

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Supplementary Budget Estimates Hearings November 2014
Communications Portfolio
Australian Broadcasting Corporation

Question No: 542

Program No. Australian Broadcasting Corporation
Hansard Ref: Hansard Page 113 (20/11/2014)

Topic: Australia Network - closure

Senator Urquhart asked:

Senator URQUHART: In your speech you also said in relation to the termination of the Australia Network contract:

The challenge was not helped at all by the fact that compensation provided by DFAT for terminating the contract fell short - by more than \$5 million - of the actual costs of termination. I assume that is 'termination' of the contract. Can you provide information on why the compensation did not cover the full costs of termination?

Mr Scott: Let me answer that generally and then provide more detail on notice.

Answer:

Clause 16.2 of the agreement between DFAT and the ABC to run the Australia Network permitted DFAT to terminate the contract for convenience.

Clause 16.3(a) entitled the ABC to recover from DFAT amounts "Legally Committed for Expenditure". In summary, these were defined to be amounts that the ABC was contractually or by law obliged to pay to third parties in connection with the service. This included payments to satellite capacity providers, program providers and redundancy payments to staff.

Clause 16.3(b), included at DFAT's insistence, made the reimbursement obligations subject to the appropriation of funds available to DFAT for the purpose of reimbursing ABC for these costs.

By notice dated 13 May 2014, the ABC was advised of the termination of the contract and the provision of \$10.588 million for both the operation of the service to the date of termination and the reimbursement of amounts legally committed for expenditure. The notice stated that

\$4.588 million was for the operation of the service calculated as a pro rata portion of the annual funding and \$6 million was the remaining amount to reimburse the ABC. This amount was not negotiable and was insufficient to cover all the costs associated with the closure of the service.