped and we still had no telephones. Sabotage was one thing that we heard.

Senator LUNDY—A Telstra person told you that?

Mrs Lenhart—Yes, it was from a Telstra person. We also heard that cables had been dug up. Then it was ‘just a service fault’. We were given conflicting stories.

Senator LUNDY—They were proven to be absolutely fictitious, weren’t they?

Mrs Lenhart—I do not know.

Senator LUNDY—When you were informed finally that it was a mass service disruption, what advice did Telstra give you, if any, about what that would mean for you as a business?

Mrs Lenhart—I did not know it was a mass disruption. I asked Telstra for applications to make some form of claim on a bulk basis for all of us, and the lady said, ‘It’s a mass disruption.’ I asked, ‘Would you please put that in writing in a letter?’ which she did and of which I have a copy.

Ms George—So people were not warned at the start of it, but Telstra was saying that it was a problem with wear and tear and water. It was only after some several days and weeks that they were finally advised that it was an MSD. That is why I contend that they hid behind that to obscure some of the other issues that went to the source of the problem. Perhaps I can make one point. Senator Tierney is not here; he talks about the wonders of communication. I know that some of you have travelled down from Canberra. Here you only have to go up to Picton Road to lose your mobile phone service.

Senator MACKAY—We noticed that when we were trying to make some calls.

Ms George—You only have to go up the Illawarra Highway. We are not talking about isolated Australia. Yes, everyone looks forward to the virtues of modern technology, but—

Senator LUNDY—And you just do not see it here.

Ms George—We are not seeing any great benefit locally from it.

Senator LUNDY—To your knowledge, with the events that occurred at Albion Park Rail, was the mass service disruption declaration made in retrospect?

Ms George—Yes.

Senator LUNDY—From your very comprehensive investigations of this issue, are you able to pinpoint when Telstra decided to pursue a mass service disruption declaration in order to exempt itself from any liability to pay compensation to your constituents?

Ms George—I forget the exact date, but I think Brenda would have—on the correspondence that she got back—the date it was declared. I think it was several days into the breakdown. No, the exact date is not there. I will take that question on notice and check with my office and let you know.

Senator LUNDY—I am concerned, especially with the large zones, that mass service disruptions can be declared with some retrospectivity, particularly when aggrieved customers make complaints and, based on what we have heard today, Telstra takes little care with what it advises them. Turning to the topic of broadband, it is my understanding that RIM technology has been used quite extensively and—you are absolutely correct—it prevents the connection of ADSL. How often do you get feedback in the form of complaint from your constituents about their inability to get ADSL services across the Telstra network? How much of an issue is that, for example, for local businesses that might be affected by RIM or other types of pair gains and, therefore, be prevented from accessing Telstra's broadband service?

Ms George—I know that you will be receiving a submission later this morning from Tim Lewis. I am working with the community to see what we can do about facilitating access to broadband so that we do not have the divide between the haves and the have-nots. I do not want to pretend that I am an expert. All I am doing is conveying representations made to me by constituents. I have made inquiries of Telstra and I am told that you can only get access down here to ADSL if you are within 3.5 kilometres of the local exchange, and to IDSN at four kilometres. People are being told to go and get satellite service and they are arguing with me that that is a very expensive and costly way of having access. Again, I do not want to do any more than relay to you the issues that have been raised with me—which others with more expertise will talk about—relating to the constraints for the region as a whole in getting access to broadband capacity.

Senator LUNDY—Are you aware whether Telstra has been advertising or promoting its broadband services on TV in the region? Being a Canberra resident, I know that there were some ads promoting broadband.

Ms George—They would promote, I think they are called, the Country Wide services. I see those on the TV locally. But I think—and others will tell you the same this morning—again our region is missing out. While a lot of emphasis is being put on rural and remote Australia as a precursor in the argument for selling off Telstra, I just wanted the opportunity today to say that we do not have to go very far from here to see all the problems; we do not have to go into the middle of Australia to see what the problems are with access to broadband and the other issues that we have discussed this morning. But I am not here pretending to have expertise in

telecommunications. I am here really to take the opportunity to say that a lot of people in my electorate are pretty angry with continuing increases in charges, in line rentals, while at the same time service disruptions are occurring. It takes forever to get them fixed. And now, with a mass service disruption declaration, businesses have lost thousands of dollars with not one cent of compensation. I think a company that makes as much profit as Telstra does has an obligation to live by its customer service guarantees. But, regrettably, I have seen no evidence that either the regulator or the Ombudsman—or anyone—can pull Telstra into line at the moment.

Senator MACKAY—This is a fascinating series of correspondence. What struck me most was that the least hands-on piece of correspondence was from the minister. Effectively, he has said that ‘our role is to provide general policy on the framework; it is important that providers are able to make their own commercially sound decisions’ et cetera. Then he refers you, Ms George, off to the ACA and the Ombudsman. From this it is very clear that the minister was not prepared to take on the issue as the minister for communications, as the minister for Telstra, and instead referred it off to the ACA and the Ombudsman, who I thought made some very interesting points. This sounds like a bit of a dorothy dixer and it is not intended to be: clearly, from your perspective as an MP, this is a most unsatisfactory response from the minister.

Ms George—Absolutely. I thought, as a local member, my first port of call would be to the minister who has responsibility for this portfolio. But the response I got from the minister was, to say the least, pretty ordinary. He did not want to know about it. I have to be fair: from the Ombudsman, I think I have had a modicum of satisfaction on behalf of individuals. But, in my judgment, the regulator is not regulating properly, and I was very disappointed with the minister’s response. I was just really surprised. I thought, ‘Well, maybe I’ve got it wrong; maybe you don’t write to the minister.’ But then I thought, ‘Well, under the Westminster system, he has responsibility for this portfolio.’

Senator MACKAY—Effectively, he does say that, doesn’t he?

Ms George—Yes.

Senator MACKAY—In his correspondence he appears to say, ‘Don’t ask me, I’m only the minister.’ I would make the observation that, if this is the response from the minister with the government having a 51 per cent share, one can only guess at what would happen under a fully privatised Telstra.

Ms George—That is my real worry. At least at present I have a modicum of recourse, albeit that the response is unsatisfactory. But, if it were just owned by private shareholders, who would care about Brenda’s problem or the problem of constituents here? That is the real worry that I have—that, in a public sense, we would have no recourse for rectification of these obvious problems and injustices.

Senator MACKAY—And, as he says, he is really about providing an environment whereby they can make commercially sound decisions rather than decisions which may be in the interests of taxpayers or, effectively, shareholders in Telstra, which we are, with 51 per cent.

Ms George—But it is interesting, Senator Allison, in that I learned from the Ombudsman that I was the first person to ever write to them about mass service disruptions. I do not know how common they are, but apparently mine was the first complaint they had received about the basis

on which such disruptions are declared. I am advised that someone was looking at the basis and they were going to review it, but I have never heard again. I think that, now I am off their back, they have forgotten about it.

CHAIR—Since we are all making comments here, I would say that the Ombudsman's remarks suggested perhaps there being some lengthy frustration with this process.

Senator MACKAY—Yes, I agree; they did.

CHAIR—Thank you very much for appearing before us today. Your evidence has been most useful.

[11.47 a.m.]

DODD, Mr Steve, Union Organiser, Communications Union Branch, Communications Electrical and Plumbing Union

McCARTHY, Mr Ian, Secretary, New South Wales Telecommunications and Services Branch, Communications Electrical and Plumbing Union

CHAIR—Welcome. The committee has before it your submission, which it has already published. At this stage are there any alterations or additions you wish to make to that document?

Mr McCarthy—We would like to speak to that submission.

CHAIR—Thank you. The committee prefers all evidence to be given in public. But should you wish to give your evidence, part of your evidence or answers to specific evidence in private, you may ask to do so and the committee will consider your request. I now invite you to make an opening statement, after which we will go to questions.

Mr McCarthy—By way of introduction, I am the state secretary of the Telecommunications and Services Branch of the Communications Electrical and Plumbing Union. I do have a technical background; in another life, I was a technical officer with Telstra. With me is Mr Steve Dodd, who worked in the external plant area prior to becoming a union official. He lived and worked and still lives in the Wollongong area.

Our submission is that the cable network is deteriorating, particularly the older air cored cable, and that this is largely due to a lack of maintenance. The situation that was referred to in the previous submission was, we are informed by our members, avoidable and should not have happened in normal circumstances; that the type of cable that failed should have been pressurised with air and, in the event of any leaks in that cable, no water should have been allowed into it; and that the water damage to that cable was of the amount and type that had not been seen by fairly experienced technical and line staff at the time. We also had complaints around the time from some of our members, who did not wish to be identified. They were concerned that Telstra was claiming that these were mass service disruptions as if they were almost an act of God. The evidence that they found was that the situation was directly related to the lack of maintenance.

Ms George has indicated the number of staff who have been made redundant in the Wollongong area. I noted Senator Tierney's comments about new technology requiring fewer staff. The type of technology we are talking about here in the cable network is not necessarily new technology. It is hard for us to fathom the level of redundancies in the external plant area. Steve, do you want to add anything?

Mr Dodd—I have the actual numbers of the field service technicians that are in each suburb in the Wollongong area at the moment. I can give you those numbers. First, the area from Albion Park up to Helensburgh. They are broken up into what Telstra calls CASM areas. For example, the lower CASM area is Albion Park and Marulan—they are the two suburbs. We

have 13 field service technicians—or CTs, as they call them: communications technicians—looking after both those suburbs. The next area is the Dapto suburb, the Unanderra suburb and the Port Kembla suburb, and there are 12 communications technicians looking after that area. We then go up to the Wollongong chasm area, where we are sitting here today. There are 19 staff for Wollongong. The northern suburbs of Wollongong—Corrimal, Thirroul and Helensburgh—have a total of 15 communications technicians looking after those areas. I point out that that is the number that they have and, when you look at people taking holidays, long service leave or sick leave, those numbers are there if everybody is on deck at the one time, which we know in businesses is not the case.

I have 22 years experience as a Telstra linesman and I have spent the last six years as an organiser with the communications union. I have worked in the Corrimal-Thirroul area. I have worked in the Wollongong area as a designer with Telstra and also as a field supervisor and I have a very good knowledge of the local area. I will agree with what my colleague, Ian McCarthy, has just said about the numbers. With Telstra getting rid of all the staff, the maintenance has fallen over. The main cable problem is that Telstra have contracted out to a company called NDC, which is an arms-length company of Telstra, to provide the cable pressure systems that keep these main cables under pressure, and the numbers they use in them are inadequate. That is where the problem is: the air flows and the alarms in these main cables. The network of Telstra is made up of main cables that go from the exchange to the cross-connecting cabinet in a suburb and then you have the street cables, which we refer to as riser cables. There are problems in both ends: problems in the street cables and definite problems in the main cables.

CHAIR—Can I raise an issue which is central to our inquiry: how well Telstra knows the state of its network. Would you like to comment from this region in terms of the processes that are in place for reporting the state of the network here? Do we know where the vulnerable parts of the network are in this region? What is the mechanism for reporting those problems, and how effective is it?

Mr McCarthy—Mr Dodd might pick me up on some of the technical aspects because he is more expert than I am. These types of cable are insulated by paper. That paper is normally adequate insulation if it is dry. If it becomes wet, the paper becomes a conductor as well and you start to get leakage between those conductors. How Telstra has traditionally protected those cables has been by using a compressor to push air into those cables. They are sealed at both ends and the air pressurises that cable to at least 70 kilopascals. In normal circumstances that protects the cable; it keeps that paper dry. But the important function it has is that if the cable is punctured in any way—such as if somebody puts a fork through it in their garden or electrolysis if you have got a strong electrical current nearby, like a railway line—it can sometimes puncture the lead sheathing on that cable.

Because the cables are pressurised, air bubbles out of those cables and no water can get in. If that protection system is working, there is no way that water can get into those cables because the compressor will just keep pressurising that cable and the air will keep flowing out and no water can come in. How they measure that is along the cable there are a number of transducers, which pick up the pressure at any point on those cables. That serves two purposes. It is wired back to a central point where if the pressure drops by any appreciable degree that transducer can send a signal back and Telstra know where that cable is losing pressure. All air filled cables are supposed to be monitored like that. Our information is that some of those alarms are

disconnected; some of the compressors have been disconnected and are missing in some cases, so those cables are not pressurised. Many of the gas pressure teams have been disbanded and the staff made redundant. As Steve said earlier, that function has been outsourced to NDC and, as you will know from the media, NDC has suffered fairly significant redundancies as well.

CHAIR—That does not quite answer my question, which was more: if we were to do an audit, if Telstra were to say, ‘I’d like you to report on the state of the network here,’ what process would be in place to understand it, to report back, to achieve it? We have heard that there are bits of paper floating about with records on them, but no systematic system.

Mr McCarthy—There is a system called APCMS. Steve might know what the acronym stands for.

Mr Dodd—We have got some print-outs here of the Albion Park cables, for example, regarding the mass service disruption. When those 400 customers lost service in February, it was because the main cable went down. It did not have enough air pressure in it and the water got in, and that is the reason it went down. Since Ms George has been raising the issue at Albion Park, NDC have had four people working to try and repair the holes in the Albion Park cables. Telstra have said to the contracting company, NDC, that they wish to have at least 40 kilopascals of air in each main cable. The print-outs that we have got in front of us indicate there are still not many cables in Albion Park that have over 40 pound of air pressure in them as we speak. Cable 3 in Albion Park has got 12 kilopascals of pressure in it. If you look through the data—we only received it yesterday—it shows that the standard right across Australia, where there are 18,000 of these cables under pressure, means that there could be up to one in five that are flat and have not got enough pressure in them.

Senator LUNDY—On that point, you mentioned that NDC have now instructed their staff to try and fix the problem of air pressure in cables. When did that actually occur? In your assessment, was that as a direct response to complaints having been made and not because it is part of their general maintenance program?

Mr Dodd—In the last couple of months, these four people have been targeted to fix the main cables in the Albion Park area. They are NDC staff members that have been trying to fix the holes where they are losing pressure in these cables.

Senator LUNDY—You mentioned that there are four staff there doing work. That indicates that it is not just one bit of damaged area of the cable; that the whole cable is in quite a state of deterioration and clearly, from your evidence, it has not had air pressure, or sufficient air pressure, for a while. What is your assessment of whether or not there was any air pressure in that cable prior to late January and February this year?

Mr Dodd—They would have to go back and pull the data out from the CPAS APCM system to get the pressure in these cables around January or February. I am sure that could be provided, but you would have to inquire to get that information. To prop the system up, when the exchange has a compressor pumping the air down to it, they go out with large air bottles to manholes along the street and tap them into the cables to keep the pressure up. We have just been informed that in one area on the Central Coast they are putting up to 200 bottles a week in the system around that area to prop the main cables up. We do not know how many air bottles they use around Wollongong. You may be able to find out that information. If they are putting

all these air bottles on the cables because the actual compressor in the exchange cannot keep up with the airflow, that is where the major problem is.

With these cables, if the manhole floods and the water runs down the duct lines that is when it gets in but, if the water only rises a foot below it and the water does not get in it, the holes are still there. These things are there at the moment. They might last if it rains next week but, if that manhole floods and the conduits that carry these large cables have water in them, they will go down again. Albion Park is being looked at but Dapto is in a worse condition—the Dapto exchange area—because, while they are looking after Albion Park, they are not looking after the other suburbs. The information I have here on the Dapto cable air pressure is absolutely disgusting.

Senator LUNDY—Do you know of any compressors in the exchanges that are not currently operational or are operating below 70 kilopascal, which was the level you nominated as being the appropriate level for air pressure in those cables?

Mr Dodd—No, I do not have any information for these compressors because they kick in all the time to pump these things up and they get replaced all the time. I cannot give you any data. It is very hard to get information on stuff like this. Naturally enough, we have to protect our membership. They are not allowed to divulge this sort of information. It is a fact that it is the air pressure in these cables which keeps the water out. Last time it rained in Sydney, they lost 15 main cables. They had 8,500 faults in Sydney in February, and we are predicting at least 10,000 faults next time we get a good heavy downpour of rain for a week or two.

Senator LUNDY—I certainly appreciate the point about your membership, but can you advise the committee how best to access this information? You mentioned you had some charts of information about the levels of air pressure in the main cables.

Mr Dodd—Yes, it is a system called APCMS.

Senator LUNDY—Does Telstra keep those records?

Mr Dodd—Yes, and NDC.

Senator LUNDY—If we were to ask Telstra for their APCMS records for specific exchanges, would they be able to provide that to us?

Mr Dodd—Yes, that is my understanding.

Senator MACKAY—I want to come back to a comment you made, Mr McCarthy, about some of the alarms being disconnected. What did you mean by that?

Mr McCarthy—We are not sure of the purpose of disconnecting those alarms, unless it is to stop those alarms coming up all the time. I was told by a person inside Telstra that he was concerned that some of the cables had had the alarms taken off them and they were not able to monitor some of the cables.

Senator MACKAY—Is this sort of ‘out of sight, out of mind’?

Mr McCarthy—To some extent it is. You are probably aware that Telstra monitor a lot of their networks centrally in Melbourne now. That was fairly contentious for the union because, until then, the network had been monitored state by state. It was relocated fairly quickly to Melbourne and a lot of the alarms were not sent through. We had some scepticism at the time about the small number of staff who would be required to monitor quite a large range of alarms.

Senator MACKAY—Is it the union's contention that this is a deliberate act in order for the alarm not to go off—therefore putting the process in place in terms of the staff shortages that you were talking about with respect to getting these cables fixed?

Mr McCarthy—I could not say categorically that they have been removed deliberately. They may have gone faulty and not been fixed. As I said, there was a gas protection group within Telstra. From our investigations, most of those people have been made redundant.

Senator MACKAY—Mr Dodds, in terms of the pressurisation of the cables, are you contending that there used to be sufficient pressure but the pressure has diminished?

Mr Dodd—They set a threshold, and the ideal is 70 kilopascals of air pressure. Telstra have said to NDC that they wish to have at least 40 in each cable. The alarm might trigger, say, if it gets below 35. Depending on which cable it is, that is the threshold they set the alarm at. When the air escapes and goes down, that is when the alarm triggers and they get a report that there is a problem in that cable. They go out and find where the leak in the cable is and, if it is one they can see, they fix and repair it. If it is in a length of cable, they then put it back onto Telstra saying that, halfway down a duct line between manholes, there is a hole in this lead cable that needs replacing.

Senator MACKAY—So the pressurisation has decreased over time?

Mr Dodd—It does decrease. Given the age of these cables, if you fully sealed them and put 70 kilopascals in them, it might blow the end out of a sleeve further down. They just want to get to the 40. It is like blowing up a balloon: once you put too much pressure in it, you could blow it somewhere else at the weakest point.

Senator MACKAY—It is a concern because the state of the network is such that, if you were to get it to 70, the whole system is too old.

Mr Dodd—Yes. There is deterioration of these lead sheath covered cables and, if you put too much pressure in them, they would blow in certain lengths. That has been happening. They fix all the cables and there are no leaks in them. They pump the pressure up and bang, another hole comes in.

Senator MACKAY—Mr McCarthy, you mentioned that it was your contention there might be one in five of the main cables in Australia in these circumstances.

Mr McCarthy—It was Mr Dodd.

Senator MACKAY—Where did you get this information from?

Mr Dodd—We have to go through our data to get the exact figures. It could be up to one in five. If you went to the Sydney exchange areas and you got the APCMS report of the air pressure in each cable and which one was below 40 kilopascals, you would find out what the percentage is. The ones that are directly flat are the major ones. If a cable has no air in it and water goes into the ground, it will seep straight into the cable. While there is air coming out of the cable, when you lift a manhole you see little bubbles coming up through the water which indicate there is a hole, but the water cannot go in while the bubbles are coming out.

Senator LUNDY—Just relating to the availability of broadband services—in particular, ADSL—are you aware of whether or not Telstra is still installing remote integrated multiplexer systems in this area or RIMs?

Mr Dodd—I know from the previous people that they have put a RIM in a new suburb in Albion Park. On the pair gain systems, the technology does not allow you to run ADSL. If you ran a full copper cable out to these subdivisions, the consumers could have whatever service they liked. If you ran a 100 pair cable out, like the one at Bellambi, with the RIM system it would provide 300 services out of 100. That pair gain system makes a 100 pair cable into 300, so those people cannot use ADSL. It is cheaper for the company to run a 100 pair cable out than a 1,200 or a 3,000 pair cable.

Senator LUNDY—You have anticipated my next question: is there a cost issue in the use of RIMs for Telstra in your view?

Mr Dodd—Yes. As far as getting the signals in and out, that is where the cost factor is. These large cables are unique. At one stage, they were going to abandon the copper network because they thought technology would take over with optical fibre. Apparently, the copper pair seems the best way to get data through. For these main cables there are anywhere from 200 lines up to 3,200 lines per cable. The average is about 1,800 lines in a cable which would have a 100-centimetre diameter.

Senator LUNDY—They are the ones they are installing at the moment.

Mr Dodd—They are the ones they are maintaining on this air pressure system to make sure that they do not fail.

Senator MACKAY—Mr Dodd, can you explain the technicalities of that? I thought fibre optics were superior to most copper cable systems. Are you saying otherwise?

Mr Dodd—No. You can get an indefinite number of services through an optical fibre but if, for example, these people at Albion Park had a copper pair of wires from the exchange frame through to the socket in their house, they could have ADSL or any service they like. But if there are pair gain systems in between they cannot have it; it does not work.

Senator MACKAY—In terms of the deterioration that you are talking about, I want to get some idea about the sort of time frame in which this has occurred. I guess this question is to you, Mr Dodd, having the hands-on experience as a technician or lines person or whatever. There has been a major cut to the capital expenditure budget, for example, of Telstra—we know that. In your experience, over what time frame has this deterioration occurred? Has it accelerated recently or has it been a fairly steady deterioration?

Mr Dodd—It has happened since 1996 with the change of government. With respect to the CPAS people in Sydney, there were 90 full-time lines staff at the St Leonards and Bankstown depots that used to run the network cable protection, and now NDC have 20 contractors doing it. When you cut the staff these are the problems you create. With the job cuts announced on the radio yesterday, NDC are going to get rid of another eight of these cable protection people, so you are going to have less.

CHAIR—Thank you, Mr McCarthy and Mr Dodd, for appearing before us; it has been useful.

[12.11 p.m.]

LEWIS, Mr Tim Jabez, Director, Illawarra Business Chamber; and Chair, Southern IT Network

CHAIR—Welcome, Mr Lewis. The committee has your submission before it, which we have already published. Are there any alterations or additions to that document that you want to make at this stage?

Mr Lewis—No, but I would like to speak to it.

CHAIR—Excellent. The committee prefers all evidence to be given in public, but should you at any stage wish to give your evidence, part of your evidence or answers to specific questions in private, you may ask to do so and the committee will consider your request. I now invite you to make an opening statement, after which we will go to questions.

Mr Lewis—Thank you. My interests in this committee's inquiry reflect not just the specific business sector that represents the IT sector in the Illawarra but more specifically the organisations that are affected by telecommunications issues.

To some extent, and certainly if you were a National Party senator, you could look out the window and think that this was not a regional or indeed a rural area. But from many perspectives, we suffer from a lot of the problems that a regional area suffers from. The first and main one, I guess, is the call cost rate—even dialling from a voice perspective from the northern suburbs of Wollongong into the Sydney metro basin. If you consider where many of the businesses in the region today and in the future are looking to develop, the Sydney basin is a considerable marketplace for many local businesses. Therefore it is a considerable and significant competitive disadvantage to be charged a STD rate from an area that is sometimes less than perhaps 60 or 70 kilometres from the Sydney GPO. If you compare that to, say, areas on the Central Coast where I believe the STD rates to Sydney have recently been abolished, I think it certainly puts us at an even further disadvantaged position.

Linked to the STD rates, in the 12 months I have been the chair of the Southern IT Network most of the feedback that I have had from the wider business community relates to the cost effectiveness of broadband access. You could get into some debate about the term 'cost effective', particularly in the age we are in today where there is significant competition, so I do not want to dwell too much on the nuts and bolts and the dollars and cents of what 'cost effective' means. People might argue that we have got a competitive telecommunications environment where Telstra is not the only supplier of broadband services, but let me say our greatest issue is contingency planning, or indeed redundancy and backup services, and our core telecommunications infrastructure provider is still the main company that is relied upon.

I guess that speaks finally for the strategic way forward for this region. There are a lot of businesses in the region and indeed quite often the ICT sector is seen as being the potential lifesaver of an area; whereas, if you look behind me, there is a very big steel works organisation that reduces its employees and employment opportunities on a regular basis.

The ICT sector in this region is certainly one of our shining lights on the horizon, particularly when you consider the strategic benefits we have got with the close proximity to the Sydney marketplace. A lot of our way forward does depend on that telecommunications infrastructure, not just from a competitive perspective but in terms of the access that we can get, as I mentioned previously, to those broadband services. I will not speak too much on some of the specific examples, because I understand the university will make their own representation. I know that they champion the issue in terms of the impediment that they see to our region's way forward whilst we do not have—again that term—'cost-effective' broadband access.

My final comment is that one of the main developments that we see taking place in the next few years is the establishment of a technology precinct, which is an adjunct to the university at Brandon Park. The state government has contributed, I believe, something like \$18 million for a project that is quoted at ultimately costing around \$120 million, and the private sector is being relied upon for a significant amount of those additional funds. The concern is that, again, without a nice big cost-effective pipe providing access to wider marketplaces, that is going to act as a significant impediment to attracting the additional business investment required to get that technology precinct off the ground.

Senator TIERNEY—You have given us only a one-page submission, and it is a little hard to get at some of your points because it is so brief. I want to touch on some of the issues that you have raised—the STD charges from Sydney, for example. I suppose you are aware of some of the overseas experiences. For example, if you are in a city like San Francisco, you seem to travel only about six kilometres before a new charge cuts in. Wouldn't you concede that the system is reasonably liberal in Australia, given that it is a country with such great distances and that it does cost a lot to maintain a network over a wider span? Wouldn't you concede that, because of costs—admittedly, they are diminishing with the new technologies—there is a case for having different rates as you move across states?

Mr Lewis—I guess if I were Telstra, I would understand the rates. However, I represent small to medium sized businesses that are trying to not only make their own living but also create employment opportunities for this region. At the end of the day, the thing that matters most is the bottom line to their businesses. If they are communicating to me that they are suffering from a competitive perspective with competitive businesses in the Sydney marketplace and those STD call rates are an issue, then it is an issue.

Senator TIERNEY—Who bears the cost if these are lower? To some extent, it is a bit of a zero sum game, isn't it?

Mr Lewis—I guess it depends on what the actual costs of maintaining things are. The distance component is the basis of what you are saying. There are companies and, indeed, individuals residing less than 60 kilometres from the centre of Sydney that are paying uncompetitive rates compared to those incurred by companies and individuals from other places of a similar distance, in the same direction either west or north. From their perspective, why is it that they are paying more than people from other areas that have similar distances, use the same infrastructure and are affected by the same costs that you mentioned?

Senator TIERNEY—I suppose the hope is that it would eventually happen. I can remember Gosford rumbling for years and years about exactly the same thing. As you indicated, it is a pretty wide zone when they do that. The danger for you is that your overall base charge will rise

the wider you spread the area. That would be one of the problems with it. You also mention mobile coverage. I have been driving between Batemans Bay and here and up into the highlands for the last few days. It was not too bad actually, compared to a lot areas of New South Wales.

Senator LUNDY—In your highly subjective view.

Senator TIERNEY—It did drop out a little north from Batemans Bay and going up through Kangaroo Valley, but I found reasonable coverage compared to a lot of areas of Australia. It raises the question of how you prioritise a rollout. Obviously, everyone would like the phone to stay on all the time, wherever they are, but we might have to wait for satellite technologies to get to that point. How do you decide the priorities in such a vast country?

Mr Lewis—It is a great question. I believe that to some extent people expect everything to be perfect everywhere, and that is not realistic. The point regarding mobile coverage comes from many people who commute on a regular basis to Sydney. There are two frustrations. The first is that there are predictable areas on the freeway between Wollongong and Sydney—which is not a very long stretch of road—where your mobile phone is going to drop out every single time; there are probably two or three places where that happens. You can live with that; in fact, it is even good to know where they are because you can work around it.

Senator TIERNEY—You do not have to stay on the phone so long to that person!

Mr Lewis—I will try to tell that to my customers next time they call me!

Senator LUNDY—It costs you more when you have to call them back, of course.

Mr Lewis—That is the frustration, particularly since you incur a flag fall for making that call in the first place. I believe it is grossly unfair that, because of the known black holes in the infrastructure, I get charged. That is just a free hit to charge me again when I have to redial the number of the caller.

Senator TIERNEY—There is a government program to address that on highways. We will get to those spots.

Mr Lewis—The second frustration is that when I do call the service provider—indeed, my frustrations have been with Vodaphone, so I am not going to kick just Telstra—the obligation is on me to find out exactly where that black spot is; it is up to me to do the groundwork for them. If enough people complained, they might consider doing something about it.

Senator TIERNEY—You have a bullet point here: cost-effective access to broadband capability. Broadband is something that is rolling out; as it rolls out, costs will come down. Could you explain your point on cost-effective access?

Mr Lewis—As I mentioned in my opening remarks, it is a fairly subjective term. To some extent our region is adequately covered in terms of ADSL and ISDN, and I understand there are some policies in place for 50 per cent rebates if you require access to satellite capability in lieu of ISDN or ADSL. However, I do not think that the levels of bandwidth that are provided by those technologies are adequate for some of the burgeoning businesses that will develop into

our future. In particular, there is a large multimedia and graphics industry that is trying to launch in this region because of our proximity to the increasing amount of work that is coming out of places like Fox Studios. Our ability to compete as a region with other businesses positioned around Fox and in North Sydney and other traditional areas is very much affected by access to technology that is wider than an ISDN pipe. This is where we talk again about our future and our vision for the future: at the moment, the costs are not low enough for that bigger broadband access to attract businesses in those particular areas to the Illawarra. That is largely where our concern resides.

Senator TIERNEY—Given that this has all rolled out over the last 10 years and given the size of this market, it may be a little slow, but there is a fair chance you will get there.

Mr Lewis—Absolutely. But my appearing before this committee is to talk about the issues and to communicate where we want to head from here into the future.

Senator LUNDY—The initiative that you have taken—getting the IBC Southern IT Network together—is something that most communities with a view to the future are finding necessary, partly in response to the difficulties in Telstra servicing their needs, particularly broadband needs. Are you aware of any initiatives that have not proceeded either because of Telstra's lack of cooperation or because Telstra has played what you might perceive to be an anticompetitive role?

Mr Lewis—That is a fairly wide-ranging question. To some extent, I do not know of any actual instances where that has taken place. Would you like me to speak wider on the role and level of cooperation that we have received from Telstra?

Senator LUNDY—Please.

Mr Lewis—We find ourselves in an interesting position where, from as little as I know, Telstra is structured so there is a Country Wide component and a Telstra Retail component. Wollongong fits into the Telstra Retail component; if you travel further south or further west from here, you end up in Telstra Country Wide. From everything that we have heard and observed, the Telstra Country Wide business unit is certainly very responsive and at least in a better position to be able to respond to the needs of users; it has dedicated account managers et cetera.

In the Wollongong area, I do not believe we have that same level of coverage and depth. That is not to say that we do not get service when we put our hands up. Indeed, as far as the Southern IT Network is concerned, I must admit that Telstra have been very proactive, useful and generous in the level of assistance, at this point at least, that they have been prepared to provide. We have not actually asked them for anything in particular yet.

Senator LUNDY—That is always an interesting test.

Mr Lewis—That will come.

Senator LUNDY—I do not want to put you on the spot, but in terms of the broadband options where ADSL is not available, are you able to give the committee an idea of the sorts of costs involved with, say, the two-way satellite? That is what Telstra most often nominate as

being the only other option you have if you cannot get an ADSL service through their network—which of course means that no other carrier can provide that service through their network either.

Mr Lewis—The short answer is no. In fact, the two-way satellite cost is probably the only cost I could not give you. I could certainly give you the cost for the ADSL, but I know that Telstra's approach is that, if you do not have access to ADSL, the next direction they point you in is ISDN and, if ISDN is not available, then satellite coverage kicks in. I do not have any details on exactly what the coverage area of people outside that ISDN component is; having said that, I know that there is a lot of focus on the magic 3½-kilometre limit for ADSL. Interestingly, ISDN is only a five-kilometre limit, so I would suspect—although I cannot support it—that there would certainly be a number of people outside that five-kilometre range as well.

Senator LUNDY—We can pursue that with Telstra, but my understanding is that the set-up costs are certainly well over \$600, possibly into the thousands of dollars.

Mr Lewis—That is what I have heard as well. We did have a presentation by some Telstra executives some months ago where they kind of led with their chin by proclaiming the great services that they are offering to the rural communities that do not have access to normal broadband services. They actually dropped some numbers in terms of satellite access and capability, and most of our audience were very keen to suggest, if we had the same situations here in the Illawarra, whether we would get the same \$18 a month access to satellite fees.

Senator LUNDY—That is what the extended zone eligible customers get.

Mr Lewis—Yes.

Senator LUNDY—Have you defined what the broadband requirements for the high-tech precinct will be in terms of the size in megabits that will be required?

Mr Lewis—I think that question would be best answered by the university later this afternoon. Any figures that I would quote would actually have come from the university, so I think David Fuller would be in a better position to answer that. I do know from conversations—and my network has a very close association with the university—that they have some excellent examples of how they are impeded in delivering some of the strategic work that they want to deliver—again, because of those larger kinds of bandwidth opportunities, and we are talking 10 gig.

A lot of the frustration is shared—well, it is not frustration at this point. One of the solutions we are trying to pursue is utilising some of the state government infrastructure, particularly when there is 96 core fibre coming down the line from TransGrid. Surely there has to be some more cost-effective access to that level of capability that we are very keen to explore.

Senator LUNDY—Can you give a description of what your members in the group are describing about their broadband needs? Not the high-end users and the digital content area you described—I will ask a question about them in a minute—but just generally. Also, do you have any reflections on the general standard of service relating to ADSL from those of your members who actually use it—so broadband demand and quality of ADSL.

Mr Lewis—The band generally, as we speak, for most of the organisations associated with the Southern IT Network is at that fairly rudimentary level of accessing email and downloading and exchanging large files from time to time. Where they do not have access to ADSL and they are reliant upon normal dial-up modem access, it is a fairly ugly and unsatisfying experience. I do not have anything of substance to state that a large number of businesses are suffering because they do not have access to the ADSL. I suspect, because of the nature of a lot of the local industry, that there is still a lot of education yet to take place to understand what these fantastic terms actually mean to a business. There is no shortage of advertising and promotion about ADSL, but if you did a straw poll out the front of this building you would find very few business people in the small or medium space would actually be able to understand what it can for their business. The quality and responsiveness of service is not anything I can answer. I have not heard anything other than concern about the degradation of actual Telstra support employees in this region, and others have already spoken on that.

Senator LUNDY—The ADSL service, being a broadband service, can apparently be down, if you extrapolate the percentage terms, up to 12 days a year and still not incur Telstra's self-nominated fine or compensation. How do you think a business in this region would go, knowingly subscribing to a service that statistically would be down for 12 days a year?

Mr Lewis—The potential impact of that is quite obvious and as businesses are increasingly becoming dependent upon broadband access or Internet access in general, to have those kinds of outages would be unacceptable to most businesses. If you said you were going to cut off their telephones or their electricity for those periods of time, there would be riots in the street. My point is that, increasingly, people are going to have that level of dependency upon Internet services as they have upon electricity and telephones. One of the problems—it might not be unique, but we certainly suffer it here—is that, as I mentioned before, we are not quite Sydney metro and we are certainly not Broken Hill. So sometimes when we try to get together to say, 'Hey, we've got some issues here,' we are not really seen as having serious issues.

Senator LUNDY—So you do not get the benefits of being in a large centre, but you miss out on the special attention that Telstra can provide through Telstra Country Wide.

Mr Lewis—Yes, I believe so.

Senator MACKAY—You touched on the impact of, in your experience, the reduction in Telstra maintenance resources. We heard from, as you say, previous witnesses that we are talking about a 53 per cent reduction over the last six or seven years. How has that impacted on you particularly?

Mr Lewis—Personally, it has not. I have had no impact or exposure, and to some extent I can understand the line that Telstra might run that says: with advances in technology, certainly the ability to diagnose and repair faults using the benefits of technology makes some of our previous mechanisms of needing a linesman out physically checking something redundant in this day and age. I could probably swallow parts of that, but when there are many cases—and these have been mentioned previously—regarding outages and the slowness to respond and the business continuity impacts, you cannot believe that technology line totally. There still needs to be some adequate commitment to levels of service and business continuity.

Senator MACKAY—Has anybody mentioned to you that there has been diminution over the years?

Mr Lewis—Nobody has mentioned it specifically, but that is not to say that it has not happened.

CHAIR—Suggestions have been made to the committee through submissions that Australia does not know where it is going with broadband; there is no grand plan, there is no strategy in place, we do not know how we are going to fund broadband to more remote areas or even to areas like this. What is your view about who should be developing this vision for the future of this country IT-wise?

Mr Lewis—It is a great question—one that I get frustrated about just in this region, let alone at a national level. I think that we definitely are being left behind. First of all, the level of debate does not seem to be significant enough to address not just the term ‘broadband’, but I believe there are two other components of it. The first is the different mechanisms of delivering broadband, and I know that in this region, driven through the university, wireless technology is certainly an area of future growth that this region wants to tap into and leverage. The second area of that bigger vision discussion that is lacking, or could be done better, relates to the content of broadband. I think if people stick to a conversation about broadband that asks, ‘How quickly can I download an image off the Internet?’ we are going to continue to get left behind. I think that the benefits of that particular sector, and the ICT in general, would be greater if we had greater incentives and greater public awareness, motivation and drive to develop content application rather than be prepared to sit back and leave it to the Americans or to pockets of Asia. While we continue to do that we do so at our risk and to our disadvantage of free hits as far as increasing our long-term job creation and basic contribution to GDP.

CHAIR—Can you give some examples of what you mean by ‘content’?

Mr Lewis—There could be many different ones, but I guess most people in this room today would have a mobile phone, and I know that there are many other regions in many other countries that are focusing on developing content to make your mobile phone, through WAP—wireless application protocol—more of a business tool. Through there, it will become accessible to a local marketplace. That is one very simple example of content: greater functionality delivered by your phone handset.

CHAIR—It is suggested that there is a role for government in persuading more people to be interested in the communications network rather than just relying on copper wires to get their email; that we need much greater public awareness, and that the government ought to be selling this so we can get higher numbers, higher uptake and lower cost. Is that your view too, and which way would you suggest going in terms of government being involved in this promotion campaign?

Mr Lewis—I think if you look at the development and growth of the Southern IT Network, it has been an organic grassroots campaign that has grown out of a very basic desire for businesses to network better but, at a more strategic level, it has grown out of frustration that we are not receiving those messages and nobody else is painting a vision of where the ICT sector on a national basis can go. I think the government could take a more proactive role—and this would be as true at a state level as it is at a federal level—in facilitating the development of

regional networks such as ours. I know that the Western Sydney IT Cluster is a very formidable ICT body. I know that the Central Coast, the Hunter Valley and many other regions around Australia have similar networks. I think that we run the risk of losing some of the efficiencies and some of the benefits of great ideas that are coming out of all of these disparate regional industry groups, and I would like to see government play a more proactive role in developing some kind of framework and assistance for taking to the regions a model where the energies, visions and opportunities that we are developing could remove some of the troubles that you have when you are reinventing the wheel.

CHAIR—We are about to hear from the Southern Phone Company. They are the next witness. Have you heard about this organisation? Do they offer some opportunities with ICT or not?

Mr Lewis—Southern Phone absolutely does; in fact, I have had preliminary discussions with Rod Oxley who is not only on the board of Southern Phone but is also the General Manager of Wollongong City Council. Indeed, the fact that Rod initiated some of those conversations I think shows the level of proactiveness within this region for some of these like-type groups to get together. It remains to be seen what the impact of Southern Phone will be in Wollongong. From what I understand, its epicentre is more down in the Eurobodalla shire—perhaps a more rural and regional area than Wollongong.

CHAIR—You cannot miss out again.

Mr Lewis—It remains to be seen exactly what is there from a Wollongong perspective. In terms of getting a greater service out of our telecommunications providers, I believe that one simple way we can do it is to proactively aggregate some of our supply, particularly in this area where we have an area health service, a university, BHP steel and many other medium sized organisations. Whilst we continue to negotiate our own one-off packages with telco providers, we are going to lack some of the obvious benefits we could get through aggregation. I think that is one of the benefits that Southern Phone offers; it certainly offers it for the 23 local government areas that I believe make up Southern Phone. What remains to be seen is how Wollongong fits into that; whether we sit at the northern edge to make up some numbers or whether there are viable solutions that can effect and benefit this area.

CHAIR—What is your IBC IT network? Is that just another name for a chamber of commerce or is it an online network? Can we have some understanding of how you work?

Mr Lewis—We are an informal network made up of volunteers sponsored essentially through the Illawarra Business Chamber. I believe the Illawarra Business Chamber is quite proactive in this area in running a line of issues not just from a business perspective but from a broader community benefit.

CHAIR—So you are a subgroup of that.

Mr Lewis—Yes, and sponsored by the IBC.

CHAIR—I see. Thanks very much. That has been useful to us.

Proceedings suspended from 12.42 p.m. to 1.27 p.m.

HERRICK, Mr Philip James, Acting General Manager, Company Secretary, Public Officer and Director, Southern Phone Company

HILZINGER, Mr William George, Chairman, Southern Phone Company

OXLEY, Mr Roderick John, Director, Southern Phone Company

CHAIR—I welcome representatives of Southern Phone Company. As I understand the situation, your company has not made a submission but has accepted the committee's invitation to come here today to tell us about its operations. We have a copy of your web site, so we do know something about what you do. The committee prefers all evidence to be given in public but should you at any stage wish to give your evidence, part of your evidence or answers to specific questions in camera you can ask to do so and the committee will consider your request. I now invite you to make an opening statement, after which we will go to questions.

Mr Hilzinger—As you are aware, if you have got our web site, it is a pretty new web site and we are a pretty new company, even though the whole operation was something like five years in the making to get to this point. A commercial board was first appointed to oversee Southern Phone in August, this year. We did experience some problems in getting directors and officers insurance. At one stage we had quotes from \$100,000 down to as low as \$15,000. We obviously took the \$15,000 one. We are very new. Today we signed a contract with NTL, which is a company that will supply us with our trunk mains for our broadband operations. We have in the last two or three weeks signed with Optus as our carrier for our long-distance telephony and fixed-to-mobile telephony, as well as international phone calls. We will not be operating in the mobile-to-mobile area.

We tend to use existing trunk backbones, which are owned by NTL Communications, that run down the South Coast, west of Canberra and into the Riverina. That is the company we signed a five-year agreement with today. The spur links to regional centres will be built by Southern Phone Company, using the \$4.8 million Commonwealth government grant that was delivered by the Networking the Nation program. We have had that for some time. It has been sitting in trust with Eurobodalla Shire Council, waiting for us to become operational. This operation started with Shoalhaven City Council and, later on, with Wollongong City Council and the Wollongong University. Eurobodalla council was the host. Just last week we transferred those funds to Southern Phone Company, and we will be using that money to build those regional spur links. The company will be operated out of Moruya, on the South Coast of New South Wales. We have a call centre there, which we purchased from Rural Press at a reasonable price. We will be using all local employment in that call centre, and our head office will be at Moruya

The first stage of the construction of the Southern Phone network will commence before the end of this year. We are very hopeful to have our first customers on by early December this year. The Southern Phone Company itself is owned by the local councils of south-eastern New South Wales—24 of them are shareholders. They all hold two \$1 shares each in the company. Our aims are to reduce the costs of long-distance calls by about half, and we will develop a broadband data network to serve regional centres. For the first three years, any profits we make will go back into building the network, and after that dividends will go back to those regional councils specifically for regional development and job generation. Basically, that is where we

are up to at the moment. I would now like to, if I may, hand over to Mr Phil Herrick, our acting managing director. He has been there since day one, and he might be able to enlighten you on some of the technical aspects of things and also answer any questions that you may wish to ask.

Mr Herrick—As Bill said, I have been working on this for five years. My role was at Eurobodalla Shire Council, and technically still is as the economic development person there. This is all about economic and social development. That is why we are doing Southern Phone. It is not to say so much that we are doing technology that is better or newer or anything like that; it is all about reducing the costs of telecommunications in the region so that businesses in particular will have funds released that they can then apply to employment. The project grew out of Eurobodalla, which is in the Batemans Bay, Moruya and Narooma area. We currently have the highest unemployment in the state at 15.7 per cent. We are always jockeying with Byron Bay for the No. 1 or No. 2 position as worst in the state. The reason it is high in Eurobodalla is the same reason that it is high in Byron Bay: they are lovely places to live and there is nothing to do there. In Eurobodalla there are no resources. Eighty per cent of our shire is national park or state forest, and the forest industry has gone through major restructuring that has seen it lose the bulk of the employment that it generated. Tourism is far and away our major industry, and we need to diversify.

We have taken the view that it is through the creation of wealth through knowledge—which is a key strategy for us to set in place wealth creation strategies where wealth is created through knowledge—that we can get people like consultants or high-flyers or lone eagles—there is a number of terms for them—to locate in our shire, use their head, produce what they need and then use appropriate technology, whether it is videoconferencing, high-speed broadband data or even just cheap phone calls to link to the place where they can attract the appropriate price for their product. They will not do that in Moruya but they will do that in Sydney or New York perhaps. So it is about that cliché of the railway of the 21st century, and we are putting that in. It is important to say that what we are doing is not new. We are putting in affordable technology. The big issue for regions, including our region—and what we are trying to do—is making broadband data, in particular, and phone calls more affordable, and the best way to do that is through competition.

The argument that we put to the federal government and that secured us the funding was that essentially there had been a failure in the regional telecommunications market and that that is what we were addressing. The failure in the market is essentially because of a monopoly situation. With the deregulation of telecommunications there was a lot of activity, but it was limited to where people were because that is where they can make money that justifies the expenditure in their business cases. Down the track, eventually, they may get to regional areas. We have taken the view that unless regional areas take this task into their own hands we will just be waiting our turn until one day the business case stacks up. So we decided to take it into our own hands and to always keep an eye on what we are trying to do, which is this economic and social development—it always revolves back to that. Every time you talk to us, it will always get back to that. That is our objective: trying to get that moving along through appropriate and affordable technology and telecommunications.

Mr Oxley—I am here in both my capacity as general manager of Wollongong City Council and as a board member of the Southern Phone Company. Certainly, one of the reasons that my council decided to take out a shareholding in the Southern Phone Company is, as Phil has said, to add to the economic development and capacity that not only Wollongong but also the

Illawarra and South Coast region can provide. As a local government authority we have been faced on a number of occasions, in trying to attract new business opportunities to our city and to our region, with the questions: what are the telecommunications systems? What charging regimes are going to be applied? How can we ensure that if we do relocate business to this part of the state we will have access to affordable and appropriate telecommunications?

Generally speaking, we are finding that this is one of the significant impediments to regional development activities, even in a city the size of Wollongong. Businesses that rely on good, reliable telecommunications systems and networks, at an affordable price, are deterred from relocating to places like ours because they face that impediment. Whilst we have held a number of discussions with the major telecommunications providers and they have always said, 'Yes, we can provide the service,' when it gets down to the nitty-gritty of how much that service is going to cost, the barriers start to appear. So from the perspective of Wollongong and the Illawarra region generally, the need for the service that Southern Phone is now going to provide has been paramount. We see that the benefits that Southern Phone will bring to this region and to the south-east sector of New South Wales are going to be significant.

Local government, as a level of government, has very much got behind this, and 24 councils have actually taken shareholdings in Southern Phone and have given a commitment to not only utilising and taking advantage of the services that will be provided but also promoting within their own particular areas the benefits that can be derived from a company such as this. In summary and in closing, from a local government perspective, Southern Phone will bring to various regions, towns, cities and villages the significant benefits that can be attained by having an affordable telephony and broadband network which will benefit the creation and generation of businesses within our areas. That pretty well sums up our role in the Southern Phone Company.

CHAIR—Will this trunk line serve all the residents in this region or will you start with the businesses and hope it spills out into the community and into households? How does it work?

Mr Herrick—There are two sides to the business: one is telephony and the other is the broadband network.

CHAIR—Let us concentrate on broadband for a start.

Mr Herrick—All right. The broadband network does not go to everybody, because obviously you would have to connect them. So we will start off with small steps and then go to larger steps. We have signed this agreement with NTL. NTL have a microwave based backbone that runs on the hills all the way down the coast and transmits essentially television signals.

CHAIR—That is satellite, right?

Mr Herrick—No, not satellite; microwave radio, point to point. In fact, if you peered around the corner here, you could see some of the towers. There are towers on the tops of the hills going down the coast—the backbone just takes the traffic down the coast—and those towers send out television signals. The federal government said to us, 'We're going to give you some money to do a broadband network. But we don't want to see you duplicate existing infrastructure, so go and talk to the market about who you can get involved with so that you're not building a second trunk backbone down the south coast, and use the money that we will

give you intelligently.’ So we are putting spurs off that trunk backbone into the regional centre. For instance, on the hill behind Nowra we will put a spur link into Nowra, so that trunk backbone that at the moment is quite inaccessible from Nowra will be accessible, and similarly into Batemans Bay, Moruya and other major centres as you go past Wollongong. We put those into a point of presence in the town and then, from that point of presence, we can connect to, initially, schools, hospitals and larger businesses—people who have a demand for bandwidth. Then you establish your base load and then you can say, ‘Yes, there’s a business case for being in this town.’ Once you are on your feet, then you can look at other technologies; for instance, ADSL is a possibility down the track if we can have access to Telstra’s lines to do that—or even if we just put in our own lines to key customers. But it would be an impossible task for us to develop a ubiquitous network that would allow connections to as many people who wanted to be connected.

CHAIR—So your competitor is Telstra in all of this, is it?

Mr Herrick—Essentially, yes. Telstra holds around 95 per cent of the regional market.

CHAIR—The \$4.5 million is being used for what you have just described—the spur line, I think you said—to each of those—

Mr Herrick—Yes. It is for the company development, and part of it is building the network.

CHAIR—This may be a commercial-in-confidence question, but how will you then get the funding for the next stage? Will your councils borrow money for that or is the revenue going to fund it? How does it work?

Mr Herrick—We have a very fully developed business plan. We have a plan in place that indicates where the cash flows will come from and how the revenues will be generated to enable future growth. So it is essentially from the business: the business will generate the funds to allow growth into the future. This was part of the case that was accepted by Networking the Nation in giving us the grant funding. It is a seed fund to kick us off.

CHAIR—And that does not need to be repaid to the federal government?

Mr Herrick—No; it is a gift.

Senator LUNDY—Could I go back to the arrangement with NTL. I want to make sure I have got my history right. NTL is the company that maintains the infrastructure for the ABC and broadcasters?

Mr Herrick—Yes.

Senator LUNDY—And others now, I understand?

Mr Herrick—They are trying to extend. In fact, their CEO was just here; it is a pity you missed him. They do that. It is a complicated story. There is a company called Broadcast Australia. I would not really like to start to describe to you the corporate arrangements for NTL and Broadcast Australia and who holds what contracts with the ABC; but, when you get down

to it, those towers deliver the ABC, SBS and WIN TV signal around the countryside. But who has got what contracts!

Senator LUNDY—How long have they had these microwave links for the purposes of moving broadband data around?

Mr Herrick—They bought a company that existed; it was a government-owned company, I think.

Mr Hilzinger—Yes, it was a Commonwealth government-owned operation and they bought it. It is a conglomerate of Macquarie Bank, WIN Television, Southern Cross Broadcasting and NBN at Newcastle. They bought it and they had in mind—

Senator LUNDY—This is the broadband pipe, essentially.

Mr Herrick—The microwave network.

Mr Hilzinger—They bought it, obviously, to upgrade and to use for their digital television networks that did not come into place.

Mr Herrick—Some years ago there was a government-owned company that was sold to NTL, which was a company from the United Kingdom. They bought the assets that sent all these things around the countryside. Now the company that we are dealing with, NTL Telecommunications, wants to expand its presence in the region and be an active regional carrier. But in the background is a wholesale carrier.

Senator LUNDY—Right. Hence they have sold their wholesale pipes, if you like, to you.

Mr Herrick—We have bought wholesale access to their network.

Senator LUNDY—You have bought wholesale access to their network, and you are going to value add to that network.

Mr Herrick—Yes.

Senator LUNDY—The actual installation of the network involves, as you say, building a spur line from those towers to take that pipe, if you like, down to a point of presence in the regional centres.

Mr Herrick—Yes.

Senator LUNDY—From that point of presence, will Southern Phone be establishing, for example, an ISP or will you be providing a wholesale bandwidth to regional ISPs?

Mr Herrick—We will not be establishing an ISP. I think we have always taken the view that there is no failure in the market for ISPs. The ISP world is a highly competitive world even in the smallest regional centre. With Telstra BigPond you can get dial-up local access anywhere you are in Australia and people like OzEmail are everywhere and there is no need for us there.

Our business will not be in that area. Our business will essentially be in the start up, or the early days, providing bandwidth to people who require it. The committee is going to hear from the University of Wollongong later. The University of Wollongong has been a foundation partner, if you like, or someone we have worked with for the last five years. They have campuses in Batemans Bay and Bega and they would like to see higher levels of service available in those areas, such as full-on videoconferencing. They can do it at the moment but it costs a lot and they would like to lift the level. Obviously, they are constrained by the fact that they only have so many students and there is a cost to all of this.

Senator LUNDY—Telstra's cost structures.

Mr Herrick—Yes. I guess they could probably source it from other people but essentially reflect Telstra's cost structures. We are trying to get past those cost structures for people like that—for schools, for hospitals, for larger businesses and government.

Senator LUNDY—So once you bring that point of presence into those centres, it will be your aim to link up those high consumers of broadband to that service, like schools and councils?

Mr Herrick—Yes.

Senator LUNDY—I presume part of the strategy will be to create a council broadband network between all the partners; is that part of what you have in mind?

Mr Herrick—Rod is probably more qualified to talk about councils. Rod is fairly senior in the council world. Councils do not actually talk to each other a real lot.

Senator LUNDY—I know, I used to be on the South East Regional Economic Development Board. I know exactly how difficult and how significant a challenge you are taking on. I certainly commend you for your efforts to date. It is not necessarily a relevant point; I am just trying to get a feel for some of the types of services and the network you are trying to create. I think the point that Senator Mackay made was that you can achieve a level of penetration with perhaps all of the high demand consumers of broadband, but my experience in regional areas is that the next layer is actually the toughest layer because it starts to eat away, in a commercial sense, at the established physical infrastructure for the broadband link, for example, to residences or to individual small businesses. I am just trying to get an idea of your thinking about what you achieving there, given that there is such a phenomenal gap in the market with no other solution on the horizon for many people out there.

Mr Hilzinger—We went out to tender for services on broadband and they wanted us to buy a minimum of two megabytes. That is too high for most, even companies, initially. But we have managed to break that down to a quarter of that and then, hopefully, if we can get enough of those, we can keep going to smaller amounts. It is difficult to get out to the consumer in a household, and even to small business it may still take us some time, but we will work away at it to make sure we do.

Senator LUNDY—I know that Cooma has a phenomenal history in experimenting with using technologies other than those provided by Telstra but they have inevitably, in my understanding, run into Telstra at some point in their efforts. I understand that there is a

reasonably well developed fibre network in that particular town. Would you be able to add something to that?

Mr Herrick—No, the conduits are there, but the fibre has never worked in the conduits. It will be a great resource for Cooma when it happens.

Senator LUNDY—So there is potential. Will that work in the past perhaps help what you are trying to achieve because some of that infrastructure work has already been done?

Mr Herrick—I think one of the great things about Southern Phone too is that it has drawn together 24 councils across a large part of the south-east of New South Wales; it goes out to Tumut, up here to Wollongong, out to Young and to everywhere in between. If you colour them all in, it is this big black dot. So we are able to pull together a lot of these things that are happening.

Tumut is a town that is also very active in IT—thanks to a pretty active council and general manager that they have—and they are experimenting in various things. Their general manager, for instance, was on the steering committee that preceded the board—that is, the interim board before the board was appointed. They have been deeply involved in Southern Phone. We talk with Cooma, because they have been closely associated as well.

In Nowra, there are things like the Albatross Aviation Technology Park, and the Shoalhaven City Council have been particularly active in trying to get this up. They have this wonderful story where they have one of the very few full-on flight simulators, certainly in Australia and in the Pacific basin. It is the software in flight simulators that is the issue; it is not the box that you sit in and the chair that rocks up and down. The dream would be to tie the software back to Connecticut or wherever and to upgrade what is available in Nowra in flight simulation so that it can become an Asia-Pacific centre for flight simulator training, and you need broadband for that.

Senator LUNDY—And this is seen as a solution that could ultimately provide it.

Mr Herrick—It is a step along the way. I do not know if it is the solution, but it is a step along the way.

Mr Hilzinger—My other background is that I am a councillor on the Shoalhaven council and have been for 16 years. We have actively pursued regional development and also a university. We have a campus of the University of Wollongong in Shoalhaven, and a lot of their stuff is videoconference-type stuff as well. In terms of the Aviation Technology Park, we spoke with Boeing, Williams Aviation in the States and Command Helicopters, who supply the helicopters for this fleet generation, and we are waiting for some software there. A lot of that is developed in the States. They need a broadband link back to the Aviation Technology Park. The park itself is probably only about 15 to 20 per cent developed, but the subdivision is there to continue going with it. We see it as a big operation for Defence. Defence target towing takes place out of there as well, so they require the broadband. CSE Computers has a large operation there as well.

Senator LUNDY—So add broadband to the mix and it could all take off, excuse the pun.

Mr Hilzinger—It is pretty obvious that, if you are upgrading software on new, modern helicopters and your headquarters are in Connecticut, you would need some sort of broadband link back to areas where they are actually operational, which is at HMAS *Albatross*.

Senator LUNDY—Just going back to a point of Mr Herrick's in his opening comments, there is market failure out there in the regions with broadband. Were there really no affordable or meaningful solutions emanating from any of your experiences with Telstra? Is that what has brought you to this point?

Mr Herrick—I offered on three occasions. That was when I was project manager, before the board was in place, and when we had been offered the money. I said to Telstra Country Wide, 'We've got this money. Our objectives are better telecommunications and cheaper phone calls. You can have the money. You're wonderful people.' Our community cannot function without Telstra, and we recognise that, and councils in particular recognise that. It would have been great, but they were not interested in taking up that offer. We tried.

CHAIR—What did they say? What was their reasoning?

Mr Herrick—'We already have 96 per cent of the market. Have a go.'

Senator LUNDY—You are kidding.

Mr Hilzinger—And in some cases they did not even respond to our tender documents, yet they are the biggest supplier of services in Australia.

Mr Herrick—We put out a tender for broadband that we got the NTL thing through, and Telstra made a conscious decision—and I was told this by the area general manager—not to respond.

Senator LUNDY—Even I find that hard to contemplate.

Mr Herrick—We talked about this before. We do not want to get into a Telstra bashing exercise because Telstra, in my view—and this is a personal view, rather than the company's view—is a really valuable partner in our community and it will be a partner of Southern Phone, too.

Senator LUNDY—The circumstance that you have just described illustrates where Telstra has actually hindered social and economic development in the regions. Do you think that is a fair and accurate observation?

Mr Hilzinger—I do not think they have helped. I am not sure they have actually hindered.

Mr Herrick—Yes, I would not say 'hindered'. Telstra will give you whatever you want.

Senator LUNDY—Unless, as you say, it does not suit them commercially.

Mr Herrick—But it is at a price, and our point is it is only by the introduction of competition into the market that it will happen. We expect a full and vigorous response from Telstra and that is essentially—with our council hats on—what we want.

Mr Hilzinger—They are actually out there in the marketplace now, and our shareholding council is looking to see what they can do.

Senator LUNDY—So now that you have actually taken the initiative, established the company, signed your contracts—you mentioned one being signed—Telstra are getting active in your space?

Mr Herrick—Yes, I do not think we have had as many visits at Eurobodalla council as we have had from Telstra previously.

Mr Oxley—They are certainly showing up more.

Mr Hilzinger—They are pretty frequent.

Senator LUNDY—So they are paying some attention now? In one sense, I suppose you are achieving your objective.

Mr Oxley—Yes.

Senator LUNDY—It is interesting to observe that this would not be the first time that this pattern of behaviour from Telstra has occurred: its neglect of a given market and then active interest to the point of exercising their monopoly to prevent you establishing market share. What are your strategies to deal with that?

Mr Herrick—No, they are not doing that. They are not exercising their monopoly to prevent it, not that we have determined at the moment. And certainly, if they did—

Senator LUNDY—Are you fearful of that?

Mr Hilzinger—No, not really.

Mr Herrick—Our eyes are open.

Mr Hilzinger—I guess we are probably waiting for some type of activity along those lines, but it has not manifested itself yet. Maybe it will come.

Mr Oxley—It is early days.

Senator LUNDY—When you outlined your telephony arrangements you mentioned long distance, fixed to mobile and international calls are with Optus. Is there any part of your service offering that you are actually required to deal with Telstra on? Do you have any contractual arrangements with Telstra?

Mr Herrick—No, Optus do that on our behalf essentially.

Mr Hilzinger—We are dealing with Optus wholesale and they deal with Telstra.

Senator LUNDY—They deal with Telstra through the unbundled local loop and all those things.

Mr Herrick—And in their access and egress arrangements. Telstra make money out of every caller that goes through Southern Phone just as they make money out of every caller that goes through any carrier, because they own the network.

Senator MACKAY—How many ROCs do the 24 councils cover? Does it bear any resemblance—

Mr Oxley—It does not bear any resemblance to one particular ROC. The Illawarra councils, which are Wollongong, Shellharbour, Kiama, Shoalhaven and Wingecarribee, form one ROC—that is, five out of 24. There is a south-east regional area, which is another ROC, and those over on Tumut; I am not quite certain where they fit in. But it certainly covers a broader range than one or two regional organisations.

Senator MACKAY—So it was not a regional organisation at councils' initiative?

Mr Oxley—The initiative came from Eurobodalla Shire Council, and the various councils in this part of New South Wales, when approached, expressed an interest in becoming parties to the arrangement that now exists.

Senator MACKAY—And some opted out, clearly, and some opted in.

Mr Hilzinger—Most of them came in.

Senator LUNDY—You have not missed any in that whole area, have you?

Mr Hilzinger—Wollondilly was probably the only other one, and they never actually considered it. I think they considered themselves too close to Sydney and they were not part of the region or something.

Mr Herrick—Campbelltown also came to the first meeting and said, 'Look, good luck guys. That's just not an issue for us, what you're dealing with.'

Mr Hilzinger—But we have had representation from Nambucca Heads.

Mr Herrick—Yes, and Ulmurra have been down to see us; they are up near Armidale.

Mr Hilzinger—It is not restricted to south-eastern New South Wales. We can take councils from anywhere in the state.

Senator MACKAY—Following on from Senator Allison's question, you have got the seed funding from Networking the Nation. In terms of your business plan, are you confident of having sufficient funds? I know that effectively you are not-for-profit, which I think is a major assistance for ongoing funding, but are you sure you can be self-sustaining?

Mr Hilzinger—The business plan was reviewed by PricewaterhouseCoopers, and that was a part of completing the NTN implementation plan. NTN certainly would not have allowed the implementation to take place unless they were satisfied with it. They questioned us on a number of occasions on it and we went back to PricewaterhouseCoopers and went back to NTN. In the finish, they were satisfied and signed off—the board of NTN signed off on it as well.

Senator MACKAY—Is there any potential underwriting by councils involved?

Mr Herrick—No.

Mr Hilzinger—None whatsoever.

Mr Oxley—It is fairly clear that each of the council shareholders has entered into the arrangement on the basis that there will be no financial contributions from each of the shareholder councils.

Senator MACKAY—In relation to this issue about the monopoly situation of Telstra that you alluded to, when Telstra said, ‘We have got 96 per cent of the market’—bonne chance, as they say—presumably a factor must have been that they felt that they could not make a quid out of it; they did not think it was profitable. Did they indicate that to you?

Mr Herrick—I put a scenario to them just after Australian Airlines was launched by Qantas. Qantas introduced to the market a budget carrier that would fill a market niche. I said, ‘We could set up Southern Phone and we could be your Australian Airlines. It would still be tied to Telstra, and Telstra can be the full service airline.’ If you wanted your voice messaging or whatever services and you were a Telstra customer you would go to Telstra. But if you just wanted a call, then you could go to Southern Phone. But again, they were not interested in that. The other issue, I suppose, is in terms of looking after their profit and all of that. I do not think we really expect any reaction from Telstra in price. I think what we will get a reaction from Telstra in will be enhanced services and bundling. It is this whole thing about having your three services with Telstra and then you get 10 per cent off—that sort of thing. That is where their reaction is likely to be, and there is good reason for that. We do not expect, by the wildest stretch of the imagination, to have a huge penetration into the market. Telstra will always dominate our market.

Senator MACKAY—One of the things that we are aware of anecdotally is that Telstra is the biggest user of legal services in Australia, as a company—mostly fighting off the situation that you are referring to. Has there been any indication that they may go down that route?

Mr Herrick—Yes.

Senator MACKAY—What was that?

Mr Herrick—The first meeting with Telstra subsequent to the formation of Southern Phone—between a director of Southern Phone, me as the acting general manager, and also directors with their general counsel from Telstra Country Wide, Dianne McLean—where they read us the riot act.

Senator MACKAY—Did they indicate that they might take a more litigious view of things down the track?

Mr Herrick—‘Just watch your p’s and q’s, boys, and be aware of the Trade Practices Act.’

Senator LUNDY—Did they threaten you with any legal action?

Mr Herrick—I would not say threaten, no. But there is a clear signal if someone trots in their general counsel. We were not told that the general counsel would be at the meeting, so we were blind-sided a bit.

Mr Hilzinger—Our board had been formed for about a week at that stage of the game. A photo appeared in the *Canberra Times*, and it was of a girl with a mobile phone saying that she switched to Southern Phone. It was the imagination of a journalist. I do not know whether he was in some sort of relationship with the young lady at the coffee shop, but there was a photo and it was in the paper, and they came down with what’s her name.

Mr Herrick—‘It is false advertising,’ they said.

CHAIR—Came down with what?

Mr Herrick—The clipping from the *Daily Telegraph* that had a photo in it.

CHAIR—And what did they say?

Mr Herrick—They said, ‘If you allow these stories to go out, we will get you under the Trade Practices Act.’ We did not take the photo.

Senator MACKAY—That is exactly my next question.

Mr Herrick—We did not take the photo.

Mr Hilzinger—We had nothing to do with it. We were amazed that somebody had taken a photo and mentioned Southern Phone Company. We were a week old.

Senator MACKAY—So they cited the Trade Practices Act. What else did they say?

Mr Herrick—It was mainly relating to that—we would have to be careful, particularly in talking about price offerings. Our aim is to reduce, by around half, the cost of long-distance calls that are over 165 kilometres, in peak times—which is your most important business calls. For instance, from Moruya to Canberra or Moruya to Sydney is over 165 kilometres. For a business peak time call, we are going to cut by half what is currently charged on some Telstra plans. But Telstra made the point that we did not even know what their pricing was, so how could we make a claim relating to price that says it is about half.

Senator MACKAY—It is double jeopardy, that one.

Mr Herrick—Since then we have been very careful to be very specific about it being a residential call and trying to get down to specifics. Basically, what they said was fair enough.

Senator MACKAY—It is extraordinary, though.

Mr Hilzinger—I live in Nowra and Phil lives in Moruya. He said that he was meeting with the area manager of Telstra, and I said, ‘Oh, that’s fine, okay.’ But he rang me straight after that meeting and told me they actually had legal counsel with them. If I had been there and they had walked in with legal counsel, I am sure that I would have told them that no way was I going to play.

Senator LUNDY—Do you think they were trying to intimidate you?

Mr Herrick—Absolutely. It was a very heavy meeting.

Mr Hilzinger—Anyway, we are up and running, we have started, and no doubt we will meet with Telstra on a business basis or with the trade practices commission in the background—

Senator MACKAY—Or perhaps in court.

Mr Hilzinger—one or the other.

CHAIR—Good luck with your venture and thank you very much for coming today.

Mr Hilzinger—We are very confident that this will be a success. We also hope perhaps to make it a plan or model for others in regional Australia to tackle. The only thing, of course, is that they have to be lucky enough to be able to tap into some federal government seed funding for that operation. Raising that sort of money and doing something with it is absolutely necessary in order to get operational in regional Australia.

CHAIR—Will you be presenting to the ALGA’s conference at the end of the year?

Mr Hilzinger—Yes, I hope so.

CHAIR—Mr Oxley, thank you very much for allowing us to be here today in this very fine facility with this wonderful view. We are very grateful to you and your council. Please pass on our thanks.

[2.07 p.m.]

CAIRNS, Mr Neil, Associate Librarian, Technology, University of Wollongong

FULLER, Mr David, University Developments Officer, University of Wollongong

CHAIR—Welcome. As I understand it, the university has not made a submission, but you have agreed to come here today to brief us about operations particularly related to information technology services. Is that correct?

Mr Fuller—Yes.

CHAIR—Thank you very much for making yourselves available to the committee; we appreciate it. The committee prefer all evidence to be given in public, but should you at any stage wish to give your evidence, part of your evidence or answers to specific questions in private, you may ask to do so and we will consider your request. I now invite you to make an opening statement, after which we will go to questions.

Mr Fuller—Thank you very much. I will concentrate on the broadband component of the inquiry. It would probably be more appropriate if Neil, being a library staff member, were to talk to you about the impact on online learning. We will divide our time and perhaps straddle those two issues.

I will quickly summarise the University of Wollongong's position on broadband requirements. As you have heard here already from Southern Phone representatives, the University of Wollongong was in some ways instrumental in starting Southern Phone. In our feasibility studies for establishing campuses on the South Coast of New South Wales, we uncovered some of the cost drivers of putting in distributed flexible learning centres, including the would-be telecommunications costs. It was with that that I visited local governments in the area and said, 'Look, I can see what's going to happen here. Either we build our own network'—which the university had already done, to Sydney; we link the main campus here in Wollongong back to Sydney with a 34-megabit microwave link—'or we look around and see perhaps what else we can do.' We had approached Telstra about the provision of services. We use Telstra services now to connect with Bega, Bateman's Bay and Mossvale for our campuses there.

Affordability is the biggest issue. The main point is that universities are drivers of bandwidth use. There is no doubt about that. For both research and learning they are bandwidth hungry. We discovered that, whilst the services to rural centres on the South Coast were reasonable if you were a business or domestic consumer, once you get to the education end of consumption there is an almost exponential increase in bandwidth when you get on that treadmill of providing voice over IP, video streaming and video conferencing. It gets ugly when you start to look at the potential costs. We soon faced the point where we looked at the cost of building a private microwave network. The crossover point for costs came at about 2½ years for us. We could buy Telstra services for 2½ years or we could put in a private network.

We used that decision analysis to put in a private 34-megabit link down to Nowra, which is our main campus on the South Coast, and from that point on we use Telstra services. But on all of our links—both the private and the Telstra services that we use at the moment—we have deliberately and quite severely throttled back the university's use. We do not allow voice over IP or video streaming over our network and we have pulled back from a number of other functions simply because the existing network cannot function with that sort of usage on it nor can we afford it if we are buying it from private providers.

Part of my job after establishing the campuses on the South Coast is now to develop a new innovation campus here in Wollongong, which is seen as probably one of the best regional development initiatives in Wollongong for about the last three decades. It is a large park where we hope to attract a number of new enterprises linked to the university. Part of the requirements for the innovation campus will be a broadband link back to Sydney and we will want to access dark fibre. It has been an interesting exercise.

CHAIR—What type of fibre?

Mr Fuller—Dark fibre is fibre-optic cable which is unlit. It does not have a service provider providing a service; it is just a piece of cable. The university would then put the equipment at either end—

CHAIR—And put the lights in?

Mr Fuller—And put the lights in. This whole area is laden with acronyms and special jargon, and it is difficult to remember that I am not speaking with people familiar with the terminology. But that is basically the university's perspective. We find ourselves always at that sharp end of the wedge when talking about service provision with service providers. They are often reluctant to do a deal with a university because they know that there is no end to it. You always have to put in a Rolls Royce solution when you have only one user. It is a very difficult situation for the service providers to be in. I can appreciate that. It is not the core business of universities to be building private networks, but they are quite often forced into it simply because they have to service the needs of their own community, a growing community. In addition to the campuses that we have in New South Wales, we have a campus in Dubai with 1,000 students. We also have to link them with a broadband connection back to the University of Wollongong. It is now a global enterprise, and we have to think about communications in a global sense. Some of these services we can buy from providers; others we cannot. I will stop there and let Neil speak about the online learning.

Mr Cairns—Filling in what David has been saying, in terms of the library at the University of Wollongong, we are trying to position ourselves to support our students wherever they are. That really means having the bandwidth capabilities there—the connections, the pipes and so on—whether it is overseas or down the South Coast, in particular, where a lot of activity is going on.

I just want to summarise our role in the online environment. The services we provide are essentially to provide and manage access to information resources, both print and electronic, on behalf and for the benefit of our students; to assist our clients in navigating the plethora of information that is available, using indexes, databases, search engines and so on; to identify the

materials they need; and to train our clients in the use of computer software, hardware, indexes and search engines so that they can integrate the information that they find into their own work.

Our role is changing as the education sector is changing, with academic study obviously no longer exclusively conducted within the walls of the traditional library. We cater to a client base which is increasingly off campus. People want to be able to work from home, in between fitting in their commitments to family and so on. Our support role has to change a lot. We are already starting to gear up on behalf of our students and our researchers to build the infrastructure to make all of this work for them—developing the web interfaces, the information portals and the infrastructure, such as authentication methods and directory services—and to provide online help and guidance, if not 24 hours a day, then certainly into those extended time periods when people are studying and wherever they might be. Increasingly, we find that we have to work in different time zones, so we do have to change from operating an information desk or reference desk inside a building to providing people online who can help students navigate through all the stuff that is out there.

The other point about that is that there is so much on the Internet—if you can get onto it—that is not rigorous in terms of its academic value. Increasingly, the role of the librarian is not only having that infrastructure but also being able to make those decisions about what is academically rigorous information. I probably do not need to go into too much more detail. I am happy to answer questions.

CHAIR—You say that universities' core business is not putting in networks. What is the major barrier to you being able to get satisfaction as a customer from Telstra? What do you think is wrong with our system that you have to build your own network?

Mr Fuller—If I can be really frank, it is a lack of vision. Universities are basically building a potential market for them. We are training people to be IT users and to be IT addicts, in a way. Students now learn online. We teach the students a way of life and to be web dependent. To me, it was a rather odd disconnection for Telstra not to be really interested in seeing this as almost a lifeline for them in the future. This is the next generation of Telstra users coming through universities by the thousand.

CHAIR—Are you telling me you cannot understand why Telstra is not doing this?

Mr Fuller—I do not have a reason for it. There have been a number of partnerships with Telstra on research projects, particularly, but it was the provision of the standard services that we were never able to negotiate to our satisfaction.

CHAIR—Standard services?

Mr Fuller—The standard broadband services. We would dearly like to have fibre-optic connections back to Sydney at, say, gigabit speeds, but that is simply not able to be negotiated.

CHAIR—You were not able to say to them, 'The payback period is 2½ years, so it is worth you putting in some investment. The university is going to be here for some time and we are going to be interested in IT for some time'? Still that did not suggest to Telstra that this was a goer?

Mr Fuller—That is correct.

Senator TIERNEY—Has the innovation park actually started, or is it still a concept?

Mr Fuller—We have just about completed the master planning stage and the title of the land has now been transferred to the university, so I would say it has officially started.

Senator TIERNEY—You mentioned the need for higher bandwidth linking back to Sydney. In parts of New South Wales—and I assume it would apply here—the rail network has quite extensive bandwidth dark fibre. Can't you access that?

Mr Fuller—The difficulty with the state Rail Infrastructure Corporation fibre is that, while from Sydney to Waterfall there is what they call a single mode fibre—which is a new and useful type of fibre—from Waterfall through the 20 railway stations down to Wollongong Station there is an old multimode fibre, which is absolutely useless for our purposes; then, from Wollongong through to Kiama there is a new single mode fibre. The part between Waterfall and Wollongong does not exist; there is a missing link.

Senator TIERNEY—They have quite an extensive one up through the Hunter. I think they are up to Tamworth.

Mr Fuller—They have and it is currently being opened up and negotiations are occurring.

Senator TIERNEY—Is the reason for the way they have extended it to Waterfall and no further that the railway line does not lead anywhere past Bomaderry?

Mr Fuller—I think it is largely to do with the fact that the cable from Waterfall down through some tunnels and the escarpment goes through an unstable area. It presented difficulties and it was a more expensive route; it had been costed at something like several million dollars to put in. The state rail corporation probably thought that this was not a prudent venture. I think that would be reasonably well supported by a number of people.

Senator TIERNEY—I suppose it is up to their own planning. Given the size of this city—I understand what you are saying about the geology of the area—it could be possible to extend it. They seem to be putting it up on all their rail networks, which is creating a great alternative for users in places like Newcastle, Armidale and areas like that.

Mr Fuller—We are actively pursuing State Rail to upgrade that link. We are also negotiating with Transgrid, the electricity provider, which also has fibre to Dapto—to south of Wollongong. We are trying to broker a deal between Transgrid as a state owned corporation and the Rail Infrastructure Corporation to connect their fibres so that we can get a link from Sydney to Dapto, back up to Wollongong and across to the university. It is not ideal but it is a start and then hopefully the state Rail Infrastructure Corporation will extend their link so that we have a loop. So we are not inactive but it is not easy.

Senator TIERNEY—Given that state governments have some control over both those, you would not think that it is too difficult to do that.

Mr Fuller—There is an Office of Information Technology within the state government and we have recently had some promising dialogue.

Senator TIERNEY—Good. With regard to the Transgrid network, how far south does that push you?

Mr Fuller—I think it is 16 kilometres south of Wollongong.

Senator TIERNEY—Is that the end of the big transmission towers?

Mr Fuller—Yes.

Senator TIERNEY—If we go back a hundred years to when they were building railways, which I suppose is the early generation of this, they stopped at the Shoalhaven River and never got any further. In the new era we are facing the same sorts of problems. With the library and your extension south, you then move into the Telstra networks. For your external students and for those campuses located further south, how adequate is that capacity? One would assume that if they were sending text assignments in there would not be a great problem.

Mr Cairns—It comes back to what process is in place for people studying at home to have access to the telecommunications network to submit from home while they are doing the study. The university has put in study centres so that there is a focus where you can do your research and have access to the network. The university has a campus at Shoalhaven and we have a library that we run there. You can get to the network, if you have to, to do your submission and so on. Obviously the infrastructure where you can do this from home and can study when you want to be able to study is obviously more attractive. Our students want to be able to work in that mode, and increasingly they work part time.

Senator TIERNEY—Other private providers have come in in other areas of the state—Soul Patterson, for example. They are linked with NBN TV, which is part of the Nine Network as WIN4 is part of the Nine Network here. They are basing their initial network provision into regional and rural Australia on the back of health and education services, and others would add on. I thought they were planning to also come south. Do you know if they have any plans at this stage to move into the South Coast as well as the North Coast?

Mr Fuller—I am not aware of any discussions that have taken place with them at the university. I am aware of the fact that the Illawarra Area Health Service here has recently signed an agreement with a private provider—I think it is Flow Communications—for I think the next four to five years for services.

Senator TIERNEY—Thank you.

Senator LUNDY—You talked about the difficulty students have in accessing the university's services. To what degree is that limiting the university's capacity to grow in the way that you want to grow? If all your students were able to access your services via a half-megabit connection—not even real broadband but a reasonably fast connection—how would that change the university's outlook and what sort of difference would that make to the sorts of services you provide?

Mr Cairns—In terms of delivering what the library delivers to students who can walk into the building, we need to be able to provide exactly the same access to the students who never get inside the building. So I think the short answer is that, for the university to continue to grow and to grow in the modes in which it has already started to head—flexible delivery, study when you need to, fit it in around your commitments and so on—we need to be able to provide across networks exactly those same services that we provide face to face. One of the things that we are starting to look at and wondering whether it is really possible is a live chat reference librarian service so that you come to our web site, you ask a question and you might be guided through using the Internet or the databases that we provide and so on. The help that you can get when you walk into the building we need to be able to give to our students wherever they are. For equity and accessibility it has to be that way. I think we are hamstrung in terms of being able to support our students, who are increasingly all over the place, because we cannot give them the same level of support across the network.

Senator LUNDY—You mentioned the 34-megabit link down to Nowra and also back up to Sydney. For a university that is not a very big link. What do you really need to function properly in this day and age as far as a broadband link goes?

Mr Fuller—Currently, our 34-megabit link to Sydney is at 85 per cent capacity and our link down to Nowra, given the small number of students we have there, is at about 35 per cent capacity. As I said, we have deliberately throttled back.

Senator LUNDY—What is your best case?

Mr Fuller—We could run tomorrow at 155 megabits easily.

Senator LUNDY—155?

Mr Fuller—155, which we could do over microwave. We have the capacity to do that with the existing infrastructure we have. We would just change the dishes around and make them a larger shape and fire the bullets faster. But that still does not serve our needs. It is the research driver that is the interesting one because now what we are finding is that the network of researchers is global. Whilst there is a good infrastructure called GrangeNet, which has the urban universities linked together with CSIRO with a very high-speed link, we are disconnected from it.

Senator LUNDY—I was going to ask you whether you were in the GrangeNet link.

Mr Fuller—No, we are not.

Senator LUNDY—I understood everything south of Brisbane was.

Mr Fuller—We are connected to it but it is like a piece of wet string compared to an urban hub that really hums. We would probably need a gigabit link.

Senator LUNDY—So what is your link with GrangeNet at the moment?

Mr Fuller—It is via our 34-megabit link, which is our only link back up there. We have looked at the possibility of trying to negotiate a fibre link. We believe we would then have the capacity to incrementally upscale our services as we needed them. To date, we have not had a service provider come along and say, ‘Look, we’ll give you a high-speed service to Sydney at a reasonable cost.’ They are just not out there.

Senator LUNDY—You mentioned the research relationship side of what drives the need for that broadband link. Would it be a reasonable observation that, while you only have a 34-megabit link and the university is unable to financially sustain a higher one, you are being constrained in terms of your global reach and integration with the research community?

Mr Fuller—Yes, without a doubt.

Senator LUNDY—In terms of what comes next for you, I take on board your point about your involvement with Southern Phone. This is a two-part question: what are your options, from this point on as a university, to improve the broadband link with your existing campuses and maybe others in the future; and what is your thinking and strategy behind your own capacity as a university to fund that expansion?

Mr Fuller—It is to buy wisely where there are other services available. We are seeing some movement in the market. In a way, Southern Phone will be a stalking horse for others to adjust their prices, if not make them really affordable. There will be an adjustment of prices to the south, we suspect. There is some movement already between Wollongong and Sydney but a lot of it is microwave based, not fibre based. It is hundreds of megabits rather than thousands of megabits. As I said, we are at the pointy end of the wedge, the really big use, so we need it to be at 1,000 megabits per second, at gigabit. There are no other users out there like us, so we are going to have to forge our own way.

We are making an application at the moment through the Department of Education, Science and Training for a systemic infrastructure grant to increase our link back to Sydney, because we see it as our lifeline. It is a short link and, through doing deals with state owned corporations, we can perhaps broker a deal where we could make valuable use of some Commonwealth funds. That is our strategy at the moment. Apart from that, it is a matter of waiting and hoping for better provision from private providers, which is probably not a very prudent strategy at all.

Senator LUNDY—Do you have any observations on the developing reputation of Wollongong as an ICT centre of excellence? How has Nortel’s presence at the university assisted that reputation? Also, what are some of your aspirations in developing this new ICT technology centre innovation park?

Mr Fuller—Without a doubt, my own experience with the Nortel research and development lab has been that they started small. They started in Wollongong because it was the end of a food chain. They needed good staff and we produced them via our students. The relationship was one that was experimental to start with. It built very quickly to 70 and rose to a few hundred staff—I am not sure what their levels are at the moment but my feeling is that they have around 180 staff. They had aspired to grow a lot larger, but a \$US19 billion loss in one quarter has made them rethink some of those expansion plans. At the moment, they are doing well to hold their lab open at Wollongong.

Certainly, the relationship has been a good one. They have taken students from Wollongong. We have done joint research. From all of my conversations with the staff there, they are very happy with Wollongong as a place to work and live. They enjoy a lifestyle that they are unaccustomed to. Nortel chief executives who have come down say that the churn factor of the Wollongong R&D office is the lowest of anywhere in the world. So their staff are satisfied, which means better research, better continuity on the research projects. We are very keen to keep this relationship with Nortel close to the university.

We get inquiries from other IT based companies for a similar arrangement. We cannot cater for them on the main campus, hence the need to grow a new campus, if you like, and try and almost duplicate the services that we have on the main campus but on a beachside location, which we have been fortunate enough to secure. So I think it has a good outlook. It is just a matter of us being prudent and patient in choosing those companies that we feel can work harmoniously with the university and have an obvious link with the university.

Senator LUNDY—And obviously accessing the broadband infrastructure required to encourage and sustain them.

Mr Fuller—It is absolutely crucial.

Senator LUNDY—The fact that their research and development centre prevails in the current global downturn must be a sign of the value that Nortel get from the university. It is a credit to you.

Senator MACKAY—In the interests of time, I will be brief. We were just talking earlier about the role of governments in all of this. One thing that struck me was when you approached Telstra and you were quite surprised that they were not interested, or there was a reluctance in terms of servicing the next generation. Do you think the federal government has got a role in all this?

Mr Fuller—To some extent, I think they do—from a higher education system perspective. It would have probably been prudent for us to position ourselves as a clever country and to ensure that all of our universities had adequate broadband connections and made it a priority to ensure that. There was a good opportunity.

Senator MACKAY—I guess what I am saying is that, as you have a company which is 51 per cent owned by the Australian people and which has 96 per cent of the market, there is a capacity to use that as a lever in assisting educational institutions and also promoting regional development. This is my personal view. I think that that is perhaps not being accessed the way it could. What is your view about that?

Mr Fuller—The federal government has contributed to the building of networks. It has provided the capital to universities to build their own networks. So whether it has been within the power of the federal government or not, I am not sure. All I can tell you is that it has provided universities with the funds to build in their own networks.

Senator MACKAY—In terms of, say, Telstra's attitude, why could the federal government not have a chat to Telstra?

Mr Fuller—I am not the right person to ask.

Senator MACKAY—Why not? What is your view? Why should that not have an educational, social and regional development mandate?

Mr Fuller—As I said, I think there has been a really good opportunity there; perhaps the horse has bolted. In the past, the positioning of the country really could have been enhanced, perhaps, had there been some priorities set around putting in some basic infrastructure.

CHAIR—Thank you very much. It has been very useful.

Committee adjourned at 2.38 p.m.