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SENATE

ENVIRONMENT, COMMUNICATIONS AND THE ARTS
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

MONDAY, 25 MAY 2009

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BY AUTHORITY OF THE SENATE

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SENATE ENVIRONMENT, COMMUNICATIONS AND THE ARTS**LEGISLATION COMMITTEE****Monday, 25 May 2009**

Members: Senator McEwen (*Chair*), Senator Birmingham (*Deputy Chair*), Senators Ludlam, Lundy, Troeth and Wortley

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ian Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Trood, Williams and Xenophon

Senators in attendance: Senators Abetz, Bilyk, Birmingham, Cormann, McEwen, Fielding, Hutchins, Lundy, Minchin, Ludlam, Troeth and Wortley

Committee met at 9.03 am

BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY PORTFOLIO**In Attendance**

Senator Conroy, Minister for Broadband, Communications and the Digital Economy

Department of Broadband, Communications and the Digital Economy**Executive**

Mr Colin Lyons, Deputy Secretary, Infrastructure

Mr Andy Townend, Deputy Secretary, Broadcasting and Digital Switchover

Mr Abul Rizvi, Deputy Secretary, Digital Economy and Services

Corporate and Business

Mr Richard Oliver, First Assistant Secretary, Corporate and Business Division

Legal

Mr Don Markus, General Counsel, Legal Group

Finance and Budgets

Mr Simon Ash, Chief Financial Officer, Finance and Budgets Group

Broadband

Mr Simon Bryant, Acting First Assistant Secretary, Broadband Division

National Broadband Network Implementation

Mr Richard Windeyer, Acting First Assistant Secretary, National Broadband Network Implementation Division

Ms Marianne King, First Assistant Secretary, National Broadband Network Implementation Division

Mr Mark Heazlett, Assistant Secretary, National Broadband Network Implementation Division

Network Policy and Regulation

Ms Pip Spence, First Assistant Secretary, Network Policy and Regulation Division

Mr Philip Mason, Assistant Secretary, Network Policy and Regulation Division

Mr Brenton Thomas, Assistant Secretary, Network Policy and Regulation Division

Telecommunications, Network Regulation and Australia Post

Mr Keith Besgrove, First Assistant Secretary, Telecommunications, Network Regulation and Australia Post Division

Ms Sabeena Oberoi, Assistant Secretary, Communication Security Branch

Mr Richard Desmond, Acting Assistant Secretary, International Branch

Ms Sue McIntosh, Acting Assistant Secretary, Consumer Protection and Australia Post Branch

Regional Strategy, Digital Economy and Research

Mr James Cameron, First Assistant Secretary, Regional Strategy, Digital Economy and Research Division

Broadcasting and Content

Dr Simon Pelling, First Assistant Secretary, Broadcasting and Content Division

Mr Simon Cordina, Assistant Secretary, Broadcasting and Content Division

Mr Lachlann Paterson, Assistant Secretary, Broadcasting and Content Division

Mr Gordon Neil, Assistant Secretary, Broadcasting and Content Division

Mr Greg Cox, Assistant Secretary, Broadcasting and Content Division

Ms Ann Campton, Assistant Secretary, Broadcasting and Content Division

Digital Switchover Taskforce

Mr Robert McMahon, Assistant Secretary, Communication, DST

Mr Paul Vincent, Assistant Secretary, Program Management and Coordination, DST

Ms Barbara Grundy, Assistant Secretary, Communication, DST

Agencies**Australia Post**

Mr Jim Marshall, Acting Managing Director

Mr Michael McCloskey, Corporate Secretary

Mr Peter Meehan, Chief Finance Officer

Mr Bill Mitchell, General Manager, Commercial

Mr Don Newman, Acting Group Manager, National Logistics

Ms Catherine Walsh, Acting Group Manager, Corporate Human Resources

Mr Stephen Walter, Group Manager, Corporate Public Affairs

Ms Christine Corbett, Manager, Strategy, Governance and Major Change

Australian Communications and Media Authority

Mr Chris Chapman, Chairman

Mr Chris Cheah, Member and Acting Deputy Chair

Ms Maureen Cahill, Acting General Manager, Convergence and Coordination Division

Ms Nerida O'Loughlin, General Manager, Industry Outputs Division

Ms Claire O'Reilly, Acting General Manager, Legal Services Division

Ms Dianne Carlos, General Manager, Corporate Services Division

Mr Giles Tanner, General Manager, Inputs to Industry Division

Ms Andree Wright, Executive Manager, Industry Outputs Division

Mr Paul White, Executive Manager, Industry Outputs Division
Mr Derek Ambrose, Executive Manager, Corporate Services Division
Mr Vince Humphries, Section Manager, Industry Outputs Division

Australian Broadcasting Corporation

Mr Mark Scott, Managing Director
Mr David Pendleton, Chief Operating Officer
Mr Murray Green, Director, International, Corporate Strategy and Governance

Special Broadcasting Service Corporation (SBS)

Mr Shaun Brown, Managing Director
Mr Jonathon Torpy, Chief Financial Officer
Mr Bruce Meagher, Director, Strategy and Communications
Mr Paul Broderick, Director, Technology and Distribution

CHAIR (Senator McEwen)—Good morning, everybody. I declare open this public hearing of the Senate Environment, Communications and the Arts Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2009-10 for the portfolios of Broadband, Communications and the Digital Economy and Environment, Water, Heritage and the Arts and other related documents. The committee must report to the Senate on 23 June 2009. The committee has set Friday, 31 July 2009, as the date by which answers to questions on notice are to be returned. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice.

Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance on this matter, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate, of 13 May 2009, specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*:

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

- (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
- (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
- (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
- (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
- (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).
 - (d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

CHAIR—The committee will begin proceedings with the examination of the Broadband, Communications and the Digital Economy portfolio commencing with Australia Post and will then follow the order as set out in the circulated program.

I welcome, Senator the Hon. Stephen Conroy, Minister for Broadband Communications and the Digital Economy—the departmental secretary, Ms Scott, is not here—and other portfolio officers. Minister, would you like to make an opening statement?

Senator Conroy—Not at this stage.

CHAIR—I now call officers from Australia Post. Does anybody wish to make an opening statement? If not, we will go straight to questions for officers of Australia Post. Senator Abetz.

Senator ABETZ—Minister, can you tell me is that vacant chair there for the secretary of the department or for the managing director of Australia Post?

Senator Conroy—It does not have a name tag on it.

Senator ABETZ—Or for both?

Senator Conroy—It does not have a name tag on it, so I am not absolutely sure, Senator Abetz. I am sure Ms Scott will be along presently. She has many pressing duties to deal with at the moment.

Senator ABETZ—Trying to fix up your national broadband network I could imagine would take some time. First of all, can Australia Post confirm that Australia Post did deliver a letter to the managing director of Australia Post about appearances at Senate estimates?

Mr McCloskey—I think the letter to which you refer is the one of April 2008 that was addressed to me. As in the answers to the questions on notice at the last hearing, I can confirm that that letter was received.

Senator ABETZ—Good, so Australia Post did deliver but it looks as though the reading of the letter has not—

Senator Conroy—Was it in your handwriting?

Senator ABETZ—has not seen the appearance of the managing director. Undoubtedly, he is on overseas business?

Mr McCloskey—The managing director is on a business trip to China at the moment, at the invitation of the Chinese postal authorities. Mr Marshall, who is on my right here, is the acting managing director.

Senator MINCHIN—Why is Mr Marshall described as the acting managing director?

Mr McCloskey—Because the managing director is overseas and when the managing director is abroad or unavailable, then there is an acting managing director appointed.

Senator MINCHIN—Whenever Mr John goes overseas, Mr Marshall becomes the acting managing director?

Mr McCloskey—That is correct, yes.

Senator MINCHIN—And assumes all the rights and responsibilities in the absence of Mr John?

Mr McCloskey—That is correct.

Senator ABETZ—It is a bit like Kevin and Julia.

Mr McCloskey—As provided for under the legislation.

Senator MINCHIN—Sorry to come in on this, but is it Mr John's position that he does not believe that he needs to appear at estimates? Why would he schedule a trip to clash with estimates?

Mr McCloskey—He did not schedule his trip, Senator. He is there at the invitation of the Chinese postal authorities. We have a joint venture company with China Post called Sai Cheng Logistics International, which has now been working for about three or four years. There have been some changes that have been passed through the Chinese system for the Chinese postal legislation and there are opportunities, it seems, that may be available to Sai Cheng as a result of those changes which will come into effect in October of this year. Mr John is in China to discuss with the Chinese postal authorities, with the Chinese postal regulator and with executives of Sai Cheng what those opportunities might be.

Senator MINCHIN—Could I ask what endeavours were made by Australia Post to rearrange the visit to China with the Chinese authorities to enable Mr John to be here today?

Mr McCloskey—There were not any particular efforts made. The timing was at the behest of the Chinese. There is a particularly important meeting coming up in July of what is called the Kahala Post Group, which is an alliance of Asia Pacific postal administrations, which also now includes the UK, France and Spain. Some of those countries have been expressing an interest in taking an equity position in or becoming involved in the Sai Cheng joint venture that we have with China Post. Mr John is in China basically to find out exactly the commercial potential for Sai Cheng arising out of the changes in Chinese postal legislation so that can be taken into account in the discussions that he will be having in July at the next meeting of the Kahala Post Group.

Senator ABETZ—And he could not find that out tomorrow; he had to find that out today?

Mr McCloskey—Yes, Senator.

Senator ABETZ—Please, Mr McCloskey, this is about matters in July, with a meeting in October, two months and five months away, and you are telling us that Mr John had to be in China today as opposed to tomorrow or the next—

Mr McCloskey—He was invited by the Chinese postal authorities.

Senator ABETZ—Have you ever declined an invitation in your life, Mr McCloskey, because other important issues were at stake?

Mr Marshall—The regulatory changes that we are talking about are quite fundamental to the business that we are engaged in and there will be, and is, a lot of interest around the world in what it means for commerce in China in the logistics industry.

Senator ABETZ—I am sure all that is right, Mr Marshall. Can you tell us when he left for China and when is he coming back from China?

Mr Marshall—My understanding is he left over the weekend. He will be in back in time for the Australia Post board meeting on Thursday. He will be reporting back to the board the outcome of the discussions he has had with the senior China Post officials and the Chinese regulators.

Senator ABETZ—Why could he not have gone last week?

Mr Marshall—He was not invited last week and people were not available last week.

Senator ABETZ—But why was he not able to say to them, ‘The suggested dates don’t suit because I’ve got Senate estimates’? First of all, Australia Post did not get the letter, then they did not understand the letter. When they finally acknowledge that they did get the letter and understood the letter, the managing director is now overseas. I am just wondering what the excuse is going to be next time because you are fast running out of them.

Mr McCloskey—I think that is a rhetorical question, Senator.

Senator ABETZ—It seems to me that no effort was made in any way, shape or form by the managing director to have himself at these estimates. As soon as an invitation was received, he took it, without seeking to make any arrangement that would have allowed him to both go to China and appear at these Senate estimates.

Mr McCloskey—I think you are—

Senator ABETZ—I am just astounded that that is the attitude that Australia Post has.

Senator Conroy—No, I think that is your opinion, Senator Abetz. It is not actually factual.

Senator ABETZ—What?

Senator Conroy—You just talked about their—

Senator ABETZ—Mr John made no attempt—

Senator Conroy—No, I said—

Senator ABETZ—according to Mr Mc McCloskey, to change the timetable.

Senator Conroy—I said that what was your opinion, Senator Abetz, was your reference to arrogance, or, sorry, the attitude of Australia Post.

Senator ABETZ—Attitude, yes.

Senator Conroy—That is an opinion. Mr Johns, I am sure, will be available with proper notice if the committee wants him for the next Senate estimate hearings. It is just an unfortunate clash of timing, but China business is very important to Australia Post. I think your points are well made. They were not ever made during the 11½ years that you were on this side of the chair and Mr Johns never turned up for estimates in any of the time that I was on that side of the chair, Mr Abetz.

Senator ABETZ—He was not asked for.

Senator Conroy—The point that you make about the availability is a valid one.

Senator LUNDY—Just make it up as you go along, Senator Abetz.

Senator ABETZ—Well, he was not.

Senator MINCHIN—Could I just ask you if Mr Johns wrote to the chairman of the committee indicating his regret that he would be unable to attend and indicating that Mr Marshall would be attending? Was there any such courtesy paid to the committee?

Mr McCloskey—No, Senator, we amended the witness list to add Mr Marshall as acting managing director and we advised the department of that a couple of weeks ago.

Senator MINCHIN—I would humbly suggest that, in future, it might be a good idea to pay the committee the courtesy of indicating by way of correspondence Mr Johns' enthusiasm for being at these estimates but regrettably this business in China prevented him attending. I think that would go a long way to ensuring good relations between the committee and Australia Post.

Mr McCloskey—I should have done that, Senator, on reflection, but did not think of it; I am sorry.

CHAIR—A very valid point, Senator Minchin.

Senator ABETZ—There was some discussion at the last Senate estimates, and I would have thought it would not have come as a surprise to you, Mr McCloskey, that there would have been some interest in having the managing director here after our last exchange. To simply notify us by way of a change in the list of witnesses is, I would have thought—let us put it politely—not best practice.

CHAIR—I think Senator Minchin has put it far better than you have, Senator Abetz.

Senator ABETZ—I am sure he has; that is why he is the leader. Can I ask whether Australia Post believes there is a strong link between the sending of letters and the health of the economy?

Senator Conroy—That is asking for an opinion.

Senator ABETZ—Funny that you should laugh, because I have a statement in front of me that tells me that a spokeswoman for Australia Post said that there was a strong link between the sending of letters and the health of the economy. Would you like to laugh again, Minister, or just not interrupt?

Senator Conroy—If you want to ask a question—

Senator ABETZ—This is the official statement from Australia Post, and we are not allowed to ask questions about it.

Senator Conroy—If you would like to ask a question, please do.

Senator ABETZ—Operation Sunlight is in fine form, isn't it, Senator Conroy?

Senator Conroy—I am inviting you to ask a question.

Senator ABETZ—Can I ask: is it Australia Post's view that there is a strong link between the sending of letters and the health of the economy?

Mr Marshall—Senator, the letter business has a number of elements to it.

Senator ABETZ—Yes we know, but can I have an answer?

Mr Marshall—Excuse me?

Senator ABETZ—Can I have an answer?

Mr Marshall—I am attempting to answer the question, Senator.

Senator Conroy—If you could let him get more than ten seconds into his answer, Senator Abetz—

Mr Marshall—The particular parts of the letter business that have recently been affected in volume for a range of reasons are those relating to direct marketing and those that come particularly from the consumer market. The consumer market has been in decline for many years. We have seen some up-tick in that decline. The direct mail market is driven basically by the advertising budgets of large companies. We have seen, as senators would know, a decline in that across the whole of the advertising market in recent times; we are no exception to that.

Senator ABETZ—Is the answer yes or no?

Mr Marshall—There is a partial link which I have just described and, in other respects, we have seen the letter business holding on in the current economic climate. So, the answer is both yes and no, Senator.

Senator ABETZ—That is a very helpful answer and people will be very interested to hear that, but you indicated to us that there was a partial link, whereas your spokesman, Nadine

Lyford, if I pronounce her name correctly, said there was a strong link. Is it a strong link or a partial link?

Mr Marshall—Senator, I have described the different parts of the letter business that we engage in. What I was trying to explain is that different parts of that business have different degrees of correlation to the level of economic activity at the time.

Senator ABETZ—Yes, I know that. Is there a strong link between the sending of letters and the health of the economy—yes or no?

Mr Marshall—There is a link.

Senator ABETZ—Is it a strong link?

Mr Marshall—I think—

Senator ABETZ—It is the words of Australia Post's spokeswoman; it is not a trick question by me. I just want confirmation that Australia Post were of that view. It now seems that this poor spokeswoman is undoubtedly going to be brought in for some counselling because you have difficulty with this.

Mr Marshall—I have no difficulty with it, Senator. I am simply trying to explain that different parts of that business operate in different ways and react to the market in different ways. That is all I am trying to explain.

Senator ABETZ—Yes, but is it a strong link or not?

Mr Marshall—In parts of it, yes; in parts of the letter business, yes. We have had trend lines in the letter business that have been going on for years and that are showing signs of weakness and have done for 20 years.

Senator ABETZ—I am not going to get an answer on that. Next time, then, can you ensure that Australia Post's public statements are in fact able to be supported at estimates by the acting general manager? Can I ask whether there has been a three percent downturn this financial year in domestic volumes?

Mr Marshall—Yes, Senator. The position that we expect this year is a decline of about 3.8 per cent.

Senator ABETZ—So, even all the mail-outs of Mr Rudd's cheques have not helped to lift that and stimulate the figures?

CHAIR—I think that was more of an opinion, Senator.

Senator ABETZ—No. This has been a massive mail-out that would boost the figures.

CHAIR—Perhaps if you tighten up your question, I think the officer may be able to give you a full answer.

Senator ABETZ—Has Mr Rudd's mail-out of cheques, the \$900 cash splash, been of assistance to Australia Post's bottom line?

Mr Marshall—The simple answer to that is, yes, Senator.

Senator ABETZ—Good. It is nice to know that we can get some yes and no answers. Can I ask a question in relation to Hobart, which is a very important matter? I have been told that

the Hobart GPO is no longer being designated as a GPO. Does anybody at the table know anything about that? Could you take that on notice for me? There has been correspondence to the Premier of Tasmania, the Lord Mayor of Hobart and a number of other persons, including me, suggesting that Australia Post has removed the nomenclature of GPO boxes from the Hobart City location. This person claims they visited your website, which seems to verify this alteration to the operations—that is, the removal of Hobart from this listing or that the alteration of Hobart mail boxes be referred to as no longer being located at a GPO. I was not expecting that you would necessarily have a brief on that so could you take that on notice.

Mr Marshall—We will confirm all those arrangements on notice.

Senator ABETZ—Thank you very much. Another matter is the issue of whether or not there will be a mail service to Scamander and Beaumaris in the north-east of Tasmania. Is anyone aware of that?

Mr McCloskey—Yes, Senator, I think I have some information on that.

Senator ABETZ—Excellent.

Mr McCloskey—We polled the local community in Beaumaris a couple of months ago. The outcome of that was that the community actively supported a change in the local delivery arrangements so that we will be introducing a roadside delivery or a to-the-property delivery in the next couple of months.

Senator ABETZ—A big tick for Australia Post. Thank you very much for that, because my constituent told me that Australia Post had advised parliamentarians so this constituent busily rang parliamentarians, but nobody—Liberal, Labor or Green—happened to know anything about this. This was from an Australia Post official, but we have now heard at estimates that roadside delivery will occur. So a local campaign has done well. Thank you for that; a number of people will be very pleased with that. I did have a number of questions for the managing director, but allow me to start, possibly, with the Licensee Advisory Council. How many full-time Australia Post staff work on LAC matters? Do we know that? If not, take it on notice.

Mr Mitchell—I do not have the exact number of people who work in the LAC. It would be a very small number of people.

Senator ABETZ—Given that, I have got a number of questions that I will now place on notice. Has Australia Post engaged any consultants to work on LAC related matters?

Mr Mitchell—To my knowledge, no, not recently.

Senator ABETZ—I might place that one on notice then as well, just to check up on that. Is the Australia Post LAC a wholly owned subsidiary of Australia Post?

Mr Mitchell—I would have to take the corporate status of the Licensee Advisory Council on notice, if I could, Senator?

Senator ABETZ—Yes.

Mr Mitchell—It is a body of elected representatives. We draw elected representatives from each state and they meet quarterly. My latest information is that about 1,135 licensees are

members of the Licensee Advisory Council. In terms of the corporate status of the entity, I would have to take it on notice.

Senator ABETZ—Can you tell us how often the elections are held and what the total cost of elections was in 2008? Is the LAC only made up of licensees or does Australia Post have a few of its own personnel on the LAC as well?

Mr Mitchell—Australia Post does have some of its officers on that body.

Senator ABETZ—Where is the weight of numbers—is it in favour of licensees or Australia Post?

Mr Mitchell—I believe it is in favour of the licensees but I would have to take it on notice and confirm those numbers for you, Senator.

Senator ABETZ—If you could, that would be very helpful. Is the term ‘director’ an appropriate term to use in relation to the LAC?

Mr Mitchell—Yes.

Senator ABETZ—What role do the directors have in relation to compliance monitoring, performance and those sorts of things?

Mr Mitchell—The Licensee Advisory Council’s principal reason for being is to meet with Australia Post as part of that overall body for the purpose of advancing business opportunities between the parties. We would also use that forum to test new initiatives and to seek advice from the Licensee Advisory Council in relation to new products and services that may be being contemplated for release into the market.

Senator ABETZ—Rather than you being in danger of missing something out, if you could possibly take that question on notice and set it all out because it does sound quite detailed.

Mr Mitchell—I would be happy to do that.

Senator ABETZ—I thank you for that. Are the directors paid a fee?

Mr Mitchell—No, I do not believe so, but I will confirm that.

Senator ABETZ—What about their costs?

Mr Mitchell—The costs of the operation of the Licensee Advisory Council are borne by Australia Post.

Senator ABETZ—Excuse me, could you say that again, I did not make myself clear. I understand the directors come together at meetings?

Mr Mitchell—Yes.

Senator ABETZ—Does Australia Post or LAC pay for them to travel to wherever they meet?

Mr Mitchell—Australia Post meets all the travel and accommodation costs of the members.

Senator ABETZ—All the travel and accommodation costs?

Mr Mitchell—All the travel and accommodation costs of the Licensee Advisory Council members, that is correct.

Senator ABETZ—I understand that Australia Post holds annual conferences in each state for licensees; is that correct?

Mr Mitchell—That is correct.

Senator ABETZ—Are you going to hold those conferences again in every state this year?

Mr Mitchell—I cannot answer that question. I am not sure. I would have to check that for you.

Senator ABETZ—If you would take that on notice, I would be obliged. In relation to Express Post late delivery, I understand that if the bag or the article is not delivered within the 24 hours then the customer is given a free bag; is that right?

Mr McCloskey—That is correct. It is guaranteed next day delivery and the guarantee—

Senator ABETZ—It is guaranteed next day delivery—

Mr McCloskey—The guarantee is that if we fail then, yes, there will be a replacement envelope or satchel, depending on—

Senator ABETZ—As a result, a lot of the licensees and agents have to make special trips to guarantee the next day service; is that correct? If a plane gets in late and the mail contractor does the mail run and gets back to the base and there is a next day delivery satchel there because the plane was late then the agent or licensee has to make an extra trip out to that destination; is that correct?

Mr Mitchell—I am not sure whether we require the licensee to do that, but I would suspect, knowing the licensees as I do, that many of them would.

Senator ABETZ—Who pays for that extra cost for the licensee to undertake that extra run?

Mr Mitchell—That would be borne by the licensee.

Senator ABETZ—To maintain Australia Post's reputation? Are you looking at ensuring that they are compensated? Because for some of these licensees it would be cheaper for them to buy an Express Post bag and give it to the customer rather than doing the run. Do you get the point I am trying to make on their behalf?

Mr Mitchell—I understand where you are coming from.

Senator ABETZ—If you could look into that, I would be obliged. I have also been told that you can send quite hefty parcels via Australia Post and that Australia Post has a policy that any item that is over 16 kilogram is designated as a two-person lift; is that correct? First of all, for over 16 kilogram do you need two people to lift it?

Mr Mitchell—Yes, that is correct.

Senator ABETZ—If that gets sent from a GPO somewhere where they have more than enough personnel then that is all good, but what happens when that then arrives at a one-person licensee office? What provision does Australia Post make for there to be two persons to lift this 16-plus kilogram article? I did ask how on earth would somebody be sending 16 kilograms worth of materials through Australia Post and I was given an example, believe it or not, of somebody sending two concrete mixers via Australia Post. Thank goodness they did

not try to fit it into the letterbox! Quite heavy items are in fact being sent via Australia Post. How do you look after the licensees and agencies that only have one person operating them when such heavy items are delivered?

Mr Mitchell—I can attempt to answer that for you. The handling of what we call overweight articles is mainly associated with contract customers—these are the small business to large business type customers. We are quite selective in the type of product that we handle through our mail stream. We put it through various tests of compatibility with our network. Sometimes parcels comply with the requirements of our network but they are overweight and we designate those parcels as a two-man lift. We do try to minimise those parcels into our network. Around September last year we trialled a new method of delivery called Australia Post Safe Drop Parcel Delivery. This enables a parcel contractor to leave a parcel at the address if he goes through certain processes and deems it safe to do so.

One of the outcomes of that is that we reduce the number of parcels that are carted to a post office. A specific objective of the corporation is to try and achieve first delivery, or delivery on the first attempt, as often as we can. That does not catch all of the parcels, of course, and we work with the network and with the various Australia Post people on behalf of licensees to try and deal with each of those cases on a case-by-case basis. There is no blanket answer to the question, but where we become aware of issues we try to deal with them.

Senator ABETZ—You are aware of the concerns and you are trying to address them and I am sure that will provide some degree of comfort to those who have raised those issues with me. Can I ask a question in relation to another topic: insurance brokers. Australia Post has an arrangement with two insurance brokers, is it, to promote insurance services to licensees or mail contractors?

Mr Mitchell—I would have to take that on notice, Senator.

Senator ABETZ—I have got a few other questions along that line that I will put on notice as well. I asked some questions about delivery points, question number 180 last time, and, given time constraints, be prepared that I will be asking again because I do not think the answer was as specific as I wanted. I will also be asking in relation to dog attacks, which is a regular issue, what is meant by ‘appropriately followed up’? Do we have a definition of what is meant by that? That is in relation to question number 182 that I asked last time. You said that these dog attacks are appropriately followed up but that does not really tell me much at all. When I ask about how they are followed up, I am told they are appropriately followed up.

Mr Newman—Senator, my name is Don Newman. I am the acting group manager of national logistics.

Senator ABETZ—Do you move up one because Mr Marshall moved up one, or not?

Mr Newman—No. I have been in this position for some time. The appropriate follow-up would depend on the circumstance. For example, most dog attacks need to be reported to the council and in some cases to other authorities. The follow-up action is to make sure that that dog threat is no longer there at the place where it occurred. We have a variety of techniques that we can use to do that. For example, communication with the owner of the dog is one; working with the council to get the animal under control and using their various bylaws is another.

Senator ABETZ—Mr Newman, I thank you for all that information and could I invite you to set all that out for us in a more detailed answer—

Mr Newman—Certainly.

Senator ABETZ—to explain what ‘appropriately followed up’ means. I think, once again, that will provide some comfort to the people who have asked me to ask these questions. Thank you for that. I understand Australia Post has moved or is moving to new headquarters?

Mr Marshall—That is correct.

Senator ABETZ—It has moved?

Mr Marshall—No, it has not yet.

Senator ABETZ—When is Australia Post moving?

Mr Marshall—We are moving over a period of time in a few months.

Senator ABETZ—Has the move started?

Mr Marshall—Not to my knowledge, no.

Senator ABETZ—When is it going to start? I understand it is going to happen earlier than originally anticipated.

Mr Marshall—No.

Senator ABETZ—No?

Mr Marshall—We are anticipating the move occurring in the October-November period and perhaps a little beyond that.

Senator ABETZ—There will be no moving ahead of schedule?

Mr Marshall—No.

Senator ABETZ—So there will not be any dead rent left on 321 Exhibition Street?

Mr Marshall—That is my understanding.

Senator ABETZ—Thank you for that.

Senator MINCHIN—Pardon my ignorance. Could you remind us why you are moving?

Mr Marshall—It is essentially a commercial decision. We have been in the current building for some 18 years or thereabouts.

Senator MINCHIN—Eighteen years?

Mr Marshall—Eighteen years or thereabouts. The building is in need of refurbishment by the owners. The building has changed hands a number of times in that period of time. Some time ago we made a commercial decision that we needed to change location. We had an opportunity to take the building that was on the drawing board at the time a couple of street blocks away in Melbourne, so we took that opportunity in preference to staying in the building and essentially being in a substandard situation for some time. The commercial arrangements, I understand, are quite attractive.

Senator MINCHIN—Does that mean you will be paying more in rent than you currently pay for the same office space? Are you getting more space? Are you paying at the same rate?

Mr Marshall—I do not have all the rent details. I can tell you that the new building will bring together all of our staff in the Melbourne CBD area whereas we occupy other—

Senator MINCHIN—So you are exiting other rental space as well?

Mr Marshall—Yes, we occupy a number of different buildings at the moment around Melbourne, usually in a fairly fragmented way. We are collecting all of our people together in one place with the exception of our IT nerve centre, if you like, in Roslyn Street in West Melbourne together with our shared service centre, which operates with that IT centre. It is also part of the strategy to bring the people back together again in one single building.

Senator MINCHIN—Have you signed a lease for the new place?

Mr Marshall—Yes.

Senator MINCHIN—I would be interested in seeing the details of the rentals that you currently pay for the disparate properties and what you will be paying in the new premises and the relevant size.

Mr Marshall—We can provide those details on notice.

Mr McCloskey—We have provided information previously on the rental in the new building on notice.

Senator ABETZ—It is \$172 million over 10 years?

Mr McCloskey—It is \$14.7 million a year. We were asked how much we expected it to be over a 10-year period with increases and, that is right, Senator Abetz, it was \$172 million.

Senator ABETZ—And the fit-out was \$70 million?

Mr McCloskey—The fit-out is \$70 million; that is correct.

Senator ABETZ—Is that still on budget?

Mr McCloskey—My understanding is that it is.

Senator ABETZ—Well done.

Senator MINCHIN—I would just like to see the comparison between that and what you would have been paying if you had renewed and stayed where you are for the equivalent.

Mr McCloskey—Certainly.

Senator Conroy—It is a little hard to speculate on a figure like that with what you are currently paying.

Senator ABETZ—Just tell us that the landlord is not John Curtin House Ltd.

Senator Conroy—I am sure we can confirm that to be the case, Senator Abetz.

Senator ABETZ—Good, thank you, Minister. In relation to Australia Post's financial position, have you reassessed your likely profit in light of the prevailing economic circumstances? I assume the answer to that is yes.

Mr Meehan—Yes, we have reassessed our profitability going forward. As you would understand, like our counterparts overseas, Australia Post has not been immune to the effects of the global financial crisis. As mentioned before, we are experiencing real decline in letters

volumes which has a direct impact on our profitability. Equally, after many years of exceptional growth, the parcel volumes are expected to decline this year by about 0.9 per cent. With this, combined with a number of items that are outside of our control—for example, in regard to bond rate movements, which has affected our provisioning by in excess of \$60 million—we would expect our profit this year to be down 40 per cent against our original expectations.

Senator MINCHIN—That is for 2008-09?

Mr Meehan—Yes, 2008-09.

Senator MINCHIN—Forty per cent down?

Mr Meehan—Yes.

Senator ABETZ—Is the government still seeking a special dividend out of Australia Post?

Mr Meehan—No more than the \$150 million that has always been provided for.

Senator ABETZ—For how long has a special dividend been paid by Australia Post to the government?

Mr Meehan—On several occasions over the years.

Senator ABETZ—Has the rate of those special dividends been the same?

Mr Meehan—The amounts of special dividends have varied from time to time. The one we were asked for most recently, in the prior budget, was an extra \$150 million, which we will still be paying at the end of this financial year.

Senator ABETZ—Are we in the same financial year for that?

Mr Meehan—No, it is overlapping. Most of that dividend is payable out of last year's profit, which as you will recall was a record profit for Australia Post. The significant amount of that is last year's—

Senator ABETZ—The Howard government left you in very good shape.

Senator MINCHIN—You will pay most of that \$150 million out of 2007-08?

Mr Meehan—Certainly.

Mr McCloskey—It is \$111 million from out of 2007-08 profits. The balance is out of an interim dividend declared back in February of this year.

Senator BIRMINGHAM—Was that \$150 million or \$111 million the sum total of dividend paid to government or a special dividend over and above your normal dividend?

Mr McCloskey—It was a special dividend over and above the normal that would be paid. The normal is paid at 75 per cent payout ratio of after tax profits.

Senator MINCHIN—On this dividend issue, the budget papers refer to an 2008-09 expectation of \$427.8 million. Is that correct?

Mr McCloskey—That is correct.

Senator MINCHIN—That includes this part of this \$40-odd million?

Mr McCloskey—Correct. That is the amount that will have been paid in the course of this financial year. The bulk of it will have been declared out of last year's final profits and some of it out of this year's interim.

Senator MINCHIN—Are you able to give an indication of what the expectation is in terms of retained earnings for 2008-09, having paid that dividend?

Mr Meehan—It will enable us to have enough retained earnings to manage the business successfully.

Senator MINCHIN—You declare that somewhere, do you?

Mr Meehan—You would be aware that we need to go through a process with the board to assess that we have significant cash reserves to run the business before such dividends can be paid.

Senator MINCHIN—But you have not sought, in the face of a 40 per cent decline, to renegotiate with the government the dividend payment for 2008-09?

Mr Meehan—No. We have done a lot of work on cash flow over that period and determined that we can still pay that dividend.

Senator ABETZ—What work have you done on the cash flow? Are you liquidating assets, are you going to downsize the workforce? What work have you done?

Mr Meehan—Significantly, we have looked at a lot of exercises within Post to download our capital expenditure. We have put limits on capital. This would have happened regardless of the dividend based on the economic circumstances. We still have a major capital program going over the next two or three years of about \$300 million per annum and we believe, under the figures that we have got forecast, that we can afford that.

Senator ABETZ—Does that include your vehicle fleet?

Mr Meehan—Yes, it does.

Senator ABETZ—Are you going to extend the lifetime of the vehicles that you have? I understand you keep them for five years. Is that correct?

Mr Meehan—That is correct. Where it is appropriate, we have reviewed lives of vehicles, but we will not put staff at risk. If we believe that the vehicle should be replaced in a certain time frame, that is what we will do.

Senator ABETZ—But there is the possibility of extending it beyond the five years. A lot of Australian cars are older than five years and I do not think they would be putting people at risk.

Mr Meehan—We are looking at all those options, and in some cases that may happen.

Senator ABETZ—You have a requirement for licensees and agents that they have vehicles that are not over five years of age. Is that right? If you do not know, take it on notice.

Mr Meehan—I cannot answer that.

Senator ABETZ—Just let me know if that assertion is correct. I am going from memory on that, if you can let me know how that would dovetail in.

Mr Meehan—Certainly we get useful lives out of all our assets.

Mr Mitchell—To my knowledge, we have no requirement upon licensees to have a motor vehicle for the purposes of operating their shop. Some people who work out of licensee premises who deliver mail may have a requirement.

Senator ABETZ—Thank you for that. Who sets the directors fees for Australia Post?

Mr McCloskey—They are determined by the Remuneration Tribunal, Senator.

Senator ABETZ—What about bonuses for directors? Are any bonuses paid for directors?

Mr McCloskey—No, there are no bonuses paid to directors.

Senator ABETZ—What about senior managers?

Mr McCloskey—Senior managers are eligible for bonus payments.

Senator ABETZ—Including the managing director?

Mr McCloskey—Including the managing director.

Senator ABETZ—He is eligible for a bonus.

Mr McCloskey—Yes.

Senator ABETZ—Has he been paid a bonus?

Mr McCloskey—Yes.

Senator ABETZ—How big was that?

Senator MINCHIN—And when?

Mr McCloskey—It is in our annual report each year.

Senator ABETZ—Is it \$1 million or something? Was it a sizeable sum?

Mr McCloskey—For 2007-08 the managing director received a cash bonus of \$1.064 million.

Senator ABETZ—Who determined that bonus—the board?

Mr McCloskey—It is determined by the board. The managing director's remuneration is determined by the board within parameters that have been approved by the Remuneration Tribunal.

Senator ABETZ—Undoubtedly, Mr Meehan, as you are looking at ways to make savings et cetera in relation to the 40 per cent reduction that you have been talking about, I daresay that might be one area that might receive some attention.

Mr Meehan—That is not for me to decide.

Senator ABETZ—Fair enough. I take Senator Birmingham's suggestion for the Remuneration Tribunal or whoever sets the parameters for these bonuses that one of the KPIs could be attendance at Senate estimates. Does Australia Post self-insure and, if so, in what areas?

Mr Meehan—Yes, we do. We self-insure in the way of workers compensation. We also self-insure deductible in regard to our major insurance policies for risk and for liability, which

are insured through Lloyd's of London. In many cases we have a \$10 million deductible, which enables us, because we have not had any claims in the past, to maintain a good relationship with the underwriters and to maintain good premiums.

Senator BILYK—I read in the Hobart *Mercury* last Friday that 13 staff are going to be sacked from Australia Post's Tasmanian call centre. That is part of what the staff union estimate will be nearly 300 people that may be affected by a move by Australia Post to shut down centres across four states. It is not just Tasmania, but my specific interest at the moment is in regard to Tasmania. Can you tell me not the full-time equivalents but the actual number of people to be affected by this move to shut down the Hobart site? What are the dates for this to take place? What arrangements have been put in place to cover these job losses? I wonder if part of the \$1.046 million bonus is related to saving money by cutting jobs.

Mr Mitchell—Allow me to provide some background to the decision you are referring to. We had an extensive review of our customer contact centre network across Australia and we have decided to rationalise our current six-contact-centre network down to two. Those sites nationally will be located in Brisbane and in Melbourne. In transitioning to the two-centre model, we will progressively close the existing centres in New South Wales, Western Australia, South Australia and, as you referred to, Tasmania.

Senator BILYK—I read all that in the newspaper.

Mr Mitchell—We will start to upgrade the call centre system in August to reduce call-waiting times, to improve the accuracy of information we give to our customers and, generally, to upgrade the quality of service.

Senator BILYK—So you are going to shut these centres because they do not work efficiently.

Mr Mitchell—And to increase the efficiency through the whole national network.

Senator BILYK—Are you saying the Hobart call centre and the three other call centres do not work efficiently?

Mr Mitchell—The technology with which we operate our national call centre network dates back to 1998. It is old technology that really does not help us do the job that our call centres are there to do.

Senator BILYK—You have not actually put money into infrastructure?

Mr Mitchell—That is correct. Over the years we have not put money into infrastructure. Australia Post runs a six-centre national call centre network. No other major Australian organisation does that, so we are collapsing that network into two centres. I will go to the heart of your specific questions, and I have details for all of the states. In Tasmania, there are nine FTEs, but there are 13 people who will be affected by that change. We will commence that piece of work in Tasmania in August, to migrate the functions from the Tasmanian call centre across to the national call centre network, which will comprise Melbourne and Brisbane, as I mentioned, with a view to that work being completed in October.

Senator BILYK—You will migrate the function, but what happens to the 13 staff?

Ms Walsh—Australia Post has a comprehensive RRR agreement, the redeployment, retraining and redundancy agreement. We have made a commitment to both our employees and their representative unions that there will be no forced redundancies through this program of work.

Senator BILYK—Will people be forced to move interstate?

Ms Walsh—No-one will be forced to move interstate. We are currently talking to staff and their representative organisations to best assess what people wish to do—whether they do wish to take a redundancy, whether relocation is an option they wish to pursue or whether there are redeployment options throughout other facilities that Australia Post run within that state. This is in not only Tasmania but all of the states. We are hopeful for successful redeployment, relocation or retraining for all of those staff.

Senator BILYK—So you are formally talking to staff and to the union representatives.

Ms Walsh—Correct.

Senator BILYK—When did you start doing this?

Ms Walsh—The decision was made some two weeks ago now.

Mr Mitchell—The decision was made on 12 May.

Senator BILYK—When did you start talking to the unions and to the staff?

Ms Walsh—Soon after that decision was made, so last Wednesday, 20 May.

Senator BILYK—At 5.20pm were the four relevant unions in each state all told that this was going to happen?

Ms Walsh—Correct.

Senator BILYK—How long have you been in making this decision?

Mr Mitchell—The matter of the call centre operations has been under review for several years. We have tried some other interventions to address some of the service issues that we will be able to address through this decision, and clearly they have not worked in the manner that we intended. That manifested in a 22 per cent increase in the costs of running our call centre network over the past two years, so we had no option but to consider next steps in this process.

Senator BILYK—Were staff and unions consulted about this?

Ms Walsh—We have been having a range of discussions with the unions over a number of years about the call centres and that there were reviews being undertaken.

Senator BILYK—About closing four specific call centres?

Ms Walsh—One of the issues that was on the table through the review process was that there was a possibility of consolidation, but no decision as to how that consolidation would actually work or how that would look was made until last week.

Senator BILYK—To be more specific, when did these consultations with the unions take place?

Ms Walsh—We have been talking with them about the call centre review process over a number of years.

Senator BILYK—So you could give me specific dates about when you have spoken to them in regard to this specific issue of closing these four call centres?

Ms Walsh—The specific discussions with the union about the closure of these specific call centres commenced last Wednesday, 20 May.

Senator BILYK—At 5.20pm.

Ms Walsh—As we started consulting with our staff.

Senator BILYK—When you told staff.

Ms Walsh—Yes.

Senator BILYK—You did not have any prior discussions, so where does that leave the discussions under the agreement?

Ms Walsh—Under EBA6, which is our current certified agreement, with the CPU and CPSU as the primary unions, there is an obligation to undertake consultation as soon as practical after a decision has been made to ensure that the impact and the effect on staff is discussed with the unions. We are of the view that that was fully complied with.

Senator BILYK—So you would not mind if you had someone representing you who was told, once the decision had been finally made and with no discussion about it, that you were likely to lose your job.

Ms Walsh—Our view is that, as the closures are not happening imminently but are happening progressively from August, there is now—

Senator BILYK—Until when—October?

Ms Walsh—February 2010 will be the final closure.

Senator BILYK—But you have made the decision; it is going to happen. How many staff members throughout the whole of Australia are likely to be affected by this?

Ms Corbett—Throughout New South Wales, South Australia, WA and Tasmania, 285 people in those centres will be affected. In the Melbourne centre we are actually creating an additional 137 jobs.

Senator BILYK—That does not help those 285 people unless they are willing to work in Melbourne.

Ms Corbett—There will be opportunities for those 285 people. There will be no forced redundancies.

Senator BILYK—What sort of redeployment and retraining are you going to offer, and are you going to be discussing this with the unions?

Ms Walsh—Yes, that is exactly what we are doing with the unions right now.

Senator BILYK—Before you make any final decisions, as opposed to last week?

Ms Walsh—The decisions about how it will affect and impact on individual staff will be discussed with the unions between now and when the impact actually occurs as to whether or not an individual is redeployed, made redundant or retrained into another role.

Senator BILYK—So you are willing to discuss that between now and when the decision might be made final, but you are not willing to discuss the actual fact prior to the 5.20 pm announcement last Wednesday, when the unions and the workers all found out at once?

Ms Walsh—It was a business decision that was made.

Senator BILYK—Do you think that was a good business decision?

Ms Walsh—I think it is an excellent business decision.

Senator BILYK—I just find that astounding.

Senator WORTLEY—Ms Walsh, in relation to the enterprise agreement, isn't it the case that your enterprise agreement specifically requires you to consult ahead of making a decision that would have such a major impact on staff? There is a clause in your current enterprise agreement, which you have already referred to, that says:

Australia Post and the unions recognise that the principles of consultation stated in Commissioner Smith's decision in *CEPU v Vodafone Network Pty Ltd* (Print 911257) reflect its intention with respect to consultation. In particular, Australia Post and the unions agree with the following statement by Commissioner Smith in that decision at paragraph 25;

"Consultation is not perfunctory advice on what is about to happen. This is [a] common misconception. Consultation is providing the individual, or other relevant parties, with a bonafide opportunity to influence the decision maker."

Yet you agree that Australia Post did not tell the union of the decision until 20 May. If that is the case, isn't it a fact that you have breached the agreement, because you deliberately failed to give the union any real opportunity to influence the decision? Do you really think you have given the employee representatives the opportunity to influence the decision about these decisions that you have made?

Ms Walsh—Yes, we do. There are a number of other provisions that make up that clause—it goes over two pages, in fact. The focus of consultation will be on the impact of Australia Post's decisions on its employees. Now that the decision has been made, we are working with the employees and their representatives to ensure that the impact on the employees is minimised. As we have said, we have made a very strong commitment that there will be no forced redundancies.

Senator WORTLEY—We are not talking about the forced redundancies at the moment. EBA6 at 3.4 says you will:

... as soon as practicable before making changes which directly affect employees, inform each relevant union which represents the industrial interests of such employees about the details of the proposed changes. The information provided to the relevant union will include the nature of and reasons for the proposed change; the number and categories of employees likely to be affected and the time when, or the period over which, the employer intended to carry out the proposed change ...

Ms Walsh—That is correct.

Senator WORTLEY—What evidence have you got that you have met the tests set in the industrial agreements?

Ms Walsh—We provided that information to the unions as soon as practical after the decision was made, which was on Wednesday.

Senator WORTLEY—But 3.2 says:

Consultation is providing the individual, or other relevant parties, with a bonafide opportunity to influence the decision maker.

Did that occur?

Ms Walsh—We say yes because the focus of the consultation is about the impact on employees. Now that the decision has been made, they have the ability to impact and influence us about how we best carry out the impact of this change.

Senator WORTLEY—I have already quoted where it says:

Consultation is not perfunctory advice on what is about to happen.

It is the common misconception.

Consultation is providing the individual, or other relevant parties, with a bonafide opportunity to influence the decision maker.

When you notified the unions on 20 May, some eight days after you had made the decision, how then would they have the opportunity to influence that decision if it is a fait accompli—if that is what is happening?

Ms Walsh—We see that the role that they have got to play now is around the impact the decision has on the employees. They have what we consider to be a considerable amount of time to now influence how the redeployment, how the redundancy and how the retraining program is effected on staff. We actually think that there is quite a lengthy period now in which we will be working with them to make sure that the impacts on staff are minimised.

Senator BILYK—Basically you deliberately kept this from the unions until 5.20 last Wednesday—would you agree with that?

Ms Walsh—I do not agree with that. I think we have complied with the requirements of our EBA.

Senator BILYK—That may well be tested in another area. Certainly I think they were probably hijacked in some ways, but that is my personal view. If any staff members are prepared to move to Melbourne or Brisbane, what would the relocation costs be?

Ms Walsh—We do have provisions within both our policy and awards around the relocation. What we are seeking to do now with the employees and their representatives is to assess the interest the people have and the possibility that they might want to move. Once we have an indication of the numbers of people who may wish to relocate, we will be having discussions with them and their representatives about what relocation benefits will then flow from that.

Senator BILYK—How many jobs do you think will be created for redeployment if staff are interested?

Mr Mitchell—There are an additional 137 new jobs being created in Victoria.

Ms Walsh—Certainly, our view also is that the call centre staff have many skills that are required in other parts of the business. They are very skilled individuals and the work that they have undertaken in having to understand the business and provide advice to customers means that we think that there will be a number of redeployment opportunities for them.

Senator BILYK—Do you think there will be other redeployment opportunities for the staff in Hobart to stay in Hobart?

Ms Walsh—We will be exploring those opportunities, yes.

Senator BILYK—What is the cost of operating the six customer contact centres at the moment?

Mr Mitchell—For the past 12 months it was \$51.9 million.

Senator BILYK—How much do you expect to save by consolidation?

Mr Mitchell—We will save in the order of \$6.8 million a year in operating costs.

Senator BILYK—Can you tell me again what the cost has been?

Mr Mitchell—The cost currently for the 2007-08 full year is \$51.9 million.

Senator BILYK—How much do you expect to save?

Mr Mitchell—We expect to save an estimated \$6.8 million per annum once the operation is bedded down.

Senator BILYK—A proportion of that will obviously go to that nice \$1 million bonus payout, I should expect. When will the existing centres be closed?

Mr Mitchell—The time frame for Hobart, Perth and Adelaide is to start the work of migrating those operations to the new centres in August, and they will cease to operate no later than October. For Sydney, we will start that process in January 2010 and close that facility in relation to the incoming calls in February.

Senator BILYK—When will the two centres be ready to start?

Mr Mitchell—We want to have the network fully operational and all of the various considerations completed by 30 June 2010. The Victorian and Brisbane facilities are currently operating, but we will need to do some capital works in the Victorian facility in particular to be able to accommodate the additional 137 jobs.

Senator BILYK—What is going to happen in Hobart? I come from Hobart. If I have a problem, I will obviously ring the call centre in Victoria or Queensland and speak to people who probably have no idea of any geographical information. I will be put on hold; I will be pressing buttons to get put through to other people; I will be generally frustrated. Is that how it will work?

Mr Mitchell—We hope that is not the case, but it is correct that your call will come through to either the Melbourne or the Brisbane call centre.

Ms Corbett—Certainly, the new technology that we are employing will allow us to be able to reroute those calls to people who have specialist knowledge. That is something we are

unable to do today in any of our singular state based contact centres. In addition, we will be able to have some call overload facilities to lessen wait times on queues. A primary objective is to improve the customer experience as a result of the optimisation.

Senator BILYK—How many calls does the Hobart centre take over a year?

Ms Corbett—We have not got the individual state breakdown—

Senator BILYK—Could you find out for me? Maybe someone could go and find out; it should not be too hard to find out. Maybe someone could go and make a call.

Ms Corbett—Yes.

Senator BILYK—I would also like the national numbers and I would like to know how many are actually complaints.

Ms Corbett—We have got the national numbers. We take 5.9 million phone calls per annum on a national basis, of which approximately 500,000 are complaints.

Senator WORTLEY—Could I just go back for a moment?

CHAIR—Still on the same topic?

Senator WORTLEY—Yes, on the same topic. In relation to the staff that are made redundant, is this a lawful redundancy given that, as you are aware, taxation concessions are provided with redundancies?

Ms Walsh—Absolutely.

Senator WORTLEY—You were mentioning numbers. I did not catch the numbers for Sydney. I do not want full-time equivalents; I want to know exactly how many people will lose their jobs in Sydney, Adelaide and the various other centres that are closing.

Ms Corbett—It is only the inbound call centre function that is affected. All of the outbound call centre roles will remain in each of the states, so the sales roles will remain. Specifically, in New South Wales 181 people in the inbound function will be affected; in South Australia 37 people in the inbound roles will be affected; in Western Australia 54 will be affected; and in Tasmania there will be 13.

Senator WORTLEY—Senator Bilyk asked earlier about the numbers and about whether there will be forced redundancies or whether people could be forced to go interstate. You said first of all that they will not. Regarding the job opportunities or the offers being made by Australia Post to the employees who are to lose their jobs, are those job offers within the same state?

Ms Walsh—That will certainly be our primary focus. We do not make the statement lightly that there will be no forced redundancies and that we will be seeking to redeploy and retrain. We are committed to seeking to have people maintain their jobs where possible.

Senator WORTLEY—I am assuming that, in your decision to do this, you would have an estimate of the number of people you expect to actually take a redundancy?

Ms Corbett—It is very hard to work out that number. We had a very detailed staff briefing with all the staff since the announcement was made last Wednesday. We had our HR representatives on the floor in each of the contact centres on Thursday and Friday so that we

could take questions from concerned staff members. Next week, we are planning to send a letter out to each of our staff to go through the details under the redundancy redeployment and retraining program and ask them to indicate their preference for redeployment or redundancy. That will start to give us a first indication.

Once we understand who actually wants to be redeployed, we then work individually one-on-one with each of those staff members to actually ascertain what area of the business they are in. As you can appreciate, there are opportunities across sales and retail as well as our operational functions in the mail area as well. We need to determine what their particular interests may be and work with those particular interests, then work through where they may live individually and then look at what opportunities we would be able to create to match that.

Senator WORTLEY—Senator Hutchins wanted to ask a question specifically in relation to Sydney but he is in another committee so perhaps I will just touch on that.

Ms Corbett—Certainly.

Senator WORTLEY—In Sydney, for example, where precisely in Post are there similar jobs available to accommodate the 181 affected employees?

Ms Corbett—There are opportunities. I think it is actually important to note too that we have a 40 per cent attrition rate now in our call centre operations, if you actually look at the numbers, which is very high. As Catherine referred to earlier, a lot of our staff go into our sales area and retail area now due to the skill base of our operations that they have actually built up. There are opportunities in the retail side of the business. We are also looking at opportunities in the outbound call centre function as well, and we will be working through those details on a state basis if people want to pursue them.

Mr Mitchell—Senator, if I could just add a comment, that of the 181 people that we are talking about, some work on fixed-term contracts and some are temporary so they have a sunset on their employment already. That was the part of the arrangements under which they were originally engaged to work in our call centres.

Senator WORTLEY—Do you have the figures on those for the states?

Ms Corbett—Yes. In Sydney, of the 181 staff, 44 are on fixed-term contracts.

Senator WORTLEY—Any casuals?

Ms Corbett—With regard to our casual employment, generally they are just brought in for immediate peak loads. Of the 181, 44 are fixed-term contracts. In South Australia, of the 37 staff, 16 are fixed-term contracts. In Western Australia, of the 54 staff, two are fixed-term contracts. There are no fixed-term contracts in Tasmania.

Senator WORTLEY—Were these Australian workplace agreements that you are talking about?

Ms Corbett—No. They are hired on fixed-term contracts for a variety of reasons. It could actually be that someone owns a position and they may be on maternity leave or they may be acting in another role, so they are brought in for a fixed-term nature. Certainly we will honour all of the contracts that we have in place. For some of the centres in that transition period,

there may also be the opportunity to extend some of those contracts to actually coincide with when some of those inbound functions will close.

Senator WORTLEY—Are the new employees all on enterprise agreements?

Ms Walsh—All of our employees are currently on enterprise agreements.

Senator BILYK—Just to wind up, have you got formal arrangements in place now to meet with the unions?

Ms Walsh—Yes we do, Senator.

Senator BILYK—Can you give me the dates of them?

Ms Walsh—I do not have the dates.

Ms Corbett—The next meeting has been scheduled for Wednesday. We had a teleconference with the national secretary last week and they requested—

Senator BILYK—That was some time after 5.20 pm last Wednesday I presume?

Ms Corbett—There were phone calls made Wednesday. The announcement was at 4.30 pm. At the same time as our commercial managers in each state were making the announcement to staff at a state level, the national offices of the union were contacted by our commercial HR people.

Senator BILYK—What about the state offices?

Ms Corbett—We then also sent written correspondence to each of those state offices at the same time.

Senator BILYK—You just mentioned that there would be one-on-one interaction with people to try and help them sort out their future.

Ms Corbett—Yes.

Senator BILYK—Who does that?

Ms Corbett—The contact centre managers as well as our HR managers are on the floor at the moment to work through any questions that staff may have. We have also made sure that all staff are aware of our employee assistance program.

Senator BILYK—And that they have the right to union representation?

Ms Corbett—Absolutely.

Senator BILYK—You have made that clear to them have you?

Ms Corbett—All staff are aware of that, yes.

Senator BILYK—You have made it clear to them? How do you know they are aware of it?

Ms Corbett—The union make regular meetings at the contact centre.

Senator BILYK—What I want to know is, if you are speaking to staff one-on-one at the moment, have they been told that they have the right to have a union representative with them for those meetings?

Ms Corbett—They have not been told that at this stage.

Senator BILYK—Should not they be told that?

Ms Walsh—There is no obligation to do that. Can I just say Senator, that as an employer, Australia Post we think has a very open and consultative process with the union.

Senator BILYK—They are certainly not thinking that at the moment.

Ms Walsh—They are regular visitors to our work sites. I think it would be clear to most people that the union have a role to play and that they would be welcome to be there as a representative for any individual who so requests it.

Senator BILYK—You are presuming that people will think that; I want to know that people know that.

Ms Walsh—I cannot say to you that I know that everyone knows that.

Senator BILYK—Can you take steps to make sure, in the next 24 hours, that all people affected know that?

Ms Walsh—Senator, we can undertake to do that.

Senator BILYK—Thank you.

Ms Corbett—Senator, with regard to your earlier question about how many phone calls Hobart take, during the 2007-08 year, 113,908 calls were taken through our Hobart inbound call centre.

Senator BILYK—That is a significant number. If Tasmania could prove that they had a business case to keep going, would there be a reconsideration of that?

Ms Corbett—The service that we are offering with the integrated technology that will be located out of Melbourne and Brisbane will be able to give a better level of service and minimise the queues for all public ringing.

Senator BILYK—So the answer is no?

Ms Corbett—The answer would be no.

Senator BILYK—Thank you.

CHAIR—I might just ask a question. Are the people on fixed-term contracts entitled to the employee assistance program as well?

Ms Corbett—Yes, they are.

CHAIR—Do they have any access to redundancy payments?

Ms Corbett—No, we will actually honour their contract so whatever contract term has been specified—

CHAIR—Do any of their contracts have redundancy payment provisions in them?

Ms Corbett—No, they do not, Senator.

CHAIR—Thank you. Are there any further questions on this topic before we go to Senator Fielding for another issue?

Senator FIELDING—I would like to tap onto that one issue if I can, thank you.

CHAIR—Yes, certainly.

Senator FIELDING—Thanks, Chair. I am wondering whether any further redundancies would be due to call centres being placed overseas or do you have a policy against placing call centres for Australia Post overseas?

Mr Mitchell—Senator, we have elected not to contemplate sending our call centre operations offshore. I think Australia Post is an iconic brand so that is something that we dismissed very early in the process.

Senator FIELDING—Is that something that is reviewable? For how long is that going to be in place? Do you review that from time to time?

Mr Mitchell—There is no plan whatsoever to give that consideration now or in the future.

Senator FIELDING—Would it be too much to ask that you would let this committee know if that was to change before it actually changes; is that possible?

Mr Mitchell—I believe that would be possible.

Ms Corbett—We certainly have no intention to outsource those operations overseas whatsoever.

Senator FIELDING—I just want to make sure, that is the key part. It would be a shame to see if that was the case. Another area which is at the heart of a security issue for Australia, just speaking generally, is the involvement that Australia Post has in reports about a fake passport racket. It involves potential people-smuggling and flying illegal immigrants in. These are very touchstone issues for Australians. The reports in the paper have left a lot of people with a lot of concerns about how widespread this is. I do not want to have a slant on any Australia Post people at all but obviously reports that were in the paper recently leave us all feeling a little concerned and alarmed. The question is: what has Australia Post done about checking this out? This is about an Australia Post worker, and there may be more, allegedly being involved in a fake passport scandal.

Senator MINCHIN—I wanted to ask about that. Perhaps Australia Post could begin by reminding us all of the role of postal officers in the passport approval process. What level of staff are entitled to or authorised to perform those functions? What sort of screening do they go through? What sorts of measures are in place in Australia Post to ensure the incorruptibility of those officers? And what has Australia Post done since the revelations of these charges that have been laid to improve your standards and procedures? If you could follow it through in that fashion, it would be very helpful to the committee.

Mr Mitchell—We conduct about 1.3 million passport interviews per annum through selected offices within our network. It is not every office. The process that our people undertake is to interview the applicant in person and sight certain documentation which attests to their identity, and we record that information on the application form.

Senator MINCHIN—Who is authorised to perform these interviews? Is it anybody in any post office or is there one designated officer per post office?

Ms Corbett—Individuals have to be trained. There is a special passport training program, and then they get accredited to be able to undertake passport interviews. If they have not done the compulsory training, they are not able to undertake any of the interviews.

Senator FIELDING—Are there further security checks on them other than the normal checks on Australia Post staff? What security checks are done in addition? This is a very highly sensitive area and, quite clearly, we have had a breach.

Ms Walsh—All Australia Post employees have a criminal history check.

Senator FIELDING—I understand. You have dedicated staff doing this. Are there any additional checks on those people doing this particular task?

Mr Mitchell—No, there are not.

Senator FIELDING—Keep going, then, with your explanation.

Mr Mitchell—The types of people that conduct the checks are anybody working on a counter position right up to the postal manager within the outlet. Once the documentation is sighted and a record is taken, we then send that information through to the Department of Foreign Affairs and Trade and they conduct their own tests to verify the integrity of the documents that have been submitted in support of the person's identity. That is the front-end process that we undertake on behalf of the Department of Foreign Affairs and Trade. The issue at Fairfield was a breach of our procedures by a staff member, and the charge was three counts of knowingly making a false statement on an Australian travel document. We have been working with the Department of Foreign Affairs and Trade and the Australian Federal Police on this matter, and it is our belief that this is an isolated instance. There is no evidence to suggest that there is a widespread practice within our own ranks, but quite clearly we will review the procedures that we currently have in place to ensure the integrity of that process which we undertake on behalf of Foreign Affairs and Trade.

Senator FIELDING—If I could just go through to try and help reassure the Australian public, how have you checked that this is not happening at another post office? How many post offices are there across Australia?

Mr Mitchell—There are just short of 4,500 points of presence.

Senator FIELDING—How many of those 4,500 do passports?

Mr Mitchell—I would have to take it on notice. I think there are about 2,400 outlets where our customers can go to have their passport applications processed.

Mr McCloskey—I have a figure here, as it just so happens. It says that we have 1,703 outlets nationally that are accredited by the Department of Foreign Affairs and Trade to conduct passport interviews.

Senator FIELDING—So there are at least 1,703 staff. You may have two or three at some particular places who are authorised to do this procedure. You have said that you are reassured that it is not happening elsewhere. You say that, but how do we as the Australian public know that that is the case? How many weeks has it been since you have looked at it? And what has happened to reassure us that it has not happened elsewhere?

Mr Mitchell—I believe the story broke on 4 May. If I could, I will take your question on notice to give you the facts of what we have done in that intervening period, because I do not have the information with me.

Senator FIELDING—So 21 days. I would think that this is such a high security issue that someone at your level would be able to brief us on how we could be reassured that this is not more widespread than just the one person. I would have thought that this would have been a high security threat to Australia. Fake passports are being issued with the involvement of Australia Post. How can we be reassured, 21 days after, that it is not more widespread than just the one case?

Ms Corbett—I think the reassurance is the fact that we have been working very closely with DFAT as well as the Australian Federal Police. Certainly from all of their investigations they are comfortable that it is not widespread at all and they see no further instances nor have any suspicion of any further instances.

Senator MINCHIN—Did you say the AFP are of that view?

Ms Corbett—Yes. We have been working with the AFP and with DFAT. We have no knowledge of any further suspicions that anyone has in any other office throughout Australia.

Mr Mitchell—The Department of Foreign Affairs and Trade conduct their own checks. They have their own internal processes to be able to detect irregularities as well. That is another level of checking within the process.

Senator FIELDING—How long before you review your procedures? You said you are reviewing the procedures for this area of operation of involvement with passports.

Mr Mitchell—As a matter of course, when we have a breach like this we automatically go back and review our processes internally and in conjunction with the agency concerned to ensure that there are no process irregularities that we ought to deal with.

Senator FIELDING—Who is heading up that review?

Mr Mitchell—That would be undertaken in my part of the business by a chap called Andrew Wiseman, who is the head of agency services within the commercial division of Australia Post. He would have his contacts within the Department of Foreign Affairs and Trade.

Senator FIELDING—You said ‘that would be’. Does Mr Wiseman have a review in process and in train in this area?

Mr Mitchell—I do not know the extent of the formal review that he has in process.

Senator FIELDING—Does he report to you directly?

Mr Mitchell—Yes, he does.

Senator FIELDING—He reports to you directly and you do not know whether he has a review in process? Can you help explain that?

Mr Mitchell—I believe he has, but, as I indicated before, I would prefer to take that on notice so that I could give you the facts.

Senator FIELDING—There is no time line for this review that you know of?

Mr Mitchell—No, I do not, but a review of a breach such as that which has occurred would be time sensitive.

Senator FIELDING—I am not really feeling that reassured. To be absolutely real, I would have expected you to say, 'We have a formal review in place and I know these are the terms of reference for it and this is the time frame for it.' This is a breach at the highest level. DFAT has played a role in this as well, but obviously a lot of it has come directly from an Australia Post employee, and we have at least 1,700 others. Again, I do not want to say that any others are doing it, but we need to be reassured. This is a security threat at the highest level. People are wandering around Australia with Australian passports who are actually illegally here.

Mr Mitchell—The parties that I know are working on this issue with Australia Post at the moment are the Department of Foreign Affairs and Trade, the Australian Federal Police, within Australia Post our own corporate security group—who work very closely with the AFP, as you can imagine—and my own people who are responsible for the in-store processes.

Senator FIELDING—At this stage there are no extra security checks. Has anything changed at all since 4 May other than the Australian Federal Police and DFAT being involved and a review being done which is a bit nebulous at this moment?

Mr Mitchell—I do not believe anything has changed since that time.

Senator FIELDING—So there are no extra security checks done on those people who are actually performing this role?

Mr Mitchell—No, this was a breach by a staff member knowingly who knew they were doing the wrong thing.

Senator FIELDING—Would you be able to contact your direct employer? Who was it?

Mr Mitchell—Andrew Wiseman, who is my Group Manager, Agency Services.

Senator FIELDING—Would you be able to find out from him and report back to the committee today on exactly what the review entails, the terms of reference and when it will be finished so we can all be reassured that this is going to be looked at as a high priority?

Mr Mitchell—I would be happy to do that, Senator.

Senator FIELDING—Thank you.

Senator MINCHIN—Just remind us what the arrangement is between Australia Post and DFAT? Australia Post works under a contract for DFAT, does it, to supply this service?

Mr Mitchell—We have a commercial contract in place with DFAT.

Senator MINCHIN—So this is a revenue raising part of your business.

Mr Mitchell—That is correct.

Senator MINCHIN—You are paid a fee per application.

Mr Mitchell—That is correct. DFAT pay us a fee to conduct these application interviews on their behalf.

Senator MINCHIN—And that contract presumably puts the onus on you, does it, for the security of the procedures?

Mr Mitchell—There is an onus on Australia Post in respect of the people who undertake the interviews, the training that they undertake and the accuracy with which they conduct that transaction as well.

Senator MINCHIN—On you?

Mr Mitchell—Yes.

Senator MINCHIN—So you do the training of these officers, not DFAT?

Mr Mitchell—Yes, we do.

Senator MINCHIN—Is there any suggestion of breach of contract in relation to this matter?

Mr Mitchell—I do not believe so, Senator, but I would have to take that on notice. Our staff, if I may add, are very well regarded in respect of the manner in which they conduct this business, to such an extent that 10 Australia Post people work in the offices of the Department of Foreign Affairs and Trade at a state level and conduct the interviews on behalf of the Department of Foreign Affairs and Trade.

Senator MINCHIN—What exactly is the role of the officer at the post office to verify that the person before them is an Australian citizen, is entitled to the passport and is the person they claim to be?

Mr Mitchell—The role of the Australia Post acceptance officer is to accept the application form, go through the application form in some considerable detail to ensure that the form has been correctly and completely filled out. We sight the required documentation that the person submits to attest to their identity, which could be any form of documentation as specified by the Department of Foreign Affairs and Trade, and we record those documentation numbers. In some cases we will take the photograph of the individual concerned, submit the documentation along with the photograph—details of the documents that we have sighted—take the payment from the customer and send the documentation through to the Department of Foreign Affairs and Trade, and we settle the commercials at a later time.

Senator MINCHIN—So you are not approving an application?

Mr Mitchell—No.

Senator MINCHIN—You are facilitating?

Mr Mitchell—We are not approving.

Ms Corbett—That responsibility still rests with DFAT. Australia Post—

Mr Mitchell—Ours is to accept the documentation.

Senator MINCHIN—The allegation in this case is that Ms Triglia was charged with three counts of making a false statement. What is the nature of the statements that the post office worker makes in relation to applications that in this case are alleged to be false?

Mr Mitchell—I believe that the breach pertained to the individual not being present. The name on the application was not, in fact, the individual concerned.

Senator MINCHIN—Was not present in front of the officer?

Mr Mitchell—That is correct.

Senator MINCHIN—But the concern, to back up Senator Fielding, is that people smugglers will now target postal officers, who presumably are not well paid and, in the eyes of people smugglers, potentially easily corrupted. I share Senator Fielding's concerns.

Senator BILYK—You do not have to be not well paid to be corruptible.

Senator MINCHIN—True, but I am looking at it from a people smuggler point of view. They would say, 'These are an easy target for us.' I do share Senator Fielding's concerns about the potential for this to become a major issue and the need for considerable rigour in the review of procedures, but no doubt you will be doing that.

Senator FIELDING—I think also with some speed, really. This is a hole in our security net and we have to make sure we are protected. I want to be reassured that there is some speed and some real force behind Australia Post's involvement in the review. I am seriously concerned about it.

Senator MINCHIN—I agree.

Senator FIELDING—That was an alarm for most Australians. When we read about it in the papers, we thought, 'Gee, this is really serious.' We have heard that there is no extra security checking of the staff. I think the staff would also feel reassured if they knew that checking was done.

Mr Mitchell—I hear what you are saying, Senator, and I will get that information for you as soon as I can.

CHAIR—Thank you. Are there any further questions on this particular issue?

Senator WORTLEY—Just in relation to swine flu, has Australia Post sought advice as to the likelihood of the people who are doing the passport interviews or any of its other workers contracting swine flu?

Ms Walsh—Yes, Senator. We have been working closely with the Department of Health and Ageing to ensure that we are up to date with the current threat level and in particular the threat to our employees, given the nature of their work and that they are handling mail that comes in from overseas as well as interacting with people in the community through our retail outlets. Our advice at this stage is that there is no need for extra precautions in the workplace to prevent people contracting swine flu, but we are interacting with the department on a daily basis to ensure that we have the latest information on that.

Senator WORTLEY—It has been established that there is a possibility that the people who do passport interviews could come into contact with people with swine flu and would be at risk. Are there any other workers in Australia Post who would be at risk?

Ms Walsh—We have people employed handling international mail, but we have checked the status of swine flu and, if there has been any contact with the mail, it certainly would not survive, as we understand it, long enough on a piece of mail to be transferable once it hits Australia. Decipha, one of Australia Post's subsidiaries, currently handles the health cards that people fill out when they get off a plane. Those people may handle those pieces of paper, but, again, the advice that we currently have from the department is that they are not at a

heightened risk from handling that documentation compared to any other member of the community.

Senator WORTLEY—Does Australia Post offer influenza vaccinations or any vaccinations to their workers who come into contact with people who may be carriers of these conditions?

Ms Walsh—We do not have a national policy on flu vaccinations. On a facility or business unit basis they can make the decision to offer that to staff if that is something that is being done. There are parts of the business that have made that offer, and it has been taken up in previous years.

Senator WORTLEY—Can you tell me again how many people do the interviews for passports?

Ms Corbett—There are 1,703 officers.

Senator WORTLEY—Given the issue that we now have before us, would Australia Post in the future at least look at offering those people vaccinations?

Ms Walsh—We will be continuing to work with the department to get the latest level of information about the threat level and what precautions we need to take to best protect our work force. If that changes, we will put in place anything that we are required to put in place to ensure the safety and health of our staff.

Senator WORTLEY—Can I just clarify that there are no vaccinations offered?

Ms Walsh—Not on a national basis.

Senator WORTLEY—Thank you.

CHAIR—Thank you. I take it there are questions still of Australia Post after morning tea. We will break for morning tea now and resume proceedings at 11 o'clock.

Proceedings suspended from 10.44 am to 11.01 am

Senator BIRMINGHAM—Officers of Australia Post, thank you for your time today. I understand a happy birthday is in order for this year.

Mr Walter—It is our bicentenary.

Senator BIRMINGHAM—What celebrations are planned for the bicentenary?

Mr Walter—Quite a sizeable program, actually. We are running a series of activities throughout the year to celebrate the bicentenary of the postal services. In fact 26 June upcoming will be the first date that mail arrived from the UK and was dealt with by the newly appointed postmaster at a site where First Fleet Park is in Sydney now, just outside the Museum of Contemporary Art. We are having a re-enactment on that day. Basically, the overall aim of our bicentenary program is to celebrate our unique role and contribution to the nation's history but also to declare our relevance for the future. There is a very heavy emphasis on staff involvement. We are running a series of programs for staff, not just family days but also recognising staff through the awarding of a bicentenary medallion. Other staff are nominating people for that.

Senators may have seen recently the bicentenary Foxtel film, which was a two-hour documentary that appeared on Foxtel in March. There was also a book published by Allen and Unwin, *The Stamp of Australia*, and we have had a bicentenary themed supplement in the News Ltd papers around Australia in February. There is another one coinciding with the bicentenary day, 26 June.

We are also running three very important events for the general public. One is called Letters of a Nation, which is a project where people around Australia are supplying letters that have been crucial to the development of Australian history. For example, we have letters that were written by Alexander Graham Bell to the Queensland administration of Australia Post or the Postmaster General, as it was then. We have some very heart-wrenching letters from the trenches in the First World War, people writing about the first anniversary of Anzac Day when they were from Egypt, just about to go off to the Western Front. I think a lot of us did not realise that the very first Anzac Day celebrations were on 25 April 1916. That is a program that is going on throughout the year.

A program more directed at youth is the 200 Seconds short film competition in Australia with the Australian Film Institute. Schools and tertiary institutions around Australia are, as we speak, producing a film of 200 seconds based around the theme of a parcel. That will be shown at the AFI awards later this year.

Senator ABETZ—This is not a take-off of *The Castle*, is it?

Mr Walter—I do not know about that, but it is something that really has made schools, universities and TAFE colleges aware of our bicentenary. We have also run a competition to choose Australia's favourite stamp over the period that stamps have been produced. That is the essence of our program. If I could highlight the reasons and the rationale for it, it is based around the central role of Australia Post in Australian history and its status as the oldest continuously running commercial organisation in the country. We are also focusing on sustaining the business into the future. I do not necessarily need to go through all the objectives of the program, but it is targeting staff, key stakeholders, major customers, industry partners, the general public and youth communities, as I have mentioned. We can see that this program is already enhancing our relationships with our key stakeholders, generating community goodwill, lifting staff morale and engendering pride in the corporation, which has been borne out by recent results of staff attitude surveys. Senators may have seen a week or so ago that Australia Post was ranked first for reputation in a study of Australia's 60 biggest companies. The result was announced in the *Financial Review* on 18 May, with the article stating that Australia Post is top of the list of 60 top-scoring companies, climbing from fourth place a year ago. We all know that Australia Post is a very trusted and iconic brand in Australia, and we felt that all the stakeholders and the entity itself deserved recognition of the sort that we are providing during the course of this year.

Senator BIRMINGHAM—Thank you for that very comprehensive answer. What is the budget for the bicentenary celebrations?

Mr Walter—It is \$1.5 million. We have had great support from the National Archives, from our customers and supporters in terms of supporting the features that I mentioned in the News Ltd supplements, but our own spend is in the vicinity of \$1.5 million.

Senator BIRMINGHAM—Not wanting to be a scrooge, and I am happy for everybody to have a birthday celebration, but \$1.5 million is a lot for birthday celebrations. How is that fee broken down?

Mr Walter—I do not have the exact details with me, but we are running staff celebrations in every state, and several in some states. We have 35,000 staff, and we are catering for those functions. It is those sorts of expenses. I could break it down for you, but most of the money is going on the staff celebrations and recognition. The other things, like the re-enactment, are really quite modest. If I may say so, without referring to any other major corporations of recent times, it is very much a modest budget compared with what has occurred recently in other corporations.

Senator BILYK—Maybe you should ask what transpired in the call centres.

Senator BIRMINGHAM—Indeed, Senator Bilyk, it would support a few jobs in those call centres. Is Australia Post funding the supplements in the News Ltd papers?

Mr Walter—We are underwriting them, but as we speak we have huge take-up on it. Almost all the funding is coming from partners, supporters and customers. You can imagine who they would be. You will see in the supplement coming out who they are, because you will see their congratulations to Australia Post as well as their positioning of their corporations in relation to Australia Post.

Senator BIRMINGHAM—And the funding for the Foxtel documentary film?

Mr Walter—There was some seed funding from Australia Post. I do not know if you saw it or not. Perhaps I should say this: the history of Australia Post has been related so closely to the history of this country that Foxtel jumped at the idea of the program. It is talking about the gold rushes, the arrival of the earliest Australians in New South Wales, Kingsford Smith and the world wars. Les Carlyon in particular you would all know. It is a superbly produced documentary. It was very appealing to them. We did have some initial consultations with Film Australia but in the end Foxtel jumped at the opportunity.

Senator BIRMINGHAM—Perhaps if you could take it on notice to give us some details of how the \$1.5 million is apportioned across the different celebrations that would be most helpful.

Mr Walter—Certainly, Senator. I would say at least 80 per cent would be in staff celebrations, but I will certainly break it down.

Senator ABETZ—And talking of staff, invitations from China notwithstanding, the managing director will be in attendance?

Mr Walter—I would imagine so, Senator.

Senator ABETZ—Good. Thank you.

Senator MINCHIN—I do not begrudge the money as I think you should celebrate properly, but have you taken it from an existing marketing or staff relations budget or is it a net addition to your other normal expenditure for these sorts of things?

Mr Walter—No, Senator, we planned for this well in advance. For example, you cannot put a Foxtel documentary on air in March of the bicentenary year without planning in

advance. It was in my budget, the corporate public affairs budget, in the budget estimates or the budget projections. It was a one-off special item added into my budget.

Senator MINCHIN—Your budget was augmented to allow you to do this rather than you having to find \$1.5 million from somewhere else in the corporation?

Mr Walter—Augmented, sorry. Yes, that is right.

Senator BIRMINGHAM—Moving to a celebration of a different kind, how much did Australia Post end up spending on its involvement with the Olympic Games?

Mr Walter—A figure of \$2.73 million. Senator, if you would just give me one moment I will get the details. An answer given on notice to a question from the last estimates broke down the \$2.73 million, Senator. There was a question asked by Senator Abetz last year.

Senator ABETZ—What question number was that again?

Mr Walter—Number 177. I mentioned last time too that it helped us generate revenue of \$7 million. The outlay was \$2.73 million but the revenue was \$7 million. I do not know if I made the point clearly enough last time, but we cannot do the gold medal stamps without the approval of the IOC and the AOC. Part of this is about having that permission. Australia Post has been a long-term supporter of the Olympic Games movement and the Australian Olympic team in particular, so that continues, but we do now make a very solid return on our outlay.

Senator BIRMINGHAM—How do you measure that \$7 million?

Mr Walter—I just cannot quite find it, but philatelic sales made up about \$6.5 million of that, and then we had the revenue from an Express Courier International consumer competition of around the \$380,000 to \$400,000 mark. One of our products is Express Courier to other countries. We are in an alliance with 10 other countries, and we had a very strong response to that competition. We had a Letter Link program, which I think Senator Abetz applauded Australia Post on last time, and received \$100,000 in revenue from that. The main purpose of that was for schoolchildren around Australia to write to their favourite athlete, and more than 250,000 letters were involved in that. We had three staff in the Olympic village in Beijing delivering not just the school children's mail but also the mail from every other Australian who wanted to support our Olympic team. I think that is getting pretty close to that mark, Senator, but that is pretty much it. Basically, it was the philatelic sales, the gold medal stamps and the other Olympic philatelic products, that underpinned the whole thing at \$6.5 million.

Senator BIRMINGHAM—\$6.5 million out of those gold medal stamps and so on?

Mr Walter—Yes.

Senator BIRMINGHAM—Some of them would be regular 55c stamps that feature gold medallists? Is that what we are talking about?

Mr Walter—No, we only do them for the Olympic Games, Senator. We started them in 2000. I cannot remember the revenue. It was at least twice as large in 2000, when there were 400-metre queues outside the Sydney GPO when Ian Thorpe and Cathy Freeman won their gold medals, but we have continued on since that time, and it is only for the Olympic Games. Within 24 hours of an Australian winning an Olympic gold medal we have the stamps on sale

in many of our outlets around the country. A photograph is taken of the athlete at the time of the medal ceremony, which then goes to our stamp processing area and is delivered basically within 24 hours for sale around the country.

Senator BIRMINGHAM—And you are claiming that is \$6.5 million worth of collectibles?

Mr Walter—A large part of it would be. There are other elements. There are coins and other things. It is not just the gold medal stamps. Yes, people collect. There is an album that comes out as well at the end of the program. People want to keep those stamps. Of course, they get used as well, but a lot of people buy those to keep.

Senator BIRMINGHAM—It is just that of the \$6.5 million some of it gets used, and that which is getting used is simply displacing the purchase of other stamps and Australia Post products in one way or another, which obviously reduces the return that you are claiming directly on the Olympic sponsorship.

Mr Walter—You have to buy the stamps as a sheet. I do not have the details with me and, of course, we do not entirely know, but I know from having been involved since 2000 that the vast majority are collectibles. If people get the stamp from the post office as well, it is not just an Olympic piece of memorabilia, it is actually the day the stamp is released that marks the winning of a gold medal at the Olympic Games. People want to collect those things. They would rather use other stamps. I am not expert on this side of it, but, of course, we have a range of other stamp releases during the year.

Senator BIRMINGHAM—Let us go to the \$2.73 million. I am afraid I do not have the answer to Senator Abetz's question on notice in front of me, but I see that in response to a question I asked about hospitality expenses related to the Olympics the amount was \$1.2 million. That is question on notice 206, for your information.

Mr Walter—Yes, Senator.

Senator BIRMINGHAM—Does that \$1.2 million form part of the \$2.73 million?

Mr Walter—Yes, it does. That is right.

Senator BIRMINGHAM—Do those hospitality and sponsorship hospitality activities include travel to the Olympics?

Mr Walter—No, travel was \$250,000. Part of the hospitality included transport and airport transfers, but, in fact, the flights were \$250,000. I think I also mentioned last time that as a major Australian corporation we operate in a number of highly competitive markets and it is in this context we undertake a program of sponsorship hospitality activities. We took some of our most important customers and stakeholders, but basically customers and potential customers, to strengthen relationships. That was very much part of that program. I also think I said last time that we had four staff and between 36 and 40 customers. The usual ratio in sponsorship terms is one to four, but we were very keen to keep the ratio quite low, just sufficient so that we could look after the needs of those customers, some of whom spend tens of millions of dollars with Australia Post every year.

Senator BIRMINGHAM—The 0.25 or the \$250,000 is in addition to the \$1.2 million?

Mr Walter—Yes, if you add the hospitality costs and the air fares you get \$1.2 million.

Senator BIRMINGHAM—The air fares are inclusive?

Mr Walter—Yes, that is inclusive.

Senator BIRMINGHAM—The remaining \$1.53 million is all related to actual sponsorship activities?

Mr Walter—Yes, \$1.15 million was sponsorship of the Australian Olympic team through the Australian Olympic Committee and the rest was advertising promotions for the competition I mentioned earlier. The Express Courier International competition and the Letter Link school program, of course, cost money to advertise and promote that so we ended up with those 250,000 letters from schoolchildren and, of course, the gold medal stamps. That was the balance.

Senator BIRMINGHAM—So you managed to just outspend the level of sponsorship with the level of hospitality and entertainment, \$1.15 million going to the team sponsorship, \$1.2 million being travel and hospitality and so on.

Mr Walter—Yes, that is right.

Senator BIRMINGHAM—A reasonable balance?

Mr Walter—Very reasonable in terms of the fact that we projected the sort of revenue that we did get and there is the fact that it was a very special Olympic Games and that we attracted a very high calibre of customer who, from their feedback, thoroughly enjoyed it. It certainly strengthened their relationship with Australia Post. We had that opportunity, so we took it.

Senator BIRMINGHAM—Did you do any follow-up assessments of value gained from such activities?

Mr Walter—I do not have anything like that with me, but of course we always keep a close eye on our major customers. I was one of the staff members in Beijing and I witnessed it at very close hand. While I am not the person who deals with them on a day-to-day basis, I have made strong links with many of those people. We monitor our major customers and we see the situation in terms of the revenue we receive from those customers, and I believe they remain our major customers and in some cases perhaps have increased their business with us. I do not have details of that with me. It is just me saying that. I would need to check that, but that is my belief.

Senator BIRMINGHAM—Let's turn to another area of expenditure, also addressed partly in the response to a question on notice: No. 209. Australia Post forecasted expenditure on consultancies for the current financial year of \$59.9 million. I will call that a round \$60 million for ease. Is that still your expected budget expenditure on consultancies?

Mr Meehan—Our current financial year forecast is to spend \$59.9 million. That is one of the areas where we had specific cost cutting in relation to the economic circumstances that we are in.

Senator BIRMINGHAM—You were asked very specifically in those questions on notice to identify the name of the consultant, the subject matter of the consultancy, the duration and cost of the consultancy and the method of procurement. The response to that was: 'Australia

Post does not maintain a central register of individual consultancy arrangements.' Is that a satisfactory response, do you think, to provide to a Senate committee?

Mr Meehan—Senator, it is the case that all these consultancies are done within individual areas of the business. We maintain a central area for contractors within the business, but consultancies are all part of the individual businesses' budgets and a part of the budget process that we go through. Various areas will have their own consultancies within them. We have seen no need to have a central repository of all those agreements.

Senator BIRMINGHAM—The department managed to provide a list of consultancies and, rest assured, thanks to the NBN project, that went on for pages and pages and pages, ACMA managed to provide a list of consultancies and SBS managed to provide—

Senator Conroy—I think bringing South Australian factional politics into it and that sort of blatant attack on Senator Minchin and his extravagant consultancies really is not the thing to do here. Keep your South Australian fights at home, Senator Birmingham, because if you try to make something of it I will have to detail the beyond lengthy list of money spent by Senator Minchin. I am awake to your cunning plan.

Senator BIRMINGHAM—We really do not need to bring factional politics into the arrangements you might like to strike—

Senator Conroy—I am awake to your cunning plan to embarrass Senator Minchin. I just want you to know that.

Senator BIRMINGHAM—How is the written deal proceeding, Senator Conroy, between you and Senator Carr?

Senator Conroy—I am awake to your cunning plan.

CHAIR—Order!

Senator BIRMINGHAM—Is the prenup still intact?

Senator Conroy—I am awake to your cunning plan to undermine Senator Minchin, Senator Birmingham. Just—

Senator ABETZ—A foolish area to venture into, Senator.

Senator Conroy—I am always happy to.

Senator BIRMINGHAM—We like your prenup with Senator Carr, Senator Conroy. We look forward to seeing how it goes. Back to where I think we were, the ABC and SBS both managed to provide lists of consultancies that they had entered into. Why couldn't Australia Post furnish any details at all in response to the question they were asked?

Mr Meehan—Senator, I cannot answer that but I do believe that with an extended process we could get more information than has been provided in this answer.

Senator BIRMINGHAM—That would be most appreciated because \$60 million in consultancies is a lot of money and, indeed, this Senate committee, as do all Senate committees, takes a particular interest in these matters. When a question is asked in plain language, as it was in this instance, it is disappointing to receive such a curt and uncooperative response from the agency that requires us to go through this follow-up process.

Can you provide us with any headline details of what the major consultancies out of your \$60 million may be?

Mr Meehan—Certainly that is something I am sure we could do, Senator.

Senator BIRMINGHAM—You cannot provide us with any of those details?

Mr Meehan—Not right now.

Mr Marshall—Senator, I can talk about some of the areas that I am familiar with. The term ‘consultancy’ is a very general term. In our context I know that a number of those that add up to significant amounts of money are associated with our operational processes. For example, we have a ‘consultancy’ which is a contract for an external body to sample the on-time performance of our letter business and our Express Post business. We have contracts with equipment suppliers for escalated maintenance back into, in some cases, their originating country when our own technicians are unable to fix the problem. My understanding is that those kinds of expenditures are included in that amount of money.

Senator BIRMINGHAM—That would be fine and welcomed, Mr Marshall. I am sure that, if we can get a breakdown that actually details that, we will see how reasonable most of the expenditure is.

Senator Conroy—But there is a difference between a commercial operation and the ABC and SBS. They run businesses, but they are not running in a commercial sense against the free-to-air. I think that to reveal some of the information that is being sought would not be in the commercial interests of Australia Post. I am sure we can help and get you as much information as we can, Senator Birmingham, and I am sure you are not seeking to jeopardise commercial operations. So perhaps the conversation—

Senator BIRMINGHAM—Reasonable responses will be dealt with reasonably.

Senator Conroy—Sure. I appreciate that.

Senator BIRMINGHAM—The provision of no information and simply a statement—

Senator Conroy—Maybe we need to tease through which ones would be run of the mill, which is what I think you are really looking for, as opposed to those that impinge on commercial operations. If Australia Post take that on notice we can work our way through that.

Senator BIRMINGHAM—That would be much appreciated. Thank you, Minister.

Senator ABETZ—Potentially, we would be entitled to know the moneys paid to various consultants—

Senator Conroy—As I said, I am defining—

Senator ABETZ—even if we are not told the purpose of the consultancy.

Senator Conroy—I am not questioning your ability to gather the information. That is a proper process for Senate estimates. I am simply seeking to ensure that we do not jeopardise commercial operations. If the tender for a consultant has got ‘X’ purpose, then there will be some sensitivity about what was ultimately paid. I am sure we can work out a reasonable solution to try to ensure that commercial operations are not jeopardised. If they are

consultancies in the traditional sense that we normally talk about here, then I understand the committee's interest, but I am sure a little bit of discussion backwards and forwards between Australia Post and the committee will be able to resolve that.

Senator BIRMINGHAM—Thank you, Minister. Do we have a budget for 2009-10 in terms of consultancy expenditure?

Mr Meehan—I will have to take that on notice, Senator, but we will have a budget.

Senator BIRMINGHAM—Thank you. Lastly on these areas, I note in response to question on notice No. 205, on the media spend on recurrent promotion of commercial products et cetera, that for the calendar year 2008 you forecast an expenditure of \$6.6 million and for 2008-09, until 28 February, that expenditure was just \$2.68 million. That appears, unless it is quite backloaded into the financial year, to be a reduction across two different 12-month periods. Is there a reduction in those activities?

Mr Walter—I think the situation is that, in calendar year 2008, we ran a very successful brand campaign called 'Part of every day'. I do not know if you saw it, but it featured Australia Post's activities over seven days of the week. That brand positioning campaign also featured a lot of our products and services. I will have to double-check, but if that ran in the last financial year it would only have been a very short burst. That would probably account for most of the difference.

Senator BIRMINGHAM—Thanks, gentlemen.

CHAIR—Are there any further questions for Australia Post?

Senator WORTLEY—I have some.

CHAIR—Senator Wortley.

Senator WORTLEY—Thank you. At the previous estimates hearing Senator Hutchins asked questions regarding Australia Post's decision to end its 25-year contract with Ford and to move to Mercedes to provide vans for the collection of mail from roadside post boxes. The move was quite controversial from the point of view of the drivers, who claim that the van selected had issues with limited visibility because of the absence of side windows, which makes it hard for a driver to get a clear view when manoeuvring into tight spaces to pick up mail. I understand that Australia Post referred this issue to Comcare for investigation.

Ms Walsh—It is the normal process after a PIN is placed that Comcare will investigate.

Senator WORTLEY—And Comcare has finalised its report?

Ms Walsh—Comcare has finalised its report.

Senator WORTLEY—Can you explain what the response was from Comcare in relation to the issues raised by the drivers regarding safety?

Ms Walsh—Senator, I would just highlight that in the investigator's opinion Australia Post failed to conduct adequate hazard identification and risk assessments in relation to the vans in particular to the range of environments and tasks carried out by the Australia Post drivers. While the van from the view of Australia Post is obviously compliant with the Australian standards and it is used extensively not only in Australia but across the world without the side windows, the view of this particular investigator was that in relation to the specific work

undertaken by Australia Post further assessments needed to be done and in particular that some of the training requirements had not been, in the investigator's view, undertaken through the transition from the Ford through to the Mercedes van period. On that basis there was, if you like, a variation to the improvement notice that had been issued initially. That was the investigator's report.

Senator WORTLEY—Sorry, can you just repeat that?

Ms Walsh—Sorry. On that basis, there was a variation to the PIN that had been initially placed on the Mercedes vans.

Senator WORTLEY—I understand that the report stated: 'I am satisfied that there is sufficient evidence of a real risk to health and safety in relation to the introduction of the Mercedes Sprinter vans without rear side visibility, particularly in relation to reversing from angle parking and turning across multilane roads.' And I understand further that it said: 'Further issues articulated on page 11 of the APC's submission suggest that the Mercedes vans were chosen amongst other things for their load capacity and that should side windows be installed for safety reasons the vans would not be able to be used as envisaged as APC would have to ensure that the vision through such windows is uninhibited. There is no evidence to demonstrate that this issue was raised as part of any consultation process with either individual drivers or the CEPU.' My question is: if Comcare identifies a risk with your current equipment, is the reason why Australia Post will not eliminate safety risks because it values productivity above safety?

Ms Walsh—The answer to that question is, no, Senator. Australia Post places safety at the top of its priority list. It is important to note that in that investigation the investigator did not make a finding that the vehicles must have the windows installed and that they were unsafe without those windows installed.

Senator WORTLEY—But the investigator did say there was sufficient evidence of a real risk to health and safety.

Ms Walsh—On that basis that on an individual assessment of the individual round conducted by the van driver in the particular circumstances, it is also important to point out, Senator, that Australia Post is appealing against the decision of the investigation undertaken by Comcare, as is the CEPU.

Senator WORTLEY—On this basis, if you asked Comcare to test the vans to see whether they are safe, then why are you appealing against the decision?

Ms Walsh—Senator, we do not ask Comcare to undertake it. It is their obligation under their legislation and a decision is issued in a set of circumstances.

Senator WORTLEY—On what basis is Australia Post appealing against the Comcare investigation?

Ms Walsh—Australia Post is appealing on the basis that in our view there were certain facts about the process that was undertaken by the investigator that were not taken into account that we think would have altered the outcome of that investigation. That is currently working through the appeal process in the Industrial Relations Commission, and a hearing date has been set for August of this year.

Senator WORTLEY—You maintain that there was not an issue with the safety of these vans?

Ms Walsh—We are of the view that these vans are safe for use for the purpose that they have been purchased.

Senator WORTLEY—If that is the case, why do you think the drivers would raise the issue?

Ms Walsh—Well, I think there is an issue here of change, that it is a different type of van from the one that had been used previously, and drivers were used to having windows in the back. We say that the current vans with the side rear vision mirrors that are provided do provide for them to be used safely in all circumstances without having the rear windows installed, but it is a matter of them undertaking appropriate training, which it is our obligation to provide, and we say that we will before anyone is required to work on those vans. We will be continuing to work through with that, but we consider them safe.

Senator WORTLEY—Is it the case that if the changes to the vans were made they would not be able to carry out the function for which you sought the vans in the first place?

Ms Walsh—I would have to take that on notice. I am not fully conversant with the usability issues, Senator, but I am happy to take that on notice.

Senator WORTLEY—I would appreciate that. I would like to turn to another issue now. I understand that on Tuesday, 24 March, the minister visited and inspected a number of Australia Post operations and work sites, and one of those work sites visited was Leightonfield delivery facility in Sydney's western suburbs. On departing the Leightonfield work site, the CEPU New South Wales state secretary and the minister were confronted by an employee by the name of Brett Griffin. I understand that Mr Griffin broke down in telling his story of how he was being treated by management following a work related injury being sustained. Are you aware of the case?

Ms Walsh—I am not fully across the detail of that case, but I am aware that Mr Griffin did approach the minister and, indeed, the state secretary of the CEPU on that visit. I understand that Mr Griffin has been temporarily moved to the South Windsor delivery centre as a result of his concerns, and the allegations that he has raised regarding his treatment are being investigated by HR representatives, but that investigation is ongoing, and I am not sure what the outcome of that will be.

Senator WORTLEY—Are you aware that the management representative at the centre of the complaint and allegations made by Mr Griffin is now located at the Seven Hills delivery facility acting in a position at a higher level?

Ms Walsh—I am not aware of that, Senator, but I am happy to take that on notice and confirm it.

Senator WORTLEY—I would appreciate that. Just one other issue, still on the same subject area. I refer you to Australia Post's most controversial medical policy involving facility-nominated doctors performing so-called fitness for duty assessments when a sick and/or injured employee only notifies a work related injury or medical condition and/or makes a claim for workers compensation. I understand that your policy uses a legislative

avenue not available to many other similar businesses, being the principal determination which exists under the Australia Postal Corporation Act. I understand the Australian Industrial Relations Commission has been called to resolve disputes about this policy on a number of occasions between 2006 until May of this year. Could you please provide regular updated briefings of these proceedings before the Australian Industrial Relations Commission, and can you please provide an update to the views of Comcare on the same matters following a complaint made by the CEPU representing Australia Post employees?

Ms Walsh—If I can take the last matter first, Senator, we understand that the CEPU has approached Comcare around our self-insurance status and our licence to be a self-insurer and it has made submissions. They have not been made available to us. We understand they have been made but we have not seen a copy of them. We will obviously be working through Comcare, through the proper processes, to respond and assure them that the processes that we undertake in relation to facility-nominated doctors and the application of the principal determination in these circumstances are lawful and fair in all circumstances. It should also be noted that as part of our self-insurance process we are required to undergo a review by Comcare and under the SRC Act on a regular basis. In previous audits and reviews they have found no inappropriate or unlawful activity on our part in relation to the use of that policy and the principal determination, but we will obviously work through with the authorities should they wish to discuss that with us.

Senator WORTLEY—Are you aware of an employee who is employed at the Sydney parcel facility at Chullora who was directed to attend an FND after she had notified an injury and had made a claim for workers compensation with a medical certificate from her treating doctor for three days off work due to her work related injury?

Ms Walsh—Do you have the name of the employee?

Senator WORTLEY—Pamela Emmanuel.

Ms Walsh—I am sorry, I do not have a briefing on that but I am happy to take it on notice and provide any background.

Senator WORTLEY—Given that, I will put some other questions on notice in relation to that, and if you could respond to those I would appreciate it.

Ms Walsh—Sure.

Senator ABETZ—A question came to mind about your 200th birthday celebrations—congratulations. Is there any chance or possibility of you recouping some of that money with special first day covers, special stamps or other collectables which might reduce the \$1.5 million tag to help pay for the birthday cakes, candles and balloons?

Mr Walter—Yes, it is remiss of me not—

Senator Conroy—I thought Senator Minchin displayed a far more charitable approach to this than you, Senator Abetz, so I can only encourage you to follow your leader.

Senator ABETZ—I do.

Senator BILYK—Senator Abetz is probably concerned about those people losing jobs.

Senator Conroy—In Tasmania? No, I did not hear him mention that.

Mr Walter—In fact, there are three stamp releases marking the history, the current and the future based on the fact that we are positioned at the hub of communities and have been over the 200 years. We have had recent advancements in our capabilities and our networks and are focusing on sustaining our business into the future. There are three stamps. I should have mentioned those.

Senator ABETZ—What indicative extra income do you think might arise from that? Is it much of an offset or not? Will it pay for the beer or the champagne as well?

Senator Conroy—Please, Senator Abetz, I am not sure that was a question that was possible to answer; that was more of a comment.

Senator ABETZ—Of course it was.

Mr Walter—They are part of our stamp program. There can only be a certain number of stamp releases every year. Hopefully they will sell really well but we are not relying on that.

Senator ABETZ—But you indicated earlier to my colleague Senator Birmingham that with the Olympics you in fact got some revenue back by the expenditure. I was just wondering if the same was applying to the 200th birthday celebrations.

Mr Walter—I must admit it did occur to me after I sat down to say what I am about to say now, and that is that a normal stamp release might give up to about \$1 million in revenue, whereas of course we are talking about \$6.5 million for the Olympic Games. Depending on the popularity of the stamp release, it can be more.

Senator ABETZ—We will be able to find out in due course, no doubt.

Mr Walter—But they are very good stamp releases. Also I am reminded that the Foxtel DVD will be on sale through Australia Post outlets from the time of our bicentenary day on 26 June, so there will be some revenue coming from that as well.

Senator ABETZ—That will undoubtedly top the charts.

Mr Walter—I hope so.

Senator ABETZ—What sort of cost is the DVD?

Mr Walter—I could get that for you. I do not have that figure. The program was made, so real really it is—

Senator ABETZ—I can see Christmas stockings being chock-a-block with the Australia Post DVDs.

Mr Walter—Usually it is 12 months before you are allowed to do anything like we are doing but because it is for the bicentenary Foxtel has only had a three-month period from the time they have had it exclusively. I can get the actual costs but they will not be huge.

Senator ABETZ—It might be just in time for Christmas.

Mr Walter—Well in time for Christmas.

Senator ABETZ—Good. I have spoken to some people that reside in Beaumaris who say thank you very much for extending the service into that very important part of Tasmania. Mr Newman, in relation to the issue of fuel prices with the contractors, I understand that at the

last Senate estimates a commitment may have been given in relation to providing a fuel price starter to mail contractors. If that is the case, has it happened?

Mr Newman—I think the commitment that I gave was that we would advise the contractors, if they requested it, on the price point of the fuel that formed part of the review. I think we pointed out in this forum before and, I thought, on our questions on notice that FUELtrac is the provider of our fuel data, and we do that under contract, and they are not comfortable in making that information available to a third party.

Senator ABETZ—Right.

Mr Newman—However, they did agree that the fuel price point as it relates to that contractor—which is, in fact, FUELtrac data—can be made available to the contractor on request.

Senator ABETZ—The contractor should then approach Australia Post?

Mr Newman—Absolutely.

Senator ABETZ—Then Australia Post will make that available?

Mr Newman—We will just give the information; that is correct.

Senator ABETZ—Thank you for that. Would that come at a cost to the contractor?

Mr Newman—No.

Senator ABETZ—No?

Mr Newman—Not just that single price point. If they wanted to go beyond that they would have to form some form of relationship with FUELtrac themselves.

Senator ABETZ—Thank you very much for that.

Senator WORTLEY—I am mindful of the time. I do have some other questions for Australia Post that I will put on notice. Specifically, when I have been out in rural and regional Australia, I have had people raise the issue of Australia Post acting as an agent for banks, the Commonwealth Bank and so on. Some of the questions are around a long clearance time for cheques. Why do cheque clearances take so long when they are deposited through Australia Post and what happens to the funds in the interim?

Mr Mitchell—I wonder if I could take that question on notice?

Senator WORTLEY—I will add in another one, then. Is Australia Post making any attempt to reduce clearance times for cheques and deposits made at post offices?

Senator MINCHIN—I just wanted to ask a few questions about your dividend projections. We talked about the dividend for 2008-09 and the incorporation of part of the special dividend. The backdrop to this is that I think somebody mentioned a 40 per cent decline.

Mr Meehan—A 40 per cent decline in this year's profitability.

Senator MINCHIN—In revenue or in profit?

Mr Meehan—In profit.

Senator MINCHIN—What is the revenue decline in 2008-09?

Mr Meehan—Our revenue from last year to this year is actually up by about \$90 million, but that is predominantly in price, but significantly down on our budget.

Senator MINCHIN—So revenue increased but much less than had it been—

Mr Meehan—Yes, and certainly revolved around price not volume.

Senator MINCHIN—What projections are you making for profits for the next three ensuing financial years?

Mr Meehan—We are expecting our profitability for this year and the next two years to be around the same level.

Senator MINCHIN—Stable. So the hit will be in 2008-09?

Mr Meehan—There is a significant hit in this year, but we are not expecting profitability to go up at all. In the next year, 2009-10, we are expecting a slight decrease in profitability and we believe we will stay around that number for 2010-11 and look for an increase in 2011-12, much of which is dependent on what happens to the letters business and in particular with the prices associated with it.

Senator MINCHIN—I notice in the PBS the dividend projections show a very dramatic fall from 2008-09 to 2009-10.

Mr Meehan—That is correct.

Senator MINCHIN—It is down by nearly two-thirds.

Mr Meehan—A lot of the dividend that is paid in 2008-09 relates to the year ended June 2008, which is a record profit, so we have had a significant decrease. Our projected dividend for the next part is about 20.5 below initial expectations for 2008-09.

Senator MINCHIN—It is down to 151½, then 152, but then for 2011-12 and 2012-13, you are down to 140.

Mr Meehan—That is correct.

Senator MINCHIN—There is a continuing decline, and that is based on your forecast for the letters business, is it?

Mr Meehan—Partly letters and the fact that other parts of our business—for instance, parcels—are fairly flat at the moment. It is a very competitive area. The margins are being squeezed all the time. The letters business is the one that is of most importance to us for profit, because most declines in revenue go straight to the bottom line because we cannot necessarily change the expense level that is behind it. It is a relatively fixed network. That is the significant drop in our profitability over those years.

Senator MINCHIN—Does your forecasting seek to work from assumptions derived either internally or externally about the state of the economy itself going forward?

Mr Meehan—It is a combination. We look at government estimates and at what all the analysts out there are suggesting. We have obviously got a very close relationship with our customers, so we look at what they are doing. That gives us a much closer look at where we expect our volumes, particularly in the letters business, might be going over the next two or three years.

Senator MINCHIN—There seems to be a disparity. The government, which owns you, is forecasting a return to strong economic growth in 2011-12 or 2012-13 of 4½ per cent, but your dividend projections, based on your assessment of the profitability of your business, are very flat and well below trend. Does your internal forecasting of the state of the economy not accord with that of the government which owns you?

Mr Meehan—No, most of our projections are based specifically on what we believe is happening with the letters business. We think that a lot of the decline in the letters business now is predicated on the current economic circumstances. When things turn around we may not be able to pick all that revenue back up. People will find other ways of doing things that they have previously done through letters. The growth rates or the decline in the letters business will widen significantly compared to the figures that we have through Australia Post. Because that is such a significant part of our business, we are looking at that going forward on the basis that, if we can keep profits in total flat for that two or three-year period, we will have done exceptionally well.

Senator MINCHIN—So, even if the economy does recover to 4½ per cent in two years time, which no-one else believes, you do not believe it would have the requisite impact on your profitability?

Mr Meehan—Not as big an impact. It would certainly have an impact on our parcels volumes, because people will start buying more and we will be doing a lot more delivering. You would be aware that most of the post deliveries are in the consumer area. That is an area that is very weak at the moment, so those sorts of increases would help that side of our business but not necessarily the letters side of our business.

Senator ABETZ—I think Senator Minchin is onto something here, because Australia Post—

Senator Conroy—No, I think I will stick with the Treasury's forecasting of the economy.

Senator ABETZ—Chair, are we going to stop these interjections, or not? I think Senator Minchin is onto something here, because Australia Post itself has said publicly there is a strong link between the sending of letters and the health of the economy. Your projections clearly do not suggest a healthy economy, as the government is trying to stymie the outcome of the—

Senator Conroy—I think that is a wonderful discussion that you and Senator Minchin are entertaining yourselves with. Do you have any questions?

Senator MINCHIN—Is the dividend forecast that is in the PBS the forecast that you give the government?

Mr Meehan—That is correct.

Senator MINCHIN—So they accept your figures?

Mr Meehan—They have at this stage, yes.

Senator MINCHIN—They have not second-guessed them or said, 'No, we don't agree; we want more from you.'

Mr Meehan—We have certainly put them up for the outer years. They are certainly preliminary estimates and we have advised the government of that and they have taken the numbers that we have put through, and I would have to say that they are conservative.

Senator MINCHIN—You hope so. But this is a very dramatic decline in the profitability of the business. Do you have an internal team working full time on ways to cut expenses?

Mr Meehan—Absolutely. In this year compared to budget we have saved nearly \$100 million worth of cost. We mentioned before that a lot of the expenditure that has come through particularly this year is outside of our control. I did mention the bond rate reductions of having tax on our provisions of about \$61.3 million. We have had an additional superannuation expense of nearly \$15 million, and property devaluation and sales are about \$45 million less than what we expected because of interest rates, and yet expenses have gone up. That is \$133 million of items of expenditure that are fundamentally outside of our control that directly impact on this year's profitability.

Senator MINCHIN—I commend you for taking \$100 million of costs out. Where, by and large, has that come from?

Mr Meehan—A lot of areas. It was certainly across non-discretionary spend throughout the corporation, cuts to non-business critical travel and non-essential training programs where virtually every division has cancelled management conferences. We did not have the major corporate management conference last year. We had significant reductions in promotional and advertising expenditure. Mr Walter mentioned before that the 'Part of every day' program has been significantly wound back. We have reprioritised and deferred a lot of capital expenditure, which has a lot of other expenditure associated with it. As we have talked about before, we have had a lower management consultant spend which we will be analysing in more detail.

Senator MINCHIN—Presumably labour costs in your business are the biggest expense by far?

Mr Meehan—That is correct, and those labour costs are fundamentally tied to the EBA.

Senator MINCHIN—There are stories around about you asking your staff to take unpaid leave, those sorts of things. Has that been contemplated or have steps been taken of that kind? Are you discussing that?

Mr Meehan—Not as far as I am aware. We do have staff that have excessive leave outstanding, so we have a program in place that every division is looking at.

Senator MINCHIN—That is paid leave?

Mr Meehan—That is paid leave—that is correct.

Senator MINCHIN—There has been no request for anybody to take unpaid leave?

Mr Meehan—No.

Senator MINCHIN—Just remind me, when does the EBA come up again? Is it currently being negotiated?

Ms Corbett—We are currently negotiating the EBA.

Senator MINCHIN—You are going to considerable lengths, presumably, to make the point to your staff that the business is in significant constraint.

CHAIR—Are there any further questions for Australia Post? If not, thank you very much, officers of Australia Post for appearing before the committee this morning.

Proceedings suspended from 11.58 am to 12.04 pm

[12.04 pm]

Australian Broadcasting Corporation

CHAIR—I welcome the officers from the Australian Broadcasting Corporation. Mr Scott, do you wish to make an opening statement or shall we go straight to questions?

Mr Scott—No, I would be happy to make an opening statement, Senator, thank you. The ABC would like to open by acknowledging that, in a difficult economic environment, its new triennial funding arrangement has it well positioned for the future. The extra money allocated by the federal government will enable the ABC to significantly step up its local drama production, working with the independent production sector to generate new jobs and to deliver high quality content that its audience expects.

We are also eager to begin work on our new digital television channel for children. We are aiming to have this exciting new channel on air by the end of this year, allowing the ABC to build on the trust it has established with generations of Australian families by broadcasting fresh, vibrant programs relevant to young audiences in an advertising-free environment.

The new broadband regional hubs project is an example of the ABC's work as a new media innovator. We will put specialist editors in local radio stations acting as catalysts and hosts for the creation of user-generated content. ABC local websites will act as virtual town squares, building and maintaining vital community links.

In my briefings to staff, I have described the new triennium package as an important down payment on the ABC's future. The media and technological worlds are changing at a pace unimaginable a few years ago. Even with three years of funding security, the ABC must continue to assess the efficiency of its operations and to review its priorities in the light of changing audience expectations and new technological opportunities. We will continue to focus on delivering services free of charge to all Australians that the ABC is in the best position to deliver, given the public's investment in our resource base, our presence across the nation and globally, our reputation for innovation, the public's trust in us and our obligations under the charter.

I would also like to acknowledge before the senators the ABC's continuing role as an emergency broadcaster at times of great community need. When I was last before this committee, I spoke of the ABC's work during the Victorian bushfires and the Queensland floods.

Over the past week, the ABC has again been called into service during the wild weather and widespread flooding in South-East Queensland and the New South Wales north and mid-north coast. Once again on radio, television and online, we have worked around the clock to provide the community with the latest news, official reports and the information needed concerning evacuations, flood levels and severe weather alerts.

I take the opportunity to thank the very many ABC staff who have worked tirelessly to provide this service, staff from the regions affected, those who travelled in to provide back-up support and those whose job it is to coordinate this emergency broadcasting activity. They have worked with great dedication and professionalism. Thank you.

CHAIR—Thank you very much, Mr Scott. Senator Cormann.

Senator CORMANN—Thank you, Madam Chair. Mr Scott, you would recall that I asked you some questions at the last estimates about the future of the Hopman Cup in terms of the ABC broadcast of it. I wonder whether you could give us an update on where things are at.

Mr Scott—Yes, Senator, I am pleased to be able to inform you that the ABC have agreed to continue with the broadcasting of the Hopman Cup for the next tournament in 2010, and we will be continuing to be in discussion with the tennis authorities about any future commitment beyond that date.

I did meet with the Premier of Western Australia, who indicated to me the strong support that the Hopman Cup has in Perth and across the state. We understand that but, as I indicated last time, the ABC has a wide range of commitments in covering sport. We are leaders in providing sports coverage on radio and through online. We have limited opportunities to broadcast sport on television. Our focus is, in the main, around providing coverage of sports that do not receive widespread television coverage, but we were pleased to be able to do a deal to continue the broadcast of the Hopman Cup in 2010.

Senator CORMANN—I recall you said at the last Senate estimates that you understood that tournament organisers needed some certainty moving forward. You have essentially gone through a 15-year period with three rolling five-year agreements, so you have now done a one-year extension. It is a bit of a stopgap measure, is it not?

Mr Scott—We are continuing to review our commitment to the Hopman Cup down the track. As you would be aware, Senator, there are a number of new tournaments that have emerged in Australia in that period of early January prior to the Australian Open. We are continuing to be in consultation with them. We understand that they were very pleased to get the news of the extension for 2010, and we will continue to review it over time. But that is what we were in a position to do at this point.

Senator CORMANN—Are you aware that the venue for the Hopman Cup is going to change? There are only going to be two more tournaments—

Mr Scott—I am aware of that, Senator, and the International Tennis Federation wrote to me and pointed that out. We will continue to review over time what our ongoing commitment is to the tournament.

Senator CORMANN—It would not make sense to make a change. If there is a two-year period, surely it would have made sense to at least extend the contract for a two-year period?

Mr Scott—I was pleased that we were able to review it for a year. I understand the desire now for another year on the back of that. We will need to make a decision on it down the track.

Senator CORMANN—How far is ‘down the track’?

Mr Scott—We are continuing to consult with the officials there. I was aware that this year the decision did not come through until April. We were intending to do it much earlier than that for the certainty that you outlined.

Senator CORMANN—When we spoke in February I think you said that there would be a decision in the next couple of weeks, and so we have had a stopgap measure—

Mr Scott—It was because we needed to negotiate that. It was not simply a case of the ABC making a decision; it was whether we could come to terms with the tournament organisers, and I was very pleased that we were able to do that.

Senator CORMANN—In the last round of estimates you would be aware I asked a question on notice about the arrangements for overseas coverage. The answer was that overseas sales of the project are handled by the International Tennis Federation.

Mr Scott—Yes.

Senator CORMANN—Does that mean that the ABC plays no role in international distribution at all?

Mr Scott—No, we do not, Senator. It is done by the ITF, I believe.

Senator CORMANN—Is that a usual arrangement?

Mr Scott—I think it would be, Senator. What we are simply doing is providing a feed of the television broadcast that is then on-sold by the International Tennis Federation.

Senator CORMANN—Is that what commercial free-to-air operators will do for similar events?

Mr Scott—I would imagine so, Senator.

Senator CORMANN—They would not achieve a fee in terms of overseas distribution?

Mr Scott—The ABC did receive fees for a number of years up to, I think, 2002, but has not received fees subsequent to that. This is simply a service that we provide. What we do is provide the coverage. We then broadcast the coverage in Australia, and then the ITF takes that coverage and they try to push that coverage into worldwide markets. But, as we have said in the past, it is a tournament that is a little unlike others, which I know is part of the argument made for—

Senator CORMANN—It is a very unique event and it is an event in Western Australia, of course. In Western Australia we get very concerned when Sydney based corporations make decisions to scrap things that are highly valued in Western Australia. I guess that is the reason we are probing—

Mr Scott—Senator, I dispute the implication in your statement.

Senator CORMANN—I am sure you would.

Mr Scott—We are well aware and we monitor carefully the audience engagement and audience levels for a tournament like the Hopman Cup. We have carefully monitored those audience figures over recent years. We are in consultation with people in Western Australia. As I indicated previously, I did meet with the Premier. Our state director, Geoff Duncan, has had a number of conversations with people over there. We are aware it is important there. As I

said, it does not in our list of priorities top our commitment to covering events like women's basketball or women's soccer or the local football that we cover. Our commitment to covering the West Australian Football League has continued and is ongoing. We will continue to review our opportunities to cover the Hopman Cup.

Senator CORMANN—I do not really understand why one should be at the exclusion of others, I guess. This is, as you say, a unique event internationally. It is something in which the ABC, over a very long period of time, has played an important role in helping to achieve. I would be looking for some sort of indication as to when a decision in the future is likely to be.

Mr Scott—I think that we would in a position to do that by time the tournament runs in 2010. I would imagine that part of our decision-making process will be to review the success and the impact of that tournament: the kinds of players who are attracted to it; the level of audience engagement in Western Australia and around the country when we show it on television; and the cost of manning the coverage.

Senator CORMANN—You are not proposing to have a decision every year to extend it only every year?

Mr Scott—No. As I indicated, it was under review and we decided to look at its performance for another year. The ITF have written to me and pointed out that there will be one more tournament at Burswood after that, prior to moving to the new stadium. I imagine that those promoters will be looking at a range of other television opportunities beyond the ABC, be it the commercial networks, be it the new 24-hour sports channel that Channel 10 has started, be it the pay TV operators.

Senator CORMANN—But you understand that, given the tournament is going to be at the same location for two years, it would not make much sense to change arrangements in terms of broadcasting?

Mr Scott—I understand that view, Senator. As I said, it is a view that has been pointed out to me by the International Tennis Federation.

CHAIR—Thank you, Senator Cormann. While we are still on ABC's sport, I go to Senator Lundy.

Senator LUNDY—Thank you very much, Chair. I would like to ask some questions about particularly the ABC's coverage of sport that women play. I have written to you, Mr Scott, commending you on coverage of the new national women's football league. I should declare that I am the independent chair of the Canberra United team which is participating in that league side.

Mr Scott—And performed very well in the first season.

Senator LUNDY—I have an abiding interest in it, but also my interest—

Senator Conroy—And she does play regularly on weekends and in the parliamentary football team.

Senator LUNDY—Very poorly unfortunately—thank you, Senator Conroy. In the context of my interest in Canberra United, I have a longstanding curiosity and support for the ABC's investment in the coverage of women's sport. With the recent changes and particularly with

the advent of ABC2 and previous discussions—I think there was a debate about whether or not sport would continue to be screened on ABC2—I wanted to ask where your considerations are in that regard. I would also like you to give an outline as to the extent of your commitment to the coverage of women's sport in Australia.

Mr Scott—Thank you, Senator. We have a few constraints at the moment around our broadcasting on ABC2. One is that, under our current arrangements, we need to do a national feed; we cannot do local breakouts. This inhibits our ability to do local sporting coverage anywhere apart from on ABC1. Back when ABC2 was first established, there was little funding for content or new content, so sport was quite useful for filling our schedule. I think we now have strategy that we are executing around ABC2, which means that we do not fill up the airways with lots and lots of sport. I think the other thing that we need to take into account is that, even though a significant growth is taking place in digital television, the penetration of ABC2 at the moment is certainly not full penetration to all of the country. At the moment we are looking to the forthcoming season of the women's football and to broadcast that match of the round on ABC1, which will give it the largest audience that we expect that we will be able to find. That is the same as the inaugural season. We are about to enter negotiations for another season of the WNBL. That season runs, as you know, from October to March. We also expect that there will be live coverage of that competition on Saturday afternoons on ABC1.

Senator LUNDY—You are moving that from ABC2 to ABC1?

Mr Scott—We are working for live coverage on ABC1, but I think the final details of that will emerge from the negotiations. We are also in negotiations with Golf Australia for a further three-year deal for the coverage of the Women's Australian Open golf. The next tournament takes place in February 2010. I imagine that coverage would be afternoon coverage on the weekends on ABC1 as well. We are about to advertise, as you would be aware, for a women's sport broadcaster internship. This will be the third year in a row that we are offering that service. I think it is fair to say that we expect the focus of our sports coverage will remain on ABC1, though not exclusively on ABC1; we will review the ABC2 commitment over time. In all our sporting coverage, the ability to localise on the multi-channels will give us more flexibility around scheduling.

Senator LUNDY—With respect to your plans for multi-channels, can you point to any prospective opportunities for greater coverage of women's sport?

Mr Scott—I think there are a number of factors that come into play with that. One is, as I was pointing out to the senator from Western Australia, there are now a number of outlets that are competing for women's sports rights. There are, I think, four channels on subscription television and Channel 10 now has a digital channel as well. We will continue to look for opportunities.

Senator CORMANN—It is not quite the same, though, is it, subscription TV?

Mr Scott—No, it is not. I am just saying that there is a market for bids and activity—and, as I was going to point out, the ABC, of course, used to show a lot of netball, but we lost the rights to that netball because a market was created. Frankly, I think one of the good things the ABC can do is to create audience interest and engagement. Sometimes the consequence of

that is that a market is created around that product and means that we lose it. As it was with *Kath & Kim*, so it can be with netball. As long as it is still reaching audiences we will continue to pursue options. We will continue to look at it over time, Senator. Beyond the women's football, the basketball and the golf, I do not think there is anything that is specifically on our agenda at the moment, but we will see what opens up down the track.

Senator LUNDY—Are you able to provide the committee with any information about the respective ratings, particularly of the football, and how it performed as content?

Mr Scott—Let me take it on notice, Senator, and I will be able to give you details on that.

Senator LUNDY—Also with the WNBL, given it was on ABC2 for how many seasons—was it one or two?

Mr Scott—I think it was one; I am not sure. We only started getting the detailed program-by-program ratings figures for ABC2 from the middle of last year. So we will see what is available and provide that to you.

Senator LUNDY—I would be interested also in what you perceive or what you understand to be the penetration of ABC2.

Mr Scott—Yes.

Senator LUNDY—For all intents and purposes, I think it is better if this content is on ABC1 because it has a wide reach, but I also acknowledge the fact that you boost the appeal of ABC2 by putting popular content on a digital channel.

Mr Scott—That is right. Part of our strategy is for the ABC to play a leadership role in driving the take-up of digital television. We expect that is what the children's channel will do. Over time, as every week goes by, more and more people are signing up to digital television, through either a new set or a set top box. Freeview is playing its part in promoting that. So, as every year goes by, it will be less and less of an issue that programming is on ABC2.

I think part of what we are trying to do as well, and you will see this if you are watching our network, is cross-promoting, so you will see a promotion for the ABC2 programming on ABC1. We are increasingly trying to integrate our sporting brands as well. So you will find there is promotion of these women's sports taking place in *Grandstand* on radio and certainly a presence on our online sites. For example, *Grandstand* cricket over the summer paid significant attention to the women's World Cup. We provided some coverage of that on radio as well. I think we are certainly doing the very best we can to increase awareness and coverage of women's sport.

Senator LUNDY—On those events, rather than national league coverage, if you could also take on notice providing the committee an outline of the range of commitments the ABC has entered into with respect to event based coverage of sport that women play?

Mr Scott—Yes, we are happy to do that.

Senator LUNDY—Finally, and this is I suppose a little cheeky given the government's significant investment in the ABC with respect to other digital channels, what is the likelihood of and what is your thinking with respect to a dedicated sports channel, like Channel 10 has proceeded down that path?

Mr Scott—Senator, there are a number of questions—

Senator Conroy—Can we just get the kids TV one going first!

Mr Scott—Senator, there would be a number of questions on that. I think one would be spectrum availability, even though we appreciate that fast broadband to every home provides us with other distribution options that we may have had in the past. It is expensive to broadcast sport. As you would have seen, if you go to some of our events, we take out the outside broadcast van and multiple cameras. It is an expensive and detailed logistical exercise. There would be spectrum availability and significant cost issues. I think one of the things that we would want to do is to think through whether, with commercial TV moving into sport on multichannels and with a range of sports available on subscription television, there was sport left for the ABC to cover that made that investment worthwhile. The media is undergoing great change. Of all areas of coverage, I suppose sport is the one for which there remains a very viable market in media terms. The cost for us to compete on rights for things that are available elsewhere would be a very significant amount of money.

Senator LUNDY—Thank you. I think that is a realistic and thoughtful answer, but I also want to ask the question more generally. It is not just the sports that women play; there are a lot of other sports out there that struggle to get coverage.

Senator Conroy—Volleyball.

Senator LUNDY—Volleyball.

Mr Scott—The great example of that, I must say, that we found is the Paralympics.

Senator LUNDY—Yes.

Mr Scott—The single biggest driver that we can detect of growth in ABC2 audience measures was the coverage of the Paralympics from Beijing, where I think the average reach of our ABC2 audience increased by around half a million when that was on. It was a very big increase.

Senator LUNDY—That is fantastic.

Mr Scott—There are numbers of sports, Senator, that do not achieve, I suppose, that fevered, commercial market for their rights. They are still pretty expensive to cover. There is some interest in them during, say, Olympic and Commonwealth Games but not too much outside that at the moment. We just need to weigh all that up, I think.

Senator LUNDY—I note the ABC refers to its charter in the context of undertaking the coverage of sport that women play. Is there a place for reference to your charter for covering sports that, for whatever reason, cannot crack the commercial market, thereby underpinning perhaps an argument for greater coverage, despite the expense, to give the Australian population exposure to sports that are very popular but otherwise are not really seen and cannot derive revenue from coverage?

Mr Scott—That, I think, is where our activity is focused. Two examples in recent years are netball and lawn bowls, which is a mass participation sport that has achieved really very little broadcast coverage. When we view our investment in sport as far as opportunity cost is concerned, that is where I suppose coverage of issues like the coverage of the tennis

compared to those other sports comes into play—not that in isolation a tennis event is not worthwhile covering, but is the money better spent there or better spent elsewhere? So, yes, we continue to weigh it up. Iain Knight, who you would know runs our television sport coverage, is very aware of these issues and we do continue to look for opportunities to broaden out where we can.

Senator LUNDY—Finally, what endeavours are you exploring online to, as you say, cross-populate your sports offering to the Australian public using the different media that you support?

Mr Scott—A number, Senator. We will shortly be launching a new *ABC Grandstand* website, which will be bringing together the best of ABC sport on television and radio. There will be blogs there but also opportunities for user-generated content. One of the things we would like to be able to do is around user-generated content. A lot of sport takes place in grassroots communities and there is ability in a sense for those results and that information to come in. It would be a place where you could get all the information on what is happening in sport, not just at a national or a state level but at a local level as well. That site is well into development. I expect it will be launched shortly and that will be a real asset as well.

Senator LUNDY—Thanks, I will look forward to it.

CHAIR—Thanks, Senator Lundy. Senator Troeth.

Senator TROETH—Good afternoon, gentlemen. I had a series of questions and I would just like to give some background first so you can place this. On or about 1 May 2009 and following, the ABC reported the UN allegation that Israel had targeted and hit a UN school at Jabalia in Gaza, resulting in the deaths of approximately 40 civilians who had sought shelter there. The ABC reported these allegations widely; no fewer than 19 *News Online* articles, three *AM*, three *PM*, 2RN *Breakfast* and *The 7.30 Report* programs covered or mentioned what proved to be a false UN allegation. Those allegations also received significant coverage on ABC television and radio news.

A month later, on or about 5 February, the UN issued a clarification retracting that allegation, but the ABC coverage of that retraction was very much less than for the original allegation. There was one *News Online* article and a solitary radio broadcast on *The World Today*. Many of the reports and programs referencing the original false allegations remain entirely uncorrected, although in some cases an editor's note has been added to the transcript located on the ABC website. Can you give me an explanation for the failure by the ABC to correct many of the reports and programs reporting those false allegations, as required by your editorial policies?

Mr Scott—I can give you some information, but we will be able to provide more to you down the track. As you would be aware, complaints have been made around this. An investigation is being led by our audience and consumer affairs division. That investigation is nearly complete and we will be releasing detail on that shortly. This is a challenging set of facts for us to cover. As you would be aware, there will be many circumstances where there is a story where either facts change or new facts emerge down the track. We have six million pages on abc.net.au and we need to attempt to exercise judgment and do our best to put editors' notes on, to correct or clarify as best we can. I think the question that is being

reviewed at the moment is whether in fact we did enough in these circumstances where new facts emerged a considerable time after the original reporting. The other thing that we are looking at too is whether in fact there was the correct dissemination when these new facts emerged and the UN made a different statement, whether there was a complete enough dissemination of that around the ABC. That is the work that we are now doing and is now underway.

I would say to you it is going to be very difficult for us to correct everything that is online that has ever been said around a story when new facts eventually emerge, and so we need to look at where we correct or clarify. If you go to our website at abc.net.au you will find a correction around this. If you go back and look at some of the stories, you will find an editor's note that has been appended to that. But whether it was complete or thorough enough, Senator, that is what we are reviewing at the moment. I will be able to provide you with more details of that down the track.

I would say to you also that one of the things that media organisations often do is correct and clarify and make statements but also in the coverage that is being provided. When this story was first reported, it was a global story; it was a very big story. When the UN retracted that, we did report it. It did come in our news cycle here, tragically, just about the time of the bushfires. If you look at the weight of our media coverage, we provided an enormous and exhaustive coverage of the bushfires, and so therefore the focus of time that we were giving around the Middle East coverage was somewhat diminished. But we are aware of it and we are working through it.

Senator TROETH—Will the report come down regarding a general policy on corrections or will it be just this particular case?

Mr Scott—It will be looking at what we believe is necessary to do to comply with section 4.3 that you have referred to of our editorial policies, which is about correcting online records. We have, I think, been doing more as far as online corrections or corrections in recent times are concerned, but I think we are using this case study as an effort to help guide our thinking around what is appropriate.

Senator TROETH—I appreciate your remarks about the bushfires. Certainly it was entirely necessary and appropriate that the ABC devoted an enormous amount of time and effort to covering that. Nevertheless, would you concede that few, if any, of the groups who are interested in this particular question would ever have seen the corrections by way of the editor's note appended to the transcript?

Mr Scott—I think that depends. There is a debate—we have discussed this with Senator Abetz in the past—as to when it is appropriate to make on-air corrections. We do run on-air corrections, we do run on-air clarifications, but we are attempting to broaden our range of options on running corrections. We now do have a website, which we did not have a year ago, that people can go to, rather than going to specific programs. I think a lot of people would not quite remember where they heard something. So you can go to one place and have it all captured. I think people who study these things do look at the editors' notes, but there are some who say that we should do more on-air corrections and clarifications. Part of the difficulty of that, Senator, is that the person who is listening one day may not have been the

person who was listening originally. So we are continuing to look and review. We are quite open to the criticism. I take on board the concerns of the people. It was a very significant story that got significant coverage at the time and we will review whether in fact we did enough when new facts came to light.

Senator TROETH—You mentioned the review or report to be released by the consumer panel. Is that the name of the body?

Mr Scott—No, what I am saying is that complaints were made. We then, through our internal self-regulatory processes, review that. We will then respond to the complainants but also we will often put a statement up on our online consumer affairs site which clarifies our findings on this matter. I will be happy to provide you with a copy of those findings as well.

Senator TROETH—Yes, thank you. Apparently, neither the code of practice nor the editorial policies mention specifically what constitutes an appropriate manner of correction.

Mr Scott—Yes.

Senator TROETH—But a recent report by the Independent Complaints Review Panel has provided some guidance. The view was that the correction should have been broadcast promptly as in this way the corrections would have reached as many as possible of the original viewers who could have been misled. Would you agree with that?

Mr Scott—I accept, Senator, that if we identify that an error has been made that is a major factual error which may have misled the audience if it was not corrected and it is a matter that can be easily and clearly corrected, then to do that in a timely fashion is, of course, beneficial. I think sometimes there are complaints around the delay that it might take to put a correction up on air, but that is a reflection of the fact that we have run a quite detailed analysis of the circumstances, a reconstruction of what has happened. We have reviewed it and then, when we have come to a decision, we have put it up on air. Sometimes I think we need to be able to run appropriate processes, but if in fact there is something that is a major factual error which can be easily corrected and has been officially corrected on air, then, yes, we should do that as quickly as possible. That is our advice. That is what we want to do.

Senator TROETH—You did not consider this a major factual error—the fact that 40 people had not necessarily been killed or injured?

Mr Scott—What I am not going to do is pre-judge the process that we are running now and whether in fact we have handled this correctly or not.

Senator TROETH—All right. I will be interested to see that. I gather there was no curiosity at editorial level regarding how such an error could possibly have been made by the UN and why it took such a long time to correct the record. I mean from a program point of view.

Mr Scott—I am not sure where that comes from. I am not in a position to go into the thinking and the planning of our editorial managers around that. That may well have been considered, but I am not sure. All I know is that at the time this came out, the absolute clear focus of our editorial activity was not around Middle East coverage, as I indicated earlier.

Senator TROETH—The ABC repeated these false allegations in a recent *AM* report broadcast on 6 May, headed ‘Israel rejects UN Gaza report’. An editor’s note has since been

appended to the transcript, but that is the limit of the 'correction' made to that. So there is still continuing promotion of UN allegations which have been proved to be false.

Mr Scott—I think, Senator, as you pointed out, we did correct that immediately on the record.

Senator TROETH—So that has been corrected?

Mr Scott—I think you pointed out the editor's note there, Senator. I can get across the detail of that and come back to you on that.

Senator TROETH—That would be useful, thanks. I know this issue has been raised in the past but for those who see—and I am not necessarily one of them—a pattern of systemic bias in the ABC reporting on Israel, would you not agree that that failure, if that is how you can see it, adds fuel to that argument?

Mr Scott—I am not going to attempt to read into the minds or the motives of those who are providing criticism of this. Let me just say broadly, though, that the ABC takes its reputation for fairness, balance and impartiality very seriously. We are aware that coverage of issues that are as complex and as sensitive as the Middle East means that our coverage is highly scrutinised. I am not saying at any point that it is perfect or should not be questioned or challenged. I welcome robust debate around that. I welcome scrutiny of our performance. If in fact we do not always deliver to our high standards and expectations, then we need to improve our performance. I would say to you, though, that we are not defensive around this. I do receive correspondence from people who have been critics of the ABC's Middle East coverage in the past, like Dr Colin Rubenstein, and Dr Rubenstein will at times point out concerns in our coverage and will at times point out things that he believed were strong and robust in our coverage. We are open to engagement around the issues. I suppose we could talk here about half a dozen issues more than any other that generate attention and scrutiny and debate. Often on these matters, Senator, I can tell you we are criticised on both sides. We have been criticised in our coverage of Israel and our coverage of the Middle East from both sides, and we need to engage with our critics. One of the things we are trying to do in this area is to actively engage with our critics, to listen to criticism, to test ourselves and to test our own standards. We have some external monitoring that is now happening of our work around different issues to ensure adherence to the editorial policies. We have a positive and robust process in place.

Senator TROETH—Where do the external monitorings report to?

Mr Scott—They report through me to the board and you will find outcomes of those editorial reviews listed on our website.

Senator TROETH—I see, yes.

Senator ABETZ—Has there been a requirement for any on-air apology or retraction or editor's note in relation to a story that might be deemed as being too pro the Israel point of view?

Mr Scott—I would have to check on that.

Senator ABETZ—I do not think there is, but it would be very interesting because, Mr Scott, you do tell us from time to time that you get the criticisms from both sides of the fence.

Mr Scott—Yes.

Senator ABETZ—But it seems that apologies are required on only one side of the fence, which would suggest potentially that there is some basis to a degree of systemic bias in relation to the reporting of Middle Eastern issues.

Mr Scott—I am not aware of examples off the top of my head.

Senator ABETZ—Could you take that on notice?

Mr Scott—Sure, I would be happy to.

Senator ABETZ—Thank you.

Senator TROETH—Suppose a consumer wished to report what he or she considered to be allegations of systemic bias. I understand that the Independent Complaints Review Panel considers itself unable to respond to that, that it is not equipped to deal with allegations of systemic bias—is that correct?

Senator TROETH—They respond to specific complaints, not complaints in the general.

Senator TROETH—Yes, rather than general complaints?

Mr Scott—Yes, that is true.

Senator TROETH—I understand that ACMA has advised that they, too, are unable to consider allegations of systemic bias.

Mr Scott—ACMA also reviews specific issues, but I suppose I would simply argue that, if there are arguments about systemic concerns, they will be underpinned by specific examples.

Senator TROETH—Yes, of course, they would have to be.

Mr Scott—I think some of our critics have sent in a number of complaints around specific examples that we monitor. Can I say I think it is often a more meaningful debate and process when it is embedded in the particular, rather than in the general. It is certainly more meaningful for us in dealing with these issues.

Senator TROETH—Of course, anyone making these allegations would have to provide evidence to justify their concerns, but if the ICRP cannot do it and ACMA cannot do it, where would a consumer with those allegations underpinned by evidence go in order for the ABC to be accountable?

Mr Scott—They would go to the ABC's Audience and Consumer Affairs Division in the first instance. Then they can appeal decisions, if they do not like them, to the ICRP or to ACMA, but they need specific examples. It is a little bit of a false dichotomy I think to say that they cannot bring examples of systemic bias, if that is what they feel. They can couch it how they like; they just need specific examples to bring forward and to review.

Senator TROETH—So they would make a judgment based on the specific examples—

Mr Scott—Yes, they would.

Senator TROETH—on a case by case basis, rather than attempting to prove a general principle?

Mr Scott—Yes, that would be right.

Senator TROETH—In your 16 October 2006 address at the Sydney Institute you promised no more bias and I do not—

Mr Scott—Is that a direct quote, Senator?

Senator TROETH—That is a direct quote apparently.

Mr Scott—Is it really?

Senator TROETH—Yes. I have got the web link for it if you want it.

Mr Scott—I do not know. I certainly did speak at length on the editorial policy and we are happy to talk about it again this morning.

Senator TROETH—All right, that is fine.

Senator ABETZ—Surely that should not be an issue, that you would not be biased.

Mr Scott—No, I draw the distinction between our goal and aspiration for fairness, balance and impartiality. I certainly do not want there to be bias at the ABC, but nor will I say to you that with 15,000 unduplicated hours of news and current affairs reporting, with 65 live microphones broadcasting ABC content every morning, with us taking content into 60 local radio stations and to 44 countries around the region, you will not be able to sit back and find some examples of where we fall short of our aspirational goal. I have never said that we are perfect; I have said that we are putting processes in place to deliver the best possible outcome for the taxpayers who fund us.

Senator TROETH—ACMA is authorised to review your compliance with your code of practice.

Mr Scott—Yes.

Senator TROETH—But it is not authorised to review the separate and non-identical editorial policies—is that correct?

Mr Scott—I think that is a fair interpretation, Senator.

Senator TROETH—What would be the reason for introducing the reforms by way of the editorial policies—which I gather is a new section, if you like—rather than through the code of practice?

Mr Scott—I am not sure the editorial policies are new.

Mr Green—No, the editorial policies have been in place for decades.

Senator TROETH—That is good. These are two parallel streams, are they, editorial policy and the code of practice?

Mr Green—The code of practice is required by the ABC Act and we have to place with ACMA a code of practice, as do other broadcasters. The editorial policy is a broader document that covers far more ground than the requirements of the code of practice.

Senator TROETH—You would not see yourselves as unaccountable?

Mr Green—Certainly not.

Senator TROETH—Mr Scott, you would not see yourselves as unaccountable?

Mr Scott—No, I believe we are the most watched, scrutinised and accountable media organisation in the country. I believe we are systematically reviewed. I am happy to appear before this hearing three times a year. I can point out numerous examples of where the ABC's performance as a broadcaster is monitored and scrutinised and also where we systematically welcome that scrutiny.

Senator ABETZ—But you should be more accountable, do you say, than other broadcasters because you are wholly publicly funded?

Mr Scott—I think that is reality. That is why I think we are happy to come to this process and to talk about the decisions that we make.

Senator ABETZ—Are you really happy to come to this process?

Mr Scott—We are always delighted to engage with you.

Senator ABETZ—Good.

Senator TROETH—In reporting, as I see it, more widely one side of the argument in the Middle East rather than the other, as sometimes could be indicated—we would all agree that the Middle East question obviously arouses very strong emotions in viewers and listeners in Australia as much as anywhere else. We would not want to be seen fuelling either side of the very strong emotions; that is why I am anxious to get to the bottom of this.

Mr Scott—I would say, Senator, the ABC does not have a position; the ABC does not have a point of view.

Senator TROETH—It reports the news as it sees it.

Mr Scott—We respect that there are divergent viewpoints in the community and our editorial policies set out our responsibility to ensure principal, relevant viewpoints around matters of contention. I think if you look at the array of voices and discussions that we have on our programs, from radio current affairs, like *AM* and *PM*, from *News Breakfast* on ABC2 through to the *7.30 Report* and *Four Corners* and *Lateline*, we can demonstrate in great detail the plurality and range of voices and views that are heard. A program like *Q&A* celebrates that diversity.

Senator TROETH—Yes, I have often watched it.

Mr Scott—So, Senator, that is our obligation—not to have a point of view, not to ensure that only one side is heard but to ensure that the plurality of views are heard, and we do test and monitor that.

Senator TROETH—I would be obliged if you would send me the result of the inquiry when it becomes available.

Mr Scott—I am happy to do that, Senator.

Senator TROETH—That is all, Chair, thank you.

Senator ABETZ—I will get started and see how far we get. One of the dangers of going to Aussie's and buying colleagues coffees is that there are other colleagues from the house of reps who suggest questions to you. One question that was suggested to me was that during the last election ABC had SMS alerts for news items; is that right?

Mr Scott—That would probably be right, Senator.

Senator ABETZ—I think I have asked questions about this in the past but I confess my memory fails me. Are the texts that were sent out somehow retrievable? Can we be provided with what those texts said during the 2007 election period?

Mr Scott—Senator, I do not recall us discussing it but let me take that on notice and see what we can find.

Senator ABETZ—If you could, I would be much obliged. Can I take you to the *Hansard* of Monday 23 February 2009, where we were discussing *Q&A*.

Senator Conroy—How many times have you been on it?

Senator ABETZ—Not at all, Senator.

Senator Conroy—Really! Even I will defend Senator Abetz at this stage. Senator Abetz needs to be on TV more.

Senator ABETZ—I have not been seduced, you see, by being invited to be a guest. Can I take you to the bottom of page 52? You will recall we had a discussion about how you were seeking to recruit more coalition supporters into the *Q&A* audience. Turning to page 53, about half way down the page, at the time I said:

Do you know what I suspect? You did not write to them saying, ‘We are writing to you with a view to gaining more coalition supporters for the *Q&A* program,’ and that is why I am specifically interested in your actual communication with them.

Mr Scott—Yes.

Senator ABETZ—You took that on notice, kindly provided me with answers, and the emails that were sent, and I thank you for that. Can I tell you I think my suspicion has now been verified that in fact the emails that were sent out did not make any suggestion or hint that you were in fact looking to recruit more coalition supporters; is that correct? Have I read the emails correctly?

Mr Scott—Senator, I have some updated information for you on the *Q&A* audience.

Senator ABETZ—Thank you for that, but before we go onto that and you distract my attention, can I ask you to please answer the question as to whether the emails that were sent out and in fact the quote ‘in order to recruit more coalition supporters’ was in fact taken by me out of a written answer provided by the ABC, and it was then that I followed up, asking for the exact emails.

Mr Scott—Yes.

Senator ABETZ—And none of the emails, as I read them, actually make the suggestion that they are looking for more—

Mr Scott—That is true, Senator, the example I think we gave you where we said we would like to invite members of the University of New South Wales Liberal Club to the audience, we would talk about what they are doing—

Senator ABETZ—Mr Scott, with great respect, I agree that the Liberal Club, chances are, would provide us with coalition supporters but what I took you through was the Sydney

University Politics Society, the Australasian Union of Jewish Students, PricewaterhouseCoopers, Ernst & Young, Mallesons Stephen Jaques, Brown Wright Stein, business groups including the Sydney Chamber of Commerce and a variety of others, and we were provided with that list as an example of you trying to get coalition supporters.

Mr Scott—Precisely, Senator, and the result of which has been a systematic attempt by the producers of *Q&A* to ensure that there are a plurality of views evidenced in the audience, and that has worked, Senator.

Senator ABETZ—And I congratulated you last time on that and I congratulate you again in anticipation—

Mr Scott—In anticipation of the data.

Senator ABETZ—In anticipation that you will be able to confirm that that trend is continuing—

Mr Scott—And you now have it.

Senator ABETZ—And if you would like to do that now, that would be good, in relation to audience splits.

Mr Scott—Okay.

Senator ABETZ—Whilst you are giving us that information, could you please think about an answer as to why you asserted that these groups, such as the Australasian Union of Jewish Students, were written to or emailed specifically in order to recruit more coalition supporters? Because the emails did not ask for more coalition supporters; they were generic. I just want to know who the brains trust was within the ABC that lumped in the Australasian Union of Jewish Students as being a hotbed of coalition supporters along with the Sydney University Politics Society. Clearly, the answer that you provided on that occasion, could I suggest to you, was wrong and did not do those organisations, which pride themselves on being apolitical, any justice.

Mr Scott—Yes. Senator, if my comments at our previous meeting suggested that only Liberal Party supporters were found in those law firms or accountancy firms or political groups, then that certainly was not my intention, and nor do I think that was the understanding of those from *Q&A*. As we pointed out previously—

Senator ABETZ—The written answer said, ‘In addition to the list of groups provided at the hearing, the producers of *Q&A* have contacted the following in order to recruit more coalition supporters.’ That was the written answer provided—no verballing, no ability to be misunderstood—and then the list includes those that I have just mentioned.

Mr Scott—Yes.

Senator ABETZ—The Sydney University Politics Society, the Australasian Union of Jewish Students, et cetera.

Mr Scott—I accept that, Senator. The aim of all this activity, as you know—there are some interesting things about pulling together a program like *Q&A*. One of the reasons it is very successful is that it is live, it is not pre-recorded, and for it to be done live, particularly at our

studios at Ultimo in Sydney at 9.30 pm on a Thursday night, as Senator Conroy and Senator Minchin would know—

Senator Conroy—I was lucky enough to do the Melbourne live.

Mr Scott—You did the Melbourne live?

Senator Conroy—The same night as the Carlton-Richmond match.

Mr Scott—And it held up very well in the ratings, thank you, Senator; we appreciate that. We need to get a live audience out. We are aware that there could be organisations or groups that want to place themselves in our audience, so we have tried to reach out. We do ask people who turn up their voting intention, and of the 2½ thousand people who have been in our audiences so far this year, 16.6 per cent have declined to give their voting intention. Of those who have given their voting intention, 34.4 per cent have indicated they are supporters of the coalition; 33.9 per cent, ALP; 12.8 per cent, Greens; and 2.4 per cent, other. The aim is not to nail the numbers of the last Newspoll; the aim is to ensure that there are representative and divergent views that exist in the audience. I think they have done a great job and—

Senator ABETZ—Can I accept that, Mr Scott, and save you providing further support for that position. Senator Conroy, I supported and congratulated the ABC and *Q&A* in relation to getting their audiences more balanced, but I have got a funny hunch that unless certain questions were asked at Senate estimates that would not necessarily be the case. Nevertheless, I congratulate *Q&A* again for having done so. In relation to the list of organisations, I just think possibly the record ought be corrected in relation to those organisations that do pride themselves on being meticulously apolitical.

Mr Scott—I accept that, Senator. I am not—

Senator LUNDY—This is ridiculous grandstanding by the Liberals once again. I would like to acknowledge the efforts the ABC has gone to doing things like *Q&A* because it is enhancing people's ability to participate in our democracy. I find the line of questioning to be gratuitous as usual.

CHAIR—Thank you, senators.

Senator ABETZ—I am sorry, but the ABC actually agrees me, Senator Lundy—

CHAIR—Senators, we are now going to break for lunch, thank you.

Senator ABETZ—and your defence of the ABC is a bit over the top there.

Proceedings suspended from 1.02 pm to 2.02 pm

CHAIR—We will resume with questions from Senator Abetz.

Senator ABETZ—Thank you. In relation to *Q&A* I have just one final issue. Did we agree that you might do something in relation to those organisations that may have been seen as being a hot bed—if I can use that term—of coalition supporters? I would just like to clear it up for the public record that the ABC, in fact, does not see them as such? I would like them to be, so do not get me wrong.

Mr Scott—As I stated on the record before lunch, if there was any suggestion that in writing the letters, and as a reflection of our correspondence and our discussion in February, I

thought that those organisations were only made up of Liberal Party supporters, then I am happy to set that record straight. Of course, I would have been happy to have done that in any correspondence that any of those groups sent to me. I am not aware of any correspondence or concern from any of those groups that was expressed to me but, if there was, I would be happy to do so in writing to them.

Senator ABETZ—I will just indicate that if *Q&A* keeps on going as it is, I doubt there will be questions at the next estimates. Let us hope that things are good.

Senator CORMANN—Especially if any of it was filmed in, say, Tasmania.

Senator ABETZ—That brings me onto an issue, in fact. I understand Mr Jones did a filming in Melbourne. Is that correct?

Mr Scott—He did, with Senator Conroy, and in Canberra.

Senator ABETZ—I am just wondering, if your staff are required to stay overnight somewhere, would they be paid a travel allowance?

Mr Scott—I imagine that would be the case.

Senator ABETZ—Is that a fixed rate?

Mr Scott—It is a fixed rate, yes.

Senator ABETZ—Are you willing to share with us what that is?

Mr Pendleton—We have not got that with us. Generally the accommodation is paid direct off our procurement cards and then there is a per diem for meal allowances. It is based on the standard government rates.

Senator ABETZ—That is a bit like ours. I suppose what I am hinting at with that, and it only came to my mind then, was that Senator Conroy mentioned the Melbourne episode. It is nice to know that journalists get fixed rate travel allowances as well before they comment on other people's fixed travel allowances. I will just leave it at that. Allow me to move on to *Hansard* ECA38 and question No. 86. The topic was on-air apologies. In fact, it might follow on from Senator Troeth's bracket of questions, albeit mine are related to forestry. Can I just have it confirmed that no apologies have been required for stories being pro-forestry or biased in favour of forestry?

Mr Scott—Yes. The answer to question No. 86 summarises that.

Senator ABETZ—Which is that there have been no complaints requiring any adjustment.

Mr Scott—I believe that is correct.

Senator ABETZ—Thank you. In the answer to question No. 86 you kindly provided me with a table of on-air corrections and apologies for the two calendar years 2007 and 2008. Is that correct?

Mr Scott—Yes, that is right.

Senator ABETZ—Just reading the second and third columns we are told the date of broadcast and the date of correction and apology. Without being too tedious, the first one is on the same day, the second within five days, the fourth one within three weeks, the fifth one within one week, then one week, one week, then interestingly, a three month delay, and that

was a Middle East issue, but we will not go there. The next one is a one-week delay. The next one is a one-day delay. The next one is five-weeks delay. Even the Corby dad was linked to the drug trade and that took two months. The next one is three days, one day, two months, nine days, but there was a stand-out, wasn't there, with the fourth one?

Mr Scott—Yes, I believe we have discussed that.

Senator ABETZ—It took 18 months before we finally got the on-air apology. Whilst it is tedious for me and for my colleagues, from time to time, to have to ask these questions and get it all tabulated, I suppose what this highlights to some of us is that on certain issues, for whatever reason, it seems to be very difficult to get an on-air apology and, of course, when it is 18 months after the event you could pretty much say that it is a bit too late for an apology in general terms. It is always welcome. Would you agree with me that I have read those tables correctly?

Mr Scott—Yes. Your suggestion is that it is to do with the issue. There is another one on that list where something was broadcast in relation to Gunns on 7 May 2008 and the correction was on the next day. The one that you are referring to, which relates to the scallops industry, as we have discussed in the past, there was significant debate and a series of appeal processes that took place through that, and it was at the conclusion of those processes that we did, in fact, run that correction.

As I said earlier to Senator Troeth, we often try to immediately correct if we are aware of a mistake and that mistake is not in dispute. Sometimes we will have reviews and investigations into it and at the end of that, we will run a correction. With this circumstance it went through quite a long course until the correction was run. I do accept that is what the data shows.

Senator ABETZ—Would you accept that, in general terms, an 18-month delay is not good practice?

Mr Scott—I would accept that.

Senator ABETZ—I would like to move on. My concern about bias in reporting of matters of forestry also motivated me to put on notice question No. 1228. I would like to publicly apologise to the ABC personnel that had to put all this together, but unfortunately it paints a picture. I would just ask you whether I am reading this correctly. When I asked about a particular forestry protest, I asked:

In regard to the Australian Broadcasting Corporation, ABC 936 and ABC Northern Tasmania, how many radio items, in total, were broadcast concerning this protest?

I am told that there were 100 stories, with 54 including comments from protesters, representatives of protest groups or Greens representatives. I also asked:

What about comments from Forestry Tasmania or other industry representatives?

Guess what the answer was?

Mr Scott—Twenty-three.

Senator ABETZ—Yes, 23. Basically twice as many grabs—in fact, more than twice as many grabs—from the anti-forestry lobby than the pro-forestry lobby. You might say that is just one statistic. I accept that, but I asked a few other questions like lengthy interviews. We

are told that in that period of time six lengthy interviews were held. I asked about the split-up. Guess what, four with protesters and two from the pro-forestry. You have once again got a huge bias in favour of the protesters. I then asked the question:

What about the time allocated?

Once again, it is not surprising those four interviews have 40 per cent more time allocated to them than those that support the forest industry. It seems that no matter which way we look at it, news stories, the news grabs, are completely slanted in favour of the protesters. The actual interview numbers are slanted in favour of the protesters. The time allocated to the interviews was slanted in favour of the protesters. I can accept that one swallow does not a spring make, but do you understand that some of us who have an interest in forestry matters see that revealed in these figures is a systemic bias of anti-forestry reporting by the ABC?

Mr Scott—No, I do not. Let me attempt to explain why. The ABC does not attempt to present pro-forestry or anti-forestry stories or viewpoints. Our responsibility is to ensure the plurality of viewpoints, a range of debates, around a contentious issue in Tasmanian society is heard. At no point in our editorial policies does it say that we should have a stopwatch on and balance up time. What it says is: is the range of views being held represented? Even if you go into the points that you made, you are right in that there are 54 interviews that included comments from protesters or representatives of protest groups. Twenty-three included comments from Forestry Tasmania. Five stories included the fact that representatives of Forestry Tasmania were contacted and they did not seek to comment at that time. Thirty-nine included comments from the police or the police minister involved in what was a very significant protest with some serious contention that was taking place on the line. You did not mention the reference to the police in your analysis, but that was part of the material that we gave you.

Our test is this. Was the debate well covered? Were different views in evidence on air? Your analysis, even on the amount of time allocated to stories, the longest interview and the third longest interview of the six you outlined were from representatives of the forest industry, and I would not even draw too much from that because, as you would know, somebody can be on air, have an interview and walk off and think that was a tough or demanding interview or a forensic cross-examination.

I think it is very important that we do not take one slice of numbers and attempt to draw too much from it. Our tests are: were the principal relevant viewpoints and the coverage of these issues aired? Did we have the full range of voices? Did we cover this not only as a matter that was affecting the environment but a matter that was affecting business and the operations of the police in the state? It lasted over a period of time and there was a range of stories. Did the complete picture get put to air? In our analysis, yes it did.

Senator ABETZ—With great respect I would suggest to you that I did not slice the numbers only one way. I have given you statistics in relation to news items, interviews and the amount of time. Surprisingly, everything is skewed one way. It is like complaints and on-air apologies all skewed on the anti-forestry side yet again. There is a picture now being painted. Mr Scott, if you and the ABC cannot accept that, to be kind, there is some skewing—I will not say inadvertent because I believe it is systemic—in the ABC, then we have a clearly fundamental different interpretation of the statistics.

If you were to say to me, ‘The number of interviews on air in the morning and afternoon programs favoured pro-forestry, but the news stories favoured the protesters’, I could accept that, but every way you look at it on-air apologies were needed all because the anti-forestry side was put too hard. The news items are clearly slanted in favour of anti-forestry. The number of on-air interviews is slanted in favour of anti-forestry. The time allocated is slanted in favour of anti-forestry. What more do we need to present to you? In answer to Senator Troeth you indicated that systemic concerns, if they are expressed, need to be underpinned by specific examples. I have today presented you with a welter of specific examples, but the ABC still seems to be in denial.

Mr Scott—What we do is review our coverage in light of the tests that are approved by our board and spelt out in our editorial policies. We would have a problem if the principal relevant viewpoints on the debates in contention had not been heard. If, in fact, the voices representing different perspectives from the pro or an anti-forestry group, environmental groups or if the police were not effectively covered, but we can demonstrate to you very systematically through the data that you have outlined that those views were heard. If you are going to start slicing the numbers that way and draw too much from it, then I would say that significantly the longest interview we held on this matter was from someone from the forestry association and the third longest one was as well. I do not think you can draw too much from it.

Surely, it also comes to what questions were being asked and the nature of that engagement. I would say that the very fact that around 40 per cent of these stories had interviews with the police and the police minister around this matter indicates that you would suggest that certainly in those stories a range of views were being heard. I do not think that you can draw too much from the data. We do not just look at that data. When we have complaints or we have reviews we look at the substance of the interviews that are being covered—not just who appeared where, but the substance of those interviews as well, against the test that is spelt out in our editorial policies.

Senator ABETZ—If you want us to do an analysis next time of the friendliness or otherwise of the questions in each of these interviews, I can tell you that I have no doubt what it will show yet again, and then there will be a fifth arrow in my quiver pointing out the systemic bias in the ABC. The fact that none of these figures concern you is a matter of concern to me. Whilst I can understand that the number of interviews or number of news stories of themselves does not necessarily indicate systemic bias, when you can specify, as I have just done, four specific areas where everything is weighted in favour of anti-forestry propaganda, let me say to you that I think a case has been made out. Any one of us in public life, in general terms, if you were to be told at about 9.30 one morning you can be given six minutes on air or you can have two minutes on air, and the next day another two minutes on air, and the next day another two minutes on air, most of us would choose to go on air three times at two minutes a piece because you will reach a much greater audience. To try to say that the lengthiest interview was with forestry makes me think that somebody is saying, ‘Oops! The numbers are getting a bit skewed here. We’ll let somebody run on with the six minutes’, and not put them on a regular basis throughout the various daily programs.

Mr Scott—I was trying to point out that a simple slice of the numbers can be over interpreted. The length of an interview is no indicator whatsoever of balance; there is a range

of factors that we look at. I go back to what I was saying to Senator Troeth earlier. We are well aware that this is an area where there are strong views, passionately held views, and divergent viewpoints. The ABC does not aim to take sides in that. The ABC attempts to report the facts of the matter and I am sure all the relevant viewpoints are heard. I can assure you that our coverage in this matter, along with the Middle East issues, has been watched very closely by all sides and that we are in ongoing dialogue with some of those people. We are aware of this. We aspire to fair balance and impartial reporting. That is what we seek to do. What I am disputing here with you, I suppose, are the conclusions that you draw from this data which I think overreach what the data is saying.

Senator ABETZ—Can you tell me what objective evidence you would point to that says that this issue of the forestry protest in Tasmania that I specifically refer to was covered fairly when you have agreed that in general terms all apologies and complaints have been in relation to overcooking the antforestry stories, that the news items have all been skewed substantially in favour of antforestry stories, the numbers of separate interviews have been skewed in favour of antforestry and the time allocated to these interviews has been skewed in favour of antforestry. If it were just interviews, if it were just the time, if it were just the news bulletins, if it were just apologies, I would have to say chances are you are right, but when every one of the objective and quantitative measures that we can use all skew in one particular direction, it sort of beggars belief that you and the ABC are not willing to admit that there is something amiss in the way that the ABC tends to cover stories, keeping in mind the discussions we have previously had with Lords of the Forests, the *7.30 Report* and nothing on the other side of the ledger to balance these things out. If you had mucked up two pro-forestry stories requiring an apology and two antforestry stories, I would have to say to you that chances are they are just honest mistakes where people are overstepping the mark. But everything is skewed the other way in the facts and figures before us today.

Mr Scott—I have a few points to make. Again, I simply do not believe that the data we gave to you for the question on notice adds up to the conclusion that you are drawing. Nor do I aspire to any breaches of editorial policies one way or another. What I aspire to is coverage that is fair, balanced and impartial. Are you aware of Mr Barry Chipman?

Senator ABETZ—I am indeed aware of Mr Chipman.

Mr Scott—So am I. I have met with Mr Chipman and discussed these matters with him. He is from Timber Communities Australia. As recently as last week he was in contact with our office congratulating the ABC on what he believed was a fair, balanced and impartial report on the contentious pulp mill at Bell Bay—

Senator ABETZ—Does that not sound alarm bells to you—

Mr Scott—No, no, certainly not.

Senator ABETZ—that somebody has to ring you and congratulate you when it should be a matter of course and everybody should be expecting that in the—

Mr Scott—I think that is absolutely right. Mr Chipman has had concerns in the past and I have met with him, and I met with him over that scallops industry issue that we discussed. I have welcomed him as groups on either side on a number of contentious issues and will

continue to correspond. But I am saying that what we seek is an outcome that is fair, balanced and impartial, and that is what we are pursuing.

Senator ABETZ—Let us leave it that. I can understand that you say ‘fair, balanced and impartial’ but when all the figures indicate that it is not fair, that it is not balanced and it is not impartial, with great respect, you cannot keep repeating those descriptors when all the evidence and all the numbers showed an unfairness, an imbalance and unfortunately partiality.

Mr Scott—As I have said, as we review these matters the number of appearances and the amount of time on air are not the criteria that we are using. The criteria that we are using are that we are fair, balanced and impartial and that principal, relevant viewpoints have been aired. It is not as though we do not review our forestry coverage, because we do receive complaints. As we receive complaints we do review it. If there are problems, if there are breaches or errors to be found as was the case with the scallops industry, then we admit to that. We have been—

Senator ABETZ—Eighteen months later.

Mr Scott—We have been breached, as was the case with the Lords of the Forests, so it is not as though we are not engaged—

Senator ABETZ—But it takes a long time with forestry matters—

Mr Scott—With fairness, sometimes it takes time but at other times, as was the case with the Gunns correction I spoke of earlier, as was the case with another—

Senator ABETZ—That was a practices issue which was—

Mr Scott—But there was another issue quite recently also to do with a report on the forests industry that we corrected quickly and which we continued to review, so we do do that.

Senator ABETZ—I welcome that if there is a trend going in the other direction. Can I quickly ask you some questions about Mr Peter Lloyd?

Mr Scott—Yes.

Senator ABETZ—There was some suggestion that he might be re-employed by the ABC and that he might be discharged from his imprisonment some time this month. Where are we at with Mr Lloyd?

Mr Scott—Mr Lloyd is still in prison. I have no further detail on when he might be released. He is not an employee of the ABC.

Senator ABETZ—I in fact asked whether his employment had been terminated and the answer came back that it was ended—

Mr Scott—Yes, frustration of contract.

Senator ABETZ—So it was not terminated?

Mr Scott—No, it was frustration of contract. He could not complete his work.

Senator ABETZ—This contract had been frustrated already for some considerable period of time—

Mr Scott—No, he was on leave. He was on extended sick leave, I believe.

Senator ABETZ—Whilst he was on remand in prison in Singapore; is that right?

Mr Scott—I believe that is right.

Senator ABETZ—The ABC provided him with sick leave.

Mr Scott—He was on sick leave, yes.

Senator ABETZ—Before his arrest he was not on sick leave?

Mr Scott—Yes, he was.

Senator ABETZ—He was on sick leave—

Mr Scott—He was on sick leave at the time of his arrest, I believe.

Senator ABETZ—You believe?

Mr Scott—I believe that is right. As I recall, he was in Singapore seeking medical treatment at the time.

Senator ABETZ—That is different to whether he was on sick leave, so if you could please take that on notice and in fairness, if he was actually on official sick leave, that may then obviate—

Mr Scott—I will be happy to correct that, if necessary.

Senator ABETZ—Do we know when he actually pleaded guilty?

Mr Scott—I would have to check those dates.

Senator ABETZ—Because there was some media suggestion in the *Australian* on 5 November that he had agreed to plead guilty to charges in return for some more serious charges being dropped. I was wondering if that was known to the ABC management by 5 November 2008 or shortly thereafter and, if it was known that it was his intention to plead guilty whilst he was in remand, why was he continued in employment until 3 December?

Mr Scott—Let me check on that.

Senator ABETZ—If you could. Then also there were media reports suggesting that the ABC may re-employ Mr Lloyd. Is that still on the cards?

Mr Scott—I have not been in contact with Mr Lloyd whilst he has been in prison. When Mr Lloyd is released, having served his sentence, I think where he wants to live and what he wants to do will largely be a matter for him. If Mr Lloyd wants to talk with us about a position that is suitable for his skills and experience we will consider that at the time, but there has been no commitment given or undertaking given. But the only thing I would add is that if Mr Lloyd has served his sentence then I do not think it is inappropriate for us to have a conversation with him at some point.

Senator ABETZ—I would happen to agree with you on that. I actually strongly believe in people being able to restart their lives and rehabilitation et cetera. One thing I would put to you is that people in the media to a certain extent are like sports figures. People do tend to look up to them, and having an involvement as he had with certain illegal substances, had he partaken of them in Australia, they would have been illegal here in Australia as well, as I understand it. I just think that there is a requirement on the ABC to ensure as much as you

ever can with these things that the likelihood of reoffending in that regard is minimised. If the man is over his problems in relation to the illegal substances, I would say that is great and allow him to start his professional life again. I have no complaint against that. I would in fact in general terms encourage that sort of approach. But, on the other side of the ledger, I think given the high profile of media people there is a need for the ABC to ensure as much as they can that the likelihood of reoffending in that regard is minimised.

Mr Scott—I understand that view.

Senator WORTLEY—The ABC's triennial funding submission was considered in the context of this year's budget. I would like you to answer the question as to how the increase in the funding in this budget compares to the funding the ABC has received over the last few years or in recent years in the budget.

Mr Scott—As we said at the time, this is the biggest funding increase the ABC has received since becoming a corporation back in 1983. There was an increase in funding for Australian drama in the last triennium but really before that it has been many, many years since there has been a real level funding increase but there has been certainly no funding increase in recent memory of anything like the scale that we received this time. Given the very difficult budgetary circumstances the government found itself in—as we said, at the time that we started talking here in Canberra about our triennium funding bid, there was a \$20 billion surplus; now there is close on a \$60 billion deficit, so we appreciate there are very different financial circumstances—we were very pleased in those circumstances to achieve the funding that we got for drama, for children's content, for capital and for broadband.

Senator WORTLEY—In terms of funding for basic operations, especially content creation and programming, is this funding allocation adequate to enable the ABC to maintain its core services?

Mr Scott—We described it as a very significant down-payment on the future of the ABC. Of course, everyone understood we did not get everything we may have wanted or liked this time out, but it was a difficult budgetary environment. We received some indexation increase but in new service areas we are really very pleased about what we are going to be able to offer. There is going to be a dramatic increase in the levels of Australian drama on ABC television. That is going to ramp up over the triennium. We will be doing that in concert with the independent production sector, and Australians will see on ABC television a very significant increase in quality Australian drama. We expect a children's channel will be on air by Christmas, commercial free, available in every Australian home with digital television. We will be increasing the levels of Australian content on that channel as it gets into full swing as well.

Senator WORTLEY—Would you be able to take us through the plans for the ABC's children's channel and just perhaps provide a little more detail?

Mr Scott—I am happy to. As I said, ABC3 will be on air by Christmas. We expect it will initially operate between six in the morning and nine at night. We are already working with the independent production sector to increase the commissioning of content. There will be drama content, factual programming for children and increased news content for children. *BTN* really provides a remarkable service by the ABC out of Adelaide. We will be extending

the amount of programming that *BTN* does, including appropriate news programming for primary school children as well. We will be commissioning and acquiring a range of content from internal sources, the independent production sector and the best that we can acquire from overseas as well. That work is currently underway.

We think we will employ around five dedicated commissioning editors and programming and acquisition staff. Advertisements for those positions ran in the press last weekend, so we are looking to get it underway. If, when it boils down through analog switch-off and into digital television, Australia has somewhere between 15 to 20 free-to-air channels, we think it very appropriate that one be a children's channel. One of the things we are trying to do with the programming around this is to particularly target those children for whom free-to-air television is not currently delivering, so there will be a focus in our programming on shows for primary school children and children in their early teens. There will also be programming for families to watch together, particularly in the early evening.

The ABC, of course, is very strong in preschool content for kids. We are going to broaden out the opportunities on this channel a bit, whilst maintaining a children's program on ABC2 and the main channel as well.

Senator WORTLEY—How much local Australian-made content will the children's channel produce and screen?

Mr Scott—We are shooting for a 50 per cent target. We are going to have to build that up over time. The funding comes in over time. Some of this will be programming that we commission and run. There is also, we think, a very significant slate of high-quality children's programming that has been created under the regulatory environment that currently exists for commercial TV that has only been aired once. Our partners in this in working and thinking it through have been the Australian Children's Television Foundation. They have been behind funding a number of those programs. We are keen for those to come to light as well. But our aim is for 50 per cent. It depends a little bit on the final mix of programming that you put to air, but that is what we are working for as the channel gets fully operational.

Senator BIRMINGHAM—Is that 50 per cent target in the current triennial funding agreement?

Mr Scott—Our bid had us reaching that in the fourth year. We will see what the funding does. But we will have a better idea once the planning and commissioning process properly gets underway.

Senator WORTLEY—What will this mean for children's programming on ABC1 and ABC2?

Mr Scott—At the moment we plan to keep our programming as currently exists on those channels as is, particularly ABC1. We recognise, as I was saying to Senator Lundy earlier, that whilst digital television is growing quickly there are still millions of households that do not have digital television. I expect the phone calls from parents if we took the children's programming off ABC1 would be deafening. But that will not always be the case. Come 2013 and analog switch-off, it really will not matter which channel you run this programming on because everyone will be able to get all channels. But at the moment we are keeping the

children's programming in the morning and the afternoons on ABC1 and during the day, particularly for preschool children on ABC2, and then we will run the ABC3 kid's content.

Senator WORTLEY—Could you run us through where the children's channel will be located and also then move on to how many jobs you expect to be created? You mentioned five programming jobs—

Mr Scott—Yes.

Senator WORTLEY—How many jobs would be created as a result of launching the new channel?

Mr Scott—We will be drawing content from around the country for the children's channel. As you know *BTN* currently operates out of Adelaide. *RollerCoaster* currently comes out of Perth. We will be doing some in Melbourne. We do children's programming currently in Sydney also—so around the country. The real thing about employment is not the number of staff that are employed at the ABC but the opportunities that will exist in the independent production sector from this work. We are identifying five additional internal ABC staff members dedicated specifically to the children's channel. There will then be increased activity that will then flow through other parts of the ABC, but the real growth with the independent production sector where a lot of this work is being done. If you want a further breakdown, we may be able to provide you with some details on notice on that.

Senator WORTLEY—I would appreciate that if you could take that on notice. In relation to the five programming production positions, will they be located in one location or—

Mr Scott—I would have to come back to you on that. I think we are still working that through.

Senator WORTLEY—Could you take that one on notice as well?

Mr Scott—Sure.

Senator WORTLEY—I am assuming you have had discussions with the independent production sector.

Mr Scott—Yes.

Senator WORTLEY—Have they given you an indication as to the number of jobs that are likely to be created through the commissioning of Australian children's television content?

Mr Scott—I would have to check on that detail and come back to you if I can.

Senator WORTLEY—I am assuming you have the figures here—I think I may have seen these in a report—but how many hours of original Australian drama were broadcast annually on the ABC on average over the last decade?

Mr Scott—I do not have the full breakdown year by year. I will be able to provide that to you. It got very low around 2005. I think it was less than five hours. That, of course, is because drama is so very expensive to make, particularly the kind of drama that we are keen to make—high-quality and distinctive drama. The cheapest drama to make is the long form, where you are really making five episodes a week and running it for 45 weeks a year. That is not the drama that we have really focused on making in recent times. It got very low. We have

built it up to more than 20 hours now and, of course, we will go a lot higher with the additional funding that has come in.

Senator WORTLEY—How will the funding allocated in this budget allow the ABC to increase its annual output of original Australian drama?

Mr Scott—There are a number of ways. It will allow us to do things in terms of the amount of programming and the style of programming that we commission. We are looking to produce a rich mix of new drama across a range of genres, including miniseries, telemovies and short-run series. We are also going to put money into feature movies and buy an early window to broadcast those on ABC Television.

As you would be aware, the Australian film *Samson and Delilah* won a prize at the Cannes film festival overnight. The ABC will be showing that on ABC1 later on this year because of an early investment that we made. We will be showing it to Australian audiences on ABC Television before it is even released on DVD after its cinema release.

There will be a range of different funding options that we put in. One of the things that we have said, and have already demonstrated through our drama investment, is that there can be a significant multiplier on the money that the ABC puts in in partnership with the independent production sector. We put money in. The independent producers put money in. There might be other funding that is attracted from Screen Australia or state based film authorities, all of which allows us to leverage our money very significantly. There will be a very significant leverage that comes to bear on this additional drama money that we have. The money is coming through. It is being ramped up over the three years. It will only be in full swing in the final years. That is not a bad thing in that it does give us time to get the commissioning underway. There is quite a long lead time in the drama.

Senator WORTLEY—Roughly how many hours of original Australian drama per year does the ABC anticipate being able to produce?

Mr Scott—As the minister pointed out, we are shooting for a 90-hour target. Finally, it will come down to the mix of programming that you elect to put together. We will be putting that programming to air across ABC1, ABC2 and ABC3. For the first time we will be commissioning some new drama content for ABC2, and of course the children's channel will give us the opportunity to create some first-run drama on ABC3 as well. There will then be a very significant increase in the drama levels available on ABC1.

Senator WORTLEY—Will all new ABC produced Australian drama be broadcast first on ABC1?

Mr Scott—Not necessarily. We are already commissioning some programming that might run on ABC2. We are trying to do some different things with ABC2. We can already see it is attracting a younger audience. You can see this through the BBC's multichannel strategy; the BBC has been able to experiment more with some of its programming out on BBC3 and BBC4, which attract younger and smaller audiences. We are already in the process of commissioning a drama series for ABC2 that we think will be very appropriate for that audience there. The other thing that we have done is we have commissioned some programs that have premiered on ABC2 and then received a later screening on ABC1. I expect you could see a little more movement between the channels.

Senator WORTLEY—Do you see programs being made specifically for ABC2?

Mr Scott—Yes, that is right. We are in a unique position to do that. At the moment our competitors Channel 9 and Channel 7 have not released a multichannel strategy yet. Channel 10 has, which is all sport. With our multichannel strategy you will see drama across all three of our networks, not just on one.

Senator WORTLEY—When can we expect to see the first new Australian drama production going to air on the ABC resulting from this funding increase and on which channel will it be?

Mr Scott—It will mainly be on ABC1. We have a number of new dramas that are coming up now. There are some that will go to air this year. We are commissioning some projects now that you will probably see on air next year. As you know, there is quite a long lead time with drama in casting, planning, pre-production, filming and then editing to get to air. We will be looking to increase our drama numbers with the pipeline that we have already got in place. You will not see anything on the air in 2009 that is directly correlated to this funding. It will be 2010.

Senator WORTLEY—In relation to the new productions, will they be distributed between the states in terms of production or will they be coming from one main location?

Mr Scott—You will find with the drama that we are already doing now that we want to reflect the breadth of the country. If you look at the drama that we have done in recent years—*East of Everything* filmed on the north coast of New South Wales, *Bed of Roses* in Victoria, *Rainshadow* in rural South Australia—that is what I think you can expect to see. *A Brand New Day* is another feature film that we have bought an early screening of and was filmed in Broome. I think *Samson and Delilah* was filmed in South Australia. I would need to check that. We will be looking to reflect the country. A lot of drama now, particularly the sort of drama that we are making, is not shot in studios. They are not studio bound. You are really getting out there on location, and that location will reflect the stories and the nation.

Senator WORTLEY—Chair, I do have other questions of the ABC but not on that topic.

CHAIR—We will go to another senator. Are there any further questions on this issue?

Senator MINCHIN—I am interested in a bit more detail on the funding for these new activities. You have been granted an additional \$150 million over this triennium, but nearly half of that is in the third year. It ramps up quite dramatically to \$65 million in the third year. In effect, given this capital funding of \$13.6 million out of that—

Mr Scott—Yes, that is the first year.

Senator MINCHIN—That is all going in the first year?

Mr Scott—Yes. The capital allocation is for year one only. There are discussions going on with the Department of Finance and Deregulation, in a sense, on their policies, Operation Sunlight that you are fully aware of, and how that relates to an independent body such as the ABC. The ABC will certainly be making submissions around our capital needs for years two and three.

Senator MINCHIN—It is essentially about \$136 million?

Mr Scott—Yes.

Senator MINCHIN—What is the break between the children's channel and your production? What is this children's channel going to cost in a normal full year of operation? If we take year three, I presume it will be a normal full year.

Mr Scott—I think it depends. It moves to \$25 million in a full year, and we will be able to get the children's channel comfortably on air there. After that, in subsequent years, it will depend on your mix of Australian content fundamentally. That is \$25 million.

Senator MINCHIN—Do you think you can run this station for about \$25 million a year?

Mr Scott—Yes. That is not to say—and the minister will understand this—that additional funding would not create additional opportunities, particularly around your content mix down the track.

Senator MINCHIN—Yes. It is a function of local content, I presume.

Mr Scott—That is exactly right. That is the big driver on this.

Senator MINCHIN—But for that 50 per cent—

Mr Scott—We are shooting for 50 per cent. It will depend finally on the mix of the dollars.

Senator MINCHIN—Let us say you target 50 per cent, what does indicatively does that mean for the annual running cost of this station? You are ramping up to \$65 million a year in 2011-12 and presumably you will want to maintain that additional funding from then on.

Mr Scott—That is true. Yes, it is \$25 million.

Senator MINCHIN—To get going, yes.

Mr Scott—That \$25 million will get us the children's channel.

Senator MINCHIN—What is the level of local content?

Mr Scott—We are shooting for 50 per cent.

Senator MINCHIN—Is that \$25 million in the first year?

Mr Scott—No. It is \$25 million in the third year. It goes \$19 million, \$22.5 million and \$25 million. In the third year it is \$25 million and that is where we would hope that we would be able to have our leverage on our Australian content operating right; we are trying to be at 50 per cent.

Senator MINCHIN—The other \$40 million in 2011-12 is for your drama?

Mr Scott—That is drama. The drama goes \$10 million, \$20 million and \$40 million. In a way that long lead time is for drama. We are now putting on screen drama proposals that I recall being talked about in my first six or nine months at the ABC. It takes a long time to ramp it up. We are comfortable with the ramp-up that the drama activity implies over the three years.

Senator MINCHIN—On that basis, for all of this to make sense you would need to maintain funding in the next triennium at that sort of level. Otherwise this is all a waste of effort.

Mr Scott—Yes. I think there would be no surprise that our argument would be that this is a terrific achievement in terms of Australian content and the kind of Australian content that the ABC does best, around children's and drama. I think the arguments around the ABC being in a unique position to deliver that content will only get stronger over the triennium. I think the sort of pressure that commercial television networks find themselves in, through a combination of structural change, cyclical change and also as a legacy of the debt that has been incurred means that the kind of drama that we want to produce, which can be \$750,000 or \$1 million an hour or more in terms of a telemovie, means that they will find it very hard to invest that sort of money and get a commercial return on their investment compared with, say, foreign acquisitions of content.

One of the telemovies we are looking at commissioning now is the story of Damien Parer, the famous war photographer from Kokoda, and others. We think that will be great. That will be a telemovie. I would anticipate, if it is like the previous telemovie we did on Curtin, that it will be well over a \$1 million an hour to create. We can see, with the pressures that are existing around commercial media and the fragmentation that is happening in the market, that the ABC being the ones that can deliver this kind of content at this scale will be very important. It will be a key to our future funding submissions to government.

Senator MINCHIN—Just remind me—the 90 hours is what is required from the commercials?

Mr Scott—Yes, it is quite a complex formula. It is based on different points allocated for long form, short form, movies and the like. As I said, we have a good opportunity to be creating different drama that we will be able to put across our three networks, and that is how we are looking at it.

Senator MINCHIN—Minister, you promised at the last election to amend the charter to mandate this minimum content so that you had equivalence with the commercials. Now that you have funded—

Senator Conroy—Now we have actually delivered it?

Senator MINCHIN—Yes.

Senator Conroy—That is a work in progress.

Senator MINCHIN—But it remains ALP policy?

Senator Conroy—It remains ALP policy and it is a work in progress. We have a busy legislative schedule, as you know, and there are many things keeping us focused, but it would be fair to say that delivering our election commitment to the actual funding as opposed to the amendment has been the higher priority.

Senator MINCHIN—On a related subject, I am sure that you are aware that the commercials, as Mr Scott quite rightly says, are under enormous pressure at the moment. I just wonder, given it is a bipartisan policy—we went to the last election with the same policy of funding a children's channel—whether the government would contemplate easing the children's production requirements on the commercial channels if there is going to be a publicly funded children's channel. I would have thought there was some merit in that.

Senator Conroy—As has been indicated, ABC3 is a digital channel. A switchover and phase-in would have to be worked through extensively if you were going to consider a proposal like that. That is certainly something that could give us some thought, but until we have got our larger uptake it would not be a direct substitute. You could not say, ‘One hour has gone from there and there is one hour over here’, because we have not got the uptake. Having said that, I am sure Mr Scott has more information on one of the big drivers of uptake in the UK of set top boxes and digital TVs, which was the introduction by the BBC of a children’s ad-free channel. If there were a substantial uptake due to that then that might be something that could come on the agenda quicker rather than later.

Senator MINCHIN—I just indicate that I see some merit in that case being made by the commercials.

Senator Conroy—This is referring to tradeable quotas?

Senator MINCHIN—Yes. I would urge you to keep that in mind. That is all I have on that subject.

Senator LUDLAM—I have some questions on general funding and then I would like to come back to the local production issue. The additional funding is certainly welcome. I want to go to the issue of base triennial funding. We have spoken a bit today about the funding for new initiatives which have been foreshadowed for a while. If you take out capital and transmission, what degree of the existing base funding of the ABC has been increased or otherwise?

Senator Conroy—Unlike the previous government, all of this money is to the base funding.

Senator LUDLAM—It is for new initiatives that did not exist 24 hours ago.

Senator Conroy—The previous government tagged projects individually and said, ‘We’ll only fund you for that project.’

Senator LUDLAM—I missed the opportunity to question previous ministers.

Senator Conroy—We did not do that. The ABC put forward a suite of measures it was interested in then. In difficult economic circumstances we have provided funding into the base. Future indexation and so on is actually on the new higher figure.

Senator LUDLAM—Can you see what I am getting at? We will come back to the children’s channel, the local drama and the online stuff in a moment. I would like to go to the existing operations of the ABC.

Mr Pendleton—There is indexation money. We have received a funding increase to fund our existing activities and that is in the indexation number that rolls through in the budget figures.

Senator LUDLAM—What is the rate of the indexation? How is that benchmarked?

Mr Pendleton—It is just a WACC, weighted average cost of six. On our ongoing base it was about 13.9. That is not including the indexation that comes through the national interest initiative activities. But against the base it is 13.9.

Senator MINCHIN—I am interested in what Senator Conroy said. In the budget papers you refer separately to base funding, and the base funding is 2.1 over the three years. There is no provision in that because it was already in the forward estimates and that is regarded as base funding. As a separate item there is this additional funding of \$150 million. It says that funding requirements from 2012-13 will be determined in the context of the next triennial funding agreement. You are saying that as a matter of policy decision that is now in the base?

Senator Conroy—It is rolled into the base funding going into the future.

Senator BIRMINGHAM—In 2012-13 it is not 2.1, it is closer to 2.2.

Senator Conroy—When the next triennium comes up it will be a percentage of the higher figure.

Senator MINCHIN—The base will be \$725.8 million plus the \$65 million. That will be the base in the last year of this triennium.

Senator Conroy—Yes.

Senator LUDLAM—Also, there are substantial new initiatives that have been announced. The point I am trying to make is the KPMG report that was released or leaked in November 2006 stated that the ABC needed in their numbers nearly an additional \$126 million after indexation just to sustain the current outputs. That was before we were talking about the children's channel and the new initiatives that have been announced. I appreciate it was a tough budget, but is the ABC still stretched just in terms of providing the kind of services that you have been providing to date?

Mr Scott—There are a number of answers to that. One of the things that I have said to the ABC staff is that we get given a lot of money from government and we do a lot with it. We put a substantial bid before the government and we were very pleased in this difficult climate that we received the funding that we did. Not for one moment does that take away from our responsibility to ensure that we are spending all the money that we spend wisely. We will continue to look for ways to improve the way we work, improve the way we operate, make programming choices, live within the means that we are given, and also try to make that budget go further. I am not saying for a moment that we are on easy street operationally with this new funding. We have been given new funding. There are commitments that we have made on things that we can do. We continue to try and drive the operational efficiency and effectiveness of the organisation. We are very pleased with the outcome that we received in these difficult circumstances.

Senator LUDLAM—Apart from indexation, was there any funding for maintenance of existing services or has the new funding essentially been earmarked for the new initiatives that were announced in the budget?

Mr Scott—The funding will go towards the initiatives that were outlined in the budget. Of course, that does provide some relief to your existing operations in that, for example, if you are commissioning more Australian drama there is less content you need to acquire, so there will be some relief that comes through the way this is constructed. But, in the main, overwhelmingly this funding is for new undertakings the ABC will be making in the next three years.

Senator LUDLAM—Perhaps we can return to some of the issues that Senator Wortley was pursuing before. According to the minister's release on budget night, increased funding means the ABC will be able to produce about 90 hours of drama programs a year. You could make the point that the funding that has been provided is not enough to produce all 90 hours; some of that would surely need to be outsourced?

Mr Scott—Even in our bid we never envisaged that that would all be internal production. The ABC has not been doing drama 100 per cent internally now for quite a while. That just makes good sense on two counts. Firstly, we can leverage our money by doing it with the independent production sector, and it is not only the money they bring but also the money that comes in for other government agencies. Screen Australia does not fund 100 per cent ABC internal productions. Nor do we get money from state funding bodies in the main around that. It allows us to leverage our money.

The other thing it allows us to do is work with the very best of Australia's creative community. All of those dramas we have done in recent times have been done in co-production. Some of the most popular programming we have done in recent years, from Andrew Denton with *Enough Rope* and *The Gruen Transfer*—

Senator Conroy—*The Chaser*.

Mr Scott—*The Chaser*, one of the minister's favourites; Chris Lilley with *Summer Heights High*—this is all working with the independent production sector. We always view this money as money that we would be able to seed in the independent production sector, provide employment out there, have good leverage on this money and work with the best of Australia's creative community. We are very pleased with that outcome.

Senator LUDLAM—When you talk about leveraging or seeding, are you able to estimate for us both for the adult drama side and children's programming what proportion of the programming you would anticipate you would be outsourcing and what proportion would be produced in-house?

Mr Scott—It does not work like that. I think 'outsourcing' is the wrong word. We work in co-production. Typically, the ABC commissions the work, we exercise editorial control or editorial standards that need to be adhered to, and, depending on the program, we will often have an ongoing relationship with that program as it is being made. Finally, we will receive the opportunity to broadcast and deliver it. It is not as though one part of it is outsourced and another part is not. We work in partnership with the independent production sector to deliver. There are different models. There will be other models where you are just putting money in a broader production that is coming together, possibly co-productions with international partners and the like. But it is not as though an element is outsourced and another is—

Senator LUDLAM—But in your internal budgeting process at some stage you will have to estimate the proportion of money or funds contracted to external providers.

Mr Scott—That is true. We can give you a breakdown of our track record on leverage: how much money the ABC is putting in to create certain productions. We have detail around that.

Senator LUDLAM—I would appreciate that, perhaps even just for the last financial year. Would you estimate that that sort of proportion or model is what you will be pursuing?

Mr Scott—Yes.

Senator LUDLAM—Is there any ABC programming currently—and do you foresee this in the future—that is produced with after sales broadcast on commercial TV in mind?

Mr Scott—As to after sale broadcast and commercial TV, some of our programs have ended up on subscription television. In fact, many times on a sleepy afternoon when you look through subscription television you can see the glories of the ABC's past on broadcast there. Often these deals come together with a sense of, yes, we will be providing money for that first window but people will be looking to where they will recoup the other investment.

Senator LUDLAM—How important is that in your thinking for a first run on the ABC channel—that is, the value of that further down the track for commercial production?

Mr Scott—Let me put it this way. Hardly any of these programs that we are putting money into would be created unless the ABC was putting in the money. We are putting in the vast amount of money to make them happen. Without us they are not happening. But, because other people like the independent producers are putting in money, they will be looking to put together deals for the subsequent use of that content, the airing after the ABC has done it. You will find that sometimes that helps make the deal happen, but the real driver as far as the ABC is concerned is that first window of opportunity for our audiences—free of charge, free-to-air Australian audiences.

Senator LUDLAM—Are there any restrictions on particular studios or commercial operators that can produce programming for the ABC?

Mr Scott—What do you mean?

Senator LUDLAM—Are there any producers or commercial producers that you do not or cannot work with?

Mr Scott—Speaking broadly, in working with the independent production sector we are looking at the quality of their ideas, their track record and their ability to deliver to the editorial standards that the ABC insists on. I am not aware of people who would have been excluded from that. I am not aware of any examples that you draw from.

Senator Conroy—Are you trying to suggest cooperating with the major networks in a joint venture? Is that the point you are trying to get to?

Senator LUDLAM—If you worked with Fox Studios, for example. Are there any projects or proposals afoot?

Mr Scott—I do not think so. I can come back to you on notice on that, but I suspect that independent producers may subsequently have made on sales of ABC content to eventually appear on subscription television just as the ABC has purchased on occasion programs that have appeared on subscription television and put them on free-to-air. I am happy to correct this on notice, but I am not aware of any, say, co-productions or joint ventures that are taking place between the ABC and subscription television at this point.

Senator LUDLAM—If there is any change to that it would be helpful to know about it. Coming back to where I was before with the indexing and so on, at this stage are you able to identify any particular services or programs that you will need to cut? Are there any job losses in the wings, apart from the indexing?

Mr Scott—No, we have not gone down that road. We have processes that are already well underway around improving our efficiency and effectiveness. We have not reviewed any of that in the light of the budget outcome. The focus of our budget outcome has been around delivery of our undertakings, particularly around getting the children's channel to air this year, to start the investment that is required to crank up the drama work, and to do work on the broadband hubs.

Senator Conroy—I see they have finally decided after the next series to axe *The Chaser*.

Mr Scott—I read about that with interest. I suspect they will be with us for a while yet.

Senator LUDLAM—My apologies if I missed this earlier, but you have said that in 2009 we will not see any first-run drama as a result of these initiatives because of the lead time.

Mr Scott—You will see first-run drama, but it will not be specific to these initiatives because of the lead time, yes.

Senator LUDLAM—For the second and the third years, are you able to estimate how many hours before you get up to your—

Mr Scott—Can I come back to you on notice on that? We are still working through that. In a way it is about how we finally decide to go. Telemovies are that much more expensive than miniseries, which are that much more expensive than long run drama, so it will finally come down to the funding mix that we create. We are still working that through now that we have the concrete budget figures delivered for us.

Senator LUDLAM—Not having a background in this industry, in terms of the definition of 'drama', do you call the cheaper end of the market—lifestyle shows, reality programs and that kind of thing—drama for these purposes?

Mr Scott—That is not how we are qualifying 'drama'. There is some debate in commercial television around that, but that is not how we are viewing it.

Senator LUDLAM—That is not a conversation at the ABC?

Mr Scott—No.

Senator BIRMINGHAM—A lot of my questions have been asked by Senators Minchin, Ludlum and Wortley, so that should make it much quicker. You said that 90 hours of drama would be the target for the fourth year. Is that the fourth year of funding or the fourth year of production going to air?

Mr Scott—The fourth year was looking more at the children's channel. I think what we will be looking to do at the end of the third year will be to have delivered 90 hours. That is what we are shooting for. But that will be drama that we are delivering on ABC1. Some of it will be on ABC2, and there will be increased children's drama on ABC3, of course. We are working out the final calibration and mix on that. But that is what we are working to do. You

are not going to get that in year one, but that is what we are working at looking to deliver through the triennium.

Senator BIRMINGHAM—I am just trying to ascertain if it is actually a target achieved within this set of triennial funding.

Mr Scott—Yes, it will be the end of the third year.

Senator BIRMINGHAM—When you say it is not the fourth year, it is only a triennial funding agreement, so the fourth year is not necessarily within that same run.

Mr Scott—Yes, I understand that.

Senator BIRMINGHAM—It is, in a sense, in that third year of funding?

Mr Scott—That is what we are looking to do.

Senator BIRMINGHAM—What percentage of your overall drama would Australian content be at that 90-hour range?

Mr Scott—I would have to check that for you. I do not have that figure off the top of my head. I will have to come back to you on that.

Senator BIRMINGHAM—How will that compare with the tradeable quotas of the commercials?

Mr Scott—Again, it depends on the mix that you do, because it is not a straight hour figure formula that the commercial TV networks do. It is actually a point system and it is based around, say, *Neighbours* and *Home and Away* being one form. It is based on a budget. It is based on a range of factors like that. What we are looking more at is a straight up and down numbers play. I think we absolutely recognise that the kind of drama that we will be doing will be towards the more expensive end that commercial TV has. As I also indicated earlier, we expect in this multichannelling world to be delivering that drama across our range of ABC television channels. This money has really only come through recently. We are talking with the independent production sector and we are working out now exactly the mix of programming we will have to ramp it up to the 90 hours.

Senator BIRMINGHAM—Noting that the points system, of course, gives a higher weighting towards the type of drama that you would expect the ABC is likely to be producing compared with a *Neighbours*, *Home and Away* or whatever, would the 90 hours be getting you within a comparable range?

Mr Scott—We would think so, but it is not an hours system in commercial TV; it is a points system. We have said that we are shooting for the 90 hours. What I am keen to do, though, is to ensure that we are not trading off the quality of what we aspire to deliver for the volume; you can easily achieve 90 hours if you are stripping it into long-run, high-churn soaps.

Senator BIRMINGHAM—Yes, I understand that is why we have the points system. You aim for quality productions.

Mr Scott—Yes, so that is why—

Senator Conroy—They are not going to do something like *A Week in the Life of Senator Birmingham*.

Senator BIRMINGHAM—That would be very dull.

Senator Conroy—That would be a soap opera.

Senator BIRMINGHAM—Particularly if they were filming us right now; it would be extremely dull—no offence to Mr Scott.

Mr Scott—That is what we are working through now. But you could easily make an hours quota at 90 hours, if you are trading down to a lot of the cheaper drama quotas, which we are not keen to do. One thing I would say is that clearly with the minister, with the department, with the screen producers and with others there will be a lot of scrutiny of the work that we are doing. We will be very accountable for what we deliver and how we deliver it. Having sought this drama money for a long period, we have an absolute interest in delivering in spades high quality, distinctive Australian drama in volume.

Senator BIRMINGHAM—As to the question Senator Minchin asked, do you expect to amend the charter in this term?

Senator Conroy—Given we have actually delivered on the commitment on the 90 hours, it is just a question of the parliamentary timetable. If more of our legislation were easily passed through parliament and particularly through the Senate, I am sure we would be able to get it passed through, but I cannot promise you that you will not have blocked many bills and slowed down the process so that it will have passed. It is a little out of our hands. Whether or not we will have introduced—

Senator BIRMINGHAM—I am happy to come back occasionally more often. You are the government. You set the number of sitting weeks. You can get your agenda through if you have to.

Senator MINCHIN—You never know; there might be non-contro legislation.

Senator Conroy—I do not think that from your perspective anything to do with the ABC is non-controversial. I would anticipate that it would be moving forward in this term, yes.

Senator BIRMINGHAM—Speaking of contro and non-contro, it is not related directly to funding but we have asked you many times before about the legislation to amend and reintroduce the staff-elected director.

Senator Conroy—I think that one has now been drafted and will hopefully be introduced in the second half of the year, as I think I indicated earlier in the year. I think it is now almost complete, if not complete at the drafting level. I would anticipate that would come into the parliament in the second half of the year—then again, subject to your support, perhaps.

Senator MINCHIN—Perhaps it is more likely to be contro.

Senator Conroy—Senator Minchin! The old Cold War warrior just sneaks out from you occasionally. I am confident Senator Birmingham will see his way to support it.

Senator BIRMINGHAM—I am sure this committee will have a full and thorough inquiry into the matter.

Senator Conroy—I am sure Mr Scott is looking forward to it.

Senator BIRMINGHAM—He is looking forward to that, no doubt.

Senator Conroy—As is Senator Ludlam, no doubt.

Senator BIRMINGHAM—However, if you are bringing in legislation relating to the ABC by the end of the year on one matter, surely it is not that hard to get the draftsmen to amend those minimum levels?

Senator Conroy—I would not want you to sink both of the initiatives just because you think it should be sped up. We gave a commitment to have this piece of legislation in by the second half of this year, so we will plough ahead with that and we will consider your very kind offer to treat it as non-contro.

Senator MINCHIN—I just suggested to you that you might want to seek to persuade us that it could be non-contro.

Senator Conroy—We will give that consideration on our parliamentary legislative timetable.

Senator BIRMINGHAM—We shall look forward to seeing the second piece of legislation some time this term when the minister can honour the very clear promise in your policy.

Senator Conroy—We have actually delivered on the substance of the promise, which I know you are very happy about. I look forward to that debate when it arises.

Senator BIRMINGHAM—We have all been very happy to welcome Mr Scott's extra funding today. On funding matters, there is a small reduction across the ABC and SBS related to the cessation of analogue television simulcasting funds. That was on page 114 of Budget Paper No. 2. I assume they were special purpose grants in the first place?

Mr Pendleton—It is a separate outcome. The analogue transmission funding is outcome 2, and the phasing of that is in the second and third years of the next triennium. It comes off a little bit with a more substantial amount in the third year.

Senator MINCHIN—The point is you were given additional funding for simulcasting, which has now been—

Mr Pendleton—Outcome 3, which is digital television.

Senator BIRMINGHAM—There is not a reduction to your broadcasting funds overall?

Mr Scott—No, as the services switch off the funding is no longer needed to pay for the transmission.

Senator BIRMINGHAM—We will move across the page to the distribution and transmission efficiencies, which sounds very close to some of the parts we were discussing about the infamous 'Project W' from our last hearings. We never quite got an answer as to why it was called 'Project W', but I will live with that mystery for the rest of my days.

Senator Conroy—That is two of us. I am just worried about what projects A to W were before they got to W. I would be more concerned about that. And I am terrified of X, Y and Z.

Senator BIRMINGHAM—Indeed. I realise there are commercial sensitivities, which is why there are not amounts put as to what these savings could be. Perhaps you could talk us

through the process for these savings and how they will be reached. Obviously they will mandate and require some level of cooperation between the two agencies. What measures have been put in place?

Mr Scott—There is not a whole lot of detail I can give you. As you indicated, this does relate to our future contractual negotiations between the public broadcasters and the firms that are responsible for our distribution and transmission services. We are committed to working with SBS to identify joint efficiency savings around our distribution and transmission, but for commercial-in-confidence reasons I cannot go into the specific details around that or the dollar funds we would be seen to save.

Senator BIRMINGHAM—I am sure my learned colleague Senator Minchin would be able to tell me the answer to this if I leant over and asked him, but where such savings measures are not for publication I assume that means that when it comes to the budget bottom line they have been factored in.

Mr Scott—Yes, that is correct.

Senator BIRMINGHAM—And that there are buried in Treasury real figures attached to that?

Mr Scott—Not buried; real and top of mind, I think, to us. But not revealed in the papers, yes.

Senator Conroy—If you are looking to understand the dark arts of the budget papers, I invite you to turn to your right. The master of the dark arts is just over there.

Senator MINCHIN—Did you offer these savings or were they imposed on you by ERC?

Mr Scott—As you know, there has been long discussion. It emerged through the proposal SBS put to the 2020 Summit. In fact, this was quite specifically identified as an area of opportunity in the discussions at the 2020 Summit. I think we discussed it in the discussions of the Project W report at the last outing here. I think it is significant that this work is targeting specifically not the broadcast arms of the operations but the transmission and distribution area. Yes, it certainly came through discussions that emerged in the budgetary process between us and with SBS and the department.

Senator BIRMINGHAM—In terms of the implementation of this, is some kind of cross-agency, cross-organisation or working party being established between the ABC and the SBS?

Mr Scott—There have been some initial discussions that are underway now with those agencies and there will be discussions with finance as well as we seek to get this work underway. Again, most of the savings fall in the outer years. We believe that they are achievable and we are working now to set up a process to achieve them.

Senator BIRMINGHAM—What framework has been put around them? We obviously know from Mr Brown's evidence here previously that there are some sensitivities that exist in this closer integration. Whilst just on transmission I am sure there is a level of cooperation, but what boundaries and frameworks have been established?

Mr Scott—It is the fact that it is limited to the transmission and distribution work. This does not go to the core delivery of broadcasting services that both ABC and SBS deliver in

terms of what the audience experience, nor does it go to the basis of the operations—in a sense, the back office functions of the public broadcasters. Once you have developed and created this programming, it goes to how you get it in the position that you are delivering it to the audience. This, in fact, relates to money that the public broadcaster spends with other external companies, rather than work that we are doing ourselves. We think that there is a real similarity that exists in the need of services—that we have to deliver these services as a broadcaster—and there are advantages in us working more closely together to achieve them.

Senator BIRMINGHAM—Is there a lead agency coordinating this? Is it the department of communications, Finance, ABC or SBS?

Mr Scott—No. We are working on it together, but we have outcomes that we need to achieve together.

Senator BIRMINGHAM—I assume that within those unknown targets there are saving costs that are shared between ABC and SBS that have come off of each of your ongoing cost bases?

Mr Scott—That is correct, yes.

Senator BIRMINGHAM—From an ABC perspective you believe them to be achievable targets?

Mr Scott—Yes, that is right.

Senator BIRMINGHAM—And fair?

Mr Scott—Yes. If we can drive and find efficiencies in this area then we think that is absolutely beneficial.

Senator BIRMINGHAM—This may be an issue more for the department later, but in terms of the negotiation of the triennial funding agreement, I note that in the department's answer to question on notice 43 about reviews within the portfolio, the cost of reviewing the triennial funding for ABC and SBS was nearly \$900,000. Similarly, there were consultancies let to convergent consulting for a scoping study on national broadcasting and an assessment of national broadcaster equipment distribution and so on for around another \$120,000. It seems that nearly \$1 million in the process of working out the triennial funding was spent on an assessment process or something. Were consultants engaged who accrued the nearly \$900,000? What is the process that saw nearly \$1 million spent to work out the triennial funding?

Senator Conroy—To give you a full answer that should be asked a little bit later on when the officers from the department are here. I am sure we have a comprehensive answer for you, but we need the relevant officers at the table. I am happy to take it on notice at the moment. If you want to fire it back in later in the afternoon then we will get you a comprehensive answer.

Senator BIRMINGHAM—We shall do that, thank you. I have one other issue, but I am happy to defer.

Senator WORTLEY—I understand the government allocated \$15.3 million for the creation of the regional online hubs. I was out of the room for a few minutes, so I am not sure if online hubs have been touched on yet. Can you explain what a regional broadband hub is?

Mr Scott—Absolutely. We are very pleased at this funding. As you know, the ABC has been a real leader in Australian media in taking our community into the opportunities of broadband. As I mentioned earlier today, there are 6 million pages at abc.net.au, with more than 60 million programs downloaded for podcast and vodcast. We are excited at the opportunities that exist when fast broadband comes to all Australian communities and is available in all Australian homes. This commitment builds on the infrastructure that the Australian public has already invested in in the ABC, particularly the ABC local radio network and now the online network that we have established in 60 centres around Australia, covering 99 per cent of the Australian public. With this funding we will be placing specialist video content makers in our local radio stations. They will be doing a number of different things. They will be filming, editing and uploading original local content for that market, for that community, so content from that region and for that region will be distributed through our ABC local website. They will also be involved in training existing content makers and existing members of the local community in the latest and most efficient filming, editing and uploading techniques.

A key opportunity comes in this world of fast broadband and web 2.0 not just to broadcast at a community but to allow the community to create its own content, to develop its own stories and to share those with the broader community. We will be establishing community websites and genre portals which allow Australians with common interests to talk with each other and to share experiences. As we have stated here before, this is the creation of a virtual town square, a place where Australians can come together to listen to each other, to learn from each other, to speak and to be heard. In practice, we will be using ABC local as the hubs for this with the existing websites. We will be creating more broadband content. We will be equipping the community to create and deliver more broadband content. We will be the distributor and promoter of that wherever possible. We are going to match the expansion of these hubs with the rollout of the National Broadband Network. We would anticipate that these first enhanced hubs will take place in Tasmania and that we will grow them. We are anticipating 15 regional hubs in the first year, 30 in the second and up to 53 in the third.

Senator WORTLEY—How will they tie in with the ABC's local radio network?

Mr Scott—That is where they will be hosted. The centre for those hubs will be the ABC local radio station. That is where we will be putting the extra staff. The material will be delivered through the ABC local website. When I say we currently have an infrastructure that allows this additional investment to grow and build on, that is why the delivery of it and the link with ABC local radio is very important.

Senator WORTLEY—When you spoke about specialist video content makers, are they already employed at the ABC?

Mr Scott—No. We will be looking to employ and place them out there. That will be additional staffing.

Senator WORTLEY—What was the number?

Mr Scott—We are looking to do 15 in the first year, then we will get up to 30 and then north of 50.

Senator WORTLEY—Who produces the new content?

Mr Scott—We will produce some of it through these people that we are putting out there, but part of what we want to do is to have them spend their time training and developing the community expertise so that the community is creating the community's content that we are then showcasing through our ABC local website.

Senator WORTLEY—How does this content improve the ABC's services to regional and rural Australia?

Mr Scott—Very significantly. If you look at how broadband is working in communities there are two things that are happening simultaneously. One is the fast, instant access to global content, which we have all experienced and is a wonderful attribute of life online, but there is an opportunity to create hyperlocal content as well, content that is developed in a community and to a community not just in print but in audio and video as well. That is the real advantage that comes to the community. To create an environment where the community is creating and delivering its own content where we can showcase it through the ABC local website is the real opportunity that we see with this initiative.

Senator WORTLEY—Is it fair to say that the ABC sees itself as having a key role in providing online services, as well as the traditional broadcasting services via radio and television?

Mr Scott—Absolutely. This is not a new thing. In 1995, when the ABC started abc.net.au, the ABS had not even started to measure online usage in Australia. We have created iView, which is the first internet television service. We have been leaders in podcasting and vodcasting. If you look at our mission, we are about connecting Australians, and online gives us an opportunity to reach more Australians in more ways and more often. We have this compelling content, this great content, with the ability to catalyse content being created by our communities and a way of distributing it. Our future will be in radio and on television; but our future will absolutely be online. Fast broadband is a key to the future effectiveness of the ABC in terms of how we can distribute our content and how we can create and deliver content.

Senator WORTLEY—In relation to the specialist video content makers, you spoke about 15 in the first year and 30 in the second.

Mr Scott—Yes.

Senator WORTLEY—Overall, how many new jobs, both inside the ABC and in other places, might this initiative create and where would those jobs be located?

Mr Scott—We are still developing the detail of this, but I would envisage that we would see these 50-plus positions created at the ABC. As to employment outside, I am not sure. Part of what we will be doing is creating opportunities, as I said, for community members to create and develop their own content. I am not sure whether that is correlated to employment. I think we will see vibrant and well-informed communities on the back of this initiative and that there will be positive employment outcomes that come from having fast broadband in these local communities, in creating compelling content there, but we will need a bit of time before we can explore that in more detail.

Senator WORTLEY—What will be the location of the new jobs?

Mr Scott—They will be linked back to where our local radio stations are located in regional and rural Australia.

Senator WORTLEY—The jobs will be linked back. Does that mean that the person will be based—

Mr Scott—We are still developing the plan in detail. What I have outlined to you today is our thinking at this point. It may emerge and change. I am happy to update you and others as more detail emerges. We currently have 60 local radio stations around the country. Nine of those are really metropolitan stations and the rest are in regional and rural Australia. That means we have premises there. We have people currently employed there and we would expect that these new staff members would be co-located in those facilities, delivering the content into that local region.

Senator WORTLEY—Can you go over the time frame again?

Mr Scott—The funding ramps up over the three years. I think we are looking to establish 15 of these hubs in the first year, grow that to 30, and then would be more than 50 in the third year.

Senator MINCHIN—As you mentioned, this ramps up to \$8 million a year. Is that going to be in your base funding as well?

Mr Scott—Yes. I understand it is the same as the other.

Senator MINCHIN—Senator Conroy, can you confirm this will be in the base funding?

Senator Conroy—No, I think the 15 is not.

Senator MINCHIN—Not in the base funding?

Senator Conroy—No.

Senator MINCHIN—In order to keep this program going you will need to pitch for it in your next triennial funding?

Mr Scott—I am sure it will have a compelling track record.

Senator MINCHIN—Good luck!

Senator Conroy—As long as we are in government, I am sure he will.

Senator MINCHIN—What will be the deficit in that year? Mr Scott, you realise the government has to borrow every cent of this \$8 million in order to pay for that. That works out at about \$150,000 a head.

Mr Scott—No, there is a lot of equipment.

Senator MINCHIN—What is the break-up?

Mr Scott—I will be able to provide that to you. There will be significant equipment upgrade that is required to go with this at our local radio stations.

Senator MINCHIN—It is not just all wages?

Mr Scott—No.

Senator MINCHIN—Especially the video makers?

Mr Scott—No.

Senator MINCHIN—You have presumably seen this report this morning of the angst this initiative is causing.

Mr Scott—I did see it. I was a bit surprised by it.

Senator MINCHIN—I invite you to perhaps respond. I would particularly like you to respond to this report that the BBC looked at this and backed off because Ofcom said it would hurt their commercial riders.

Mr Scott—Let me talk specifically about that. The BBC proposal, in Australian dollar terms, was a proposal with the best part of \$140 million expenditure over five years. We are talking about \$15 million over three years, so the scale is very different. The geography is very different.

Senator MINCHIN—Is it the same idea, but just on a much bigger scale?

Mr Scott—No. It was different in scale. It was different in the geographies that they were trying to reach. The BBC's presence that they were talking about has very different geographies to the geographies that we are trying to reach. With the geographies in the UK there still existed significant media presence. The BBC was going to very significantly invest in their own staff to develop their own effective video news facility that would be a dominant media presence in those regional areas. They were staffing up and creating video newsrooms. It was the BBC Trust, not Ofcom, that decided that this initiative should not go forward.

Senator MINCHIN—Ofcom did some research.

Mr Scott—Yes. Ofcom did not support it, but the decision was actually made by the BBC Trust itself that this was not the best investment of BBC funding. I would say of a scale it was vastly different. Its intent was different. If we were looking to put many people out in regional areas to create video news services, almost like regional news bulletins everywhere, then that would be different again. That is not the intent of this. Yes, it will create some content, but a key to it is to enable and facilitate the community to create its own content. There is a strong user generated content facility in this one that was not a feature of the BBC's work.

I think the whole geography of Australia compared to the UK and regional broadcasting is very different. In many parts of the country that we will be creating content for—and will be creating content by people from those areas—the ABC is effectively the only media service that is reaching in and delivering into those communities. We think that in terms of scale, ambition and reach what we are proposing to do is something very different to what the BBC proposed, particularly with the user generated content. I would say that in many of these areas the ABC lead the way. We have led the way in the creation for Australian media and active online presence. We have led the way into podcasting and vodcasting. We have led the way to internet television services. We are going to lead the way for the community to generate local user generated content. That will be to the benefit of all the media. If Fairfax is out there creating their local news sites online and APN is doing the same, what we are doing is empowering a community and teaching and developing a community to create their own content and creating more user generated content out there. That will be of benefit not just for the community and not just for the ABC but for all the media outlets that are out there.

The real argument in the UK was around this massive crowding out that they saw was going to happen by the BBC now injecting their clout into creating regional video content. By comparison, that is into a market where the BBC is already a dominant player, with a market share of something like 40 per cent of television and more than 50 per cent of radio. I like to say, by comparison, that the BBC in contrast to the ABC has 10 times the money to deliver to three times the population on the geography the size of a postage stamp, so there is a sensitivity about the BBC being even more dominant. That certainly is not a factor in the Australian context at all.

Senator MINCHIN—What exactly do you say to the Warren Lees of the world? As he said here, ‘It will suck the oxygen out of the marketplace for private investors.’ Is he just wrong?

Mr Scott—We are not taking any money away from them at all. We are certainly not taking any advertising dollars away from any commercial media. Of course, these are advertising free sites. We are going to be leading and educating the community in the value of fast broadband, which will be to the benefit of all media outlets out there. We are not making a significant investment so that we alone are creating content. We are enabling the community to create content. I would say to those media executives who are quoted in the story: Do not judge the ABC’s proposal on the BBC experience. They are vastly different in terms of scale and in terms of intent. We have no concerns and no ambitions beyond those that are laid out.

Senator MINCHIN—It would be pointless to have a zero sum gain where the taxpayer borrows money to invest, as we have to these days, but then the private sector withdraws from the regions. Nobody is better off.

Mr Scott—No. It is also fair to say that fast broadband will have an impact on the dynamic of media in regional Australia, as it has already had an impact in the cities, and traditional business models will change, just as it might be said that under those changing business models the ABC’s role and responsibility to deliver, say, serious news and current affairs on radio and television has become even more important in this changing media landscape.

For many years now we have seen that ABC local radio has been, in a sense, the lifeblood of the provision of serious news and current affairs in regional and rural Australia. For example, we are now seeing in radio massive syndication that is taking place by those commercial radio proprietors who exist, whereas the ABC has local voices broadcasting local news into local communities. The argument remains the same that it is important that the ABC invest in broadband content in regional and rural Australia. I do not think that there is any guarantee that others will be in a position to do that. I do not think it is a case of us crowding them out. I do not think that is the case at all. We are in a position to deliver. If we deliver it well, all of the community will benefit. I do not think that it is in any way a threat to the operations of commercial media in its own right.

Senator MINCHIN—You make the point about the changing market. That is what this is indicating. Prime, for example, are doing it. It says that they are rolling out a network of more than 40 media websites offering local information, entertainment, news and generated content in regional markets.

Mr Scott—Every newspaper in the world is creating its own website.

Senator MINCHIN—This is specific regional initiatives.

Mr Scott—Yes, but they are regional websites for local newspapers. It is entirely predictable that they are doing that. We have been looking to take advantage of the opportunities that fast broadband delivers, to have people who are there delivering only broadband content and, as I have said, to really drive the community activity in creating local broadband news and content as well, which we think will be to the benefit of everyone.

Senator MINCHIN—Will you be going out of your way to dispel the fears?

Mr Scott—That was the first I read of it this morning. I will be happy to talk with them if they want to discuss it further.

Senator MINCHIN—I would commend you to do so.

Proceedings suspended from 3.47 pm to 4.02 pm

CHAIR—We will resume. Senator Ludlam has the call.

Senator LUDLAM—Thank you, Chair. I have some questions in relation to the ABC and SBS review that occurred up to the end of last year. I am not sure whether to direct them to the minister or to Mr Scott, so I will just see where we go.

Mr Scott—That is the public broadcasting review, which is in the budget papers.

Senator LUDLAM—Obviously public submissions were sought. When is a public report on the outcome of that review likely to occur? It was called *ABC and SBS: towards a digital future*.

Mr Scott—We have a copy here.

Senator Conroy—We issued it with the budget papers.

Senator LUDLAM—Yes.

Senator Conroy—I am a bit confused. Is there supposed to be something else?

Senator LUDLAM—No, not that I am aware of. Was that conducted as a result of consultations being undertaken late last year? I am seeking a sense of how the public consultation guided your thinking on the issues you were consulting on.

Senator Conroy—We considered all of the submissions and these were our thoughts around the budget.

Senator LUDLAM—Is there a specific summary of the response to the submissions?

Senator Conroy—This is our response to the submissions. Did we do a summary of them within it? No, but we published them.

Senator LUDLAM—So the submissions are live on your website. Is that all we will see by way of a response?

Senator Conroy—I think they are publicly available. I will just double-check that.

Senator LUDLAM—As long as we are talking about the same thing.

Senator Conroy—I thought we had published them. You have caught me by surprise. I thought we did.

Senator LUDLAM—As long as we are talking about the same thing. Is that the *ABC and SBS* report?

Senator Conroy—Yes. Would you like a copy?

Senator LUDLAM—Yes, I would like one right now if that is possible. I will just double-check and make sure that we are talking about the same thing.

Senator Conroy—I will see whether we can get more copies brought up, but Senator Ludlam is the only one who needs a copy right at this moment.

Senator MINCHIN—I have a copy. Do you want another copy?

Senator Conroy—No. They were distributed on budget night.

Senator LUDLAM—I will check up on that in a moment. I want to jump to something that was reported, I think, on *Media Watch* a little while ago. I believe that it was called Quality Assurance Project 8, and it was to assess the work of current affairs interviewers Kerry O'Brien and Tony Jones in particular. Are you aware of what that refers to?

Mr Scott—I can speak to that. As part of our quality assurance work at the ABC, we undertake a number of different elements, and one of those is programming reviews that are undertaken in the divisions. That is where they review, critique and assess the content of a program, according to our editorial policies and standards. That happens all the time. We also do a number of what we describe as 'quality assurance reviews'. That is where we take a slice of content and review it in the light of our editorial guidelines, so we develop a methodology. Often that work is done by independent reviewers outside of the ABC. If you look on our online site, I think you will find six of those reports. We have a number of others in the field at the moment. *Media Watch* did refer to one report. What we do not do is provide ongoing commentary and detail about these as they are taking place. I did not do that to *Media Watch* and I have not done it anywhere else. But, yes, we will review programs or aspects of programming—how we cover certain issues and deliver certain styles of journalism—and that is underway.

Senator LUDLAM—Does this relate to the sorts of matters that Senator Abetz was raising before, for example?

Mr Scott—Yes. For example, looking back at the ones that are online at the moment, you will see a review that was done last year on how we treated the debate and coverage of water issues in Australia. Sometimes you might take a program and review it and sometimes you might look at how the ABC is dealing with a swathe of content related to a single issue across a number of its different platforms. There are a variety of different methodologies. We are developing some new methodologies here. We are in consultation with international media organisations, such as the BBC, the CBC and a number of the American newspapers, all who are very interested in the methodologies that we have developed and are keen to take advantage of some of that work. This is an ongoing process and it is a complement to the internal program reviews that are undertaken.

Senator LUDLAM—These are discrete reviews that occur from time to time.

Mr Scott—Yes, that is right.

Senator LUDLAM—Was it correctly reported that project 8, in particular, was just looking into the work of those two reporters?

Mr Scott—What we have not done is provided ongoing commentary and I am keen not to go into too much detail on that. Suffice it to say that long-form interviewing is a very important part of the work that we do, particularly long-form live interviewing. I think it is appropriate for us to take an independent look at that in order to assess our performance over time. I also think that there are benefits to have some elements of peer review, where we can, so that people understand the pressures of doing live interviews and the like. People who have done it and who understand it might be in a good position to provide us with some insights. As was reported, the two reviewers that we engaged internationally to do this work were no longer available, so we are reviewing it now. But we will do a review into long-form interviewing.

Senator LUDLAM—So effectively they have withdrawn.

Mr Scott—Yes, as has been correctly reported.

Senator LUDLAM—Is that particular review being conducted in camera and will those results be made public in the same way as—

Mr Scott—I expect that we are still learning as we go on this. We have put six reports up on our online site now. I would expect that most reports we do will be publicly available, although there might be some reasons why they would not be. However, at the moment the ones that have been to the board are now up online, and there are six of those.

Senator LUDLAM—So, if that is eight, presumably there is another one afoot somewhere that has not yet been—

Mr Scott—Yes, there are others in the field at the moment. They have been delivered to me, and when they have been delivered to the board we will be in a position to talk about them publicly. It is an audit process. I do not see that as being that different from the internal financial audits that we do. We have our own rules and regulations that govern how our divisions operate and spend their money; we have an internal audit function that comes and gives a snapshot on that; and from time to time we also go externally to get a review on things. It is all to do with healthy quality assurance. But we do not talk about our internal financial processes while they are underway and we are not going to talk about our internal editorial quality review processes while they are underway.

Senator LUDLAM—At a high level, can you tell us what the review topic of No. 7 is?

Mr Scott—I am not in a position to give you details on that at the moment. But there are details that we look at that are to do with accuracy and impartiality and, when that material is available, we will let you know.

Senator LUDLAM—The last one that I am interested in for the moment—again, this is a bit of a change of tack—is an advertisement, which I think I have a copy of here somewhere, about *Play School*. This one is for *Play School* live in concert at various registered clubs around New South Wales. For how long has that sort of thing been going on?

Mr Scott—For many years.

Senator Conroy—What are the dates?

Mr Scott—It is a licensing deal that happens under ABC Commercial. The ABC has been involved in licensing events or holding events like this for many years now.

Senator LUDLAM—In these sorts of clubs?

Mr Scott—I am not sure about the venues.

Senator LUDLAM—The venue in particular that I am interested in—

Mr Scott—Which venue is that?

Senator LUDLAM—I am interested not so much in the individual venues but that this is occurring in registered clubs, at least throughout New South Wales and presumably in other states as well. The main revenue base for these clubs, as I am sure you are aware, is poker machines. I just wonder about the implications of a tie-in that is trying to attract—

Senator Conroy—I understand that you cannot have kids in and around poker machines. I am sure that there is not a lot of revenue being generated by the five-year-olds.

Senator LUDLAM—That is not what I am suggesting.

Mr Scott—I am sure that this would be in a hall or auditorium type area that would be separate from where alcohol is served and consumed and from where poker machines might be in operation. But I can come back to you with more detail on that.

Senator LUDLAM—That would be good. I will frame up some more specific questions that might help you to provide us with some of that information. The company—I presume it is a company—Kids Promotions is listed as an associate.

Mr Scott—Yes.

Senator LUDLAM—Can you tell us now or find out and come back to us with who owns that company—

Mr Scott—I will find out, yes.

Senator LUDLAM—and provide us with some details as to the contractual arrangements between *Play School* concerts, the ABC and Kids Promotions?

Mr Scott—Yes.

Senator LUDLAM—Also, please let us know how long Kids Promotions has held that contract, if indeed this is a long-serving arrangement. Do the registered clubs pay the ABC directly for the concerts or do they come through Kids Promotions?

Mr Scott—I will get the detail on that.

Senator LUDLAM—Is the ABC logo used in the promotional material and the signage for kids' free concerts at all these registered clubs; so to what degree is the ABC branding these events? Maybe you can tell us this off the top of your head, as we have the budget papers in front of us: what revenue is derived for the ABC from this tie-in?

Mr Scott—I can tell you broadly that our commercial businesses in their entirety—our shops, centres, books, CDs, DVDs and events—bring back to the ABC in a given year a net dividend payment, in a sense, of somewhere between \$15 million to \$20 million. There are

higher revenue numbers, but that is the dividend; that is the profit that it delivers back to us. That compares with the allocation for ABC operations, both for us and for the distribution of our content, of around \$850 million. So it is somewhere around two to three per cent, and that is fairly consistent year in and year out.

Senator LUDLAM—But even that is quite a high-level figure. So that is not just *Play School*; that is all the commercial type—

Mr Scott—No; that is 40 shops, 80 centres, books, CDs, DVDs and the like.

Senator LUDLAM—So it is going to be a smaller fraction of two per cent. Could you, on notice, come back to us with a breakdown of what that is for?

Mr Scott—Yes, we will see what we can do for you in that way.

Senator LUDLAM—Do you have concerns about the commercial exploitation of *Play School* as a drawcard for gambling outlets?

Mr Scott—It has never been framed in that way to me and I would like to get my head across the detail that you have outlined there. *Play School* is a loved and trusted provider of wonderful children's entertainment. Of course, content is created off the back of *Play School* in the form of books, DVDs, CDs and toys. That has been the case for a long time. We are very, very careful in our decision making around that and we are very, very protective of *Play School* as a brand, as an entity and as an association with the ABC for more than 40 years. So I can look into that specific detail. Even without looking at it, I would draw a distinction between a *Play School* concert and the location of the hall in which it is being held. Let us just look at the specific details of this one.

Senator LUDLAM—Yes, I would appreciate that—and whether any concerns have been raised internally within the ABC about the potential impact on the brand and on kids and parents, using that as a drawcard to get people into licensed, gambling premises.

Mr Scott—Yes, I understand the question.

Senator Conroy—I would happily take my daughter to the Canberra Labour Club to watch an ABC *Play School* concert.

Senator LUDLAM—Thank you for that contribution, Minister. I would appreciate it, if you are able to come back with those details.

Mr Scott—Yes.

Senator LUDLAM—That will do for me for the moment, Chair. I will come back to you later.

Senator MINCHIN—Mr Scott, as you know, at our last hearings, I was critical of the ABC in relation to the tendency of its on-air presenters to describe emissions of CO₂ as 'pollution'; however, watching ABC TV news last week at seven o'clock, as I always do, I saw the Adelaide newsreader, referring to a story of a visit of Australia's Governor-General to Adelaide, accurately described the Governor-General as Australia's head of state. I want to congratulate and commend the ABC for that. I noted that with great pleasure because that is a very accurate statement of her status.

Senator BIRMINGHAM—You are being provocative today, Senator Minchin.

Senator MINCHIN—I like to give credit to the ABC where it is due.

Mr Scott—I await the question with interest.

Senator MINCHIN—There is another matter that my own modesty would normally prevent me raising, as it is to do with me. However, you may be aware that, as a result of my acceptance of an invitation to go on ABC2 the morning after Senator Conroy's rather extraordinary announcement about the NBN—

Senator Conroy—I am surprised that it took you 24 hours to find your voice.

Senator MINCHIN—I was on Sky within an hour, but ABC2 did not invite me on until the following morning, when I was very happy to turn up—

Senator Conroy—No wonder you dislike it so much.

Senator MINCHIN—at the ABC studios in Adelaide. I have done ABC2 interviews before and I am aware and I understand that you are trying to keep your costs down. I was familiar with the practice of going into a room with 20-odd people—

Senator Conroy—I understand that was one of your finest performances, Senator Minchin.

Senator BIRMINGHAM—It was a fabulous interview.

Senator Conroy—It was. *Chaser* could not have done it any better.

Senator MINCHIN—Anyway, let me just take you through this. You sit there in front of this tiny little camera, someone just says, 'Sit here,' and sticks something in your ear and away you go. There was, as has now been revealed, a sequence of conversations with whomever it was who was talking into my ear about lighting, camera angles, height and all the rest of it.

Senator Conroy—I will confess: it was not an accident; I organised it. There you are. You have got me, Senator Minchin; I plead guilty.

Senator MINCHIN—Fortunately, I was not having a Kevin Rudd moment and I did not yell and scream at anybody.

Senator Conroy—Neither did the Prime Minister.

Senator MINCHIN—I saw the humour in it. But I suppose what disturbed and horrified me was that, when it was put on YouTube and Crikey, all that pre-interview preamble had actually been recorded. I do not know how many politicians think when they go and sit in that chair that, from the second they sit in it—

Senator Conroy—There is a very intuitive *Yes Minister* episode that I am sure you have viewed on this very matter, Senator Minchin. But perhaps I can say that I am with you in sympathy at this stage.

Senator MINCHIN—I was interested, firstly, that it was all recorded, and perhaps in future a warning ought to be given to every interviewee that everything they say is being recorded; and, secondly, obviously I was somewhat disturbed to find it appear on the ABC, although I understand the motives of whoever did release it. They were concerned, I guess, at

the lack of funding that meant that it was done in a rather skinflint manner. I did not object to that particularly.

I also draw your attention to Amanda Meade's little column in the *Australian* of last Monday, 18 May, where she referred to this matter and very kindly described me as 'good natured'. I was interested in two things in that story. We hear that Canberra polities, including Julia Gillard, have refused to do these interviews in an empty studio anymore. I assure you that I will not refuse and I will be more than happy to turn up. It says here that the footage was removed and the staffer was sacked. I would be very concerned if that were the case. As you know, I did not make any complaint. I understood the circumstances and I did not seek to complain at all. So I am disturbed if anybody has been sacked over this incident, even though I understand that it was probably a breach of protocol to give that footage to YouTube.

Mr Scott—It is a more complex story.

Senator MINCHIN—I would not mind hearing your version of events.

Mr Scott—I appreciate that. Personally, thank you for being good natured about it. On *News Breakfast*, we are taking advantage of the opportunity to go around the country. There is nothing quite like it on television; it is almost more like a radio program. We are bouncing around the country. We are funding this from savings that we have made from our news production, taking advantage of new technology, and it is going very well. I am delighted to say that, in the ratings, it is going very well and most weeks now it out rates Sky News. We are delighted that people like you and Senator Conroy can turn up and be interviewed on the program. We do record those interviews. I think part of your point is: when do they start recording? I need to look into that. It is a little bit like when a satellite feed comes in. I will look into when the precise time is and whether we should let people know when the switch is being clicked.

Senator MINCHIN—I think that is the main thing—just to let people know when they are being recorded.

Mr Scott—I appreciate and understand that. We did run an investigation into the unauthorised footage that was put up on YouTube. We found that an employee had committed theft of ABC copyrighted material and confidential information and had posted the edited footage online without authorisation and they had misused ABC resources in doing so. However, the report in the *Australian* that the employee was sacked is not correct.

Senator MINCHIN—Good.

Mr Scott—However, the employee admitted to posting the footage and resigned prior to any disciplinary processes even being commenced by the ABC; they were not sacked by the ABC. There is some suggestion in some commentary that this technology has something to do with our new news studio automation process, but it does not. This is equipment that is used in news operations around the world. But I appreciate that, on your arrival at the studios, a fleet of people are not waiting there for you to do your make-up, lighting, sound and camera work. It is a fairly bare bones operation and that is how we are able to do three hours of live television every morning.

Senator MINCHIN—I respect that and I think that is good. However, as I say, when I turned up, it was half past seven or quarter to eight or something like that and there were 20-odd people around.

Mr Scott—They would be mainly in radio and they were around, yes.

Senator MINCHIN—There were radio people and others. Surely someone there could be multiskilled simply to—

Mr Scott—We are looking to do some of that too. The most multiskilled are the reporters who are turning up. In addition to their previous skills of simply doing the reporting, they are learning how to do all that too. We will continue to look at that as we evolve *News Breakfast* over time.

Senator MINCHIN—You mentioned the word ‘theft’. Is it actually theft to—

Mr Scott—This material is actually our copyrighted material.

Senator MINCHIN—So do you put something like that on YouTube?

Mr Scott—Yes, and YouTube took it down.

Senator MINCHIN—I note that you say that the employee concerned resigned. Can you assure us that they were not pressured to do so? Are you saying that, if that person had not resigned, they would have been sacked?

Mr Scott—No. With someone who breaches our rules and our policies, we would have commenced a disciplinary process, as we do from time to time. But that process had not even commenced at this point.

Senator MINCHIN—I take their motive not to be related to me but to make a point about ABC funding, ABC priorities, ABC staffing or something like that.

Mr Scott—Yes.

Senator MINCHIN—I would be very concerned if the intent had been to sack them, although obviously I accept the seriousness of theft of material.

Mr Scott—I would say as well, more broadly, that there will be incidents like this all the time. I think satellite feeds over the years have been used, with all that happens before and after such feeds come on and with so many people coming in and out of our studios. Even in a more formal studio setting, there will be last minute make-up, adjusting of lights and adjusting of sound. In fact, even in preparation, if cameras are rolling and tapes are being made and those tapes get into public currency—and now there is a distribution method for all of that through YouTube and the like—that, in a sense, breaches the trust and the undertaking that we have with the people we invite into our studios for interviews. So we have to be in a position where we take that seriously, and we do; it is a breach of trust. But I can tell you that there had been an initial discussion with the staff member, the formal disciplinary processes had not started and the staff member immediately resigned.

Senator MINCHIN—Do you generally ensure that all your employees know that any such transfer of such material to a website would be theft? Are people generally aware of that?

Mr Scott—I think they are given an understanding of that, yes.

Senator MINCHIN—That is all I had on that. I have a couple of other issues but, Simon, do you have any?

Senator BIRMINGHAM—I have one matter that relates equally to a disciplinary matter, so I might jump in here.

CHAIR—We have a couple of defenders of the workers here.

Senator BIRMINGHAM—Always.

Senator Conroy—There is no truth that you posted that on YouTube though, is there?

Senator BIRMINGHAM—I do confess to having viewed it a couple of times, but I did not have the access that Mr Scott described to be the one to post it. I want to turn to Stephen Crittenden's suspension and issues around that, which we canvassed to some extent previously. In response to a question you took on notice last time, you informed us that the external costs incurred in the investigation of the alleged misconduct by Mr Crittenden were nearly \$39,000.

Mr Scott—Yes.

Senator BIRMINGHAM—What were those external costs—mediation?

Mr Scott—I can come back to you in more detail on it. Mr Crittenden, I understand, undertook legal representation as the disciplinary process was underway, and we had an assessment of these facts and circumstances independently assessed and reviewed. You will understand that, in these circumstances, the dispute was with the flow of line management. So we had an independent group come in and provide us with a set of advice around the circumstances, and I think the costs would mainly be related to that.

Senator BIRMINGHAM—Mr Crittenden was suspended on full pay for the duration of the investigation?

Mr Scott—Yes.

Senator BIRMINGHAM—Presumably, the ABC's in-house counsel or others were involved in assessment of the issues as to what the alleged misconduct was and so on as well?

Mr Scott—That is correct.

Senator BIRMINGHAM—So, whilst the external costs were some \$39,000, the actual costs incurred would have been significantly more than that for the organisation as a whole.

Mr Scott—If you include internal costs, yes, it would have been higher than the amount that we spent on external support.

Senator BIRMINGHAM—What misconduct was ultimately found in that matter?

Mr Scott—I do not have the detail here in front of me and we probably have made undertakings not to publicly disclose that, but let me check the detail of it and come back to you in writing on it. Mr Crittenden has moved to the background briefing program, where he currently works as a reporter for Radio National.

Senator BIRMINGHAM—This is similar to the point that Senator Minchin was making before: we would expect ABC employees to adhere to appropriate conduct within the organisation, but I think equally a grey zone exists when it comes to criticism of decisions on

where resources are directed, what is broadcast, what is not broadcast et cetera. In the end there is much commentary that exists around the ABC, and I do not think it is unreasonable that a prominent presenter of a particular program, like Mr Crittenden, should comment when asked about the future of his program.

Mr Scott—The distinction I would draw here is that nobody asked any questions here. Mr Crittenden was host of the program; the microphone went on and he made a series of comments. We have processes that we deal with here, when our broadcasters know that they are going to be providing commentary on matters that are contentious, matters that are controversial and matters that relate to the ABC. An open microphone is not open slather to say or do whatever you like. There are appropriate checks and balances and they include upward referral of these matters. Without providing too much detailed commentary, I think it is fair to say that the processes and expectations that are set down for ABC broadcasters were not followed in this fashion and there are consequences for that. We have these regulations, these rules and these guidelines for a purpose. There is a responsibility that comes with an open microphone. Our expectation is that those people who have the privilege of sitting in front of an open microphone or of broadcasting on the ABC can live up to the responsibility that that position entails.

Senator BIRMINGHAM—At what point is it reasonable for somebody sitting in front of such an open microphone to criticise a decision of ABC management?

Mr Scott—I think it is a fairly robust place and there are exchanges of views, and there are umpteen examples of where criticisms have been voiced over time; but there are appropriate ways of framing that viewpoint. A program that is a factual and topical may not be the appropriate place for the broadcasting of personal or individual views of ABC employees to take place. It is not a free for all. It is not a place where personal opinions should be voiced on all occasions. There are appropriate ways of engaging around content. That was what was found in these circumstances. I do not resile from that. I think there would be far more criticism if we said that the microphone could be turned on and journalists or reporters could say whatever they thought and express whatever personal views they had.

Senator BIRMINGHAM—I think there would certainly be quite justified criticism there. The question is: at what point is criticism of management decisions reasonable, warranted and allowed under the ABC's processes? I take it that, if those comments had been made in the context of a news and current affairs story being broadcast about the decision of management, there may have been a different outcome. You are drawing some distinctions as to the nature of the program as well as the nature of the comments?

Mr Scott—That is absolutely right. If you go back in the annals of the ABC you will find robust debate and discussion about and criticism of decisions that have been made by ABC management at the time. The governance model and a range of issues have been covered extensively on ABC programs, and appropriately so. But, if it is going to be contentious, it needs to be done seriously and with upward referral; it needs to be done in the right way under the guidelines and rules that exist to safeguard the integrity of the organisation.

Senator BIRMINGHAM—What clarity has been provided to all broadcasters as a result of and as lessons from the Crittenden incident?

Mr Scott—The clarity exists in our editorial policies, a hardcopy of which is provided to every one of our broadcasters—copy is also available online—and, where issues emerge from adherence to editorial policies, our individual line managers will reinforce them. The policies that exist within the organisation are quite widely known and understood.

Senator BIRMINGHAM—Has anything proactive been done since this incident?

Mr Scott—I think there were some discussions in the radio division, but I would have to take that on notice.

Senator BIRMINGHAM—Again, if you could, that would be helpful. While we have been having this discussion, I have been sent a message in relation to the issue that Senator Minchin was pursuing before.

Senator Conroy—Are you involved?

Senator BIRMINGHAM—That message alleges that the staff member in question was asked to resign. Can you give an undertaking that that was not the case?

Mr Scott—The only advice I can give is that the report in the *Australian* that the employee was sacked was not correct. The employee admitted to posting the footage and resigned prior to disciplinary action being taken. That is all the information I have.

Senator BIRMINGHAM—I cannot remember what you took on notice in response to Senator Minchin, but could you establish with the managers who handled that incident that the employee was not asked to resign? Obviously I would have thought that would be a particular breach of other guidelines for the ABC, given that you have established disciplinary procedures. I am pretty sure that asking someone to resign before those procedures were enacted would not be part of those procedures.

Mr Scott—Yes, I am happy to take on notice whether there is anything further to add to my previous comments.

Mr Pendleton—Had the misconduct proceeding been completed, it would have been unlikely that he would have been terminated as a result of the issue anyway if he had a good record of employment. In its own right, it is not something that you would be sacked for in the ABC, although you would be disciplined.

Senator MINCHIN—I would like to ask about a couple of other issues, if I may. In response to our questions on notice at the last estimates, the ABC indicated that they were happy with the Freeview campaign, although it was anticipated that it may have been controversial for the ABC to run what might have been seen by some of your friends as commercials. I thought it was proper that you did run them but I think you were concerned, although at that stage you were saying that no concern to any great extent had been raised. However, that campaign now has been fairly heavily criticised and has been changed. It was accused of being misleading in terms of the number of channels that were advertised as being available or potentially available on Freeview, and a revised campaign has gone to air. Given that you said you were happy with the campaign in its original format, what was your involvement in the programming being revised?

Mr Scott—The ABC is a shareholder in Freeview. I sit on the Freeview board, as does the Director of Television, Kim Dalton, and Mr Brown and the commercial free-to-air television

networks. I think it is fair to say that there has been some debate over when the channels that Freeview talks about will be available—but it is growing all the time. Channel 10 now has its high-definition channel; ABC is going to have ABC3; Channel 9 and Channel 7 have indicated that their third channel, in contrast to their HD channel and their main channel, will be on air next year. So there has been some debate around that. I think most of the debate has come from subscription television, as might well be anticipated. But there is no doubt that, for the Australian consumer who has an analog television set and has been able to receive a maximum of five television channels up until now, the movement to digital television and the purchase of a set-top box or a new television set will generate an array of new television channels that they have not experienced before. That is fundamentally the Freeview proposition, and they will be able to watch that free of charge. There will be 15 channels, including a high-definition channel and two other channels, coming. When ABC3 starts, there will be more than 15 channels. So we are relaxed with the proposition.

The ABC is running a promotional campaign around Freeview, as is SBS. Now the sets and the set-top boxes that are branded with Freeview are available in stores. This is an important part of government strategy to promote the take-up of digital television leading to the eventual switch-off of analog in 2013.

Senator MINCHIN—On reflection, do you think the original campaign was a mistake?

Mr Scott—From my recollection, it is not as though there has been a backflip. This is an evolving campaign and the latest part of it really focuses on the array of options available, which really is timed more with the arrival of the Freeview set-top boxes and branded television sets in the stores and also the start of another multichannel with Channel 10. So my recollection of the Freeview discussions is not that something has been stopped or that there has been a backtrack. It is the evolution of a strategy that will roll out over time—and it will roll out over a couple of years.

Senator MINCHIN—There was heavy criticism of the original campaign for misleading voters into believing that 15 channels would be instantly available. I presume that is why the second campaign has come out.

Mr Scott—No. I think the campaign was going to evolve anyway and I think the channels are coming. It is just in this last year that the commercial networks have been able to multichannel. One is out there, two more are to come, the ABC will have a third channel and the different networks are doing different things with their high-definition options.

Senator Conroy—I think, to be fair, most of the criticism was about the lack of originality with its first ad: it was based on a very familiar ad from Europe for a car. I understand that Freeview have changed their marketing team.

Mr Scott—There was debate around that; I accept that, yes.

Senator MINCHIN—I want to raise one other issue. I do so with a bit of trepidation but also in the context of the admirable repetition of your objective of fairness, balance and impartiality. I refer to *Four Corners*. Two of its programs in particular have received some controversy, I think. The first was the program that went to air last year about the murder of Labor MP John Newman and the subsequent trial. Mr Paul Sheehan in the *Sydney Morning Herald*—I guess you would be familiar with Mr Sheehan?

Mr Scott—I am very familiar with Mr Sheehan.

Senator MINCHIN—Mr Sheehan wrote a piece just recently, highlighting the fact that this *Four Corners* program has really been exposed as being way out of line.

Senator Conroy—It did not promote his favourite bottle of water?

Senator MINCHIN—Senator Conroy, there is no need for rude asides about an eminent journalist of the Fairfax organisation; I would not have thought that was necessary.

Senator Conroy—And a promoter of a particular bottle of water.

Senator MINCHIN—This is a relatively serious issue and I would not have thought levity was appropriate. He referred to the Patten review of this whole matter, which found that virtually everything in the *Four Corners* program was quite misplaced. It was quite an indictment of that program. Secondly, and I know this is quite tricky, there is the program on Matthew Johns. Perhaps I may say that I am at the disadvantage of not having seen either of these *Four Corners* programs myself. The program on Matthew Johns was very controversial. It is proper that *Four Corners* engages in controversial subjects, but I was struck by some of the letters to the newspapers about that program. In particular, one from Michael Potter of Melbourne, Victoria, in the *Australian* of 22 May, just recently, says:

... I, as a regular viewer of ABC TV, did not appreciate the one-sided, unbalanced handling of this story—

the Matthew Johns story—

Four Corners reporter Sarah Ferguson seems not to have ‘discovered’ the owner of the Racecourse Hotel nor workmates of ‘Clare’ who were condemnatory of her behaviour, nor did she dwell on the views of the New Zealand police officer involved in the investigation who ... stated that his team had interviewed approximately 80 people in respect to this case ... and [concluded] no crime had been committed. The really accurate reporting on this incident seems to have come after the Four Corners program.

It then says:

It would be very interesting to know if the Four Corners team advised “Clare” of the media storm that would surely follow the airing of the program. This clearly emotionally fragile woman will have been a lot more fragile after Four Corners went to air.

The following day, Mr Geoffrey Luck of Killara, New South Wales, picked up on the same letter, noting that the reporter, Sarah Ferguson, excluded any inquiry into Clare’s bona fides. He then notes:

... more seriously ... the Christchurch sex scandal story—

I do not think it was the Christchurch incident, but anyway—

... was broken in the ABC’s 7pm TV news bulletin on Thursday, May 7, four days before the Four Corners program was to go to air. This left the inescapable conclusion that the ABC broadcast the guts of the scandal deliberately to ambush Matthew Johns on the Nine Network’s *The Footy Show* that same night. The ABC has taken increasingly to broadcasting stories from forthcoming programs as promotions, but this episode proves that the ABC’s current affairs publicists, not Cronulla footballers, are the sharks.

I will explain here for the record that I have absolutely no truck whatsoever with what went on, but I think these are serious matters because programs of this kind cause devastation to people's lives. Matthew John's career has been destroyed. In the previous case, as referred to by Paul Sheehan, Nick Kaldas, a Deputy New South Wales Police Commissioner, had his reputation trashed. I am a bit concerned that zealous reporters start off with presumptions and then develop a show to confirm those presumptions; they do not start off with an attitude of fairness, balance and impartiality. Firstly, I would be interested to know your reactions to the controversy surrounding those two cases; and, secondly, perhaps you could explain how *Four Corners* programs are dealt with internally before going to air. What sorts of checks and balances are in place and are gone through before programs are given authorisation to go to air?

Mr Scott—Thank you for the question. These are important issues. We take the reputation of our news and current affairs team and our programs very seriously. *Four Corners* has been on air for well over 40 years and, over the years, it has created some landmark journalism. I think we are open to criticism and happy to engage with it. Let me take those things in order.

I think it is fair to say that there is a long tradition in current affairs programs, here and around the world, of reviewing controversial court cases and revisiting them. On a number of occasions, court cases have been overturned as a result of investigative journalism: the Guilford Four and the Hilton bombings. Of course, not all scrutiny by journalist and even reviews do generate cases being overturned. I remember that, in Sydney, Alan Jones for a number of years ran a major campaign into the murder sentencing of Andrew Kalajzich, the well-known Sydney hotel owner. I think there was a royal commission into that, which validated the original finding.

With the case and the trial of Phuong Ngo and his being found guilty of the murder of John Newman, there were questions, and the *Four Corners* program raised questions that existed over that trial and that sentencing. Where I think my friend Mr Sheehan fails to make the connection is that, subsequent to that program being aired, which it was, a petition was forwarded by ANU academic Hugh Selby, who came forward with a brief of evidence. He did not appear in the *Four Corners* program; he made his petition after that program. That petition contained some elements that were in the *Four Corners* program and other elements that were not covered by that program. At that point, Justice Spigelman, Chief Justice of New South Wales, called for an inquiry into the Phuong Ngo verdict on the basis of the petition forwarded by Mr Selby. Judge Patten then did the review. The review was based on the Selby submission. There were some criticisms of that, but there were no criticisms in the finding made by Judge Patten levelled against *Four Corners* or the *Four Corners* program. So the disconnect I found in Paul's article was the fact that the most senior lawman in New South Wales looked at a brief of evidence around the Phuong Ngo verdict and decided, independently and totally separate from *Four Corners* and the *Four Corners* program, to call for an inquiry into the conviction of Phuong Ngo, and that conviction was upheld or validated by the inquiry.

Senator MINCHIN—Are you suggesting that Mr Spigelman's decision was quite independent and regardless of *Four Corners*?

Mr Scott—No. I am saying he exercises a judgment as to whether, in fact, questions have been raised that should be tested by an independent judicial review. This is an atypical circumstance and is a decision that I would have thought is not undertaken lightly. It was not undertaken in response to *Four Corners* but in response to a petition made by that ANU academic. I am saying that the ANU academic's petition, as I understand it, was not absolutely complementary to what *Four Corners* put together. He prepared other evidence that *Four Corners* did not cover and vice versa. So it was Justice Spigelman who decided that this verdict should be independently assessed, and it was, and we know the finding that was made.

There can be criticisms of the *Four Corners* program. Senator Birmingham asked me earlier whether it is ever appropriate for ABC staff to criticise ABC decisions and ABC programming. *Media Watch* raised some criticisms about the *Four Corners* program, and I think there are some issues regarding how that was covered. That has generated some debate and we welcome that. Excuse me, my phone is ringing and I think this might be—

Senator MINCHIN—Mr Sheehan.

Mr Scott—Mr Sheehan, who has my number. However, I think it is a long stretch, from Mr Sheehan's article, to lay Judge Patten's findings at the feet of *Four Corners*. I think it was reasonable for *Four Corners* to ask questions and to test and probe the veracity of a judicial process that found someone guilty of murder. There is a long journalistic tradition of doing that. That the decision was upheld I do not think should be held up as a criticism of *Four Corners*; if there is debate around it, we are happy to have that debate.

Senator MINCHIN—So you would reject Mr Sheehan's view that the Patten report was a 'devastatingly comprehensive rejection of the accusations that had been regurgitated on *Four Corners*', would you?

Mr Scott—I think you would find that Justice Patten made no criticisms specifically against *Four Corners*.

Senator MINCHIN—No; he was referring to the accusations that were made.

Mr Scott—I accept that some of the issues raised in the *Four Corners* program were not then found or validated by Judge Patten—I accept that—but it does not necessarily follow that this was a wrong program to commission or an inappropriate line of investigation or a program not worthy of being done by *Four Corners*. Let us move, if you like, to the other one.

Senator MINCHIN—Just before you do, I think Mr Sheehan is coming from the perspective of his concern for the reputation and character of a senior New South Wales police officer, Mr Kaldas. He says here:

During the preparation of the *Four Corners* report, Kaldas declined to be interviewed on camera because, he told me last week, he had come to the view that the ABC reporter, Debbie Whitmont, was biased against the Crown case. He did, however, agree to go through the trial evidence with Whitmont, in detail. He took notes of these meetings. When the *Four Corners* program went to air he found that not one of the points he had made to Whitmont was mentioned.

I guess the thing that concerns me a little is the extent to which that is—

Mr Scott—I understand that and I understand, of course, that they did make numerous attempts to encourage him to appear on air and speak to these things. As you would understand, in the creation of a program like this, an enormous amount of material is drawn on and then pared back to a 45-minute program.

Senator MINCHIN—The risk I am pointing to is where a reporter might decide from the outset, ‘There has been a miscarriage of justice here and I’m going to use *Four Corners* to prove it.’ I am concerned that perhaps there might be that mindset.

Mr Scott—I understand that. Let me talk about the *Code of silence* program and then take some more general questions about how we deal with these things. I think it was an outstanding piece of journalism. I think it has had enormous impact. Phil Gould on the *Footy Show* described it as the ‘sledgehammer to the back of the head of the code’. I have spoken to a number of people who are involved at senior levels of Rugby League and who have been involved in trying to help the code deal with some of these issues, and they are glad that this program was put to air. It explained, I think, the breadth of experiences around this issue. I think it is important to remember that it was not just about that incident in Christchurch; it dealt with someone breaking into a girl’s room and another assault where the player was named. It also looked at the behaviour of some women who were involved in going out and pursuing footballers. I thought it showed the gamut of experiences. It did name names. It named the names of those whose names were provided to *Four Corners*. Mathew Johns was approached on a number of occasions and invited to appear, I understand, given the context of what had been said on the record by the woman involved.

I think some of the things suggested in the letters that you have raised are untrue. I thought one of the most compelling characters on the *Four Corners* program was the police officer who had investigated the incident at the time. They had remained in touch with this woman over time and had said on the record how seriously distressed and concerned she had been by the events over a significant period of time. I think it was journalism of importance and significance. I think we understand the power of these programs, the importance of reputation and the significance of naming people in the way that we did. These decisions are not made in isolation by a journalist; they are referred up to the executive producer of the program and the senior people in the news division. Our legal department was extensively involved in the preparation of both of these stories. But this is journalism of impact and consequence. I expect that we would have had significant criticism had we decided not to name names, particularly if we had names of people who were involved in these events and who had admitted that they were involved in these events. So I think it is a significant story.

The other thing that was said in one of those letters, which I just want to comment on, is the suggestion that somehow the ABC had leaked the story early. The ABC put some of this story on the seven o’clock news because Channel 9 had put some of this story to air on the six o’clock news. It was not the ABC that leaked this story.

Senator MINCHIN—That was four days earlier?

Mr Scott—Yes. Channel 9 put that story out first.

Senator MINCHIN—How did they know about it?

Mr Scott—They understood it. I do not want to go into the detail of it, but clearly employees of Channel 9 had been approached, seeking comment for the *Four Corners* story, as I indicated earlier. So it was known there, although I am not quite sure of the precise details of that. Reference was made to it on the six o'clock news and then, of course, Mr Johns appeared on the *Footy Show* that night. But I do not think that was in response to a suggestion that the ABC was running it on the seven o'clock news on the Thursday night; it was a pre-emptive strategy in anticipation of the *Four Corners* program on the following Monday. I think that chronology is important.

I think this was clearly a significant and important story. I thought the response from Mr Gallop, CEO of the Rugby League, from Mr Gould, one of the most distinguished commentators and writers, and from others validate that too, even though there is a very, very significant personal cost—and that personal cost is not just for Mr Johns but also for the people who courageously stood up, stepped forward and spoke in this way. It would have been far easier for them in their lives if they had not done that. I believe that they have been subjected to the most unfair, unwarranted and cruel criticism for their courage in speaking up and coming forward, and I am full of admiration for them.

Senator MINCHIN—There is a dreadful culture in Rugby League, which is a sport I support and follow closely—it is dreadful. I am sorry, I have the same problem you had: my phone is ringing.

Mr Scott—Paul Sheehan.

Senator Conroy—He couldn't get through to you, so he is phoning him.

Senator MINCHIN—With the way that the ABC handles these things, it is not your task to be 'leader of the pack' but to approach them with as much balance and impartiality as you can.

Mr Scott—Yes; but I would encourage you to watch the show.

Senator MINCHIN—I will.

Mr Scott—I think you will see on that show the gamut of experience that football players can go through. I think there was a context placed around the incident in New Zealand as against some of the other incidents that were shown. I do not think it was narrow and I do not think it was isolated in terms of just focusing on that one event. I think it did show the breadth and the complexity of dealing with this culture.

Senator MINCHIN—I watched Phil Gould on the *Footy Show* and I agree that it was very compelling. But I think this letter writer makes the point that the program certainly did not show the views of the other staff there and that all came out afterwards—the view of the hotel owner regarding this former employee.

Mr Scott—We did put out a statement. In terms of some of the things raised, *Four Corners* did put out another statement, which was quite unusual. There has been a whole lot of speculation and a whole lot of debate. As I understand it, some of the people commenting on the woman are people whom the woman says she has never met. A whole interesting defence, in a sense, has been run. *Four Corners* put out a subsequent statement that clarified a whole number of these issues and I am happy to provide you with a copy of that.

Senator MINCHIN—Yes, I saw that statement. As regards the authority for these things to go to air, is there a graded scale; when things are controversial, do they go up the line before they are aired?

Mr Scott—Yes, there is an upward referral process.

Senator MINCHIN—Were you ultimately involved in one of these two programs going to air?

Mr Scott—I don't think I was on the Phuong Ngo program, but I was aware of some of the work that was underway as far as the Rugby League program was concerned. But the final responsibility for that lay with the senior people in our news division and our director of legal and the legal team that were involved in the story. But there would be occasions when stories are referred to me.

Senator MINCHIN—Yes, but legal people would have been involved in both of these.

Mr Scott—Yes, absolutely.

Senator MINCHIN—That would happen when characters are potentially—

Mr Scott—Yes, absolutely.

Senator LUDLAM—I have some questions that are a follow-up to a discussion that we had in February regarding the ABC's commercial partnership with Harper Collins. You provided answers to those questions, I think, in mid-April.

Mr Scott—Yes, that is right.

Senator LUDLAM—That was on the 15th. In one of the answers that you gave on notice on 15 April, you stated:

The revenues generated from the agreement will be returned to the Corporation—
the corporation being the ABC.

Mr Scott—Yes.

Senator LUDLAM—Can you tell us how Harper Collins earns income from that venture?

Mr Scott—I will have to come back with that detail. Some of that will be commercial-in-confidence.

Senator LUDLAM—Some of it will. I will just give you a general sense of what I am after. Is Harper Collins paid a flat fee or a percentage? Is it the same for each title? Do you have a standing agreement or is it negotiated case by case? Does it relate to the number of books that are sold? Information about those sorts of issues was not really given in the answers.

Mr Scott—Let me come back to you with more detail on that.

Senator LUDLAM—That would be great. Do you have a sense of what each of those things is?

Mr Scott—Yes.

Senator LUDLAM—The information that was provided was pretty sketchy. Going to how the editorial decision making occurs, you mentioned when we spoke that that still lies with the ABC.

Mr Scott—That is right. It has full editorial control over all titles and content.

Senator LUDLAM—Can you tell us on what that editorial decision making is based? For example, will books with the ABC imprint be required to have a connection with ABC radio, television or online content?

Mr Scott—It has not always been the case that there has been a connection back, but I think we have a sense of the kind of programming that we focus on and the kinds of issues that we cover. So, if there is a good correlation of that or a good fit to that, we will put books out. At times, under ABC Books, we put out 150 books a year. *Spotless*, our big seller, like some others, was clearly linked back to local radio where Shannon Lush was first identified as a talent in these matters. Not all of our books will have that kind of link, but it is a decision-making process around the areas of interest to our audience and the kinds of things that our programming focuses on and a decision is made. One of the advantages of having Harper Collins as a partner in this is that there may well be books that they are interested in us publishing under the ABC imprint. If we decide that it is not a good fit for us, they have other opportunities to publish that either under Harper Collins or under other labels that they run. So there is some flexibility under this agreement.

Senator LUDLAM—I think we established last time that the projects can be initiated from either direction.

Mr Scott—Yes.

Senator LUDLAM—How often are you knocking back proposals that they—

Mr Scott—I would have to come back to you on that detail. Really, Harper Collins only assumed operational control of ABC Books on 1 May, so it is pretty early on.

Senator LUDLAM—That is not that long, so we might pick that up a little later. Are the publications that come out under this imprint required to adhere to the editorial policies that govern all the other media?

Mr Scott—The editorial policies do not pertain specifically to books and publishing as an output area, but there are editorial standards and guidelines; we exercise editorial control over those books.

Senator LUDLAM—How are those requirements interpreted for consistency? Who looks after that?

Mr Scott—The leaders of our ABC Books division. We have an executive who is responsible for our books and our magazines. Magazines operate similarly in partnership with a number of different publishers in a similar kind of model to books; she is responsible finally for that editorial decision making.

Senator LUDLAM—Are books just Harper Collins, or are there a number of publishers that you use with books?

Mr Scott—No; books are just Harper Collins.

Senator LUDLAM—With magazines it is still quite diverse?

Mr Scott—Yes. There are, I think, three partners. Limelight, Universal and News are involved as our partners in magazines.

Senator LUDLAM—Just to make sure that I am clear about what you have just said: the same people are responsible for that—

Mr Scott—I am saying that the same executive in ABC Commercial is responsible for books and magazines; therefore, it is responsible for the decision making over both.

Senator LUDLAM—One of the questions that you took on notice last time was what these arrangements would mean for staffing in ABC Books; the answer again was a little bit sketchy. How many staff did ABC Books have prior to the announcement of the Harper Collins contract? Perhaps you could give us some detail on their roles.

Mr Scott—I will have to check; I can come back to you with detail. Actually, more staff moved over to Harper Collins than we may have first envisaged. Harper Collins are very pleased with the people that we had, but I will come back to you with the detail.

Senator LUDLAM—Do they now work for Harper Collins?

Mr Scott—Yes, they do.

Senator LUDLAM—Were they were working for ABC Books formerly?

Mr Scott—That is correct.

Senator LUDLAM—How many staff does ABC Books have now?

Mr Scott—I will have to check on that.

Senator LUDLAM—Rough numbers?

Mr Scott—I do not have that number off the top of my head.

Senator LUDLAM—Could you come back to us with that this afternoon?

Mr Scott—I will see who we can contact, but I should be able to come back to you fairly quickly with that.

Senator LUDLAM—I am after a rough before-and-after picture of how many there were before and who has moved across to Harper Collins now.

Mr Scott—I will have to take that on notice; I am sorry.

Senator LUDLAM—I am specifically after how many editorial staff there are. What is the size of the unit that is making these decisions? Is it one person or is it 50?

Mr Scott—It is certainly not 50. It is a fairly small team. I think around a dozen people work in ABC Books; it is a fairly small publishing unit.

Senator LUDLAM—I will not push you any further until you have had a chance to check those details. Again, it is probably more useful for you to take this on notice: how many books have ABC Books commissioned and how many books have ABC Books published in each of the three financial years leading up to this one?

Mr Scott—We will get that detail for you.

Senator LUDLAM—I would appreciate it, if you could. Also, it would be helpful if you would inform me of any projections or estimates for how many you will be publishing from here on, under the new arrangements.

Mr Scott—Yes.

Senator LUDLAM—Do you have any concerns or have concerns been raised with you that these sorts of commercial partnerships entail an unfair advantage over other publishing companies who are trying to compete with Harper Collins?

Mr Scott—No, I do not think so, really. I think with the books that Harper Collins are publishing separate from us, under their own name and their own imprint, they have no advantage at all. The only books that carry our brand are those we have been involved in editorial decision making on. I think it makes great sense though for the ABC to be in partnership around books, magazines, CDs and DVDs. This is a business model that I think has worked successfully for us.

We are fundamentally a broadcaster. We do radio and television and we are very active online. We are not a book publisher. That is a specialised business that needs detailed understanding around issues like commissioning, printing, distribution and marketing, which are not core capabilities of the ABC. It makes good sense for us to find an experienced book publisher who can be a strong partner for us and bring those capabilities and that expertise into the partnership at the same time that we can bring our insights about audiences into that partnership. Having that sort of partnership means a better business in the long term, more money coming back to us and reduced risk. It is a model that has worked successfully in the DVD, the CD and the magazine businesses for a period of time. Not only does it represent a good return for the taxpayer on their investment in ABC content but it also represents an ability for us to protect the ABC brand over time.

Senator LUDLAM—In the last conversation that we had, you said that the ABC had been given legal advice that it is acceptable for the ABC to promote its own products on air.

Mr Scott—Yes, that is true.

Senator LUDLAM—Did you seek that advice specifically for products in which the contents were being produced by a commercial party in these sorts of arrangements—

Mr Scott—Yes. If you look, you will see that now nearly all the product we are promoting on air is ABC content that we are doing in partnership with someone. Yes, we have legally checked that and we have no difficulties with it.

Senator LUDLAM—Are you able to provide us with a copy of that advice, if it is available?

Mr Scott—I will see whether we can provide that.

Senator LUDLAM—Thank you. I have no further questions; thank you, Chair.

CHAIR—As there are no further questions, we thank the officers of the ABC very much for appearing before the committee today.

[5.11 pm]

Special Broadcasting Service Corporation

CHAIR—I welcome officers from the Special Broadcasting Service. Do you wish to make an opening statement, Mr Brown?

Mr Brown—Thank you for the opportunity but no, thank you.

CHAIR—We will go to questions.

Senator MINCHIN—I guess you are understandably devastated by the outcome of the budget. There are many who think that the chap sitting to your right might have done well for the ABC but has been a disaster for the SBS. I understand you sought \$70 million extra per annum, but you have only got \$20 million for the whole triennium in extra funding. I would like to know your reaction to what has occurred, what this will mean for SBS in terms of your plans, and I would like to know whether the funding that you have received—similar to the ABC—goes to your base. I note that in the third year it is \$11 million extra. Does that then become the base funding for the next triennium or is this just a one-off?

Mr Brown—Perhaps I will start with the last point first, while it is in my mind. My understanding is that it does go to the base.

Senator MINCHIN—Is that correct, Minister?

Senator Conroy—That is my understanding also.

Mr Brown—With regard to the overall reaction of the SBS, actually we are grateful that we have received any sort of increased funding. As you would be aware, this is the first increase of any real type since three trienniums ago, I think, probably nine years ago, SBS received an annual increase of about \$2.5 million a year to cover the increased costs of overseas acquisitions. Since then there has been no increase in funding save for one year when we received \$3 million, a one-off payment for sports rights, but in the following triennium it was removed from the budget. In the context of that track record, to receive any sort of increase is most welcome. Notwithstanding the ABC's success—that is really a matter between the ABC and the government, not really SBS—we obviously are cognisant of the global financial crisis and I think our view is that, although we are not party to the actual decision making, in other circumstances SBS might have done better. We are aware of the global financial crisis because it is affecting us as well in terms of our commercial performance.

In that context, yes, we did ask for something in the region of \$70 million a year. That was a kind of averaged out figure for a range of new services. From memory, it was sort of back loaded as well. One of them was related to local content, and in that regard the government has increased our funding there. That is very welcome because that part of our budget is under very considerable pressure because of our commercial downturn.

Our intentions are to look closely at our prioritisation to make sure that we provide our core service to the maximum capability we have. With regard to additional services we will make every endeavour to deliver those in part. They obviously cannot be delivered in the full range as we outlined them. For example, we will launch SBS2 on Monday as per schedule. It will not carry the full range of content that we had envisaged in our original funding

submission, but it will carry part of that and it will fulfil a range of other responsibilities, and in the end we believe we will be able to put a viable multichannel to air.

With regard to digital radio, we will launch our digital radio service in July. I think it is late June that some of it goes to air. It will be a simulcast of our analog service with a time shifting of those services to enable audiences to access them on different occasions. With regard to online, these were the three large components. The principal element of online was for us to secure, for the first time really, funding for online that allowed us to provide a more robust service and one that is more comprehensive. In there was a very specific request to develop language hubs. On the delivery of language services, multilingual services for SBS are currently constrained by the fact that analog radio has to vertically stack a sequential range of programs and you can only access them sequentially. Online obviously gives us the capacity to break out of that sequential straightjacket and move into a random access world. We will pilot those language hubs and we will renew our engagement with the government on the basis of those pilots to demonstrate what is capable in a digital world of reaching out and offering multicultural Australia a greater range of services, greater depth for language communities, and allowing some new language communities to come on board as well.

Senator MINCHIN—I suppose the point that commentators are making is that if both the ABC and SBS had been treated in a sense equitably that would be one thing, but to the commentariat it appears that the ABC has had much more favourable treatment than SBS. I am sure you are grateful for whatever small mercy the government has granted you, but a much greater mercy was granted to your compatriot and cousin, the ABC. Have you had an explanation from the government as to why that differential treatment was meted out to you? I think that is the reasonable thing that observers are noting: for some reason SBS appears not to be in favour with this particular government and it is giving the ABC much more favourable treatment. Do you see it that way? Have you had an explanation of why your treatment is so much worse than the ABC's?

Mr Brown—I have not sought an explanation.

Senator MINCHIN—Really?

Mr Brown—Really. As I said earlier, what decisions the government makes in relation to other funding areas are really a matter between the ABC and the government. I am aware of the commentary. Frankly, it is very confusing and mixed, and I have seen suggestions that range from the minister not liking me to the decision to put ads in programs, but none of those really makes a great deal of sense. The rather more pragmatic explanation—and in my view it would probably be the correct one—is that the government is well disposed to SBS and would have wished to more completely fund it than it felt it was able to in the end, and the reason there was any constraint in that area was the global financial crisis, which I note has affected many other decisions.

Senator MINCHIN—You are not worried that the fact that you are able to gain external revenue—which is something I support—unlike the ABC, is really starting to count against you? That is the notion that is being perpetrated—that either the government or the bureaucrats or both are saying: 'Well, SBS has access to the commercial market for revenue.

We do not need to give them any money, unlike the ABC.' Are you worried that you are in that dilemma, that catch-22?

Mr Brown—It was a question posed, was it not, some years ago when we first started stepping up our commercial activities? But is it a catch-22 situation? I do not have any reason to believe that and that has never been suggested from any area of parliament under the previous government and this government, so I have no reason to believe that is the case. I understand the speculation; it is the sort of speculation the staff would put up as well and say, 'Is it hurting us?' Of course, if that were the case, if there were any suggestion that we were being punished for our commercial activity, that would be kind of odd because we are being pushed more and more to be reliant on our commercial activities and they form an increasing proportion of our total funding. We do not really have a great deal of choice in this regard.

The act granted us a licence to raise revenue and the act also requires us to operate SBS in the most efficient manner possible. I have never felt that our commercial licence was some sort of discretionary licence. I always felt—and I feel today—that it was a licence that we should extract full value from for the benefit of our audiences. I guess I will never persuade people who object as a matter of principle to programs being interrupted that there is a principle behind what we are doing, but that is the case. I am looking at a range of programs that currently go to air that would not go to air without that commercial support.

Senator BIRMINGHAM—I want to come back to advertising shortly, but is it possible that you are actually getting a budget cut in net terms out of this budget? As Senator Minchin has been discussing, the government is giving \$4 million in 2009-10, and \$5 million and \$11 million in the years beyond that, but of course it is taking with the efficiencies to the distribution and transmission expenses. In your submission to the 2020 Summit you said that in terms of savings the obvious place to start is in transmission and distribution services. Each year SBS spends almost \$80 million out of a total appropriation of \$188 million on transmission and distribution. It does not take much of a saving out of that \$80 million for what is going back into government coffers to actually outweigh the additional funding you are getting.

Mr Brown—Obviously I am a bit constrained in what I can say with regard to efficiencies identified in transmission and distribution, for commercial reasons, but it is pretty clear, obviously, that about \$4 million of savings come straight out of the analog shutdown. That is a cost neutral situation for us. Those are funds we do not need to spend, so we do not need to be given them.

Senator BIRMINGHAM—Just to clarify this, the ABC told us that was a special purpose grant provided, anyway, so I am assuming that was the same—

Mr Brown—Ours has a slightly different mechanism but it has the same effect. We receive funding directly for that purpose. When that purpose no longer exists then we do not need the funding. With regard to the other area of shared transmission and distribution, yes, it was our idea. We took it to 2020 in the spirit of the 2020 Summit that we should come up with ideas for the general benefit of public broadcasting, and so we did. We came up with an idea that we think would benefit both broadcasters. Our wish is that when we fully explore that there might be some way for savings to be recommitted back to the two organisations, but these are very

early days and we are yet to have any sort of serious discussions with the department about how this can best be achieved. We have had some preliminary discussions with the ABC, as Mr Scott reported. They actually predate the budget decisions, so these are the things that we have been talking about: how could this possibly work for the benefit of public broadcasting? I do not believe there can be any suggestions that there will be a net loss situation for SBS as an outcome of this budget.

Senator BIRMINGHAM—In your submission at the end of the 2020 Summit you did say, of course, that any savings generated could be redirected to content creation. Although we do not know what these amounts are—for you and the ABC it is still obviously a work in progress as to how you are going about achieving them—the government quite clearly has targets that presumably Finance is going to hold you to account to meet over the triennial funding period in terms of savings that have to go back. It is tricky without knowing those, but of course they are mixed in together with the ABC's funding and so on. Is the minister going to give some type of assurance that in net terms SBS is not actually worse off?

Senator Conroy—Before I come directly to your question, I will respond to a couple of comments—I will not say assertions—made by Senator Minchin that he sought Mr Brown's view on. Could I make it absolutely clear that I have a high regard for Mr Brown and that funding of the SBS had nothing to do with any of those conspiracies that Senator Minchin was describing. The funding for the ABC, which seems to be some benchmark for Senator Minchin's questions, was based entirely around an election commitment, which we met. The global economic recession meant a number of hard choices, and worthy projects have had to wait. But the ABC funding increase was about an existing election commitment, which we honoured. So I reject utterly a number of those propositions, which I had not heard previously, but I did feel it necessary to respond, particularly to the one that suggested I have anything other than the highest regard for Mr Brown.

Senator MINCHIN—I accept that.

Senator Conroy—And no-one should read any truth into any suggestion otherwise. In terms of the net outcome, the SBS has the largest increase, as I think Mr Brown said, in three trienniums. Mr Brown, to his credit, took forward a proposal to the 2020 Summit, which we are now working our way through. I cannot foresee a situation where SBS would be worse off, but it is a work in progress. I am sure Mr Brown would be aware it is up to an interdepartmental committee, and I think Mr Scott was asked similar questions. It is an early work in progress. The savings are only in transmission and distribution. There is still a net gain for content. The new funding is the content of programming. Other than the special sports grants given by the previous incumbent, I think it is accurate to reiterate the point Mr Brown makes, which is that this is an increase well beyond anything previously given in three trienniums. It is a permanent increase. They are not one-offs. There will be some serious negotiations to see what savings can be made.

Senator BIRMINGHAM—If Mr Brown's \$80 million in transmission and distribution costs are a correct estimate, which I am quite sure they are, it only takes a 10 per cent to 15 per cent saving off that annually for even the highest figure, the \$11 million in the third year of the triennial funding, to be outstripped by—

Senator Conroy—But this is money that is given for a specific purpose. If the purpose is not there then there is no need for the money. This is a direct fault of an appalling piece of public policy conducted by the former government when it decided to privatise the broadcast towers and then contracts were entered into. SBS did a far better job in protecting taxpayers than previous management did a long time ago at the ABC. SBS deserves congratulations for having done that. The savings for SBS are much less in terms of transmission, I think it would be fair to say, than the ABC, which might be able to contribute far more given the outrageous terms of the contract.

Senator BIRMINGHAM—I would equally have thought that SBS, having in good faith gone along to the 2020 Summit and said, ‘Here is a plan; here is an idea; here is how we can save some dollars, and we would hope to be able to put that back into content generation,’ deserve to be guaranteed that they are not going to be left in net terms worse off at the end of that process.

Senator Conroy—This is the only increase in content funding for the SBS since 1994. Let us not cry crocodile tears. Your previous government sat there for three triennium fundings—11½ years—and did not give them a cent for content funding. There were a couple of one-offs for individual sporting events, as has been described. Do not come here and try to pretend that if they were to get a reduction in transmission costs they somehow would have a worse situation. This is the only increase since 1994.

Senator BIRMINGHAM—Will you give a guarantee that at least by the time we get to 2011-12, when the next triennial funding agreement is being negotiated, for the 2012-13 budget, that the base level of funding will not be lower than it is currently today; that you will not have stripped more out of the transmission side?

Senator Conroy—I appreciate the comment Mr Brown made about it being possible that savings in transmission may go back, but what Mr Brown indicated publicly at the 2020—and we are now going through the process—is around transmission costs. We have made a permanent increase in SBS’s funding, something the previous government in 11½ years—

Senator BIRMINGHAM—Yes, it did. You have said—

Senator Conroy—I appreciate your—

Senator BIRMINGHAM—I am just trying to be clear that you are not Indian giving in this situation—

Senator Conroy—You are able to skip over that; I appreciate that.

Senator BIRMINGHAM—that you are not giving with one hand and taking away with the other.

Senator Conroy—You cannot be held responsible for the atrocities of the former government—

Senator BIRMINGHAM—Atrocities!

Senator Conroy—but the facts speak for themselves. If you think you can play the game of saying that transmission funding and content funding are the same thing, that was a game

played by the previous government, and I thought you were actually trying to move on from that. We have given an increase in content funding.

Senator BIRMINGHAM—I am not trying to play any sorts of games here; I am just trying to get a clear position that we are not going to wake up in three years time and find that in fact the base funding for SBS is less than it was when we went into this process and that for all of Mr Brown's good work in finding savings he has not even been able to keep the status quo in terms of investment in SBS.

Senator Conroy—You keep trying to imply that transmission funding is equivalent to content funding, so let us be clear about this: it is not. If a saving is able to be made on transmission, that is to the benefit of Australian taxpayers, and the government will consider what to do with that in the forthcoming budget. But, if you want to try to start drawing a line that suggests adding the two together somehow magically makes the increase in content funding that we have given disappear, no-one is going to take you seriously, and I am certainly not.

Senator BIRMINGHAM—You will not assure us today that in three years time the government will not be investing less in SBS than it is today?

Senator Conroy—I appreciate that you have inherited a staffer who is locked in the mindset of the previous government. Let me be clear. The pretences of the previous government about increases in funding were entirely around contractual increases in the transmission deals. They were not for content. They were not for the actual core business of the public broadcasters. I appreciate you might want to try to add them together again to play this game, but let me assure you that we have given a permanent increase in content. If we are able to make savings on transmission, not the core business—a policy failure from the previous government following a very grubby privatisation deal that has made taxpayers significantly worse off; and you can keep trying to play this game—as I said to you at the beginning of this conversation, I cannot envisage that the savings will be more than the increases. But let me be clear about this: if there are savings from transmission, that will be a discussion between the ABC, SBS and the government. Do not try to pretend that it is the same thing.

Senator BIRMINGHAM—We believe the budget is based on there being savings in transmission.

Senator Conroy—Mr Brown, in good faith, has indicated there are possible savings. Do not try to pretend that is a reduction in the SBS's core funding. It is not.

Senator BIRMINGHAM—Presumably it is only if they deliver above whatever the budget forecast and projections are you can have those discussions.

Senator Conroy—You can make all the presumptions you like. The discussions have barely commenced. Do not try to pretend a reduction in transmission expenditure by SBS can be netted off against a content funding increase in this budget.

Senator BIRMINGHAM—Either there are figures that go against keeping the deficit from not being even bigger or there are not those figures in Finance. If there are those figures, the expectation is that the ABC and SBS will find a way to reach those savings.

Senator Conroy—Let us be clear: is it your contention that transmission funding and content funding are the same?

Senator BIRMINGHAM—I just want to make sure that we do not wake up in three years time and find that SBS is being funded less by this government than it was when it was first elected.

Senator Conroy—I repeat: is your contention, seriously, that transmission funding and content funding are the same thing?

Senator BIRMINGHAM—I well and truly understand the difference. As I said, Mr Brown went along to the 2020 Summit in good faith and it would be nice to think that even if the government took some savings from the transmission—and that is reasonable—perhaps SBS might at least get a guarantee that their funding will not be less in three years time.

Senator Conroy—It would have been nice to for the previous government to have given them a permanent increase, but it did not happen.

Senator BIRMINGHAM—Quite clearly there is no guarantee in anything that you are saying. We can only hope that SBS's funding will at least be maintained at current levels.

Senator Conroy—I repeat what I said earlier: I cannot envisage that. The work of the committee process that is being engaged in now will commence shortly. In fact, it has already begun in the very preliminary stages.

Senator BIRMINGHAM—I have one last question on this issue. Should whatever the projections are for these transmission savings be exceeded—

Senator Conroy—That is a hypothetical.

Senator BIRMINGHAM—What is a hypothetical?

Senator Conroy—You said 'if' something happens. That is a hypothetical.

Senator MINCHIN—Let him finish the question.

Senator BIRMINGHAM—Indeed.

Senator Conroy—And he is conceding it is a hypothetical, to be fair to Senator Minchin.

Senator BIRMINGHAM—The difficulty we have in this situation is that we do not know what the projections are. We will never actually know whether they have been exceeded. It is not like I can look at next year's budget papers and say, 'Yes, they have been exceeded.' I put the hypothetical to you that if they are exceeded will you at least be attempting to sit down and deliver to Mr Brown his share of those additional savings beyond what Finance is budgeting?

Senator Conroy—I am not going to speculate on the possible success or otherwise of the process that SBS, ABC and the government are going to engage in.

Senator BIRMINGHAM—I shall allow Senator Minchin to continue his questioning.

Senator MINCHIN—Thank you. Mr Brown, in relation to your own revenues. You are reported as having warned SBS staff of a major downturn in revenue, with a shortfall of up to \$9 million this financial year, an even worse downturn the year after and savings that will

have to be entered into. Is that the position for this financial year, that your revenues will be that much less than forecast?

Mr Brown—Yes—between \$8 and \$9 million.

Senator MINCHIN—What will that mean for you?

Mr Brown—This year has almost closed off. We have managed our way through that.

Senator MINCHIN—Will you still come through with a surplus this financial year?

Mr Brown—Yes, we will. The difficulty that every media company is having is that the market is so short. Whereas you might have a clearer view to forecast revenue in ordinary times, in times like this the market gets really short, advertisers hold back and make their decisions just a few weeks before buying. Our expectation next year is that we will probably be in the region of \$9 million or \$10 million off the budget we struck for our five-year plan. So, against planning purposes, it is a lesser revenue but still a year-on-year growth.

Senator MINCHIN—In terms of the forward years, page 165 of the PBS under ‘Own source income’—and I presume this is SBS—lists sale of goods and rendering of services for 2008-09 of \$68 million, looping to \$93.8 million in 2009-10. I assume this is the SBS we are talking about?

Mr Brown—Yes.

Senator MINCHIN—That is not quite consistent with your concerns expressed apparently in your email and that you just expressed about what might happen to your revenues, or are we talking at cross-purposes?

Mr Brown—No.

Senator MINCHIN—That is a very substantial increase that you are forecasting.

Mr Brown—Yes. I did say that it was a year-on-year increase. But it is an increase particularly driven by two events that we own—the Ashes and the FIFA World Cup—which both happened to occur in one financial year. There is a matching cost of securing those rights and providing the production costs.

Senator MINCHIN—They both occur in 2009-10?

Mr Brown—Yes. The Ashes are in July of this year and the FIFA World Cup is predominantly in June 2010 with a little bit in July.

Senator MINCHIN—I accept that, because you go from \$68 million up to \$93.8 million, but in the next three years after that you are forecasting \$89 million, \$97 million and \$107 million. It is not as though next year is a one-off. All of your forecasts are based on sustaining that level of revenue considerably above this financial year.

Mr Brown—Our increases have been significant since we introduced interprogram breaks.

Senator MINCHIN—That has made a real difference, has it?

Mr Brown—We are on a growth path. There is no doubt about that.

Senator MINCHIN—Can you charge a lot more for in-program rather between-program advertising?

Mr Brown—The prognosis from an independent report for between-programs was that our revenues would be down to about \$25 million a year. That is without regard to the global financial crisis. The prognosis for between-program breaks was very poor. If they are in-programs—and remembering our interruptions are fewer and of shorter duration than for commercial networks—our advertisements are in a clutter-free environment, and that has a value. We have been endeavouring to move from a position where we were being forced to offer massive discounts in order to secure any sort of advertising revenue between programs to a position where our advertising yield is proportionate to the ratings that we have. That journey of getting there involved year-on-year growth. The numbers I have shared with you and staff are numbers that show that we will not be reaching the numbers that we originally forecast both for this year and for next year.

Senator MINCHIN—I must say I am pleased that the government in this glossy document has said it has not proposed to require the SBS to change its current approach to advertising, although I note, Minister, you do say ‘at this time’. Does that mean it is something you are going to keep under review?

Senator Conroy—No. We thought we were fairly straightforward. We are certainly not in a position in this current financial circumstance to compensate the SBS for the withdrawal of in-program ads.

Senator MINCHIN—Does that mean that at some stage in the future you may contemplate that, although the budget will not be back in surplus for yours and my political lifetime?

Senator Conroy—I cannot speak for you, but according to the rumours that I hear out of South Australia that could be correct in your case.

Senator MINCHIN—Do not believe everything you hear out of South Australia. Mr Brown, the surplus you forecast for this next financial year is a very thin \$1.1 million on revenues of \$308 million. It is a remarkably thin margin. Have you ever actually run at a loss?

Mr Brown—Not in memory, no. As you are aware, we require the approval of the Minister for Finance and Deregulation to run at a loss.

Senator MINCHIN—Yes, I am aware of that. I could not recall your running at a loss.

Mr Brown—We have never sought approval for that.

Senator MINCHIN—Is that as thin a margin as you have ever forecast?

Mr Brown—No, I do not believe so. We normally operate on a margin of below \$1 million. The intention for that is that there is no point in building up surpluses unless it is the case you see this year where the surplus is stronger, which gives us cash reserves. Otherwise it makes more sense for us to deliver value to audiences rather than to squirrel away surpluses, so we try to run a modest surplus each year.

We have previously discussed the need for a loan. The circumstances for SBS have changed somewhat in the last two or three years because the final spending of the digital transmission money and the digital transition funds inside SBS mean we are now exposed to a cash situation where we need to make sure we protect our cash position as opposed to our P&L accrual position.

Senator MINCHIN—You still have an outstanding loan. I see your interest costs are still \$1.2 million. Is that in relation to the loan from the government?

Mr Brown—We have not drawn down the loan that has been approved, so we are not incurring any interest yet. We do have a mortgage on our premises at Artarmon.

Senator MINCHIN—That is probably what that interest bill is.

Mr Brown—Yes.

Senator MINCHIN—Are you paying that down?

Mr Brown—Yes.

Senator MINCHIN—It is not an interest-only situation?

Mr Brown—No. That is a table mortgage.

Senator MINCHIN—What is the debt on that?

Mr Brown—There is about \$13 million owing on it.

Senator MINCHIN—When do you anticipate that mortgage will be repaid?

Senator Conroy—It will probably be beyond your political lifetime.

Mr Brown—We believe four to five years.

Senator Conroy—Easily beyond your lifetime.

Senator MINCHIN—If I get re-elected next time—

Senator Conroy—I hear there is a lot of competition in South Australia at the moment.

Senator MINCHIN—Our chances are looking increasingly good of being back in government in a couple of years. Are you anticipating having to reduce staff, services and so on in the next financial year given the tightness of your situation?

Mr Brown—We are still going through our final budgetary process. As I have made clear to staff, which subsequently was published, our primary focus is to protect services and jobs, particularly as the impact is being driven by what we all hope is a short-term phenomenon. In that case, to cut anything that needs to return does not make any sense. We want to lock in the core activity. It is a time, though, when we have to look prudently at the amount of money we spend on discretionary areas, and it is also an appropriate time for everybody to look closely at efficiencies that do not have an impact on core services but can protect them.

Senator LUDLAM—I am interested in pursuing some of the same issues in terms of the increased advertising, particularly in the middle of programs. I know that was not the original intention, but it seems to have become part of the practice. Is lack of funding pushing SBS to thin out program content and insert this sort of material? Going to the questions that Senator Minchin was pursuing before, and having read how it was expressed here, will any of the additional money that you have in the budget be used to draw down the amount of advertising that you are putting into programming or is it all going into other areas?

Mr Brown—The additional money that we are receiving is broadly for the provision of local content, and that is what it will be spent on. The impact of the commercial downturn does mean that some content that is funded by commercial dollars cannot take place.

Senator LUDLAM—How hard have those revenues been hit?

Mr Brown—As I said, between \$8 million to \$9 million this year, but we have navigated our way through that. Next year it will be a similar amount or it might be slightly more, but we are adjusting our budgets to compensate for that.

Senator LUDLAM—Are there proposals on the books? Are you going to be forced to increase the amount of advertising that you run?

Mr Brown—No. We are not allowed to and we have not sought any request for the act to be changed. The act specifies that the minutes are fixed at five minutes per hour. That is on radio and television.

Senator LUDLAM—You are pressing up against that ceiling, but you do not see the need to increase that?

Mr Brown—On television the five minutes per hour has been filled. You may recall when breaks were between programs they could be as long as eight minutes.

Senator LUDLAM—They would be longer, yes.

Mr Brown—Now with breaks in programs they might be as short as one or two minutes.

Senator LUDLAM—I know a lot of the programming that you broadcast was not designed to be cut up. What is your process for deciding and assessing where ad breaks will run? Why is the minister laughing?

Senator Conroy—We had a very lengthy discussion a number of years back when it was first introduced about whether or not Inspector Rex, for example, went to his dog bowl to eat his food and that was an appropriate time for an ad.

Senator LUDLAM—For a dog food ad?

Senator Conroy—Yes.

Senator LUDLAM—What is your process for assessing that sort of thing when you are looking at programming that was not designed to be chopped up?

Mr Brown—I probably would not accept the definition of ‘chopped up’. Under the act we are allowed to make use of natural breaks. There is industry recognition of what a natural break is. Clearly, it is not a real natural break. They are not created by nature. Nothing that is manmade has something natural in it.

Senator Conroy—Inspector Rex wandering into the bushes was not a natural break.

Mr Brown—‘Natural’ is used by the industry and is accepted globally to refer to points in productions where there is a time lapse, a change of scene, a change of story in the case of news and current affairs programs, or change of skits in the case of a comedy show.

Senator LUDLAM—Wasn’t initially a natural break when something finished and not some kind of arbitrary change of tone or change of scene within a program?

Mr Brown—That is certainly not the industry definition and clearly could not be the case. It could not be a natural break if it finished because it would not be breaking anything. The term ‘natural break’ suggests that there are points in productions. To go to your point, yes, there are some broadcasters—not many but a few—who commission content or make content

that has no breaks in it in their domestic market. For instance, you might look at the BBC as the most obvious example.

Senator LUDLAM—That is what I was thinking of.

Mr Brown—The BBC runs content on its overseas channels. In this market if you watch BBC HD or UK TV, which is owned by the BBC, or BBC Knowledge—all of these channels are available in Australia on subscription television—they have breaks in them, and BBC is exercising the same judgement as we do—that there are natural breaks. If there are not any natural breaks then we will not put any breaks in, but most productions carry points in them the industry would describe as a natural break.

Senator LUDLAM—For cinema release movies, for example, or a BBC production, would you be able to estimate for us what sort of proportion of programming SBS is being forced to break for these considerations and that was not designed for that to be done?

Mr Brown—I am not being pedantic, but I will pick you up on your terminology there. We are not being forced to break. I must be clear that we will only use natural breaks where they emerge. Although we have a standard approach to the number of breaks, that can be varied for any production in any circumstances. You asked how many programs. The BBC would be one provider, but we would not carry a great deal of BBC material. Most of that is on the ABC, obviously. Films are not made for television, anyway. They are made for theatrical release. Most broadcasters who obtain films for television release will find natural breaks in them—some rather better than others. In our case, we limit the number of breaks in any movie to two. It is not difficult to find two moments in a movie where there is a time lapse, a change of sequence or a change of plot.

Senator LUDLAM—Is that a human process or a computer process to search for spots in the script?

Mr Brown—That is very firmly a human process. The criteria for natural breaks are documented and laid out. Staff are required to use those criteria in order to identify natural breaks.

Senator LUDLAM—Are you able to tell us, if these figures exist, how much additional net income the SBS receives following the implementation of the decision to interrupt programs? Is it possible to break out the proportion of revenues that you are getting from in-program advertising as opposed to what is happening at the top of the hour?

Mr Brown—It becomes increasingly difficult because, as the years go by since that decision, there are other things that have influenced it. Obviously, there is the increase in audience size and the fact that we are probably a more capable selling agency.

Senator Conroy—I think I did ask similar questions to this a couple of years ago. You might be able to get a measurement between what was the then advertising dollar as opposed to what was projected. It is probably updated. I was given a projected figure back then. You probably have two figures, so you can have a look at that for a comparison closer to the actual real-time issues.

Mr Brown—If you look at the last year, we did not have breaks in programs. Then if you skip a year, because there was a year when for some programs it was transitional, and you

look at the year following, my recollection is that about \$12 million or \$13 million increased revenue was obtained over that two-year period year-on-year comparison. As I previously said to Senator Minchin, our revenue has been increasing since then.

Senator LUDLAM—That has also come at the cost that some of the top of the hour ad breaks became shorter, so it is being spread more evenly around the hour as well.

Mr Brown—We now place only one 30-second spot on the top of the hour. We have got rid of those not in program breaks. They were very disruptive. They created little value in terms of revenue. They broke audience flow. People who watched one program simply would not stay through eight minutes of interruption for the next program. That meant that the promos that we placed in there that told audiences about future SBS programs were not being watched by anybody either. Some significant damage was being caused by that structure.

Senator LUDLAM—Are you concerned or are you surprised by the degree to which these opinions were raised in the process of public submissions late last year, the degree of disquiet amongst the audience about the amount of advertising?

Mr Brown—No, I am not really. Why would anybody want any interruption of programs in a perfect world? Even Channel 9 would prefer it if they could find another way to raise money. We do not adhere to this because we believe it is a good practice for audience enjoyment. We do it because it is the means by which we fund the programs that audiences enjoy.

Senator LUDLAM—It is because you have to. That is why I was using the language like ‘you are forced to’ before, because I figure it is not something that you prefer to do.

Mr Brown—What we sought to do three or four years ago was to lift the scale of Australian storytelling. I think we have been very successful in that. I heard Mr Scott say that back in 2006 or 2007 the ABC had a very low level of drama, and SBS exceeded it comfortably, which was quite remarkable. If you watch SBS—as I hope you do this year—you will see *The Circuit* returning, *East West 101* and *Who Do You Think You Are?* These are all programs both of scale and quality that SBS could not afford to make in the past.

Senator LUDLAM—In your funding submissions to the minister did you propose funding that would be sufficient to allow you to cease or wind back the amount of advertising that you play?

Mr Brown—No. I believe I answered this at the last Senate estimates. I made the point that our focus was on expanding services and not finding revenue to offset the commercial revenue.

Senator LUDLAM—I guess that conversation was a bit hypothetical; now we have a budget. Also in February the minister supplied estimates that between \$29.3 million to \$39.7 million would be required to maintain operations for 2008 if the network were to stop interruption of programs through advertising. Those were estimates at the time. Can we verify that they are accurate now, with the benefit of hindsight and the budget?

Mr Brown—I think they are broadly accurate. I am aware that you have lodged a question on notice in this regard, and we are currently preparing those figures. From my early understanding, they are broadly accurate.

CHAIR—Senator Ludlam, we are scheduled to go to dinner now. Do you have many more questions?

Senator LUDLAM—I am happy to come back after dinner. That is fine.

CHAIR—We will break for dinner.

Proceedings suspended from 5.59 pm to 7.05 pm

CHAIR—We will resume.

Senator BIRMINGHAM—Are you now satisfied that SBS's operations under section 45 of the act are in accordance with the act?

Senator Conroy—Very confident.

Senator BIRMINGHAM—That is reassuring because, as you know, we have been through this discussion on advertising many times before and your views on intraprogram advertising from your days as shadow minister are well known. Until now you have beaten me off with the argument that it would be considered and you would review the advice under the triennial funding consideration. So you have reviewed the advice and you are confident and happy to see SBS continue with its current operations?

Senator Conroy—I think it has been mentioned by Senator Minchin that in this document we deal with the issue of funding and at this stage we are not in a position, due to the global financial recession, to commit any further funds, as much as there are many worthy projects that SBS would like to undertake.

Senator BIRMINGHAM—For all the heat and bluster before the election about intraprogram advertising, have you waved the white flag on that one?

Senator Conroy—We state in this document that we are not in a position at this time, as discussed with Senator Minchin earlier this evening, to give any further funds to the SBS despite the fact they have many, many worthy projects that they would like to pursue.

Senator LUDLAM—In relation to the tail end of the line of questioning around advertising and what proportion of the income from the sale of airtime that SBS actually receives, are you taking a big commission from advertising agencies?

Mr Brown—That is, television airtime?

Senator LUDLAM—Yes.

Mr Brown—I think I am on the record as saying it is approximately 80 per cent.

Senator LUDLAM—It is 80-20.

Mr Brown—It is the industry standard that, of all advertising booked on any commercial or SBS network, that agency gets 10 per cent. Because we outsource our collection and our selling of advertising, there is an amount similar to that we pay. I am not sure if we discussed it here but it has certainly been made public that that function will become an in-house function from 1 July, so future revenue will be 90 per cent, but as I speak to you today it is 80 per cent. In four weeks time it will be 90 per cent retained.

Senator LUDLAM—So the current state of play is that 20 per cent is going to commission and you will be winding that back to 10 per cent, or is there a production component in that?

Mr Brown—No, there are two commissions in play. The first one is the commission of 10 per cent that is withheld by the agency that is buying advertising off you, so on behalf of a client. That is how that agency derives their income. They spend \$1 million with a network; \$900,000 of it goes to the network; \$100,000 stays with the agency. In the case of SBS, since advertising started in 1991 we have been outsourcing our sales functions so that is not being performed by us; it is being performed by another entity for our benefit. That incurs a commission structure as well. I cannot tell you exactly what it is, but I think I have always made it clear that it is about 20 per cent in total. It is that second element that disappears on 1 July and then we will only be paying the same commission as every other network, and that is 10 per cent.

Senator LUDLAM—Has it been about 70-30 split to date?

Mr Brown—No, it has been 80-20 and it is going to 90-10.

Senator LUDLAM—I am with you. You will take that back. What is the decision behind internalising those functions? Why has that decision been made?

Mr Brown—The outsource model has worked well for us and the company, Stenmark, has performed well, but at a certain point we formed a view that it would be more efficient to in-source it and it would also allow us to more strategically align that function if it were under our direct control.

Senator LUDLAM—I put this to you, Minister—I think a couple of senators around the table this evening have raised this—it was a pretty strong policy that the government took to the last election about eliminating, if possible, advertising during programming. You have been forced through budget circumstances to fall back on that for the time being? Is it still government policy, once the financial situation improves, to reverse that and have SBS—

Senator Conroy—Could you refer me to where I stated that it was government policy?

Senator LUDLAM—So it was not government policy?

Senator Conroy—I am just asking you if you could refer me to any document source or *Hansard* where I have actually stated (a) we would reverse it or (b) it was a policy going to the last election.

Senator LUDLAM—That is very interesting. They are not statements that you made in the run-up to the election that you were not happy to see advertising during programming specifically—

Senator Conroy—No.

Senator LUDLAM—Not winding back advertising altogether but during the programming itself, which is what we have been discussing tonight.

Senator Conroy—I said: can you show me a statement where I said that we would get rid of it or that it was an opposition policy going into the last election? All you have done is quote my general view, which is that I am unhappy about it. We have said consistently over the last 12 months that we would look at it during the triennial funding round. The global financial crisis has descended on Australia and we have been dragged into it, so we are not in a position

at this stage to be able to compensate SBS if we were to insist on them moving away from the current model.

Senator LUDLAM—You might require a slightly better citation than this. SaveOurSBS.org, the website, which I am sure you are familiar with, is running a quote by you when you were opposition spokesperson for communications:

Labor has opposed and continues to oppose the decision by SBS to introduce in-program advertising.

I will find the date of that for you.

Senator Conroy—No, I am not disagreeing that I said that—

Senator LUDLAM—Okay. That was—

Senator Conroy—I am disagreeing with your interpretation of what that meant.

Senator LUDLAM—Can you bring us up to date on what that actually meant?

Senator Conroy—It meant exactly what it said. It just did not mean what you are saying it said.

Senator LUDLAM—I am pretty happy with the context of the quote, that you opposed when you were in opposition—

Senator Conroy—I am pretty happy with it too; I made it.

Senator LUDLAM—But it was not government policy at the time; it was just an opinion?

Senator Conroy—It was an opinion. It was never stated—you will not find any election document or any public statement that says we would reverse it.

Senator LUDLAM—But it does not say—

Senator Conroy—There is a reason that you do not have a quote there saying we would reverse it, and the reason is that we never said it.

Senator LUDLAM—Sorry to belabour the point, but you also have not said, ‘I, Mr Conroy, oppose’; you have said, ‘Labor has opposed and continues to oppose’. But at the time you did not say, ‘But we will do nothing about it once we are in government’; you just opposed it on principle at the time?

Senator Conroy—Yes. I am not happy with it and the economic circumstances absolutely mean that we are not able to compensate SBS for the funds that they currently derive from the new format.

Senator LUDLAM—That is all right. That is all I was trying to get to. Would you restate that today: you continue to oppose that? It is obviously not a decision; it has been forced by budget necessity. Mr Brown has said this evening that it is not something that he enjoys having to do, but that is just what it came to.

Senator Conroy—I would concur with Mr Brown. We are not in a position where we can compensate SBS if we were to insist or were we to move a change, and therefore for the foreseeable future the situation stands.

Senator LUDLAM—I appreciate that. Can we go to the issue of the size of the loan that SBS took in the recent past? You said, I think in response to an earlier question this evening,

that you have not actually drawn down those funds yet. Is there a reason for that? Is it contingency funding or is it earmarked?

Mr Brown—No. I think it is just a procedural matter. It is due to be drawn down in June.

Senator LUDLAM—Was that to replace a shortfall in core funding? Can you step us through where that loan falls in your thinking in the overall budget context?

Mr Brown—I did go through this at the last Senate estimates. The reason for it is that SBS as an organisation lives pretty much hand to mouth. We talked earlier about the scale of surplus and how we try to manage it to as small a surplus as possible. But there are events that require us to prepay, particularly sports rights. So if we secure, as we have, the 2010 FIFA World Cup and the 2014 FIFA World Cup, the payments for those events—which are quite substantial—have to be made in years preceding the year in which the matching revenue comes in, so we have to cash flow this and some other areas as well.

In the past we have not really been exposed to this difficulty because we had a fund for digital transition. That was to equip the SBS premises with digital equipment. This has been progressively expended over recent years and the very last dollars go out this calendar year. As those funds have dwindled, our cash position has deteriorated. So we are back to a situation of having no working capital. By that I mean additional funds obscured the fact that we have no working capital because we were using that for working capital. We took the view that if we received a loan that was to be paid off over five years we would use those five years to try to build up a level of working capital.

Senator LUDLAM—I apologise if you went through this at an earlier session, but can you tell us how much you believe you will eventually pay back in interest repayments to the Commonwealth? Is it a loan that accrues interest? Effectively it is one arm of government lending a sum to another.

Mr Brown—Between \$2 million to \$3 million—perhaps \$2.5 million—I would have thought, over a five year period.

Senator WORTLEY—Is it right that SBS has the rights to the upcoming Ashes test series between England and Australia?

Mr Brown—Yes, we do.

Senator WORTLEY—Are these rights shared with another broadcaster?

Mr Brown—Fox Sports owns the pay rights and SBS owns the free-to-air rights.

Senator WORTLEY—What coverage will SBS give to the Ashes?

Mr Brown—We will be providing full live coverage, every ball. We had the same set of rights in 2005. We were a little restricted in our coverage then, just to a small degree, because it clashed with the Tour de France. This time, because we now have SBS2 up on air—or we will have SBS2 up on air—we will be able to broadcast both events in full, the Tour de France on SBS2 and the Ashes on SBS1. We will also show some of the Tour de France on SBS1 on the days when the Ashes are not being played.

Senator WORTLEY—Can you tell me about SBS's new social media engagement media team?

Mr Brown—Yes. ‘Team’ might be a strong word. I think that might be one person who already works on another function with somebody else assisting them. We are investigating how SBS can make best use of reaching audiences through a social network on the internet, through Facebook and Twitter and similar such social sites. The reason for that is SBS is in a way punished for having only a six per cent share. It has an outstanding program that it wants to promote to broader audiences. It, unlike any other network, cannot do that solely on its own channel. It cannot reach out to other audiences who are not already watching SBS. The Ashes coincidentally gives us an opportunity to reach a broader audience, but we are constantly trying to find ways in which to inform all Australians about the offering that exists on SBS. So this is an area that we are exploring.

Senator BIRMINGHAM—How goes the second series of *Top Gear Australia*?

Mr Brown—How goes it?

Senator BIRMINGHAM—Yes.

Mr Brown—Good, I think, really. The ratings are up on average over the previous series. You will have seen we have made a few changes. I think it is a program that is evolving and will continue to evolve. It reflects the success of *Top Gear UK*. It took them many years to turn that into the international success it has become.

Senator BIRMINGHAM—How does *Top Gear Australia* fit within the remit and the objectives of SBS?

Mr Brown—I have often given this response: the obligations of SBS under the charter are to provide services that inform, educate and entertain all Australians and reflect Australia’s multicultural society. It is not an obligation that is placed on every single program and the charter therefore is to make sure that the totality of the services is across the broad range. In delivering a multicultural range there is obviously going to be some programming which may exist on other networks. The point of difference with SBS is the range of programs that do not and will never exist on other networks. In addition, SBS adopts what is called a tent-pole strategy, where we identify a handful of key properties that attract a broader audience than our mainstream schedule would otherwise do. *Top Gear* is one of those. The Ashes is one of those. From time to time there will be other programs that come along that we will secure for that purpose. It comes back to the point I was making to Senator Wortley: that the ability of SBS to reach out to a broader range of audience is heavily constrained. We are constantly facing the challenge of how we tell all Australians about the good stuff that is on SBS. *Top Gear* presents an opportunity of lifting the size of audience but the promos placed within *Top Gear* also tell a potential audience about future offerings.

Senator BIRMINGHAM—How much does *Top Gear* cost SBS?

Mr Brown—Obviously that is a commercial in confidence—

Senator BIRMINGHAM—Let us approach it a different way. In terms of your locally produced content, roughly what proportion of expenditure on locally produced content does *Top Gear* account for?

Mr Brown—I cannot really tell you that but what I can tell you is that it is not the most expensive program that SBS is involved in. It is not as expensive as drama. It is not the most

expensive factual program. I know that there are occasionally numbers thrown around about SBS as to *Top Gear*. I think Senator Ludlam has asked a similar question on notice about a report a couple of years ago that it was costing \$11 million. It costs a mere fraction of that.

Senator BIRMINGHAM—You are convinced in terms of the limited dollars that SBS has for locally produced content that *Top Gear* is a value-for-money proposition?

Mr Brown—Yes, I am. Really you could raise that question about all of our top-end content. It is a challenge for any organisation that is not substantially resourced about how it allocates those dollars. You can equally challenge us on our commitment to drama. That is more expensive and more challenging, but I think it is important to maintain the mix, a mix of entertainment that has a broader appeal, drama that is distinctive, and high-end quality drama that nobody else is going to make here. They all represent balancing challenges for us, and I think we are currently managing that well.

Senator BIRMINGHAM—The challenge is that, in most of the drama instances that you would highlight and that may be more expensive to produce, it is easy to see how they fit within the SBS charter. Even though some of them have good and broad appeal as well, they reflect some of those multicultural values that people simply see sitting within the SBS charter. It is harder to see how *Top Gear* fits that same remit and approach.

Mr Brown—I understand the comment. If you watch *Top Gear* there is a multicultural dimension through guests and people like that, but I am not going to put it up as being a symbol of our commitment to diversity and distinctiveness, which you might well find in some of our drama content.

I really go back to the tent-pole strategy. There are some funds that we set aside for a particular purpose, and that is to keep SBS's profile high. That is not a strategy I invented. It is one I believe in. You could equally say that when SBS, six or seven years ago, bought *The History of Britain*, the story about Anglo heritage, and ran it on a Sunday night, it was the highest rating show at that time. I think that was entirely appropriate, but it hardly could be said to fit a multicultural agenda or even the SBS charter. Strangely, of course, nobody really criticised that because it was seen as being a very worthy content.

Top Gear attracts some criticism because it is just all-out entertainment. I do not think there is anything wrong with that. I think SBS's charter is quite explicit that we are to supply entertainment programs as well.

Senator BIRMINGHAM—Are there any commitments to *Top Gear* beyond the second series at present?

Mr Brown—Of the Australian version as opposed to the UK version?

Senator BIRMINGHAM—Yes.

Mr Brown—I will take that on notice. I am not entirely sure.

Senator BIRMINGHAM—Thank you. Just briefly following up a couple of other things, I would like to go to a response to question on notice 124 from SBS which related to complaints about bias. In that response, related to complaints around the coverage of the conflict in Gaza, you indicated:

At present, three of the complaints have been dismissed and two are still being finalised.

Have those two been finalised now?

Mr Brown—Yes, they have. My belief is that they have also been dismissed.

Senator BIRMINGHAM—Were there any other complaints received, other than those outlined in this response?

Mr Brown—Not to my knowledge.

Senator BIRMINGHAM—We had some discussion at these estimates last year or some time ago about SBS Radio and the spot audits and spot checks that were occurring. Are they still taking place?

Mr Brown—Yes, they are. I should say that we have supplemented it. We might have talked about this before. We have introduced a position inside SBS Radio called the Head of Quality and Standards of which that spot monitoring is one function, but we have also been looking at a number of other ways in which we can be confident that all of our output is living up to the codes.

Senator BIRMINGHAM—In the responses thus far from those spot checks have any problems been identified?

Mr Brown—Not of a type that relates to a breach of code or editorial failing. They are also there for professional standards as well. After each of those spot monitorings occurs there is discussion with the executive producer, program manager and the team where feedback gets passed on to them about the appropriateness of the balance of content of the structure of the show and things like that. That would be a normal output. I am not aware of any response that would indicate that the program would have breached the codes or would have had some significant editorial failing.

Senator BIRMINGHAM—Are they funded for in next year's budget?

Mr Brown—They are.

Senator BIRMINGHAM—Thank you.

CHAIR—There are no further questions for SBS. Thank you very much for appearing before us this evening.

Senator Conroy—Just while we are switching over, I am just wondering if we can get an indication from the committee as to which departmental officials we feel we might need tonight, just so we can let those that we do not need go.

CHAIR—We have dealt with that already. Our secretariat has provided advice to the departments.

Senator Conroy—Where do you think we will get up to?

CHAIR—We probably may need 1.2, and 1.3 will probably not be required this evening. Of course, 1.1 will be tomorrow.

[7.30 pm]

Australian Communications and Media Authority

CHAIR—I thank the officers of ACMA for appearing before us this evening. Mr Chapman, do you wish to make an opening statement?

Mr Chapman—No, thank you. I would just note that as is customary practice I appear with my Acting Deputy Chair, Mr Cheah, and my five general managers with a view to hopefully covering questions across the broad diversity of the work that we do.

CHAIR—Thank you very much. I would like to start off. Could you give us some information about recent changes in mobile premium services?

Mr Chapman—I would be very happy to do that. The recent announcements we made, which in essence were the registration of a new code dealing with the subject matter, a number of new service provider determinations and finally a very prescriptive monitoring and audit program that we are going to implement, represent a raft of measures with respect to mobile premium services that is the culmination of a lot of hard work. There has been a lot of hard work across a number of players in this space. Ultimately, we are the party responsible for registering the code and implementing the other measures I touched on. I think it is a very good example of the way in which the industry, Communications Alliance, the consumer advocacy bodies, the telecommunications ombudsman, and indeed the minister in the way in which he lent his support and interest to the issue, came together to produce these outcomes.

There is no question that there needed to be an industry wide response to what was a totally unacceptable trend in the number of complaints arising from late 2007 to when it reached a peak of something like 3,500 complaint issues in July 2008. It is not a coincidence for a moment that the new code started to gather internal discussion within the industry and, with our hard work and focus on it, that the complaints have been coming down dramatically since then. In other words, what I am suggesting is that the industry players from that moment realised that they had an issue and they have been living to it in a much better way than they had been before.

CHAIR—Do you have statistics about how the complaints have begun to reduce?

Mr Chapman—We do have those and we can table them. As I said, there were about 3,500 complaints per month at the peak in July 2008 and they fell to half of that level by April 2009. It is a dramatic demonstration of the focus, aptitude, the combination of measures and the understanding within the industry that the matter has to be taken seriously. I mentioned the minister earlier, because the minister did get involved and made it very clear to the industry that they needed to get their act together on this matter, and we think that the industry are well on their way to getting their act together.

We presented it to consumers and the public last week as the registration of the code and the announcement of a number of new service provider determinations. Compliance with these new rules is not optional; the rules are directly enforceable by ACMA. As I mentioned, there is an intensive and comprehensive program of monitoring compliance.

What does it mean for consumers—mobile phone users? Our strategy that we have approved and adopted means that a consumer will only be signed up to a service if they want to be really and truly part of that service. It is what we call double opt-in. They will know how

to stop services they no longer want by simply sending 'stop' and they will know where to go to in order to get help or to get a complaint resolved. I think there has been a sea change already in the transparency of the information and access to that information.

CHAIR—Can you explain each of those, in particular the double opt-in and the stop mechanism?

Mr Chapman—I would be very happy to. There is a requirement that two independent confirmations of all requests from mobile phone users who subscribe to a service be obtained, which is what we call double opt-in. It will involve improved advertising requirements, including a ban on advertising for a service that targets children under 15. There will be a requirement that services are cancelled when a mobile phone user sends a stop message in reply to a premium SMS message, and that a description of how to cancel a service is included in advertising in messages confirming subscriptions and in reminder messages. For example, it will include a requirement that companies supplying services provide a local or free call help line that is staffed during business hours and includes details of the help line in advertisements, in messages confirming subscriptions, and in reminder messages.

Another feature is the establishment of a register of companies supplying mobile premium services. The planned ACMA service provider determination will, very importantly, prohibit carriage service providers and content aggregators contracting with companies which are not on the register. There are multiple layers to this, but in broad outline that is the suite of initiatives that were brought together in the announcement of the new framework which will significantly better consumers in the mobile premium services space.

CHAIR—It promises a lot, but what is ACMA doing to ensure that it delivers? What monitoring is there and what have you put in place to assist consumers? If I have a complaint, I do not particularly want to have to ring up and be put on hold forever getting through to someone to register my complaint.

Mr Chapman—I will hand over to Ms O'Loughlin with respect to the details.

Ms O'Loughlin—As the chair mentioned, we have a very comprehensive monitoring and compliance program over the next 12 months. That involves specifically looking at how complaints are handled over the next 12 months. The code will be in place for only 12 months before review, so we have a very early opportunity to review the code and make sure that it is working effectively. In that 12-month period my team will be looking at a number of areas of monitoring and compliance, including quarterly reporting around how complaints are being handled by content service providers and also carriage service providers. One of the main areas of concern for consumers in the past has been not being able to get through to somebody who can effectively deal with their complaint. We are requiring that not only must the content service providers have a help line and a location in Australia that people can be contacted but they must have a 24-7 line available so that people can get on to the content service providers directly.

We have also ensured that carriage service providers who those content service providers deal through must also make sure that if complaints are escalated to them they deal with them effectively. We will be monitoring that very carefully over the next 12 months. There is a broad range of other monitoring around the provisions in the code that we will be conducting

as well. It is fair to say that it is probably the most comprehensive compliance and monitoring program that we have introduced for a new code.

CHAIR—Is it a voluntary code?

Ms O’Loughlin—We consider that compliance with the code is not an option.

CHAIR—What are the sanctions that can apply?

Ms O’Loughlin—There are a number of sanctions. We have some steps in terms of building compliance. In the first instance we like to make sure that industry is building that compliance effectively, rather than jumping straight to sanctions. When we do move to sanctions there are provisions in the act where, if we direct a provider to comply with remedial directions or directions that we give them, there is the capacity for us to seek recourse through the Federal Court and there are penalties under the act as well.

Mr Chapman—Those fines range up to \$250,000 per breach.

CHAIR—What have you done about letting parents know, in particular, that this code now applies?

Ms O’Loughlin—The industry itself has been extremely active. The code comes into effect on 1 July. The industry has been quite active in developing a website that people can go to in order to seek information on it. We will also be working with industry, once the code is introduced, to make sure that industry itself is getting those messages out to parents and people who require those services.

CHAIR—Thank you very much. Senator Birmingham.

Senator Conroy—Before you move from this subject, as I said when the announcement was made last week, I was really heartened when ACMA was finally able to register a new code and other measures to protect consumers in the mobile phone sector. These new enforceable rules will provide a better deal for consumers when it comes to services such as premium messages and, importantly, this new code will be reviewed after 12 months, giving the government opportunity to closely examine its operation, including the effectiveness of the dispute resolution framework.

I am optimistic about the enhanced levels—as has been mentioned already by the officials—of confidence for consumers when dealing with the industry on mobile premium services. However, I again put industry on notice to improve its act. Should problems arise in the future, the government will look to further strengthen the measures announced this week.

CHAIR—Thank you for that additional information.

Senator BIRMINGHAM—I just want to follow up on this issue. I am very happy to welcome the code as well, having asked some questions of these bodies about mobile premium services, too. I would just like to clarify a couple of things. Firstly, regarding the help lines, Mr Chapman said that the content providers had to provide an office hours help line, whereas Ms O’Loughlin said a 24-7 service. I would just like to be clear as to which one it is.

Ms O’Loughlin—It is 24-7.

Senator BIRMINGHAM—Very good.

Ms O'Loughlin—They are a live agent during business hours, but you can still go to the same number out of business hours.

Senator BIRMINGHAM—And leave a message or do something?

Mr Chapman—They can reconcile.

Senator BIRMINGHAM—So you are both correct.

Ms O'Loughlin—Yes.

Senator BIRMINGHAM—Excellent! That is always good to see. In terms of the double opt-in provisions, what level of information is required and how does it have to be spelt out around charging regularity of services and so on under the code at those points of the opting in?

Ms O'Loughlin—I will need to take some advice on that. I will ask Mr Humphries to deal with that question.

Mr Humphries—For double opt-in the first step to consider is when the service is advertised. There are fairly stringent requirements about providing information on pricing, including the basis on which charges are calculated, as well as when they are subscription services, which they often are, the subscription nature of the service and the help line details. That is provided at the advertising stage. When a person subscribes to a service they send a request. They must then receive information back which requests that they confirm their request. It must also provide details of pricing, the subscription nature of the service and the help line details.

Senator BIRMINGHAM—I know that no matter how much detail is in the advert it can often be somewhat confusing or obscured by other components of the advert, but when the message comes through on the phone screen it again has to repeat the costs, pricing, nature of the subscription service if it is a subscription service, and the help and stop components as well?

Mr Humphries—That is correct.

Senator BIRMINGHAM—Thank you very much.

Senator WORTLEY—I have some questions that are not on this issue. Would you be able to tell us how many complaints about child sexual abuse material ACMA receives?

Ms O'Loughlin—I am not sure that I have the absolute breakdown in front of me on child sexual abuse images but, for example, the total number of complaints received by the ACMA in relation to online content from 1 July 2008 to 30 April 2009 was 1,002. We have actioned 775 individual child sexual abuse items out of those 1,002 complaints.

Senator WORTLEY—I would like to move to the education program. Can you tell me what the government has been doing to address the concerns of parents and teachers when it comes to cybersafety?

Mr Chapman—I would be happy to provide some introductory comments on that. Last financial year was the foundation year for us to establish a body of work right across the various constituent parts and this year we will certainly capitalise on that foundation work. The ACMA is further developing what I think is a truly extensive range of programs that look

to address the concerns of parents and teachers in relation to cybersafety. For example, these include internet safety awareness sessions for parents; a professional development program for educators; a cybersafety program for trainee teachers; a new education portal to be known as the Schools Cybersafety Gateway; a new cybersafety website; education resources such as CyberQuoll, CyberNetrix and Wise up to IT; live interactive activities such as the Cybersmart Detectives; and cybersafety material for library staff and users. Each of those initiatives that I have just outlined has an extraordinary amount of detail that sits behind it and significant leverage in terms of accessing right across Australia for the states and territories and in raw numbers. If you would like, I could ask Ms O'Loughlin to take it down to the next layer of detail.

Senator WORTLEY—Yes, I would appreciate that. Do you have information on the number of professional development courses that you have run and also on how many teachers have access to or have been through those courses?

Ms O'Loughlin—Certainly. In general, our outreach program, which is one of our main cybersafety education programs, has reached more than 40,000 participants at over 350 schools since it was introduced. We are finding at the moment that the demand is not decreasing. We expect to reach about another 54,000 participants in 2009 through about 450 separate awareness presentations for students, teachers and parents across Australia. We have generally been immensely encouraged by the level of demand that we are getting for those types of presentations.

In terms of the professional development program, since we launched the program in January this year we have delivered 49 professional development courses. We have had 13 schools that have hosted the professional development workshops on site. To date, 1,444 teachers have participated in the program. Again, we are finding very high levels of demand and we are getting exceptionally good feedback on the value of our program for teachers.

Senator WORTLEY—How do the teachers or the schools find out about the program?

Ms O'Loughlin—We have gone directly through the state and territory education departments to the schools. We have done a round of awareness raising in that area. Some of it has been through the various school and teacher associations. We have targeted them to make sure that we have professional development courses which are appropriate and accredited but also so that we can use their networks to get to the schools that we need to.

Senator WORTLEY—What age are the students that have access to the courses or the program?

Ms O'Loughlin—In terms of the general outreach programs I might need to take that on notice.

Senator WORTLEY—When will ACMA's new cybersafety website be launched?

Ms O'Loughlin—We are expecting to launch the new website mid-year this year. We are on schedule with that at the moment.

Senator WORTLEY—In relation to that, how will it cater for the different age groups?

Ms O'Loughlin—In general the website is designed with the primary target audience being children. We are trying to segment the site according to age groups, so that there will be

a part of the site for young children up to seven and then an eight-to-12 section and a teen section. We are also very well aware that people will log on to different sections, so we are taking that into account. For each age group we are trying to make sure that the language and ideas that we use on the site are attractive to those particular groups. We are trying to use a lot more games and audiovisual and other activities and really highlighting the benefits of technology but also some of the things that children need to take into account for safe participation and contributions online.

Senator WORTLEY—Will it have access to a helpline?

Ms O'Loughlin—Yes. We are currently negotiating with a service provider to provide an online help facility for children. We are very much focusing not just on a helpline that comes to somebody like ACMA but on making sure that the helpline goes through to fully trained counsellors so that if there are issues of concern that children are coming across on which they need assistance from trained counsellors then they will have immediate access. Our plan is that that service will go live at the same time as the website.

Senator WORTLEY—I have heard from some of my teacher friends about the Cybersmart Detectives game. Can you tell us a bit about that?

Ms O'Loughlin—I will ask Ms Wright, as the provider of Cybersmart Detectives, to give you an update on where we are with that.

Ms Wright—Cybersmart Detectives is somewhat unique. It is an activity where children work online in real time and liaise with community professionals to solve an internet themed program or problem. This takes place in the school environment, often in a double period. They are liaising in the cyberworld with professionals, including education professionals; state, territory and federal police; the internet industry; and child welfare advocates. In the scenario they undertake the role, if you like, of being the school deputy principal who is concerned about the welfare of a new student. That student is perhaps being bullied by somebody that they have met in an internet chat room. A series of clues are sent out to the children who work together in teams to solve the mystery of what is worrying this student and why.

We have been getting very positive feedback on the program. One of the students said in the last activity, 'It's a fun way to learn about internet safety and I loved being able to do it with my friends,' so they like the team environment. For the school's part, they say, 'The way the activity is structured certainly appeals to children.' I quote the South Coogee Public School, who said to us: 'I would certainly recommend it to others as the approach of using it is an almost instant messaging routine. It's very engaging for the kids these days.' He went on to say that for the schoolchildren: 'Email is old hat for a lot of us here. That's the thing that's made the snail-mail old hat, but kids really respond to the instant messaging.'

They use this to engage and to endeavour to solve the problem and, by doing this, they actually have to look at the risks and the problems that are underlying the scenario. They are interacting with professionals to get clues as to how you might be able to successfully resolve this type of problem. In doing so, we think that they learn valuable lessons about the risks associated with the internet, internet use itself, and useful tips for chatting safely online. Most importantly, we think it is the issues that lie behind the story that they deal with in this way. It

is the fact that they are discussing them with professionals who are dealing with those types of issues every day. It is a great advice service.

I would just like to quote one last testimonial, which we recently received from St Phillips Christian College. They stated:

I just want to encourage you. The students loved your presentation and activities today. They were on task for two periods and that is amazing when working on the same thing for a long period. I could tell that the Cybersmart detective games really related to the students and the way they enjoy using computers. Cybersmart is an effective teaching and learning tool that would be great to use again. We all think you have done a fantastic job.

I think it is working with kids on their own terms in the medium so that they learn about the medium.

Senator WORTLEY—How many students to date have had access to the Cybersmart detective program? Also, what age groups are we looking at?

Ms Wright—When we first started it was the last year of primary school, but children today are going online earlier and earlier. We are now finding that, rather than aiming that game at the 12-year-olds, we are going to 11-year-olds or even 10-year-olds with the same activity that we would have offered a couple of years ago. In 2008-09 the activity will be played by 300 schools. We are hoping that this year alone we will have reached 15,000 to 20,000 students. I think that is impressive when you realise it is an online live activity. It is not an activity like some of our other activities where you can go to the website and engage at any time you want. It does have to have those experts there to engage with the kids and drive the scenario. I think we will be very pleased with 20,000 by the end of the year.

Senator WORTLEY—Do you approach the schools or do they contact you?

Ms Wright—They contact us. We also offer one- or two-hour length presentations to schools, as Ms O'Loughlin mentioned. They will often come back to us wanting more, and this activity is a logical extension.

Senator BIRMINGHAM—Can you tell me how many sites are currently on the ACMA blacklist?

Ms O'Loughlin—At 30 April ACMA's blacklist contained 977 URLs.

Senator BIRMINGHAM—How does that stand against where ACMA was over the past six to 12 months?

Ms O'Loughlin—That is a lower number than has been the case in the last six to 12 months. As part of our normal processes, we go through a regular process of updating the URL list to get rid of URLs that are no longer there. We have done a recent review of that, and the current list is 977.

Senator BIRMINGHAM—Where do you stand with the international agreements at present and accessing and sourcing sites from other bodies and agencies?

Ms O'Loughlin—We have been in conversation, as you know, with the Internet Watch Foundation and colleagues in the US. At this stage we are looking at what processes need to be put in place for those lists to be used, given that they are developed under different laws than in Australia. Also, there are some technical amendments that need to be made to the

industry code of practice to allow those to flow through to industry. I would have to say that it is still a work in progress. We have not added anything to the blacklist.

Senator BIRMINGHAM—What is the time line that you see for achieving those technical amendments?

Ms O'Loughlin—We will be working on it over the coming months.

Senator BIRMINGHAM—One of the government's policy commitments was to ensure the ACMA blacklist is more comprehensive. I am assuming this is the key means by which that is being achieved.

Ms O'Loughlin—There are a couple of means. We also want to concentrate on raising public awareness of the capacity for the public to complain to us about material that they see online. Obviously, the more things that we are looking at that come to us in the complaints mechanisms available to us the more we can make sure that the blacklist is reflecting community concern.

Senator BIRMINGHAM—What steps are being taken to raise public awareness?

Ms O'Loughlin—Some of the work that we are doing on the cybersafety programs goes to that as well, in making sure that people not only know the benefits of technology and some of the risks that are out there, but also what they can do if they find things online that concern them, and one of those is to come to us.

Senator BIRMINGHAM—With respect to all of the courses, lessons and teachings that you were discussing with Senator Wortley before, is one of the end options, if you find inappropriate content, to contact ACMA?

Ms O'Loughlin—Yes. Under the legislation we have that role.

Senator BIRMINGHAM—Is it conveyed under all of those teachings, courses and so on?

Ms O'Loughlin—Yes. We include it on our website as well.

Senator BIRMINGHAM—Do you include your website as a link for people to get more information and so on?

Ms O'Loughlin—Yes.

Senator BIRMINGHAM—Where have you gone in terms of investigating the apparent or alleged leaking of the blacklist?

Ms O'Loughlin—In what regard?

Senator BIRMINGHAM—Referring to the apparent posting on the Wikileaks website of the blacklist back in March this year?

Mr Chapman—We have referred that matter to the AFP.

Senator BIRMINGHAM—Have you been provided with any recent updates in terms of their investigations?

Mr Chapman—No. It was a relatively recent referral. I would not expect to hear for a month or two.

Senator BIRMINGHAM—Does ‘relatively recent’ mean that the offence was relatively recent in that it was March or ‘relatively recent’ in that it was only referred in the last couple of weeks?

Mr Chapman—It was referred in the last couple of weeks.

Senator BIRMINGHAM—Why was there a delay between the March leaking of the list and the referral to the AFP?

Mr Chapman—I do not think there was any reason for it other than the process that we went through in going through the right protocols and getting the paperwork together and satisfying ourselves it was a matter worthy of referral. We have referred it. It is with the AFP.

Senator BIRMINGHAM—If the AFP had advised you of certain paperwork that you had to get together or something like that then that would make sense, but it seems unusual that you would take a couple of months to think about it and discuss it internally. Did you conduct any internal investigations into it yourselves in that time or were any other steps taken by the ACMA in the time from March until a week or two ago when it was referred to the AFP?

Ms O’Loughlin—It was just part of the process. As you will remember, the discussion around the so-called leak at the time really came down to the hacking of a filter from a particular filter provider, so we did not feel there was any concern in regard to the security of our list as was passed on to filter providers, but there was certainly an issue in regard to how those filter providers were keeping information from us within their own walls. There is a process to go through, as the chair said, around the AFP. We had significant information to pull together, which we have done. We have provided that to the AFP.

In terms of what we have done, obviously the capacity for someone to obtain any list out of the filter is of concern to us. We have written to the 13 Family Friendly filter providers under the IIA scheme to whom we provide that list. We asked them to provide information back to the ACMA with regard to any security vulnerabilities. We stopped distributing the list at that point in time until we were satisfied that we had information from those vendors as to what they would put in place. We have received a number of substantive responses to those. Our IT security staff have reviewed those responses to give us some greater confidence that those filters will not be able to be reverse engineered.

We are currently seeking some information from a couple of the vendors. We are now more confident that the list is being provided in a way and kept more secure within those filter providers than previously. We have distributed the revised list again in the last week, but only to the vendors who have provided us with information that has satisfied us. We also have asked the IIA to follow up vendors who have yet to respond, and we are also asking them to include new security criteria in their testing of filters that they accredit under the Family Friendly filter scheme.

Senator BIRMINGHAM—Of the 13 vendors, how many have responded?

Ms O’Loughlin—Eight.

Senator BIRMINGHAM—Eight have responded and five have not?

Ms O’Loughlin—That is right.

Senator BIRMINGHAM—How often would you normally provide updates to the blacklist?

Ms O’Loughlin—Weekly.

Senator BIRMINGHAM—Normally on a weekly basis?

Ms O’Loughlin—That is correct.

Senator BIRMINGHAM—Have they been suspended from March right through until about a week ago?

Ms O’Loughlin—Yes.

Senator BIRMINGHAM—All of that sounds like quite reasonable internal processes. I am still unclear as to what the process was that you went through internally between discovering the leak and deciding that it was worthy of an AFP referral.

Ms O’Loughlin—We were gathering information during that period. As you will remember at the time, there was a rolling program of information that came out publicly over that first week in online forums and discussion forums. We started off very much concerned about our internal process, but then as more information came to us it became very clear that where the alleged list was acquired from was actually from the filter itself, so we focused very much on both fixing the immediate problems for ourselves in terms of making sure that we were providing lists to secure filters and also at the same time dealing with a large number of complaints and looking at the matter of the AFP. We had a number of things running at the same time. The AFP paperwork required us to provide quite a lot of documentation, which we have done. It was really just a matter of getting the referral together.

Senator MINCHIN—Have you satisfied yourselves that it cannot possibly have come from within ACMA and therefore must have come from someone to whom you provided the list? Is that what you are telling us?

Mr Chapman—That is the essence of it, yes.

Senator BIRMINGHAM—When did you first make contact with the AFP about this leak?

Ms O’Loughlin—It was around a month ago. We are talking about a formal referral. We have been in discussions with the AFP, but we have now formally referred.

Senator BIRMINGHAM—I am just getting a clearer picture of the timeline of events. You said in response to the last answer that you had gone through the paperwork that was required for the AFP’s referral. It now makes sense that you had spoken to them around a month ago, which then gets us to being only a few weeks or so at most after the leak before that first contact occurred and then the processes of actually putting together the formal referral. Do the Family Friendly providers range in size in terms of ISPs and who they provide to?

Ms O’Loughlin—They are filter providers.

Senator BIRMINGHAM—Of course. I understand the difference there.

Senator MINCHIN—They are the only people who have received the list?

Ms O'Loughlin—They are the only people we provide it to at this point, yes. The current scheme only requires us to provide to Family Friendly filter providers.

Senator BIRMINGHAM—That is quite a mouthful.

Ms O'Loughlin—It is.

Senator BIRMINGHAM—You are doing very well. What reasons do you have, if any, for why the five have not yet responded?

Ms O'Loughlin—I do not have those reasons with me at the moment.

Ms Wright—It is fair to say that one or two have said prior to anything that happened this year for their own reasons their business had gone in a different direction and they were not utilising the list so they would not be coming back to us with a substantive reply.

In other cases we have followed up on a number of occasions and we have found that within those companies there have been changes of personnel. Should they come back to us and satisfy the security issues we would consider releasing the lists to those parties. In fact, I noted that one of the stragglers had contacted us today and there had been a change of personnel recently in that company. There are those sorts of issues, but we also thought we had reached the stage where it would be appropriate with IIA to be following up with the remainder because they are a party to that scheme under the internet industry's own code.

Senator BIRMINGHAM—How is the list of URLs conveyed to the providers?

Ms Wright—When we provide a full list we have always encrypted it. We have taken this opportunity to look at our encryption measures and we have raised the bar in that regard.

Senator BIRMINGHAM—It is encrypted and then provided electronically?

Ms Wright—It has a password. If we make a notification they have to come back to us. There is a dialogue active with them before they can receive the list.

Senator MINCHIN—You would remember at the February hearings we raised the issue of the anti-abortion material that had been blacklisted, for want of a better word. I think you said that it had been added to the list in January. I am advised by my staff that through the Parliament House filtering system, Websense—I do not know whether they are one of your 13 Family Friendly providers—you can still look at this material despite the filtering system.

Senator Conroy—I think you are proving my point.

Senator MINCHIN—Am I?

Senator Conroy—Yes.

Senator MINCHIN—I am happy to do that if that is what I am doing.

Ms O'Loughlin—We could take that on notice.

Senator MINCHIN—On the face of it, is the Websense filter one of the 13 that receives the list? If it is, why can you still see this material?

Ms O'Loughlin—We would have to take that on notice. I would be interested to know whether it is the specific page.

Senator MINCHIN—That is what I am told, yes.

Ms O'Loughlin—If it is the specific page we could take on notice whether Websense is one of the Family Friendly filter providers or whether there are any other arrangements.

Senator MINCHIN—Presumably it should not take this long for it to be filtered out if they were one of your providers.

Ms O'Loughlin—No, it should not. Our expectation is that those new lists are provided—

Senator Conroy—It is only if the filter was downloaded and put on to the Senate system. That is what this process currently is.

Mr Chapman—Just for clarification, are you talking about the specific page off the website?

Senator MINCHIN—Yes. You sought to clarify what I was saying, not unreasonably, last time. It was not the whole site. It was just part of the site.

Mr Chapman—We will have to take that on notice. Our understanding is that it is one of the Family Friendly filter providers.

Senator MINCHIN—We are a very family friendly place here, of course, but I would be interested to know about that. You might do your own check as to whether what I am advised is, in fact, correct and, if so, why.

Ms O'Loughlin—We will.

Senator Conroy—Were your staff over 18?

Senator MINCHIN—I like to keep them pure. I do not like them seeing sordid things.

CHAIR—Thank you. Are there any further questions on this issue?

Senator LUDLAM—Yes, I have a couple.

CHAIR—Senator Ludlam.

Senator LUDLAM—I wanted to bring up the issue of the trial that is underway at the moment into expanding the scope of filtering. Is ACMA involved in any regard or should I direct these questions to the department a bit later in the evening?

Ms O'Loughlin—To the department.

Senator LUDLAM—So, you have no formal involvement?

Ms O'Loughlin—That is correct.

Senator Conroy—Other than supplying the list.

Ms O'Loughlin—Other than supplying our current blacklist to people involved in the trial.

Senator LUDLAM—I would like to come back to where we began. You said there were 977 sites. Is that right?

Ms O'Loughlin—That is correct.

Senator LUDLAM—That is down a little bit. Do you track and publish the number of referrals? I understand that ACMA does not go out looking for this material. You are a complaints based system.

Ms O'Loughlin—That is correct.

Senator LUDLAM—Are complaints up, down or sideways since the last time we discussed this?

Ms O'Loughlin—Our complaints have generally been up.

Ms Wright—In the last 18 months the rate of complaint to us has increased by 90 per cent.

Ms O'Loughlin—For example, in 2006-07 we received 602 complaints to us that were legitimate complaints under the scheme. As I mentioned earlier, between July 2008 and April 2009 we received 1,002.

Senator LUDLAM—Do you have any way of knowing whether there is more of this material proliferating out there or are people just being more vigilant in seeking it out and more aware of your processes for reporting it?

Ms O'Loughlin—I would probably hazard a guess that people are more aware that they can complain to us.

Senator LUDLAM—I just had a quick look on your website and it is actually hidden two or three levels deep. It is obviously people who care a fair bit. Are there organisations, in particular, that are making it their business to find and report this material or are you getting complaints from a range of individuals?

Ms O'Loughlin—In one of the questions on notice that we provided we stated there are quite a number of complaints provided directly to us by law enforcement agencies and child protection agencies. I do not have the question on notice in front of me at the moment. They are probably the only groups we get multiple complaints from.

Senator LUDLAM—Can you provide a rough proportion? I am trying to get a sense of whether it is mostly referrals from people who happen to find this stuff.

Ms O'Loughlin—During the period 1 July 2007 to 30 June 2008 ACMA received 1,122 complaints about online content. Forty-six complaints were anonymous and did not contain contact details. Because they are lodged online we do get anonymous complaints. Complaints containing contact details in the form of a contact email address came from 740 unique email addresses. Of 469 complaints received from people or organisations who lodged more than one complaint, around one quarter of those complaints were from law enforcement agencies, one-eighth were from child protection bodies, including overseas hotlines, and the remainder were from individuals who did not identify themselves as representing an organisation.

Senator LUDLAM—Are you quoting a response to a question on notice or is that from an annual report?

Ms O'Loughlin—That is from a question on notice.

Senator LUDLAM—Thank you very much. We discussed before that there is a lot of churn in these sites and that they do not have a very long residence time. Of the 977, how many would have been there 12 months ago or does the list turn over completely?

Ms Wright—In overview, what we understand from a search done by IWF that would reflect experience is that, should the material be child sexual abuse or child pornography, as it is often referred to, that would turn over within a two-month period. When we review our list

we would find that the most movement has been for child sexual abuse material. Some of the other material does not move as quickly.

Senator LUDLAM—That makes sense. Is it still the case that just a little under half of the list is child sexual abuse related material? I think that is what you quoted us in October or February.

Ms O'Loughlin—With the current breakdown at 30 April, 51 per cent were refused classification and around 32 per cent were child abuse material and child sexual abuse material.

Senator LUDLAM—Is that of the entire list?

Ms O'Loughlin—That is right.

Senator LUDLAM—That is down quite a bit on 49 per cent, which is what I think you quoted to us last time.

Ms O'Loughlin—As Ms Wright pointed out, you do find that turns over quite a bit.

Senator LUDLAM—It jumps around a lot?

Ms O'Loughlin—Yes, it jumps around a lot.

Senator LUDLAM—I am obviously very concerned, as with many commentators, that there are currently 13 copies of the blacklist out there, plus the ISPs who are currently participating in the trial who have signed non-disclosure agreements of some sort. How many ISPs will you have to distribute this list to if and when every ISP in the country is required to have a copy of the list?

Ms O'Loughlin—That will be a matter for the government.

Senator LUDLAM—It has got to be for everybody. Do you have a rough idea how many ISPs there are in the country?

Senator Conroy—No. There are different methods of applying the policy. One of the methods that has recently been tested overseas—I believe it might be New Zealand—has found a way to do it without distributing the lists.

Senator LUDLAM—Maybe we will get to that a little bit later.

Senator Conroy—I am not an expert in it. I just saw a reference to it recently, but I think it is New Zealand.

Senator LUDLAM—I might come back to this when we have the officers of the department at the table. Encryption has been known for years, probably since the internet has existed, as a bit of an arms race. We figure out a better form of encryption and then people figure out how to hack it and how to distribute it.

Senator Conroy—If people want to spend their time unencrypting titles of child pornography and child sexual abuse images that is a comment on them rather than the broader community.

Senator LUDLAM—I was not making a comment on that at all. It is just that we have found that within a couple of years of such a list existing it has been hacked and distributed. Are you concerned that this sort of behaviour is likely to continue into the future?

Senator Conroy—As I have said publicly on a number of occasions, if people believe it is a victory for free speech to help disseminate a list of child pornography sites that is a sad reflection on the individual.

Senator LUDLAM—You know that is not where I am going. That is not the question that I asked.

Senator Conroy—It is not something that I support and it will not affect government policy.

Senator LUDLAM—I will take that as a no, that it does not concern you that this sort of activity—

Senator Conroy—I just said it will not affect government policy. You do not have to take it as anything. I actually said it.

Senator LUDLAM—That is a no. I would like to talk about the blacklist, because obviously some of the list that was leaked was not necessarily—

Senator Conroy—Is this the first leak that was claimed to be the list or the second leak, which was more of a closer approximation?

Senator LUDLAM—I will go to either of them because no-one has any way of checking how closely they matched the original, having not seen them. What is the process of getting off the blacklist for somebody who finds themselves on there? Can you appeal your appearance on there or is a site notified? There are a couple of examples that have been used.

Senator Conroy—This is the blacklist that has existed for nine years that you are talking about?

Senator LUDLAM—That is correct, yes. What is the process for getting off that if you are put on it inadvertently or if somebody has hosted material on your website that you were not even sure was there?

Ms O'Loughlin—Generally, if somebody came to us in the first instance to say that they felt that they were on the blacklist for a reason that they did not understand then, of course, we would look at the matter.

Senator LUDLAM—How would they know that they are there? The list is secret and we are not meant to know what is on the list.

Ms O'Loughlin—That is an issue. There are two parts to the scheme itself. Firstly, for those sites we find prohibited located in Australia, their hosts receive a takedown notice, so they are very much aware.

Senator LUDLAM—That is right. It is the overseas hosts.

Ms O'Loughlin—It is the overseas hosted. Very rarely do we receive any correspondence. In fact, it is quite often difficult to find overseas hosts and overseas providers. There is no requirement under the current act for us to notify overseas based providers when we do add them to the filter. The concern over the last few months has been some websites when we have investigated them that have had links through to child abuse images which have been placed there. Their sites have been hacked. They have been placed there by other parties. A couple of months later, in most of those cases, you will find that they came off our blacklist.

In those circumstances it is quite difficult for us because often, particularly if it is child sexual abuse imagery, we have referred those to law enforcement agencies and it is really incumbent on us not to do anything with those sites until law enforcement agencies have finished their investigations. It is quite a difficult area for us. We try to handle it by this regular review that we do of the URLs to make sure that if those links no longer provide access to prohibited content we remove them as quickly as we can.

Senator LUDLAM—I will quote the examples that we were aware of earlier this year, MD Web Hosting, a Dental Distinction website and the Maroochydore boarding kennel site. ACMA was basically convinced that the sites had been hacked by criminals and that the material had been put there that—

Ms O'Loughlin—All we are saying is that when we investigated those sites—remembering that we only look at specific URLs, specific pages, not the whole domain—they contained links to child sexual abuse material, so they were added to the black list at that time. As we have previously stated, they were also removed from the black list when we reviewed that black list a couple of months later.

Senator LUDLAM—Is it a coincidence that those reviews took place after the list or some form of it had been made public and for what period of time were they removed—

Ms O'Loughlin—They were removed in May 2008.

Senator LUDLAM—Was what was floating around in the release later an old list that was not reflective of your current list?

Ms O'Loughlin—I think we have been clear before that some of the material that appeared on that list was not—

Senator LUDLAM—You cannot be held responsible for what people may have done with it once it was leaked.

Senator Conroy—The Broadcasting Services Act sets out the regime which requires ACMA to assess online content. It also sets out the mechanism for the ACMA black list, and this has been in place since 2000, as I have already mentioned. The government is considering options for greater transparency and accountability in respect of the black list. It is not possible to publish the list as it contains links to child sexual abuse material and this would be a criminal offence. We are considering options which could include a regular review of the list by a panel of eminent persons or a parliamentary committee or a review of all URLs by the classification board. These issues will be considered along with the pilot trial on filtering before the government makes final decisions on the implementation of the new policy.

Senator LUDLAM—Can you tell us what you are reading from there? Is that a press release or is it an internal document?

Senator Conroy—No, it was my notes.

Senator LUDLAM—Thank you for that.

Ms O'Loughlin—If I can just add also that any person who is adversely affected by our classification decision can apply for review of the decision to the Commonwealth Ombudsman or the Federal Court obviously. Where we have gone to the classification board

for an assessment they can also go to the review process through the classification review panel board as well.

Senator LUDLAM—I guess I would go back to where I started with this, which is that because the list is secret for the reasons that you have both outlined, certainly in the case of the examples that I just mentioned, they were not aware that their sites had been hacked until they read about it in the media. Because the list itself is secret your rights of appeal are a bit limited.

Senator Conroy—That is not quite right. I was on the *Insight* program with one of the gentlemen whose site had been hacked and he clearly knew well in advance of the recent publicity that this site had been hacked and in fact described on the program how he had had to change his ISP provider and redesign his site. He certainly seemed to have known in advance of the publicity from when the alleged list was published. That was certainly the impression I got. I am not sure whether you watched the program. Hopefully you have better things to do with your evenings—

Senator LUDLAM—No.

Senator Conroy—But that was certainly what I think he described or it was certainly the impression I got of what he described.

Senator LUDLAM—If I could just come back to you, Ms O’Loughlin, about the actioning of what you do? Under your act you are required to refer some of this material to law enforcement agencies. What is the split between the material that you track on your list hosted locally and hosted internationally?

Ms O’Loughlin—The list only includes those—

Senator LUDLAM—What I am interested to know is what proportion—

Ms O’Loughlin—The large proportion of things we investigate are overseas hosted content.

Senator LUDLAM—The overwhelming proportion?

Ms O’Loughlin—The overwhelming proportion.

Ms Wright—If I could add to that, as to the URL you referred to, Dental Distinction, I think we mentioned whilst it was taken off our list in May, that web page and those from a number of other Australian businesses were all hijacked, if you like, at much the same time. There were about half-a-dozen hijacked in January 2008. However, we were satisfied that the material that was being driven through those web pages was hosted overseas, so technically they met the requirement to be listed because they were hosted overseas even if they appeared to be hosted here. That was a phenomenon that happened in January 2008, so we had a handful of URLs that had been referred to that may have been on the list at that time in some form. As far as we are aware, that phenomenon of hijacking sites is really a compliment I think to the way Australia conducts itself that organised crime thought it would be able to fly under the radar by driving that material through Australian hosted sites because we have such a good reputation here. But we did work around this hijacking of sites with the Australian High Tech Crime Centre and with the Internet Watch Foundation in the UK and a lot of public attention was brought to that phenomenon around the world and that practice appears to be

passee. As you asked how many URLs on our list would relate to Australian businesses, there were a handful at a particular point in time. That has now passed. We would understand that the list contains overseas hosted material, perhaps a little more transparently overseas hosted than in this case where it might have appeared there was an Australian presence.

Senator LUDLAM—But for the most part anything hosted locally is hit with a take-down notice long before it gets onto this list; is that right?

Ms O'Loughlin—Yes, it would go onto the list. It would be subject to a take-down notice. We have had over 7,000 complaints since the scheme commenced in 2000, and I would say the vast majority of that would be overseas hosted.

Senator LUDLAM—Minister, have the comments that you made before about proposed reviews of the way the list is set up and so on been subject to a public announcement or are we hearing about that for the first time?

Senator Conroy—No. I did not watch myself on SBS *Insight* after the program was taped because it was actually pre-recorded, whereas I understand it is normally live. But I think I indicated that on the *Insight* program. I say that not having watched the final cut, but certainly I indicated that in front of the audience and I am assuming it went to air. But I know they did cut some of the discussions.

Senator LUDLAM—Will the proposed measures that you outlined briefly for us before be subject to any form of consultation or are you just anticipating an announcement down the track?

Senator Conroy—No, I am happy to have suggestions on improved transparency. As I said, if we are moving from the current system to a new system which is more robust, I think it is a reasonable proposition to suggest that there could be more stringent accountability measures.

Senator FIELDING—Has ACMA begun its review of the antisiphoning laws?

Ms O'Loughlin—That is a review to be conducted by the department.

Senator Conroy—We are due to release a paper on that shortly.

Senator FIELDING—I may need to come back to that at some other stage.

Senator Conroy—I am guessing, but I do not think that will be tonight just to save you possibly worrying about it tonight.

Senator FIELDING—I do not know whether this is to do with ACMA or not, but it deals with the technology routinely used overseas to save lives by calling triple-0. Can you just walk me through that? I know there have been some reports in the press about some action happening there with technology that providers can provide and there was some blaming of ACMA for not having laws in place? Do you remember anything about that? There was an article in the *Weekend Australian* on 22 May?

Senator Conroy—I think you might be conflating two issues. There was an argument about early warning and then there was the triple-0 issue. I think they are two separate issues. Could you just identify which of those you are interested in.

Senator FIELDING—It is the one that ACMA is being—

Senator MINCHIN—I think you mean the triple-0 tracking.

Ms O'Loughlin—I think there has been a longstanding discussion around whether there are technology solutions for location information. I think that is what that issue was in regard to. The ACMA and its predecessors have been looking at this issue for quite some time with industry. There are various claims made for various technologies, for example, things like GPS which I think is what was proposed in those circumstances. Our research has found that there are various technology solutions put forward which have advantages and disadvantages, which are less or more reliable, and which have less or more cost. It is a very complex area. I think it is fair to say generally with emergency services that we work very closely with the emergency service organisation. We work very closely with the emergency call provider, Telstra, to try to work out the most appropriate solutions. On the best advice available to us currently there are still concerns about the accuracy of using location based information systems.

Senator FIELDING—I appreciate the answer because it is in part of your quote. It was about the triple-0 operators' ability to pinpoint callers from mobile phones. That was what the issue was. It was a very emotive issue. The claims were made. The claim was that the technology, routinely used overseas to save lives—with 'routinely' as the emphasis there—could have been implemented if the Australian Communications and Media Authority had forced phone carriers to update their networks. Your response is very similar to what has been put forward. I have the following article from 2 May this year in the *Australian*:
ACMA said yesterday "implementing system-wide solutions is potentially complex, expensive and may have reliability gaps".

Have you got a report? Have you done some investigations? Has the department actually done a detailed report on this at all? Is it just your thoughts?

Ms O'Loughlin—The predecessor to the ACMA, the Australian Communications Authority, did a report back in 2004-05. We have been keeping across the issue since then. The technology has not necessarily advanced that much since that time, but it is something that we have got under active consideration and discussion at the moment.

Senator FIELDING—That report was public at the time; wasn't it?

Ms O'Loughlin—It was public, yes.

Senator FIELDING—Can you provide any update for the committee at all? You said it was ongoing and that you are looking at it. What is the latest on it?

Ms O'Loughlin—As I mentioned to you, I think we are still finding that there are various technology solutions that have advantages and disadvantages in terms of their accuracy and their use in the Australian context as opposed to overseas context. We have a very different topography and network infrastructure here. We are keeping ourselves informed about it and it is something that we are discussing in an ongoing way with the emergency service operators, the emergency call service provider and the carriers.

Senator MINCHIN—To your knowledge has any comparable country with similar topography at least, such as Canada or the US, imposed this?

Ms O'Loughlin—I think there have been varying degrees of success in terms of introduction. There are overseas countries that have imposed requirements, but on our investigation it is not quite clear how that is being complied with or enforced. That is one of the issues for us. We want to make sure that if there is something done in this area there is compliance and enforcement. I think it is a very complex issue. It is a very emotive issue. I think it also highlights some of the ongoing issues that we face with technological change of the increased use of mobiles and the increased use of things like VoIP. The government's NBN regulatory discussion paper also raises some of these issues about emergency services and the future of emergency services, so I think it is going to be very much a live debate and a time for us all to look at our processes to see whether they can be improved.

Senator FIELDING—The same article referenced the advisory—

Ms O'Loughlin—The Emergency Call Service Advisory Committee?

Senator FIELDING—Yes. There is a quote here from Dennis Luttrell, a member of the advisory committee, who said, 'It is absolutely frustrating. It's technically possible.' Isn't it your own advisory committee urging you to do something with this? I am trying to work out the story behind it.

Mr Chapman—You are right, that is an advisory committee of ours. The chairman of that advisory committee is our deputy chair.

Mr Cheah—ECSAC is an advisory committee which comprises most of our stakeholder groups. Mr Luttrell happens to be one of those. He happens to chair another group of organisations called the National Emergency Call Working Group, NECWG. They tend to have involved a lot of the emergency service organisations, so he is representing a perspective from one of our stakeholders. That is his view. As Ms O'Loughlin has already explained in some detail, our view is that we have been looking at the range of different technologies and there is a raft of issues with them. I do not think we probably agree with the proposition as baldly put as it appeared in that article in the *Australian*.

Senator FIELDING—I am a senator from Victoria, and Senator Conroy is too. In relation to the fires, I will not go there; but you can imagine how someone who was involved or had friends or relatives involved in the bushfires would feel upon reading this statement, this quote from a person on this advisory committee where they say:
"It is absolutely frustrating. It's technically possible, ... "We've been lobbying ACMA for 10 years. But they won't. Because—and sorry to be crude—they have the guts to force them to do it.

I hear what you are saying—that it is complex, expensive and may have reliability gaps—but I am just saying technology has changed pretty fast and the words 'routinely used overseas' prompt me to try to work out again in 2009 what is so different about the way that we run our systems here compared to overseas.

Mr Cheah—As I said and as Ms O'Loughlin has already explained in some detail, there is a range of different technologies. They would get used to a certain extent but they have all got their issues that are associated with them. Certainly a number of them are going to be particularly foolproof. As I said, I do not think we would agree with the propositions that are quoted in that article.

Ms O'Loughlin—I have a couple of notes here on the limitations of something like GPS, just to give you some examples. There is a low percentage of handsets with GPS chips on the current market. We estimate that less than 10 per cent of the market for mobile phones has GPS chips. It would introduce a delay in calls of up to 20 seconds while a database is searched, so it is also about that immediacy. It has low accuracy in determining vertical positioning, which I am not going to try to explain but I think that causes problems in metropolitan areas. And GPS applications chew up a large amount of battery, so there is actually the potential for the application to be turned off to preserve battery life, therefore you are not going to have a reliable service.

These are issues that we work through with the Emergency Call Service Advisory Committee. I think we understand that all of us would like an easy solution to some of these matters because they are of great concern to the community. I think we continue to work them through. New technologies present new issues for us collectively—not only for us as the regulator but also for the emergency service organisations, which are state and territory based organisations. I think collectively we try to work with them to solve problems where we are, but I do not think there are any clear answers to the requests.

Mr Cheah—At least there have not been. We are hoping that we might be able to work something out looking at things going forward. You are quite right that technologies do move on and business models move on and we may find ourselves, hopefully, in the situation where we can get this information up and running and available and getting the ESOs then to make use of it, because that is another part of the equation which maybe does not quite come out as clearly as it might have in that article as quoted. Information can sometimes be provided to the ESOs but are they always capable of making full use of it as well.

Ms O'Loughlin—In terms of some of the things which are unique to the Australian market, there is probably that shared responsibility between Commonwealth, industry and states and territories around the delivery of emergency call services.

Senator FIELDING—Obviously if you could save one life or maybe help someone—

Ms O'Loughlin—Absolutely.

Senator FIELDING—Then this becomes a cost issue as to compliance and enforcement. If they are stopping us, I worry about that a little bit from there. Those words have been mentioned. Also the state, federal and various bodies are a concern to me. If you are just telling me that it cannot be done, I would really need to question that a bit further because, whether you have got GPS turned on or not, if Senator Conroy went missing I am sure we could find him if his GPS was turned off by using his mobile phone. There is a way of locating—

Senator MINCHIN—Why would you bother?

Senator FIELDING—Some people may say: why would you bother?

Senator Conroy—Senator Fielding knows that he needs a centre forward in the soccer team.

Senator FIELDING—I am not thinking about just a GPS here. You can locate mobile phones without the GPS really and I know there is technology around. I do not want to sort of be pushed aside just because a GPS can be taken off.

Ms O'Loughlin—I can assure you it is an issue that we are taking very seriously and that we continue to look at the technology that sits behind it, because location information is not

just an issue for mobile phones; it is increasingly an issue for VoIP services. It is quite challenging but we are aware of the concerns around it and we want to work productively with industry and the ESOs in solving the problems.

Senator FIELDING—Could you maybe provide on notice an update to that 2004 report on the recent technology and the reasons why.

Mr Chapman—We would be very happy to do that.

Ms O'Loughlin—Yes, we are happy too.

Mr Chapman—Just to underscore our shared concern about the genuine tragedies that occurred in those bushfires, and indeed that occur in any national emergency, one area we as an organisation have been absolutely focused on over the last 18 months—and this is related to your question in the sense that I just wanted to demonstrate our concern about this—is the in principle delivery of 27 megahertz of identified spectrum for a government band Australia wide. We announced that in our recent 400 megahertz discussion paper. The word nationbuilding is used here, but I genuinely mean that. I am talking about the opportunity for this country and the emergency services organisations to seize the 27 megahertz identified government band. This is a matter I have discussed with the minister. This is a matter that the minister has put out a media release about. It is more than a once-in-a-generation opportunity; it is a threshold opportunity for this country to completely retool its interoperability across all emergency service organisations.

From the ACMA perspective, we have worked very hard to forge that opportunity and deliver it in our 400 megahertz solution. So that is something we have had a fair bit of autonomy to deliver and we are delivering it. We want to deliver it because the example of the recent bushfire tragedies and the loss of life and property, and the seemingly-increasing incidence of national disasters, underscores the need to take advantage of this opportunity. I just wanted to, given you raised the matter, take the opportunity to reflect on the fact that we have forged that opportunity because we think it should be taken.

Senator FIELDING—Thank you for the update generally there. If you can come back with some sort of update, it would be useful and maybe answer the questions that were left in the minds of a lot of people. The news story in the *Australian* on 2 May went on:

The revelations come as the NSW Coroner investigates the tragic 2006 death of Sydney schoolboy David Iredale, who phoned triple-0 seven times on his mobile phone while lost in the NSW Blue Mountains.

So I am interested to know whether current technology could have been used to locate that particular lad. It is a question you could actually ask the technology people. I am not worried about the cost here—we will come to that in a moment—I am just interested in knowing about that particular one.

Mr Cheah—I suspect the technology question is relevant to that. As Ms O'Loughlin explained before, there are several different technologies you could potentially use to deal with location issues. Some of them might help in that circumstance and others might not be as useful. The carriers are putting in place some of their own location based technologies for their own commercial reasons.

Senator MINCHIN—They are currently available, aren't they? If you were a bushwalker, you could commercially obtain a GPS based location service from your carrier, couldn't you?

Ms O'Loughlin—There are commercial location based services available. Again, that comes back to the interplay between those carriers and the emergency service organisations in the states and territories and whether they have the IT capacity to take the information across. So there is an interplay between the two services.

Mr Cheah—If you get some commercial services that are implementing things in different ways, how will the interface actually work? Is there going to be a common way of doing it? Those kinds of questions start to arise. Ms O'Loughlin talked about some of the complexities and some of the evolving ways the market is working, and that is where some of this kicks in.

Senator FIELDING—What happens with the recommendations from ECSAC? They go from where to where? Can we see them?

Mr Chapman—I have a feeling that we have in principle decided, as ACMA, to put those on our website. Being a transparent organisation would suggest that we should do that. I think we have discussed this, and if they are not there then we have no problem in releasing them.

Senator MINCHIN—Steve was talking about the bushfires. The issue there was not so much someone ringing 000 who could not describe where they were. It was more the issue of getting warning messages to people who had mobile phones and who did not live there but were in the area. That is sort of related but not quite the same issue as the bushfire issue. Where are we at on the matter of the Integrated Public Number Database?

Ms O'Loughlin—In terms of the emergency warning system per se, that is a matter for the Attorney-General's Department. They have overarching policy responsibility for Commonwealth emergency management response. The government has moved recently to make a legislative amendment to allow emergency service organisations access to the Integrated Public Number Database to allow them to do outward-bound messages, whereas previously they could not use the IPND.

Senator MINCHIN—If you have a mobile phone and your registered address is in Melbourne but you happen to be in Marysville on the day, how does it work?

Ms O'Loughlin—That is the real difficulty. My understanding is some of the support that has been given by the government through the Attorney-General's Department to an emergency warning system will look at those types of issues. Currently they can only use the IPND to find the people who are listed.

Senator MINCHIN—And known to be in that area.

Ms O'Loughlin—Yes, where their billing address is.

Senator WORTLEY—As part of the budget, the government committed to extending the Do Not Call Register, which is something that Labor has long advocated for. What actions has ACMA taken recently in its role as the enforcer of the register? How is ACMA attempting to proactively promote compliance with the Do Not Call Register?

Ms Cahill—In relation to the Do Not Call Register, as you note, additional funding has been provided to extend the scope of the register to enable the registration of business, fax

and emergency numbers. Legislation will be put before the parliament towards the end of this year and ACMA, as a result of that hopefully being passed, will seek to implement the expanded register at the beginning of next year. In relation to the actual compliance levels with the current requirements of the Do Not Call Register, ACMA has a very good and positive story to tell in relation to the activities it has undertaken over the last 18 months in particular. As I noted at the last committee hearing, we have been successful in achieving a very highly compliant sector more generally. As you would appreciate, the provisions of the Do Not Call Register actually touch large sectors of this community that previously would not have realised they were caught by this legislation. We have put in place a strategically targeted enforcement, education and compliance approach. We have achieved approximately a 60 per cent reduction in complaints for the second year of operation of the register.

As we have also noted, our biggest areas of concern were around telecommunications service providers, and we have targeted our compliance action over the last 18 months to those areas. We have seen, again, a drop of about 60 per cent in the level of noncompliance, measured by complaints to ACMA associated with telco providers. As I say, we have been very pleased with the results of our actions. To that end, we have taken very direct enforcement action by issuing seven infringement notices; accepting and negotiating nine undertakings; issuing seven formal warnings, so we put a range of industries on notice; and issuing, over the last 12 to 18 months, 1,130 formal letters to those who have been complained about. We have also taken the time to educate the sectors who are covered by this regulation. In July we are going to issue a better practice guide, so we will be providing a guide to those industries that are seeking to have best practice. We have provided information and fact sheets and have run a series of education campaigns aimed at particular market segments. Our latest campaign has been aimed at the real estate industry. As I say, we have a very good story to tell about the level of compliance with the Do Not Call Register and the activities of ACMA and those industries who have been involved in it.

Senator WORTLEY—Thank you very much. I had other questions, but in your very thorough answer you provided the answers for me.

Senator MINCHIN—The budget, as you mentioned, provides for an extension of the Do Not Call Register. Could you specify to whom the list will now be extended? If you are you able to tell us, could you also tell us why they were not originally included?

Ms Cahill—The extension will now mean that people can now register business numbers, fax numbers and emergency service numbers on the register.

Senator MINCHIN—You could not previously register a fax number?

Ms Cahill—No.

Senator MINCHIN—I am just trying to recall what the reason for that was.

Senator Conroy—You would have to ask yourself.

Senator MINCHIN—I was not responsible for the policy at the time.

Senator Conroy—Can I give you Helen's phone number?

Senator MINCHIN—I would interested to know if you moved an amendment in the Senate.

Senator Conroy—The department might be able to help on the substantive issue.

Senator MINCHIN—You did not move an amendment to include fax numbers when the legislation was in the Senate?

Senator Conroy—I do not think I did on fax numbers.

Senator MINCHIN—I wonder whether anyone recollects the policy reason for excluding fax numbers and why that is now not a problem.

Ms Cahill—In its first year of operation, there were a range of issues raised regularly with ACMA, as the manager of the Do Not Call Register. As a result of that and feedback to the department, the department issued a discussion paper midway through 2008.

Senator Conroy—'You caved in to industry pressure' is the polite way of describing it.

Senator MINCHIN—You must have too.

Senator Conroy—No, we are moving ahead with an enhancement of your policy.

Senator MINCHIN—Did ACMA at the time say: we want to suck it and see and take this one step at a time, rather than doing the whole shebang.

Mr Cheah—No, it was a policy decision.

Senator MINCHIN—But you must have been providing advice as to what you were capable of doing in the first instance in setting up this register. So now it is all fax numbers and all businesses.

Ms Cahill—Yes. There will be an exception for those businesses where there is a relationship. For example, if someone is a plumbing supplier, they will be able to call plumbers to offer their services et cetera. We need to not in any way inhibit the normal flow of commercial business.

Senator MINCHIN—There has been some adverse reaction to this from marketers saying it will inhibit businesses. Have you done some sort of impact analysis of this? What is the impact going to be?

Ms Cahill—The full scope of issues were canvassed in the discussion paper that the department issued and the policy position has been put forward that that is the way to move forward.

Senator MINCHIN—So the direct marketing organisations will have an opportunity to have their say on this before it is done?

Mr Cheah—That is correct. As Ms Cahill explained, the department put out a discussion paper. The submissions came in. The department considered those and advised the government, and it was part of the government's decision making. We are simply now implementing the changes to legislation as they are being set up.

Senator MINCHIN—You are going to fully recover the costs of this? I see it will cost you a remarkable \$2.3 million in the next financial year to set this up. It seems a lot of money, and then the ongoing costs are basically \$700,000 a year. Can you tell me why it will cost \$2.3 million in the first year?

Ms Cahill—That would be issues of ensuring that the software is in place to expand the register and any administrative issues in terms of determination, legislation, et cetera. That will be the direct cost. ACMA does not recover the enforcement and compliance costs, so that is the differential between the money provided and the direct cost recovery.

Senator MINCHIN—Once it is set up, you say your ongoing costs will be \$700,000 and you will recover \$700,000.

Ms Cahill—Yes.

Senator MINCHIN—Once you have set it all up, what are those ongoing costs of \$700,000? Is it just staff costs?

Mr Cheah—We do it by means of an outsourced contract supplier. So we have to get the contracted supplier of the register to change their systems. We are going to be increasing the scope and volume of the work which they will have to do because there will now be more businesses and more numbers added onto the register. They have clearly got a bigger load of business, and so those costs are basically reflected in that way.

Senator MINCHIN—Take me through how you recover those costs.

Ms Cahill—The cost recovery elements actually come from the subscription charges. We annually seek an independent review of the expected use of the register as well as what we know are the direct historical costs. Our independent advice does a forward projection based on the subscription numbers. We then publish those details, seek advice and consult with our industry on it before we actually set the cost recovery fee, which is actually the annual subscription fee.

Senator MINCHIN—If a bloke with a plumbing supply business wants to let all plumbers know of his wonderful product, what is he now going to have to do?

Ms Cahill—He will probably seek to wash his list and he would take out a subscription. We offer approximately seven different subscription types. He probably would be looking to wash a maximum of 500 names through his list, and given he would only take out a subscription type A there would be no cost to him. If, however, he was a very large plumbing supplier, for instance, and wished to submit a list of about 20,000 names, his annual subscription fee would be \$78.

Senator MINCHIN—So a relatively modest charge.

Ms Cahill—It is for smaller, but it escalates. If you want to have a subscription for 100 million numbers, you are looking at \$88,000.

Senator MINCHIN—How are they going to know they have to do this?

Ms Cahill—We will again go through, as we did when it was first introduced, a very detailed education and awareness campaign.

Senator MINCHIN—I can imagine it will take some time for businesses to know they are going to have to do this.

Ms Cahill—We now have the next six months or so to move forward with our awareness campaign, and we will do that.

Mr Cheah—During the first period of operation of the register, when it first came in, obviously we started to get complaints. We tended to adopt a slightly more lenient attitude in that very first period of firstly telling people, ‘These are your obligations,’ in case they were not aware of it. You quickly find out when you have a problem with a serial offender or people who are not taking things seriously, because there are a number of people who just innocently do not know that they have got these new obligations and we adopt a pretty sensible attitude to that.

Senator MINCHIN—You have the discretion to do so?

Mr Cheah—Yes. As Ms Cahill also referred to, we have written a lot of formal letters. Sometimes we would raise things informally but we can also write to them.

Mr Chapman—We have a five-tiered approach to enforcement and compliance. We do it on a basis that is appropriate to the circumstances. It worked very well last time and we would anticipate going through that same process on this occasion. I think we have washed something like 2½ billion numbers.

Senator MINCHIN—Billion?

Mr Chapman—Billion numbers so far.

Senator BIRMINGHAM—Once these changes are in place, what level of revenue will you be generating annually from the telemarketing industry?

Ms Cahill—It is a cost recovery basis. There will be no revenue generation for ACMA.

Senator BIRMINGHAM—What level of revenue will you be taking in to meet costs?

Ms Cahill—We have already indicated that we will recover approximately 74 per cent, or \$3.46 million, for the additional functionality. Of the \$4.7 million that is going to be provided—

Mr Cheah—That is \$3.46 million over four years.

Senator BIRMINGHAM—So \$3.46 in revenue will come in over four years as a result of the additional functionality?

Ms Cahill—Yes.

Senator BIRMINGHAM—Once we get out to 2011-12 and it is just operating on an annual basis with the existing functionality and new functionality, what will the ongoing annual cost be and therefore presumably the ongoing annual revenue?

Ms Cahill—The total cost of the register initially is \$28.8 million. The additional \$4.7 million takes our fees up to \$32.7 million. The total cost recovery element over the life of the project will be \$13.3 million, I think, but I need to possibly take that question on notice and get the detail back to you.

Senator BIRMINGHAM—If you could, please. I understand the higher establishment costs and so on but I am interested in the out years and what the annual cost and the annual fee to industry will be once it has settled down and is not lumped together in four-year estimates or whatever. I am interested in that annual fee for the out years. What level of complaints are you receiving now for noncompliance?

Ms Cahill—As I indicated in my previous answer, complaints for ACMA have dropped by about 60 per cent. In the quarter from January to March 2008 we received 1,701 complaints and in the period January to March 2009 we received 689. Total average complaints or total complaints received by ACMA in relation to the register are now—

Senator BIRMINGHAM—That is okay. I do not necessarily need the total complaints—the comparative for those quarters is fine. I apologise if you answered this in response to Senator Wortley before, but do you attribute that change, that drop in complaints, to greater adherence by industry or to the fact that the register is not as high profile as it was at the outset, or a combination of both?

Ms Cahill—I think the register is still as high profile as it was at its launch. We have seen a steady increase in registrations to the register in the last quarter. As you may recall, there was a spurious email going around suggesting that people's mobile numbers were about to be released. It actually increased registrations, so we see elements like that where there is a generation of people's interest in registering. I believe we are seeing the result of a very effective compliance, enforcement and education campaign hitting the mark in terms of a compliant industry.

Senator BIRMINGHAM—If somebody put their number on the register two years ago, is there any reminder to them that their number is still on the register?

Ms Cahill—No, the current registration is live for a three-year period.

Senator BIRMINGHAM—It is live for a three-year period and then they are told it is about to lapse?

Ms Cahill—That matter is being considered at the moment in internal discussion between ACMA and industry as well as with the department.

Mr Chapman—That first three years comes to May 2010, so we have not reached that point yet. It is a matter and a process to be worked through.

Senator BIRMINGHAM—I would have thought it made sense to tell people that their number was about to lapse. In terms of ensuring that people remember who to complain to and so on if they suddenly find themselves getting calls, I would have thought that some sort of mechanism for reminder that they have this tool and facility and have registered for this, might be a useful addendum to the policy as well.

Ms Cahill—As the chairman indicated, we are looking at all those issues as part of the ongoing management of this program.

Senator BIRMINGHAM—Okay, thank you.

CHAIR—Any further issues for ACMA? Senator Minchin.

Senator MINCHIN—Have you discussed some of the budget load measures, particularly with cost cutting? I notice with some parochial alarm that you are being required to close your Adelaide and Perth offices. Could you just explain what that will involve, how many staff will be affected, what effect it will have on your operations, and what the current roles performed in those Adelaide and Perth offices are? This is cited as being means by which ACMA's

already, I am sure, very high operational efficiency will be 'improved'. I am interested in how that will be brought about, how this closure will improve your operational efficiency.

Mr Chapman—The closures will generate annual savings as set out in the budget papers.

Senator MINCHIN—Savings are different to operational efficiencies. You might save money but be more inefficient. Should that just read savings should it?

Mr Chapman—I will go back a step. The service delivery model that we commenced with the closure of six of our operations offices last year has proved very effective. The closure of the Adelaide and Perth offices brings forward the utilisation of that service delivery model to those states. We have been monitoring the closure of those six eastern seaboard offices since we took that decision last year to assess whether there has been any loss of service to citizens and customers. Our conclusion is that there has been no impairment to delivery of services. We will be taking that same service delivery model and employing it in the states of South Australia and Western Australia which is essentially to deal with it on a combination of fly-in and fly-out, better access of the diagnostic tools we have developed. The whole way in which the technology has moved is a combination, if you like, of people being able to better work around interference issues and having more portable equipment. We have found with respect to our six eastern seaboard office closures that it has not impaired the delivery of service and we anticipate that will be the case now in South Australia and Western Australia.

Senator MINCHIN—Could you just remind us of what actual services are performed out of those two offices?

Mr Chapman—Yes, there are three staff affected in Adelaide and there are 10 staff affected in Perth. We have offered all those staff redeployment within the organisation. We would like them to stay within the organisation. We realise that—

Senator MINCHIN—Where is the nearest office to Perth?

Mr Chapman—We realise that that is not going to be practical for a great number of them. What I am saying I guess, Senator, is if they saw their way fit to move to Melbourne or Sydney or Canberra offices—

Senator MINCHIN—You will have those three offices left?

Mr Chapman—We have got the Canberra office as well. They are the three offices that essentially we deploy with respect to signal or interference issues, which is really what these staff are doing; they are field offices for interference related aspects. They do not have a customer facing role in Adelaide or Perth and have not for several years. We are moving over time to one point of entry to the ACMA. The Adelaide and Perth offices have not been used in any front of house sense for quite a while. Having kicked off the initiative last year with our new service delivery model, this is the next iteration of that model.

Senator MINCHIN—Why do you need \$700,000 this year to save the money? What is that all about?

Ms Carlos—Senator, that runs to the cost of closure of the offices. It encompasses the possibility of redundancy costs, payout lease costs, removal of the equipment and the like, so that is what the funding is for in the 2009-10 financial year. The savings are then delivered beyond that year, estimating around \$900,000 in the out years.

Senator MINCHIN—How does that relate to the switch to digital? It is interesting that you do this at the very time. For example, in South Australia you are heavily involved in the switchover. I know there are parts of my own state very concerned about loss of television signal. How will they be reassured that closing down the office at the very time we are going through all this is not going to diminish the responsiveness of government to their concerns?

Mr Chapman—We have a very strong program with respect to the digital field measurement and signal strength that we have been going through, and it has got a number of layers to it. That is being handled by a completely different set of staff within the organisation using different equipment under different sections of your organisation. These closures will not in any way impair a digital switchover.

Senator MINCHIN—So these people in these offices are not involved in that—

Mr Chapman—Some of them are at the moment but they do not need to be. The progress that we have been making on the digital switchover means that it will not be impaired. We have done something like 2,210 location measurements already across all states and territories. That is being done by a different group within the organisation and that will continue to be the case as we move forward over the next several years. I understand the question and there is a raising of the eyebrows because initially one would think, ‘Well that would run contrary to what you are trying to do,’ but they are effectively unrelated disciplines within the organisation.

Senator MINCHIN—I presume this is a saving you offered up; it was not extracted from you by a CRC?

Senator Conroy—That would go to advice to government, Senator Minchin. You are very familiar with the workings of government, so I am sure you would understand that it would be very inappropriate for Mr Chapman to offer to answer that.

Senator MINCHIN—If this is part of Mr Chapman’s vision and strategy of his organisation, he would be more than happy to indicate to the committee that this is very much part of his planning for an efficient organisation.

Senator Conroy—They are welcome opinions of yours and I am pleased that you recognise Mr Chapman’s vision and abilities.

Senator MINCHIN—But you refuse to let him answer the question.

Senator Conroy—I think you have asked him about his advice to government. I am not sure it is a question that he is in a position that he can answer.

Senator MINCHIN—I noticed also that the so-called Gershon review, that was the IT review I think, has required you to deliver savings. I presume this does not go to advice to government. It is in there. I presume they were not something you offered up but were extracted from you. It will not destroy your organisations, it is a couple of hundred thousand a year, but what is that all about? Where those savings are to come from? Why is it that you are able to make those savings? Are they to be delivered on top of the efficiency dividend which, from my recollection, does apply to you?

Senator Conroy—Gershon applies across the government as a whole I believe.

Senator MINCHIN—Every agency.

Senator BIRMINGHAM—And is on top of the efficiency dividend.

Ms Carlos—That is correct, Senator.

Senator MINCHIN—And these are ongoing I presume? How will you derive those savings?

Mr Chapman—I might ask my general manager of corporate services to address that.

Ms Carlos—The 2½ per cent of our business-as-usual cost of IT services is the saving that we have to provide for 2009-10—that is, \$206,000. The ACMA will deliver those savings through extending the useful life of our desktops, looking at virtualisation of our server arrangements, looking at savings out of our IP-telephony area and recontracting our LAN support services. They are the particular items that we have targeted for the next 12 months to deliver those savings. We then will review through the course of the next six months or so the extra savings to bring us up to the 7.5 per cent for future years. They are the items that we have targeted at the moment. Where they come from is for us to actually find in the cost of our services. That is ongoing.

Senator MINCHIN—These are presumably the areas you would have been looking at in terms of meeting your efficiency dividend obligations, wouldn't they be?

Ms Carlos—We look at all areas of the organisation to try and find both those savings, yes.

Senator MINCHIN—What is the efficiency dividend on you at the moment?

Ms Carlos—It is 1¼ per cent ongoing, and there was the one-off two per cent dividend last year.

Senator MINCHIN—That was last year. What does this Gershon efficiency dividend equate to?

Ms Carlos—For an agency our size, it is 2 ½ per cent of our business-as-usual cost this year.

Senator MINCHIN—Of your IT costs? What does that equate to in terms of the effective increase in the efficiency dividend?

Ms Carlos—I do not have that calculation, but I could take that on notice.

Senator MINCHIN—I wouldn't mind that. Thank you.

Senator BIRMINGHAM—How much is the efficiency dividend in value terms for the agency?

Ms Carlos—It is 1¼ per cent.

Senator BIRMINGHAM—In dollars?

Ms Carlos—That is estimated to be about \$1.1 million.

Senator BIRMINGHAM—So \$1.1 million and Gershon is \$206,000 in 2009-10.

Ms Carlos—Yes.

Senator BIRMINGHAM—Answers to questions on notice indicate potential savings of \$620,000 in 2010-11, \$630,000 in 2011-12 and \$630,000 in 2012-13.

Ms Carlos—Yes.

Senator BIRMINGHAM—Are those potential savings reflected in the budget allocations for ACMA in the forward years?

Ms Carlos—Yes. They were put through the system when this was put through with the budget process.

Senator BIRMINGHAM—So the allocation to ACMA is less in those forward years by \$620,000, \$630,000 and \$630,000?

Ms Carlos—That is correct, and you can see in the portfolio budget statements. There is a measures line in that document on page 121—no; sorry. It is a saving that has been taken out of the base, and there is a footnote on page 122 that itemises those dollars.

Senator BIRMINGHAM—I see that and the last one on page 122. In the answer to the question on notice, those forward years are described as ‘potential savings’ but the money from those potential savings has been taken out of the base funding for ACMA. You are confident that those potential savings can actually be found?

Ms Carlos—Yes, we are.

Senator MINCHIN—On another budget measure: I just want clarification on the Australian Communications Consumer Action Network, which you are not responsible for but which I see you are responsible for funding. It has been given a rather remarkable sum of \$7.5 million over four years, which you are to recover from annual carrier licence charges. You are aware of that?

Mr Chapman—Yes.

Senator MINCHIN—That is going to be \$2.1 million a year. Will legislation be needed to increase that? How is that set? What proportionate increase in your charges will there be?

Senator Conroy—Could I say this while Mr Chapman is considering that. There was a general view across the industry that the consumer voice was perhaps not as strong as it could have been and—

Senator MINCHIN—Do you mean including among the carriers?

Senator Conroy—Yes. To be fair, it was across the industry. When it was proposed to reform into ACCAN there was general acceptance. I am sure you would have heard of it if there was not. The general view across the sector was that there was a need to lift the profile, and that required extra funding. Quite a lot of consultation went on. I am pleased to say that the industry was generally supportive of the measure, which I suspect is why you have not heard a lot about it.

Senator MINCHIN—No, I have not. I acknowledge that; I concede that.

Senator Conroy—CTN has been reformed with a number of other organisations to become ACCAN.

Senator MINCHIN—And the carriers understand and accept the costs—

Senator Conroy—As I said, I am sure if they were unhappy you would have heard about it. There was a general view.

Senator MINCHIN—They might not have wanted to get offside with the all powerful minister!

Senator Conroy—I have never noticed the carriers to be shy.

Senator MINCHIN—You are a very intimidating character.

Senator Conroy—Please.

Senator MINCHIN—How is that additional charge to be collected? Will it require legislative amendment?

Ms Carlos—In respect of that, the department as part of the annual carrier licence charge provides us with a determination and that determination becomes part of the charge that the authority then approves, and we invoice the carriers. There are a number of components.

Senator MINCHIN—Is the determination a legislative instrument?

Ms Carlos—I am not sure. It is probably a question more for the department.

Mr Chapman—The minister's determination.

Senator MINCHIN—Yes. I assume it is a disallowable instrument.

Senator MINCHIN—I do not know what you collect from them. Is 2.1 a tiny proportionate increase?

Ms Carlos—From memory, and I will correct this if it is not right, the annual carrier licence charge is in the order of \$30-odd million.

Senator MINCHIN—That is not insignificant. That is all I have on that.

CHAIR—Senator Minchin, we are almost ready to go to the tea break. If you can do two minutes worth, you can.

Senator MINCHIN—I just want to quickly raise this with you. Others may have questions on digital TV, although many of them will be for the department or the task force. It has been suggested to me that there is an issue in the Gunning and Cullerin areas of New South Wales, with the Cullerin wind farm interfering with digital TV and mobile phone reception. I have been specifically asked to raise that with you. I was not aware that wind farms could affect that. I am not a great fan of wind farms but I did not know they were so bad that they could bugger up your TV.

Mr Chapman—Before you asked that question, we thought we were going to have the unique experience of not hearing from Mr Tanner.

Senator Conroy—You have brought this upon yourself!

Mr Tanner—Sorry to disappoint!

Senator MINCHIN—It's better to have Giles and not Lindsay, anyway!

Mr Tanner—Was it Gunning and Cullerin wind farms?

Senator MINCHIN—Yes, Gunning and the Cullerin wind farm.

Mr Tanner—I would make the general comment that anything in the landscape—potentially trees, buildings and what the engineers tend to call clutter, which would include a wind farm—can affect propagation through the obstacle and it can have reflections that were not there before. As a matter of principle, it is possible that the existence of any large building could have an effect—it is likely to be a very small effect—on coverage or reception of a radio communications facility. However, I do not have any specific information here. I would have to take the question on notice to see what we know about that.

Senator MINCHIN—Could you? But it is generally true that wind farms can affect reception?

Mr Tanner—There is no more to it than this. It is also the case that, whenever you build a tall building in the Gold Coast—

Senator MINCHIN—Whether it is a tree or a building, yes.

Mr Tanner—you are probably going to affect television reception in various ways. With analogue, you might cause reflected signals; you may cause a deeper shadow behind that building. Any infrastructure on the ground is going to have an effect on certain types of signals. There is nothing special to wind farms that I am aware of, but the specific instance I will have to take on notice.

Senator MINCHIN—Except they tend to be built on bare hills and affect country people as a result. It is not the Gold Coast. Are you aware of whether or not you are typically consulted by planning authorities on the effect that wind farms may have on telecommunications?

Mr Tanner—In general, building wind farms are a local planning issue, but so is building office blocks and blocks of flats. All those things potentially affect radio propagation. We are not a town planning authority. We are a spectrum regulating authority. So, no, we are not routinely consulted.

Senator MINCHIN—So there is no reference to you whatsoever?

Mr Tanner—If it is referred to us it is because there is an issue raised by people in the community seeking information. That has occurred over time with respect to some bits of infrastructure over time. But in general, no, we are not involved in the approval of buildings, structure. That is a town planning matter, typically a state or local government matter.

Senator MINCHIN—But it is more than just a building thing. Wind farms are proliferating. The key unresolved or difficult area politically and socially with digital TV is the regions.

Mr Tanner—Yes.

Senator MINCHIN—Wind farms and their proliferation are more likely to become quite an issue. I suspect you may need to be more involved in this, but—

Mr Tanner—It is possible. I would be surprised if it is, as you say, quite an issue, given the large area of the country and the relatively small area occupied by wind farms, generally in lightly settled areas, but I am happy to take that aspect of the question on notice as well. We have certainly not been aware of a large amount of wind-farm related complaints relating to

either mobile or television reception. I believe there have been particular concerns in one or two instances that I can think of. I just cannot recall if Gunning was one of them.

Senator MINCHIN—What is the technical answer to that? Can you put some sort of relay or reception facility on a wind farm?

Mr Tanner—It depends on the particular signal, the particular band that is being used and its propagation characteristics. It is going to depend entirely on local circumstances. It is also the case that marginal mobile reception can be affected by planting a grove of trees between yourself and the base station, but we are not involved in clearing groves of trees. It is all clutter, as the engineers say. It is characteristics of the landscape can have some effect on radio frequency reception. At the margin of reception, some new piece of infrastructure or even the ending of a drought and a lot of vegetation growing up is going to have an effect on the size of the very outer limits of cells of mobile telephony. Yes, a wind farm hypothetically can affect reception of certain services. As to whether this is some major problem, I am much less convinced of that. As I say, we do not have a formal role unless the device is a radio communications transmitter or emitter, in which case, yes, we are directly involved.

Proceedings suspended from 9.34 pm to 9.50 pm

CHAIR—Thanks, everybody. Senator Birmingham.

Senator BIRMINGHAM—Thanks, Chair. I have two issues. Firstly, we will deal with the big picture. One last budget measure about which I wanted to inquire is the ‘digital dividend—technical planning and restacking’. Are the funds provided there purely for ACMA in undertaking and implementing the planning and restacking or, if you need to shift a broadcaster from one frequency to another, do they go somewhat to subsidising the cost of that shift?

Mr Chapman—They are related to the former, not the latter.

Senator BIRMINGHAM—They just seemed to be quite large sums for the process. I do not understand what is involved in that process entirely, but \$6 million and \$7 million in two of the years involved seem to be large sums for a planning and restacking exercise. What exactly is involved in restacking?

Mr Chapman—There is an extraordinary amount of work to do. Depending on how much time you have, maybe Mr Tanner can take you through the essence of what the digital dividend from restacking is as a starting point and then perhaps we could give you a layered understanding of the sort of work the ACMA will be doing in the digital switch-over and digital dividend.

Senator BIRMINGHAM—I do not want to hold up the committee for too long, and I am very—

Mr Chapman—No, just for a couple of minutes.

Senator BIRMINGHAM—Sure, Mr Chapman. I am sure that would be useful.

Mr Tanner—The idea of restacking is that when analogue television is turned off you are left with a large piece of spectrum that has now vacant analogue television channels here and there. Pretty well the only economic use for those channels would be for additional television

services. To realise a dividend which is of use for a wider range of other types of services and, therefore, potentially of greater value to the community, you need to take advantage of the ability of digital channels to function perfectly well packed down or packed up directly side by side by moving the broadcasters, restacking them into a configuration in which you get the same amount of digital services and digital coverage but freeing them up by moving digital services from some bands into the vacant analogue spaces. You free up a larger block of contiguous spectrum in an area where you decide that that is a desirable thing to do. I should make clear that what I have explained to you is hypothetical as the actual decision-making process around what that dividend might be is a policy process, which the government is currently working on. The government and the department are the appropriate people to talk further about that. What we do know is that the government is proposing to go down a dividend path which will involve restacking, and, accordingly, we have a significant engineering challenge for which we are not presently equipped. That engineering work needs to be done fairly swiftly if we are not to have the realisation of the dividend delayed well beyond 2013, when analogue services stop.

What the engineers do is a bit of a black box, but, in essence, a task of similar size has already been done once, and that was the process by which we found digital channels for all existing broadcasters to operate during the simulcast period at the same time as analogue. The way that was done was that the ACMA developed allotment plans for channels called digital channel plans. It then looked at each area where there are transmitters and, in consultation with the broadcasters and any other affected body or organisation, allotted the number of channels suitable for operation of the power that we believed or that we all agreed was needed to achieve the same coverage to analogue. Once that is finalised you can then allot from those to the broadcasters. To effect a restack we will need to do a lot of new digital channel plans or vary the existing digital channel plans to move broadcasters out of bands that the government has decided are going to be the digital dividend and locate them in new configurations within the remaining band. That is a very significant engineering challenge that requires a concentration of engineering resources that we could not do with our present resources without simply defunding all our other engineering planning work. We do not believe that is an option. That is the background for the new policy proposal that we put up.

Senator BIRMINGHAM—Thank you for that. That was very good and useful, Mr Tanner. So that I am clear when you are talking about the engineering planning works in this regard, the engineering planning is undertaken by ACMA in going through and finding the appropriate piece of spectrum and signing the appropriate plan but then the broadcaster, I assume, is responsible for the work of reconfiguring whatever they have to do to broadcast?

Mr Tanner—That is correct. We are a little like the town planner, although in this case rather than just coming up with a broad plan and saying, 'Here is an estate; you plan it,' we are saying, 'No; we are going to design all the individual blocks and then we are going to allocate them to you.' We have another instrument called the technical planning guidelines, which is a set of rules for broadcasters to follow in planning their own facilities. Those rules ensure that they do things like test for interference before they commence and that the signal they put out is within certain acceptable configurations that are not going to cause interference to other people or overload people's aerials. There is an additional implementation frame

which the broadcasters then go through once they have licences governed by subordinate legislation from ACMA, but the particular engineering task we are talking about here is very much the planning task—the town planning subdivision and allotment process.

Senator BIRMINGHAM—All of those sorts of testing mechanisms and the like are undertaken by ACMA to check that there is no interference in the first instance as part of the plan, and the costs of undertaking that testing is all within this planning and restacking allocation?

Mr Tanner—No. We do not use live tests when developing plans. We use desk modelling, propagation modelling software, which comes up with a pretty accurate, although sometimes conservative, simulation of how signals propagate. Those are the tools we use to make sure that channels can be used and can interoperate, and we use that to predict problems. Broadcasters then have a certain amount of latitude in how they implement a given technical specification, which is just an envelope. It is just a set of parameters they have to operate within from a particular nominated site. That is a separate engineering task which broadcasters would typically undertake involving live testing, and that, as I say, occurs subject to rules set out in ACMA's technical planning guidelines.

Senator BIRMINGHAM—It still strikes me as incredibly expensive for the modelling and planning, but, Mr Tanner, you are convincing me that it is equally incredibly complicated.

Mr Tanner—I do not have the figures in front of me, but we have received money for a number of tasks. There is another major engineering and wider consultative and policy development task, which is the configuration of any dividend. That is a separate engineering and wider than engineering task, as we would design whatever spectrum allocations were going to be made and work them up for marketing by what was decided to be the appropriate way of marketing them. I am being fairly general because there are different issues with different parts of the digital dividend which will require different types of administrative approaches. We have received money for that half of the realisation of the dividend as well and we hope that as far as possible all these processes will occur in parallel and very intensively so that we do not get any significant delay after the dividend is yielded in putting the dividend to work.

Senator BIRMINGHAM—With the allocation of \$4 million for the coming financial year, you are obviously hoping to be able to start work on this process fairly swiftly. Working backwards to meet the 2013 deadline that you are working towards, what sort of deadline for decision making from government do you have for the planning around the digital dividend?

Mr Tanner—I do not have a precise time, and there is a certain amount of leeway in which we can fully utilise the resources. We have to do a lot of important preparatory work that does not require certainty around the size of the dividend. There does come a point where it is most efficient for us to have the dividend to be able to do the job within that time frame, but I cannot tell you exactly what that is. We have a bit of leeway.

Senator BIRMINGHAM—It is some time this year, I assume, from the budget figures that are mapped out.

Mr Tanner—I would not necessarily accede to that without further thought and a bit more work.

Senator BIRMINGHAM—From the big picture to the little picture, I turn to television services and broadcasting licence areas. I have had some correspondence with the minister and some responses to a question on notice, which last time around was 175, for your reference. I have also received correspondence from the District Council of Kimba and others in regard to the boundaries for the Spencer Gulf TV1 licence area. I put the question on notice as to what would the communities of Kimba, Buckleboo and Karanda and those affected who believe they would like to see a redrawing of this licence area have to do to get a review undertaken of the licence area. I am not sure that I received a clear answer as to what they would have to do. I have some good background as to when reviews might be undertaken in general, but if a community is particularly dissatisfied with its position, what does it have to do to get a reconsideration of the boundaries of a broadcast licence area?

Mr Tanner—I apologise, Senator. We did attempt to answer this question on notice, and I expect it was a fairly detailed answer. A community or any member of the public or broadcaster is entitled to approach the ACMA at any stage and raise the issue whether or not a licence area is appropriate. What I believed our answer had communicated was that the problem with the community itself simply coming to us is that the ACMA, while it is the agency that determines and reviews licence area boundaries, does not compel broadcasters to provide extensions of their services to any given area. We would know we had an issue which needed to be addressed if we were aware that the broadcasters that the community is seeking to have in the area were willing to extend their service into that area. That would require a willingness to invest by them. ACMA would then have a proposition to consider where we had have some prospect that if we did agree something would change as a result. I think we also tried to give you a flavour of some of the issues that we expected would come up.

It is fairly certain that it would be opposed by the incumbent licensees that have stations in the area on the basis that they require a certain population to be able to claim the revenue they are able to claim from their advertisers, but those are issues we would look at. What I am coming to is that whereas anyone can ask us to look at a licence area plan boundary, there is not much point unless there are broadcasters of the desired service that are willing to come to the party and stump up the investment in a retransmission facility and in some way get the signal to that retransmission facility. I think at that point ACMA has a broad discretion to review the licence area plan.

Senator BIRMINGHAM—That is very clear, Mr Tanner. Thank you for that. It is quite useful. I am happy to go and talk to the broadcasters in that area and get them talking to the community to see whether we can put together some sort of proposal that could be put to ACMA because it is a strange looking map. It appears to have a bite taken out of the side of it. Most of the communities of the eastern and central parts of the Eyre Peninsula fall within the Spencer Gulf TV1 zone but there is this chunk of communities taken out of the side, for whatever historical reason I do not understand. It does not seem to make a lot of sense in terms of communities of interest or any other rationale that I can see from on the ground. But I am happy to go and talk to the broadcaster and see if we can achieve an application there.

In terms of timing, noting that broadcasters, of course, will have to invest in new facilities with the digital switchover—and for regional South Australia and the Spencer Gulf region in particular that will be in the second half of next calendar year—would it be possible to

consider an application and to get such a review and such changes put in place that neither the existing broadcasters in the area nor the potential future broadcaster in that area were disadvantaged in the sense that their capital costs would have to be undertaken, to some extent anyway, as a result of the digital switchover?

Mr Tanner—I cannot answer that question on the spot because I am not sure what technical facilities are there. I do not know whether the communities have a local retransmission or whether they are served by satellite. If there is a local transmission, I assume it would be a self-help transmission because we are talking about, I think, the commercial broadcasters. I am not sure what the answer to your question is, but, in general, if an application or a request is made to vary a licence area plan, ACMA needs to go through wide public consultation. We would make that proportionate and targeted to the communities directly affected. It would need to go out with a proposal and consider any responses received in response. We do have a work program of licence area plan variations, and there would be issues about priorities, but if there were an opportunity there to do something, if there were an optimum occasion to do that in connection with digitisation, for example, I guess that is a factor we would have regard to in assigning a priority to any request.

Senator BIRMINGHAM—Thanks very much, Mr Tanner.

Senator MINCHIN—Just quickly on the budget item ‘Digital Television Switchover—regional South Australia, Victoria and Queensland’, I notice ACMA has been given \$3.9 million over three years ‘to identify areas without access to digital television services and other technical switchover related projects’. There is nothing allocated in this area in the current financial year but you are undertaking those activities. Were you specifically funded for those, and is this a continuation of that funding or entirely new funding to supplement what you were otherwise doing out of your ordinary budget?

Mr Tanner—I think this is funding we have already received, \$8.4 million, from memory, over four years. I think we are two years into that. This is ongoing funding we have received for our field survey and coverage work generally.

Senator MINCHIN—So this is not new money per se?

Mr Tanner—No. It is a decision that was made a couple of years back.

Senator MINCHIN—This \$3.9 million is the residue of that but lumped in here with this measure and specifically highlighted. It reads as though it is new funding.

Mr Tanner—Which page are we looking at?

Senator MINCHIN—Budget Paper No. 2, page 117.

Ms Carlos—Senator, I might be able to clarify that. The \$3.9 million is additional funding, but we were also provided with some previous funding a couple of financial years ago.

Senator MINCHIN—Yes, it is in a sense a continuation.

Ms Carlos—Yes, it is, Senator.

Senator Conroy—An increase from the sound of that description, Senator.

Senator MINCHIN—Yes. That is what I was going to ask. This is on top of funding you are already getting. Are you able to tell me what you will be expensing over the next three

years on this activity, that is, evaluating digital transmission reception to assess whether digital TV, et cetera, is the same coverage?

Ms Carlos—I do not have those figures with me, Senator. I will have to take that on notice.

Senator MINCHIN—I am just trying to get a sense of the proportionality—what this increase amounts to—but you can come back to me on that.

Ms Carlos—I can come back. Could I also take the opportunity, Senator Birmingham, to correct the record in terms of the Gershon savings for the out years? They have not been factored into the forward estimates yet—the additional five per cent. The 2½ per cent has.

Senator BIRMINGHAM—Thank you.

Senator MINCHIN—Are you able to give us a brief indication of the testing program that this \$3.9 million will cover? Is that sufficient? That is not of itself the amount that will be required for the testing in South Australia, Victoria and Queensland. This is augmentation to enable you to fully test in those three states, is it, in advance of switchover?

Ms Carlos—Mr Tanner could provide that.

Mr Tanner—Senator, my understanding is that, however it is expressed, the money for coverage work, including field testing, has not been increased from the four-year sum that we received. We have received some additional money, though, in connection with digital switchover. That money is for a range of things, including our power to make technical codes and standards, I understand. It is for research, which could very well be related to the field survey and coverage work that we do. It is to assist us with the costs of technical inquiries from the public about problems that the department's hotline has been turning up with digitisation and a range of things like that. I am not aware that any of that money was simply to expand on the initial four-year somewhat more than \$8 million that we received for the coverage and field survey work.

Senator MINCHIN—In the PBS it is here as a 2009-10 budget measure—\$1.5 million, \$1.5 million and \$800,000 for the next three years for digital switchover, South Australia, Victoria and Queensland and described in the budget papers as part of a government overall provision of \$138.7 million to this end, of which \$3.9 million is for you to identify areas without access to digital television services.

Mr Chapman—Did I understand part of the Senator's question being to give you a feel for the sort of work program that is involved?

Senator MINCHIN—I want to know whether that was new money on top of allocations you already had for the performance of that function. There seems to be some lack of clarity as whether it is new money or a restatement of money you were already allocated.

Mr Tanner—No, I think those figures of \$1.5 million, whatever they were that you read out, are the additional—

Senator MINCHIN—121 in the PBS.

Mr Tanner—They are the additional funding.

Senator MINCHIN—So that is new money?

Mr Tanner—That large figure of well over \$100 million in connection with the switchover is money largely for the department.

Senator MINCHIN—Yes, I know that. I was just finding out more.

Mr Tanner—That is work that we will be doing ancillary to the department's work as part of digital switchover in those areas.

Senator MINCHIN—So this is new money to enhance your capacity—

Mr Tanner—That is new money.

Senator MINCHIN—to identify blackspots, basically?

Mr Tanner—No, it is for a broader range of purposes. We are already amply funded, in our view, for the program of field surveys that we think are appropriate. This is for, as I say, other ancillary tasks, such as, potentially, research, which may very well go to issues turned up in our field survey work or may be relevant to it. It is more broadly for research, for technical advice to people who telephone the hotline. It is for any work we do in connection with our power to register codes on technical issues or to make standards with regard to the performance of digital devices. That is my shorthand, from memory, of what the tasks are. These are other tasks ancillary to that switchover effort. My understanding is there was no additional funding for the coverage and field survey work for which we have already received some additional funding.

Senator MINCHIN—So the description in the budget papers themselves is a bit misleading. This is a funny line item. It has \$1.5 million for each of the next two years, then \$800,000 in 2011-12, and then it just stops. Switchover is not complete until 2013. There does seem to be some vagueness about what the hell it is for.

Ms Carlos—Senator, perhaps we can take on notice and provide to you the full funding that has been provided and this particular measure in terms of the total that has been itemised in budget papers as digital switchover.

Senator MINCHIN—I would appreciate that. On this research into blackspots, et cetera, we were advised back in February, I think it was, or in response to a question on notice that you were about to undertake research in the Mildura licence area and publish those results later this year. Has that research been undertaken, is it about to be published, and will it be published prior to any designation of the switchover?

Mr Tanner—The Mildura area has already been designated for switchover by a certain date. The research I think is currently taking place.

Senator MINCHIN—But you still have to push a button, I think. All you have done is indicate the date, but I think the minister reserves the authority to decide actually when, and, indeed, that is a disallowable instrument, as I recall.

Mr Tanner—I am sorry, Senator. David and I are at cross-purposes about exactly which research you are talking about. We have done extensive field survey work in Mildura. We will do more. Some flavour of that work and the results are reflected in the initial 5H report that the department published. One of ACMA's contributions to that was an account of relevant findings of field survey work to date in Mildura, where we have done a very large number of

surveys across a number of sites. We propose to do further field survey work in Mildura, but I should make the point that it is not so much that all the work is critical for us to perform before the switchover; it is that we are using Mildura very much as a pilot and as a test case. We are learning things and improving our methodology so that when we come to South Australia and markets beyond we will be able to answer the questions we believe will be asked of us with a great deal of methodological confidence.

Senator MINCHIN—I do not think you want to leave the impression that the citizens of Mildura are guinea pigs, but I—

Senator Conroy—It is a pilot program.

Senator MINCHIN—Oh, it is a program, is it?

Senator BIRMINGHAM—That is a polite term for guinea pig!

Senator MINCHIN—Thank you for that. Do you have any more questions on that?

Senator BIRMINGHAM—I have one very quick one. In response to question on notice No. 174, listing a whole bunch of consultancies, I have a question about one: \$44,000 for a consultancy undertaken between May and July last year by the organisation Strategic Media Solutions into current affairs programming. What are we looking at in current affairs programming?

Ms O'Loughlin—Senator, I think what we were looking at with that piece of research was community expectations of current affairs programs. As you know, when the industry decides to undertake a review of its codes of practice we often do research either on issues that have come to us via complaints or testing audience views and consumer views about particular issues. For example, we have previously done that on reality television. We are currently undertaking research into audience expectations of commercial radio. Similarly, as the commercial television industry prepares to review its code of practice, we undertook some research around current affairs programs, and that consultancy fed into that research.

Senator BIRMINGHAM—Thank you.

Senator MINCHIN—Just quickly, commercial radio has been approaching the government and the opposition on 'trigger events' in terms of local content.

Senator Conroy—One of your proudest pieces of legislation, I am sure, Senator Minchin.

Senator MINCHIN—Did you propose amendments to that, Senator Conroy, at the time?

Senator Conroy—No, I think you indicated you were going to propose some, and we indicated we would—

Senator MINCHIN—It is certainly the case, as is often the way of legislation, that—

Senator Conroy—You were the government at the time—

Senator MINCHIN—commercial radio—

Senator Conroy—mandating the number of people in radio newsrooms.

Senator MINCHIN—was concerned about the operation of this. I think the government should look at this. Are you as the regulator able to tell me how many licences have been affected by trigger events since this came into effect on, I think, 1 January last year?

Ms O'Loughlin—Senator, I do not have that detail with me. I would have to take that on notice.

Senator MINCHIN—I would appreciate you doing so. Can you inform me how many, having been notified, have failed to comply with the rules that you impose on them regarding local content?

Ms O'Loughlin—Senator, generally I think we are seeing reasonably high levels of industry compliance, but I am happy to take that on notice as well.

Senator MINCHIN—But you are as well aware as the minister and I are of the concerns about this with the industry?

Ms O'Loughlin—Absolutely.

Senator MINCHIN—Are you involved in any formal way?

Ms O'Loughlin—No, that would be a matter for the department and the minister.

Senator MINCHIN—Sure. That is all. Thank you.

CHAIR—Thank you. Are there any further questions for ACMA? If not, thank you very much to the officers of ACMA for appearing before the committee this evening. We will just have a short suspension while we decide what to do next.

Proceedings suspended from 10.22 pm to 10.25 pm

CHAIR—Thank you. Before all the officers move in, I would just like to make an announcement. The committee has decided to adjourn proceedings for this evening—you will be sorry to know—and will resume tomorrow at 9 am with program 1.2, followed by program 1.1, followed by program 1.3. Thank you.

Committee adjourned at 10.26 pm