



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ENVIRONMENT, COMMUNICATIONS AND THE ARTS  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

TUESDAY, 25 MAY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE ENVIRONMENT, COMMUNICATIONS AND THE ARTS****LEGISLATION COMMITTEE****Tuesday, 25 May 2010**

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

**Participating members:** Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, 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, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ian Macdonald, Marshall, Mason, McGauran, McLucas, 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, Bishop, Boswell, Cormann, Eggleston, Farrell, Fisher, Ludlam, Ian Macdonald, McEwen, Marshall, Minchin, Troeth and Wortley

**Committee met at 9.11 am**

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

Consideration resumed from 24 May 2010.

**In Attendance**

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

**Management and Accountability**

Mr Peter Harris, Secretary

Mr Daryl Quinlivan Deputy Secretary, Infrastructure Group

Mr Andy Townend, Deputy Secretary, Broadcasting and Digital Switchover Group

Mr Abul Rizvi, Deputy Secretary, Digital Economy and Services Group

**Outcome 1—Develop a vibrant, sustainable and internationally competitive broadband, broadcasting and communications sector, through policy development, advice and program delivery, which promotes the digital economy for all Australians.**

**Program 1.1 Broadband and Communications Infrastructure**

Mr Daryl Quinlivan, Deputy Secretary, Infrastructure Group

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

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

Mr Brian Kelleher, Assistant Secretary, Regional Backbone Blackspots Branch, National Broadband Network Implementation Division

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

Mr Rohan Buettel, Assistant Secretary, Networks Regulation Branch, Networks Policy and Regulation Division

Mr Philip Mason, Assistant Secretary, NBN and Fibre Rollout Regulation Branch, Networks Policy and Regulation Division

Mr Brenton Thomas, Assistant Secretary, Spectrum and Wireless Services Branch, National Broadband Network Implementation Division

**Program 1.2 Telecommunications, Online and Postal Services**

Mr Abul Rizvi, Deputy Secretary, Digital Economy and Services Group

Mr Keith Besgrove, First Assistant Secretary, Digital Economy Services

Mr Simon Bryant, First Assistant Secretary, Australian Broadband Guarantee Branch

Mr Richard Windeyer, First Assistant Secretary, Digital Economy Strategy

Mr Andrew Maurer, Assistant Secretary, Regional and Indigenous Communications Branch

Mr Simon Cordina, Assistant Secretary, Cyber-Safety and Trade Branch

Mr Lachlann Paterson, Assistant Secretary, Content Programs Branch

Ms Mia Garlick, Assistant Secretary, Digital Economy and Convergence Strategy

Mr Duncan McIntyre, Assistant Secretary, Consumer Policy and Post Branch

**Program 1.3 Broadcasting and Digital Television**

Mr Andy Townend, Deputy Secretary, Broadcasting and Digital Switchover Group

Dr Simon Pelling, First Assistant Secretary, Broadcasting and Digital Switchover

Ms Karen McCormick, Assistant Secretary, Communications and Media

Mr Robert McMahon Assistant Secretary, Household Assistance

Ms Ann Campton, Assistant Secretary, Broadcasting and Switchover Policy

Mr Greg Cox, Assistant Secretary, National Community and Radio Broadcasting

**Corporate and Business**

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

**Legal Services**

Mr Don Markus, General Counsel, Legal Services Group

**Finance**

Mr Simon Ash, Chief Financial Officer, CFO Group

**Australian Broadcasting Corporation**

Mr Mark Scott, Managing Director

Mr David Pendleton, Chief Operating Operator

Mr Michael Millett, Director Communications

**Australian Communications and Media Authority**

Mr Chris Chapman, Chair, Australian Communications and Media Authority

Mr Chris Cheah, Member and Acting Deputy Chair, Australian Communications and Media Authority

Ms Nerida O'Loughlin, General Manager, Digital Economy Division

Mr Giles Tanner, General Manager, Digital Transmission Division

Mr Brendan Byrne, General Manager, Legal Services Division

Ms Maureen Cahill, General Manager, Communications Infrastructure Division

Ms Dianne Carlos, General Manager, Corporate Services and Coordination Division

Ms Clare O'Reilly, Executive Manager, Legal Services Division

Mr Andrew Kerans, Executive Manager, Spectrum Infrastructure Branch

Ms Jonquil Ritter, Executive Manager, Citizen and Community Branch

Ms Kathleen Silleri, Executive Manager, Content and Consumer Branch

Mr Paul White, Executive Manager, Industry Monitoring Branch  
Ms Andree Wright, Executive Manager, Security, Safety and e-Education Branch  
Ms Linda Caruso, Executive Manager, Regulatory Future Branch  
Mr Vince Humphries, Manager, New Communications Issues and Safeguards  
Mr Grant Symons, Executive Manager, Unsolicited Communications Branch  
Mr Mark Loney, Executive Manager, Operations Branch  
Ms Olya Booyar, General Manager, Content Consumer and Citizen  
Mr Mark McGregor, Acting Executive Manager, Infrastructure Regulation Branch  
Mr Derek Ambrose, Executive Manager, Finance and Facilities Branch  
Mr David Brumfield, Executive Manager, Allocation, Coordination and Policy  
Mr Christopher Hose, Executive Manager, Technical Planning and Evaluation Branch  
Mr Stuart Wise, Manager, Budget, Cost Recovery and Procurement  
Mr Patrick Emery, Manager, Licence and Numbering Development  
Mr Alistair Gellatly, Manager, Television Planning  
Mr Mark Bidwell, Manager, Implementation and Evaluation  
Ms Deborah Johnson, Parliamentary and Coordination  
Ms Kylie Trengrove, Parliamentary and Coordination

**Australian Postal Corporation**

Mr Jim Marshall, Acting Managing Director  
Mr Paul Burke, Corporate Secretary  
Mr Rod McDonald, Group Manager, Corporate Human Resources  
Mr Michael Tenace, Group Financial Controller  
Mr Stephen Walter, Group Manager, Corporate Public Affairs  
Mr Don Newman, Group Manager, National Logistics  
Ms Catherine Walsh, Manager, Employee Relations  
Ms Christine Corbett, Manager, Strategy, Governance and Major Change  
Mr Mark Pollock, Manager, Regulatory Affairs

**NBN Co Limited**

Mr Mike Quigley, Chief Executive Officer

**Special Broadcasting Service Corporation**

Mr Shaun Brown, Managing Director  
Mr Jon Torpy, Chief Financial Officer  
Mr Bruce Meagher, Director, Strategy and Communication

**CHAIR (Senator McEwen)**—I declare open this public hearing of the Senate Environment, Communications and the Arts Legislation Committee. The committee has set Friday 30 July 2010 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 the secretariat has copies of the rules. I 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*.

*The extract read as follows—*

**Public interest immunity claims**

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).

(Extract, Senate Standing Orders, pp 124-125)



I also draw senators' attention to standing order 25(13), which says:

A committee shall take care not to inquire into any matters which are being examined by a select committee of the Senate appointed to inquire into such matters and any question arising in this connection may be referred to the Senate for determination.

Obviously this is a matter of great public interest but I remind the senators that we have a select committee on the National Broadband Network that continues to have public hearings. I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, and portfolio officers. Minister, would you like to make an opening statement?

**Senator Conroy**—No, thank you very much.

[9.12 am]

**NBN Co.**

**CHAIR**—I now call officers from the NBN Co. I understand we have the department, program 1.1, available at the same time.

**Senator IAN MACDONALD**—Madam Chair, just while they are coming, can you repeat what you said about the select committee?

**CHAIR**—I am just pointing you to a standing order.

**Senator IAN MACDONALD**—Can you repeat that? I was not closely listening.

**CHAIR**—Standing order 25(13) of the Senate standing orders says:

A committee shall take care not to inquire into any matters which are being examined by a select committee of the Senate appointed to inquire into such matters and any question arising in this connection may be referred to the Senate for determination.

**Senator IAN MACDONALD**—Madam Chair, what are we doing here this morning? The whole day is set out for NBN. There is, as you have rightly alerted us to, a Senate select committee into all aspects of the NBN. If we cannot ask any questions about the NBN, what are we doing here this morning?

**Senator FISHER**—And why is it only being raised this morning?

**CHAIR**—It was raised this morning because it was brought to my attention by the secretariat and the clerk. I just thought it was worth while mentioning it for senators.

**Senator Conroy**—Have opposition hoisted themselves with their own petard?

**CHAIR**—I would point you in the direction of asking questions about budgetary matters. I intend to proceed as we normally do, Senator Macdonald. I merely brought it to your attention.

**Senator Conroy**—You should suck it and see.

**Senator FISHER**—Let us see how we go.

**Senator Conroy**—I think it is the very officious operation of the secretariat or clerk. Senator Macdonald, if you just fire away, we will be fine.

**CHAIR**—Minister, did you wish to make an opening statement?

**Senator Conroy**—No, but I think Mr Quigley would like to.

**CHAIR**—Mr Quigley, would you like to make an opening statement?

**Mr Quigley**—I would, thank you.

**CHAIR**—Please proceed.

**Mr Quigley**—Good morning. I look forward to the opportunity to brief you this morning on NBN Co. I will start out with a quick update of where we are up to, perhaps highlighting some of the changes since last time I was here. We now have 230 people in the company as of last week. We expect to have 300 by the end of June. We have officers in Sydney, Melbourne, Hobart and Canberra. We have had some significant appointments since I was last here. We have a new non-executive chairman, Harrison Young. Later in June we will have a new company secretary, Debra Connor, joining us.

We are continuing to work on our wholesale product. We are developing a special access undertaking which we will be submitting to the ACCC within a few months time. That is based on the work we are doing internally in the company on product development but also increasingly on what we call deep dives with retail service providers—that is, potentially the customers of our wholesale services, the retail service providers—to make sure we understand in depth the needs they have. In those deep dives in talking to retail service providers, we are getting a good level of support for our product offerings and also for the technology platforms we have chosen.

We understand there is some impatience with what our pricing will be, but we are still working that through with the ACCC. It will be announced in due course. We do understand that we are working in a marketplace; hence we will have to price at market rates. In Tasmania we have set some interim prices. That was done initially on an in-confidence basis with the service providers iiNet, Internode and iPrimus. As I said, they are only interim prices. Those prices are for this first stage in Tasmania only and will be rolled into the national pricing as of July next year once we have those through the ACCC.

We have been doing a lot of consulting externally, and I would like to just spend a moment detailing the consulting that we have been doing. It has largely been in four areas: to industry, community, consumer and the general business community. Over 1,000 attendees participated in our industry consultation forums. We have had three product forums held in Sydney, Melbourne and Perth. Ten network and operations forums were held, four in Sydney, three in Melbourne, one in Adelaide, one in Perth and one in Brisbane. As I said, there were almost 1,000 attendees at those. We released a product consultation paper in December of last year to which we received over 50 submissions from industry and industry stakeholders. We released a response paper in March to those inputs that we got back. Overall there was a strong agreement on us delivering a layer 2 ethernet service via a passive optical network. We also have committed to release a point-of-interconnect options paper very soon.

We have also, as I have mentioned, had a number of deep dives and product and operations workshops. We have completed over 90 hours of direct deep dives in those workshops, so a lot of work has gone into those. We have had extensive engagement also with the Communications Alliance, which is the main industry association for telcos, including their NBN working group and forum program. We had community consultations in Tasmania

where, as you know, the rollout of the network is underway. We have conducted a number of public forums. We have had community information sessions where approximately 300 people across four sessions turned up. They were at Midway Point, Scottsdale and Smithton. We have met with councils, businesses and other local stakeholders. We are undertaking a community engagement program involving letters to property owners and advertising.

We have also had community consultations on our first release sites. These first release sites' designs are almost complete and we have had detailed and ongoing discussions with councils and planners about each of these first release sites. We have launched an extensive community consultation program. We had our first public information sessions in Armidale and Willunga just last weekend. There was a strong positive reaction in both locations; in fact, in Willunga over 110 people attended on the day and some 64 signed registration forms expressing an interest in getting more information and an interest in the service. In Armidale, there were over 130 people who attended on the day and 117 signed the registration forms. We have also had contact with the Local Government Association of Queensland, and also some meetings with the Municipal Association of Victoria, which was at the CEO's conference, where we did a presentation.

On the consumer side of things we have had ongoing consultations with the Australian Telecommunications Users Group, which as you know represents business users of telecom. There was one keynote address presented on 12 March, and then we had three presentations in Sydney, Melbourne and Canberra in April. Initial discussions have been held with the Australian Communications Consumer Action Network, and we have participated with the Internet Industry Association in the ATUG forums. We have also had some meetings with a new group called Tasmania NBN for Business. That was announced late last week and we made sure we contacted them and had meetings with them.

On the general side of briefing industry, we have obviously had a lot of interest in the NBN from industry in general. Just in the past five weeks or so I have personally done five major addresses: to Infrastructure Partnerships Australia at the CommsDay event in Sydney on 20 April, where we had more than 500 people; in late April there were more than 300 people at the Australian Institute of Company Directors; in Brisbane, where we had more than 400 people; at the American Chamber of Commerce in Australia on 14 May, where there were 300 plus people; and just yesterday at CeBIT, where there were more than 200 people. We are doing everything we can to get the message out, inform people as best we can and be available to answer questions. That is of course as well as trying to continue to improve the information that is on our website.

Turning to our network design, it is fairly advanced in the fibre design. We have looked at quite a number of scenarios and we have had obviously quite in-depth discussions and consultations with the department and the minister's office on that. As I said, we will soon release our consultation paper on points of interconnect.

On wireless we are not quite as far advanced. It is a complex task and as you will understand the engineering in that has a number of options which we are looking at in quite some detail now. When it comes to the wireless network I have often to answer the question, why do we not build the whole NBN on wireless. I think I have answered that numerous times now as to why that simply is not practicable but it is a question that continues to be asked.

**Senator FISHER**—It does.

**Mr Quigley**—Yes. On the satellite design we released a request for a capability statement. That was released earlier in the year. Then it closed, and we are working hard now to evaluate that and look at the satellite plot. We are putting in a lot of effort to try and make sure we get the best possible service we can on both wireless and satellite to bring it as close as possible to the functionality that is available on fibre, given the limitations of physics and technology. If we move forward with the plan we anticipate I can say that what we will be able to deliver, for example, on the satellite, an order of magnitude improvement over what those folks get today. It will be comparable to what people get on ADSL2+ in the city today.

On the procurement side, as I mentioned, in January this year we issued a request for capability statement for the satellite network and services. We have also issued an RFP for active equipment and services for the fibre access network. We are going through that evaluation and that is a selection for GPON equipment and related services. We also now will be looking at aggregation and transmission equipment; that forms a separate but important part of the overall fibre network.

We have an RCS—a request for capability statement—out for providers of OSS and BSS. That closed in mid-March, and we are evaluating the responses and preparing to issue an RFP in June. The RFP for the passive network hardware and services—that is primarily the optical cable—closed some weeks ago and we are evaluating responses to that. The RCS for design and construction contractors to build the fibre access network closed at the end of April, and we are evaluating those responses also.

We received the network designs from seven companies for the five first-release sites. Each one of those has an aerial plan and an underground plan for each site. We are about to issue the construction RFP for those sites so that we can shortlist capable organisations.

On the overall construction of the fibre access network, it is a very large task. We will put probably close to 250,000 kilometres of fibre cable into the network. Almost all of that is fibre where there is not fibre today, so it is in the access network. We will pass between 10 and 11 million premises by the time that is finished, and likely employ 25,000 people at least indirectly in that job. We expect during the peak construction years to be rolling out past 4,000 premises per day. That is obviously a big logistical task and there will be a large amount of equipment we will be moving around the country. We expect to engage major contracting companies to take the lead in designing and building the fibre access network. They in turn will of course be employing subcontractors and other suppliers. We will be attempting to encourage engagement of local contractors in all the regions and towns around Australia.

In Tasmania, we have been making good progress. On 15 March the first retail service providers were announced, being iiNet, Internode and iPrimus. The stage one proof of concept centre was opened by the minister. As you might know, Aurora Energy is the project manager for the construction of the network and John Holland the main contractor. We now have a point of interconnect housed at Aurora's Cambridge Data Centre, and a network operations centre—NOC—will soon be opened at Derwent Park, which is a suburb of Hobart. There are three towns in this pre-release: Midway Point, Smithton and Scottsdale. We are on schedule for the first commercial service to be available in July of this year. We intend then to

move into stage two and stage three to cover the remaining parts of Tasmania as was announced.

The implementation study, since I was last here, has been released. As you know, we worked in close co-operation with the lead adviser. We are currently working on the basis of the original directives that were given to us by the government, but we are conscious that the implementation study makes some alternative recommendations in some areas—recommending, for example, only three per cent coverage of fibre. NBN Co. accept that the government will respond to the IS recommendations and this may have implications for what we are doing. As a government business enterprise—GBE—we have made and will make our views known on the recommendations to the government as the government considers its response to the implementation study. Overall, we agree with the implementation study conclusions that the project is financially viable. This was in fact the conclusion we reached in our own business case which, as you know, will be submitted in due course to the government. We are conscious in NBN Co. that we are spending public money. As I have said before, we take our obligation to be accountable very seriously. We welcome your questions.

**CHAIR**—Thank you very much.

**Senator FISHER**—Thank you for your opening statement. I do note that Mr Quigley's very informative statement arguably went directly to matters the subject of the Senate select committee, which is quite helpful.

**Senator Conroy**—We wanted to be open and transparent to allow you to ask as many questions as broadly as you wanted.

**Senator CORMANN**—As long as that goes both ways, yes.

**Senator FISHER**—Yee-haw!

**Senator Conroy**—Exactly—did I not say 'suck it and see'?

**Senator FISHER**—Mr Quigley, how long are you with us today?

**Mr Quigley**—Until the lunch break, that is 1.00 pm I believe.

**Senator FISHER**—How is that so? Because I had believed you would be with us for the duration, which as I understand—

**Senator Conroy**—No, that is not correct at all. Mr Quigley is a busy man. He has agreed to be here, as requested. He has never failed to turn up before any of the committees that you have chaired or to this Senate estimates.

**Senator FISHER**—So far as I am aware, Minister, we requested—

**Senator Conroy**—It is entirely reasonable for Mr Quigley to put four hours aside for the committee. I am sure you will be able to fill all of that time.

**Senator FISHER**—Mr Quigley, the minister has said you are available as requested. What was requested of you and by whom?

**Mr Quigley**—As far as I am aware, I was requested to be available this morning. That is the plans which I made. I got a request, very late, just a couple of days ago, as to whether I could be available last night. I was looking at possibly moving things around but that proved

to be not possible. I have something committed this afternoon which I need to get back up to Sydney for.

**Senator FISHER**—Leaving aside the request as to whether or not you could appear last night, which did unfold late in the day, prior to that, when had you been asked to attend until and by whom?

**Senator Conroy**—Let us get something very clear: Mr Quigley treats this committee and all of the committees of the parliament with due respect.

**Senator FISHER**—Is that correct, Mr Quigley?

**Mr Quigley**—Of course.

**Senator Conroy**—It is about time you started to treating Mr Quigley with due respect as well.

**Senator FISHER**—Then, Mr Quigley—

**Senator Conroy**—He has an enormous responsibility—

**Senator FISHER**—I am trying to ask him questions to give him—

**Senator Conroy**—and he has willingly agreed to be here—

**Senator FISHER**—justification for his time, Minister.

**Senator Conroy**—as is the norm. He has not missed a single request from you, from this committee or the other committee and he is very, very busy in an implementation stage. He is available for the next four hours. If you want to waste half an hour arguing about how long he is available for, it is your time; you are wasting it. Otherwise I would suggest, if you have got a question of Mr Quigley about Senate estimates or his opening statements, that you please fire away.

**Senator FISHER**—Mr Quigley, will you consider changing your arrangements for today?

**Senator Conroy**—No.

**Mr Quigley**—I am afraid that is not possible, Senator.

**Senator FISHER**—Minister, are you answering for Mr Quigley?

**Senator Conroy**—I am saying that Mr Quigley has appointments, and you are now treating Mr Quigley with a great degree of disrespect. If you have questions about the Senate estimates or his opening statement or matters that are relevant, fire away.

**Senator FISHER**—Mr Quigley, can you please give me more details as to the time at which you were asked to attend the hearing today?

**Mr Quigley**—I honestly cannot remember, Senator. I had it in my diary for a long time to be here in the morning so I will have to take that one on notice, I am afraid.

**Senator FISHER**—You did have it in your diary to be here for a long time?

**Mr Quigley**—From 9 am.

**Senator FISHER**—To be here?

**Mr Quigley**—From 9 am.

**Senator FISHER**—From 9 am?

**Mr Quigley**—I anticipated it would be an hour and a half, at most two hours, as it was last time. That is what I anticipated.

**Senator FISHER**—Your anticipation, whilst well intentioned, may well have been misinformed.

**Senator Conroy**—I think your expectation is now bordering on the unreasonable, Senator Fisher.

**Senator FISHER**—Given that—

**Senator Conroy**—If you have any questions of relevance would you like to begin the questions?

**Senator FISHER**—Given that, my understanding is that the secretariat was indicating that the expectation of Mr Quigley's attendance would be at least—

**Senator Conroy**—Interstate agencies—

**Senator FISHER**—until four o'clock this afternoon.

**Senator Conroy**—Let us be very clear, Senator Fisher—

**Senator FISHER**—At least until four o'clock this afternoon.

**Senator Conroy**—interstate agencies are not dragged willy-nilly to Senate estimates or other committees for an unlimited period. It is common for departmental staff to be on call and available for lengthy periods involving one to two days, but with interstate agencies certain courtesies are normally followed and now I am asking you to follow them.

**Senator FISHER**—Mr Quigley, I understand that we do try to manage with your arrangements but my understanding is that you indicated to the Senate select committee, which held a hearing last week, that you were not available for that hearing. I also understand that you have indicated you are not available for the next day of hearing of that committee, which is 4 June.

**Senator Conroy**—Do you have any questions relevant to Senate estimates—

**Senator FISHER**—I am reflecting on the minister's answering my question of you—

**Senator Conroy**—or the opening statement?

**Senator FISHER**—by the minister saying that Mr Quigley has always been available for this committee and other committees.

**Senator Conroy**—You are wasting your valuable time.

**Senator FISHER**—I am putting that back to you, Mr Quigley.

**Senator Conroy**—You are wasting your own valuable time, Senator Fisher. Mr Quigley has a business to run, and he has a very small number of staff, which is growing. By continually thinking he is there at your beck and call, to come and answer your questions whenever you want him to, you are wasting your time.

**Senator FISHER**—In a minute—

**Senator Conroy**—Mr Macdonald, would you like to ask some questions?

**Senator IAN MACDONALD**—He is running a business with taxpayers' money.

**Senator Conroy**—He is available and he has turned up.

**Senator IAN MACDONALD**—There is a finite time indicated from 9 am to 4 pm today. It is not going to go on for days. It is fractionally disappointing. More disappointing that he is not going to be available—

**Senator Conroy**—Interstate agencies operate under certain courtesies.

**Senator IAN MACDONALD**—on 4 June.

**Senator FISHER**—Mr Quigley, what are your commitments this afternoon?

**Mr Quigley**—I am—

**Senator Conroy**—I am sorry but he is not going to reveal to you his diary.

**Senator FISHER**—Mr Quigley, why—

**Mr Quigley**—Could I answer your question about the last Senate select committee, the one that I was asked to attend but could not. I think it was on rather short notice and I had a board meeting that day which had been scheduled at least six months ahead. With regard to the one that is taking place in early June, I will be overseas.

**Senator FISHER**—Thank you. Mr Quigley, why has it taken until yesterday for NBN Co. to answer 12 questions on notice?

**Mr Quigley**—I believe we had some 21 questions in total, of which we finalised our answers and submitted them to the department on 11 March.

**Senator IAN MACDONALD**—11 March?

**Senator FISHER**—Really?

**Senator IAN MACDONALD**—Mr Harris, what has happened to them since 11 March?

**Senator FISHER**—Mr Harris, the department left until yesterday to answer an additional 17 questions on notice. So we have 12 from NBN Co. and 17 from the department.

**Senator Conroy**—We are happy to debate at length in responding to your questions. You have Mr Quigley until one o'clock. I am not suggesting you do not want to ask these questions but you might want to take the opportunity—

**Senator FISHER**—Thank you, Minister.

**Senator Conroy**—to ask Mr Quigley some questions—

**Senator FISHER**—My first question is why has it taken until yesterday—

**Senator Conroy**—because you are beginning to become very transparent when you complain he is not here when you waste the first hour of the morning arguing about procedures.

**Senator FISHER**—Mr Harris, if NBN Co. provided all of their answers to the department, when was that, Mr Quigley—1 March?

**Senator IAN MACDONALD**—It was 13 March, I think.



**Senator Conroy**—The 11th.

**Senator FISHER**—What transpired between 13 March and yesterday in respect of NBN Co's questions on notice, some 12 of them, and in respect of the department's questions on notice, of which some 17 were answered yesterday?

**Mr Harris**—I think the department had 140 questions and a substantial number, but not the complete number of them, were provided by the relevant deadlines. In terms of NBN's questions, I do not have the right piece of paper here with me to tell you what happened with those questions. The standard process, as you know, is that we do as many as we possibly can. The more complex they are means the more you have to go back for clearance between individual agencies and the minister's office, meaning that sometimes you do not meet the deadlines. We regret not meeting the deadlines but we think that for 140 questions we did reasonably well in the circumstances.

**Senator FISHER**—Does that mean that in respect of the 12 answers—

**Senator Conroy**—Can I just clarify: my understanding is they were submitted to the committee on Friday—is that correct?

**Senator FISHER**—I am informed they were answered on 24 May.

**Senator Conroy**—I think the secretary, sitting next to you, is nodding.

**Senator FISHER**—Which was Monday I am told. Monday or—

**Senator Conroy**—They were submitted on Friday.

**Senator IAN MACDONALD**—In any case, with regard to the 13 NBN questions supplied on 13 March, Mr Harris, it does not take 2½ months to distribute them to the committee. Bearing in mind that NBN Co. is sort of a government corporation, one would think even the minister could not interfere with the answers given by this business corporation.

**Senator Conroy**—Senator, we do not interfere with answers.

**Senator FISHER**—So where were the answers?

**Senator IAN MACDONALD**—Why has it taken 2½ months?

**Senator FISHER**—Where were the answers, Mr Harris, buried in your department or buried in the minister's office for the weeks that transpired in between?

**Mr Harris**—As I said in relation to the NBN specifics, I do not have that piece of paper with me, because I have the wrong briefing pack left from here last night.

**Senator FISHER**—Can you, by later today please—

**Mr Harris**—I can find out in the course of the day where they went—

**Senator FISHER**—Thank you.

**Mr Harris**—but I would point out to Senator Macdonald that it is not just a question that the NBN would write an answer and that would be a perfect answer. There is a process of clearance, particularly when we are involved in a major policy shift. A question asked in February and answered in March that has been overtaken by a government decision or by

some better information has to be put back to NBN Co., then from NBN Co. back to us and then back to the minister's office. I am explaining this elaborate process because—

**Senator IAN MACDONALD**—Mr Quigley did not mention they had come back to him for revision.

**Mr Harris**—I am not saying they have; I am just saying I do not have the piece of paper with me, but that is the tradition here.

**Senator IAN MACDONALD**—I am sure they did not; otherwise Mr Quigley would have answered them, and I have had enough to do with Mr Quigley to know he is a very competent, very able, very direct and very honest person.

**Mr Harris**—I was not suggesting otherwise.

**Senator IAN MACDONALD**—Then why give us this—with respect—bureaucratise about things having to come back when new things come forward and having to be reconsidered.

**Mr Harris**—It does happen. It does happen.

**Senator IAN MACDONALD**—Well, it has not happened in these 13 cases.

**Mr Harris**—I cannot tell you that it has not happened.

**Mr Quigley**—I believe that it has happened.

**Mr Harris**—It has?

**Mr Quigley**—We submitted the answers on March 11 to the department and there were some amendments that went back and forth for clarification and, as Mr Harris has said, in fact some more up-to-date information became available.

**Senator IAN MACDONALD**—Tell us how many questions were reviewed and when your final answer to those was actually sent to the department?

**Mr Quigley**—That I cannot tell you right now. I will have to take that one on notice, if I can.

**Mr Harris**—Perhaps if I can—

**Senator IAN MACDONALD**—If you take it on notice, will you try to get it back to us before the day of the next Senate estimates hearing?

**Mr Quigley**—Certainly.

**Senator IAN MACDONALD**—These answers that come in the day before are of no use to the Senate. Of course that is why the government holds them up until then; they do not want them to be made available to the Senate, and all this spin about accountability—

**Senator Conroy**—They were forwarded on Friday.

**Senator IAN MACDONALD**—is anything but. It is a deliberate ploy by the relevant minister to make sure that your information to the committee, Mr Quigley, does not reach us. I would invite either Mr Harris or the minister to contradict that?

**Mr Harris**—I am happy to provide the further advice Senator Fisher asked for as soon as I can.

**Senator FISHER**—By later today. Mr Quigley, if NBN Co were to cease operations tomorrow what would the exposure of the taxpayer be?

**Mr Quigley**—That is not a question I have contemplated.

**Senator FISHER**—All right, let us unpack it. You have indicated to this committee in the past that NBN Co is reliant on equity injections from the government.

**Mr Quigley**—Correct.

**Senator FISHER**—How many equity injections have you had thus far and how many have been promised?

**Mr Quigley**—A total of \$260 million in equity injections have taken place so far. Five separate occurrences for a total of \$260 million.

**Senator FISHER**—Has the government indicated to you that there will be any further equity injections and, if so, how much?

**Mr Quigley**—There is one that we expect to be paid within the next week or so of another \$52 million which would take us to \$312 million. We have not had any detailed discussions on particular equity injections after that point.

**Senator FISHER**—As of 15 April we were at \$212 million and as of—

**Senator IAN MACDONALD**—At \$260 million.

**Mr Quigley**—Today we are at \$260 million.

**Senator FISHER**—As of 15 April we were at \$212 million and you are saying by next week you will be at \$312 million; is that right?

**Mr Quigley**—That is correct.

**Senator FISHER**—Beyond that, have you been promised any further equity injections by the government?

**Mr Quigley**—No. I believe there is an appropriation in the government's documents for a much larger amount of money, but in terms of details of dates or particular amounts the answer is no.

**Senator CORMANN**—I assume you are referring to the \$2.06 million in the Building Australia Fund—is that what you are talking about?

**Senator Conroy**—I am not sure Mr Quigley would know where the government's appropriations are coming from off the top of his head. He may.

**Senator CORMANN**—Mr Quigley just mentioned that there is a much larger—

**Mr Quigley**—I am referring to the 7 April 2009 government announcement.

**Senator CORMANN**—That is interesting because of course on 7 April the minister announced that the government would make an initial investment in the network of \$4.7 billion. All we have been able to find in the budget papers, and perhaps the minister can clarify, is in the portfolio special account in the Finance and Deregulation portfolio budget statements an allocation of \$2.062 billion for matters relating to eligible National Broadband

Network matters. Minister, is that to be used for straight equity injections to the NBN or will it be used, for example, to pay interest on future NBN borrowings?

**Senator Conroy**—I think the Treasurer indicated in his budget speech this year that the government has funded the NBN.

**Senator IAN MACDONALD**—I hope so.

**Senator Conroy**—We are making allocations. We have not at this stage finalised all of our considerations following the McKinsey report. There is information that is not available yet because it is not finalised by the government's consideration.

**Senator CORMANN**—You have not made a decision yet as to how you are going to use the \$2.062 billion?

**Senator Conroy**—No. The way it works is that the NBN Co request or indicate that they have a purchase, a project, a cost that they need and we then inject the equity, but \$4.7 billion was the initial investment in last year's budget papers.

**Senator CORMANN**—Which you have not made yet.

**Senator Conroy**—As I said, we supply the money on request.

**Senator CORMANN**—On an as needs basis?

**Senator Conroy**—On a needs basis.

**Senator CORMANN**—Hence my question. Mr Quigley, you have answered Senator Fisher by saying that next week you expect to have received from the government \$312 million in equity injections. How much of that money have you spent to date and how much have you committed to moving forward? Finally, have you made commitments beyond the \$312 million in equity injections that you have received?

**Senator Conroy**—Some of that goes to some quite sensitive commercial issues. Mr Quigley may want to detail some further information but he may be constrained by some commercial issues.

**Senator CORMANN**—I think it is a reasonable question as to how much has been spent, given the government is not forthcoming in telling us how much in equity injections they are prepared to make available this financial year.

**Senator Conroy**—There is an annual report.

**Senator CORMANN**—Maybe you can let Mr Quigley answer.

**Senator Conroy**—No, I am not going to let you get away with making wildly erratic assertions.

**Senator CORMANN**—I am not making any assertions, I have asked a question.

**Senator Conroy**—There is an annual report which is tabled, which will be tabled in accordance with all the relevant regulations.

**Senator IAN MACDONALD**—We are asking the questions.

**Senator CORMANN**—I have asked a very specific question. Why do we not let Mr Quigley answer? How much has been spent to date, how much is—

**Senator Conroy**—Then ask the question and do not make wildly erratic and erroneous assertions as part of your question—and then I will not need to correct you and Mr Quigley will be able to answer your question.

**Senator CORMANN**—It is not assertion; it is a very simple question. He has received \$312 million in equity injections. How much has been spent? Can you share that with us?

**Mr Quigley**—Perhaps the senator can answer the latter part of your question first. You asked: do we ever spend above the commitment we have? The answer to that is no. We will not commit—

**Senator CORMANN**—So your maximum exposure is \$312 million at this point?

**Mr Quigley**—Absolutely. We will not commit the company above the amount for which we have equity injections into the company. Of that, to date, we have spent certainly not a huge amount of that, in a region of \$50 million as of the end of April.

**Senator CORMANN**—How much is committed over the next 12 months?

**Mr Quigley**—I do not have that number off the top of my head but we keep—

**Senator CORMANN**—Will you be able to provide that on notice?

**Mr Quigley**—Each month, in fact, we bring to the board a futures commitment. In other words, we look very hard at not just what we have spent in terms of what has hit the P&L of the company, the expenses of the company, but also what we are forward committing to. At no time do we ever get to a position where we are committing more than we have equity available to us.

**Senator CORMANN**—You have spent \$50 million so far roughly.

**Mr Quigley**—Roughly, yes.

**Senator FISHER**—What on?

**Mr Quigley**—The running costs of the company.

**Senator FISHER**—Can you detail those, please.

**Mr Quigley**—That goes on salaries, on work we do, on contractor workers.

**Senator FISHER**—Can you break that up for us?

**Mr Quigley**—I am sure we can provide that information from the company. I would need to get our chief financial officer to do that.

**Senator FISHER**—So you have spent that \$50 million on running the company.

**Mr Quigley**—Yes.

**Senator FISHER**—You have spent it on salaries.

**Mr Quigley**—Yes.

**Senator FISHER**—On leasing offices?

**Mr Quigley**—As you would expect, yes, leasing offices.

**Senator FISHER**—What else?

**Mr Quigley**—On work we have placed with contractors to get buildings done. We have spent it on standard—

**Senator FISHER**—Sorry, so constructing your premises?

**Mr Quigley**—No, constructing the work that is going on, for example, in Tasmania.

**Senator FISHER**—How much have you dedicated to rolling out the NBN in Tasmania?

**Mr Quigley**—It is not a question of whether we have dedicated any particular amount to it; we have an equity injection, as you know, from the government for \$100 million for Tasmania.

**Senator FISHER**—How much of the \$50 million have you spent on rolling out the NBN in Tasmania?

**Mr Quigley**—I could not tell you that number off the top of my head.

**Senator IAN MACDONALD**—Do you have the chief financial officer with you today? Perhaps he could come to the table and assist us.

**Mr Quigley**—I do not.

**Senator FISHER**—It is estimates after all.

**Senator IAN MACDONALD**—Just let me understand this: Mr Quigley, you are here by yourself, are you, from NBN Co?

**Mr Quigley**—No, I have Mr Ian McAuley with me.

**Senator FISHER**—Cheers, Mr McAuley, but you are not the chief financial officer.

**Senator IAN MACDONALD**—No, I know. What is his role?

**Mr Quigley**—He is here dealing with all of the issues around liaison with government. He is based here in Canberra which is why he is here with me.

**Senator IAN MACDONALD**—I thought Mr Kaiser would be here; for the amount you are paying him for liaison with government, I thought you would have him here.

**Mr Quigley**—Mr McAuley works for Mr Kaiser.

**Senator FISHER**—On notice, Mr Quigley, you will inform the committee of the amount of the \$50 million equity spent thus far, how much was spent on rolling out the NBN in Tasmania—correct? You will provide that on notice?

**Mr Quigley**—We should be able to do that, yes.

**Senator FISHER**—I would hope you would be able to itemise what you have spent the money on thus far. What else have you spent the \$50 million on thus far?

**Senator Conroy**—As you are probably aware, the Tasmanian rollout of the national broadband is moving ahead on time and on budget as far as I am aware.

**Senator FISHER**—We would like to ask lots of questions about that a little later, Minister.

**Senator Conroy**—Yes, and you will, but I am just going to add to the answer, given you have asked the question that—

**Senator FISHER**—To Mr Quigley, my question was—

**Senator Conroy**—No, ministers have the—

**Senator FISHER**—and his time is limited, we hear.

**Senator Conroy**—discretion to add information to the answers. As we said, stage 1 contracts in Tasmania which include backhaul around the state costs I believe \$38 million and I am not sure that that is within the—

**Senator FISHER**—Does that mean the \$38 million of the \$50 has been spent on backhaul in Tasmania? You are not helping, Minister, you are confusing.

**Senator Conroy**—I am seeking to ensure that you are not confused.

**Senator FISHER**—Confucius Conroy.

**Senator Conroy**—The figures that Mr Quigley is quoting may not include the separate—because Tasmania NBN Co is a separate entity.

**Senator FISHER**—Precisely. You are not assisting, Minister, you are simply clouding the issue. Can I continue to ask Mr Quigley my questions, please?

**Senator Conroy**—No, I am actually seeking to clarify for the committee's assistance.

**Senator FISHER**—You are not doing very well.

**Senator Conroy**—I cannot help it if the answers are not understood. The Tasmanian project is on track, on schedule and will deliver the first live services in a few weeks time in July. I see it was indicated in one of the newspapers today, and I have been aware of it for a couple of days, that the first customers for Tasmanian NBN have been signed by one of the companies that are providing services in Tasmania. A very exciting development, I am sure you would agree.

**Senator FISHER**—Mr Quigley, the \$50 million that NBN Co has spent up to the end of April of the \$312 million equity injection from the federal government or the federal taxpayer, you have spent it on running salaries, leasing offices, contractors rolling out the NBN Co to Tasmania, which may or may not equate to some \$38 million of the \$50 million; what else have you spent it on?

**Mr Quigley**—Things such as getting the IT system working, recruitment costs.

**Senator FISHER**—You have signed a supply contract with some software people, have you not?

**Mr Quigley**—That is correct.

**Senator FISHER**—How much was that contract?

**Mr Quigley**—I believe the total, I am going off memory here, was around \$20 million.

**Senator FISHER**—So that is \$20 million of the \$312 million. Okay, what else?

**Mr Quigley**—I talked about salaries. We have got contractors, facilities, travel expenses, recruitment, other employment costs, telecommunications costs. We are using some external consultants in places such as HR and program management, legal and negotiation support—as you would be aware, we are in some large and complex negotiations so there are some

investment bankers involved—plus all the usual things associated with companies such as insurances and the like.

**Senator FISHER**—You are going to provide on notice a breakdown of what NBN Co has spent \$50 million on thus far?

**Mr Quigley**—Yes, spent so far. Yes.

**Senator FISHER**—Thank you. Do any of the contracts to which you have referred bind NBN Co to expenditure beyond arguably the \$312 million? I know you have said in the general context they do not, but how do you know that?

**Mr Quigley**—Because we are very careful to make sure they do not.

**Senator CORMANN**—What happens when staff running costs keep on going?

**Mr Quigley**—That is what our financial system does. We make forward projections.

**Senator CORMANN**—Do your salary contracts say that if we sort of run out of equity you no longer have a job?

**Senator FISHER**—You run out of a job?

**Mr Quigley**—Yes, we look at a forward projection of what the costs are of the company, all commitments that we make. Have we done an analysis of the wind-up costs of the company? No, we have not. What we have done is make sure that any commitments we have made, whether they are purchase contracts or contracts with subcontractors or contracts for equipment, in total none of that takes us above the \$260 million equity that has been injected to date.

**Senator FISHER**—How can you say that? How can you reassure us as to that when you have just said you have not done a calculation of what the wind-up costs would be, for example?

**Mr Quigley**—Because I am making a distinction there between the question you asked. For example, we have not analysed payout costs for every employee as distinct from amounts of money we have committed to in purchase contracts or supply contracts or any of those types of things.

**Senator CORMANN**—If there is a change of government and a future government discontinues equity injections into NBN, what is your situation as NBN Co? Do you have exit clauses in your contracts?

**Mr Quigley**—Yes.

**Senator CORMANN**—Including with your staff?

**Mr Quigley**—Yes.

**Senator CORMANN**—Is there provision as to what any penalty payments to staff or other contractors would be?

**Mr Quigley**—Yes, we can calculate that. I do not have those numbers off the top of my head.



**Senator CORMANN**—If you could calculate that for us and provide that information on notice, that would be great, thank you.

**Mr Quigley**—Yes, okay.

**Senator CORMANN**—What would be interesting for us to know is what your projection is—you have spent \$50 million so far out of \$312 million in equity—

**Mr Quigley**—If I can make sure I am quite precise about it to make sure there is no misunderstandings. We run two accounts, an opex account and a capex account. What I gave you as the \$50 million was the opex account. Those are the costs of the company which we book against the P&L which at this stage there is no revenue, so of course it is all loss at this point. So, it is expenses which we are accruing. We then have a capex account for things such as building in Tasmania which you need to pay cash. We look at both the cash, the balance sheet, and we look at the P&L. Things obviously balance but what I can absolutely assure you is, with the exception of the kind of wind-up activities of paying out salaries, we make absolutely sure we commit nothing in the company above the equity injections we have got. In fact, we already have a reasonable head room between the total commitments of the company and the equity injections we have so far.

**Senator CORMANN**—Out of the \$50 million, how much of it is capital expenditure and how much of it is recurrent expenditure commitments?

**Mr Quigley**—There is about \$50 million of opex and there is I think about \$17 million or perhaps \$20 million or so of capex.

**Senator CORMANN**—So that is \$70 million?

**Mr Quigley**—That is the total, if you like, commitments but in some cases some of that opex is obviously being accrued into the balance sheet.

**Senator CORMANN**—Sure.

**Mr Quigley**—We have got to look both at the cash and the P&L and what is sitting on the balance sheet. What I can assure you is that the company has not committed more than we have in equity injections.

**Senator CORMANN**—Sure, but at this point in time, as you have just said, you are not generating any revenue.

**Mr Quigley**—That is correct.

**Senator CORMANN**—So, your recurrent liabilities are essentially a straight-out loss on your balance sheet?

**Mr Quigley**—That is correct.

**Senator CORMANN**—You have made some capital expenditure commitments. What we are trying to ascertain, you have had \$312 million in—

**Mr Quigley**—\$260 million to this point.

**Senator CORMANN**—\$260 million so far but there is a commitment by next week or whatever you will have received \$312 million in equity injections. You are really dependent on either this government or future governments continuing with those equity injections, are

you not, until such time as you are actually able to generate revenue? That is self-evident, is it not?

**Mr Quigley**—To get the network built, absolutely we are dependent on the government making equity injections.

**Senator CORMANN**—We have obviously got an election by the end of the year; presumably that is something that is on your risk management register as a company, is it not? What would happen in the context of a change of government?

**Mr Quigley**—It is really not up to us to speculate on changes in government. We just make absolutely sure we do not get ahead of the commitments we have from the government for equity.

**Senator CORMANN**—The important bit there is, and you have already confirmed it, that all of your contracts have got exit clauses in them. If government policy towards equity injections were to change at any time in the future then you would be able to get out of the contracts that you have entered into; you have confirmed that, have you not?

**Mr Quigley**—What I have confirmed is that we have made no commitment that has gone above the equity that we have had injected.

**Senator CORMANN**—Are you going back on what you have said there? Are there exit clauses or not?

**Senator Conroy**—Not at all. I actually just think you have misheard or misrepresented but I suspect it was more misheard, Senator Cormann. If you can be precise about—I think he was talking about staff contracts.

**Senator CORMANN**—Let us clarify because I heard him say yes to exit clauses. Yes, staff contracts. Which contracts have got exit clauses in them?

**Mr Quigley**—The amounts of money which we have committed in contracts are not so large that we need to have exit clauses in. In almost every contract we will write there will obviously be exit clauses. The fact is we do not need to invoke those because we have not committed.

**Senator CORMANN**—If there is no further equity injection, how much longer can you go the way you are going? Like having staff—

**Mr Quigley**—If there is no further?

**Senator CORMANN**—Yes, if this is it. If there is a change in government and no more equity injections, how much longer can you go the way you are going until all the money is gone?

**Senator Conroy**—That is a hypothetical. It is not within your purview to ask an opinion based on a hypothetical circumstance.

**Senator CORMANN**—It is not an opinion at all.

**Senator Conroy**—It is. You are asking for a hypothetical set of circumstances. I understand why you are doing it and it is perfectly reasonable, but—

**Senator IAN MACDONALD**—It is called risk in business, Minister.

**Senator CORMANN**—It is called risk management.

**Senator Conroy**—No, I think Mr Quigley—

**Senator CORMANN**—In any company—

**Senator Conroy**—I think he is indicating he has been particularly risk averse. I think he—

**Mr Quigley**—I suggest—

**Senator CORMANN**—Well, we could—

**Senator Conroy**—has demonstrated today—

**Senator CORMANN**—Mr Quigley made the assertion that they have not committed beyond—

**Senator FISHER**—So you are ignoring risk?

**Senator CORMANN**—A certain level of funding is available. I think it is an entirely legitimate question to ask how he can make that assertion—that is, if he has not committed the company beyond the equity injection that is available to him at present then he has to be able to demonstrate how that is so, I would have thought. In the scenario where there are no additional equity injections, how will he make sure that everything—

**Mr Quigley**—It is quite straightforward. If I was to know there was no further equity injections then I, together with the board, would be taking some actions now to conserve cash as any company would.

**Senator CORMANN**—How much more would you have to spend in order to take that action before you actually—

**Mr Quigley**—It is not a matter of spending. It is a matter of what we would not be spending.

**Senator CORMANN**—So you would stop, 50 plus 20 and then that is—

**Mr Quigley**—We just simply could not make any more commitments.

**Senator Conroy**—If he knew there were no more equity injections.

**Senator CORMANN**—That is right and that is the scenario that we are talking about.

**Senator Conroy**—The scenario is a hypothetical, to go back to the very obvious, Senator Cormann.

**Senator CORMANN**—It is not—

**Senator Conroy**—But we are happy to entertain the scenarios.

**Senator CORMANN**—You know that it is not hypothetical at all.

**Senator Conroy**—It is very hypothetical.

**Senator CORMANN**—That is your wishful thinking, Minister.

**Senator FISHER**—Mr Quigley, how can you know that you have not committed NBN Co. beyond the \$312 million equity injections if you do not know the costs of winding up NBN Co.?

**Mr Quigley**—Because as I said, with the exception of those payouts of salaries, we have very carefully plotted and charted, and we report to the board every month the total commitments that the company has made. Now what I am saying is off the top of my head but I am fairly confident that we still would not have an issue, even if I included those potential payouts. But I would not say that categorically because I simply have not looked at the scenario of winding up the company. I have not looked at that scenario.

**Senator FISHER**—Do you know what costs are involved in winding up the company? You have talked about exit costs—

**Senator Conroy**—I think Mr Quigley answered that when he said he has not considered it. So, by definition, he does not know those costs.

**Senator FISHER**—Therefore, how can you say that if NBN Co. were to wind-up there would not be commitments beyond the government's equity injections of \$312 million?

**Mr Quigley**—That is my opinion. We can look at it as opinion because I know what commitments we have made and I know what the salary bill is on a monthly basis.

**Senator FISHER**—But you have said you do not, because you do not know what the wind-up costs are.

**Mr Quigley**—I have not looked in detail at that scenario.

**Senator Conroy**—He is giving you an opinion and he said he will take on notice—

**Mr Quigley**—On notice to have a look at it in detail if you want me to.

**Senator CORMANN**—You are providing us with the wind-down costs on notice?

**Senator Conroy**—No.

**Senator FISHER**—Wind-up.

**Senator Conroy**—That is not what he said. That is a nice try, Mathias, but it is not what he said.

**Senator CORMANN**—What was the question, I am asking?

**Senator IAN MACDONALD**—It might be a good idea to have to that one in the back of your pocket, Mr Quigley, just in case.

**Senator FISHER**—Mr Quigley, would you care to say one more time how you think you can say on the one hand that NBN Co. is not committed beyond the \$312 million equity injection from the government and on the other hand you do not know what would comprise the wind-up costs of NBN Co. if it were to wind-up? You do not know the nature of those costs and you do not know the amount of those costs?

**Mr Quigley**—Yes. What we have logged very carefully is every commitment that the company is making in terms of purchases, contracts—

**Senator FISHER**—Are wind-up costs commitments in your language?

**Mr Quigley**—No. In the language I have just used there, in terms of the commitments the company is making, I do not include the wind-up costs per se in that. I am only giving you an

opinion that if I looked at the largest costs associated with such an event it would be paying out salaries in my view. Probably paying out subleases—

**Senator FISHER**—How do you know that?

**Mr Quigley**—I can only tell you that I think we would be well covered, but I have not done that analysis in detail. I have not contemplated winding up the company and the costs associated with winding up the company.

**Senator IAN MACDONALD**—Mr Quigley, just as an aside, how long is your contract?

**Mr Quigley**—I am not sure that I can answer. I do not think it has a fixed duration.

**Senator CORMANN**—Is there an exit clause?

**Senator IAN MACDONALD**—What about Mr Kaiser? Do you know—

**Mr Quigley**—I cannot—

**Senator Conroy**—You are living for the day you get a chance to press that button, aren't you?

**Mr Quigley**—I am not sure—

**Senator Conroy**—You have got to move on in life, Macca.

**Mr Quigley**—I am not sure we have fixed duration contracts. We generally have a notice period for the employee to give the company notice and for the company to give the employee notice.

**Senator IAN MACDONALD**—So what is that just as a—

**Mr Quigley**—In my case I believe it is 12 months. I am once again going from memory here. I believe I need to give the company six months notice and I believe the company needs to give me 12 months notice.

**Senator IAN MACDONALD**—Okay.

**Senator FISHER**—Mr Quigley, you think that the wind-up costs would comprise paying up staff. You mentioned something about leases?

**Mr Quigley**—Clearly, we have entered into leases for property, and of course you can always sublease property.

**Senator FISHER**—What else?

**Mr Quigley**—We have not looked at that in detail.

**Senator FISHER**—What else would comprise wind-up costs in your view?

**Mr Quigley**—If for example we had ordered some material, if I am projecting forward in the future that material was in the pipeline on its way to us, we would probably have to pay for that material. We would have to pay out all of the receivables that we have. It is just the usual and then there would be legal expenses with winding a company up.

**Senator FISHER**—Yes. NBN Co. has entered into contracts. Are you able to provide the committee with what we can call 'exit costs' or 'pre-termination costs' if NBN Co. were to terminate those contracts early?

**Mr Quigley**—No, I am not sure I can because in some cases you are entering into commercial arrangements with a company and they are under contract and it just would not be sensible business sense for us to make that public knowledge.

**Senator FISHER**—All right, then. Can you give us an example of what might be an early termination payout for one of those contracts without naming it?

**Mr Quigley**—You are talking about if we had ordered an amount of material—

**Senator FISHER**—I am being more general than that: for example, the contracts to roll out the NBN Co. in Tasmania; for example, your software supply contract that you talked about costing \$20 million.

**Mr Quigley**—Yes.

**Senator FISHER**—What if some of those sorts of contracts were to be terminated by NBN Co. early? What would be the payout consequences?

**Mr Quigley**—That would be a function of what we had already paid, what work was to be done and what was in the potential termination clause. I would need to look at those contracts individually to make that determination. They will vary from contract to contract depending on how far you are along in the provision of goods or services that you have contracted for.

**Senator IAN MACDONALD**—Mr Quigley, rightly or wrongly and whether you agree with this or not, the opposition has announced that they will not be going ahead with the NBN in the event that they are elected. Senator Conroy would think it is a long event, but never mind. As a business manager, you must be conscious of whether, if the thing does come to an end, you have enough money to pay out the contracts that Senator Fisher is talking about. Do you have enough money to pay out staff contracts and that sort of thing? That would seem to be part of your normal commercial risk management obligations?

**Mr Quigley**—As I said, we are making sure that we are making no commitments that are above the equity injection we have got. My judgment at this point, sitting at this table, without doing a detailed analysis of it, is that the company would have enough cash in order to execute that. I guess I had also assumed that, this being a GBE, if such an eventuality were to take place the government would make sure the company could be wound up if that were the government of the day's choice to do so. It is not something I have spent a lot of time being too concerned about.

**Senator IAN MACDONALD**—It is in the context of the commitments that are being made. Can they be paid out if you are starved of money?

**Mr Quigley**—I would say largely yes, but being a GBE I assumed the government would do whatever it needed to do under those circumstances.

**Senator IAN MACDONALD**—Yes.

**Senator CORMANN**—Minister, Mr Quigley has said that he expects further equity injections and he referred to your press release of 7 April 2009 where you stated the government would 'make an initial investment in the network of \$4.7 billion'. Can you point us to where in the budget we can find that \$4.7 billion committed?

**Senator Conroy**—I think the Treasurer's budget speech.

**Senator CORMANN**—We cannot find it in the budget papers so perhaps you can assist us. It might be mentioned in a speech as a commitment but we cannot find it in the budget papers, the actual balance sheet. If you can assist us, that would be good.

**Senator Conroy**—The \$2.4 billion I think is—

**Senator CORMANN**—That is the money that came out of the Communications Fund.

**Senator Conroy**—Yes. The \$4.7 billion was the initial investment and that was in last year's budget papers.

**Senator CORMANN**—The \$4.7 billion—

**Senator Conroy**—Was in last year's budget papers.

**Senator CORMANN**—Given that there will have been an injection of \$312 million by the end of next week, the money must still be on the books somewhere; can you point us to where in the budget papers this year? Last year \$250 million was allocated and that is page 410 of last year's budget papers, for the Regional Backbone Blackspots Program. Then you have got the \$2.45 billion which you have just mentioned which came out of the Communications Fund. There is still \$2.25 million which we cannot find. Is that to be funded through borrowings or is that going to be cash at hand from government?

**Senator Conroy**—As I think you are aware, in fact you are even claiming a saving on our borrowings.

**Senator CORMANN**—Excuse me?

**Senator Conroy**—I think you are even claiming a saving on our borrowings, so you have obviously found some information or you have made some calculation. You have claimed a \$2.4 billion saving on government borrowings.

**Senator CORMANN**—No, I have not claimed a \$2.4 billion—

**Senator Conroy**—It was not Mr Abbott. It was not Mr Hockey. Sorry, it was Mr Robb.

**Senator CORMANN**—You can throw as many red herrings as you want, Minister. I want to know where in the budget—

**Senator Conroy**—You have claimed \$2.4 billion—

**Senator CORMANN**—I can find the \$4.7 billion which you said in your 7 April press release would be the initial investment by government into the NBN. Where can I find it in the budget papers?

**Senator IAN MACDONALD**—Can we ask Mr Harris that? He is obviously well skilled with these things.

**Mr Harris**—The government has made provision in the budget papers for funding of the NBN.

**Senator CORMANN**—How much?

**Mr Harris**—It appears in the department's PBS statements.

**Senator CORMANN**—What page?

**Senator IAN MACDONALD**—Can you just give us the page and the line perhaps? We are a bit slow over here.

**Mr Harris**—You will find it on page 47, schedule 3.2.8, ‘Investments accounted for using the equity method’. You will see multiple billion dollar allocations across those lines there. They include other investments that are made but it does not—

**Senator CORMANN**—Give me the specific number you are looking at.

**Mr Harris**—You will see the second line down starts out, ‘Estimated actual 2009-2010.’ It includes a figure of \$3.9 billion. Included within that equity accounted for is the investment.

**Senator CORMANN**—In that \$3.9 billion, how much of—

**Senator Conroy**—We will take that on notice and break that down for you.

**Mr Harris**—But it is quite consistent with the minister’s advice. Equity accounted within the department’s account, and it goes on. I might note that it includes preceding year investments obviously, because we have not paid \$3.9 billion this year; and it includes the future allocations where the government has made provision in those accounts for investments in the NBN.

**Senator IAN MACDONALD**—Does this relate just to NBN or is it—

**Mr Harris**—No, it includes—

**Senator Conroy**—As I just said, we will take it on notice and give you a breakdown.

**Senator IAN MACDONALD**—Just give us an example of what are the—

**Senator CORMANN**—Yesterday you were able to give us a breakdown on the spot. Why would you be so unhelpful, Minister, as to not provide that breakdown now?

**Mr Harris**—It is a matter that the department of finance puts together, not us.

**Senator CORMANN**—You do not know in that \$3.9 billion how much—

**Mr Harris**—We do. We do we have—

**Senator Conroy**—We will take it on notice and we will get the accurate information for you.

**Senator CORMANN**—I am asking Mr Harris. He has just referred us to—

**Senator Conroy**—I can add to any answer at the table. I said that we will take on notice and give you an accurate breakdown, because there is more involved than simply an NBN calculation.

**Senator CORMANN**—Minister, so we do not actually know what that \$3.9 billion here is made up of.

**Senator Conroy**—You have now asked and we have said we will get you the information.

**Senator CORMANN**—We also have, of course, the \$2 billion which is in the portfolio special account for the communications portfolio in the Building Australia Fund. What is that for? What is the \$2 billion for? Given that you are pointing me to \$3.9 billion here—



**Senator Conroy**—We said that included in that are NBN related issues and we will get you a breakdown.

**Senator CORMANN**—No, not included in that. I am quoting here: ‘Transfers to the BAF Communications Portfolio Special Account relate’—

**Senator Conroy**—I was talking about the figure we were just discussing a moment ago.

**Senator CORMANN**—Is it \$100,000 that is included or \$2 billion or \$5 million? We really have not got a clue here.

**Senator Conroy**—The \$2 billion or \$2.4 billion is detailed there on page—

**Mr Harris**—Forty-nine.

**Senator Conroy**—Forty-nine.

**Senator CORMANN**—I think we are at cross-purposes now.

**Senator Conroy**—I think we might be. That is why I was trying to clarify—

**Senator CORMANN**—You are not clarifying at all, Minister.

**Mr Harris**—On page 49, in table 3.2.9, if you run your eye down the text, you will see BAF Communications Portfolio. The numbers that the minister referred to earlier in terms of the government’s allocation within the Building Australia Fund are listed there.

**Senator CORMANN**—Yes. I know.

**Mr Harris**—You will see them consistent with the numbers that the minister earlier advised the committee.

**Senator CORMANN**—So what is that \$2 billion to be spent on? Is that going to be an equity injection or is that going to be cover the cost of borrowing?

**Mr Harris**—The Building Australia Fund includes both the black spots program the government is committed to, which is the \$250 million rollout for black spots, and the NBN; that is the total Building Australia Fund allocation. The numbers I referred to you earlier are the complete investment in NBN. The BAF does not have the full amount of money. There are remaining funds allocated by the government separately. But, as I advised you, we will have to consult in detail with the department of finance to provide you with that break-up.

**Senator CORMANN**—You say that the \$2 billion-plus is not all NBN money. Is that what you are saying?

**Mr Harris**—It includes the \$250 million for part of that, spread over those two years.

**Senator Conroy**—Which is a component of the NBN.

**Mr Harris**—And will be contributed. That is right: that asset will move, once constructed, into the hands of the NBN.

**Senator CORMANN**—The finance portfolio statement makes specific mention that transfers to the BAF Communications Portfolio Special Account relate to eligible National Broadband Network matters. Are you saying they also relate to other matters?

**Mr Harris**—No. I am saying what is in the finance portfolio is quite correct.

**Senator Conroy**—The BAF is all for the NBN related matters. Inside that there is \$250 million for the regional black spots. As you know, we were in Perth just last Friday turning the first sod on the Perth to Geraldton link and we welcomed the support of the Western Australian Liberal government.

**Senator CORMANN**—Which means we still cannot identify the \$4.7 billion anywhere then, because you are pointing me to two different areas in the budget.

**Mr Harris**—No, I am not. I am pointing to two different references, because you asked where the amount of money that the minister referred to earlier in the Building Australia Fund was. I pointed out to you where the amount of money allocated to the Building Australia Fund was. You asked earlier about the complete allocation for the NBN and I referred you to table 3.2.8 and described that we have equity accounted for the investments in the NBN in there. It includes both past investments and future investments. To provide a breakdown of that will require us to consult in detail with the department of finance. It is quite traditional.

**Senator IAN MACDONALD**—But in future the \$3.9 billion is not \$4.7 billion.

**Mr Harris**—Sorry, \$3.9 billion is what we have invested to date. That is an equity accounted asset. That is a lot of assets that have been invested by previous governments that are held within the portfolio.

**Senator CORMANN**—So it includes many other things than the NBN?

**Mr Harris**—Yes, that is correct.

**Senator IAN MACDONALD**—You are going to get us details of that?

**Mr Harris**—We will.

**Senator Conroy**—That is what we said 10 minutes ago.

**Senator CORMANN**—I understand that, but we are still in the same problem situation. You pointing to \$3.95 billion in 2009-10 does not tell us anything about where in the budget the \$4.7 billion investment is.

**Mr Harris**—No, but in 2009-2010, as Mr Quigley and the minister have advised you, the allocation is in that table 3.2.9—\$335 million in the BAF Communications Portfolio. That will be the amount of money that Mr Quigley has referred to, \$300-odd million, and the amount of money spent to date on the black spots program in 2009-10. I can fully give you a 2009-10 number but in the out years, we go beyond the amount of money in the Building Australia Fund, which is effectively closed at a particular point in time, which is shown in table 3.2.9. In 2011-12 it does not have any more money after that except for a small amount in the forward estimates for 2012-13. The further money for the NBN—the many billions of dollars that will be spent in that period—is reflected in the investments accounted for in the equity method in table 3.2.8.

**Senator CORMANN**—Let me ask you a very specific question: is any of that \$3.95 billion borrowed money?

**Mr Harris**—Borrowed money.

**Senator CORMANN**—Are you talking about—

**Mr Harris**—The government funds its entire budget with a borrowing program, so Treasury could tell you that, but I cannot tell you that. It is money provided to us.

**Senator Conroy**—We will seek to double check this, but sometimes when you are sitting on that side of the table and you are asking a string of questions, you have an agenda of where you are trying to go.

**Senator CORMANN**—I am trying to understand how much of that \$4.7 billion comes from cash and how much of it comes from borrowings.

**Senator Conroy**—One of the reasons there is confusion is that we are trying to understand what it is you are asking. There is \$2 billion that came across from the Communications Fund, and that is cash, not borrowings. If I sound confused when you keep asking, ‘Are there any borrowings involved in the \$2 billion’, I do not believe so.

**Senator CORMANN**—I am not talking about \$2 billion; I am talking about \$3.9 billion.

**Senator Conroy**—As Mr Harris has said, I am happy to seek some further information to assist the committee. But you keep actually asking about the money in the Communications Fund and saying, ‘Are there any borrowings in that?’ and that is what I think is causing some confusion on this side of the table.

**Senator CORMANN**—It is not that confusing. You made a commitment on behalf of the government to invest \$4.7 billion in the NBN. Where is that money allocated in the budget? What we are being told is that it is sort of included in all the other financial asset information.

**Senator Conroy**—It is in two places.

**Senator CORMANN**—As I understand it, in 2009-10—

**Senator Conroy**—It is in two places.

**Senator CORMANN**—If I can explain myself, maybe we can get on with the program. As I understand it, the \$3.9 billion in 2009-10 includes the \$300-odd million committed to the NBN so far, so well and truly less than 10 per cent of the 2009-10 allocation relates to the NBN. Are you saying to me that \$4.7 billion is allocated across the forward estimates?

**Mr Harris**—I do not think I can answer that. That is an answer for the Treasury or the finance portfolio at that point. I can tell you what is in my PBS, which is what is agreed with the finance department.

**Senator CORMANN**—That is what I want to know. What is in your PBS?

**Mr Harris**—I have told you what is in my PBS. Those two lines reflect the investments, the two that I referred to were 3.2.9—

**Senator CORMANN**—In your portfolio?

**Mr Harris**—In our portfolio. Further questions around the budget allocation are decisions that are effectively taken by the finance portfolio in consultation with the Treasury in constructing the budget. We do not comment on them.

**Senator CORMANN**—Okay, let me ask the question in another way. How much of the \$4.7 billion which was announced by the government has been provided to your department in your portfolio budget statements?

**Mr Harris**—It is reflected in those two places I have described to you.

**Senator CORMANN**—Yes, I know. But you have agreed with me—so I do not think I am verballing you—that out of \$3.9 billion in 2009-10, all that is related to the NBN is \$300 million?

**Mr Harris**—That is right.

**Senator CORMANN**—So \$300 million out of \$3.9 billion?

**Mr Harris**—That is fully taken from the BAF—the Building Australia Fund—which is reflected in table 3.2.9.

**Senator CORMANN**—That comes out of the BAF, so we are agreed on that. In the BAF there is only \$2 billion left, so you are not going to be able to take \$4.7 billion out of the BAF moving forward. You are nodding, so I assume that you agree with me?

**Mr Harris**—You cannot take \$4.7 billion out of two point something, no.

**Senator CORMANN**—Exactly, so that is a statement of fact. The question then is: how much is your department short for you to get to the \$4.7 billion investment into the NBN that the government has flagged?

**Mr Harris**—We are not short a single dollar. The government has assured us in the Treasurer's budget speech and in the budget papers that it has fully made provision for the NBN investment. We are quite confident it has fully made provision in the NBN investment.

**Senator CORMANN**—But it is not in your portfolio budget statement?

**Mr Harris**—But at this committee I can only answer for what is in my PBS and my CFO will advise me what is in the PBS.

**Senator CORMANN**—Mr Harris, we are getting somewhere now. What you are saying is that you are confident that the government has the money?

**Mr Harris**—That is right.

**Senator CORMANN**—But at this point in time your department does not have all of the money yet?

**Mr Harris**—No, I would not say my department does or does not have the money. I would say I have to consult with the department of finance in order to come back and provide you on notice with an answer for that equity accounted method.

I am saying somewhere in that line, on table 3.2.8, that there is provision for both the NBN, for black spots, for past investments, for the ABC and for I do not know what, and that is a matter effectively decided by the Department of Finance and Deregulation in constructing a budget. We would have to consult with them to give you a detailed answer about where the NBN money is. Answering your specific question—where can this portfolio direct you in this estimates committee with our papers on the table—the answer is that I can direct you there, but if you want a disaggregation I have to consult the department of finance. It is their policy area.

**Senator CORMANN**—Sure, I totally understand that. If I can just summarise: \$300 million out of the \$3.9 billion in 2009-10 relates to the NBN, which is a very small

proportion, and it comes out of the BAF Communications Portfolio Special Account, which at present has \$2 billion in it—so we are still quite a bit of money short to get ourselves to the \$4.7 billion. On notice, can you provide us with information as to how much of that has been allocated to your department so far in your portfolio budget statements, wherever it is included, and how much you are confident or you are expecting to get from government at a future time?

Minister, in that same press release on 7 April, you also announced that the government's investment in NBN would be partly funded through the issuance of Aussie Infrastructure Bonds to both households and institutional investors. In the 2010-11 budget, there is an indication that \$300 million of this investment will be financed by—

**Senator Conroy**—I know this may seem odd, but it is something you come across when you get to sit on this side of the table. The financing questions are actually questions for Finance and/or Treasury, and it is even split into two bits between Finance and Treasury. We do not make those decisions—

**Senator CORMANN**—You just put press releases out on it, but you do not answer questions about it?

**Senator Conroy**—I think if you look at all of the people who attended the press conference, you will see that Treasurer Swan was there, Finance Minister Tanner was there, and the Prime Minister was there. If you look at the transcript of the conference, when it came to questions around Aussie Infrastructure Bonds and financing, they were taken by the Treasurer and the Finance Minister. We are not trying to be tricky; it is just that is the way it is structured.

**Senator CORMANN**—So you do not know?

**Senator Conroy**—No, what I am saying to you is that we are happy to take on notice the detailed questions you are asking and seek the information from the department of finance. But you throw up your hands and say we cannot answer these questions, and it is because you are not asking them of the right department. We are happy to get the information for you.

**Senator CORMANN**—You are responsible for managing the roll out of the NBN, part of it is to be financed by Aussie Infrastructure Bonds, including \$300 million this coming financial year, but you cannot explain to us how the Aussie Infrastructure Bonds will work?

**Senator Conroy**—We can give you the answers to your questions, but they are questions of detail that we will seek from the department of finance. They are not transactions that are handled by this department.

**Senator CORMANN**—So, you cannot explain how they will work?

**Senator Conroy**—No, I am saying to you we will get you this information. The transactions, as was demonstrated at the press conference you keep referring to, were questions that were taken—

**Senator CORMANN**—Relevant to your portfolio.

**Senator Conroy**—by the Treasurer. Financing government expenditure is a Finance and, in some cases, Treasury portfolio responsibility. I am sorry if you are not even confused, because that is not the right word; that is just the process by which governments work.

**Senator CORMANN**—You are not going to be able to tell us either when there will be further allocations of Aussie Infrastructure Bonds for the NBN?

**Senator Conroy**—No, bond issuances are handled by AOFM, the Australian Office of Financial Management, and the Department of the Treasury.

**Senator CORMANN**—You are not part of discussing how your NBN roll out is going to be funded moving forward?

**Senator Conroy**—No, you are asking a detailed question about when the government intends to issue bonds. The process is that at the moment there is cash available for Mr Quigley to draw down on upon his request. You are then asking a separate question which is a matter for Treasury and Finance which is what the bond issuance program is. AOFM and Treasury, and to a lesser degree, finance, handle those questions, not us. We can get you that information, but it is not information that is actually managed by this department. You are actually asking a detailed question, and I invite you to go to Treasury estimates to speak to AOFM and to finance estimates.

**Senator CORMANN**—Yes, sure. You are the responsible minister, but that does not seem to occur to you.

**Senator Conroy**—I guess Treasurer Swan and finance minister Tanner should not have come to the press conference from the press release that you keep quoting. This is detailed information about managing government finances. The department of communications does not issue bonds.

**Senator IAN MACDONALD**—Minister, your department officials at other hearings we have had have not had any difficulty in talking about these things.

**Senator Conroy**—You are now asking about what we might do in the future.

**Senator CORMANN**—That is what budgets are for, Minister; what you are about to do in the future.

**Senator IAN MACDONALD**—We are conscious of your government's statement that this was going to be a commercial enterprise, that there was going to be 49 per cent of private equity, and we are interested in this commitment made by your government. The implementation study raises some of those issues, but it was possible for the department to have a conversation with us in other hearings we have conducted.

**Senator Conroy**—Senator Cormann's questions are a little different to the ones you have just posed. He is asking about bond issuance, and I am saying that this department does not issue bonds. He is asking about a profile of bond issuance, and that is a matter for AOFM, which is in a separate portfolio. I am sorry, Senator Cormann. I cannot help you if you do not—

**Senator CORMANN**—This does go to the broader question of viability of your NBN proposal and how you propose to fund it and everything else.

**Senator Conroy**—It does not go to the viability of anything of the sort. If you would like to ask these questions to the appropriate official, you will get the answers, but they are in a different portfolio.

**Senator CORMANN**—I think the questions on how you propose to fund your NBN proposal are quite legitimate questions.

**Senator Conroy**—They are legitimate questions, but we are considering the recommendations within the McKinsey report. We will be discussing with NBN their business case, and we will be making final decisions on those issues. But, you are asking me to answer questions on which we have not made final decisions.

**Senator FISHER**—Mr Quigley, you once said that NBN Co. would not make money for 30 years, and then I think—

**Senator Conroy**—No, he did not say that at all. That is an outrageous verballing of Mr Quigley—outrageous.

**Senator FISHER**—And then, Mr Quigley, you indicated that in fact NBN would generate a positive return on its costs before the end of the construction period. You were quoted in the *Australian Financial Review* in an article by Dominic White and Brian Corrigan on 21 April as saying:

Our business case, and we have built up a business case, shows three things...For those financial folks, it means we will be EBITDA positive, which is revenue less operating costs, before the end of the [eight-year] construction period.

Is that an accurate quote?

**Mr Quigley**—Yes.

**Senator FISHER**—Can you provide the figures upon which your comments were based, and in particular, let us start with the revenue. How much and where will you be getting that from?

**Mr Quigley**—Those detailed numbers are part of the business case that NBN Co. has built up, which we will submit in due course to the government. It is not up to us to release those figures.

**Senator IAN MACDONALD**—Is that by 31 May?

**Mr Quigley**—The government is now looking at the implementation study. We have shared draft information with the government, but we will submit it when the government asks—

**Senator IAN MACDONALD**—Were you not supposed to present the business case by 31 May?

**Mr Quigley**—Yes, 31 May is the day that the GBE guidelines suggest you do, but if the government would like us to have further discussions, we will do that.

**Senator IAN MACDONALD**—So it is not going to be by 31 May?

**Mr Quigley**—I cannot tell you at this point in time.

**Senator IAN MACDONALD**—Are you presenting it by 31 May?

**Mr Quigley**—We have had a number of discussions with the government on draft business cases as we have been going along. We have kept the government informed of the development of the business case.

**Senator IAN MACDONALD**—So the business case will not be presented by 31 May as originally promised?

**Senator Conroy**—No, that is not what Mr Quigley has said at all.

**Senator IAN MACDONALD**—Well, will it be then, Minister?

**Senator Conroy**—That is a matter of some discussions, but do not verbal Mr Quigley.

**Senator IAN MACDONALD**—Well, either it is or it is not. Is it going to be by 31 May as you promised?

**Senator Conroy**—We are in discussions with Mr Quigley about that at the moment.

**Senator IAN MACDONALD**—I will not take that further. While we are at it, the implementation study was always—

**Senator FISHER**—Senator, can I finish on the business case?

**Senator IAN MACDONALD**—Sorry, yes.

**Senator FISHER**—Thank you. Mr Quigley, you have said it was a correct quote of you in the *Australian Financial Review*. The quote in the *Australian Financial Review* says:

Our business case, and we have built up a business case, shows three things...

You have not called it a 'draft' business case; you have told the populace:

Our business case, and we have built up a business case, shows three things...

You then went on to say you:

will be EBITDA positive, which is revenue less operating costs, before the end of the [eight-year] construction period.

I am asking you what your revenue will be, where will you be getting it from, and what your operating costs will be.

**Mr Quigley**—As I have said, Senator, I am not at liberty to make that information public.

**Senator FISHER**—But you told the world, according to the *Financial Review*—and I am not verballing you because you have said, yes, that was an accurate reflection of your comments—you told the populace, as reported in the *Australian Financial Review*, 'Our business case'. Why can you not tell this committee?

**Mr Quigley**—I can repeat exactly the same words, Senator, but I was not asked, and nor would I have answered, on that particular event if somebody had asked me for the details of the revenue breakdown and the details of the contract.

**Senator FISHER**—That is pretty clever. You are talking about 'our business case, and we have built up a business case', giving the impression that your business case is done and dusted, and now you are telling this committee your business case is in draft so you cannot tell us about it.



**Mr Quigley**—No, I am saying we have a business case. We have a draft overall three-year business plan, of which the business case forms a part. We have shared that draft with the government. We are in discussions, and as you would know, there are some issues on which the government has yet to decide on the implementation of that.

**Senator FISHER**—Sorry, Mr Quigley, is there a difference between a business case and a business plan?

**Mr Quigley**—Yes. We have, as part of the GBE guidelines, to provide a three-year corporate plan. Imbedded in that three-year corporate plan—

**Senator FISHER**—Is that what you refer to as your business case?

**Mr Quigley**—No. We then have a business case which is a financial model of all of the financial outcomes you would expect, with various assumptions in them. Business cases, as usual, for all entities, undergo constant revision and refinement, year by year; in fact, in some cases, quarter by quarter. In the commercial world I used to be in, we refined the business cases quarter by quarter. There is nothing unusual about this. What I was giving to—

**Senator FISHER**—So why is it secret?

**Senator Conroy**—If I could save maybe another hour of questions: the government will not be releasing the business plan.

**Senator FISHER**—Mr Quigley has told us about a business case and a business plan.

**Mr Quigley**—A three-year corporate plan.

**Senator Conroy**—He has given some headline indications, but I repeat: the government will not be releasing the business plan. It does not release the business plan of Australia Post and never released the business plan of Telstra, and it is absurd to suggest, or even think it is going to happen, that the business plan of NBN Co. will be released publicly by the government.

**Senator FISHER**—I would be happy with the business case that Mr Quigley was happy to tell the world about as reported in the *Australian Financial Review* on 21 April. I would be happy to know about the business case.

**Mr Quigley**—I am happy to repeat those same words at the same level of detail that I gave publicly. What I am not happy to do—and I would not have been at that event and I cannot here now—is to give the details behind that, to quote all of the figures that build up that conclusion. What I was giving—

**Senator FISHER**—Can you provide them on notice?

**Mr Quigley**—No, I cannot.

**Senator FISHER**—Why not?

**Mr Quigley**—Because that is a matter for the company to provide to the shareholder, and the shareholder to decide what it does with it.

**Senator Conroy**—It is not happening.

**Senator FISHER**—When will you provide that data to the government?

**Mr Quigley**—As I have said, we have provided draft business cases and overall plans, but there are still some issues that are under discussion with the government, as you would know, as the government considers the implementation study. They have an effect on the overall plan at the end.

**Senator FISHER**—You have said it was accurately quoted that NBN Co. will be EBITDA positive before the end of the construction period. When exactly?

**Mr Quigley**—I have said before the end of the construction period. We have not released the date of that.

**Senator Conroy**—He is not being more specific.

**Senator FISHER**—When exactly, according to your sums to which we cannot be privy because they are in draft and you are kind of talking to the government—

**Senator Conroy**—No, you are not going to be privy to them today, tomorrow, or next week or after we receive the business plan, Senator. I do not think I can be more direct than that.

**Senator FISHER**—Mr Quigley, when exactly?

**Mr Quigley**—When exactly what, Senator?

**Senator FISHER**—When exactly will NBN Co. be EBITDA positive?

**Mr Quigley**—I am not prepared to answer that question. I did not answer it at the event.

**Senator FISHER**—So you do not know?

**Mr Quigley**—No, it is a different—

**Senator Conroy**—That is a matter on which he will provide information to the government, as he has already said. It is up to the government to decide whether it wants to release that.

**Senator FISHER**—Mr Quigley, you are quoted in the *Australian Financial Review* article as further stating:

Second, we will recover our yearly costs, including capital costs, within a few years after the end of the construction period. That means we will be net income positive for that period.

What are your estimated yearly and capital costs?

**Mr Quigley**—I cannot release that to you.

**Senator Conroy**—That would be information for the shareholder, and it is up to the shareholder.

**Senator FISHER**—I guess I will get the same answer, Mr Quigley, to the question of how many years after the end of the construction period will those costs be recovered by NBN?

**Mr Quigley**—You are correct. They are all details of the business case which we will be providing to the shareholder, and the shareholder will decide what it wants to do with that.

**Senator FISHER**—All right. In the same article you are quoted as stating:

And thirdly, we will be building the project so that we can repay all the government's equity contribution within the normal life of a telecommunications project, which is a 20-to-30-year period.

On what projected equity contribution is NBN Co. basing this assessment?

**Senator Conroy**—That would be information that Mr Quigley would discuss with the government—

**Senator FISHER**—Mr Quigley? Can Mr Quigley answer, Minister?

**Senator Conroy**—And then it will be up to the government to decide whether it is going to, and I have given you a clear indication—

**Senator FISHER**—I am feeling the big hand of government all over this at taxpayers' expense.

**Senator Conroy**—You are feeling the 100 per cent shareholder and annual report will be tabled, as one was in September last year.

**Senator FISHER**—Taxpayers have got to be happy about this, not! Mr Quigley, can you answer the question please?

**Senator Conroy**—This is information that Mr Quigley will share with the shareholder—

**Senator FISHER**—Minister, you would talk under wet cement.

**Senator Conroy**—I learnt from listening to you.

**Senator FISHER**—Mr Quigley—

**Senator IAN MACDONALD**—Minister, remember that the shareholder is all of us, the taxpayers of Australia. We really are entitled to know how our money is being spent.

**Senator Conroy**—It is a nonsense—you can ask about individual items—but Telstra, Australia Post nor any other government GBE puts out its commercially sensitive business plan. It is a nonsense—

**Senator IAN MACDONALD**—But who is the competitor in this case that you are worried about?

**Mr Quigley**—We are in some complex negotiations.

**Senator Conroy**—The government will not be putting out the business plan any more than it plans to put out the Australia Post business plan or would have contemplated putting out the Telstra business plan.

**Senator IAN MACDONALD**—But they all have competitors. This one will not have a competitor.

**Senator Conroy**—You can all jump up and down and try to pretend that this is some outrageous piece of government cover-up or anything else you want to describe it as—

**Senator IAN MACDONALD**—Absolutely; you picked it in one.

**Senator CORMANN**—You are spending taxpayers' money.

**Senator Conroy**—But it has just been an embarrassing waste of your time. If you have questions for Mr Quigley that do not go to these issues, please ask them.

**CHAIR**—We are going to morning tea at quarter to 11, so do you have a couple of questions before then?

**Senator FISHER**—I would like to finish this issue before morning tea. Mr Quigley, on what projected equity contribution is NBN Co. basing your third assessment? Can you answer that question?

**Mr Quigley**—I cannot answer that. I can tell you that we have made an assumption of an equity contribution.

**Senator FISHER**—What is that?

**Mr Quigley**—I cannot tell you that, Senator.

**Senator FISHER**—Terry McCrann—

**Senator CORMANN**—It would be at least \$4.7 billion, presumably, would it not?

**Mr Quigley**—I can assure you, yes, it is at least \$4.7 billion. That much I can say.

**Senator FISHER**—Terry McCrann thereafter went on to comment, in *Business Day* in the *Herald-Sun*, on 28 April, talking about your good comments, suggesting that you misspoke a couple of weeks ago when you told Senator Macdonald, I think, that NBN Co. would not make money for 30 years.

**Mr Quigley**—Sorry, if I can correct that, Senator?

**Senator FISHER**—And then clarified it by saying—

**Mr Quigley**—If I can correct that, what I said was I do not think I was clearly understood.

**Senator FISHER**—Thank you. Of that, Mr McCrann says, ‘Well that sounds okay’, and he is saying it is okay that you are saying NBN Co. would generate a positive return on its cost before the end of the construction period. Mr McCrann says:

Well that sounds OK. Except for the fine print—Quigley was saying it would be EBITDA positive. That it would be in the black before you took out those four little letters ‘ITDA’.

The devil is actually in the IDA—interest, depreciation and amortisation.

The NBN will be in the black before IDA? Big very little deal.

How big will your operating costs be?

**Mr Quigley**—If I can just comment on that first. I think Mr McCrann probably ignored the second part, which you have quoted, in fact, that we would be cash flow positive and net income positive some time after the end of the construction period.

**Senator FISHER**—You will not tell us when?

**Mr Quigley**—I cannot tell you when.

**CHAIR**—Senator Fisher, we are due to go to morning tea. Can we let Mr Quigley answer this question, and then we will go to morning tea? Thank you.

**Senator FISHER**—I am hoping to finish this issue, Chair.

**CHAIR**—No, we are going to morning tea. Mr Quigley?

**Mr Quigley**—I made three statements which I was prepared to make at that time. During the construction phase, we would be EBITDA positive; that shortly after the construction phase we would be EBIT positive, which means we will be cash flow positive and net income

positive; and when you do an overall calculation of the overall return to the government, that the company could return the government's equity within the normal life of a project such as this. They are the three statements I made. I was not prepared to go into any more detail if I had been asked. Of course, as I have said, the details of that business case we will supply to the shareholder.

**Senator FISHER**—How big would the interest, depreciation and amortisation be relative to other aspects of EBITDA?

**Mr Quigley**—The depreciation and amortisation of course depend—

**Senator FISHER**—And interest, do not forget interest. Taxpayers are going to be bleeding big.

**CHAIR**—Senator Fisher—

**Senator Conroy**—If Mr Quigley could finish his answer, and then we could have morning tea?

**Senator FISHER**—Fair comment.

**Mr Quigley**—Those ratios depend on the ratios of debt to equity. We believe it is quite possible to tap debt markets at an appropriate time given the financial viability of the business case we have. I cannot answer that question, either, at this point in time, because that is subject to a number of decisions which have yet to be made by the shareholder.

**Senator FISHER**—We will resume after morning tea.

**CHAIR**—Thank you. The committee will suspend for morning tea, and resume proceedings at two minutes past 11. I should indicate that Senator Ludlum will get the call after morning tea.

#### **Proceedings suspended from 10.47 am to 11.03 am**

**Senator LUDLAM**—Maybe I will give your finance questions a break for a little while and ask about the actual rollout of the network. I will come back to some of the financial stuff a bit later. There is a greenfields bill parked in the Senate at the moment that has not proceeded.

**Senator Conroy**—I thought the greenfields bill was in the House of Representatives.

**Senator LUDLAM**—We have not seen it yet. I am interested to know, in the interim while that legislation is stalled, what is your thinking around installation of fibre into subdivisions and housing estates that are being built now or in the near future?

**Mr Quigley**—We are looking at that right now to see what we can do. I understand that the legislation is still working its way through, and until we know where that ends up it is a little hard for us to judge. We are now investigating what it is possible for us to do sensibly in greenfields areas, at least in terms of physical plant that we could get in there. That is an investigation that is going on right now as we speak.

**Senator LUDLAM**—I understand that you have not been up and running all that long, but there are obviously housing subdivisions and estates being ploughed into the ground right

now. I asked this in the select committee, and the department was not sure how much is being built at the moment that we will have to go back in the next 12 or 24 months and retrofit.

**Mr Quigley**—In terms of new estates?

**Senator LUDLAM**—Yes.

**Mr Quigley**—I do not have the numbers of that with me. As part of the exercise I just mentioned, we are trying to get a plot on every new greenfields estate and multidwelling unit that is going up just to see what we can possibly do. There are also places, for example, such as in the Pilbara, where new facilities are going in, and we are looking at those as well.

**Senator Conroy**—As you know, we think it is important to get the legislative framework in place in order to provide certainty to all the stakeholders. That is why I recently wrote to the opposition, through their shadow spokesman, seeking agreement to pass the bill in a timely fashion.

**Senator LUDLAM**—Is this the greenfields bill?

**Senator Conroy**—Sorry, yes. However, the opposition has not agreed to this. In fact, in the Senate committee report on this bill the opposition indicated it was not willing to assist with expediting passage of the bill. We will continue to press our case that these reforms are vital to ensure that people in new estates get access to high-speed broadband. We will continue to press our case that the reforms are needed to provide certainty across the telco and development sectors. However, as we have seen with the competition and consumer standards bill, the opposition is prepared to filibuster to prevent the bill coming to a vote. For this reason, and given the absence of support from the opposition, we will be proposing to move the legal start date from 1 July 2010 to 1 January 2011.

**Senator LUDLAM**—I am aware of the filibuster, having sat through a fair bit of it myself. Do you, Minister or Mr Quigley, have any idea of what it costs to go back and retrofit a new subdivision rather than at least getting in the ductwork and so on initially?

**Senator Conroy**—That is one of the things I am sure Mr Quigley is in discussions about. I know I have been approached by developers and housing organisations. While I have not identified how much it would cost, the discussion around providing ducting is absolutely fundamental to ensuring we know the difference between having to completely dig new trenches and start again versus making sure the ducting is available for future fibre, because, as you would understand, there is a back haul issue that comes with the housing estate. You do not necessarily have access to competitively priced back haul. Therefore, you cannot just necessarily connect a piece of fibre to a home, because it does not actually achieve the objective. We are very conscious of wanting to ensure that the infrastructure is in place to allow us to put fibre in as we come to those new areas if they have not had fibre installed at the beginning. My office and I have been in discussions with housing groups about how to try to bring certainty, but remember that the key here is that the opposition is refusing to cooperate and pass this bill. That creates an enormous amount of uncertainty in the sector and an enormous amount of uncertainty for every stakeholder, when the universal view and commonsense is that fibre should be laid and that we need the guidelines, the rules and the legislation in place to ensure that we get common standards.

**Senator LUDLAM**—Fibre is a part of it, but I suppose in a sense I am almost more interested in the ducting and putting the hard infrastructure into the ground as these estates are going in. You are in discussions, but what is actually happening if we visit the sorts of outer urban areas at the moment in cities around Australia—will we find subdivisions going in that we will have to retrofit in a year's time?

**Senator Conroy**—Mr Quigley may have more to add, but it depends on your definition of 'retrofit'. If the ducting is in place, then you can just put a piece of fibre through the ducting.

**Senator LUDLAM**—That is not what I mean.

**Senator Conroy**—That is what I wanted to clarify. You are not talking about that situation. You were asking about if they just dig a trench and put a piece of copper in and then you have to open up the trench and replace it.

**Senator LUDLAM**—That seems like less of an ask than going back into a subdivision that has only just been put in place and digging the holes.

**Senator Conroy**—We would agree with you entirely.

**Mr Quigley**—Yes, absolutely. It just makes perfect sense to put ducting in when the trenches are open.

**Senator LUDLAM**—You have both said that discussions are underway, but has that been reflected anywhere in the country in activity?

**Senator Conroy**—The existing laws require that Telstra provide a fixed line service. I have seen some speculation that Telstra has indicated that it will stop laying copper. Given the announcement I have just made, I think that leaves a question mark over Telstra's previous decision. I think it was a questionable decision in the first place, given the lead time that is necessary for housing developments. They do not just make a decision on the first day or the second day; these things take a number of years to work their way through planning processes. The discussions that we have been having with Telstra and the housing industry are to ensure that a fixed line product continues to be in place. There is some argument that I have seen that Telstra may decide to put wireless into places. I am not sure that that meets the universal service obligation. We have been seeking advice on that. We are not going to allow the situation where no trenching and ducting is put in place. If that is your concern—

**Senator LUDLAM**—It is.

**Senator Conroy**—I would share your concern absolutely.

**Senator LUDLAM**—So you will not be allowing Telstra to—

**Senator Conroy**—We are making some progress in the conversations with the industry and with Telstra, and we do not accept an argument that a wireless service with no trenching will meet a universal service obligation. But we are in discussions with both Telstra and the industry about how we can resolve this issue.

**Senator LUDLAM**—Was the announcement of the moving of the legal start date for the greenfields one that you had made previously that I have missed, or are you making it right here?

**Senator Conroy**—No, it is what I just announced.

**Senator LUDLAM**—Well, okay.

**Senator Conroy**—There you are: breaking news in Senate estimates. You always want fresh news in Senate estimates; you just got it.

**Senator LUDLAM**—And such a bombshell as well.

**Senator Conroy**—I know you are genuinely interested in the deployment of this issue, as opposed to some other senators.

**Senator LUDLAM**—I am interested in not coming back in 12 months time and digging holes that should have gone in—

**Senator Conroy**—No, and neither is Mr Quigley or NBN Co., and neither are we. It is just very frustrating for some people in this building to think that, even if you agree or disagree with the NBN, anyone is still going to be laying copper in two years time or three years time or four years time. This is a nonsense argument where you cannot justify laying copper into the future. You just cannot do it when you have an alternative like fibre.

**Senator IAN MACDONALD**—What was the announcement? I missed it, it was so short.

**Senator LUDLAM**—We have moved on.

**Senator IAN MACDONALD**—Just quickly, give me a one sentence.

**Senator Conroy**—Because the opposition has refused to cooperate, and we have written to your shadow minister—

**Senator IAN MACDONALD**—Yes, I got all that.

**Senator Conroy**—We will defer the start date from 1 July to 1 January.

**Senator IAN MACDONALD**—Well, that was obvious to everybody except you, Minister.

**Senator Conroy**—This bill could have been facilitated through the parliament with the cooperation of the opposition, but in their usual ‘oppose everything’ approach, unfortunately it will not be possible, which creates greater uncertainty in the sector—

**Senator IAN MACDONALD**—Inefficient management again.

**Senator Conroy**—It creates great uncertainty for people who want to have certainty about what is going to be in their premises when they move in. This is entirely at the feet of Tony Smith and the Abbott opposition, which are just blindly opposing everything for the sake of opposing it. Sorry, Senator Ludlam, you had another question, I am sure.

**Senator LUDLAM**—I have a couple more. Mr Quigley, at what point are you going to be in a position to let people know which of the three cohorts that were identified in the implementation study they will be in? So, being parochial for a moment, coming from Western Australia, I presume there will be large areas of the map in WA where fibre will not go. How soon will you be in a position to either provide detailed mapping or some kind of model, or indication to people in the Pilbara and the Kimberley, for example, as to whether they will be getting a fibre service or one of the other forms of service?

**Mr Quigley**—We are having those discussions with the government at the moment. I think it is up to the government to decide at what point it releases that information. As you would



expect, we are doing successive network architectures and looking at cost benefit trade-offs of those. So that information is being discussed with the government right now.

**Senator LUDLAM**—I am sure it is. When will you or the minister, if you want to take this—

**Senator Conroy**—I would hope that we would have an announcement in the not too distant future about the footprints of NBN Co.

**Senator LUDLAM**—Presumably you will be rolling that out in phases or will we get a map of the whole country?

**Senator Conroy**—Probably a map—please correct me if I am wrong, Mr Quigley. Depending on the detail we are able to get—and that is one of the issues we want to make sure we have a detailed announcement on—you will be able to potentially judge whether you are in the satellite footprint or the wireless footprint or the fibre footprint. But we want to provide as much information as we can, and that is a very detailed thing to try to deliver. But that is what we are working towards delivering with the NBN Co. So you will actually be able to key in your address down the track and see which of the services of NBN you will be able to receive.

**Senator LUDLAM**—What does ‘the not too distant future’ mean in this context? I do not want to tie you down.

**Senator Conroy**—It is a question of whether we can pull all of the logistics of a map of that detail together. Quite genuinely, that is quite a large project. There is a map we could show, but that would not actually answer the questions that people want answered.

**Senator LUDLAM**—Presumably you have done this work, Mr Quigley, in parallel. McKinsey have done a very similar map. They have mapped every single address in the country and modelled where the fibre will go and where it might not. That is how they came to the 93 per cent figure.

**Mr Quigley**—That was from a slightly different base—the way in which they did it. We did it from a network design; they did it from looking at special data and to build up a cost model. As you would understand, in some cases when you get to the fringes of the fibre, as the senator has mentioned, just exactly where that borderline sits is not so obvious. It is not tricky, but in terms of an overall sense of what the coverage will be, which areas we will be covering with fibre, what the reach is, we should be able to give people a very good view. People who are sitting right on the edges will wonder: is this house in it, and is this one? At some point in time you are going to have to make a decision. Is this premise in; is this premise out of the fibre footprint?

**Senator LUDLAM**—Okay. I will still press you; are we talking days, weeks or months just for that indicative model, not necessarily house by house?

**Mr Quigley**—It is really up to the government to decide when it wants to make that information public.

**Senator Conroy**—As I said, to create what I am describing is actually quite complex.

**Senator LUDLAM**—I understand that, but when you say in the not too distant future, in here, quite frankly, that could mean just about anything.

**Senator Conroy**—We are keen for this information to be available as soon as possible. IT is IT, and making sure that we have a proper working model that can answer the key questions is something like asking how long is a piece of string. We are working to get it as fast as we can.

**Senator LUDLAM**—But there will be something in the public domain?

**Senator Conroy**—Yes, and we intend to put it up on a website so, if it is possible to do, people can check.

**Senator LUDLAM**—I am presuming that, at the very least, an indicative final back haul map of the country should be available now. Presumably you have that?

**Senator Conroy**—We have indications from NBN Co. of what they think is the appropriate architecture for their network.

**Senator LUDLAM**—Are you going to tell me when that will be released?

**Senator Conroy**—We are just contemplating that. We would like to release it all at once. I have a map I can just put up, but that will not answer people's questions. It will answer your concerns around back haul, but we would actually like it to do more than that. It is a question of the functionality of the information that we provide. We are trying to use the digital economy to provide as much information as we can.

**Senator LUDLAM**—That will be appreciated. But we are still none the wiser as to when that will be. I guess that was a statement, not a question.

**Senator Conroy**—I will just let it go through to the keeper.

**Senator LUDLAM**—I am getting used to it. Will such a map be indicative also of what you intend to bury versus what you intend to hang by overhead cable?

**Mr Quigley**—No, not at this stage.

**Senator LUDLAM**—I have asked this a couple of times, and nobody seems to be able to provide modelling of the short term versus the long term costs of hanging the cable. In the short term I understand it is cheaper?

**Mr Quigley**—If you look at trends around the world, such as Brighton and other places which have trialled both technologies, clearly they are largely moving to aerial deployment simply because of the costs associated with that, the speed at which you can do it and the fact that it is considerably easier and that you can pre-connect a lot more. That does not necessarily mean that is the decision that we would make. This is once again an issue we are discussing with our shareholder, the government, to look at those trade-offs. One of the reasons it is almost impossible for someone to tell you whether this premise would be underground or whether this premise would be aerial is that it is not always obvious what facilities are available to put it underground. It may seem so, but it is not always so obvious. Then you have to make a decision on what is the least bad option—drilling underground or going aerial, remembering that this is not like a hybrid fibre coaxial cable. It is considerably thinner and does not have big inline amplifiers sitting there.

**Senator LUDLAM**—We have not spoken much about the negotiations with Telstra. I will ask you about the substance of those in a moment. Is it true that, if you do come to an amicable settlement with Telstra and are able to access its ductwork, we will see a lot more of the network go underground than overhead? Is that a fair statement?

**Mr Quigley**—I think it is fair to say that, yes, there would be certainly more underground, but I cannot comment too much more about what percentage that would be. There are a lot of factors in there.

**Senator LUDLAM**—Without giving too much away, is your shareholder pressing you for the greatest short-term cost savings, which means hang virtually the whole network?

**Mr Quigley**—No, not at all.

**Senator LUDLAM**—Or are some considerations of long-term resilience of the network and the long-term costs being taken?

**Mr Quigley**—Even without any discussions with the shareholder, NBN Co. is very concerned about obviously the long-term resilience of the network. We have investigated overseas as to what their trends are. I will be visiting again with some service providers I know, rather big ones, who have a lot of experience in fibre rollouts, just to try to judge again what their practical experience has been. But that is a very real factor. We will not be making any short-term cost savings at the expense of long-term resilience. We are looking at the overall life of this asset, and it will have a very long life.

**Senator LUDLAM**—Would either of you care to make an announcement now as to the status of the negotiations with Telstra?

**Senator Conroy**—No, other than they are constructive and ongoing.

**Senator LUDLAM**—That has been the line since about last October. Are you able to provide us with an update, because obviously a lot of this discussion hinges on how those negotiations are going.

**Senator Conroy**—I can only speak for myself, but I am sure it is relatively similar to Mr Quigley's situation, but I do not think we can add anything more to the public discourse. There have been lots of wild rumours, lots of wild suggestions, lots of ill-informed commentary—

**Senator LUDLAM**—Occasionally selective leaks.

**Senator Conroy**—No, not really.

**Senator IAN MACDONALD**—Have you put all that to bed, Minister?

**Senator Conroy**—I do not think that we can add anything to the public discourse at this stage.

**Senator LUDLAM**—You have given Telstra I think until the end of June to come to a negotiated settlement, otherwise the Commonwealth is going to walk away; is that a rumour?

**Senator Conroy**—I do not think that is quite what I said. I actually had been saying something along those lines for a number of months. I think I had identified that I did not think there would be a lot for us to talk about by the end of June. We have kicked the tyres of

each other's models; we have had a test drive occasionally of each other's models, and I think we would be wasting both Mr Quigley's time, Mr Thodey's time and that of a whole range of other executives who have been tied up quite extensively in these discussions if we were still going after June. I think that was how I described it. It was not a threat to walk away. I did see that it was reported as that, but I do not think I described it as that.

**Senator LUDLAM**—I think some analysts saw it as a hopeful sign that you were collaborating with Telstra in one particular instance or one particular subdivision or area, where you were working with Telstra technicians on accessing—

**Senator Conroy**—I think down in Point Cook in Melbourne we have been observing—

**Mr Quigley**—We had some observer status. They invited us to have a look at what they were doing at Point Cook, and we accepted it.

**Senator LUDLAM**—Can you talk us through exactly what is happening down there? If your role was as observer, you might not be able to give too much away, but what is that actually about? What is that for?

**Senator Conroy**—There are retrofitting a suburb, are they not?

**Mr Quigley**—Yes. They were just looking at doing something which we may be able to learn something from. They are looking at a fibre that is a brownfield and putting fibre in it.

**Senator LUDLAM**—To an estate that has copper at the moment?

**Mr Quigley**—I believe so, yes.

**Senator Conroy**—A major part of the Point Cook development is actually fibre to the home done by someone other than Telstra. I think a healthy competition has arisen from residents in other areas on Point Cook that have said, 'How come they have fibre when we do not?' I think there are a number of issues, and information that might be useful to NBN as part of the NBN rollout plan.

**Senator LUDLAM**—That did seem to be a rather unusual example of collaboration between Telstra and NBN Co., and this is a field that has been relatively free of that sort of behaviour thus far. You look surprised.

**Mr Quigley**—Yes, I am surprised. I think both Telstra and NBN Co. are on the record as saying it would be a good thing for the nation if we can find a reasonable outcome to this. It just makes good sense. It is an obvious thing to do. I think it is good both for Telstra and NBN Co., so that is what we are working hard towards.

**Senator LUDLAM**—If presumably all three parties—because I am sure the minister is looking for just such a settlement—are in furious agreement that this needs to happen, why are we still sitting here in the middle of 2010 without an agreement?

**Mr Quigley**—Money. There are very large sums of money involved, and we take a view, and NBN Co., that this is public money we would be committing and spending, so we are being very careful with it, and making sure that we analyse very carefully the net benefits. It is very complex. One thing I can quote is the investment bankers whom we are using who have said this is the most complex transaction they have ever been involved with.

**Senator LUDLAM**—Such a shame we privatised them, is it not? It would be a lot simpler if—

**Senator Conroy**—As you know, like yourself, we opposed that. We voted against it five times.

**Senator LUDLAM**—I recall. I want to move on to the work that you are doing with local government, if any. At one of the earlier rounds of the select committee, which Senator Macdonald now chairs, we sat in Hobart and heard from the local government authority that they had kind of been left behind. They did not really know what was going on. They wanted to be on board; they wanted to actually help sell the proposal. They wanted it in their area, but they had been really left behind. How are you working with the local government authorities around the country in the areas where you are going?

**Mr Quigley**—We have been putting a lot of energy into engaging with local governments, and it is true that we do not reach every person in every local government, so it is going to be possible that people will say, ‘I don’t know what’s going on.’ We have had numerous discussions, certainly in the first release sites, with local governments and with local communities also, as we said. It is true to say that we get more requests for engagement than we can possibly handle. In fact, my first day on the job, I was getting requests for engagement from people asking me to spend hours with them, and it simply is impossible to satisfy every one of those. We do our best, and we have in the last couple of months been ramping up quite extensively our engagement with local governments and local communities. So what I said in the opening statement is absolutely the case.

**Senator LUDLAM**—Who heads that team?

**Senator Conroy**—On the government side, we are also trying to engage as many local councils as well so that we can engage them with the process to help have conversations with them about the question of ducting, making sure that the pit and pipes are actually available. We are also engaged with the councils in an education program around the country. We started the first one in Perth last week, where we had local councils come along to an information session that I was at, the NBN were at, Nextgen were at, and the departments, state and federal, were represented. So we are engaging with the councils wherever we can. It is fair to say, as Mr Quigley said, that there is enormous support for the project. Every council wants to be first. We would love to be able to make every council first but, by definition, everybody cannot be first.

**Senator LUDLAM**—As long as the ones in WA are first.

**Senator Conroy**—Understood. But as you know, we cannot be seen to favour politicians, so I just need to get your suburb so I know where not to go, because I would not want you to be accused of special pleading for your suburb. So if you can let us know which suburb you are in so we can make sure you are last in that general—

**Senator LUDLAM**—I am in North Fremantle. We are actually very well served. I am more interested in Jigalong, Port Hedland, Dampier and places like that. Is there a reason why there were no WA sites on your initial mainland rollout? I think you chose five sites.

**Mr Quigley**—On the first release sites, no, it is really just a question of logistics. As we said, these were first release sites in which we were trialling new technologies and new construction practices. It was just a matter of logistics, nothing more than that. But I can absolutely assure you we have not forgotten Western Australia.

**Senator LUDLAM**—I should hope not.

**Mr Quigley**—There is active work going on there, and we are ramping up the team that is in fact doing the community consulting and involvement.

**Senator LUDLAM**—Will you end up with an NBN Co. office in Perth?

**Mr Quigley**—Yes.

**Senator LUDLAM**—When is that scheduled for?

**Mr Quigley**—I cannot tell you when that is, but it is absolutely our intention to have an office in Perth.

**Senator LUDLAM**—A large part of this is going to be digging in the back haul where it does not exist, and the other component of the work is the very fine grained work where you are going from house to house.

**Mr Quigley**—Yes.

**Senator LUDLAM**—How are you approaching those two tasks which are very distinct, and in what way are you thinking about those two tasks? Are they a phase A and a phase B, or is it all going to be happening at the same time?

**Mr Quigley**—There will certainly be some overlap in those two tasks, and you are absolutely right, Senator, to describe them as two distinct tasks. There is a job to be done which is connecting a point of interconnect through the transit back-haul to what we call fan sites. This is where the equipment sits from which then all the distribution of local fibre fans out. We see those as two distinct things. We may end up—and we are just developing these at the moment—by looking at those two in two ways. For example, the work that is being done on the back-haul black spots at the moment you would categorise in that first, putting fibre in so that you can connect points of interconnect to fan sites. Those fan sites can then be of various sizes, potentially up to roughly 70,000 premises that you would cover in each fan site.

There are two distinct phases of work. We may in fact look at them separately and have specialist teams doing the points of interconnect to fan sites and then specialist teams, which will be much larger teams, rolling out the fibre that goes out to the premises from those fan sites.

**Senator LUDLAM**—Will you be using old exchange buildings, is that the idea?

**Mr Quigley**—That is a possibility. It depends on how the negotiations go.

**Senator LUDLAM**—How are they going?

**Senator Conroy**—He is being cheeky, Mr Quigley. Don't be drawn.

**Mr Quigley**—It is right, and that is the way in fact we are looking at it, and we are using very much a modular approach. In other words, when we design fan sites, we have an idealised picture. Then we go and translate that architecture on to the ground fan site, what we

call fibre-serving area, which is around a fan site, fibre-serving area by fibre-serving area. There is probably likely to be 700 to 800 of those fibre serving areas across the country.

**Senator LUDLAM**—There has been some reporting in press recently about skills shortages. I think one of you mentioned 25,000 people. Do I have that correct?

**Mr Quigley**—Yes, I mentioned that.

**Senator LUDLAM**—How much local training and apprenticeship work are you undertaking versus the amount of people that we are going to be expected to import from elsewhere?

**Mr Quigley**—That exercise is underway as well at the moment of looking at all of the training that needs to be done. Of course, we expect the large contractors to be doing a substantial amount of training themselves, also, in areas such as fibre splicing. We are doing an assessment now of all of the different training facilities that are available. Some of them are government-based, some are state-based, and others are private enterprises that do training. We are trying to do an inventory of all the training and trying to dimension the size of the training and the workforce. That is going on right now. It is kind of a supply and demand analysis that we are doing right at the moment. I do not have the outcomes of that yet, but we are getting some help in doing that from a particular consulting company.

**Senator LUDLAM**—Who is that?

**Mr Quigley**—That is Deloitte.

**Senator LUDLAM**—When do you expect to have that modelling finished?

**Mr Quigley**—I am not sure. I will have to take that one on notice.

**Senator LUDLAM**—One of the issues that has also been raised is that one of the advantages of copper is that if a storm knocks out the power, you still have a phone. My understanding is that the junction boxes on the house, where the fibre connects with the house, will be powered. Have you modelled the total energy draw of having all these devices in every house in the country, or every premise in the country? What will that actually cost in electricity? What are the backup plans when power knocks out the fibre? Presumably that knocks out your landline as well?

**Mr Quigley**—I will take those one at a time. The device on the home can either be on the outside of the home or it can internal to the home. It has an optical network termination, ONT. It converts the fibre into an electrical signal for a phone or computer or whatever. So that could be placed in either location. If it is placed on the outside of the home, it needs to be fed. If you were doing an installation coincident with smart metering rollout, you may in fact then power that ONT from the line side, the network side of the powering. But in any eventuality, you always have a case in which something could be cut. If the fibre is cut in the street, the same way as if the copper is cut, your line goes dead. There is not much you can do if somebody puts a spade right through a cable. That happens. In the other parts of the network, by the way, we protect it to make sure that no single cut will cut off quite a number of subscribers at once. We are also looking at battery backup for services so that if there is a power failure, the phone service can keep going. Frankly, that whole question around battery

backup is still an open issue that needs some consideration on which we are consulting with the government.

**Senator Conroy**—McKinsey has made a number of suggestions in this direction, and as Mike said, we are consulting with NBN Co about it to ensure that we have ongoing safety covered.

**Senator LUDLAM**—It might sound like a trivial question, but what is the total energy demand additional going to be on having millions of these devices all over the country?

**Mr Quigley**—One of the factors we took very carefully into account when we were looking at the overall selection of potential ONT vendors is power consumption. Remember, this is a similar device to what you have today with your DSL modem overall which will sit in a home. There is a bit of a trade-off there. If you move from DSL on to fibre, there is an exchange there. One thing that is very important to note, though, if I can make the point, when you do the calculation, if you were to do this all with wireless, the power differences are huge. That is because in a fibre network you are sending a very small amount of energy down a fibre. It is constrained into the fibre, and it is a direct connection. If you are doing this with wireless, you are splaying out all of that power omni-directionally, everywhere, so you are only picking up a little bit in the antenna. You have to use an immense amount of power for a wireless solution than you do for a fibre solution.

**Senator Conroy**—There are a number of studies. Professor Rod Tucker has done quite a number of studies measuring the carbon footprints power issue for wireless networks versus fibre networks. If you contract them down, I think you will actually find there is some very instructive information there that demonstrates that fibre networks are far less power demanding than wireless networks.

**Senator LUDLAM**—Would you provide the committee with your favourite one or two referenced works, on notice?

**Mr Quigley**—We could do it with the Institute for a Broadband-Enabled Society study.

**Senator Conroy**—I am happy to track it down. Professor Rod Tucker has done it. He is at IBES.

**Senator LUDLAM**—Thanks. It might seem a little bit unfashionable or maybe this is something we have to ask Telstra, but presumably thousands of kilometres of copper will be hauled out of ducts. What kind of recycling are we doing with the material that is already in the ground?

**Mr Quigley**—There has been, as you may know already, a fair amount of reclamation of copper as what are called digital line concentrators have gone out. Things such as remote integrated multiplexers, RIMs, have gone out because they are fibre fed and then copper from there. When it comes to the copper that may be in the conduit, we are hopeful that if we were to strike a deal with Telstra and we reuse the conduit that they have that is carrying the copper, then that potentially could be used as a lead-in to pull the fibre through into that same conduit. Then it gives you an opportunity to reclaim and recycle the copper.

**Senator Conroy**—Telstra is very keen to do some of that, as the price of copper is now returning to pre-GFC levels, which makes it a very valuable item.



**Senator IAN MACDONALD**—As long as it is Telstra.

**Mr Quigley**—Yes, it is.

**Senator Conroy**—We were just making the point that it becomes a very valuable item.

**Senator LUDLAM**—There was early speculation that most of it would stay in the ground.

**Mr Quigley**—If, for example, the conduit simply was not available, crushed or whatever it was, then it simply does not pay to try to remove that copper. It probably would sit there.

**Senator Conroy**—It is literally a line by line issue.

**Senator LUDLAM**—My last question, and then I will hand you back to the chair, is around security. Again the select committee some time last year heard evidence from some security specialists who taught the committee some techniques of splicing fibre simply by bending them and putting some kind of device on a backhaul line that allowed you to essentially seamlessly duplicate the traffic that was travelling down the line. Maybe it was just a sales pitch, but I think it convinced the committee, that encryption devices were placed at all the key nodes in the NBN. What can you tell us about network encryption and security?

**Mr Quigley**—Probably very little at this stage, other than it is being looked at very carefully, and we are consulting with the appropriate agencies within the government to make sure we are taking account of all of their advice and requirements on this issue.

**Senator LUDLAM**—I find that curious, given that you are digging trenches in Tasmania and hooking people up already. It is not as though this is just an academic exercise. You are laying out the network. Should I not be a bit surprised that you do not know what the security and encryption is going to be in a network that you are currently building?

**Mr Quigley**—If I can also say, if you are talking about encryption, encryption is one of these higher layer services. In other words, we supply the layer to bitstream which we protect, and we are interested in the physical security and what you do on that. Going at the next level up is where encryption devices will sit; in fact, above layer 3.

**Senator LUDLAM**—Above layer 3? So the whole layer 2 architecture has nothing to say about security?

**Mr Quigley**—Other than it absolutely enables it.

**Senator LUDLAM**—But it will not be your responsibility, or it will be?

**Mr Quigley**—Encryption occurs at the end points of traffic. So you have encryption at one end, decryption at the other end, and we are not the traffic generators or traffic syncs. We just carry the bits. We cannot tell whether the bits that are being carried are encrypted or in the clear. We simply do not know.

**Senator LUDLAM**—Okay, so there is no role for devices at the physical hardware layer 2 level?

**Mr Quigley**—Layer 2, no. We are interested in other issues which we are talking to agencies about.

**Senator LUDLAM**—I will probably leave it there.

**Senator Conroy**—If I could just add some extra information to the conversation we were having about greenfields earlier, it is fair to say that Telstra's chief technology officer has identified that he believes fibre to the home is the end game, which is one of the issues that the government takes very seriously. We know that Telstra is rolling out fibre in a number of estates. We have just been discussing one of them, Point Cook. As I said, and I wanted to stress this point, we are in active discussions with Telstra about ensuring that we get a sensible solution for all stakeholders. We are keen to ensure that there is a sensible transition period. We are very disappointed at the opposition's desire to again just muddy the waters.

But we are consulting with the Australian Communications and Media Authority on what is required under the existing regulatory framework. As I said, there is some argument about what can and cannot be provided. I repeat: we are actively engaged with all stakeholders, including Telstra, to resolve this issue so that people do have certainty.

**Senator CORMANN**—Just going back to your final comments in the opening statement, you asserted that you shared the assessment coming out of the implementation study that the NBN was financially viable. In the implementation study, the internal rate of return is estimated at 6.3 per cent and may range between 3.6 and 8.3 per cent; is that correct? You are nodding, so that is right?

**Mr Quigley**—Yes.

**Senator CORMANN**—Do you accept that an internal rate of return of 6.3 per cent reflects NBN's capital costs?

**Mr Quigley**—Reflects our capital costs?

**Senator CORMANN**—Yes.

**Senator Conroy**—Are you asking Mr Quigley to comment on the McKinsey implementation study, is that what you are doing?

**Senator CORMANN**—In his opening statement, Mr Quigley asserted that he shared the assessment coming out of the implementation study that the NBN was financially viable. To justify the commercial viability, the implementation study makes an assumption of a 6.3 per cent internal rate of return. On that basis, and given that Mr Quigley shares the assessment coming out of the implementation study, I am asking whether he accepts that an internal rate of return of 6.3 per cent reflects NBN's capital costs.

**Senator Conroy**—Mr Quigley and the NBN are in discussions with the government about our views and NBN's views on the McKinsey report. The government will be considering all of that when it makes its response to those recommendations. The conversations taking place between NBN Co and the government are confidential.

**Senator CORMANN**—Here and now, today, you are not prepared to say that the core assumption in the implementation study, which is an internal rate of return of 6.3 per cent, is enough to cover the cost of capital?

**Senator Conroy**—No, you are now trying to put words into people's mouths. That is exactly what you are doing.

**Senator CORMANN**—Yes or no, are you or not? You have taken on Mr Quigley's question, so are you or are you not? Do you agree or do you not agree?

**Senator Conroy**—The government will receive the business case from NBN Co and we will make appropriate decisions upon receiving that business case.

**Senator CORMANN**—So it could be based on an internal rate of return higher than 6.3 per cent?

**Senator Conroy**—I am not going to speculate on the NBN Co's business plan and, as I have said a couple of times, I am not going to be releasing their report. It would be absurd to suggest that you release Australia Post's business plan, Telstra's business plan—

**Senator CORMANN**—I take that as a yes, it could be more than 6.3 per cent.

**Senator Conroy**—I said I am not going to comment. I appreciate your willingness to try to again put words in my mouth, but we are going to give consideration to the NBN Co's views on McKinsey. But those are private discussions between NBN Co and ourselves in the formulation of government policy.

**Senator CORMANN**—The reason I am asking is that in the implementation study, the estimated NBN after-tax capital costs are 20 per cent in year 1, 15 per cent in year 5 and eight to nine per cent in year 11, and your costs of equity were also estimated between 15 and 25 per cent in year 1—

**Senator Conroy**—This is the McKinsey report you are quoting?

**Senator CORMANN**—Page 369.

**Senator Conroy**—No, but you are quoting McKinsey?

**Senator CORMANN**—Page 369 of the implementation study.

**Senator Conroy**—No. You said 'your', so I just wanted to make sure where we stood.

**Senator CORMANN**—That is what you are basing your justification on.

**Senator Conroy**—This is the McKinsey report to us which has made a string of recommendations which we are considering.

**Senator CORMANN**—Minister, you are not prepared to stand by the proposition that the viability of the NBN is based on a 6.3 per cent internal rate of return?

**Senator Conroy**—I think the McKinsey report demonstrates that the NBN Co project is financially viable. Importantly, most importantly—

**Senator CORMANN**—Based on an assumption that you do not stand by. Based on an assumption that you are not prepared to—

**Senator Conroy**—No, I will not be commenting on the individual assumptions within that report. We have had 84 recommendations for us to consider. I repeat: the McKinsey report demonstrates that, even without a Telstra agreement, the NBN Co is financially viable and, importantly, affordable for Australian internet users.

**Senator CORMANN**—Mr Quigley, in the undertaking that you are seeking from the ACCC, can you guarantee that NBN Co will not seek a higher rate of return than the 6.3 per cent that is the assumption in the implementation study?

**Mr Quigley**—No, of course I cannot make any such guarantee.

**Senator CORMANN**—So that would be higher?

**Senator Conroy**—You are now again trying to put words—

**Senator CORMANN**—He said ‘of course not.’

**Mr Quigley**—No, he is not going to give you a commitment about his business model. That is entirely appropriate. For you to then try to put words into Mr Quigley’s mouth is just that—

**Senator CORMANN**—I am not putting words; I am asking a question.

**Senator Conroy**—No, you were trying to put words into Mr Quigley’s mouth.

**Senator CORMANN**—So essentially you could well seek a higher rate of return than the 6.3 per cent in your undertaking to the ACCC?

**Senator Conroy**—That is a rhetorical question, and again trying to put words into Mr Quigley’s mouth. He is not going to comment on the business case that he is pursuing. It is really simple, Senator Cormann.

**Senator CORMANN**—So, the government does not stand by the assumption of a 6.3 per cent internal rate of return—

**Senator Conroy**—That would be putting words in my mouth.

**Senator CORMANN**—Mr Quigley is not prepared to lock himself into the 6.3 per cent internal rate of return. You are not prepared to tell us what it is; we just have to take you on trust.

**Senator Conroy**—You are brilliantly asking and answering your own questions. I do not even know why you spend your time sharing your presence with us.

**Senator CORMANN**—I will leave it here because clearly you are not prepared to give answers to these very sensible questions.

**Senator IAN MACDONALD**—Minister, we have a lot of questions about financing that we want to come back to when we have time.

**Senator Conroy**—As I have said, and I had to confirm this for Senator Cormann, I thought it was but I just wanted to double-check, it was a joint press release issued by the Minister for Finance, the Treasurer—

**Senator IAN MACDONALD**—Yes, I have heard that, Minister. I want to ask Mr Quigley questions while he is here, and we will come back and have arguments about this later. Mr Quigley, NBN in Tasmania is open for business on 1 July?

**Mr Quigley**—That is when we will have connected the first customers in stage 1.

**Senator Conroy**—In the end, Tasmania has actually been active since December, so it has been open for business since December. It goes live—

**Senator IAN MACDONALD**—We have asked before, Mr Quigley, and have you come to some agreement with the retailers on the prices you are charging them?

**Mr Quigley**—Yes, for stage 1 of Tasmania, which is the 4,000 premises.

**Senator IAN MACDONALD**—Is that public?

**Mr Quigley**—We have three service providers. No, it has not been made public.

**Senator ABETZ**—Well, one has gone public, has it not?

**Senator IAN MACDONALD**—What NBN is charging; I know Primus Telecommunications have gone public, and we will come on to that shortly. Is it public what you are charging the retailers?

**Mr Quigley**—No, we have not made that public, but there is no great secret to it. This is a stage 1, it is the first implementation in Tasmania of a limited number of premises, and for that stage 1 activity, we agreed an interim price for a fixed period of time to help defray the costs of these retail service providers who are cooperating with us in the very first instance of this type of service. So it is a perfectly natural and commercial thing to do. I would not have had any hesitation in doing this as a commercial—

**Senator IAN MACDONALD**—I am not suggesting it is unnatural. Can you share with us what the prices are?

**Mr Quigley**—Yes. There is a connection fee of \$300, I believe, and I will have to double-check this.

**Senator IAN MACDONALD**—That is \$300 per household?

**Mr Quigley**—Per household. This is to the retail service provider. Remember, we have no relationship directly with an end user.

**Senator IAN MACDONALD**—I know that. We have been going through that for a long time; \$300 per household to the retailer.

**Mr Quigley**—Yes. Then they will move on to the overall national pricing which will be part of our special access undertaking to the ACCC in July of next year. So, for a limited period of time, and for a limited number of premises, we are charging them just the connection fee.

**Senator IAN MACDONALD**—That connection fee is your actual cost of making the connection?

**Mr Quigley**—No, it is not. For this original first exercise, stage 1 in Tasmania, for a limited number of premises, we are not trying to relate it directly to costs.

**Senator IAN MACDONALD**—How did you pick \$300 per household?

**Mr Quigley**—That was a decision we made with our marketing people internally. There is nothing particularly scientific about the \$300.

**Senator IAN MACDONALD**—It bears no relationship to anything?

**Mr Quigley**—It bears no relationship apart from what we believe is a sensible thing to do with these retail service providers in order to help defray their costs of setting up for what is a brand new service in a limited geographic location for a limited amount of time.

**Senator IAN MACDONALD**—Okay, so no revenue to Tasmania NBN Co. for 12 months from the network?

**Mr Quigley**—From this location, yes. From this stage 1 deployment, that is correct.

**Senator IAN MACDONALD**—Primus Telecommunications have issued a retail package, as I understand it. I do not have it in front of me, but I quoted it last week ad infinitum. Theirs is about \$45 for a service, which Tasmanians can now receive for a little bit less than that. They indicated it was an introductory offer and would be increasing to \$90. Are you aware of that?

**Mr Quigley**—I am not aware of any particular statements they have made. When you talk about speeds and prices, I would have to have a look at what they said precisely.

**Senator IAN MACDONALD**—Unfortunately, I did not bring it with me today. I carried it all last week, but I can hand it to you. It is what Primus Telecommunications are indicating they are going to do. You are competing in Tasmania with existing services. Is that right?

**Mr Quigley**—Yes, there certainly can be other service providers there.

**Senator IAN MACDONALD**—Who are providing about the same speed and download?

**Mr Quigley**—Remember, as a wholesale company, we do not anticipate charging retail service providers for download caps measured in gigabytes, normally. What we will charge for is a particular capacity. I would also like to make the point, if I could, that there is a big difference between what you hear about peak speeds, for example, on ADSL or on 3G wireless, and committed information rates. What this fibre network can do, which makes it different from both the copper and the wireless, is provide speed. The speed degrades the further away you get from an exchange, with ADSL. It degrades the further you get away from a tower, with wireless. The speed also degrades on a wireless network the more customers that are served by that particular tower. What fibre does for you is that it does not degrade at all over the complete length, so whether you are right next to the node or you are 15 kilometres away you will still get the same speed. There is no degradation and it is not a peak; it is a committed rate.

**Senator IAN MACDONALD**—But you are a wholesaler and not a retailer, so I really should not be asking you retail type questions.

**Senator Conroy**—No. The questions are more properly directly to Primus Telecommunications, but fire away.

**Senator IAN MACDONALD**—Or iiNet.

**Mr Quigley**—Or Internode.

**Senator IAN MACDONALD**—But they are going to have to compete for the householder. As you know, the pointy heads will want the very best, but most households will not. You have done the surveys, have you not, on what most households want?

**Mr Quigley**—Yes. We certainly have a view of the market.

**Senator IAN MACDONALD**—What is your view of the market?

**Mr Quigley**—That is very complex.

**Senator Conroy**—It also goes to the business plan and a whole range of assumptions.

**Mr Quigley**—We segment the market in lots of different ways, so there is no simple answer to that.

**Senator IAN MACDONALD**—Can I digress just a fraction? Can you tell me how Tasmania NBN Co. is funded?

**Mr Quigley**—It is a full subsidiary of NBN Co. So, as they need funds, the board of NBN Co. approves those funds.

**Senator IAN MACDONALD**—You are the only subscriber?

**Mr Quigley**—Yes. They are a 100 per cent subsidiary.

**Senator IAN MACDONALD**—The Tasmanian government is not making any contribution to these initial rollouts?

**Mr Quigley**—No.

**Senator Conroy**—We are still in some discussions, also welcomed by Will Hodgman and Ferguson and all of the other Tasmanian state Labor MPs—

**Senator ABETZ**—If you do not have to pay for it—

**Senator Conroy**—who strongly support—

**Senator ABETZ**—Of course, if you do not have to pay for something you will embrace it.

**Senator Conroy**—We have called on Tony Abbott to rethink his Neanderthal position on the National Broadband Network in Tasmania.

**Senator IAN MACDONALD**—Mr Quigley, all of the money is coming from NBN Co.?

**Mr Quigley**—Yes.

**Senator IAN MACDONALD**—What about facilitation? Is anyone else helping at all? I understand there was an arrangement that is now in sunset mode whereby you do not need permission to go into people's yards and up streets and that sort of thing?

**Mr Quigley**—I am not sure I understand the question. We are not assuming that we can just go into people's properties without their approval.

**Senator IAN MACDONALD**—Was it not the case that the Tasmanian government had provided you with a blanket ability to lay your fibre without going through what would be the normal processes?

**Mr Quigley**—I do not believe so, and we certainly are going through those processes.

**Senator IAN MACDONALD**—I will come back to that and be more precise.

**Senator Conroy**—It is fair to say we have been speaking with state governments and councils across the whole country about gaining access to existing infrastructure and the way we approach deployment. We have also indicated we would consider legislation across the whole country, including Tasmania.

**Senator IAN MACDONALD**—Mr Quigley, what is your capital cost for what you have done in Tasmania to date—and, should I say, from now and projected for the next financial year?

**Senator Conroy**—There are a number of contractual issues that are not finalised. There are a number of tender processes that go to the actual final cost. If Mr Quigley has the information handy, we can certainly get you the existing spend. As to next year's spend, it is to some degree down to the outcome of some tenders. It is always good to see that the opposition is successful in creating a number and then having journalist repeat it without having any foundation, but I continue to see claims of what the Tasmania NBN rollout is going to cost.

**Senator IAN MACDONALD**—You could probably stop that misinformation, Minister, by being a bit more open.

**Senator Conroy**—One of the key elements is a competitive tendering process. The Commonwealth does not as a rule tell people how much money it has upfront when it goes into a competitive tendering process, because that tends to mean that the prices are higher than they otherwise would be.

**Senator IAN MACDONALD**—Let us get back to my question.

**Senator Conroy**—Not an unreasonable proposition, I am sure you would agree.

**Senator IAN MACDONALD**—What have you spent so far in capital costs?

**Mr Quigley**—I believe we would have that information, yes.

**Senator IAN MACDONALD**—Do you have an estimate for the next 12 months of your operating costs, your current expenditure?

**Senator Conroy**—For Tasmania?

**Senator IAN MACDONALD**—Yes.

**Mr Quigley**—Yes, we probably would have an estimate of that.

**Senator IAN MACDONALD**—Could you give that to us on notice, if you do not have it in your head? What revenue are you anticipating from Tasmania?

**Mr Quigley**—We have not tried to do a business case for Tasmania separately.

**Senator IAN MACDONALD**—How many connections are you anticipating? You must be making some plans?

**Mr Quigley**—There are 200,000 premises to be covered by fibre.

**Senator Conroy**—We intend to cover 200,000 premises.

**Mr Quigley**—In Tasmania.

**Senator Conroy**—I can add some more information. Again, nonsensical claims about the cost per premise that include the infrastructure needed to supply the whole state are simply that. I know that the opposition has tried to make various claims about the cost per home, but they are actually nonsensical. You need to understand that the infrastructure build that is taking place, that is the backbone of the network, services the whole state, not just the first



three towns that we are doing in Tasmania. The opposition has tried to conflate the backbone cost along with individual claimed costs to then come up with quite fictitious numbers about the cost per connection.

**Senator IAN MACDONALD**—I am asking questions about you and your government and NBN Co. I am not really interested in hearing in the next two hours about what others might be proposing.

**Senator Conroy**—I think transparency is key. I know you have not written it down, Senator, so it is probably not gospel.

**Senator IAN MACDONALD**—No, this is an estimates session. Back to Mr Quigley. You expect to have 200,000 premises eventually. Is that right?

**Mr Quigley**—That is correct.

**Senator Conroy**—In four years.

**Senator IAN MACDONALD**—In four years?

**Senator Conroy**—Sorry, between four and five years.

**Senator IAN MACDONALD**—How many do you expect to have by 1 July this year, in another few weeks time?

**Mr Quigley**—By 1 July—this is part of stage 1?

**Senator IAN MACDONALD**—Yes.

**Senator Conroy**—We would have to take that on notice and get you the latest updated figure.

**Senator IAN MACDONALD**—But you must have some idea now?

**Senator Conroy**—We want to make sure that we give you the correct figure.

**Senator IAN MACDONALD**—Please, Minister, if you would just show the normal courtesies of at least not interrupting while I am talking to Mr Quigley. As a commercially operating business, NBN Co would have some idea of how many connections you are going to have by the formal start-up date of 1 July; what would it be?

**Senator Conroy**—There is an ongoing campaign—

**Senator IAN MACDONALD**—Would it be 20,000?

**Senator Conroy**—We are only targeting, I think, a total of 4,000 in those first three sites, so that is the footprint.

**Senator IAN MACDONALD**—Do you have an indication or an assessment of what of the 4,000 will actually sign up?

**Senator Conroy**—As I said, we will get you the latest information so that we can give you an accurate answer.

**Senator IAN MACDONALD**—Mr Quigley may well have it, Minister; you are not even letting him say he does not have it.

**Mr Quigley**—Unfortunately I do not have it with me, Senator, but we can get you that information.

**Senator IAN MACDONALD**—Would you be expecting 50 per cent of the 4,000?

**Mr Quigley**—Fifty per cent of what?

**Senator IAN MACDONALD**—Of the 4,000 would be connected by 1 July?

**Senator Conroy**—That is a hypothetical question. We have said we will get you the information.

**Senator IAN MACDONALD**—When will you get it by, Minister?

**Senator Conroy**—We will seek to get it to you as fast as we can.

**Senator IAN MACDONALD**—So we could expect that before estimates finish?

**Senator Conroy**—As fast as we can obtain that information.

**Senator IAN MACDONALD**—Of those that are signing up, you will get \$300 revenue. Have you anticipated what your revenue might be for this current financial year?

**Mr Quigley**—That is simply not the way we look at it. This is a stage 1 trial—

**Senator IAN MACDONALD**—I am not asking how you look at it. I am asking for facts.

**Mr Quigley**—No, we have not done a revenue projection on stage 1 Tasmania. It makes no sense to even look at stage 1 Tasmania as a business.

**Senator IAN MACDONALD**—Have any of the retail companies paid you anything to date?

**Senator Conroy**—I think even if you look in today's paper, it has been announced that the first two customers have signed up with one of the RSPs for a direct service.

**Senator IAN MACDONALD**—That is not my question, Minister. My question to Mr Quigley was: has Tasmania NBN Co received any money from the retailers to date?

**Mr Quigley**—I cannot answer that now. I will have to check on that.

**Senator IAN MACDONALD**—Could you give us an idea of what you might expect to receive by 30 June this year, and what you are projecting to receive next financial year? Would you be able to get that on notice?

**Mr Quigley**—In terms of revenue, are you talking about?

**Senator IAN MACDONALD**—Yes.

**Senator Conroy**—We can take that on notice.

**Mr Quigley**—Yes, we will take that on notice. I am not sure I would be comfortable providing revenues on one section of what, frankly, I do not see as significant at this point in time for Tasmania alone. I am also not sure I am comfortable with releasing that information publicly just for commercial reasons.

**Senator IAN MACDONALD**—I am not asking for you to see the significance of it; I am simply asking a question of NBN Co, which is a separate company, albeit a subsidiary—

**Mr Quigley**—It is a 100 per cent subsidiary.

**Senator IAN MACDONALD**—But still I would be interested in what the wholly owned subsidiary might have. I am conscious that many of my colleagues have questions about Tasmania, and I am conscious you are now only with us for another hour. Incidentally, in relation to other committees that we are not allowed to mention, would you be available in the week commencing 7 June if there were further hearings to be held?

**Mr Quigley**—I am afraid I am overseas at that time.

**Senator IAN MACDONALD**—When do you return from overseas, not wanting to be personal?

**Mr Quigley**—I think we have a public holiday on Monday, 18 June.

**Senator IAN MACDONALD**—So the following week?

**Mr Quigley**—Yes.

**Senator IAN MACDONALD**—So you will be back in Australia by then?

**Mr Quigley**—I should be.

**Senator IAN MACDONALD**—If we got in early enough, perhaps you would be able to come and give us some other information?

**Senator FISHER**—Senator, bearing in mind that that committee has to report by 22 June—

**Senator Conroy**—Unfortunately Mr Quigley is overseas. There is nothing that we can do about that.

**Senator FISHER**—You have earlier vouched on Mr Quigley's behalf for Mr Quigley's availability to this committee and others, Minister. We are trying to secure his availability for necessary evidence prior to a separate committee reporting, and reporting on time.

**Senator Conroy**—How many times has Mr Quigley appeared before your committee?

**Senator FISHER**—Ask Mr Quigley.

**Senator Conroy**—You should know, you are the chair.

**Senator FISHER**—Actually I am not.

**Senator Conroy**—Anymore. You have been sacked. Your own team sacked you.

**Senator FISHER**—Yes.

**Senator CORMANN**—She has been promoted.

**Senator FISHER**—Yes, catch up, Conroy.

**Senator Conroy**—I am disappointed.

**Senator FISHER**—I am still there. Mr Quigley, how many times have you appeared before the Senate select committee inquiring into the National Broadband Network: about three times?

**Mr Quigley**—I would have to check, but yes, I think it is probably three times.

**CHAIR**—I do not want to halt your conversation about Mr Quigley's diary, but I am conscious of the time.

**Senator IAN MACDONALD**—So am I, Madam Chair. I just made that conscious thing. But of course we were interested in your views, not necessarily on the implementation study, but on the implementation work you are doing in the absence of the implementation study. They are the things we did want to have another chat with you about. So we will try and find a date.

**Senator FISHER**—Perhaps someone could attend in Mr Quigley's stead?

**Senator Conroy**—I am sure Mr Kaiser would love to come.

**Senator CORMANN**—Yes, I am sure he would.

**Senator IAN MACDONALD**—We want someone who knows something about the broadband network, Minister.

**Senator FISHER**—For example, the chief financial officer, would he be available, Mr Quigley?

**Mr Quigley**—I would have to check. I cannot speak for his diary.

**Senator FISHER**—Surely someone from the senior ranks—

**Senator IAN MACDONALD**—Not everyone is overseas.

**Senator FISHER**—Let me check your organisation chart here. So is your chief financial officer still Mr Jean-Pascal Beaufret?

**Mr Quigley**—It is.

**Senator FISHER**—So he might be able to attend? What about your Head of Regulatory Affairs?

**Mr Quigley**—That is yet to be appointed.

**Senator IAN MACDONALD**—Ask the minister for a suggestion. He has a couple of branch officials who would be good at that.

**Senator FISHER**—What about your head of network operations, Mr Steve Christian; would he know the nuts and bolts of rolling out the National Broadband Network?

**Mr Quigley**—Each of them would know a segment of the business fairly well and in some depth, but as the questions are fairly wide ranging and general, I will have to find somebody who could be—

**Senator ABETZ**—Bring them all.

**Senator FISHER**—In your stead, and given that you will be overseas, can we have your undertaking to work with your 10 senior people in terms of the organisational chart that you have provided this committee, your commitment to investigate with your 10 senior people as many of them attending the Senate select committee as possible in your stead in sufficient time for the select committee to report by 20 June?

**Senator Conroy**—I think you are now seeking to—

**Senator FISHER**—Minister, I am asking Mr Quigley.

**Senator Conroy**—I think you are now no longer displaying a courtesy whatsoever.

**Senator FISHER**—I think I now know that you are trying to answer all of Mr Quigley's questions today.

**Senator Conroy**—No, only the absurd ones. Attempting to say 10 or 15 people from NBN Co should come and service the Senate committee is an absurdity.

**Senator FISHER**—Mr Quigley will obviously advise which are appropriate for the terms of reference of the select committee. Thank you, Mr Quigley, is that a yes? That was a head nod for the *Hansard*.

**Senator Conroy**—Not only are you trying to put words in Mr Quigley's mouth, but you are now trying to—

**Senator FISHER**—I was trying to put the head nod on transcript, Minister—

**Senator Conroy**—You are now trying to put gestures—

**Senator FISHER**—But you were not looking, so you could not tell.

**Senator Conroy**—of Mr Quigley on *Hansard*. But I am sure Mr Quigley will seek to provide as much information as he can.

**Senator FISHER**—By the way, I stand corrected; the select committee is reporting on 17 June, which makes the situation even more dire in respect of Mr Quigley's overseas position.

**Senator Conroy**—I am confident you will have extended the reporting date again by the time you get to 17 June, which will probably take away some of the direness.

**Senator CORMANN**—Would the government support an extension?

**Senator ABETZ**—Has all the technology been developed for this rollout to work in Tasmania?

**Mr Quigley**—Sorry, I am not sure that I understand.

**Senator ABETZ**—I thought you were developing a broadband network. All the technology is well developed for it all to work?

**Mr Quigley**—Are you talking about the active equipment?

**Senator ABETZ**—That is right.

**Mr Quigley**—Yes, we are only intending to use equipment that is in production, nothing that is in research labs or still in development.

**Senator ABETZ**—Can you tell us about the boxes that are attached to the power poles?

**Mr Quigley**—The boxes?

**Senator ABETZ**—Yes, the boxes?

**Mr Quigley**—Are you talking about the network devices?

**Senator ABETZ**—Yes?

**Mr Quigley**—With access points, in other words, the connectors that sit up there.

**Senator ABETZ**—Yes. Are they working?

**Mr Quigley**—As far as I am aware, yes.

**Senator ABETZ**—Would you like to take that on notice, because rightly or wrongly I have advice that there are genuine problems with those connection points or boxes on the poles, whatever the correct term is.

**Senator Conroy**—This is in a rollout in Tasmania?

**Senator ABETZ**—Yes, in the rollout in Tasmania. My electrical or technical knowledge of these things is non-existent, so that is what I have been told. That is what I am asking, and could you take that on notice. I cannot pursue it any further, other than I have been told or advised that there are problems with those boxes functioning to the standard that is necessary.

**Mr Quigley**—I was there last week in Midway Point with the program manager. Looking at the facilities, I heard no mention of the problem, but I will investigate.

**Senator ABETZ**—If you could I would be much obliged.

**Senator Conroy**—If you have got any further information, Senator Abetz, could you give us an indication of what you think the problem was?

**Senator ABETZ**—As I said, I am not knowledgeable in this area. I have been given this source, and undoubtedly on the basis of the response I will be given a whole lot of technical data that I do not understand, or I might be told that everything has been resolved.

**Senator Conroy**—Welcome to my world.

**Senator ABETZ**—If you could take that on notice, Mr Quigley, I would be obliged.

**Mr Quigley**—I will.

**Senator ABETZ**—Electric shocks have been in the news in Tasmania in relation to the broadband rollout et cetera. Does the NBN bear any responsibility for that, or do you give a handball to the contractors that you employ for the rollout?

**Mr Quigley**—No, we take occupational health and safety systems—make it abundantly clear that we are responsible for safety on all of the sites irrespective of how deep the contracting relationship goes. That does not mean we do not expect and demand of our contractors to have very thorough safety systems in place. If we believe events occur which put that question in doubt of whether the system is in place, we will stop, and that is what we did in Tasmania for two weeks.

**Senator ABETZ**—That is what you did, and that was as a result of just one complaint, or a number?

**Mr Quigley**—When you say complaints, it was as a result of us looking at a number of incidents that took place. There were no injuries that took place. No injuries. Nevertheless—

**Senator ABETZ**—Shocks were received, though?

**Mr Quigley**—Pardon?

**Senator Conroy**—No, no injuries he said.

**Mr Quigley**—No injuries took place.

**Senator ABETZ**—Are you saying that no injury means that no actual electric shock was received, or that it was such a minor electrical shock that there was no injury resulting from that shock?

**Senator Conroy**—Let me just take you through the six incidents, because I have—

**Senator ABETZ**—Six incidents? Right.

**Senator Conroy**—The six reported incidents that Mr Quigley is referring to. I will list them just so the committee understands what they are. On 20 January 2010 safety documents were not available and equipment was not properly restrained in a vehicle. There was no injury. On 27 January 2010—

**Senator ABETZ**—Can I interrupt you there?

**Senator Conroy**—Traffic management—no—

**Senator ABETZ**—No, you are talking about incidents other than—

**Senator Conroy**—No, I am going to list all—

**Senator ABETZ**—No, no, no, that may be—

**Senator Conroy**—I am going to list the six, which includes the incidents you are referring to.

**Senator ABETZ**—I asked only about electric shocks. So something not being secure in a vehicle—

**Senator Conroy**—It will take me about one minute to finish the list. On 27 January 2010 traffic management signs were not in the correct position around work crews. There was no injury. On 28 January 2010 a cable drum was found to be not properly secured creating a rolling risk. There was no injury. On 9 February 2010 a damaged cable was discovered. The cable was not used. There was no injury. On 23 February 2010 a worker on a pole neglected to perform the precautionary voltage check prior to first approaching the pole. While holding a rope he received a tingle in his hand from a leaking insulator on the pole. This event was identified as potentially a serious event. The individual was then driven to hospital and the worker was medically assessed and given a clean bill of health. On 3 March 2010 a worker failed to maintain a safe working distance from live wires, and a worker was found not wearing protective gloves. This event was classified as a potentially serious event, but there was no injury. At this point NBN Co., in consultation with Aurora Energy, took the decision to suspend the work for two weeks so that retraining and going through all of the safety practices and refreshing everybody about what they were took place. Since that refresher retraining there have been no further incidents reported. The company themselves—Aurora Energy—are involved in all of the above.

**Senator ABETZ**—There was only one matter out of all that list that I wanted to know about, and that is why I specifically addressed my question to electric shocks. I assume the tingle that the worker received was as a result of a flow of electricity into his body, which would otherwise have been described as an electric shock?

**Senator Conroy**—As I said, this event was identified as a potentially serious event.

**Senator ABETZ**—That does not tell me whether the tingle that he experienced was as a result of some electricity entering his body. Yes or no?

**Senator Conroy**—I think it has been widely reported that he received a tingle from the electricity in the pole.

**Senator ABETZ**—Thank you. That is all I need to know. Thank you. So there has just been the one reported incident according to your knowledge, Mr Quigley?

**Mr Quigley**—No, there are six reported incidents.

**Senator ABETZ**—No—in relation to electric shocks, please.

**Senator Conroy**—Well, the NBN Co. takes all of the reported incidents seriously. You may want to focus on one—

**Senator ABETZ**—Yes, but I am only asking about electric shocks.

**Senator Conroy**—You may want to focus on one—

**Senator ABETZ**—If I want to talk about cable rolls, I will ask you about cable rolls.

**Senator Conroy**—But NBN Co. and Aurora Energy take all of these incidents seriously.

**Senator ABETZ**—Yes, of course they should, but I am not asking about that. These are directly relevant answers to the questions that actually are asked. So retraining has taken place. All worked stopped for two weeks?

**Senator Conroy**—Refresher.

**Senator ABETZ**—All work stopped for two weeks?

**Mr Quigley**—That is correct.

**Senator ABETZ**—Who paid the workers for that two-week period of retraining? Did the contractors have to bear that cost, or did the NBN Co. bear that cost?

**Mr Quigley**—We will check, but I would assume that it was the contractor.

**Senator ABETZ**—Just the one contractor?

**Mr Quigley**—It depends on how many contractors were involved. We will check and get an answer.

**Senator ABETZ**—I was told that all work stopped for two weeks.

**Mr Quigley**—That is right.

**Senator ABETZ**—Whatever that work that was stopped, if you could tell us how many contractors were involved, and then how many workers, and then who paid their wages for that two-week period, if indeed they were paid. Did the NBN make any contribution to the retraining costs?

**Mr Quigley**—That I would have to take on notice.

**Senator ABETZ**—Who delivered the training?

**Mr Quigley**—I believe that was with Aurora Energy. Yes, they have a very good training capability.



**Senator ABETZ**—All right. Thank you for that. Is stage 1 still being rolled out in Tasmania?

**Mr Quigley**—Yes, construction is taking place.

**Senator ABETZ**—It is still being rolled out. We were told it was a limited geographical location for a limited time and that the \$300 charge was going to be applied.

**Mr Quigley**—That is correct.

**Senator ABETZ**—That is for stage 1. Can you just remind me how many houses are in stage 1?

**Mr Quigley**—It is approximately 4,000 premises.

**Senator ABETZ**—Four thousand, that is right—you said that earlier. Thank you. Are you able to identify the limited geographic location?

**Mr Quigley**—They are the three well-known locations: Smithton, Scottsdale and Midway Point.

**Senator ABETZ**—Thank you. Why were they chosen?

**Mr Quigley**—Those sites were chosen before I came on board, so I am afraid I cannot answer that.

**Senator ABETZ**—Can you take that on notice, please? When does the limited time that this offer is going to be made available end?

**Mr Quigley**—July next year, I believe.

**Senator ABETZ**—July 2011? First of July?

**Mr Quigley**—I believe, or until we submit and get approval for the special access undertaking with the ACCC.

**Senator ABETZ**—All right, so this is stage 1. Do you have a stage 2 in mind?

**Mr Quigley**—We do.

**Senator ABETZ**—What areas are going to be covered by stage 2?

**Mr Quigley**—Seven towns will be covered across Tasmania.

**Senator ABETZ**—Seven towns, and they are?

**Mr Quigley**—I think I have the towns here, somewhere. Give me a moment. They are Sorell, Deloraine, Georgetown, St Helens, Triabunna, Kingston Beach and South Hobart.

**Senator ABETZ**—Why were they chosen?

**Mr Quigley**—That was a collective decision of the Tasmanian state government and the Commonwealth.

**Senator ABETZ**—So the rollout for Smithton, Scottsdale and Midway Point—

**Senator Conroy**—It was actually a decision taken by Aurora Energy and NBN Co.

**Mr Quigley**—Sorry, Aurora Energy. Yes, that is right.

**Senator Conroy**—They actually advised us—

**Mr Quigley**—Yes, that is exactly right.

**Senator Conroy**—I would not want to say that I read about it in the newspapers, but it was actually chosen by Aurora Energy and Tasmania NBN Co. after detailed consideration—

**Senator ABETZ**—Which is another wholly owned—

**Senator Conroy**—Aurora Energy is not wholly owned by us—detailed consideration of the engineering issues.

**Mr Quigley**—Sorry, I misspoke in that case. That was in fact how it went. In going to stage 2 there was design work done by Aurora Energy to look at where the next places were that should be done. They came up with a list. That was then looked at by Tasmania NBN—

**Senator ABETZ**—Did they give you a—

**Mr Quigley**—My recollection is that was provided from Tasmania NBN to the Tasmanian government, who had a look at it to say, ‘Does this make sense?’

**Senator ABETZ**—Yes, but you would want a return from this rollout, correct?

**Mr Quigley**—Not at that level of granularity. We just do not look at a business case at that level of granularity.

**Senator Conroy**—It is part of a national rollout.

**Senator ABETZ**—I know that, but why would you be choosing these townships as opposed to other townships—

**Senator Conroy**—On an engineering basis.

**Senator ABETZ**—So not on a cost-benefit analysis and recruitment basis—

**Senator Conroy**—On an engineering basis.

**Senator ABETZ**—And recruitment capacity.

**Senator IAN MACDONALD**—Cost-benefit analysis? What is that?

**Senator Conroy**—On an engineering basis. My understanding of the consultations with Aurora Energy is that the first three towns were chosen on an engineering basis. The next seven rollout sites were chosen also on an engineering basis by Aurora Energy, based on how the rollout would be fanning out.

**Senator ABETZ**—So if it is, engineering-wise, easy, feasible et cetera, we choose the site, as opposed to the possible take-up of the service that is being provided?

**Mr Quigley**—It is the same way as the first release site that we did on the mainland. That was not done on any consideration of returns or demographics. It was, for engineering reasons, about the types of geospatial areas we wanted to try and cover.

**Senator Conroy**—Let me be really clear about this, Senator Abetz. We have tackled some of the toughest areas in Tasmania and Tasmania has been consistently the worst served, despite many people thinking that they live in the worst broadband served region. Tasmania has the highest prices and the slowest speeds. We make no apologies for starting in Tasmania. We make no apologies for starting in some of the toughest towns. What I mean by that is towns that, for instance, may have still a very high dial-up rate. We have committed—

**Senator ABETZ**—Like Kingston Beach?

**Senator Conroy**—to delivering to 200,000 towns, and a network design is being constructed between Aurora Energy and Tasmania NBN Co.

**Senator ABETZ**—Was that 200,000 homes?

**Senator Conroy**—Sorry, homes. Yes. Thank you. We have certainly got very big in Tasmania—

**Senator ABETZ**—Correct me if I am wrong, but I thought I heard you say there was no business case for Tasmania at this stage?

**Mr Quigley**—No, we are simply not developing a separate business case for Tasmania.

**Senator ABETZ**—Right, and that is part of the government's policy?

**Mr Quigley**—We are not building a separate business case for New South Wales or Victoria or Queensland or Tasmania.

**Senator ABETZ**—So we will never find out whether the network is profitable in, let us say, Western Australia but not in New South Wales, because it is all going to be in one big—

**Senator Conroy**—Let me be really clear. We have stated repeatedly that there will be uniform pricing across the country. We are not going to charge people more in Tasmania, or charge people more in Broome or Kalgoorlie or Cairns or Townsville.

**Senator IAN MACDONALD**—So we are going to get the \$300 connection fee only?

**Senator Conroy**—That is a different question, Senator Macdonald. That is an entirely different question.

**Senator ABETZ**—Yes, yes.

**Senator Conroy**—We are talking about the national pricing. We have made it very clear, and we are unapologetic—

**Senator ABETZ**—I am not talking about the pricing. I am talking about the cost and return on the capital effort—

**Senator Conroy**—We are unapologetic—

**Senator ABETZ**—And when you do not have a business case, of course, you cannot answer—

**Senator Conroy**—We do have a—

**Senator ABETZ**—And so you go on with this verbiage.

**Senator Conroy**—We do have a national business case. We have discussed it at length in your absence, Senator Abetz. There have been many questions about it.

**Senator ABETZ**—And no answers.

**Senator Conroy**—We are not intending to release the national business case, as I have stated, but we intend to—

**Senator ABETZ**—No answers.

**Senator Conroy**—and we make no apology for the fact that we are going to be providing the same price for someone who lives in Townsville, Cairns, Broome, Perth, Sydney, Melbourne—

**Senator ABETZ**—Yes, we know all that. You have already said all that.

**Senator Conroy**—Burnie or Hobart.

**Senator ABETZ**—Can I move on to question number—

**Senator Conroy**—That, by definition, implies a cross-subsidy across the network. We are unapologetic about it.

**Senator MINCHIN**—Mr Quigley, could you clarify this for me? Tasmania is different, is it not? In the unique case of Tasmania you are rolling out your NBN through (a) a subsidiary of NBN Co. and (b) in a joint venture with another company—to wit, Aurora Energy, which, as I understand it, is a Tasmanian government GBE. Isn't it different? Pardon my ignorance, but would Aurora not, as a participant in a joint venture, need a business case for the business that it is involved in—to wit, NBN in Tasmania? I find it quite extraordinary that there is not a business case for the enterprise in Tasmania, given that Tasmania is unique, with a separate business partner and a subsidiary of your company involved.

**Mr Quigley**—No. I suggest that what is unique about it is that the state government of Tasmania put up their hand early to participate in the rollout. Tasmania is proceeding, as is the rest of the nation. There is nothing particularly peculiar about Tasmania. Yes, there is a subsidiary there, because that is where we knew the work was going to be starting early, but there is no need to have a separate business case for Tasmania.

**Senator MINCHIN**—This is a quite separate venture, though. It involves a partnership between the Tasmanian government GBE and Aurora Energy, a subsidiary of your company, in a business venture in Tasmania. There must be a business case for that venture, surely?

**Mr Quigley**—Aurora Energy is a contractor to us.

**Senator Conroy**—You have a slightly incorrect assumption that they are a joint venture. They are a contractor.

**Senator MINCHIN**—So Aurora Energy is only a contractor to Tasmania NBN Co.?

**Mr Quigley**—That is correct.

**Senator MINCHIN**—It has no financial participation at all?

**Mr Quigley**—No.

**Senator MINCHIN**—So you just pay them for the ride?

**Mr Quigley**—Yes.

**Senator IAN MACDONALD**—Out of the \$300 per connection, you are already paying Aurora Energy to—

**Senator ABETZ**—I think there will be a drawdown on the \$43 billion on that one. Can I ask in relation to question No. 2640—

**Senator Conroy**—Do you ask the question of Australia Post whether they are—

**Senator ABETZ**—Sorry?

**Senator Conroy**—Does Australia Post have a separate financial business case for Tasmania?

**Senator MINCHIN**—No. This is different.

**Senator ABETZ**—Are they contracting with Aurora?

**Senator MINCHIN**—You do not have separate subsidiaries in other states, or other regions of Australia, presumably? This is the only place in Australia where you have set up a separate subsidiary company, isn't it?

**Mr Quigley**—Yes, but—

**Senator Conroy**—We have said this before, Senator Minchin. This is not intended to be a permanent structure. The National Broadband Network had an enormous task of drawing together an incredibly complex national piece of infrastructure, and the Tasmanian proposal, originally championed by the Tasmanian government and Premier Bartlett, was worthy of—

**Senator MINCHIN**—So you picked up their proposal?

**Senator Conroy**—Yes. It was worthy of talking to them about and expanding upon to meet the same criteria. In other words, the original proposal from Tasmania only proposed, as an example, 44 per cent fibre into the home. It also proposed a range of other things. We had discussions and said, 'Look, we want to take this into 200,000 Tasmanian homes. We want to work through this project.' So we have been in discussions with Tasmania about a joint venture with the Tasmanian government, not about Aurora Energy. We have not included them. However, we have proceeded to roll the network out in Tasmania using Aurora Energy as the main contractor, who then employed John Holland, and they have employed subcontractors to do the actual rollout.

**Senator MINCHIN**—Because NBN is a—

**Senator Conroy**—Tasmanian NBN Co. is not intended to be a permanent, stand-alone company. It was formed to ensure that the focus in Tasmania was to get the rollout started in conjunction with the discussions with Tasmanian government.

**Senator MINCHIN**—Is it a company with a board and executives?

**Senator Conroy**—Yes.

**Senator MINCHIN**—Obligations?

**Senator Conroy**—Its focus is—

**Senator MINCHIN**—Then I am amazed that it does not have a business case for the business that it, as a registered company—

**Senator Conroy**—Its business case is to roll out the network.

**Senator ABETZ**—Can I quickly ask a question in relation to stage 2. The order that you read the towns out in, Mr Quigley, is that going to be the order, or will they simultaneously—

**Mr Quigley**—No. Not at all. We are just doing the detailed planning now of that stage 2, along with the first release sites.

**Senator ABETZ**—All right. What about stage 3? Have you got that far yet with towns identified?

**Mr Quigley**—There are towns identified. I do not have a list of those, but I believe—

**Senator ABETZ**—Could take them on notice?

**Senator Conroy**—We can read them out to you, happily.

**Senator ABETZ**—Take them on notice. Can I quickly go to question 2640, which was a Senate question on notice, and I think Mr Kaiser's name came up. I asked a general question. Can I now ask in relation to it—and take it on notice—who decides whether a business requirement exists for travel and who provides the approval for that travel in relation to Mr Kaiser? Then, can we be advised as to how much has been spent on Mr Kaiser in relation to all the matters that I have raised: travel, airfares, conferences and accommodation. I asked what the budget was and you did not tell us what out of that budget was spent on Mr Kaiser. Very smart. I did not get the question absolutely right, but, as you must know with me by now, Senator Conroy, if you play that game I will bounce back and then you will have to answer two questions instead of just the one. So, in relation to travel, airfares, conferences, accommodation, training, communications allowance, fixed broadband, laptop, other information technology, vehicle—

**Senator Conroy**—You understand he is usually a speaker at these conferences?

**Senator ABETZ**—All I am asking for—

**Senator Conroy**—I just wanted to make sure you understood that.

**Senator ABETZ**—is what NBN is paying for. If he gets freebies on the side, good luck to him. I want to know what NBN, which in fact is being subsidised—\$43 billion worth from the Australian taxpayer—is paying for. I think we are entitled to know, and so I put all that on notice.

**Senator Conroy**—Just before you go, Senator Abetz, I have an update: stage 3, announced on 1 March 2010, is another 90,000 premises—40,000 in Hobart, 30,000 in Launceston and 10,000 in each of Devonport and Bernie.

**Senator ABETZ**—Thank you.

**Senator FISHER**—On the incidents in Tasmania, Mr Quigley, which we have been discussing, the Communications, Electrical and Plumbing Union's Nicole Wells talked about—and I am sure you are aware of her comments—being deeply concerned about the incidents. She said: 'If something is not done about the way contractors operate on this site, then there will be a fatality or at the very least a serious injury.' She goes on, and then she says, 'In the depot they parrot these safety messages. But once you are out on the job it becomes: "Don't worry about that. Time is money. Just get it done."' What discussions has NBN Co. had with the CEPU to resolve their concerns in Tasmania?

**Senator Conroy**—If I can just update you on—

**Senator FISHER**—Minister, I was asking Mr Quigley. His time here is limited, unfortunately.

**Senator Conroy**—And I have some information that would be useful to the committee. As to the discussions that have taken place so far—and Mr Quigley might want to add to this—I have certainly met with the CEPU to discuss this. I have met with John Holland to discuss this, and when I go to Tasmania—I think next week—I am looking to pull together a discussion between Aurora Energy, Tasmania NBN Co., and John Holland to reinforce to them the government's view that safety is paramount. It is also NBN Co.'s view, let me make that very clear. It is very much a shared view that safety concerns are paramount, and we are not going to risk people's lives simply to meet a deadline. That is exactly why, without newspapers knowing, the CEPU being directly involved, that it was a joint decision between NBN Co.—

**Senator FISHER**—Sorry—

**Senator Conroy**—a joint decision between NBN Co. and Aurora Energy to suspend the entire rollout across Tasmania for those refresher courses. Since that, there has not been a single incident, which I think is a testament to the priority that Tasmania NBN Co. Ltd, the national organisation and Aurora Energy put on safety issues.

**Senator FISHER**—So far, so good, Minister. Mr James Tinslay, the CEO of the National Electrical and Communications Association, says that the rollout of the NBN nationally will need at least 10,000 properly trained electrical workers, in his estimate, and that that would create a major skills shortage in Australia. Given that estimate, that some 10,000 of properly trained workers are needed to roll out NBN nationally, do you agree with that assessment?

**Mr Quigley**—I do not know what the assessment is based on, Senator. What was he assuming in terms of underground versus aerial proportions?

**Senator FISHER**—I cannot answer that either, Mr Quigley.

**Mr Quigley**—Well, neither can I.

**Senator FISHER**—Let me put it another way. Will NBN Co. have to train any new workers? Will NBN Co have to train any new workers to the electrical industry in working to roll out the National Broadband Network?

**Mr Quigley**—We will ensure—

**Senator FISHER**—In terms of safety?

**Mr Quigley**—There is safety training going on at the moment. We have developed an OH&S course, and we will continue to develop that and refine it. We have got a lot of things we are planning to do over the next months. We will be making sure that every worker who is on the job on the NBN Co. construction will be properly trained. They will be trained either directly by us or by contractors. But if they are trained by contractors we will oversee that and assure ourselves that that training is acceptable and sufficient.

**Senator FISHER**—How will you ensure that? And how will you reassure the public of that when the pace for the program picks up—as surely it must when you go national, as opposed to just rolling out in Tasmania?

**Mr Quigley**—Yes, but we will make sure that we will go at the pace we can go, and we will not go any faster than we have limitations. Those limitations in some cases may be skilled people; in other cases it may be issues about getting DAs through council.

**Senator FISHER**—What process have you got for identifying those limitations and ensuring that they do not create safety risks?

**Mr Quigley**—When I was answering Senator Ludlam's question earlier, I said we were doing an inventory of all of the skills that are available in the workplace today. We are finding out what is available, what will need to be done, and we are working with a company to try and do that systematically. So it is really too early to answer that question.

**Senator FISHER**—Minister, are you seeking advice as to how to manage any risks identified in that work?

**Senator Conroy**—It depends on what you mean by risks.

**Senator FISHER**—Safety risks.

**Senator Conroy**—If I could just add some information which I think is relevant to what you have asked; Comcare, the relevant workplace safety regulator, reviewed the circumstances of the incident we described, on 23 February 2010, the tingle, and considered this response to be reasonable in the circumstances. Comcare decided not to initiate an investigation into the incident. Tasmania NBN Co., Aurora Energy and John Holland have implemented the following workplace safety practices: NBN Co. has appointed a chief safety officer who will be working with the head of construction to ensure that safety is given priority. Aurora Energy and John Holland have established safety systems and audit policies and ensure that these are followed—for example, NBN Co. and any of its contractors and subcontractors will undergo appropriate induction prior to being admitted to an NBN worksite; no person will be able to commence work on any NBN Co. site without the appropriate qualifications, whether they be trade or engineering qualifications; work is being conducted in accordance with the relevant work safety standard, Aurora Energy work practice number 18, and all workers attend Aurora Energy's Mornington training centre to be trained and accredited in how to apply this work practice; all workers are accredited through the Aurora Energy training centre to work on power assets and—

**Senator FISHER**—Thank you, Minister, thank you.

**Senator Conroy**—I am almost finished.

**Senator FISHER**—Good.

**Senator Conroy**—And there has been close supervision of the work as it progresses; and furthermore Tasmania NBN Co. is actively promoting a no-blame culture in which the workforce is encouraged to raise any safety concerns so they can be addressed without any recriminations.

**Senator FISHER**—Mr Quigley, as of today, are there enough trained electrical workers to roll out the NBN on the mainland?

**Mr Quigley**—That is an impossible question to answer.

**Senator FISHER**—So you have got no idea?



**Mr Quigley**—It is not a question of having no idea. We have put in place a process to do an inventory of the skills that are available, and we will obviously tailor our rollout schedule to the availability of those skills and other constraints we will have from time to time.

**Senator FISHER**—If the view of electrical experts is correct, in terms of there not being sufficiently available and skilled workers at the moment, there is every prospect that, once the NBN rollout picks up, if you were to have some sort of independent risk assessment of the NBN you would get the same message that you got with the insulation program: scale of job and task is new to the workers who are expected to be undertaking it. So what is the process? What can you reassure us—

**Senator Conroy**—I have just outlined to you a lengthy process—

**Senator FISHER**—is the process to ensure that safety is being looked after in that process that will be—

**Senator Conroy**—I have just outlined to you a lengthy and comprehensive process that is in place at the moment. All of these sorts of considerations will be part of an ongoing work practice. But, most importantly, the assumptions you are making are not based on fact.

**Senator FISHER**—You cannot reassure us the other way, Minister; you cannot say there is the available workforce.

**Senator Conroy**—There is a very important fact, and Mr Quigley has already alluded to it. Some of this depends on whether or not we are going overhead or underground. So some of this depends on whether or not we reach an agreement with Telstra. So a lot of the assertions and assumptions that you are founding your questions on are not based on the actual potential rollout. And they cannot be, by definition, because no one knows, yet, whether or not we will reach an agreement with Telstra or not. Mr Quigley has made that clear. The fact that you are repeating another question while ignoring his answer is a stream of consciousness from you, not a reflection on Mr Quigley's previous answer.

**Senator CORMANN**—Everything turns on that.

**Senator Conroy**—A lot of things turn on that. But, just so we are clear, the McKinsey report—

**Senator CORMANN**—It is not a strong negotiating position, is it?

**Senator Conroy**—No. The McKinsey report is very clear: the project is financially viable and affordable without Telstra.

**Senator IAN MACDONALD**—That is simply not correct.

**Senator CORMANN**—That is not very clear.

**Senator Conroy**—However, I have repeatedly said from the day we announced the project that by definition it will be done cheaper and quicker if there is an accommodation with Telstra. All of those things we have said from day one, so the premise of your question, Senator Fisher, is false.

**Senator FISHER**—I disagree.

**Senator TROETH**—Mr Quigley, I would like to ask you some questions about the provision of satellite capacity. I did notice that you made some reference to this in your opening remarks about the possibility of what might be done in the future. Has NBN made any decisions about the provision of interim and Ka-band satellite capacity?

**Mr Quigley**—No, we have not made any final decisions on interim Ka-band satellite capacity. Are you talking about existing satellites?

**Senator TROETH**—Yes.

**Mr Quigley**—It is something we are discussing with the government at the moment.

**Senator TROETH**—So that is under discussion at the moment?

**Mr Quigley**—Yes.

**Senator TROETH**—Does NBN have a view on Ku-band or L-band satellite capacity to provide an interim solution?

**Mr Quigley**—Yes, but it is quite limited. We looked at Ku-band possibilities. We believe the right long-term solution is Ka-band and we believe in the interim there is sufficient Ka-band capacity of which we could make use. That does not mean we will preclude the use of Ku-band but, if we were to launch two satellites, our long-term aim would be, as far as the overall national rollout is concerned, to use Ka-band satellites.

**Senator TROETH**—Do you have a view about an integrated solution or do you prefer to build your own customer capacity for next generation satellite capacity?

**Mr Quigley**—We are looking at both models—really almost a turnkey—as well as doing the individual piece parts. We are evaluating right now the responses we got to our request for capability statement, and we expect to go to an RFP later this year.

**Senator TROETH**—What is an RFP?

**Mr Quigley**—A request for proposal.

**Senator TROETH**—Thank you. Later this year?

**Mr Quigley**—Later this year.

**Senator TROETH**—My last question is: will the company adopt the study's recommendation to consider a leasing model utilising third-party next-generation satellite infrastructure?

**Mr Quigley**—We are certainly considering that as a possibility. In the end we will come up with a recommendation from NBN Co. as to the way we believe we should proceed, we will put that to the shareholder and we will have discussions on it. It is one of the models we have looked at, yes.

**Senator FISHER**—On aerial cabling; how much of the NBN network will be deployed aerially? Let us go over it again, Minister.

**Senator Conroy**—McKinsey recommends 55-45.

**Senator FISHER**—Sorry, I want to know from Mr Quigley.

**Senator Conroy**—Mr Quigley, I am sure, will say that it will depend to a degree on the outcome of negotiations with Telstra.

**Senator MINCHIN**—Is that a recommendation or an assumption?

**Senator Conroy**—It is probably an assumption. They assume 55-45.

**Senator FISHER**—The implementation strategy says 55 per cent?

**Senator Conroy**—Assumes it.

**Senator FISHER**—Assumes it.

**Senator Conroy**—For a variety of reasons, and you would need to get into the methodology of why they picked 55-45.

**Senator FISHER**—How many kilometres of aerial cabling does that equate to?

**Senator Conroy**—You would have to ask McKinsey. Mr Quigley cannot answer that question, I am sure.

**Senator FISHER**—For \$25 million, we do not know the answer?

**Senator Conroy**—No, I said you would have to ask them.

**Senator FISHER**—What is the difference between them in costs?

**Senator Conroy**—They did appear before your committee, I understand—or not your committee any more.

**Senator FISHER**—On a confidential basis—

**Senator IAN MACDONALD**—There was a briefing.

**Senator FISHER**—what is the cost difference between deploying fibre aurally as against underground?

**Mr Quigley**—Aurally is normally considerably cheaper but there is no obvious factor. If you are going underground it depends whether you are using existing ducts or whether you are installing ducts, and if you are installing new ducts then the cost depends on the type of soil or rock you have to go through.

**Senator FISHER**—What would be the cost of the NBN if all cable were underground?

**Mr Quigley**—I cannot answer that.

**Senator Conroy**—That is hypothetical. Nobody has suggested it would be 100 per cent overhead.

**Senator FISHER**—It would end up being more than the \$43 billion budgeted, I suppose, would it not?

**Senator Conroy**—Mr Quigley was suggesting it would be the opposite. He was suggesting that it is normally considered to be cheaper to go overhead, so if it were 100 per cent overhead it would be cheaper?

**Mr Quigley**—Yes, than if it were 100 per cent underground.

**Senator Conroy**—I think it is the reverse of what you said.

**Senator FISHER**—I thought I asked about underground. Has NBN Co. done any testing with the community about the sensitivity of aerial versus underground?

**Mr Quigley**—Yes, in our community consultations we are often asked the question. People are interested in the diameters of the cable, how it looks compared to what they have heard about HFC and how it compares to the power, which is often overhead. We generally answer those questions. So yes, there is an interest. We have had the occasional letter from groups within a particular suburb who have asked us, ‘Please go underground here.’

**Senator FISHER**—What sorts of suburbs?

**Mr Quigley**—Last time I got a letter it was from Castlecrag in Sydney.

**Senator FISHER**—What is the sensitivity, for example, if we are more than 55 per cent aerial? How would that affect the sensitivity from the testing that you say you had done in the community?

**Mr Quigley**—I did not say we had done testing; I said I had got feedback. I could not really quantify that. It is a level of precision that we do not have at this point.

**Senator FISHER**—Given that the percentage of aerial is, as you say, an assumption, how can you suggest that the testing that you have done is in any way indicative?

**Mr Quigley**—I have not done any testing; we have got some feedback from the community.

**Senator FISHER**—How can you suggest that the feedback that you have is in any way indicative?

**Mr Quigley**—I am not suggesting it is; I am just stating the fact of what has happened.

**Senator Conroy**—Let me give you an example. The NBN Co. were in Armidale just in the last few days giving your briefing, and it would be fair to say the community turned out in their hundreds to hear about it.

**Senator FISHER**—This is Armidale, New South Wales?

**Senator Conroy**—Yes. They turned out in their hundreds, and they were desperate to get it built as fast as they can any way they can. They have been mistreated by so many governments in so many ways.

**Senator FISHER**—Looking after worker safety in the process, I would hope.

**Senator Conroy**—They are keen for it to be deployed in any way possible. Some communities are more sensitive about the overhead issue; some are less sensitive.

**Senator FISHER**—Any way possible?

**Senator Conroy**—Following all the occupational health and safety laws of the land. Next question?

**Senator FISHER**—What will happen to pricing if all cabling goes underground?

**Senator Conroy**—That is such a hypothetical, I do not think it is possible. I am sorry, Mr Quigley; that is just a hypothetical question.

**Senator FISHER**—They will clearly rise.

**Senator Conroy**—That is an assumption based on an assumption based on an assumption.

**Senator FISHER**—From a minister who says he will not show us the numbers, that is a bit rich.

**Senator Conroy**—I have not released the Australia Post numbers.

**Senator FISHER**—Let us not go there again; we went there this morning. CommsDay on 14 May talked about the deployment of aerial cabling in Townsville as part of the NBN trial sites. How confident, in terms of the Townsville trial, is NBN Co. that aerial deployment will withstand the environmental threats of cyclones, et cetera?

**Mr Quigley**—That is something that we are looking at in the design phase that is going on. We are working closely also with and getting advice from our partner Ergon Energy in Townsville. They face, obviously, the same issues with the same environmental conditions. When we asked about extreme environmental events—and we have posed this question to people who have done mass deployments overseas—the answer was quite interesting. They said that in fact that they would prefer, in terms of reliability, overhead. While it does sound a little odd to begin with, they say that when you do get an event such as the flood you have a lot of trouble with underground and in fact the restoration times of underground plant is much higher than it is for aerial.

**Senator FISHER**—Thank you. What about Brunswick and Melbourne? Will you use aerial cabling in all trial sites for example?

**Mr Quigley**—No. It was never our intention to use aerial everywhere. In fact, we got designs done for both aerial and underground in the five trial sites and we are in discussions with the various councils about their preferences. We have to go through the formal DA processes. I would not draw any conclusions yet in Brunswick of what particular technology it would be.

**Senator Conroy**—NBN Co. is holding a community forum in Brunswick this weekend.

**Senator FISHER**—Does that mean that NBN Co. has approached each relevant local council for each of the trial sites with a view to aerial versus underground?

**Mr Quigley**—Yes, they are certainly discussions we have had with each council.

**Senator FISHER**—What has been the reaction?

**Mr Quigley**—Mixed, I would have to say. Councils understand there are pros and cons of the two types of deployment.

**Senator FISHER**—Can you tell us the response in respect of each of the trial sites from the council's concern?

**Senator Conroy**—Can I just add some information for you—

**Senator FISHER**—Mr Quigley was going to give it actually and he has only got about another 10 minutes.

**Senator Conroy**—I have got a very quick quote here from Mr Allan Garcia, the CEO of the Local Government Association of Tasmania. He said last year I believe to the Senate select committee:

One thing that the councils were half-excited about was: 'Do you mean you have a solution that is not going to knock the crap out of our roads and our footpaths? We have just put them all back together after the gas guys came through.' I would not say 'excitement', but there was certainly no concern about the fact that poles and wires were being contemplated as a methodology to enhance distribution.

That was 6 October 2009 to your Senate committee. In terms of the five first release sites, I am sure Mr Quigley might be able to add something.

**Mr Quigley**—I would prefer to take the question on notice because I do not know council by council what the various reactions were.

**Senator FISHER**—Please do that and in that process indicate whether or not NBN Co. has got the approval from each council in each of the five test sites—namely, Brunswick, Townsville, Minnamurra, Kiama Downs, west Armidale and Willunga in South Australia. What has been the reaction and do you have approval—

**Senator Conroy**—We were mobbed in Willunga at the recent fair where the NBN was set up to discuss this with the community. There was overwhelming support for the project.

**Senator FISHER**—Were you mobbed by Willunga residents wanting aerial cabling, Minister, which is my question? Maybe they would like to hang, draw and quarter you. That might be the more likely use of it.

**Senator Conroy**—We were mobbed in Willunga. I am not sure if you were actually there.

**Senator FISHER**—Mr Quigley, on notice, please, can you inform the committee as to whether or not you have approval from each of those councils in each of the trial sites for aerial cabling?

**Mr Quigley**—I can almost certainly tell you at this point in time that we have not finished the approval process. As you would know, a DA approval process takes some time. I am almost confident that that process has not reached its conclusion.

**Senator FISHER**—In respect of those that have reached a conclusion please inform us of the outcome in that regard.

**Mr Quigley**—We will do that.

**Senator FISHER**—In respect of those that have not reached a conclusion, can you please indicate the status of that consideration and at what point in time you expect to conclude that process? Please also indicate your willingness, presumably, to let the committee know what the outcome is as soon as each has concluded. Thank you.

**Senator Conroy**—Can I just add some further information. I need a clarification from you, Senator Fisher. Would you like to know the outcome at the end of the approval or an outcome by the time you want an answer back?

**Senator FISHER**—Both Minister; in respect of those that are on foot, at the time the answer is provided, which will be in a week and a bit. Then I would welcome Mr Quigley's indication that as soon as each has reached a conclusion—

**Senator Conroy**—I would not want to be accused of holding up the question to get further information for you past that deadline.

**Senator FISHER**—I welcome Mr Quigley's confirmation that the committee will be informed in respect of those that are still on foot as soon as they reach a conclusion; that is, at the time the conclusion is reached.

**Senator Conroy**—You have asked a lot of questions about overhead. I am hopeful by now you have seen the difference between the size of a piece of fibre and the size of the HFC rollout of pay TV networks in the nineties.

**Senator FISHER**—Indeed we have.

**Senator Conroy**—Even Senator Minchin recently considered this when he said, and I quote:

They are not as bad, I would have to say, as the pay TV cables that caused such a storm back in the early nineties as you recall when Foxtel and Optus were rolling these really big heavy cables down every bloody street.

That is a quote from Senator Nick Minchin on ABC Radio Illawarra on 21 August 2009.

**Senator FISHER**—Does that mean that in areas where Optus and Telstra have HFC hung aerially, NBN Co. will hang a third cable?

**Mr Quigley**—It is too early to determine that.

**Senator FISHER**—But there is a prospect of that?

**Senator Conroy**—There are a range of prospects.

**Senator IAN MACDONALD**—I have a very quick one. The site in Townsville has been chosen and you have explained previously the reason. On the road opposite that and not in the site is the proposed GP superclinic, the Aitkenvale Library and the Mundingburra State Primary School. Was any thought given to including those in the area?

**Mr Quigley**—It was not, but if they were just across the road and it was especially important I would certainly undertake to look at it.

**Senator IAN MACDONALD**—Thank you.

**Mr Quigley**—Would you like them connected?

**Senator Conroy**—Were you arguing that they should be connected?

**Senator IAN MACDONALD**—Mr Quigley, we have spoken about this previously. Evidence was given to that other committee that we are not to mention that indicated there was significant confusion amongst local councils as to whether, under current legislation and planning arrangements, NBN Co. will require development consent from landowners to deploy its fibre network. What is your view on your necessity to get landowner and indeed tenant, if the landowner is not the tenant, permission?

**Senator Conroy**—The other way round, if the tenant is not the landowner.

**Senator IAN MACDONALD**—Yes, if the tenant is not the landowner.

**Mr Quigley**—We proceed on the basis that we will seek that approval at this point. That is the basis on which we are working in Tasmania on the first release sites. That is what we are assuming.

**Senator IAN MACDONALD**—Say that again.

**Mr Quigley**—We are assuming that we will seek the approval of the landowner for each premise in which we want to install anything.

**Senator IAN MACDONALD**—And each occupant and, looking at a high-rise building, each occupancy as well?

**Mr Quigley**—You need it in that case from the landowner, the building owner. Even if all the tenants wanted us to connect fibre, we could not.

**Senator IAN MACDONALD**—In a high rise or in any building—but particularly a high rise—is your process going to be that you are going to need the body corporate approval and then the approval not only of each owner but also of each occupier of a unit? Have you factored in the cost of all that?

**Mr Quigley**—Yes, of course. In the case of a multidwelling unit, to put the fibre up the rises you will need the body corporate or the owner's agreement. To actually connect to an individual apartment you will need apartment owner's agreement.

**Senator IAN MACDONALD**—And the occupier's?

**Mr Quigley**—Yes, that is what I meant.

**Senator IAN MACDONALD**—The owners and the occupiers. Have you factored that cost into all of your \$43 billion costings?

**Mr Quigley**—We have taken that costing into account in our business case.

**Senator Conroy**—Just to confirm, in Tasmania, we are seeking the consent of both landowner and occupier in towns.

**Senator IAN MACDONALD**—We cannot see the business plan, but can you indicate in figures or percentages what amounts you have allowed for that?

**Mr Quigley**—Not at this stage.

**Senator IAN MACDONALD**—On notice?

**Mr Quigley**—No, I do not believe we can. That is another important statistic in the business case.

**Senator IAN MACDONALD**—It is more than a statistic; it is a cost to you—an enormous cost to you, I would have thought.

**Mr Quigley**—There is a range of costs and a range of revenues in the business case and, as I said before, our obligation is to provide that business case to the shareholder who will then decide what they do with it.

**Senator IAN MACDONALD**—The exposure draft said that you were not a public utility—or whatever it is called. Had you been labelled as a public utility you may have had a lesser cost, but you have costed it on the basis that you are not a public utility.

**Mr Quigley**—That is correct.

**Senator CORMANN**—Has NBN Co. or any of its contractors approached the Department of Immigration and Citizenship about visa arrangements for employer sponsored workers?



**Mr Quigley**—Not that I am aware of.

**Senator CORMANN**—You are confident that the skilled workforce that NBN Co. needs is going to be available domestically in Australia?

**Senator Conroy**—We have had some discussion about that already.

**Mr Quigley**—As I responded to Senator Ludlam, we are doing an inventory at the moment of the skills base that is required and matching that up with—

**Senator CORMANN**—You do not at present employ anybody who is under an employer sponsored visa arrangement?

**Mr Quigley**—Have our contractors, for example, in Tasmania employed anybody under that arrangement? I do not know. I will take that on notice.

**Senator CORMANN**—But you yourself have not?

**Mr Quigley**—No, not at NBN Co.

**Senator CORMANN**—If you could take the contractors on notice please.

**Mr Quigley**—It could be that our CFO may be on such a visa; I will have to check on that.

**Senator CORMANN**—If you could take the whole question in relation to NBN Co. and contractors, that would be great.

**Senator Conroy**—Did you say ‘and contractors’?

**Senator CORMANN**—He said previously that he was prepared to take that on notice.

**Senator Conroy**—We will do our best on that one.

**Senator FISHER**—In terms of aerial cabling, Mr Quigley, you earlier said that there is every chance that Optus has a cable, that Telstra has a cable and that there may be a third cable.

**Senator Conroy**—He did not say that at all.

**CHAIR**—Can we just get this question on notice, please?

**Senator FISHER**—What will be the visual impact of a third cable and what is NBN Co. doing to assess that visual impact? You said you had consulted with residents in terms of your trial sites. In respect of Willunga, when was the consultation and how was it promoted to residents?

**CHAIR**—He made all those comments in his opening statement.

**Senator FISHER**—With whom and how was it promoted? If all of that was in your opening statement about Willunga, then thank you. If it was not, can you please provide that on notice to the committee?

**CHAIR**—The committee will now suspend for lunch. I would like to thank NBN Co. and Mr Quigley for appearing before the committee today.

**Proceedings suspended from 1.02 pm to 2.02 pm**

**CHAIR**—We will resume proceedings with the department and program 1.1. As I indicated before the lunch break, the committee has now determined that the department will

continue to be heard until no later than six o'clock this evening and from seven o'clock we will have the Arts portfolio under the Department of Environment, Heritage and the Arts.

**Senator CORMANN**—I would like to go back to the government's initial investment of \$4.7 billion into the NBN network. We had a discussion about this earlier today with Mr Harris. In the estimates this time last year Ms King, who is now Ms Cullen, told Senator Minchin that out of the \$4.7 billion, \$2.4 billion would be funded by the Building Australia Fund and \$2.3 billion would be raised from the Aussie Infrastructure Bonds to be issued by Treasury, which seems to be at odds with what we were discussing this morning.

**Senator Conroy**—I think your questions were particularly unclear.

**Senator CORMANN**—I am not asking you, Minister. Mr Harris seems to remember the conversation that we had this morning. Maybe Mr Harris can shed some light on where things are up to.

**Mr Harris**—The only difference is that the Aussie Infrastructure Bonds, which are a matter for the Treasury portfolio, as the minister has observed, have not been issued to this point. As we were saying this morning, the numbers remain the same, but the Aussie Infrastructure Bonds are a particular construct of the Australian Office of Financial Management. As I understand it, they plan to create them this financial year.

**Senator Conroy**—We undertook to get you information on the other line item.

**Senator CORMANN**—In terms of your portfolio budget statements, is it correct that all we should be finding in your budget allocation is \$2.4 billion?

**Senator Conroy**—No. We undertook to have a look at the other line item. We took it on notice, specifically, and said we would come back to you with any details of items inside that other item.

**Senator CORMANN**—I would like to explore it today because there is a bit of confusion around all of this.

**Senator Conroy**—I agree you are confused. You were not aware of the testimony from Ms King, now Ms Cullen, from last year. We were, but you were not.

**Mr Harris**—I would have to guess here. I have assured the committee that the \$4.7 billion that has been promised is funded in the budget, but it is funded in the budget in a way that requires me to get the department of finance to effectively approve an answer. I can give you an answer with the support of the department of finance or you could ask the department of finance, but what is in our PBS is—

**Senator CORMANN**—Your minister is a shareholder minister.

**Mr Harris**—That is right, but a budget is constructed according to rules created by the department of finance.

**Senator CORMANN**—Sure, which any department can say.

**Mr Harris**—There is no doubt our PBS includes the full quantum of money that you are looking for. I cannot draw your attention to it, other than the BAF money which I did draw your attention to before the break and the equity accounting method, which I am assured from our CFO and from the department of finance includes full provision for this. In other words,

we plan to equity account for the investment in NBN via that line. I cannot give you any more than that without getting an answer organised with the department of finance.

**Senator CORMANN**—So all of the BAF money which is in your portfolio is going into the \$4.7 billion capital injection?

**Mr Harris**—No. Some of the BAF is for the black spots program which we were just telling Senator Abetz about.

**Senator Conroy**—Exactly as Ms Cullen explained last year.

**Senator CORMANN**—What adds to the confusion is that the explanatory memorandum to the National Building Funds Bill 2009 states:

The Government has committed an amount of up to \$4.7 billion for proposals relating to the NBN. Such proposals will be disbursed solely through the appropriation made by the BAF Special Account.

All we can find in your BAF special account, even with the best calculations, is \$2.965 billion between 2009-10 and 2013-14. We are trying to ascertain where the remainder is coming from. Are you telling us that all of the remainder of the investment will be funded through Aussie Infrastructure Bonds?

**Mr Harris**—No, only the Treasury—

**Senator Conroy**—The finance department and Treasury could answer that question.

**Mr Harris**—We have been assured that the funds are available. They are in the budget papers in our PBS. I do not currently have a reference to the full amount. However, as I said to you earlier, with the assistance of the department of finance, we can draw your attention to where those numbers are, but I cannot do it at the moment.

**Senator CORMANN**—Who would borrow the \$18.3 billion?

**Senator Conroy**—AOFM are in charge of government bond raisings.

**Senator CORMANN**—So the \$18.3 billion that was recommended in the NBN implementation study that needs to be borrowed will also go against the—

**Senator Conroy**—That is AOFM. It is the Australian Office of Financial Management.

**Senator CORMANN**—Who is the shareholder minister for NBN Co.?

**Senator Conroy**—Lindsay Tanner and myself.

**Senator CORMANN**—Are you able to answer questions as the shareholder minister?

**Senator Conroy**—The profile of the bond raising is a matter on which we would get expert advice from the AOFM. I do not know how many times I have explained that to you.

**Senator CORMANN**—Mr Harris, does your department provide advice to Senator Conroy as the shareholder minister for NBN Co.?

**Mr Harris**—On policy issues, yes.

**Senator Conroy**—And the financial bond raising is not a policy issue within our portfolio.

**Senator CORMANN**—Indeed. I am quoting from Budget Paper No. 2:

The government will also provide a further \$16.0 million over two years to the Department of Broadband, Communications and the Digital Economy for a national information campaign, focused on raising public awareness of the value of superfast broadband which will be delivered to Australian households, businesses and organisations through the rollout of the National Broadband Network.

I assume that will be just in time for the election.

**Senator MARSHALL**—When—

**Senator CORMANN**—Presumably by the end of the year.

**Senator Conroy**—We assume that was a rhetorical question. Would you like to ask another?

**Senator CORMANN**—Given that NBN is supposed to be a commercially viable proposition, should the company not be meeting the costs rather than the taxpayer?

**Senator Conroy**—From the policy perspective, what we are seeking to do is to inform the public why we are spending up to \$43 billion on the National Broadband Network. It is an information campaign.

**Senator CORMANN**—When you say you are spending up to \$43 billion, the government is spending up to \$43 billion.

**Senator Conroy**—If you look at the McKinsey profile it talks about \$26 billion. The investment in the National Broadband Network, as a whole, is up to \$43 billion.

**Senator CORMANN**—Why would the taxpayer be expected to fund an advertising campaign to sell the virtues and the benefits of NBN Co.?

**Senator Conroy**—No. It is selling the benefits of the National Broadband Network, not the company. They are two different things.

**Senator CORMANN**—What is the government going to be able to tell us about its investment in NBN Co. that NBN Co. would not be telling us about the virtues of what they are doing?

**Senator Conroy**—To borrow a phrase that Mr Quigley uses regularly, NBN Co. are the plumbers. The government is wanting to inform the Australian public about why we are spending up to \$43 billion in the investment in the network.

**Senator CORMANN**—We have \$16 million over two years to the department for a national information campaign, as well as \$7.6 million in 2009-10 which will be met from within the existing resources of the department. Can you explain what exactly will be involved in the national information campaign?

**Mr Harris**—There is a set of focus groups that have been assembled to provide the research basis that the guidelines for government information campaigns require us to put together. Our research basis from those focus groups, and run by a professional organisation, tells us what people feel in need of knowing about the National Broadband Network. As you know it is a very significant vision concept but, until the release of the implementation study, there was not a lot of detail out there. Now with the implementation study there is a much greater appetite for knowledge from consumers, and that comes through from the focus groups. Against that focus group desire for knowledge, with the help of a creative firm, we

have developed an ad campaign, a website and written materials. We have to submit those to a committee that the government has established for scrutinising government advertising expenditure. The development of that involves shooting an ad, having voice-overs done and that sort of thing. We then go back and focus test that against—

**Senator CORMANN**—How long have you been going with setting the groundwork for all of this?

**Mr Harris**—As we had approval in the budget process itself, it is probably six, eight or 10 weeks.

**Senator CORMANN**—When you say that you got approval, was this a proposal that was entirely initiated by the department or is this something where the government said, ‘We want to do an information campaign and put a proposal together’?

**Mr Harris**—The department has been quite clear for many months. We are in a position where there is a very significant concept being advanced by the government with a lot of informed commentators saying that there is insufficient advice in the public arena, both from the point of view of the content that has now been put out in the implementation study and from things like CommsDay with people saying that there have been insufficient forums and insufficient public information on what is intended with the NBN. For people who track Communications Day, the related ZDNet and all those sorts of things, there has been quite a level of demand saying, ‘You’re not telling people enough about this.’

There was a forum run by the government at the University of New South Wales in December. The Prime Minister spoke at it, but so did a large number of other people with particular visions about what the NBN could do. One of the conclusions of that was that we should run an information campaign.

**Senator CORMANN**—Out of the consultation process came the novel idea that you should run an information campaign and you said, ‘Yep, let’s do it.’

**Mr Harris**—There are a whole bunch of other ideas out there in the public arena. Ms Cullen probably knows more about this.

**Senator CORMANN**—So what you are saying is that you are running a \$16 million plus \$7.6 million information campaign because somebody in the consultation forum said that you should run an information campaign?

**Mr Harris**—No, not somebody in the consultation group. It was a very large group of people with expertise in this area that were saying, ‘You’re not doing enough to inform us and the people we interact with.’

**Senator Conroy**—The mining industry are running ads expressing their point of view, which you support, because they believe the Australian people do not understand.

**Senator CORMANN**—Of course there are mining companies. You are making the linkage here, but they are funding theirs, whereas you are asking the taxpayer to fund this.

**Senator Conroy**—Can you guarantee that you will not spend any money of the mining companies advertising? Can we get that commitment out of you?

**Senator CORMANN**—You are asking the taxpayer to fund your information campaign. What is the time frame? When do you expect the work around the information campaign to be finalised? When do you expect the information campaign to kick off?

**Mr Harris**—I would hope relatively soon, but right now we are in discussion with the committee that the government has established. I cannot quite remember the correct acronym so—

**Senator CORMANN**—When you say ‘soon’, do you mean in a couple of weeks, a month, two months—

**Mr Harris**—In the course of this financial year, because some money has been allocated in this financial year. We would like to be able to spend money in the course of this financial year.

**Senator CORMANN**—If there is an election called, will this sort of campaign be interrupted?

**Mr Harris**—No. There is a standard government process for assessing all of the information campaigns run. The Department of the Prime Minister and Cabinet provides an assessment of the campaigns and clearly those which offend the caretaker guidelines do not continue.

**Senator CORMANN**—So the Prime Minister’s department is going to make a judgment as to whether an information campaign like, this funded by taxpayers—

**Mr Harris**—It has been—

**Senator Conroy**—Allow him to do the ‘shock, horror’, Senator Minchin. On this one you just cannot get away with this.

**Senator CORMANN**—Wasn’t this a government which was going to get the Auditor-General to look at—

**Senator MINCHIN**—That’s the one. He’s been kicked out.

**Senator Conroy**—Can I just add some further information for you, Senator Cormann?

**Senator CORMANN**—Yes, please.

**Senator Conroy**—Consumer groups such as the Australian Communications Consumer Action Network, or ACCAN, and the Australian Telecommunications Users Group are calling for this much needed information for consumers. For example, ACCAN raised this at a recent Senate select committee inquiry—I am sure Senator Fisher was there—on the NBN on 15 April—

**Senator MINCHIN**—This is the ACCAN that you set up.

**Senator FISHER**—The question is: what are you going to tell them? Are you going to tell them what really matters?

**Senator Conroy**—Teresa Corbin, deputy chief executive—

**Senator CORMANN**—The grassroots are out there demonstrating asking you to spend taxpayers’ money on an information campaign. They are saying, ‘Please, give us a campaign.’

**Senator Conroy**—ACCAN canvassed the need for better information and education stating, ‘I think there is an opportunity to implement a large-scale information and education campaign.’

**Senator FISHER**—Tell us. Do not read it to us.

**Senator Conroy**—I just wanted to make sure I accurately quote the *Hansard*.

**Senator CORMANN**—Presumably you have chosen an advertising agency then if you are looking at commencing this campaign in the next few weeks.

**Mr Harris**—That is right. We are currently working with an agency. I do not have the name in front of me but we can probably provide that to you on notice.

**Senator CORMANN**—Maybe you can provide it to us. Ms Cullen might be able to help us.

**Ms Cullen**—The preferred agency is Clemenger BBDO.

**Senator CORMANN**—Which part of the \$23.6 million is part of the contract?

**Ms Cullen**—The total amount that will be spent on the information campaign is \$16 million. The department is absorbing \$7.6 million of that funding in this financial year and we have been provided with an additional \$8.4 million in 2010-11, so the total cost is \$16 million.

**Senator CORMANN**—Is the \$16 million the cost of the contract or is that also—

**Ms Cullen**—That is the amount of funding that has been allocated to the department to carry out the campaign.

**Senator CORMANN**—How much is the contract?

**Ms Cullen**—I do not actually have the details of the contract with Clemenger, but the work that they are doing is preparing the creative material that will be used in the campaign. They were selected after a select tender of four agencies that were chosen off the Commonwealth multiuser list which is run by the Department of Finance and Deregulation. There was an evaluation committee. They were evaluated in accordance with a range of criteria, including the results of market testing that we did of the various concepts that the four agencies put forward.

**Senator CORMANN**—We are looking at TV advertisements, newspaper advertisements, posters?

**Ms Cullen**—Certainly. It is expected at this point that the campaign will involve television and press advertisements as well as a detailed website and a booklet.

**Senator MINCHIN**—Can I just—

**Senator Conroy**—Senator Minchin, you have a glass jaw on this issue.

**Senator MINCHIN**—I remember all those attacks on me as minister for finance for all that outrageous government spending on advertising.

**Senator Conroy**—That was \$254 million.

**Senator MINCHIN**—It is amazing to me how shameless you are, Senator Conroy.

**Senator Conroy**—It was \$254 million in 2007 alone, just for the record.

**Senator MINCHIN**—Yes, and you told us how outrageous it was. It was \$7.6 million in 2009-10. You are not proposing to spend \$7.6 million in 2009-10, are you, given that there is about four weeks left of 2009-10? Presumably that is being rolled over into 2010-11, so the \$16 million is actually—well, what is the profile of the spending?

**Mr Harris**—The design and \$16 million cost of the program was something we put together regardless of which financial year it was in. We have funds available in the course of this financial year and so we were contributing those because we will be spending what we can out of them, and then clearly, yes, we expect the campaign to roll over into the new financial year, and that has been agreed.

**Senator MINCHIN**—But it is not really a two-year program. It is between now and 30 June 2011.

**Mr Harris**—I think Senator Cormann has asked a question which is obviously difficult for me but obviously there are some potential interferences in the time frame of a campaign like this if it has to be suspended, so it may well run for a lot longer than the next financial year.

**Senator Conroy**—Moneys will be rolled over from this year to next year. Equally moneys next year could be rolled over to the year after.

**Senator CORMANN**—I think the question that we should be asking is that it looks on the face of it as if the funding for this campaign is front-end loaded, essentially between now and the financial year which just happens to coincide with the critical period in the lead-up to the next election.

**Mr Harris**—I can assure you that it is actually driven by the fact that we had funds that would otherwise have simply been returned to the budget and so—

**Senator MINCHIN**—Couldn't spend it fast enough?

**Mr Harris**—It was not for—

**Senator MINCHIN**—Finance were going to take it off you, were they?

**Senator Conroy**—It was excellent budgeting by the department.

**Mr Harris**—I think Senator Minchin would probably know the circumstances—

**Senator Conroy**—He understands the voraciousness of the—

**Senator CORMANN**—But, Mr Harris, essentially—

**Mr Harris**—We had funds available, therefore we have attributed them to this budget and we expect them to be rolled over—

**Senator MINCHIN**—That is very generous of you, Mr Harris

**Mr Harris**—It is good financial practice, I think.

**Senator CORMANN**—I am not so sure about good financial practice, because we are looking at an amount—

**Senator Conroy**—Even Senator Minchin accepts this argument, Senator Cormann.

**Senator MINCHIN**—It should have been returned to the budget actually.



**Senator CORMANN**—It should have returned to the budget indeed. This is just under half. So you are proposing to spend \$16 million, and just under half of that will be spent over the next six weeks, according to the budget?

**Senator Conroy**—You spent \$125 million on the advertising campaign for the GST—\$125 million advertising the GST. There was \$254 million in 2007.

**Senator CORMANN**—Has somebody emailed you some talking points out of the Prime Minister's office?

**Senator FISHER**—But he can only read them. He cannot talk about it. He has to read it.

**Senator CORMANN**—Mr Harris—

**Senator Conroy**—Any time you want to turn your computers off, that is fine.

**Senator CORMANN**—We are spending just under half over the next six weeks.

**Senator Conroy**—Just close them. Just go like this and leave them like that.

**Mr Harris**—We will do our very best to spend what we can efficiently, reliably and with good value for taxpayers in the course of this financial year and expect the remainder of the money because it is dedicated to a particular purpose to be rolled over into the next financial year. We cannot tell you how much we will spend. Clearly we have spent money already on both focus groups and on development of concepts and filming and that sort of stuff. We have spent something. I do not know what that is. Given the time frames, the invoices have probably not even come in yet. We will do what we can to spend the money but I think I have explained it is a not unusual budget practice for a cost to be taken from a department's available funds which would otherwise be lost and attributed to a particular purpose in the course of a budget process decision.

**Senator CORMANN**—Will the minister have final approval over the advertising campaign?

**Mr Harris**—Yes. I have to recommend the advertising campaign to him under the government's guidelines.

**Senator CORMANN**—By when do you expect to make a recommendation to the minister?

**Mr Harris**—If we are going to get the campaign up before the end of the financial year, I have to do it in the next four weeks.

**Senator CORMANN**—If you want to get it underway, well and truly. But have you got a more immediate expectation? Can you be more specific?

**Mr Harris**—No, and the reason is because we are in front of the government's committee for scrutiny of advertising and we are yet to reach a conclusion with them. Until we reach a conclusion with them I am unable to give their view. Under the government's guidelines the view is a recommendation effectively to me. I have to provide a recommendation to the minister. The minister has to concur with that recommendation, or not, and—

**Senator CORMANN**—Have you seen any of the ads yet?

**Mr Harris**—I have, actually.

**Senator CORMANN**—Is there anything you can share with us?

**Senator Conroy**—Not without the approval of the committee. We hope to share them with you all very soon, but not until after the committee approves them.

**Senator MINCHIN**—The budget papers describe this as a campaign focused on raising public awareness of the value of superfast broadband, so presumably at some point someone made the decision that the public did not have sufficient awareness of the value of superfast broadband, therefore—

**Senator Conroy**—I just mentioned to you—

**Senator MINCHIN**—No. You have cited ACCAN, which is a group you set up—

**Senator Conroy**—And ATUG, which is not a group that we set up, and many people at the digital economy forum.

**Senator MINCHIN**—These are representative groups. What I am alluding to is that presumably you have available to you market research which indicates to the government that public awareness of the value of superfast broadband is not sufficient—whatever the metric for that is—and that therefore—

**Senator Conroy**—Don't you support superfast broadband?

**Senator MINCHIN**—\$16 million has got to be spent to raise it from one point to some greater point.

**Mr Harris**—That is correct.

**Senator MINCHIN**—Does such market research exist and, if so, can we see it?

**Senator Conroy**—No.

**Mr Harris**—The minister says no. I can assure you that—

**Senator Conroy**—We will comply with the guidelines.

**Mr Harris**—The best metrics out of this are, as I think I said earlier to Senator Cormann, that 80 per cent of people are aware the government plans to do something in the broadband area and only 13 per cent of people believe that they have got sufficient information in relation to it. That is what has been expressed to me—

**Senator MINCHIN**—You mentioned that earlier, I am sorry.

**Mr Harris**—I did to Senator Cormann, but it may have been lost in the earlier—

**Senator MINCHIN**—When was that done?

**Mr Harris**—In this last eight to 10 weeks period—March.

**Senator MINCHIN**—Despite all of Senator Conroy's bluster and shouting and screaming, the public have not heard a thing and have not got a clue what he is up to; is that what you are telling us?

**Mr Harris**—I do not think I would go that far.

**Senator Conroy**—Guilty as charged. Guilty as charged.

**Ms Cullen**—In actual fact, I think that 80 per cent of respondents had heard of the government's plan but only 13 per cent felt that they were fully informed of it, and quite a number indicated that they felt they needed more information around it, in particular in relation to the benefits that the National Broadband Network initiative would deliver, including the value of high-speed broadband.

**Senator Conroy**—This was reiterated even at Burnie last week in a community cabinet. I know you would have been glued to A-PAC watching the community cabinet.

**Senator MINCHIN**—I was indeed.

**Senator Conroy**—A gentleman stood up and actually said the government should be doing more to promote why we need faster broadband and the National Broadband Network.

**Senator MINCHIN**—Which branch is he a member of?

**Senator Conroy**—He is not a member of any branch but he stood up and advocated that we should be doing more to raise people's awareness of the benefits of the National Broadband Network, and he is not related to me.

**Senator FISHER**—If I may, will the advertising program commence only if and when the legislation that the government has before parliament is passed?

**Senator Conroy**—There are a number of bits of legislation. The first one, as we have maintained, despite your views, has got nothing to do with the National Broadband Network; it is actually about consumer safeguards and the structure of the industry. The second bill, which is a draft bill at the moment and which is not before parliament, is actually—

**Senator FISHER**—Are you talking about the NBN Co. bill?

**Senator Conroy**—about the NBN Co. I just wanted to make sure you understood the difference between the first bill, which has got nothing to do with NBN Co.—

**Senator FISHER**—I understand the difference but your so-called difference is a distinction without a difference. But I do understand the difference in title of the two bills, but keep going.

**Senator Conroy**—I just wanted to correct you on the issue of believing that it was an NBN Co. bill before the parliament.

**Senator FISHER**—Is it correct that the advertising campaign will commence irrespective of whether either the consumer safeguards bill has been passed by parliament and irrespective of whether the NBN Co.—

**Senator Conroy**—I think the answer is yes.

**Senator FISHER**—bill has been passed by parliament—

**Senator Conroy**—I think the answer is yes.

**Senator FISHER**—irrespective of whether the fibre deployment bill is passed by parliament, which is about deploying fibre supposedly to greenfield sites—

**Senator Conroy**—The NBN is actually being constructed on the ground all around Australia as we speak.

**Senator FISHER**—My question remains. Will the advertising program proceed irrespective of whether or not parliament has passed those bills?

**Senator Conroy**—The NBN Co. is currently being built around Australia as we speak. In Tasmania, in just a few short weeks, it will go live to customers. As I think I mentioned earlier in the day, the first couple of customers have actually been signed up by one of the RSPs. We have 6,000 kilometres—

**Senator FISHER**—So the NBN Co.—

**Senator Conroy**—Can I finish my answer, please? We have 6,000 kilometres of backhaul, the backbone of the network, being built as we speak. I have been to Mount Isa and launched it. I was recently in Gingin, just north of Perth—

**Senator FISHER**—A good place.

**Senator Conroy**—to launch the Geraldton to Perth link and the other links are all on the verge of deployment and construction. We have five first release sites—in Brunswick, in Townsville, in Armidale, in Kiama Downs and in Willunga—and they are all being scoped out and the digging, construction and deployment will commence in the second half of the year. The National Broadband Network is commencing and being deployed irrespective of whether or not legislation is passed or not passed by parliament. It does not require parliament to pass it.

**Senator FISHER**—Is the legislation irrelevant to the building of the NBN?

**Senator Conroy**—Yes, completely. Even you are confused about that, which explains why we need a national advertising campaign.

*Senator Minchin interjecting—*

**Senator FISHER**—Why the haste?

**Senator Conroy**—It would be fair to say I will not be taking on board your idea, Senator Minchin. I think you have failed the tender test already.

**Senator FISHER**—As part and parcel of the government's attempts to have each of those bits of legislation considered by parliament, why has timing been put as imperative by the government in that process?

**Senator Conroy**—The first bill, which you continue to frustrate, is a bill that is about consumer safeguards. It has always been disappointing to see such a narrow-minded view taken by the opposition when it comes to a bill—

**Senator FISHER**—Why has it been put that that timing—

**Senator Conroy**—Can I finish?

**Senator FISHER**—No, not at the moment.

**Senator Conroy**—Can I finish my answer?

**Senator FISHER**—Bring on the cement pourer.

**Senator Conroy**—Thank you. Australian consumers are worse off every day because you are blocking this bill. There are enormous powers for the ACCC in this bill and, given that

you are from regional Australia at times—although I have just found out you are from Western Australia, so this may not count—every single day Telstra are removing phone boxes from all over regional and rural Australia; I believe 5,000 in the last 18 months is the number. They are ripping phone boxes out of the ground all over regional and rural Australia. This bill that you are blocking will give some powers to ACMA to stop that process, so this bill actually delivers protections to consumers using phone boxes right now.

**Senator MINCHIN**—Split the bill if you want it passed. Split the bill and deal with the safeguards.

**Senator Conroy**—Every day that it is delayed, another phone box gets ripped up out of the ground and it is Senator Minchin's fault, Senator Troeth's fault, Senator Fisher's fault, Senator Cormann's fault. I withdraw you from that, Senator Troeth; Senator Macdonald is right.

**Senator FISHER**—Cut your losses. Split the bill, cut your losses and run.

**Senator TROETH**—I have some questions for Mr Harris about satellites. Does the department have a view about the government procuring in its own right next generation Ka band satellites?

**Mr Harris**—I do not think we would have a different view to that which Mr Quigley expressed earlier today.

**Senator TROETH**—Yes, he did already express that.

**Mr Harris**—Unless you perhaps provide me with a little bit more context.

**Senator TROETH**—Yes. I was interested in his remarks but I wanted to ask you as well.

**Mr Harris**—The department's involvement in satellite includes, as discussed last night with the committee, the fact that we are providing significant investment in satellite for television for regional and remote Australians as part of the digital switch-over program. Under the Australian Broadband Guarantee we also provide a program broadband based around satellite provision for people in remote Australia; that program is in the budget papers again this year. The interaction between the department and NBN Co. over this is driven very much by NBN Co. preparing and developing its own interim, and then long-term, satellite solutions for broadband.

**Senator TROETH**—Its own long-term?

**Mr Harris**—Interim and then long-term solutions.

**Senator TROETH**—Yes.

**Mr Harris**—If I take the long-term, satellite will have to be used by NBN Co. to supply—we assessed this based around the implementation study—the last two per cent of Australians; the very most distant Australians will get broadband through satellite. NBN Co. will need to develop that option itself. In the course of developing that option NBN Co. is—I think you asked Mr Quigley before lunch—developing a knowledge of the satellite market through expressions of interest provided to it and it will potentially be able to provide an interim improved service which is prior to long-term putting more satellite capacity up in the sky, for example, or something like that. The department and NBN Co. work closely together on what

their interim solution might be because it will clearly have implications for our subsidy program for remote consumers—the Australian Broadband Guarantee program.

As a result of that we will take advice from NBN Co. about what they actually plan. In the meantime, the government continues its investment in the Broadband Guarantee program, which is outlined in the budget papers. The Broadband Guarantee program, itself, has a different focus this year because the continuing expansion of mobile broadband services provided by Telstra and Optus and Vodafone has reduced the footprint of the area in which we would subsidise those Australians. In other words, commercially based services are advancing further and further out into regional Australia and so our footprint has reduced. We will still have a subsidy program from the department in place and NBN Co., if you like, will be developing a delivery mechanism, and the government will, I think, consider in the course of the next financial year whether it wants NBN Co. to proceed with that and, if so, what implications that might have for the Broadband Guarantee program.

Clearly, if there are any implications for that we will have to discuss those implications with the suppliers who work with us under the Broadband Guarantee program. I think it would be accurate to say that while we have programs being driven from two different perspectives—ours from broadband guarantee subsidy and NBN Co. from having to provide an answer on the satellite footprint in due course—they are going to coincide in the course of next year with an ultimate—

**Senator Conroy**—I would add that we have recently made a fairly significant announcement for existing satellite customers. We have increased the required minimum standard that an ISP must provide to a customer; minimum speeds are to be doubled to one meg download and 256k upload, which is up from 512k and 128k; minimum data allowance will also be doubled to six gig; customer warranty from one year to three years; and there will also be a better testing regime as white boxes called eMetric devices will be installed in a large number of customer premises. The department is targeting 1,000 of these devices which measure the exact end user experience, so there will be no debate about the speed the customer will actually be receiving as this testing device works in exactly the same conditions as the customer through their computer and customers will no longer be required to run web based tests.

Our continued support of the ABG has begun to show dividends with Telstra announcing a new NextG service with significantly reduced monthly costs—\$49.95—that has met the department's coordinated and independent metro comparability tests. So, because we have been providing service and increasing the benchmark, Telstra have now been forced to respond by lowering their prices, which is a win for everybody.

**Senator TROETH**—Indeed. Part of the longer term purpose of my question was to determine whether the government, or the department, is going to consider commencing any sort of scoping study to determine if the satellites would be commissioned and launched by government over the next three years, or whether you would prefer working through an existing satellite operator.

**Mr Harris**—I think that was inherent in my earlier answer, for which I apologise for the length of if I put too much information in there. As I said, the interim solution will probably be, and necessarily has to be, through an existing provider.

**Senator TROETH**—Yes.

**Mr Harris**—NBN Co. will have to work out whether it would prefer to launch its own satellites for the long term for the most remote Australians, or whether it wants to work through a satellite provider to do that, or whether there is—

**Senator Conroy**—I think it would be fair to say that if we get a good deal then we get a good deal and we do not need to, but if we do not get a good deal, we are prepared to enter the market.

**Senator TROETH**—To build it from the ground up, as it were?

**Senator Conroy**—Yes.

**Senator TROETH**—Okay.

**Senator Conroy**—We are looking to get the best possible deal.

**Senator TROETH**—Thank you. That is what I wanted to know.

**CHAIR**—Senator Eggleston has a question on the same matter.

**Senator EGGLESTON**—On this question of satellites, is there some sort of formula that will apply in terms of the rollout of cable versus when a satellite service might be introduced to provide broadband in remote areas like Western Australia where—

**Senator Conroy**—Could you just expand on your question, because I could take it to mean one of two things and I want to make sure I get the exact meaning of your question?

**Senator EGGLESTON**—Obviously in more remote areas, I presume you will be providing this service through satellite and local distribution. Is that not the case?

**Senator Conroy**—McKinsey recommends an increase from 90 per cent to 93 per cent fibre to the premise.

**Senator EGGLESTON**—Of the population?

**Senator Conroy**—Yes, and about three per cent for satellite, which would be the truly remote areas which I am sure would cover many of your constituents, and the intervening four per cent would be the wireless product. That is just to give you the context of what McKinsey has recommended to the government.

**Senator EGGLESTON**—Thank you for that. Many of the areas in the north of Western Australia, say north of Geraldton, have long distances to small population centres and even the larger population centres like Karratha, Port Hedland and Broome, still have long distances between them. It would seem to me that, logically, there is no point in rolling out cable for 1,800 kilometres up to Port Hedland if there is very little need for it along the way, so such services, I presume—

**Senator Conroy**—No, I would have to disagree with you entirely. We did have a discussion this morning and I appreciate that you were probably in another committee so you could not be here for it.

**Senator EGGLESTON**—I am afraid I was, yes.

**Senator Conroy**—We had quite a lengthy discussion. Senator Ludlum, also a Western Australian, was asking questions about the footprint.

**Senator EGGLESTON**—Yes.

**Senator Conroy**—I indicated that we do have a footprint map of the proposed NBN at the moment and what we are seeking to do is—if this is technologically possible, and we are working on this—to have a website where every Australian could type in their address and see whether or not they were going to be in a 93 per cent footprint, if that was what the government decided, the four per cent footprint or the three per cent footprint. As to just writing off places like Port Hedland because it is a long way to run a piece of fibre, we are running 6,000 kilometres of fibre around Australia already. We started in Mount Isa building a Darwin to Toowoomba link through Mount Isa. We have also been party to a construction coming basically from Tennant Creek down to around Mildura, connecting into the network in Mildura. I was in Perth last week turning a sod on the Perth to Geraldton.

**Senator EGGLESTON**—Yes, well done.

**Senator CORMANN**—You were seen.

**Senator Conroy**—I hope I was. I did appreciate you sending the young Liberals along to the community forum that I ran. They were well received.

**Senator CORMANN**—It was a significant concern, of course.

**Senator Conroy**—They were very, very satisfied with the answers that they got to their queries.

**Senator CORMANN**—That is not the feedback we were getting from the good people of Swan.

**Senator Conroy**—You should get out more, Senator Cormann. Coming back to Senator Eggleston, we are committed to building the backbone, or backhaul as it is referred to in the jargon, to wherever there is not contestable backhaul. In other words, where we cannot get a competitive outcome by either—similar to the satellite situation, Senator Troeth—

**Senator TROETH**—Sorry.

**Senator Conroy**—I was just saying this is similar to the satellite circumstance.

**Senator TROETH**—Yes.

**Senator Conroy**—If can get a good deal from an existing fibre provider, and in a lot of cases, particularly in regional and rural Australia that is only Telstra. If we can get a good deal—good access to what they call dark fibre—then we will not need to duplicate. If we cannot get a good deal we are prepared to ensure that the national pricing that we are proposing is consistent and that we have enough backhaul built by ourselves. I would not for a moment—and I do not think you were being flippant; I do not actually think you were saying, ‘Wow!’—

**Senator EGGLESTON**—Seriously, I am not.

**Senator Conroy**—I think when you see the footprint of NBN Co. you will go, ‘Wow!’.



**Senator EGGLESTON**—We will see. If I do go, ‘Wow!’, I will email you, ‘Wow!’.

**Senator Conroy**—My address is senator dot conroy at aph dot gov dot au, just so you have it ready to press.

**Senator EGGLESTON**—Thank you.

**Senator Conroy**—W-O-W, wow!

**Senator EGGLESTON**—I would have thought there was a precedent, if you like, in the provision of television services in the fairly remote north of Western Australia where there are quite big towns and getting bigger, but with long distances between them. In towns like Karratha, Port Hedland and so on, the television services are provided by satellite. I would have thought there was a model that you might have considered following.

**Senator Conroy**—Unfortunately, the propagation issues between satellite television and satellite broadband are just substantially different. The first thing is that because it is data, and particularly a lot of video now, the capacity to provide the sort of broadband that most Australians are crying out for now, if you travel around Australia—and I know you do, Senator Eggleston—they want to be able to access the sorts of speeds as close as possible to inner city. You could deliver an equivalent service, as we are about to do—and I know you are following this—with the digital transition from analogue to digital television. You can deliver an equivalent service off the satellite and we are providing all 16 channels to every Australian now.

You can live in Broome, Karratha, Port Hedland, Kalgoorlie or any of the smaller towns and centres across regional Western Australia and you will get the same service as in the rest of Australia. With broadband it will not quite work like that. Satellite broadband cannot deliver the equivalent of fibre broadband, or even wireless, but we are endeavouring to provide the best possible National Broadband Network to every Australian. We committed to deliver 12 meg to 98 per cent of Australians in the last election and in actual fact what we are doing with the latest generation satellite services that we are either going to put up ourselves or hire or lease, we will deliver that 12 meg to 100 per cent of Australians, so we will actually exceed our election commitment.

**Senator EGGLESTON**—That is wonderful. I am very pleased to hear that.

**Senator Conroy**—That is: ‘senator dot conroy at aph dot gov dot au. W-O-W’.

**Senator EGGLESTON**—Companies like Rio are talking about running their mining operations remotely.

**Senator Conroy**—Absolutely. That is one of the fabulous new applications of broadband.

**Senator EGGLESTON**—Exactly. That is why I am interested in the economic or capacity impact in terms of companies like—

**Senator Conroy**—Could I congratulate you on your far-sighted thinking?

**Senator EGGLESTON**—I am known for my broad and distant vision. Rio, in particular, has an interest in this and so do I for that reason.

**Senator Conroy**—We are very keen to work with resource companies in particular. If you look at where we are running the existing Darwin-Mount Isa link down to Toowoomba you

will see it runs right through the centre of a number of major resource projects that are either under construction or will be taking place, and they will be able to access, for the first time, genuinely competitive backhaul prices. As I said, that is the technical term for the backbone. They will be able to absolutely benefit by having access to this technology. That will be the case. As I said, when you see the footprints you will genuinely go, 'Wow!'

**Senator EGGLESTON**—The difference between the east coast and the west coast, between Queensland and Western Australia, is that Western Australia is far more sparsely populated, with a few fairly small communities of 20,000 or 30,000. I wondered how the cost economics of this would work out in terms of the provision of these services, because it is different to Queensland.

**Senator Conroy**—The network has looked at all of these issues. If you remember, we originally talked about towns with down to 1,000 people, but I believe it will penetrate much deeper than that around Australia. If you are in a township of 1,000 then you have a very good chance. Having seen the footprint now, I believe that it will be substantial, particularly if you take into account the McKinsey recommendation, if we adopt it, of 93 per cent. We are then pushing much deeper on the McKinsey analysis than the original policy proposal. As I said, we are exceeding our election commitment with the National Broadband Network.

**Senator EGGLESTON**—My final comment is that 93 per cent of the population is different to 93 per cent of the continental area, and there is an issue there about distance and density of population.

**Senator Conroy**—Our commitment is to build to 90 per cent and possibly 93 per cent of residences—businesses, hospitals, schools and residences. That is the commitment. Appreciating all of the distances that you are describing, the McKinsey report looked at all of these things and, irrespective of a deal with Telstra, found that the NBN was both financially viable and affordable. That is important. I have had this argument already with some of the other senators. Labor's commitment is to ensure uniform pricing. It does not matter whether you live in Port Hedland, Broome or Kalgoorlie, you should pay the same as you pay in Perth, Adelaide, Sydney, Melbourne or Brisbane for the same product.

**Senator EGGLESTON**—I look forward to looking at your footprint.

**CHAIR**—I am sure that the minister will look forward to your email.

**Senator EGGLESTON**—We will have to wait and see.

**CHAIR**—Senator Fisher.

**Senator FISHER**—Mr Harris, have you been able to get that information that you indicated you would seek this afternoon with respect to unanswered questions on notice 12 and 17 and in what repository they have been in between being asked and then provided to the committee in the last day or so?

**Mr Harris**—I have some information.

**Senator FISHER**—That will include the ACMA ones.

**Mr Harris**—I do not have ACMA. Nobody asked me for ACMA. NBN Co. and the department were what was raised this morning.

**Senator FISHER**—Can you provide the information for NBN Co. and the department?

**Mr Harris**—I can, but I have no way of saying now whether I will be able to get them for you before we finish today.

**Senator FISHER**—Get what?

**Mr Harris**—ACMA.

**Senator FISHER**—Leave aside ACMA. Can you answer my question on what you said you would do?

**Mr Harris**—Yes.

**Senator FISHER**—I grant you we were not talking about ACMA this morning. Can you focus your answer on NBN Co. and the department?

**Mr Harris**—Yes. As Mr Quigley said, the NBN Co. draft answers were received in the department in early March. Some of them were in a form which we recommended to the minister's office and some were not. By the end of March all of those were provided to the minister's office in draft form. A number of them came back in April for corrections. I have dates of when they were supplied to the committee starting from 6 April through to 21 May. I think you have the break-up. I have the numbers of each of the questions. As I said, it was by the end of March, but then subsequent editing was required by the minister's office throughout April, except for the ones that were provided to you on 6 April. As I mentioned this morning and as the minister has just noted, some of them are because NBN's draft answers to questions asked in February were out of date by April. As I said, they were supplied through to 21 May. So answers were supplied to the committee on 6 April. These were done by packages. There was 6 April, 10 May and 21 May.

**Senator FISHER**—You said some questions went to the minister's office in the first place and some did not.

**Mr Harris**—Yes.

**Senator FISHER**—What is the total that we are talking about, and, of the total, how many went to the minister's office in the first place?

**Mr Harris**—They all went in draft to the minister by the end of March.

**Senator FISHER**—All?

**Mr Harris**—All of them, but some subsequently came back for edits.

**Senator FISHER**—How many came back from the minister's office?

**Mr Harris**—I do not have that information. I just have the dates that they were submitted to the committee and then the dates they were submitted to the minister's office. In other words, I do not think we tracked the toing and froing.

**Senator FISHER**—After the afternoon tea break would you be able to provide me with the answer to that question?

**Mr Harris**—I can ask for that answer.

**Senator FISHER**—Thank you. How many of those questions came back from the minister's office?

**Mr Harris**—Yes, I can ask for that.

**Senator FISHER**—Once we have that answer we will know how many questions came back from the minister's office. What purpose did they come back for? You said for corrections or editing required by the minister's office.

**Mr Harris**—I can remember one of my own. One came to me which was out of date by that time. The question was asked in February and by the time the draft was supplied it was out of date and the government had made a decision. I cannot remember the issue, but I remember being the person who was—

**Senator Conroy**—It is a fast-moving portfolio. We are desperate to make sure you get correct information.

**Senator FISHER**—If you wait long enough, things do move. Mr Harris, in relation to corrections or editing required by the minister's office, you have given one particular example where a particular brief was out of date. What other sorts of corrections or editing, in your words, were required by the minister's office?

**Senator Conroy**—We are going perilously close to seeking information about what is advice to government.

**Senator FISHER**—Mr Harris?

**Mr Harris**—I have to agree with the minister, Senator Fisher. We do not normally say, 'The minister's office took this word out and added that word in.' We do not normally supply that information.

**Senator FISHER**—To the extent that there were further corrections or editing required by the minister's office, was it taking a word out and putting another word in?

**Mr Harris**—I have just used that as a hypothetical example. I do not know what the edits were. I can ask the department to tell me—I will have to go and ask for this—which ones came back and which ones the minister's office wanted to think about.

**Senator FISHER**—I would appreciate that in time for recommencement after the afternoon tea break and be ready then to indicate to the committee your preparedness or not to talk about the nature of the changes, albeit in generic, but the nature of the changes.

**Senator Conroy**—That information goes to advice to government and it is not going to be answered.

**Senator FISHER**—I am asking Mr Harris to consider it. I am not asking for an answer now and I am not asking for an answer from you, Minister, because we know how long it takes once your office gets involved in answering questions. I would like an answer please, Mr Harris, after afternoon tea this afternoon.

**Senator CORMANN**—Minister, incidentally, you know that advice to government is not a reasonable excuse not to provide us with information unless you can point to a proper public interest immunity reason.

**Senator Conroy**—As I said, any time you want to take it to the floor then feel free.

**Senator FISHER**—I am not asking about the actual information.

**Senator Conroy**—Convene the Senate.

**Senator IAN MACDONALD**—You can have my seat in the Senate and I will have yours, Minister.

**Senator CORMANN**—While we are talking about unanswered questions, yesterday ACMA, which is part of the same portfolio, told us that they had provided an answer to a question that was submitted by Senator Abetz on 15 March in relation to the number of websites banned and advice as to why each individual website had been banned. ACMA told us that they had submitted the answer. It has not found its way to the Senate yet, so if we can track down where in the whole process between the minister's office, the department and others this might be blocked that would be great.

**Senator Conroy**—If you want to say that the minister is not sending them on to the committee fast enough, just say it. Stop wasting half an hour of your own time. Just say it.

**Senator CORMANN**—I am asking a question. Mr Harris, moving back to the issue of aerial cabling, since the government announced the NBN project in April 2009, how many letters, emails, phone calls or other forms of communication has the department received which raised concerns about the deployment of aerial cabling by NBN Co.?

**Mr Harris**—I will have to take that question on notice.

**Senator CORMANN**—If there were none—

**Senator Conroy**—We said we would take it on notice.

**Senator CORMANN**—Are we talking about 10, 20 or 100?

**Senator Conroy**—We will take it on notice.

**Senator CORMANN**—Can you give us a broad indication?

**Senator Conroy**—That is why we take it on notice, so that we can give you an exact answer. We have said that we will take it on notice.

**Senator CORMANN**—Have there been any?

**Mr Harris**—I do not sign the correspondence, so I do not know the answer to that. Some of the people in the department would know, but I doubt we track the correspondence by that type of subject matter. In fact, I am pretty sure we do not track the correspondence by that type of subject matter, but we will ask. As the minister has already said, this is the sort of question that, in order to give you a proper answer, we would need to take on notice. So we will go back and examine the correspondence.

**Senator CORMANN**—You would be aware that the issue of aerial cabling has, in the past, been controversial in Australia. Are you conscious of that?

**Mr Harris**—I am very conscious of that, not from this job, but from previous jobs that I have done.

**Senator CORMANN**—So you would not be surprised if your department had received some complaints, queries or inquiries in relation to proposals for aerial cabling?

**Mr Harris**—I really cannot answer that question.

**Senator CORMANN**—Minister, you made an assertion in a press conference on 6 May that you have not had any complaints in Tasmania—this is specifically for Tasmania—in relation to consumer complaints about aerial cabling.

**Senator Conroy**—As I read a little earlier, and I reiterate, no-one has walked up to me and said, ‘Hey, we don’t want it.’ In fact, I read out earlier—I will not do it again—that the CEO of the Local Government Association in Tasmania was actually welcoming the fact that we were not digging up their footpaths again. In Tasmania nobody has walked up to me and said, ‘It’s a problem.’

**Senator CORMANN**—That assertion is exclusively based on people not having walked up to you, so you did not consult or you did not ask your department, NBN Co. or councils? This was entirely based on the fact that nobody has walked up to you personally and said, ‘Minister, I’m concerned about aerial cabling.’

**Senator Conroy**—As I said, I have done a number of public forums in Tasmania. I have lost count of the number of press conferences that I have done in Tasmania. I have quoted from the CEO of the Tasmanian Local Government Association welcoming it. If you believe that there is a groundswell out there in Tasmania, then please inform the Senate.

**Senator CORMANN**—I am going to go through a few questions. I assume you remember your former ALP Senate colleague, Chris Schacht. Do you remember him?

**Senator Conroy**—Shottie is well known to me. In fact, to be fair, Shottie is well known to everybody who has been in the Senate longer than you, and I am not being pejorative when I say that.

**Senator CORMANN**—That is a statement of fact. I am very pleased that you make observations of fact for a change. You might be aware of comments that he made in the mid-nineties when the issue of aerial deployment of fibre—

**Senator Conroy**—You are quoting from the mid-nineties.

**Senator CORMANN**—Yes, bear with me.

**Senator Conroy**—Lead me into the trap.

**Senator CORMANN**—We need to set the context here. I am going to seek some assurances.

**Senator Conroy**—Set the trap up. You take too long to get there, Mathias.

**Senator CORMANN**—He said—and I am quoting from him—that sooner or later someone was going to be hit over the head with something as a result of the then-government pursuing the deployment of—

**Senator Conroy**—In this case that might have already happened.

**Senator CORMANN**—After intense community outrage the coalition amended the Telecommunications Act such that aerial deployment required local council approval.

**Senator Conroy**—Yes, which we are now going through the process of gaining.

**Senator CORMANN**—So, any suggestions by your officers supposedly confirming that you would change the law if necessary to get around any local opposition to aerial cabling is not something that you support?

**Senator Conroy**—Let me give you a comprehensive answer.

**Senator CORMANN**—Yes, please.

**Senator Conroy**—While it has been flagged as a possibility that we intend to progress, at this stage the government has not put forward changes to the existing powers and immunities legislation.

**Senator CORMANN**—You have some talking points there, Minister?

**Senator Conroy**—I am giving you a comprehensive answer. Were you reading from something?

**Senator CORMANN**—Yes, I am reading from my questions.

**Senator Conroy**—I am saving the environment of paper. I am reading from a computer screen and you are reading from a piece of paper. We are considering recommendations in the implementation study on this issue. We have always said that, before we put forward any formal changes, we would consult publicly with key stakeholders, including local government.

**Senator CORMANN**—Consult?

**Senator Conroy**—Should the government proceed with any legislative changes, obviously they will be subject to parliamentary scrutiny. In any case, in the first instance, we are seeking whether we can work cooperatively with local governments and local stakeholders on the rollout of the NBN. To this end, NBN Co. is engaging heavily with local governments and a range of other parties, including utility companies, on ways in which they can work cooperatively, including the rollouts in first release sites. It is important for NBN Co. to understand the extent to which they can work cooperatively with local governments. I continually meet local government representatives that want the NBN to roll out first or as a priority area, because they know, unlike those opposite, the benefits high-speed broadband will bring to their local area, and I would encourage local government representatives to continue to do what they have been doing, which is to consult and work closely and cooperatively with the NBN Co.

**Senator CORMANN**—So, in the first instance you will consult. If local councils do not agree with your proposition, will you then legislate in order to get around local council approval requirements?

**Senator Conroy**—We are in the very early stages of the consultation and we are receiving very positive and favourable feedback.

**Senator CORMANN**—So, you would put out a discussion paper for public consultation?

**Senator Conroy**—If we were going down that path, yes.

**Senator CORMANN**—That is a commitment. If you go down the path of trying to get around local council approvals to impose aerial cabling—

**Senator Conroy**—We would be engaged fully publicly. We would be providing plenty of documentation.

**Senator CORMANN**—You have also made the assertion that NBN Co.—

**Senator Conroy**—I do repeat that we are constructively engaged and not a single council that we are engaged with has said that they do not want to cooperate with the NBN Co. We are also engaged with state governments. Most councils are racing ahead and introducing the measures necessary, particularly in greenfield sites, to allow the deployment of the NBN Co.

**Senator CORMANN**—You have also asserted that the NBN fibre is a very different piece of cable compared with the HFC rollout.

**Senator Conroy**—I have not asserted it. It is a fact.

**Senator CORMANN**—Can you explain that for us? A cable is a cable in terms of looks and inconvenience.

**Senator Conroy**—I have already quoted him on this, but I think you may have been out of the room. I will try not to embarrass Senator Minchin too much again. I have already quoted Senator Minchin from October last year where he did concede that it was a much thinner piece of cable, not as big, fat and ugly as the HFC rollout. I can read you the exact quote.

**Senator MINCHIN**—I am pleased you hang off my every word.

**Senator Conroy**—Always. As you know, I am a big fan of yours and I am a big fan particularly as you are on the backbench. I can read you Senator Minchin's quote. When you say 'cable is cable', Senator Cormann, you are just wrong. Senator Minchin has already said that cable is not cable.

**Senator CORMANN**—So, cable is not cable? That is an interesting point.

**Senator Conroy**—HFC is a much fatter, lower hung, loopy cable. I mean 'loopy' as in it loops down and has large, ugly things hanging off it. Next time you are in Tasmania, go and examine the aesthetics of the piece of fibre that has already been constructed. You will see that there is an enormous difference between the aesthetics of a piece of HFC cable and the aesthetics of a piece of fibre. Senator Minchin has already conceded that.

**Senator CORMANN**—You are assuming that NBN Co. is going to be a monopoly provider of service. If Telstra were competing with NBN Co. and has existing infrastructure, that would include existing HFC cabling?

**Senator Conroy**—Could you repeat the question?

**Senator CORMANN**—Are you making an assumption on what the cabling—

**Senator Conroy**—No. I think you were probably out of the room, Senator Cormann. We had quite a lengthy discussion with Mr Quigley about this. We said that there are a range of different assumptions in play at the moment. If we do a deal with Telstra then obviously we get access to more underground cabling capacity than if we do not. The NBN Co. has not made any assumptions about what the outcome may be. They prepared, I think he said, two



plans, but someone might correct me on that. Again, to demonstrate to you that not all cable is cable, I refer to a statement from Dr Jonathan Spring, of 3 June 2009, who was involved in the FTTB pilot in Tasmania called TasCOLT. He is an expert who has deployed some fibre to the home. He stated:

It's a very attractive way of doing it in comparison to the way cable TV was laid out because the fibre cable is very much smaller than the existing cable that people might be aware of from Optus and Telstra ...

That was a public quote from somebody who has worked on it, which is entirely consistent with Senator Minchin's radio interview that I quoted from earlier.

**Senator CORMANN**—The bottom line, out of everything that we have said, is that, if ever you wanted to go past the current requirements to get local government approval, then you will go through proper consultation processes?

**Senator Conroy**—We are working very cooperatively with the local councils. They are very keen. In fact, the Western Australian state government turned up at the community information night last week to promote and extol the virtue—

**Senator CORMANN**—They probably want to know what you are up to.

**Senator Conroy**—No, they were speaking at the forum. If you ask me a question in question time, I will read out the Western Australian government's presentation to the community forum. I am soliciting a question from you in your new responsibilities. Equally the new minister for IT turned up at the digging, welcomed the National Broadband Network proposal and encouraged us to build a bigger footprint into the areas that Senator Eggleston was describing. The issues that you have been raising are very valid, but we are working very closely with the councils. It is worth noting that many of the HFC rollouts involved a bundle of cables, which make them thick, and they are often strung quite low over the street. To assert that cable is cable means not having actually ever stood there and looked at an HFC piece of cable compared with a fibre piece of cable.

**Senator FISHER**—Has there been any need to circumvent local planning rules in Tasmania in respect of any aspect of the NBN rollout in Tasmania?

**Senator Conroy**—Not that I am aware of. As we indicated to Senator Macdonald a little earlier, we are involved in gaining the consent of residents and landowners in Tasmania.

**Senator FISHER**—Has there been a need to institute a different process in respect of the NBN rollout in Tasmania from what would otherwise be the local government planning process for the NBN, whether it be through getting approval or otherwise? Has there been any need to change any rules in order to facilitate the NBN build in Tasmania?

**Senator Conroy**—Not that I am aware of, but I will take that on notice just to confirm that. If Senator Cormann would like to expand his education, he could go to [www.zdnet.com.au/photos-building-tassie-s-scottsdale-nbn](http://www.zdnet.com.au/photos-building-tassie-s-scottsdale-nbn), where he can look at a piece of fibre cable that has been strung up.

**Senator CORMANN**—You know that you have issues where there is public concern about having cables hanging from poles in front of people's houses, whether they are thick or

thin cables. I think you are well aware that you have a potential issue of community concern that you need to deal with.

**Senator Conroy**—Before you start making wild and unfounded allegations that you clearly do not understand, you should take the time to go and have a look at a piece of fibre. I have just given you a website where you can look at a piece of fibre hanging between two telegraph poles. You are welcome to go and have a look at that now and you will discover, like Senator Minchin correctly said, that they are really not big, fat, ugly cables as in the HFC rollout.

**Senator CORMANN**—I am sure everybody would love to have these cables in front of their house.

**Senator MINCHIN**—That is all relevant, but you still have a problem.

**Senator FISHER**—I understand that you will check whether or not there has been any change to the rules in Tasmania?

**Senator Conroy**—As I said, I will take it on notice and if there have been any changes then I will come back to you. I do not believe so, but I have not followed it at every level. I have followed it fairly closely, but I have not followed it at every level.

**Senator FISHER**—At the time of a hearing that we had in Tasmania some of the witnesses suggested that there was, in prospect, a potential exception for what would have been the normal rules for the building of infrastructure of the sort to be built by the National Broadband Network in Tasmania; that there would be the need for some sort of exception to be created.

**Senator Conroy**—As I said, I was not being 100 per cent definitive. That is not my understanding. I am happy to take it on notice and come back to you.

**Senator FISHER**—I just want to make sure that you do not miss it.

**Senator Conroy**—If there has been any change we will let you know.

**Senator FISHER**—We heard evidence from Sorell local council at that time. So, what is proposed for householders who might not want fibre to their door, in terms of the NBN? Do households get a choice?

**Senator Conroy**—In Tasmania we are seeking permission to come onto property to do what is referred to in the jargon as the drop. We are getting written permission. People can choose not to give us permission.

**Senator FISHER**—Will people be able to choose whether to have aerials hung or cable laid—their front gardens dug up versus their visual amenity?

**Senator Conroy**—In Tasmania it is largely an overhead drop. I can come back to you on that.

**Senator FISHER**—Are householders getting a choice in Tasmania or are they being told what they must receive in order to get the so-called footprint?

**Senator Conroy**—Tasmania is largely an overhead build.

**Senator FISHER**—So, Tasmanians are being told it is stringing by cable, not having their front gardens dug up?

**Senator Conroy**—Yes.

**Senator MARK BISHOP**—They are going to get faster broadband.

**Senator Conroy**—Tasmanians are demanding, just like the people of Willunga are demanding—

**Senator MARK BISHOP**—They had no choice under you. Now they have a choice of fast broadband.

**Senator Conroy**—They can choose to have fast broadband or not.

**Senator FISHER**—Are Tasmanians able to say, ‘Thanks, but no thanks’?

**Senator Conroy**—If they do not sign the form, we cannot come onto their property.

**Senator FISHER**—Will that be the same nationally?

**Senator Conroy**—It depends whether we get the exemptions from the councils. We are working through all of those processes with the local councils. I am happy to get some more information on the proposals, but we are in the very early stages. We have only just started the public meetings. They were very well attended in Armidale. They were very well attended in Willunga, though to be fair that was more of a stall. Brunswick is this weekend. I am not sure if we have done Mundingburra. Senator Macdonald might know.

**Senator FISHER**—Does that mean that householders can only say, ‘Thanks, but no thanks,’ if the government is unsuccessful in getting local councils to play ball?

**Senator Conroy**—At this stage we are getting a very good hearing from the councils.

**Senator FISHER**—If a local council does not give you a very good hearing and the householder says, ‘Thanks, but no thanks,’ then you will go away—is that right?

**Senator Conroy**—If the laws in individual areas require written permission to do the drop, as we call it, or in some cases it may be through the conduits, and they say, no—and we are required to get their permission—then they have the legal right to say that.

**Senator FISHER**—Is the government trying to make it so that written permission—

**Senator Conroy**—Did you not hear my answers to Senator Cormann?

**Senator FISHER**—is not required?

**Senator Conroy**—I just answered that question from Senator Cormann a few minutes ago.

**Senator FISHER**—Is the government attempting to make it so that written permission is not required?

**Senator Conroy**—I have just answered that question from Senator Cormann—

**Senator FISHER**—What was your answer?

**Senator Conroy**—What we said was that we are working cooperatively with them. Senator Cormann then asked me, if we were to consider changing that, what process we would go through. I said that you would need legislation and that there would be plenty of

community discussion about this. I actually just answered that question at some length in a conversation with Senator Cormann. Please, Macca, ask a question.

**Senator FISHER**—As to set-top boxes, who will bear the cost—

**Senator Conroy**—Set-top box questions were for Mr Townend. He completed his evidence last night and he has gone.

**Senator FISHER**—I am not talking in that context. Can I ask my question?

**CHAIR**—Ask your question.

**Senator FISHER**—Once NBN lays a cable, according to Malcolm Colless, a retail—

**Senator Conroy**—Unfortunately Mr Colless has had a number of inaccurate columns in the last three months.

**Senator FISHER**—That is what I will ask you about in a minute if you will let me finish the quote.

**Senator Conroy**—You really should not assume that what Malcolm Colless writes is correct.

**Senator FISHER**—I am about to ask the department whether or not it is. Once NBN lays the cable—says Mr Colless—a retail service provider will install a set-top box inside or outside the premises. This box—

**Senator Conroy**—It is not a set-top box. It is called an ONT. It is a very different piece of equipment from a set-top box.

**Senator FISHER**—Who will bear the cost of the ONT box?

**Senator Conroy**—NBN Co.

**Senator FISHER**—What is its shelf life?

**Senator Conroy**—I will have to take that on notice and come back to you. We genuinely have to take it on notice so we give you a completely correct answer.

**Senator FISHER**—If it needs replacing, say, for example—

**Senator Conroy**—It is an NBN Co. piece of equipment.

**Senator FISHER**—If it needs replacing say, for example, in four years will NBN Co. bear the cost of replacing it?

**Senator Conroy**—It is an NBN Co. piece of equipment.

**Senator FISHER**—Is that a yes?

**Senator Conroy**—It is an NBN Co. piece of equipment and I will happily take on notice to confirm that, but my assumption would be that they would—

**Mr Harris**—As you may know, if you willingly destroy equipment supplied by Telstra, you pay for replacement so I do not think it is possible to give you a sweeping answer to your question—

**Senator Conroy**—An absolutely 100 per cent correct answer.

**Mr Harris**—But as the minister has advised, if it is part of the cost of installing it, and clearly if it reaches the end of its shelf life, NBN Co. will replace it, because it is supplying the wholesale service. That is how it gets its revenue.

**Senator FISHER**—Irrespective of the shelf life, NBN Co. will replace at the end of its shelf life?

**Senator Conroy**—If as part of your personal protest against receiving fast broadband and you take a baseball bat to it, it may be that NBN Co. will not replace it at their own cost. If you vandalise it, then it may be that—

**Senator FISHER**—A ‘baseball bat’ is part of an answer, is it?

**Senator Conroy**—I think I just said it on *Hansard*.

**Senator FISHER**—What does the ONT box do?

**Senator Conroy**—Mr Quigley was here. He is an engineer. I am not going to be unkind to Mr Harris—

**Senator FISHER**—He was not here for long enough. Does it essentially split—

**Mr Harris**—I am not even a lapsed engineer.

**Senator FISHER**—Does it essentially enable the splitting of NBN related services from others, for example, TV?

**Senator Conroy**—They are very good questions. Mr Quigley could have given you a comprehensive, hour-long answer on that and we will get that information for you. It is a very good question. It is just that no-one here is technically competent to answer the question.

**Senator FISHER**—Can you guarantee that Australian households will not have to bear the cost of rewiring what they have in order to receive the NBN?

**Senator Conroy**—There is a discussion taking place about those issues at the moment, and no final decisions have been made on those types of issues at this stage.

**Mr Harris**—It is covered in the implementation study, for example. Clearly McKinsey has given some advice to government on this, so there will be a steer in that; the government has yet to take a decision.

**Senator FISHER**—That is right. Hence my question to the minister about what he can guarantee or not.

**Mr Harris**—Which you will be able to do after the government considers the implementation study.

**Senator Conroy**—Can I give Senator Eggleston a little more information. It was just a useful piece of information. Here it is. It is an issue on density population, which is at the heart of some of your questions.

**Senator EGGLESTON**—Absolutely.

**Senator Conroy**—The density of the population in Australia is quite interesting. Most Australians live in relatively dense areas. Only around nine per cent of Australia is inhabited and 90 per cent of the population occupies just 0.2 per cent of the land mass. This leaves 10

per cent of the premises distributed across 98 per cent of the populated land mass, with significant variability and density within the final 10 per cent. That is on page 11 of the executive summary, so they actually have quite a discussion around that. I just thought you might be interested in those stats and might want to go and have a look at the report.

**Senator EGGLESTON**—I will indeed, but it does serve to emphasise the difference between reaching 93 per cent of the population versus 93 per cent of the land mass.

**Senator Conroy**—We are reaching the population. I am not suggesting we are going to cover the land mass.

**Senator EGGLESTON**—I know you are, but some people get confused by that and so therefore you need different technology. That is my point.

**Senator Conroy**—We do need different technology. As I said, the McKinsey report proposes three technologies to cover the 100 per cent.

**Senator IAN MACDONALD**—Some of my Indigenous constituents would challenge your assertion that only nine per cent of Australia is inhabited, just by the way.

**Senator Conroy**—I accept that it may be that they could validly challenge McKinsey's finding.

**Senator IAN MACDONALD**—In response to Senator Eggleston's first question you sort of corrected him and said McKinsey now said it was 93 per cent rather than 90 per cent. Do I assume from that that you have accepted—

**Senator Conroy**—No, we have not accepted any individual recommendations. We will be making a full government response to the 84 recommendations in the middle of the year, but we have not individually accepted any of them at this stage.

**Senator IAN MACDONALD**—It was originally said to be by the end of May, so I take it that that is not correct?

**Senator Conroy**—No, what we said was that we were going to have a consultation. We have a consultation that closes on the 27th of this month. Following that, we are also engaged in conversations with NBN Co. about all of that and we would make recommendations in the middle of the year, around the end of June. I think I have been consistent on that.

**Senator IAN MACDONALD**—We can expect your response to the McKinsey report by 30 June?

**Senator Conroy**—Around that. I said the middle of the year. I did not say 30 June. I was just saying around the end of June-ish.

**Senator IAN MACDONALD**—Why did it take from 5 March until last week to release the implementation study? What was so secretive about the implementation study that it could not be—

**Senator Conroy**—It would be fair to say I would have been very comfortable to have released it much earlier, but the government was considering a whole range of issues around it. We released it despite Mr Colless suggesting that we had sent it back, paid \$2 million more and had it all changed, which is all untrue. We released it in full as we received it. But as to the actual timing, it just became a whole-of-government issue. I would have been personally

comfortable to have released it earlier, but the whole-of-government view was that we needed to consider some issues, and so we made a decision to release it just prior to the budget. We did give a public commitment that we would release it prior to the budget and we met that commitment.

**Senator IAN MACDONALD**—I am pleased to hear your own personal view was to release it before, but—

**Senator Conroy**—I just thought it was a very good document that would inform the debate, and with a lot of very poorly informed debate taking place.

**Senator IAN MACDONALD**—So it would have. But what was the government's objection to—

**Senator Conroy**—We did not object. We committed to releasing it before the budget and we did, but in terms of the individual considerations I am sure you would not expect us to reveal conversations between and within cabinet and cabinet subcommittees.

**Senator IAN MACDONALD**—I am curious about this. The document is doing what it was asked to do in many instances. There were some instances where experts challenged its conclusions, but that is a matter for debate. But one can only wonder why anyone would delay the implementation. The conspiracy theorists among us might suggest—

**Senator Conroy**—I have read lots of great conspiracy theories.

**Senator IAN MACDONALD**—that you left it until the budget week so that it might get lost in budget—

**Senator Conroy**—No, I am a champion of the report—

**Senator IAN MACDONALD**—detail and people would not have an opportunity to look at it. My question again is: what was in the report that made the government hesitate at releasing it at an early date?

**Senator Conroy**—As I said, I am a champion of the report. I think it is a very, very comprehensive report and it has been very well received. That is not to say that there have not been people who have disagreed with it, but I think it is overwhelmingly a constructive and positive report.

**Senator IAN MACDONALD**—That is not the question.

**Senator Conroy**—What you are asking me to do, again, is give an indication of internal government discussions and decision processes.

**Senator IAN MACDONALD**—You claim to be open and accountable. Here was a document, according to my observation of it, that had nothing in it that would have brought down the government had it been released at a timely period where everybody had an adequate opportunity to properly study it and consider it. You are conscious of the fact that the Senate had set up a committee to particularly have a look at this.

**Senator Conroy**—Could I assure you—

**Senator IAN MACDONALD**—It was released a few days before the—

**Senator Conroy**—Could I assure you that the deliberations of the Senate select committee had no bearing.

**Senator IAN MACDONALD**—Tell me, what did bring the bearing? I am not interested in what did not bring the bearing.

**Senator Conroy**—I cannot tell you what constituted internal government discussions, but I can give you an absolute hand-on-heart assurance that the timing, deliberations—

**Senator IAN MACDONALD**—You have mentioned that. You are just wasting our time.

**Senator Conroy**—of the select committee had no influence on this matter. In fact—

**Senator IAN MACDONALD**—Can I just move on—

**Senator Conroy**—I did not even know when you were meeting, when you were having hearings or any of those matters.

**Senator IAN MACDONALD**—Getting back to the broad picture, you sat here for, what, three or four hours praising yourself for your great initiative in fast broadband, fibre-to-the-home, and I think around the world everyone would love fibre-to-the-home. It is of course a question whether there is a cost benefit in doing this. Everyone wants the best, but those of us who have some responsibility for where Australia is heading understand it has to be done at a price that is affordable by the country. Can you indicate again whether it is the government's intention at any time to actually do a cost-benefit analysis?

**Senator Conroy**—I can confirm what I have said in answer to that question every day since you proposed another delaying tactic. The answer is, no. The NBN is actually being constructed on the ground as we speak. It is being constructed across Australia, in Tasmania, and the scoping work—

**Senator IAN MACDONALD**—What is the purpose of having an implementation study if the proposal is already being implemented?

**Senator Conroy**—It is to advise us on a whole range of factors that are contained in the 84 recommendations. I think it is a very thoughtful document.

**Senator IAN MACDONALD**—But the network is built in Tasmania. What do you want an implementation study for? You have implemented it.

**Senator Conroy**—As much as I would like to be able to say it is built in Tasmania, the early stages are on track for delivery as promised when we announced the project.

**Senator IAN MACDONALD**—Why bother with an implementation study?

**Senator Conroy**—The implementation study looks at a whole range of issues and makes recommendations to the government.

**Senator IAN MACDONALD**—You paid \$25 million for this implementation study that insofar as Tasmania is concerned you are going to ignore completely?

**Senator Conroy**—The Tasmanian rollout is not, as you suggested, completed. We will have lit up the first homes in Tasmania in early July—

**Senator IAN MACDONALD**—Would you have done anything differently in Tasmania if you had the implementation study before you started?



**Senator Conroy**—That is a hypothetical. We committed to work with the Tasmanian government to start the deployment in Tasmania. We have successfully started. We have said from day 1 it was a pilot. We have said from day 1 that the pricing in Tasmania should not be taken to be the national pricing scheme.

**Senator IAN MACDONALD**—Which recommendations of the implementation study are yet to be implemented in Tasmania?

**Senator Conroy**—I would have to take that on notice.

**Senator IAN MACDONALD**—It would be good if you would. As I said earlier, everyone would love to have fibre to the home for 100 per cent of Australians, but you do have to balance the cost against the benefit. Can I go back to get your understanding as one of the shareholding ministers and as the minister responsible as to how you are going to pay for this \$28 billion to \$43 billion cost, bearing in mind that the initial announcements were that it was going to be privately funded.

**Senator Conroy**—One of the recommendations from McKinseys is that we should not introduce private equity in the early stages around the construction period, for a couple of reasons: firstly, that the rate of return that McKinseys suggest would not be enough to attract private sector investments initially—

**Senator IAN MACDONALD**—You did not know that before McKinsey told you about it?

**Senator Conroy**—and, secondly, that they believe that the public policy argument of keeping the prices as low as possible to drive take-up, so you get as much ubiquity as you can as fast as you can, was something that was a very worthwhile perspective, and that you should get the construction done pretty much before you start accepting private equity. They basically argue that the risk factor for the project—

**Senator IAN MACDONALD**—I have read their report. I know what they say.

**Senator Conroy**—Congratulations.

**Senator IAN MACDONALD**—I know what they say, but you have half-built Tasmania and you have gone ahead before this was even dropped on your doorstep.

**Senator Conroy**—I would love to tell you that you were accurate, but that is a slight exaggeration.

**Senator IAN MACDONALD**—Minister, did you not know before you got McKinseys's report that your initial promises that it would be financially viable in the early years were completely inaccurate, the same as everybody else in Australia knew but you and your government seemed to—

**Senator Conroy**—You have actually just conflated two arguments into one and then misrepresented them. The first point you are making is that we talked initially about a debt-equity ratio and about how much the government would contribute towards it.

**Senator IAN MACDONALD**—And that it would be a commercially operated company.

**Senator Conroy**—And we always believed that it would be commercial, and the report shows that it will be commercial.

**Senator IAN MACDONALD**—Long after I am dead and gone, I am afraid.

**Senator Conroy**—No, the report does not say that—well, unless you know something I do not and then we might be throwing a party sooner rather than later, but I do not think that is going to be the case. We would all mourn the loss if it were to happen, but I do not actually believe you are in any danger.

**Senator IAN MACDONALD**—Yes, but when is this going to make a profit—30 years time, is it not?

**Senator Conroy**—No.

**Senator IAN MACDONALD**—I might still be alive, but I will be a very old person by then.

**Senator Conroy**—Mr Quigley was here earlier and we did have a lengthy discussion about this with Senator Cormann.

**Senator IAN MACDONALD**—I was here when you had the discussion. In fact, I was here when he originally made the comments.

**Senator Conroy**—No, you were here when he—

**Senator IAN MACDONALD**—Which he later qualified a couple of days later when you had no doubt got on to him.

**Senator Conroy**—He was very, very poorly quoted and badly verballed when it was suggested that they were not going to make any money.

**Senator IAN MACDONALD**—The *Hansard* shows what he said.

**Senator Conroy**—No, he did not say—

**Senator IAN MACDONALD**—The *Hansard* shows what he said.

**Senator Conroy**—Yes, I have read the *Hansard* and it does not say or describe what was reported the next day in the papers. It might have been a bit of fun for you, but it was not actually factually correct.

**Senator IAN MACDONALD**—It was not fun for me; I simply asked a question. He gave the answer.

**Senator Conroy**—No, he did not give the answer as it was reported so, no, suggestions that it will not make money for 30 years just are not true.

**Senator IAN MACDONALD**—When will it make money?

**Senator Conroy**—According to McKinseys's estimations—

**Senator IAN MACDONALD**—And you accept this?

**Senator Conroy**—No, I am saying this is McKinseys's package as a whole.

**Senator IAN MACDONALD**—Yes, but do you accept McKinseys's opinion?

**Senator Conroy**—‘In year 6, NBN Co. becomes earnings positive; from that point on it can raise commercial debt off its own balance sheet. From year 8, government will be able to reduce its equity investment as NBN Co. generates earnings and takes on additional

commercial debt towards a 50-50 debt-equity ratio.' That is the McKinseys report finding. You said you have read it, so you must have seen that.

**Senator IAN MACDONALD**—I have. Do you accept that, do you?

**Senator Conroy**—I accept the totality of the report in terms of the way they have structured it. As to whether we accept the recommendations, we are still considering those, but I think what it shows is that NBN is financially viable and, most importantly, affordable for Australian internet users, who are crying out for faster broadband, which you are planning on denying them.

**Senator IAN MACDONALD**—I raised before—and I raised it at the Senate select committee hearings—that iPrimus is offering a package at \$45 which is roughly comparable to the service most Tasmanians can get at the present time in those localities where it is rolled out. iPrimus very fairly say that this is only an introductory offer and it will increase from \$45 to \$90, whereas others are still providing a basically similar service for between \$30 and \$40. We have discovered today that NBN Co. is substantially subsidising Tasmania by not charging them any access fee—simply a one-off \$300 connection fee for a year. They are giving it away, actually giving it away, for one year to get the price of iPrimus down to \$45. Coming back to your comment where you said you wanted to provide an affordable service, how is \$90 affordable to ordinary Australians when they will be able to get the same service from existing suppliers for about \$30 to \$35?

**Senator Conroy**—I know you are an avid reader of the *Australian*, and I think that if you read today's *Australian*—

**Senator IAN MACDONALD**—Quite the contrary, but anyway.

**Senator Conroy**—you will find some commentary from a couple of others of the signed-up suppliers which indicates that they are going to be quite a bit below iPrimus in their offerings. Now, I do not know what those pricings are going to be yet. I do know that customers have been signed up already by some of those other providers, because they have indicated that in the article and told me privately. I am a great fan of competition, and I know Senator Minchin and you are also. I am confident that the competitive juices will start flowing and you will see some very competitive pricing in the next few weeks.

**Senator IAN MACDONALD**—I was aware of the iPrimus figures, but you are telling me others now have their cards out with what they are offering.

**Senator Conroy**—No, that is not what I said. I said there were indications in today's paper that talked about 25 per cent less than that.

**Senator IAN MACDONALD**—I have not read the paper this morning.

**Senator Conroy**—I am sure somebody will update me as to exactly what is said in the *Australian* shortly.

**Senator IAN MACDONALD**—Can I ask your department, through you, to get for this committee the offerings being made by the three selected retail service providers for Tasmania? Would that be possible to do? You are in a better position to get them than I am. I do not come from anywhere near Tasmania.

**Senator Conroy**—Sorry, what was that question?

**Senator IAN MACDONALD**—Could your department get for this committee the carded rates that the three selected internet service providers—

**Senator Conroy**—No, two of them have not provided their sheets yet.

**Senator IAN MACDONALD**—A minute ago you were telling me that there is a newspaper report saying there are prices out. How can they make that assessment if the prices are not out?

**Senator Conroy**—No, I said there were indications from those proprietors that they would be well underneath iPrimus. I am trying not to verbal them. I am hoping that I will get the exact quote for you. But it is fair to say that I do have the rate sheet for iPrimus, because it is public.

**Senator IAN MACDONALD**—Yes, I have had that.

**Senator Conroy**—It is a public document.

**Senator IAN MACDONALD**—Good on iPrimus for getting it out. If I lived in Tasmania, which I do not—

**Senator Conroy**—I thought you lived in Townsville.

**Senator IAN MACDONALD**—I used to spend a lot of time there when we saved the forest and saved the Howard government one year, you will remember well.

**Senator Conroy**—Well, that failed miserably.

**Senator IAN MACDONALD**—It was very successful in that election.

**Senator Conroy**—The world has moved on.

**Senator IAN MACDONALD**—Indeed. If I were a Tasmanian wanting to sign up today, how would I find out how I would go about doing it if I cannot find a public price on what it would cost me?

**Senator Conroy**—iiNet have said that their prices may be 25 per cent less than they are charging in mainland fibre areas and I think, from recollection, they are charging about—and I am sure someone will correct me in a moment if I am wrong—

**Senator IAN MACDONALD**—About \$50, I think it was.

**Senator Conroy**—\$50 at Point Cook.

**Senator IAN MACDONALD**—At Point Cook; that is what they made the comparison on.

**Senator Conroy**—iiNet have indicated that their prices may be 25 per cent less than that, which I think would be a very, very competitive offering.

**Senator IAN MACDONALD**—How can Tasmanian consumers or customers possibly make decisions on whether to connect up with iiNet, iPrimus or the other one, with a month to go, if they cannot find out the prices that they are being offered?

**Senator Conroy**—If that is a criticism of iiNet and Internode's retail capacity, I will let you make that. I think they are two excellent companies.

**Senator IAN MACDONALD**—Are you saying that you have no idea what the retail prices are going to be in Tasmania come 1 July?

**Senator Conroy**—We are a wholesale-only company. We have one company that has issued a price sheet and you have inaccurately been quoting a number of comparisons. The average voice ADSL broadband bundle including line rental—this is ADSL and voice—is \$70 to \$80 all the way up to \$180. iPrimus are inside that and iiNet have indicated in this newspaper article that they could be 25 per cent inside their pricing.

**Senator IAN MACDONALD**—We cannot sit here saying, ‘You said, I said.’ I will try and find my bit of paper that I carried around for a week which does have iPrimus’s prices on it. I would have thought that perhaps your department or you might have—

**Senator Conroy**—I have now got a copy. It says:

Both iiNet and Internode have indicated that their NBN offers will closely resemble current fibre-to-the-home plans, but early indications from Internode suggest that it could snare the title for the best-value plans.

“We expect our initial recurrent service pricing (for the first year) to be of the order of 25 per cent lower in cost than our existing fibre to the home pricing in other fibre-enabled areas ...

And iiNet offers an entry level fibre service at \$49.50 a month.

**Senator IAN MACDONALD**—What, \$49.50 a month?

**Senator Conroy**—Yes, that is the Point Cook price for 25 meg.

**Senator IAN MACDONALD**—Yes. We have it here somewhere in our report. I cannot put my hand on it, but I take your word. So, \$49 is the Point Cook price and they are going to do it at \$10 or \$12 cheaper than that?

**Senator Conroy**—What Internode, not iiNet, have said here is:

We expect our initial recurrent service pricing (for the first year) to be of the order of 25 per cent lower in cost than our existing fibre to the home pricing in other fibre-enabled areas.

That is Internode Managing Director Simon Hackett.

**Senator IAN MACDONALD**—So that is about \$38, as opposed to what those people can get now for \$30 to \$35, but I assume iiNet and Internode are in the same capacity as iPrimus, that once this extra special subsidised deal that NBN Co. has given them for their take-out—

**Senator Conroy**—They did say the first 12 months.

**Senator IAN MACDONALD**—It is going up to \$90 by iPrimus, and I assume the others will be the same.

**Senator Conroy**—No, you have made some incorrect assertions about the pricing plans of iPrimus there. That is the first point.

**Senator IAN MACDONALD**—You tell me what they are, Minister. You must have my bit of paper. I am sure they have better things to do, but if my office are listening they might try and find my bit of paper and I will come back after afternoon tea.

**Senator Conroy**—SOS to Senator Macdonald’s office!

**Senator IAN MACDONALD**—Anyhow, you are telling me I am wrong, so you tell me what prices you have for iPrimus.

**Senator Conroy**—There is a range of prices on the rate sheet that are above and below the line. I will try to find mine, which is here somewhere. It may be that I need to come back to you after afternoon tea. We can compare pieces of paper.

**Senator IAN MACDONALD**—We will compare prices.

**CHAIR**—It is almost afternoon tea.

**Senator Conroy**—It is actually almost afternoon tea.

**Senator IAN MACDONALD**—Does NBN Co. have, or have you done, any assessment on what the cost is of their subsidy of the initial pricing—that is, the \$300 connection fee? If that were an entirely commercial operation by NBN Co. as a wholesaler, what would the price have been?

**Senator Conroy**—I have not done any calculation like that. Most products that are introduced to the market, whether they are a widget or a broadband plan, normally have introductory offers.

**Senator IAN MACDONALD**—What is the cost of NBN Co. supplying that service? They are getting back \$300 per connection. I want to know what it is costing them to provide that service.

**Senator Conroy**—I would have to take that on notice.

**Senator IAN MACDONALD**—Thank you. You will take that on notice?

**Senator Conroy**—I will take that on notice and see what information is available.

**CHAIR**—I think we will break.

**Senator Conroy**—I found mine.

**Senator IAN MACDONALD**—It is a lot more colourful than mine.

**Senator Conroy**—I have the full rate sheet. The press release is not the full rate sheet.

**CHAIR**—We will break now for afternoon tea.

**Proceedings suspended from 3.44 pm to 4.02 pm**

**CHAIR**—We will resume proceedings.

**Senator CORMANN**—I might just run one for Senator Macdonald on what we were dealing with before, assuming that the minister and Senator Macdonald can swap papers, as discussed. However, I might just interpose with a quick question in relation to funding in the budget papers for NBN implementation. Budget Paper No. 2 at page 117 essentially mentions an additional \$50 million in funding for NBN administration costs, comprising \$23.4 million over five years for this department and the department of finance, as well as \$24 million to the ACCC for NBN related costs. Can you explain the need for this additional \$50 million in funding for NBN administration costs?

**Mr Harris**—I can start out explaining that, after which perhaps my colleagues will add any more that needs to be added. I think the ACCC funding speaks for itself, but Ms Cullen and Mr Heazlett can provide more information on that.

**Senator CORMANN**—If they could, that would be great.

**Mr Harris**—I will let them supply information on what the ACCC is doing. But, in a generic sense, the ACCC is going to undertake the acceptance of an access undertaking from NBN. It will require a degree of assessment work and continuing oversight. The NBN, as I am sure you would appreciate, is going to be a business of the size of Telstra. Access undertakings and scrutiny of access undertakings are a major task. There will be ongoing information requirements that the ACCC will have to put together, as well as the actual staffing of an entity to examine the access undertaking and continue its oversight and its interaction with all the parties who will be customers of the NBN.

**Senator CORMANN**—So the cost of that is \$24 million?

**Mr Harris**—That is the ACCC investment, in my terms. It is not what the ACCC would probably tell you; they would tell you in much greater detail, and my colleagues will probably provide you with a bit more on that. As for us, in my view, the amount of money there is the absolute skinniest amount that you could possibly expect to spend on a department for oversighting a project of this nature.

**Senator CORMANN**—But this is an additional spend over the next five years, isn't it?

**Mr Harris**—It is additional spending, and the \$43 billion is also additional. When we have a project of that kind, it is utterly ridiculous to imagine that you would not oversight it with, effectively, staff who are quite capable of interacting with Mr Quigley and his colleagues, who will be spending an awful lot of taxpayers' money and, as a business, be driven by business principles. There is a public policy intent behind the NBN which this staff will represent. The amounts of money involved there will be spent, in part, on continuing assessment processes. For example, as I think you are aware, we are negotiating with Telstra. There will be an assessment made of any deal with Telstra before it is considered by cabinet, and we will have to pay for it out of those proceeds. So it will not just be staff time; it will actually be paying for expert advice on whether this is an effective deal for taxpayers. That goes on through the period and, as you can tell, it is a declining amount of money for a very large project.

**Senator CORMANN**—Sure. I am not suggesting that there is anything unreasonable if you go down this path of having the NBN, as is proposed by the government. But can you just talk us through in a bit more detail what the money is going to be spent on specifically? What are we going to get for the \$23.4 million? You gave us some high-level sort of—

**Mr Harris**—I think I said high level but high expense.

**Senator CORMANN**—How many staff do you expect to hire?

**Mr Harris**—We will have fewer staff. If you look at our departmental budget, it has fallen backwards as a result of the completion of the implementation study and the staff attached to that, so Ms Cullen's area is reducing in size.

**Senator CORMANN**—So you will have fewer staff.

**Mr Harris**—Because there was no further ongoing money for them.

**Senator CORMANN**—So we have an additional \$23.4 million. How much of that is going to go on staff, and how many staff?

**Mr Harris**—For us, it is actually an additional—

**Senator CORMANN**—It is \$23.4 million across your department and the department of finance.

**Mr Harris**—Yes, \$23.4 million for the five years. So there will be staff in the department, but it is fewer—

**Senator CORMANN**—So that is staff that is already there; that is what you are saying.

**Mr Harris**—Yes, but they were unfunded staff.

**Senator CORMANN**—So that staff is already there. So, essentially, what you are saying—

**Mr Harris**—The government gave us no budget for them after 30 June this year.

**Senator CORMANN**—So this is helping you to continue to do less of what you have already been doing.

**Mr Harris**—We are going to continue, but with fewer people. So that is one element of it. Additionally, there is an evaluation, as I described earlier, which we will get professional advice on, as everybody else will. For example, if a deal is done with the government, Telstra will provide advice to its shareholders about whether the deal is a good deal. We will do the same thing for the Australian government and will provide them with that advice. There will be potential valuation assessments made at a later point. There will be public policy development work as a result of this. To the extent that one network currently in private hands is being replaced by another network to be in government hands, there will be shifts in public policy obligations from Telstra back to the government as a result of that. That work will be undertaken in a policy development sense by the department and propositions put to the government.

**Senator CORMANN**—But how much of the \$23.4 million is going to go on staff in your department, how much of it is going to go on external expertise and how much of it is going to go on other things?

**Mr Harris**—We will take that on notice.

**Senator CORMANN**—Okay. You have said that somebody might be able to provide us with a bit more information on the ACCC component.

**Ms Cullen**—Adding to what Mr Harris has said, the measure is designed to fund the ACCC to regulate the NBN Co., including implementing specific access arrangements in administering the specific NBN Co. regulatory framework. That would include things like assessment of price and non-price terms and conditions for access and provision of advice to the government on relevant regulatory matters and undertaking regulatory reporting. The cost of the measure for the ACCC is fully recovered by the Australian Communications and Media Authority from the annual carrier licence charges that are collected under the Telecommunications (Carrier Licence Charges) Act, so it is fully offset.



**Senator CORMANN**—When you say it is fully offset, has there been an increase in any fees to cover the—

**Ms Cullen**—Yes, there has been an increase in the carrier licence charges.

**Senator CORMANN**—When you say that it will enable the ACCC to deal with issues of access undertaking, essentially it will involve additional staff as well.

**Ms Cullen**—Yes.

**Senator CORMANN**—Do you have a handle on how many—

**Ms Cullen**—Sorry, I do not have that.

**Senator CORMANN**—That is internal to the ACCC.

**Ms Cullen**—To the ACCC, yes.

**Senator CORMANN**—Senator Macdonald, back to you.

**Senator IAN MACDONALD**—Thank you. I want to finish off by asking why people would pay \$90 for a service when they can get a comparable one for \$40. Minister, I found my bit of paper.

**Senator Conroy**—Good. I found mine.

**Senator IAN MACDONALD**—I have told you what mine says: the Primus introductory offer is \$45, doubling to \$90 in six months.

**Senator Conroy**—There is a range of options for Primus customers. There is the one that you are referring to, which becomes a price after six months. There is also a monthly plan fee bundle called the ‘home fibre starter plus’ of 25 meg for \$39. It is bundled, which means that you must take the voice plan as well, which is \$24. That comes to roughly \$65.

**Senator IAN MACDONALD**—That is correct. That is for the first six months.

**Senator Conroy**—No. That is a permanent one. So that is a \$65 permanent plan. The monthly plan fee stand-alone for 25 megs is \$49.95. Again, I do not believe that that is a six-month plan. All of those prices are cheaper than those for existing products in the market. It costs \$70, \$80 or \$90, depending on the exact plan, for ADSL products in the marketplace today. Even those Primus proposals that I have just described are cheaper than or very competitive with existing ADSL bundles. It is important to stress this again because I know that both you and Senator Minchin are fans of competition. I am a great believer in competition also. Both iiNet and Internode—certainly iiNet—have indicated that they would have pricing plans around the same sort of pricing fee as Primus has with the \$49.95. But, importantly, Internode state:

We expect our initial recurrent service pricing (for the first year)—

that is a 12-month price rather than a six-month price that you are comparing to that of Primus—

to be of the order of 25 per cent lower in cost than our existing fibre to the home pricing ...

**Senator IAN MACDONALD**—You have referred to \$49.95 for a stand-alone.

**Senator Conroy**—Yes.

**Senator IAN MACDONALD**—According to Whirlpool, you can get an Eftel ADSL2 for \$40—

**Senator Conroy**—But that does not include line rental, which—

**Senator IAN MACDONALD**—But neither does your \$49.95.

**Senator Conroy**—But that is because they are not taking a voice product with it.

**Senator IAN MACDONALD**—If we compare apples with apples, \$50 for yours—

**Senator Conroy**—You need to understand that the apples that you are now comparing are not apples and apples. You cannot not pay the copper line rental—it is compulsory, unless you take something called naked DSL.

**Senator IAN MACDONALD**—What is the \$49.95 stand-alone that you have mentioned?

**Senator Conroy**—That means that it comes on the piece of fibre that we are connecting to the home. It does not mean that you have to take a voice service. With the copper, you must take the voice service and then pay for broadband on top. So it is a simple thing to misunderstand because, unless what you are quoting is what is referred to in the jargon as—

**Senator IAN MACDONALD**—Have you had a look at the Whirlpool site?

**Senator Conroy**—I am regularly mentioned on the Whirlpool site. I do not want to disappoint all my Whirlpool fans out there, but I personally do not visit that site very often.

**Senator IAN MACDONALD**—So you are saying that the Eftel ADSL2 price does not include the voice—

**Senator Conroy**—Unless it has the nude DSL. What that means is that you do not pay the line rental. So that you understand, if that is a nude DSL product, then it is a direct price. If it is not a nude DSL, you must by definition pay the \$29 as well. It is not as though you can give it up, unless it is a nude DSL product.

**Senator IAN MACDONALD**—All right. I do not accept that, but let us say that you are right. So you have ADSL2 at \$40, plus a telephone plan of \$25. That comes to \$65. Why would you then pay \$90 for something that you could get for \$65?

**Senator Conroy**—Again, as I have said, you are not comparing apples with apples. I have just said that you can get a \$49.95 25-meg price, which is a purer and better product than the ADSL2+ price because by definition copper, as Mr Quigley explained at some length, does not have the same properties of—

**Senator IAN MACDONALD**—Let me quote to you from Primus themselves:

The iPrimus Max FTTH plan is available half price for the first six months and includes local, national and mobile calls as well as high speed broadband for—

and the price is \$45, effectively.

**Senator Conroy**—Yes, \$44.97.

**Senator IAN MACDONALD**—Yes, per month for the first six months.

**Senator Conroy**—Then it speaks of the second month. But this is one of their offerings.

**Senator IAN MACDONALD**—That is for the first six months.

**Senator Conroy**—Yes. Then for the second six months it goes up to \$90.

**Senator IAN MACDONALD**—That is right.

**Senator Conroy**—I am agreeing with you. What I am saying to you is that there is a better plan there at \$49.95.

**Senator IAN MACDONALD**—Who would take the \$90 plan? Why are they advertising it?

**Senator Conroy**—That is what a suite of menu options does.

**Senator IAN MACDONALD**—Why is their press release referring to that—

**Senator Conroy**—If you want to take up with Primus that you think it has been poorly marketed, I will give you the phone number.

**Senator IAN MACDONALD**—No, Minister. What you and I are demonstrating—

**Senator Conroy**—I assume that you have that.

**Senator IAN MACDONALD**—Not yet. We are trying to print it. Give me the website to save my staff some trouble. But what you and I are doing—

**Senator Conroy**—If we are just working off the press release, I understand why you are confused.

**Senator IAN MACDONALD**—It is Primus's press release. Why did they put on their dearest plan? Why wouldn't they put on their best plan?

**Senator Conroy**—I will give you Ravi's phone number and you can chat with him.

**Senator IAN MACDONALD**—In fact, they actually go on to say:

... representing great value for residents in Smithton, Scottsdale and Midway Point.

**Senator Conroy**—This is the attachment to the press release.

**Senator IAN MACDONALD**—What we are demonstrating is that Australians will be able to get much the same speed and ability, although not perfectly—the Primus one will be perfect.

**Senator Conroy**—On the one that you are quoting—

**Senator IAN MACDONALD**—But most Australians will be able to get a similar offering in speed and quantity for very much less, which means that no-one is going to go to the NBN. This means that your commercial case is, as we have always suggested, just a figment of your imagination.

**Senator Conroy**—You have conceded at least one point: the fibre plan is a purer product. We will not go to the—

**Senator IAN MACDONALD**—Yes. But most Australians can get ADSL2—I accept that not everyone can get it, but the majority of Australians can get it—and it is as good as they will ever need in the next 20 years.

**Senator Conroy**—The \$90 plan that you are describing includes all calls, including those made to mobiles—

**Senator IAN MACDONALD**—Yes, I accept that.

**Senator Conroy**—so it is a bundled product.

**Senator IAN MACDONALD**—Yes.

**Senator Conroy**—No, no. You cannot just shake your head and say that makes no difference.

**Senator IAN MACDONALD**—No. I read that out and I am just agreeing with you.

**Senator Conroy**—Okay. Phone calls to mobiles: it is a particular product. So even the product that you are quoting gives better value, in Primus's mind, than some of the ADSL2+ offerings.

**Senator IAN MACDONALD**—It does at \$45 but not at \$90. If it gives better value, why are they discounting it by 50 per cent for the first six months?

**Senator Conroy**—I know that you probably have not paid a mobile phone bill for a while, and I am not being pejorative. We get a bundled plan ourselves as part of our responsibilities.

**Senator IAN MACDONALD**—You might. You do not know what I do.

**Senator Conroy**—Okay. If you make a lot of phone calls to mobiles, you will quickly discover that they are quite expensive, compared to a landline-to-landline call.

**Senator IAN MACDONALD**—So NBN is going to give that all free.

**Senator Conroy**—I am not here to answer for Primus, but I can point to this morning's *Australian*—and I can read it out to you for the fourth time—where both iiNet and Internode suggest that they are going to be priced below Primus. That is the great thing about competition.

**Senator IAN MACDONALD**—Of course, but there is no need to lecture us about competition—we are all there.

**Senator Conroy**—If someone wants to pitch a price but no-one else wants to buy—

**Senator IAN MACDONALD**—Thank you for using the *Australian*. Your side usually discounts anything that is said in the *Australian*.

**Senator Conroy**—No. Fortunately they are quoting some reputable figures in Mick Malone and Simon—

**Senator IAN MACDONALD**—But with the NBN we have demonstrated—and it stands to reason—that, if you are paying a capital cost of \$43 billion against a capital cost that has already been paid off, obviously you have to charge more to get your money back. That is where your great commercial program falls into the dust.

**Senator Conroy**—No. One of the mysteries of the telecommunications sector is why they have great delight in going to great lengths to come up with the most complex plans that most ordinary Australians truly struggle to understand. There is an enormous amount of literature about this. Telstra's current average revenue per user for a voice and broadband bundle, which is the direct comparison that you are now making, is somewhere around \$110.

**Senator IAN MACDONALD**—That is certainly not correct.

**Senator Conroy**—This is what people pay for Telstra bundles, on average.

**Senator IAN MACDONALD**—That is not true.

**Senator Conroy**—It is true. It is a statistic. It is a fact. You are actually not comparing apples with apples. Comparing \$110 with the Primus one represents apples with apples.

**Senator IAN MACDONALD**—I will call Telstra to give evidence, if you like.

**Senator Conroy**—Feel free.

**Senator IAN MACDONALD**—And I might call Primus at the same time.

**Senator Conroy**—Feel free. Call Primus, call Telstra, call iiNet and call Internode and I think you might—I am not being pejorative when I say this—get an education in one of the reasons they deliberately design packages so that people, frankly, cannot understand them. One of the great beauties about the wholesale network that we are constructing, which you are opposing, is that a lot of this is ultimately going to fall away.

**Senator IAN MACDONALD**—But that is the wholesale network. How can your wholesale construction suddenly make the retail offerings all simple and aboveboard?

**Senator Conroy**—Have you seen an ad for the iPhone? Seriously, have you seen the ad for the iPhone?

**Senator IAN MACDONALD**—No, I am not going to tell you about my TV watching habits.

**Senator Conroy**—No; it is in the newspapers. Have you seen the ads for the iPhones?

**Senator IAN MACDONALD**—I am not going to tell you about my reading habits. Occasionally, I look—

**Senator Conroy**—Okay. The ad for the iPhone does not try to quote a price and it does not try to quote the speeds that you can achieve on the iPhone; it advertises the applications that can run on the iPhone. The iPhone has caused a dramatic shift in consumer behaviour.

**Senator IAN MACDONALD**—Minister, look, I appreciate your lecturing me on this.

**Senator Conroy**—It is a dramatic shift in consumer behaviour.

**Senator IAN MACDONALD**—You will never believe how grateful I am for your lecturing.

**Senator Conroy**—The NBN will cause the same sort of dramatic shift in consumer understanding and behaviour and will begin to change the way that companies price.

**Senator IAN MACDONALD**—This is not a debate, but just tell me: how, when you are paying for a capital cost of up to \$43 billion, can you provide a service cheaper than on a series of facilities that are almost paid off?

**Senator Conroy**—Because Telstra, having charged monopoly profits for so many years, have forgotten what a real price looks like.

**Senator IAN MACDONALD**—I see.

**Senator MINCHIN**—What, with the ACCC looking over their prices?

**Senator Conroy**—Just to drive that point home to you—

**Senator IAN MACDONALD**—Yes: what has happened to the ACCC?

**Senator Conroy**—Sol Trujillo, a good friend and supported well by Senator Minchin—

**Senator MINCHIN**—What has happened to the ACCC and the regulation of their pricing?

**Senator Conroy**—Yes, right. That is why there have been 150-plus access disputes.

**Senator MINCHIN**—So the ACC does not regulate their pricing.

**Senator Conroy**—Let me just drive this point home to you further, Senator Macdonald.

**Senator IAN MACDONALD**—I am more interested in Senator Minchin's point. What happened to the ACCC?

**Senator Conroy**—Sol Trujillo, at his last AGM in November 2008—

**Senator IAN MACDONALD**—We all know how you did a cosy deal with Telstra.

**Senator Conroy**—Sol Trujillo, in November 2008, when we were in government, announced publicly, on the stage at his annual general meeting, 'Telstra don't compete on price.' That was what he said.

**Senator IAN MACDONALD**—So what have the ACCC been doing all this time? Why are we paying them?

**Senator Conroy**—In actual fact, they have been constrained by your lousy legislation and your continuing to block, in the Senate, the amendments needed to give them the powers to deal with this situation.

**Senator IAN MACDONALD**—Okay. Well, Minister—

**Senator Conroy**—It is a vertically integrated company.

**Senator IAN MACDONALD**—if your argument is correct—and I do not really want to turn this into a debate, because it is supposed to be questions about estimates—Telstra, Vodafone, Optus or anyone will still be able to supply the service much cheaper—

**Senator Conroy**—Their product line is mobiles; Vodafone do not have fixed line services.

**Senator IAN MACDONALD**—on facilities that they have already paid for over the last 20 or 30 years and will not have to pay the cost of a \$43 billion capital spend, which your group, one way or the other, will have to pay. Alternatively, as we have always suspected, this is just going to be a continuous drain on the taxpayer, a subsidised old Telecom style, where the government owns everything and prices it accordingly.

**Senator Conroy**—I am not sure whether you attended the McKinsey briefing, Senator Macdonald; I hope you did.

**Senator IAN MACDONALD**—I did.

**Senator Conroy**—If you had taken—

**Senator IAN MACDONALD**—You were not there though, Minister.

**Senator Conroy**—I have seen it four times, so I am very familiar with it.

**Senator IAN MACDONALD**—He told us something different.

**Senator Conroy**—So let me be really clear about this.

**Senator IAN MACDONALD**—I do appreciate your lecturing and your information to me; I am a much better person for it.

**Senator Conroy**—The McKinsey report demonstrates categorically—

**Senator IAN MACDONALD**—Can I get back to some NBN questions?

**Senator Conroy**—These are all NBN questions.

**Senator IAN MACDONALD**—I thought this was just another lecture.

**Senator Conroy**—The McKinsey report categorically demonstrates that what will drive the uptake—they had lots of debate around the uptake figures, and I would welcome a chance to debate that with you—is RPU per customer, and the RPU per customer on our network is going to be greater than on theirs. That is why service providers are going to compete to take customers off the Telstra network.

**Senator IAN MACDONALD**—Minister, you keep saying that McKinseys have said this. You have read all the articles of equally learned—

**Senator Conroy**—I do not take Henry Ergas too seriously. He is still—

**Senator IAN MACDONALD**—But you do not take anyone seriously, unless they agree with you. That is this government's style.

**Senator Conroy**—No. Henry Ergas's telecommunications work belongs in the same drawer that the Liberal Party put his tax policy in—

**Senator IAN MACDONALD**—I am not even talking about Professor—

**Senator Conroy**—and that is the bottom drawer, never to be taken out.

**Senator IAN MACDONALD**—I am talking about Mr Pascoe and I am talking about Mr Morgan. There are a whole series of them; it is not just one. All of the analysts—

**Senator Conroy**—Then let us discuss Mr Morgan.

**Senator IAN MACDONALD**—Let us have a look at all of the analysts—

**Senator Conroy**—Let us have a detailed conversation about Mr Morgan's critiques.

**Senator IAN MACDONALD**—well, not all of them, but a number of analysts have all had a different view to McKinsey. I am not necessarily saying that they are right and McKinsey is wrong or that McKinsey is right and they are wrong.

**Senator Conroy**—No. They have challenged some assumptions, and I would welcome a debate on it.

**Senator IAN MACDONALD**—Sorry?

**Senator Conroy**—They have challenged some of the assumptions, and I would welcome the opportunity to debate that with you.

**Senator IAN MACDONALD**—We have already put that process in mind, if you would—

**Senator Conroy**—I do not get to come to the Senate select committees.

**Senator IAN MACDONALD**—What a pity for you; you might learn something. But that process has already been—

**Senator Conroy**—I am offering you the opportunity right here, right now, to have a debate about Kevin Morgan's work, Henry's work or Kerin's work.

**Senator IAN MACDONALD**—What, so that you can slag off people who do not happen to vote for you—

**Senator Conroy**—No, they—

**Senator IAN MACDONALD**—and try to destroy their businesses—

**Senator Conroy**—No. Henry successfully destroyed his own, long before I even had a chance to take a shot.

**Senator IAN MACDONALD**—which is pretty typical of the Labor Party, I might say.

**CHAIR**—Senators!

**Senator Conroy**—Henry went out of business long before I even said a word about him.

**Senator IAN MACDONALD**—It is pretty typical of the Labor Party: destroy someone publicly by not allowing them to answer. They have actually been before our committee and argued a case.

**Senator Conroy**—Did you ask him what happened to his business?

**Senator IAN MACDONALD**—Unfortunately, McKinseys could not, because your government prevented McKinseys from giving evidence to the Senate.

**Senator Conroy**—No, that is not true.

**Senator IAN MACDONALD**—Yes, it is true.

**Senator Conroy**—No, it is not true.

**Senator IAN MACDONALD**—It is true.

**Senator Conroy**—McKinseys have a continuous position that they do not publicly—

**Senator IAN MACDONALD**—Which you could have released them from.

**Senator Conroy**—No, I could not release them from this: they could not publicly comment on their work. They could give private briefings, as they did to the press and as they did to you—

**Senator IAN MACDONALD**—Let me tell you, Minister—

**Senator Conroy**—but they do not appear—

**Senator IAN MACDONALD**—these other people that you are so keen to slag off and try to ruin the businesses of—

**Senator Conroy**—Henry ruined his own business.

**Senator IAN MACDONALD**—actually came before our committee and argued their case, whereas McKinseys were prevented by your government—

**Senator Conroy**—That is not true.



**Senator IAN MACDONALD**—from doing the same.

**Senator Conroy**—That is not true.

**Senator IAN MACDONALD**—And it was made clear to us that this was a briefing—

**Senator Conroy**—It was a briefing, because they do not comment publicly on their work.

**Senator IAN MACDONALD**—and not an inquisition or a challenging look at their work.

**Senator Conroy**—They have a longstanding policy of their company that they do not comment publicly on their work.

**CHAIR**—Senators, can we get back to questions and answers please?

**Senator Conroy**—They were more than willing to brief the committee and they were more than willing to brief the press gallery when we released the report, but they did not attend or speak at the press conference.

**Senator IAN MACDONALD**—Minister, we will not have a debate about your government gagging McKinseys—

**Senator Conroy**—We did not gag McKinseys.

**Senator IAN MACDONALD**—from being interrogated in public—

**Senator Conroy**—That is just untrue.

**Senator IAN MACDONALD**—because you cannot stand accountability and because accountability will show—

**Senator Conroy**—It is just untrue.

**Senator IAN MACDONALD**—this whole NBN just simply will never pay its way. Sure, it will be a good service, but it will be a continual drain for the taxpayer, and the taxpayers perhaps would rather do other things with their money. But here I am lecturing you as you have been lecturing me. Let us move on—

**CHAIR**—Yes. Let us get back to some questions and answers please.

**Senator IAN MACDONALD**—to some questions; thank you, Madam Chair. I notice that whenever we ask about the funding for this—which you, as one of the two shareholders, should be fairly well involved in—you refer us to another estimates committee and another department, and you talk about some media conference, which hardly seems—

**Senator Conroy**—No, a joint press release when we announced it.

**Senator IAN MACDONALD**—Good. But is there anything that you, as a shareholding minister, and your department, as the department principally engaged in all of this, can tell us about how this is going to be funded into the future, or do we have to go and ask the minister who clearly understands figures, which is not you?

**Senator Conroy**—I think Mr Harris has already answered questions about the cash issue and the 4.7. If you are asking what the bond issuance profile is, I repeat—

**Senator IAN MACDONALD**—Let me put it a different way for Mr Harris. How is the non-government funding going to be put into the \$43 billion company?

**Mr Harris**—I will be using the McKinsey model to describe this because it is the extant—

**Senator IAN MACDONALD**—But have you accepted the McKinsey model?

**Mr Harris**—No, but it is the model that is extant in the public arena. So, if we are at estimates, I am going to explain it that way because it is the only other model; otherwise, I can tell you a hypothetical. But, just using the McKinsey model as an example—

**Senator IAN MACDONALD**—I would really be interested in the proposals of the government—‘the government’ being the department.

**Mr Harris**—That is fine. Okay, I will not use them. I can give you a generic descriptor; it will be the same thing, but I will not be able to use years.

**Senator IAN MACDONALD**—Okay.

**Mr Harris**—So, after a certain period of build in the infrastructure, funded entirely by equity injections—

**Senator IAN MACDONALD**—Do you mean taxpayers’ money when you say ‘equity injections’?

**Mr Harris**—Equity injections, yes—sufficient revenue will be being earned by NBN as a wholesaler for it to justify taking to the market for raising bonds a proposition that says, ‘Lend us money because we’ve got this cash flow to be able to support that.’ On raising that particular level of debt, it will be able to start repaying the government’s equity.

**Senator IAN MACDONALD**—Sure. Can I just stop you there? So you have some figures which show that their revenue over a period of years will be sufficient to support a public borrowing.

**Mr Harris**—That is correct. The minister read them into the record earlier in estimates and this morning Mr Quigley confirmed that he had the same intent; that is, after a period of years, which will be less than the full period of the rollout because they will be earning revenue during the rollout, McKinsey estimates—Mr Quigley in his draft business planning considers this to be reasonable and the government considers it to be reasonable—that NBN Co. itself will be able to raise funds and repay government equity.

**Senator IAN MACDONALD**—So, to make those assessments, you obviously have a calculation of the number of homes that are going to be signed up through NBN to a service.

**Mr Harris**—Yes. McKinsey has done an estimate of that. Mr Quigley will have done—

**Senator IAN MACDONALD**—What is the figure then?

**Mr Harris**—That is a pretty—

**Ms Cullen**—By 2015, the take-up rate is 31 to 35 per cent; by 2020, it is a 54 to 63 per cent take-up rate; and, by 2035, it is a 75 to 90 per cent take-up rate.

**Senator IAN MACDONALD**—Oh, those figures! Right. Okay. No-one has supported those, I might say. A figure was bandied around when this report came out that 20 or 25 per cent of Australian homes currently do not have any form of computer; do you accept that?

**Mr Harris**—I have heard the figure; I do not know that—

**Senator Conroy**—What was the question?

**Mr Harris**—Twenty per cent of Australian homes do not have a computer. Of course, even if it is an accurate figure, it will be a static figure. In the past, the growth in taking on these kinds of services—such as those that will come from the NBN operation, with the quality of services that are likely to be offered—has been pretty much like the iPhone take-up rate has been; in other words, as a better service emerges, many, many more people take it.

**Senator IAN MACDONALD**—But, Mr Harris, you understand that people who take up iPhones either have to have a lot of cash in their pocket or be young people who will pay it off on a bankcard. There are a lot of people in Australia who are not like that. There are a lot of people on minimum wages and a lot of elderly people—

**Mr Harris**—It has been the most successful—

**Senator IAN MACDONALD**—who are never going to—

**Mr Harris**—new technology advance in mobile telephony.

**Senator IAN MACDONALD**—Absolutely, but not amongst the poor or the elderly, I can guarantee you.

**Mr Harris**—Yes. But I think, with respect, we are talking here about viability, so we are obviously marketing a product to people who can afford to pay for it.

**Senator IAN MACDONALD**—But there are still 20 per cent of homes that do not have a computer of any sort.

**Mr Harris**—The iPhone is a very good example of this. It has shifted the nature of the businesses that operate in this market. You can read of it in the newspapers. The fact is that Optus has had a very successful transformation of its business by picking up a technology early and running very hard with it. The pricing systems that go with that are not—

**Senator IAN MACDONALD**—Indeed. So why do we need the NBN?

**Mr Harris**—Mobile telephony needs to be supported by the backbone that will be put in place by the NBN; otherwise, as the minister was advising this morning—

**Senator IAN MACDONALD**—But Optus are already doing it.

**Mr Harris**—vastly increased numbers of towers will need to be put in place.

**Senator IAN MACDONALD**—But, Mr Harris, your argument is—

**Mr Harris**—So that backbone will be there.

**Senator IAN MACDONALD**—You are quoting Optus going ahead in leaps and bounds with this new form of system. Sorry, but they are not using NBN.

**Mr Harris**—The pressure on building new towers in the US—I read a statistic the other day—is such that 30,000 new towers are going to be required as a result of iPhone and, subsequently, iPad applications because of the amount of data that is going to be put into major urban centres by these users taking up the applications that are on a device that did not exist five years ago. Not having the backbone to support those towers, provided either by an NBN or ultimately by the mobile phone operators themselves, will stall the growth in this

market. So NBN will clearly have a supporting role for mobile telephony; they are clearly complementary technologies.

**Senator IAN MACDONALD**—You hope.

**Senator Conroy**—Senator Macdonald—

**Senator IAN MACDONALD**—I had better leave it there.

**Senator Conroy**—Just before we finish, I want to go back to one of the points that we were discussing; it is a point that you dismissed. I am now reading to you from the 2008-09 Telstra annual report. It states:

PSTN average revenue per user (ARPU) remained relatively stable, declining by only 1.1% to \$57.47 per month ...

That is PSTN—phone. It also states:

Fixed retail broadband ARPU continues to grow and is now at \$51.61 ...

a month. The total is \$109.08 for 2008-09. They are Telstra's own statistics. I said \$110—it is \$109.08—versus the \$90 that you were talking about. That is direct from the Telstra annual report.

**Senator IAN MACDONALD**—Thank you. I will get my information from Telstra; thank you. I will give them a call.

**Senator Conroy**—You can look up the same pages of the Telstra annual report, if you would like to, but that is what you will find. So you need to compare apples with apples—

**Senator IAN MACDONALD**—I think I have been doing that. I will give Telstra a call and see what they say about your—

**Senator Conroy**—and the apples in this case—

**Senator IAN MACDONALD**—verballing of—

**Senator Conroy**—are the \$90-odd you were quoting from Primus and the \$109 here. That is nearly \$20 better off. That is just a fact.

**Senator IAN MACDONALD**—I gave you the Whirlpool figures. Never mind Telstra; I gave you Whirlpool figures—which you know all about, so you said—and they show that it certainly goes nowhere near \$110. You have to compare apples with apples. I am surprised that you have reached the exulted position you are in without having at least that basic understanding.

**Senator Conroy**—You proved that anyone could be a minister, so I am just maintaining the bar.

**Senator IAN MACDONALD**—Well, that is right.

**Senator Conroy**—I am maintaining the bar.

**Senator IAN MACDONALD**—I make no pretensions.

**Senator Conroy**—You set a high standard, Macca, and I am up there with you.

**Senator IAN MACDONALD**—I would have thought a fraction below. But the one thing in which I never succeeded quite as well as you did, Minister, was spending five hours telling

everyone what a brilliant system I had put in place. Perhaps I should have done that and I might have been around a bit longer.

**Senator Conroy**—Perhaps you did not put any brilliant systems in place, Senator Macdonald.

**Senator BILYK**—How many plans did you have for your systems?

**Senator Conroy**—Eighteen failed broadband plans.

**Senator BILYK**—That is it. That is why you could not tell people that.

**Senator IAN MACDONALD**—No. We had one contracted and in operation.

**Senator Conroy**—No, it was not in operation. It never got off the ground.

**Senator IAN MACDONALD**—Of course it got—

**Senator Conroy**—It failed the contractual obligations that it signed up to.

**Senator IAN MACDONALD**—Minister, we will not go into the reason for their not taking you for every penny you had. They would have taken you for every penny; but you know well enough why they did not—

**CHAIR**—Order.

**Senator IAN MACDONALD**—and they are realists.

**Senator Conroy**—It never started. It failed its first tests.

**CHAIR**—Order, Senator Macdonald and Minister!

**Senator IAN MACDONALD**—I am not speaking, Minister. I have passed on to one of my colleagues.

**CHAIR**—Senator Macdonald and Minister, can we get some order back here? I do not know how Hansard will deal with what is transpiring.

**Senator Conroy**—It is pages eight and 12 of the Telstra annual report, Senator Macdonald. You can find both those two figures I quoted.

**CHAIR**—Senator Macdonald, have you finished your—

**Senator IAN MACDONALD**—And you will apologise when Telstra refute your figures?

**Senator Conroy**—They can refute their own annual report, if they like.

**Senator IAN MACDONALD**—And you will apologise?

**CHAIR**—Have you finished your questions, Senator Macdonald?

**Senator IAN MACDONALD**—Yes. I did pass on about two minutes ago, but the minister will not let me go.

**CHAIR**—Senator Minchin.

**Senator MINCHIN**—I have just one question in following up with Mr Harris. In terms of the funding, you mentioned an equity approach. The government could fund NBN and its rollout through equity or debt. Do I read from what you have said that a formal decision has been made that it will be funded by government equity—

**Mr Harris**—No, I think it depends on—

**Senator MINCHIN**—or does it depend on the definitions of the discussion?

**Mr Harris**—If you go back and—

**Senator MINCHIN**—But the government could lend them money.

**Mr Harris**—If you go back and track the way that I answered Senator Macdonald, I attempted to answer with the McKinsey analysis and he suggested that I answer more generically. So then I said, 'Here is a generic descriptor of how it might occur.'

**Senator MINCHIN**—Yes; so the government has not made any decision—

**Mr Harris**—In no sense was I saying—

**Senator Conroy**—An equity injection to them can either come from cash or a borrowing from the government, but it would all be defined as an equity injection to NBN Co.

**Senator MINCHIN**—No. The government could act as a lender to NBN Co. That is another form of—

**Senator Conroy**—That is a third option, yes; that is fair.

**Senator MINCHIN**—Yes, that is an option. It just begs the question of whether any such decision has yet been made, or will that be made in the context of responding to the study?

**Senator Conroy**—Look, I would assume so.

**Mr Harris**—No. Obviously, in the implementation study, the government will consider this sort of proposition and come out with its decisions.

**Senator IAN MACDONALD**—You are responding to the study before 30 June, so we do not have long to wait to hear about how it is going to be funded.

**Mr Harris**—I do not think a deadline has been set for—

**Senator Conroy**—The middle of the year. I specifically said—

**Senator MINCHIN**—Some desperation, I think, Senator Macdonald.

**Senator Conroy**—soon.

**Senator IAN MACDONALD**—A bit like the NBN. I think that was an aspiration.

**CHAIR**—Senator Minchin, have you finished?

**Senator MINCHIN**—Yes. I am sorry, Madam Chair.

**Senator CORMANN**—I just go to the issue of voice-only services. In the implementation report, lead advisers make it clear that they expect the NBN to totally replace the existing copper network in Australia. Does the department share that expectation?

**Mr Harris**—I think 'totally' is not right.

**Senator Conroy**—You are asking the department to comment on a recommendation the government—

**Senator CORMANN**—No, I am not asking them to comment on a recommendation.

**Senator Conroy**—You just asked them their opinion. You just asked his opinion: ‘Do you share that?’ It is an opinion in—

**Senator CORMANN**—Clearly, the department would be making some assessments on where—

**Senator Conroy**—Yes, and they will. But they are not going to share them with a Senate committee; they will share them with the government. You cannot ask officials their opinion, Senator Cormann.

**Senator CORMANN**—Minister, does the government share the expectation—

**Senator Conroy**—Thank you.

**Senator CORMANN**—that the NBN will replace the existing copper network; and, if so, what will be the—

**Senator Conroy**—There is a whole range of assumptions and recommendations contained in the McKinsey report; we have not accepted or rejected any of them. We are considering the analysis in the implementation report, and a formal response will be to us by the middle of the year.

**Senator CORMANN**—So that is your sort of standard talking point to dismiss and sort of refuse—

**Senator Conroy**—No. We have not completed the public consultation on the McKinsey document.

**Senator IAN MACDONALD**—For two years it has been: ‘Oh, it’ll all be in the implementation study.’

**Senator MINCHIN**—Now it is all in the response.

**Senator IAN MACDONALD**—Now it is all in the response.

**Senator MINCHIN**—It is a very good and translucent strategy; I have to hand it to you.

**Senator IAN MACDONALD**—It is a very nice strategy, yes.

**Senator CORMANN**—So, Minister, obviously you find it very amusing.

**Senator Conroy**—I do not think the NBN are consulting with us about it either, Senator Minchin.

**Senator CORMANN**—The minister obviously finds it very amusing that he sort of comes out with this—

**Senator Conroy**—I find Senator Minchin very entertaining. He has a sense of humour, unlike some.

**Senator CORMANN**—Indeed. So, Minister, does the government expect that NBN Co. will be offering a plain old telephone service on its own?

**Senator Conroy**—As I have said, we are considering all of the analysis and recommendations in the McKinsey report and—

**Senator CORMANN**—So that is on the table then.

**Senator Conroy**—No. I just said that we are considering all of the analysis and recommendations. We are not passing judgement at this stage on any of them. We are considering the report as a whole.

**Senator CORMANN**—So you are considering NBN Co. to be offering a plain old telephone service on its own then.

**Senator Conroy**—We are considering the recommendations of the committee. But—we had this discussion before, Senator Minchin, and I can see that you are remembering it—Australians will continue to receive fixed lines for as long as they want them.

**Senator MINCHIN**—But there is no guarantee. Well, what are you saying?

**Senator Conroy**—I said that to you—

**Senator MINCHIN**—After you define ‘telephone service’, we will continue to get one?

**Senator CORMANN**—So people will not be forced to buy a broadband service in order to get a voice service—

**Senator Conroy**—We are talking about the 10 per cent. That was the context of our discussion. I think that is the context in which Senator Cormann is talking too. Australians are abandoning their fixed lines at the moment, as you know. There is 10 per cent, I think, at the moment, and McKinseys forecast that it will rise to 20 per cent. So, depending exactly on your definition of whether every Australian will—because we were talking about the 10 per cent and I did not want to be seen to cut across that. So people who choose to give up their fixed line will obviously, by definition, not have a fixed line.

**Senator CORMANN**—Sure. But Minister, as you are sort of in the process of giving guarantees and you seem to be picking and choosing what you are happy to comment on out of the report—

**Senator Conroy**—No. The so-called last 10 per cent has been a debate that Senator Minchin and I have had on a number of occasions before, irrespective of the McKinsey report.

**Senator CORMANN**—So, given that you are giving guarantees now, can you give a guarantee that the price of an ordinary voice-only telephone call will not increase on the NBN?

**Senator Conroy**—I think the McKinsey report suggests—does it suggest a price of a voice-only? I would probably say to you, quite seriously, that the Primus fibre home voice plan premium of \$24.95 is cheaper than the existing \$29 line rental.

**Senator CORMANN**—Consumers currently can get a voice service from \$20.95 a month.

**Senator Conroy**—That is a certain type of consumer.

**Senator CORMANN**—The implementation study recommends \$25—

**Senator Conroy**—I do not think you are being completely straight up and down there.

**Senator CORMANN**—I am not meaning to be anything other than straight up and down.

**Senator Conroy**—I think you have selectively quoted and I do not think it is representative of the situation.



**Senator CORMANN**—Representative of what situation?

**Senator Conroy**—Of all Australians.

**Senator CORMANN**—Do you mean ‘of all Australians’? There are some Australians who pay more than—

**Senator Conroy**—What I have done is given you an indicative price—well, it is not even indicative; it is a real price in the market today for a voice over fibre; it is right there from Primus. I am expecting similar offerings potentially from Internode and iiNet and then perhaps you will get an indication of a voice-only service.

**Senator CORMANN**—Are you suggesting that at present consumers cannot get access to a voice service from \$20.95 per month?

**Senator Conroy**—I think the standard line rental is \$29.

**Senator CORMANN**—So you base your comparisons on—

**Senator Conroy**—No; but I am aware that there are different zones. There are different zones and there is different pricing in different zones. So I repeat: you are not actually being representative.

**Senator CORMANN**—It might well be that not every Australian is able to get access to—

**Senator Conroy**—No. I repeat—as I have said—that that price is a special category that usually is described as ‘low-income plans’.

**Senator CORMANN**—So is it proposed that the NBN will have low-income plans?

**Senator Conroy**—Yes; I think there is a common understanding.

**Mr Harris**—It depends on the USO and—

**Senator Conroy**—The final—

**Senator CORMANN**—Mr Harris, do you have something to add there?

**Senator Conroy**—No. He was just reminding me that the USO is integral to the discussions. But, overall, I would believe that there will be low-income plans as well. But I repeat: it is slightly disingenuous of you, given that you have now repeated it two or three times, to suggest that low-income plans at \$20 are representative of the broader community—which is the point that I made when you started.

**Senator CORMANN**—Okay. We are talking about low-income plans now. Will NBN Co. be offering concession voice-only services for low-income earners and pensioners?

**Senator Conroy**—Look, I would say to you that we are, firstly, again a wholesaler, but the decisions on that have not been made yet; however, I would envisage there being low-income plans.

**Senator CORMANN**—But there does not seem to be any discussion about low-income plans, concessions and pension discounts in the implementation study at all. How will you make sure that pensioners and low-income earners—

**Senator Conroy**—Because there are social implications—

**Senator CORMANN**—will not end up paying more as a result of where you are going?

**Senator Conroy**—Pensioners will not end up paying more—

**Senator CORMANN**—So you give that absolute guarantee.

**Senator Conroy**—on a low-income plan.

**Senator CORMANN**—So you give that absolute—

**Senator Conroy**—I just said it.

**Senator CORMANN**—Sorry?

**Senator Conroy**—I just said it.

**Senator CORMANN**—Can you say it again? I did not hear you.

**Senator Conroy**—I said that they will not be paying more.

**Senator CORMANN**—Pensioners.

**Senator Conroy**—No. Let us be very clear: the same recipients of the low-income plans.

**Senator CORMANN**—So the recipients—

**Senator Conroy**—The same recipients of the low-income plans.

**Senator CORMANN**—So recipients that are current recipients of low-income plans will not be paying more as a result of the—

**Senator Conroy**—No; correct.

**Senator CORMANN**—Is that what you are saying?

**Senator Conroy**—Correct.

**Senator CORMANN**—Okay. That is very good. I am sure that low-income recipients will be pleased to—

**Senator Conroy**—I am sure that you are not interested in them in the slightest, but I am sure that they will appreciate—

**Senator CORMANN**—Minister, that is a very offensive assertion. That is quite an offensive assertion, actually. I would like it if you retracted that, to be honest.

**Senator Conroy**—I will happily withdraw it if I have offended you, Senator Cormann.

**Senator CORMANN**—Thank you very much. Welcome back, Senator Fisher.

**Senator FISHER**—I have always been here. We await the government's response to the implementation study, which is the closest we will probably get to seeing a business case.

**Senator Conroy**—Yes. If that was a question, the answer is an unambiguous yes.

**Senator FISHER**—Why was a cost-benefit analysis not done?

**Senator Conroy**—Goodness. We are actually getting on with building it. We do not need to have any more cost-benefit analysis; we are actually building the network.

**Senator FISHER**—You have said that we do not need 'any more cost-benefit analysis'. For it to be 'more', there must have been some in the first place. Tell me where it was—because I missed it.

**Senator Conroy**—There have been international examinations of these issues. We have actually decided to get on with building the network. It is going to go live shortly in Tasmania. We have produced an implementation study that examines a business plan and finds that it is financially viable and affordable. So we are actually getting on with the job of delivering on our election commitment.

**Senator FISHER**—A cost-benefit analysis would look at any international examination and apply it to Australia and Australia's circumstances in order to work out whether or not it was beneficial for Australia to proceed; why was that not done?

**Senator Conroy**—As I have said, we have got on with actually doing the job of delivering the network.

**Senator FISHER**—So is that: we have not done it because we have not done it and we are not going to do it?

**Senator Conroy**—No—

**Senator FISHER**—Is that: we have not done it because we have not done it?

**Senator Conroy**—I cannot remember who asked me earlier in the day whether or not we were going to do one and I repeated, much earlier in the day, 'No, we are not going to do one.' Now you have your own personal version of it. We have got on with building the network. It goes live in a few weeks in Tasmania, with real customers, real ISPs—or RSPs, as we now call them—and real prices.

**Senator FISHER**—What empirical evidence is there that the National Broadband Network, as planned by this government, will be beneficial in a cost-benefit sense for Australians? What empirical evidence is there of that?

**Senator Conroy**—For my many sins and growing list of sins, I had the tragic misfortune to study cost-benefit analysis as part of my degree at university.

**Senator FISHER**—Did you pass? Because, thus far, I would not judge you to have done so.

**Senator Conroy**—I did. But a cost-benefit analysis, no matter what anyone tries to pretend to you when they are doing one, cannot capture dynamic benefits. To be fair, the McKinsey business plan does not try to pretend that there is some killer AP that will change the world.

**Senator FISHER**—It was not part of their terms of reference, was it, to do a cost-benefit analysis?

**Senator Conroy**—No. But they do not try to pretend that there is a killer AP in the NBN in their analysis. So a cost-benefit analysis—

*Senator Minchin interjecting—*

**Senator Conroy**—Thank you, Senator Minchin, on behalf of Senator Fisher. So a cost-benefit analysis can sometimes show you things that may or may not be useful. Around the world, a lot of studies have been done about the benefits of high-speed broadband. Whether they would fall strictly into your definition of 'cost-benefit analysis' or not, you can make a judgment yourself; you are free to look at them all. But we have got on with delivering on our

election promise. We have built and are about to turn on part of the network in Tasmania. We are building it—

**Senator FISHER**—Minister, why haven't you looked at them all and applied them to Australia's circumstances to ensure that there is a cost beneficial outcome to your National Broadband Network?

**Senator Conroy**—Because, unlike the opposition, whose political strategy is tragically transparent—on the one hand, your wanting to tell us to stop and spend 12 months on a cost-benefit analysis and then, down the track, your wanting to claim that we have not delivered, I think you say, not a megabit to a home, or something like that—we have actually. She is transparent.

**Senator FISHER**—'Lots of megabucks, no megabits'—

**Senator Conroy**—Yes, thank you.

**Senator FISHER**—is the line, isn't it, Minister?

**Senator Conroy**—So, on the one hand—

**Senator FISHER**—That was an agreement—for *Hansard*?

**Senator Conroy**—you say, 'Stop for 12 months and do a cost-benefit analysis and then, as we approach the election, we can criticise you for not having delivered any connections to any homes in Australia.' It is pathetically transparent. We have not got on—

**Senator FISHER**—These international comparisons that you talk about—

**Senator Conroy**—If you would like a considered list of them, I will see whether my office or department can get you them.

**Senator FISHER**—Do you have any expert verification that any of those international comparisons are, in fact, comparators, for the purposes of Australia and for the purposes of the National Broadband Network?

**Senator Conroy**—No. As I have said, it would be fair to say that these studies—

**Senator FISHER**—Because experts suggest that there are not such comparators.

**Senator Conroy**—I was about to say that I would probably agree with those. I was going to say that the reports have looked at individual geographic locations or impacts across individual sectors rather than at what you would, I suspect, be talking about—an economy-wide cost-benefit analysis. It is fair to say that we are leading the world: we are leading the world in an ambitious program like this. The world is very much watching what we are doing, and there is nobody else who has replicated both moving to an initially wholesale government owned project and restructuring the sector in the way that we are doing.

**Senator FISHER**—No, that is right.

**Senator Conroy**—So I would agree with those experts that there is nothing to compare with what we are achieving here in Australia.

**Senator FISHER**—So, despite the McKinsey implementation study, you are still confident in saying, 'Let's do what no-one else has done, and she'll be right, mate.'

**Senator Conroy**—We have sat down, we have had the McKinsey report, we have commenced the construction, we are about to deploy live services and we have a company that is working on delivering the national rollout as we speak. So we have actually got on with doing the job of delivering what Australians are crying out for, which is genuine broadband.

**Senator FISHER**—You concede that there is no international comparator for what you are about to do, yet you are saying: ‘Yeah, yeah, yeah, I can do it. We can do it. We can be first. It does not matter that there is no international comparator and it does not matter that there is no cost-benefit analysis for Australia. This will be good for us.’

**Senator Conroy**—Yes.

**Senator FISHER**—Is that it?

**Senator Conroy**—Yes.

**Senator FISHER**—Filled with confidence. Okay, Minister, right. Rural and regional Australians with your National Broadband Network: what is the government’s downlink speed commitment, say, for Australians who are outside the fibre-to-the-home footprint?

**Senator Conroy**—Twelve meg.

**Senator FISHER**—Twelve megs. Is that equal to 12 megs, a minimum of 12 megs or an average of 12 megs? What is it?

**Senator Conroy**—These are important questions.

**Senator FISHER**—They are.

**Senator Conroy**—With the satellite service—bearing in mind that we have just raised the satellite service from where you left it at 528K—delivering 12 megs to satellite providers as part of the NBN will be a quantum shift. If you look anywhere in the world, you will see that citizens are not receiving the sorts of speeds we are talking about. To come to the nub of your point: satellite configuration is not able to deliver the consistent speeds; that is just the laws of physics.

**Senator FISHER**—So is 12 a peak guarantee?

**Senator Conroy**—Twelve would be described as a peak, but I am happy to—

**Senator FISHER**—It would be described as a peak, did you say?

**Senator Conroy**—It would be described as a peak. If you want to examine other countries around the world and their commitment to deliver on broadband—although there is an increasing number following our lead—Finland’s average download speed is at least one meg; the UK minimum is two megs of broadband to every household; New Zealand is for 97 per cent of premises to access broadband services of at least five meg; there is Spain’s broadband USO with a minimum speed of one meg; and there is Switzerland’s broadband USO with a minimum speed of 600K. So they are some of the other countries in the world. So we are taking a lead with a 12-meg speed on satellite. Wireless—

**Senator FISHER**—Which no-one else has delivered.

**Senator Conroy**—Which no-one else has had the capacity at this stage to deliver. With the new satellites coming on board, it can depend on exactly how many people you put on

them—that is a really important question about the way we are doing it—and we are keeping it to three per cent. That allows us to contend the service in a way that allows us to deliver—

**Senator FISHER**—Now. It was going to be up to 10 per cent.

**Senator Conroy**—No; three per cent.

**Senator FISHER**—So you are implementing that recommendation in the implementation study, are you, the 97 per cent fibre to the home and leaving three for the rest?

**Senator Conroy**—No. I am giving you a description of what the McKinsey report is suggesting—

**Senator FISHER**—Yes. So you are adopting that aspect of their recommendations, are you?

**Senator Conroy**—No. I am giving you a very accurate description. I am also giving you an explanation of satellite technologies and, more importantly, the new satellite technologies, which can—

**Senator FISHER**—Three per cent will get satellite.

**Senator Conroy**—That is what McKinseys recommend.

**Senator FISHER**—And you are accepting that recommendation, are you?

**Senator Conroy**—No. I repeat, as I have on a number of occasions: we are considering the totality of the—

**Senator FISHER**—So, for those who do—

**Senator Conroy**—But let me just make it clear: satellite services will deliver average data rates, which are more than 20 times higher than most users of these technologies experience today and much higher than the average DSL usage today.

**Senator FISHER**—So are you guaranteeing, Minister—

**Senator Conroy**—So we are actually leaping those three per cent; if that was the final decision, we are leaping them—

**Senator FISHER**—It is now ‘if that were’.

**Senator Conroy**—to 20 times better than they are getting to achieve that 12 meg. Now, wireless—

**Senator FISHER**—What does that mean you are guaranteeing, Minister?

**Senator Conroy**—I have just said: the 12 meg—

**Senator FISHER**—What does that mean you are guaranteeing: minimum 12 megs, average 12 megs or peak 12 megs?

**Senator Conroy**—No, it is—

**Senator FISHER**—Is it peak 12 megs?

**Senator Conroy**—No. As I have said, it could be described as the peak speed. I will have to—

**Senator FISHER**—What will be the trough speed, under your guarantee?

**Senator Conroy**—I will have to have a discussion with Mr Quigley because these things generally depend on the number of—

*Senator Bilyk interjecting—*

**Senator FISHER**—For every peak there is a trough; was that Senator Bilyk? Yes. In Tasmania, I am sure that you know about troughs.

**Senator Conroy**—In Tasmania, when it comes to broadband speeds, Senator Bilyk certainly knows about troughs, because they are the worst served market.

**Senator FISHER**—What is the trough speed? If the peak speed is 12 megabits with the satellite, if you are in the three per cent—

**Senator Conroy**—We have an election commitment to deliver 12 meg. We are in discussions with satellite providers, and the answer to your question depends on how many people use the satellite. So, at this stage, we have not finalised our position on those issues. But I repeat: these satellite speeds are more than 20 times higher than what most users get today. The next generation of wireless, known as LTE, can deliver well in excess of—

*Senator Wortley interjecting—*

**Senator Conroy**—This is on the satellite, Senator Wortley.

**Senator FISHER**—Loosen up, Senator Wortley.

**Senator Conroy**—On LTE or the next generation of WiMAX, the speeds that are claimed at the moment that can be delivered are far in excess of 12 megs. In fact, I have seen claims of up to 40, 50 and 60 meg speeds on LTE. So we would be looking at the next generation of WiMAX or the next generation of LTE—they are decisions still to be made—and they, again, will be considerably faster than Australians currently get today. So every Australian is going to be significantly better off than they are today.

**Senator FISHER**—The entry level pricing for fixed wireless broadband as opposed to fibre broadband, which the 97 per cent will receive: will they be equivalent?

**Senator Conroy**—Look, at lunch I had a discussion with Mr Quigley about this. They have not finalised their thinking on this yet. As you know, we have said that we will have one price across the fibre footprint, and we are looking at what we can achieve in both the entry-level wireless and entry-level satellite. We have always said that we would like to try to do that, but that was an ambition; rather than a fixed commitment, it was an ambition.

**Senator FISHER**—So you would like to try to achieve the same price?

**Senator Conroy**—Our ambition is to try to achieve the same sort of pricing for entry-level points but, as I have said, the NBN Co. team have not reached a decision about what is possible yet.

**Senator FISHER**—Could the entry level for the bush, essentially, for fixed wireless broadband be less than the fibre footprint? Theoretically, it can be 'less than', 'equal to' or 'more than', of course.

**Senator Conroy**—Yes. The potential outcome of any sporting contest could be a win, a loss or a draw; you are correct.

**Senator FISHER**—Or a knockout blow.

**Senator Conroy**—That would be either a win or a loss, depending on whether you received or gave a knockout blow.

**Senator FISHER**—We will not have forfeitures.

**Senator Conroy**—Even forfeiture is still a loss. I think I would have to take that on notice in order to consult Mr Quigley on where he is at on that, quite genuinely.

**Senator FISHER**—Thank you. If the entry-level pricing for fixed wireless versus fixed fibre is equivalent, which is your aim—

**Senator Conroy**—You are asking me to make an assumption in your question, even at its beginning; therefore, it becomes a hypothetical.

**Senator FISHER**—But you have said that it is your aim.

**Senator Conroy**—I have said that it is our ambition; I have said that for a long time.

**Senator FISHER**—If your ambition is achieved, how will you be taking into account the reality that that means that equivalent prices will be being paid for a lesser speed service?

**Senator Conroy**—About four assumptions underpin that question. I will take it on notice and, if there is anything that we can sensibly add, we will get you an answer.

**Senator FISHER**—In the sense that you have said that you will guarantee outside the fibre footprint in respect of the guaranteed minimum, you have said that your guarantee on satellite is peak speeds—

**Senator Conroy**—On satellite.

**Senator FISHER**—of 12 megabits; whereas, you have promised, of course, up to 100 in respect of fibre to the home.

**Senator Conroy**—No; they are different technologies. One satellite cannot actually deliver those sorts of speeds.

**Senator FISHER**—So be it. And you are not giving us a cost benefit analysis that shows us that all of this is good, anyway, because you are saying that you have decided that it is and therefore it is. So I do not see that you can raise that issue. If your ambition of equivalent prices is achieved in respect of the fibre footprint and satellite services outside the fibre footprint, then essentially you will have Australians paying the same price for differing degrees of service, won't you, in terms of your speed guarantee?

**Senator Conroy**—You have made so many assumptions there that I do not know your question can be sensibly answered, but I am happy to take it on notice to see if there is any information we can give you that sheds some light on that range of assumptions.

**Senator FISHER**—Let us try to shed some light from a different angle. Can you guarantee rural and regional Australians that they will not pay any more than they do today for entry-level broadband services? Mr Quinlivan looks like he can help—he moved!

**Senator Conroy**—He is just trying to get on *Hansard*, because he knows that if he does not get on *Hansard* today he does not get paid, so he was just trying to interject there to ensure he got paid for the day!



**Mr Quinlivan**—That's right—I will do that now and refer this to the minister!

**Senator Conroy**—Well done!

**Senator FISHER**—Minister?

**Senator Conroy**—It is just such a bizarre question. Would you like to unpack your question and then we might be able to discuss it.

**Mr Harris**—Perhaps I can offer a commentary.

**Senator FISHER**—Can you guarantee rural and regional Australians that they will not pay—

**Mr Harris**—The government provides a subsidy scheme through the Australian broadband guarantee in that area. So we set a cap price, effectively, for people to receive a service. As I advised earlier, the program continues in the budget papers that are in front of you, since we are in an estimates committee. So the government clearly has a commitment to long-term support for regional or remote Australians who cannot get a service through what might be considered to be traditional commercial sources. That probably provides a base level. Beyond that, the capital commitment that the government has put in place, as I advised Senator Troeth earlier, is going to support the idea of a more effective service, both through an interim solution and a long-term solution developed and funded by the NBN.

**Senator FISHER**—Taking into account that assistance, can you guarantee that rural and regional Australians will not be out of pocket any more than they are today for entry-level broadband services?

**Mr Harris**—I think that is an unreasonable question, with respect—

**Senator FISHER**—Rural and regional Australians do not.

**Mr Harris**—because we are a wholesaler. At the NBN level, we put a price out into the market and retailers put a margin on top of it. That price, ultimately, is determined by the participants. I do not want to get back into the discussion that Senator Macdonald and the minister were having earlier about pricing issues, but those prices are ultimately determined by retailers.

**Senator FISHER**—Let us go back to wholesale and the three hypothetical scenarios I put to the minister, which he said that he spoke to Mr Quigley about over lunch—

**Senator Conroy**—If you could unpack them it might assist me in trying to give you an answer.

**Senator FISHER**—which are: satellite entry-level prices could be less than, equal to, or more than. Can you rule out—

**Senator Conroy**—We have just doubled the speed for the same price.

**Senator FISHER**—Back to the entry-level price for fixed wireless versus fibre and whether it will be less, equal, or more than—those are the three scenarios.

**Senator Conroy**—As stated in section 2.3, the implementation study recommends that the entry level services offered over each technology platform—fibre, wireless and satellite—be available to end users at a comparable price. We are considering that recommendation.

**Senator FISHER**—Recommendation 24 suggests NBN Co. apply different wholesale prices on each technology platform. Will you be considering that as well?

**Senator Conroy**—We are considering all of the recommendations.

**Senator FISHER**—Depending on what retailers do as a result of that wholesale price, it could result in rural and regional users putting up with slower technologies but having to pay more for them.

**Senator Conroy**—Let us be really clear about this. Your attempt now is simply dishonest. I will be really blunt about this. We are going to provide—

**Senator FISHER**—I am asking you to rule out certain scenarios.

**Senator Conroy**—Up to 93 per cent of Australians are going to get a faster and cheaper price through a fibre network.

**Senator FISHER**—They are not.

**Senator Conroy**—I said ‘up to’.

**Senator FISHER**—But you are not telling us how. You are saying that you do not know yet.

**Senator Conroy**—Up to four per cent are going to get the latest technology with faster speeds and, as the recommendation is, at a comparable price. We have already discussed that with satellite it will be a comparable price. It is simply dishonest of you to continue to try to suggest people are going to be paying more—dishonest.

**Senator FISHER**—Will the NBN satellite be a wholesale-only platform or wholesale and retail?

**Mr Harris**—I do not think the NBN has made a clear commitment one way or the other. The satellite related services might include, for example, customer premises equipment, which in other circumstances would be considered to be a retailer’s objective, but that has not been determined.

**Senator Conroy**—It depends on your definition of ‘wholesale’.

**Mr Harris**—The nature of the question is that there may be a difference between satellite and the other services, but it has not been determined.

**Senator FISHER**—Will it be sufficiently open that retailers can resell the services?

**Mr Harris**—There is a set of Australian broadband guarantee retailers.

**Senator Conroy**—Even if the final decision were that the NBN owned the equipment that went into the home, that proposition would still mean there was an open access platform that could be competed across.

**Senator FISHER**—Does it allow you to rule out the satellite provided services becoming a monopoly essentially funded by the taxpayer? Can you rule that out?

**Mr Harris**—In concept, all of the network is like that.

**Senator Conroy**—Yes. The whole network is conceptually a monopoly.

**Senator FISHER**—Hence the question.

**Mr Harris**—There has got to be a single—

*Senator Ian Macdonald interjecting—*

**Senator Conroy**—Please interject. Save me!

**Senator FISHER**—Hence the question. Those users receiving satellite have no choice.

**Mr Harris**—Other satellite providers might choose to compete—who knows. But you are really in the realm of impossible to predict.

**Senator Conroy**—Let us be clear: there are existing satellite providers. If we do not lease a satellite, by definition we are going to launch our own. There will be competitive satellite providers.

**Senator FISHER**—There will be?

**Senator Conroy**—I do not know. They may choose to shoot down the bird that is up there, but that is entirely up to them. If we put our own satellites in the sky, by definition there will be another satellite that is up there currently competing against us. Do I believe that it will be as good a service? No. By definition, we will have the next generation one. It will not be at this stage.

**Senator FISHER**—We are not risking AUSSAT, are we? The joy of the 1980s.

**Senator Conroy**—This is a conversation that we have already had with Senator Troeth. We had a lengthy discussion about the potential options. We are considering leasing if we can get a good deal, but if we cannot get a good deal then we are considering putting our own birds in the sky.

**Senator FISHER**—Some practicalities for rural and regional Australia outside the fibre footprint: how will they get voice services?

**Senator Conroy**—We just said that they will have a fixed line, except for those who do not have a fixed line at the moment. There are some properties in Australia that do not have a fixed line. But, as we said, those who have currently got one, in the 10 per cent—the region we are talking about, Senator Minchin; just making sure that we are still on the same page—

**Senator FISHER**—We will leave out pricing, because we have talked about that. Can you guarantee there will be no decrease in capacity or capability of those voice services in comparison with today?

**Senator Conroy**—I do not understand what that question means.

**Senator FISHER**—We are not sure where we are going, Minister, because you have not responded to the implementation study which would tell us something about what you are going to do, when you are going to do it, and how you are going to do it.

**Senator Conroy**—This is a stream of consciousness. Would you like to identify your question and explain your question?

**Senator FISHER**—Can you guarantee that there will be no decrease in the quality or capability of voice services currently enjoyed by those outside the fibre footprint when you finally tread your fibre footprint?

**Senator Conroy**—The copper in the ground is currently owned by Telstra. If there is no deal with Telstra then it is an obligation that Telstra will retain. I cannot guarantee what will happen with a piece of copper that Telstra currently has.

**Senator FISHER**—Will Telstra be able to retain the capacity to deliver? You are saying it is a responsibility they will retain. In the government's new legislative world, presuming this government remains the government, will Telstra retain the capacity to deliver?

**Senator Conroy**—It owns the copper. If there is no deal with Telstra, it will be business as usual for Telstra. That is a question that you might want to put to Telstra. I would say to you that I think the service will degrade because the universal service obligations that you put in place are so weak and pathetic that you allowed Telstra to write them and you regularly get responses, particularly from regional and rural Australia, that fault times continue to increase. The customer service obligations and the USO obligations that you have placed on Telstra are frankly pathetic. That is why phone boxes are being ripped out of the ground. You are letting them be ripped out of the ground. Every single phone box removed in South Australia is down to you and your pathetic USO obligations. The same will apply to the services.

**Senator IAN MACDONALD**—Split the legislation and allow that to be addressed.

**Senator Conroy**—We have a bill before the parliament. You are voting against it. You are stopping consumer reforms that will put fines on companies, that will allow consumers and residents who do not want to lose their phone box to appeal and have it stopped.

**Senator IAN MACDONALD**—It would be passed tomorrow if you were not using it as a bludgeon for the Telstra shareholders.

**Senator Conroy**—Tragically you have not caught up with the play, because I think a spokesperson for Mr Smith contradicted that assertion in a newspaper article and said, 'No, we're opposed to the whole bill.' That was what I think was in the newspapers. So your assertion is wrong.

**Senator IAN MACDONALD**—The whole bill—yes, we do.

**Senator Conroy**—No—they meant that they would not support it being split apart.

**Senator IAN MACDONALD**—You are interpreting what a spokesman for Mr Smith said.

**Senator Conroy**—No, I think it was very clear. They were deliberately going out to repudiate the suggestion that you would vote for half the bill. Sorry, that was an interjection, but I do thank Senator Macdonald for that. It was in the newspaper. I am sure Senator Minchin would remember it. He may even have written it. It might have been his last act. Feel free to interject some more, Macca.

**Senator IAN MACDONALD**—Yes, I will—thanks.

**Senator FISHER**—Minister, you talked about LTE wireless.

**Senator Conroy**—Yes.

**Senator FISHER**—Does the government rule out using the spectrum earmarked for LTE for the fixed wireless network?

**Senator Conroy**—We sell the spectrum for it to be used for whatever service the telcos want to use. If existing telcos wanted to use that particular technology, that would be entirely in their hands. Most of them suggest that they are going to be using it for the new 4G applications. That is not the right technical phrase, but we will use ‘4G’ for simplicity. Most of them suggest they are going to use it for that, but there are some interesting ideas that I am aware of that I cannot discuss, which would use it for other than that. They are commercial issues, which I cannot discuss. Ultimately, we will sell a piece of spectrum and people can decide what they think the market wants to buy.

**Senator FISHER**—You are not ruling that out. If that were to happen would that leave users outside the fibre footprint with less mobile choices than those inside the fibre footprint?

**Senator Conroy**—Can you repeat the question?

**Senator FISHER**—If spectrum marked for LTE is able to be taken up by fixed wireless, doesn’t that mean that people outside the fibre footprint risk ending up with less mobile broadband choice in terms of providers than those inside the footprint?

**Senator Conroy**—There is a range of assumptions.

**Senator FISHER**—I know there are hypotheticals in there, but you simply cannot rule it out. Let me swing it around. In saying that it is open to commerce, whether that happens or not, is the government considering the prospect that there is a risk that people outside the fibre footprint might end up with little to no choice in their mobile service providers?

**Mr Harris**—The current mobile service providers out there are competitive. They are not going to disappear under that scenario.

**Senator FISHER**—Are you saying there is no risk?

**Senator Conroy**—Again, there are just so many assumptions built into your question. Some of them come down to the laws of physics.

**Senator FISHER**—Tell us when your implementation study is due to start.

**Senator Conroy**—Some of them come down to the laws of physics. But I think Mr Harris is right, and if there is anything else that we can add we will take it on notice and see if we can—

**Senator FISHER**—Mr Harris said there was no risk.

**Mr Harris**—I do not think there will be anything else that we can add.

**Senator Conroy**—If there is anything further we can add to that, we will. Your question is again based on three or four jumps of logic as well as assertions, but if there is anything more we can add we will happily take it on notice.

**Senator FISHER**—I look forward to seeing the government’s supposed logic. You have talked about the other satellite providers.

**Senator Conroy**—I said there are some existing satellite providers in the sky.

**Senator FISHER**—Yes. What impact will the government launching its own satellites have on them?

**Senator Conroy**—If we cannot reach a reasonable pricing outcome with them, there will be competition.

**Senator FISHER**—How are you going to be sure that you are not crowding out an existing competitive market? We have to ask these questions from all angles. We cannot see your path yet. We are trying to help you navigate it.

**Senator Conroy**—The thing about satellite owners is they tend to behave like minimonopolists, because they own the slot in the sky, and slots in the sky are valuable because there is a limited number of birds you can put into one slot that covers a certain area. If we cannot reach a reasonable accommodation then we will have competition.

**Senator IAN MACDONALD**—If you put up your own, will that be in the \$43 billion cost?

**Senator Conroy**—Yes, it is included.

**Senator FISHER**—There is a bit of lead-in time, isn't there?

**Senator Conroy**—About three to four years.

**Senator IAN MACDONALD**—What does it cost to set up a satellite?

**Senator Conroy**—About \$250 million, but do not hold me to that. That is today's prices.

**Senator IAN MACDONALD**—Have you accounted for that in the \$43 billion?

**Senator Conroy**—That is included.

**Senator FISHER**—Will existing satellite providers be able to transition to the new satellite?

**Senator Conroy**—Presumably the offerings that NBN Co. would make would be attractive enough.

**Senator FISHER**—In theory they can? Technically they will be able to, you say?

**Senator Conroy**—We are a wholesaler. We are not an ISP, so we have to find pricing of services attractive enough to bring ISPs across who want to sell our product.

**Senator IAN MACDONALD**—Exactly.

**Senator FISHER**—How will households transition to your satellite services? What will they need at their fingertips?

**Senator Conroy**—I am not an expert in this area. I would have to take that on notice to make sure that I can give you the absolute technical explanation.

**Senator FISHER**—They would need some new equipment, wouldn't you think?

**Senator Conroy**—As I said, we talked earlier about whether NBN Co. would consider actually providing equipment, more for the quality of service issue than anything else. We are trying to say that would not necessarily make it a retailer anymore. We would just be potentially providing—it is an option.

**Senator FISHER**—But they would need new equipment to receive the services, would they not?

**Senator Conroy**—We are just saying to you that NBN would potentially be providing new equipment under one of these options. Whether the dish—

**Senator FISHER**—Because they need it.

**Senator Conroy**—And, if you change band, you potentially need a new satellite dish and you would need potentially a new box in the house. All of those issues are still to be considered as part of the discussions. None of those has been finalised.

**Senator FISHER**—We talked earlier about the prospect of NBN Co. paying to replace equipment that outlived its shelf life. Say, for example, that satellite dishes needed repointing. Would NBN Co. foot the bill for that work or do that work?

**Senator Conroy**—I always mix this up, so I need someone to help me out here. I think if we change from Ku to Ka—Ku is the existing receiver—so if we were to move to another satellite we would be using Ka rather than Ku. You would probably need a new dish, so if we were installing a new dish you would probably make sure it is pointed at the right spot. It is possible to get satellite dishes now that have both Ka and Ku receivers on them, but that is a technology question and a cost issue.

**Senator FISHER**—The fixed wireless network provider will do both wholesale and retail, won't they?

**Mr Harris**—The answer is it depends. The McKinsey study went down one particular path. There are other options that may allow for a wholesale option to be put forward in order to supply some retailers. So until the government makes a decision on the implementation study the answer is it depends.

**Senator FISHER**—Yes, it is another hypothetical, but if there is delivery of both wholesale and retail that will be delivery largely to the bush, so won't that leave the bush—

**Senator Conroy**—Are we talking about the four per cent on the McKinsey analysis?

**Senator FISHER**—Yes, largely the bush.

**Senator Conroy**—Exclusively the bush, I would have thought.

**Senator FISHER**—If there is delivery of both wholesale and retail, is that consistent with what the government talks about in terms of the benefits of structural separation elsewhere and, if not, why not?

**Senator Conroy**—The McKinsey report is a recommendation and we are considering the recommendations. But, as Mr Harris said, there is a range of other potential options.

**Senator FISHER**—I heard that bit.

**Mr Harris**—The logic is pretty simple and straightforward. If there are providers out there who are currently providing broadband via mobile mechanisms, the McKinsey analysis is based on a presumption that you should ask them if they can provide it efficiently to meet the standard that the government has specified for NBN. If the answer is that they cannot, then clearly NBN will develop its own product. If the answer is that they can, again it will depend how competitive that product is versus NBN developing its own product. There are some very significant differences between the proposition for the quantity of service to be provided by the NBN and the quantity of service to be provided by OPEL.

**Senator IAN MACDONALD**—That is not what OPEL said.

**Senator Conroy**—Did they sue us? No.

**Senator IAN MACDONALD**—You know why, Minister, don't you?

**CHAIR**—Senator Cormann, you have some questions.

**Mr Harris**—I should say, Senator Cormann, before you start that I have some answers that you sought earlier.

**Senator CORMANN**—Go for it.

**Mr Harris**—You asked us about correspondence we had received on the possibility of overhead cables. The answer is: relatively small numbers of correspondence, currently running at about one a month.

**Senator CORMANN**—It is more than none, though, is it not?

**Senator Conroy**—You are right. One is more than none; he has got us. One is more than zero.

**Senator CORMANN**—Because the minister of course said that there was none.

**Mr Harris**—I would not say it was completely insignificant, but it is certainly not sufficient for us to develop a campaign letter. I think most people understand we do not think this is a campaign issue.

**Senator CORMANN**—On average, it is one a month.

**Senator Conroy**—That is 12 a year.

**Senator CORMANN**—While we are talking about this, I have also taken Senator Conroy's advice and checked out the ZDNet website. I commend to him that he does the same, because there is a lot of commentary there about how terrible the cables are and how they are not thin at all. There are comments here about Third World ugly stuff and other things. You might want to have a look at the comments on ZDNet.

**Senator Conroy**—All you need to do is actually have a look at the comparison with HFC, which is the point that Senator Minchin has made—

**Senator CORMANN**—Indeed, and the people on talkback at ZDNet, which is where you sent me to, do not agree with you—not all of them, anyway. I appreciate that Mr Harris has provided that.

**Mr Harris**—Either you, Senator Cormann, or Senator Fisher asked about an ACMA question on notice. While I did not get the full detail in the exchange, people who are observing us have advised me that you were asking about question 2758. They must have drawn that from your exchanges with ACMA. If you were indeed asking about question 2758 and wanted to know why it had been delayed, the answer ultimately is—

**Senator CORMANN**—This is a question about internet sites?

**Mr Harris**—That is correct. The answer was that ACMA provided an initial draft to the question on notice, which presumably they advised you about. Sorry, I am not familiar with what they said.



**Senator CORMANN**—That is what I was told in March, yes.

**Mr Harris**—But that was held by the department as a result of anticipation of revised, updated figures which we anticipated receiving from ACMA. The delay was because we wanted to incorporate the more recent data into the response. They gave us the date that the data was expected, but it was not available. We held it until the data was available to give you the most timely data.

**Senator CORMANN**—But every day more data becomes available, presumably, as more websites get banned, so every day it would be out of date, would it not?

**Mr Harris**—No, I do not think you could attribute that motive to this.

**Senator IAN MACDONALD**—A while back you said to me that someone had written in today's paper, on behalf of Mr Smith, that we had now decided not to split that bill and allow for—

**Senator Conroy**—No, this is a little while ago.

**Senator IAN MACDONALD**—No-one on our side knows anything about this, so I am curious as to your article.

**Senator Conroy**—I will see if my office can dig it up for you before the close of business. I do not believe I am making it up.

**Senator IAN MACDONALD**—Mr Smith is unaware of it.

**Senator Conroy**—I will see if I can chase it up for you.

**Senator IAN MACDONALD**—If you cannot, perhaps you will apologise.

**Senator Conroy**—I will see if I can chase it up for you. If I am in error I will apologise.

**Senator IAN MACDONALD**—As I understand it, that is our policy. The issues you are complaining so loudly about we have always thought were a good idea.

**Senator Conroy**—As I said, I will see if my office can—

**Senator IAN MACDONALD**—Holding a hammer to the head of Telstra is—

**Senator Conroy**—I am sure my officers are listening at the moment and I am sure we will see if we can find that for you.

**Senator IAN MACDONALD**—That would be good.

**Senator CORMANN**—Could we go back to your press release of 6 May 2010—just a couple of weeks ago—when you released the implementation study. The headline reads, 'Confirms NBN vision is achievable and affordable'. The assertion is made that the government can expect a return on its equity investment sufficient to fully cover its cost of funds.

**Senator Conroy**—Yes.

**Senator CORMANN**—Do you remember that bit?

**Senator Conroy**—I do.

**Senator CORMANN**—Given that the implementation study indicates that the cost of equity would be 15 per cent to 25 per cent in year one but 19 per cent to 12 per cent in year nine, do you confirm that NBN Co. will achieve these rates of return so that taxpayers will fully recover the cost of the government's investment?

**Senator Conroy**—Over the 15 years the McKinsey report argues that we return all the money to the taxpayer, plus the interest costs and a modest return.

**Senator CORMANN**—Essentially what will be your costs—

**Senator Conroy**—That is the McKinsey report. That is not asking what my costs are. I am saying to you that the McKinsey report shows that over the 15-year period the Commonwealth gets all its money back, pays its interest and makes a modest return. That is what it finds.

**Senator CORMANN**—I am talking about your quote now. You are quoted as saying:

Twelve months ago, the Government committed to investing in a \$43 billion NBN. The Study confirms that the company will generate sufficient earnings by the end of year 7 so that the Government's recommended investment peaks at \$26 billion.

Of course, the comment is made that you expect a return on the equity investment sufficient to fully cover the cost of funds. Will NBN Co. be earning 9 per cent to 12 per cent returns in year seven to cover its equity costs? That is linking it directly to your quote.

**Senator Conroy**—What McKinseys finds is that, over the 15-year period, which includes the privatisation at the end of it, the Commonwealth gets back all its money, the cost of the interest to borrow it and a modest return. If you want to try to unpack that backwards to say, well, that means in this year it meant it earned this and in that year it must have earned this, you are welcome to.

**Senator CORMANN**—You have made the comment that by the end of year seven it will generate sufficient earnings. Presumably then it would have to earn a rate of return of about 9 per cent to 12 per cent.

**Senator Conroy**—You had the chance to question in detail the McKinsey guys at a hearing of the committee.

**Senator CORMANN**—I am asking you about your comments now.

**Senator Conroy**—I am making comments entirely consistent with the findings of the McKinsey report.

**Senator CORMANN**—You have not endorsed the McKinsey report.

**Senator Conroy**—My comments are entirely consistent with the McKinsey report.

**Senator CORMANN**—So, essentially, they are consistent. What you are saying is that you agree that there will have to be a rate of return of nine per cent to 12 per cent by year seven in order for you to be able to cover the cost of funds?

**Mr Harris**—The expectation in McKinsey, partially consistent with the discussion I was having earlier with Senator Minchin, is that in the early years equity will have to fully fund this. After year six, in the McKinsey study, NBN will earn sufficient revenue to justify private sector debt. In other words, the risk profile will be addressed by the cash flows that are

coming in at that point, sufficient to get it a bond rating and therefore raise a debt on its own account. As that money raised is used to repay government equity, NBN will arrive at a stable position of a fifty-fifty debt-equity ratio, and at that point the rates of return that you are talking about will potentially emerge, which is the privatisation scenario.

That is the logical sequence. I am summarising McKinsey in an intensely superficial way, but that is the logical sequence of what McKinsey is saying the government could expect to do. Thus its advice that early on you will have to fund this fully. At a later point you will be able to replace some of your equity with debt. That debt-equity ratio should be able to stabilise at fifty-fifty, which will be a sufficient ratio for a private entity to take on the business in the long term. By implication, the sorts of rates of return that you are talking about are the only basis on which private equity would take it on.

**Senator CORMANN**—The sorts of returns, such as nine per cent to 12 per cent, is the only basis on which private investors would take it on? How can the government generate sufficient earnings to cover the cost of funds? If the cost of funds is to be 15 per cent to 25 per cent in year one and then nine to 12 per cent by year nine, then how can you fully cover the cost of funds if you do not meet returns at that level?

**Senator Conroy**—You had the chance to ask this sort of detailed question. The end result of the McKinsey analysis—and you are now trying to pick an individual year out of it—

**Senator CORMANN**—No, I am not.

**Senator Conroy**—Yes, you are. That is exactly what you are doing. You are saying, ‘If you’ve got minus returns in the first few years, you must get incredibly positive.’ It is a maths question that you are trying to play.

**Senator CORMANN**—Minister, you have used the study to justify this. The headline is that the NBN so-called ‘vision’ is achievable and affordable. You have signed on to some of those conclusions. You have made the point that the government can expect a return on its equity investment sufficient to fully cover the cost of funds, so you have to be able to justify what rate of return you will be looking for in order to achieve that objective.

**Mr Harris**—I might ask Mr Heazlett for some advice on this issue, but I think the source of the numbers that you are utilising is page 369 of the implementation study, which is referring to project rates of return over a period. I think you are suggesting that the sorts of costs of funds involved are in this 15 per cent to 20 per cent range, and in fact this is showing the government rate of return as being in a six per cent range. I think the McKinsey study is quite consistent with where you are, except you are attributing a commercial rate of return expectation to government, and that is not correct.

**Senator CORMANN**—I am trying to understand what rate of return is going to be required in order to cover the cost of funds. If I compare the cost of funds that are assessed in the implementation study with what is being said in terms of the expected rate of return, the two do not seem to be matching up. That is where I have a problem.

**Mr Harris**—I will ask Mr Heazlett to further discuss this.

**Senator FISHER**—Is the implementation study saying that the six per cent rate of return is not commercial?

**Mr Harris**—No, it is not saying that. The discussion you had earlier on the internal rates of return is around the wrong way. The internal rate of return is the result of a set of cost assessments or a set of revenue assessments, and the computation is: what is the rate of return that results from this set of revenues against this set of costs, which is why you have the range in there? It was never a sort of cost of fund computation. You can take that figure, if you want to, and compare it with the cost of funds as a potential comparator, but there are probably better bases for doing that than the internal rate of return. The internal rate of return is just a good way of looking at a set of projects.

**Senator CORMANN**—What is the best basis?

**Mr Harris**—That is where it is at its most objective. This project gets this internal rate of return, that project gets that internal rate of return, so which is the better project? The answer is: the one with the higher internal rate of return, with everything else being equal. It is not a cost of funds computation. It can be used for that purpose and is often used by people for that purpose, but it is not a cost of funds issue. I will ask Mr Heazlett to further elaborate on what I was saying.

**Mr Heazlett**—The cost of funds set out in the implementation study are an indication of what—typically—private sector investors seek at early stages of a project, and that is the shaded area shown in exhibit 8.2.

**Senator IAN MACDONALD**—That is 15 to 25?

**Mr Heazlett**—Yes. As you will see, it declines over time as perceived risks of projects are removed or managed and greater certainty arises.

**Senator IAN MACDONALD**—Just for the record, that leads to about nine to 15?

**Mr Heazlett**—Yes. It is somewhere around that.

**Senator CORMANN**—Did you just say the cost of funds is what would be expected by private investors versus what might be expected by government?

**Mr Heazlett**—If you were seeking equity investment by the private sector, that is the typical range that would be sought.

**Senator CORMANN**—So, 15 to 25 and then nine to 12 per cent?

**Mr Heazlett**—At an early stage of the project it would be 15 to 25 per cent and at an established stage of the project it would be nine to 12 per cent.

**Senator CORMANN**—When we talk about the NBN being commercially viable, is that a proposition that is put forward on the basis of what the government's prescribed expectation of a return would be or what a commercially viable assessment of the cost of funds would be?

**Mr Heazlett**—The observation in the report is that, if the government is to accept the recommendation and provide equity funding to the tune of \$26 billion, as set out in the report, the government would raise that money through its normal government security program or Aussie Infrastructure Bonds, and the cost of those are estimated to be broadly equivalent to the government bond rate. If the project generates an IRR in the range of six to seven per cent, that is in excess of what the government bond rate is, and so the return exceeds the government's cost of funds.

**Senator CORMANN**—How will you be able to attract private investment in the NBN unless you can offer commercial private investor rates of returns?

**Mr Heazlett**—In calculating the IRR the implementation study has a terminal value applied which involves an EBITDA multiple at the time of privatisation. The EBITDA multiple used at that time reflects what the market is prepared to pay commensurate with that level of return.

**Senator CORMANN**—So the cost of funds is what private investors would look for?

**Mr Heazlett**—That is the private equity cost of funds.

**Senator CORMANN**—You then have the borrowing cost of funds separately. If you want to attract private investment, then the 15 per cent to 25 per cent or the nine per cent to 12 per cent in the latter stages, is what you would have to be looking at as a rate of return.

**Mr Heazlett**—That is reflected in the study in terms of the privatisation multiple that is applied.

**Senator CORMANN**—For it to be commercially viable, viable as a private investment, you would have to go well beyond the 6.3 rate of return? That is what we have come to now.

**Senator FISHER**—Exactly.

**Senator Conroy**—No, you have made a number of assumptions that are not necessarily valid.

**Mr Harris**—You are not correct.

**Senator IAN MACDONALD**—You mean Mr Heazlett is not correct?

**Senator Conroy**—No, Mr Cormann.

**Mr Harris**—The last part of Senator Cormann's commentary is not correct. It goes to my earlier answer.

**Senator Conroy**—He went through a commentary that was incorrect.

**Mr Harris**—Perhaps I could turn my earlier answer around so you can see what I am saying. We are talking about a model here, but I am going to take the model and say that it is a reliable number. At a debt-equity ratio of fifty-fifty, a potential private investor will say: 'What am I earning if I purchase this fifty-fifty debt-equity ratio business? What am I going to earn?' The price that the private investor is prepared to pay will need to reflect that rate of return, which is the relatively stable rate, the nine to 12 per cent rate rather than the 15 to 20 per cent rate they might expect to be able to earn at the high-risk point early on in the business's life. So, fifteen-plus years into the existence of the NBN, with a stable fifty-fifty debt-equity ratio, what McKinsey is saying is that private equity would expect to earn nine per cent to 12 per cent and that will be reflected in the price they are prepared to pay for the asset when it is privatised. That is the computation.

**Senator CORMANN**—You would have to sell it for less in order for the investor to get—

**Mr Harris**—He does not have to earn it because the price—

**Senator CORMANN**—You would have to sell it for less?

**Mr Harris**—As you appreciate, when you buy an asset, even when you buy a bond, for example, you might pay less than the face value of the bond, but you get a higher yield as a result of that. It is the same thing.

**Senator CORMANN**—What you are saying there is that you will have to sell it for less than you are putting in?

**Mr Harris**—No. McKinsey does not say that.

**Senator CORMANN**—I am not asking what McKinsey said.

**Mr Harris**—That is not what I am saying, either.

**Senator CORMANN**—The logical conclusion of what you have just said—

**Senator Conroy**—No. You are not going to get away with verballing him. He has been very clear and concise.

**Mr Harris**—It is not what I am saying and it is not what McKinsey was saying. I am just trying to use an example—if you appreciate what ‘yield’ actually means. That is another way of thinking about this.

**Senator CORMANN**—I know exactly what ‘yield’ means.

**Mr Harris**—I am sure you do.

**Senator CORMANN**—I know how you can change the value of a commercial asset in order to generate the yield that somebody is looking for.

**Mr Harris**—McKinsey’s model does not say that. McKinsey’s model says that the government will earn sufficient to get its money back and, by the end of the project life, which is 25 years, they say, ‘you will earn that modest return over the period’.

**Senator Conroy**—And a modest return.

**Mr Heazlett**—That terminal value is taken into account in calculating the IRR.

**Senator CORMANN**—So you are taking into account how much you might be able to sell it off for in assessing overall—

**Mr Harris**—That is right. It is a complete circle. It is a 25-year phase. They run the model out over the whole 25 years and say, ‘We expect, looking at what private equity will want at that time’—which is of course 25 years away, but that is the best logic we can apply in the current circumstances—‘the government will earn a reasonable rate of return from what we would expect private equity would pay for that business with that stable debt-equity ratio at that point.’

**Senator CORMANN**—The rate of return must be above the internal rate of return before privatisation, because otherwise investors would go for government bonds. Why would they invest in the NBN?

**Mr Harris**—I should take the minister’s warning about hypotheticals, but there are circumstances in which you could envisage that that could be a very attractive business.

**Senator Conroy**—If we can finish with the hypothetical. I think you have asked some very good questions and I think you have some very good answers.

**Senator CORMANN**—I certainly got more answers than earlier today. It is fair to conclude that the NBN will have to generate more than 6.3 per cent in returns.

**Senator FISHER**—Clearly.

**Senator CORMANN**—It is fair to assume that the NBN will have to achieve a rate of return beyond 6.3 per cent.

**Senator Conroy**—I refer to an article in the *Australian* titled, 'Telstra split hits a wall' by Nicola Berkovic on 10 March 2010.

**Senator CORMANN**—10 March?

**Senator Conroy**—10 March this year, 'Telstra split hits a wall':

The Coalition had previously resolved to delay the vote until the release of an implementation study into the NBN. But yesterday it agreed to vote against it regardless of the outcome of the implementation study. This is despite a view previously expressed by some Nationals senators that the break-up of Telstra would deliver better outcomes for rural and regional Australians.

It goes on.

**Senator FISHER**—Decoy, decoy, decoy, decoy.

**Senator Conroy**—There is a quote from me:

The government will always have an open mind to amendments that it believes will improve the bill.

**Senator FISHER**—We won't chase that rabbit.

**CHAIR**—Order! Minister, continue.

**Senator Conroy**—I am trying to provide some information to Senator Minchin and Senator Macdonald.

**Senator IAN MACDONALD**—You are wrong.

**Senator Conroy**—If I can complete the answer for fullness. I stated:

The Opposition has indicated that it is willing to consider supporting consumer safeguards included in the bill if the government separated out the provisions forcing the break up of Telstra.

The last sentence reads:

But Mr Smith said it would not be prepared to do so until after the NBN's implementation study is released and considered.

**Senator CORMANN**—I can give you a more recent quote from Mr Smith on 6 May:

We have also made very clear that on the consumer and competition aspects of the legislation we are very happy to debate those. We are very open-minded and we are very keen to have that debate.

**Senator FISHER**—Hear, hear!

**Senator Conroy**—As I said, I was quoting from an article which made it clear—

**Senator MINCHIN**—Thank you for your apology.

**Senator Conroy**—I was not apologising. I was actually accurate on the article that I was referring to—completely accurate. My recollection was actually better than yours in this case.

You may have a new position by now which is inconsistent with this position, but my memory was completely accurate.

**Senator IAN MACDONALD**—I have one brief question for Mr Harris.

**Senator Conroy**—I will wait for Senator Macdonald's apology any time he likes.

**Senator IAN MACDONALD**—I have accepted yours.

**CHAIR**—Senator Macdonald, ask your question.

**Senator Conroy**—I was not giving one. I am completely correct.

**Senator IAN MACDONALD**—You would be aware—

**Senator Conroy**—You have changed your position.

**Senator IAN MACDONALD**—that the Department of Finance and Deregulation, in relation to public capital expenditure, applies a series of usual principles, which you would be familiar with. Have you taken the step to obtain the net present value of the NBN using the data and assumptions contained in the implementation study and based on that usual calculation of the weighted average cost of capital in accordance with those principles that I am talking about?

**Mr Harris**—I will have to check that for you. I honestly do not know. I am familiar with net present value. I am just not sure what I am valuing at this point.

**Senator IAN MACDONALD**—Of NBN as announced.

**Mr Harris**—The business as an asset value? At the moment, because it is so new, the asset value would equate roughly to—I am not sure. Are you really asking about NPV over the modelled life in the implementation study? Is that what you are asking?

**Senator IAN MACDONALD**—Using the data and assumptions of the implementation study—all of the assumptions that it has made—what would be the present value based on the weighted average cost of capital?

**Mr Harris**—We should take that on notice. I think that is a follow-on to the—

**Senator IAN MACDONALD**—Yes, it is.

**Senator MINCHIN**—If I can cut to the chase, this goes to Professor Paul Kerin's criticism of the implementation study and its methodology for determining the commercial viability of the enterprise, in which he criticises the use of a discount rate based on the long-term bond rate. He says that under proper government guidelines that should be the weighted average cost of capital, not the long-term bond rate. I do not know whether at any stage today you have given or are intending to give a response to Professor Kerin's criticism.

**Mr Harris**—We did consider Professor Kerin's views, but no; no-one has asked us—

**Senator Conroy**—As I said, I was happily going to debate Morgan and Ergas. Kerin offered the opportunity earlier. Senator Macdonald declined. I am happy to explain why—

**Senator IAN MACDONALD**—We have already done that, as you have been told, and it has been taken on notice by your department.

**Senator Conroy**—I am happy to have spent some time rebutting Mr Kerin.



**Senator MINCHIN**—I think you should take it on notice. We would be interested in your response to that.

**Senator Conroy**—I am happy to.

**Mr Harris**—We have already considered that, but now I know what you are talking about we will provide you the answer on notice. In order to save one of many, many questions on notice, I think Ms Cullen has worked out the answer to Senator Cormann's questions earlier on what were the starting issues for the NBN and the \$20-odd million that you asked about. Perhaps we can give them to you orally now and save one question on notice.

**Senator FISHER**—Provided that we are able to utilise the remaining six or seven minutes to ask some questions.

**CHAIR**—I am sure you can put them on notice.

**Senator FISHER**—No, I want to ask them.

**Mr Harris**—We were just trying to help the committee, but we will leave it on notice.

**Senator CORMANN**—If you could table it, that would be great.

**Senator IAN MACDONALD**—Go for it.

**Mr Harris**—No, I will not interfere any further.

**Senator FISHER**—The broadband guarantee is about satellite services. As to rural and regional Australians with base ADSL services, can you guarantee that they will not be paying more?

**Mr Harris**—I cannot respond other than with the minister's comments earlier about the hypothetical questions. I do not have any reason to believe that the government will abandon its commitment to the broadband guarantee program, because—

**Senator FISHER**—But that guarantee applies to satellite, not to rural and regional Australians with base ADSL services, does it?

**Mr Harris**—The broadband guarantee program is the government's primary program for assisting people out there—other than that they are in the commercial marketplace, whereas I advised you earlier that those prices are set by retailers, not by the government.

**Senator FISHER**—So they are at the mercy of commerce. Mr Quinlivan—

**Senator Conroy**—Who put you up to this? What was offered you to ask these questions?

**Senator FISHER**—You have heard the minister confirm in the context of the lack of a cost-benefit analysis that there are no international comparators. At other hearings we have talked about a cost-benefit analysis being premised on looking at international comparisons, looking at where it has been done and what happened as a result of it. Can you confirm that you have indicated that a cost-benefit analysis would be at best challenging to have done on the government's NBN?

**Mr Quinlivan**—I think the evidence I gave at the committee that you are referring to was more or less verbatim what was said earlier, and I offered to provide references to the OECD and other studies that have been quoted in this context, so we can do that. McKinsey's advice

on the cost-benefit analysis was that there were not a range of suitable international comparators and therefore—

**Senator FISHER**—So even if they were asked to do one they could not do one?

**Mr Quinlivan**—it would be a difficult exercise technically.

**Senator FISHER**—So at best it would be challenging? It would be technically difficult—at best challenging—would it not?

**Mr Quinlivan**—There are just not enough—

**Senator Conroy**—You are trying to put words in Mr Quinlivan's mouth.

**Senator FISHER**—He was about to utter them himself, I had hoped, but okay. You had a discussion with Mr Quigley today about certain scenarios, you said, over lunch?

**Senator Conroy**—No, I would not describe what we had as 'over lunch'. I was scoffing a sandwich and he was heading for the airport to go to his meetings.

**Senator FISHER**—You used the word 'lunch'. When was that?

**Senator Conroy**—It was in the lunchbreak. What actually happened would hardly be considered to be lunch in most humane circles.

**Senator FISHER**—What time was that? He had to go at one o'clock, we were told this morning.

**Senator Conroy**—Yes. As I said, I grabbed a sandwich that was on my desk as he was packing up his stuff from my office and he was heading out the door. That was the 'lunch'. My discussions with Mr Quigley on an individual basis are discussions.

**Senator FISHER**—As to the questions on notice that I asked you to get back to the committee on after afternoon tea, Mr Harris, it is after afternoon tea now and just before dinner, so I think you were going to apprise the committee of the number of questions that had gone to the minister's office and then been returned.

**Mr Harris**—Yes, and I did attempt earlier to provide this answer. About half an hour ago when I responded to Senator Cormann I also said I had the answer to your question. And the answer to your question is—

**Senator FISHER**—My apologies.

**Mr Harris**—There was an exchange and so I stood down, because I did not want to—

**CHAIR**—Put it on the record, Mr Harris.

**Mr Harris**—But I will continue while we are here. The answer is that seven of the 20 questions came back from the minister's office for redrafting. There were 20 questions. I think I read into the record earlier—which I do not have in front of me again now—the dates on which those answers were supplied, and you asked me, I believe, how many of them were delayed between the minister's office and us for redrafting, and the answer is: seven questions.

**Senator FISHER**—My question was how many went to the minister's office and then came back to you.

**Mr Harris**—Seven.

**Senator FISHER**—The answer is seven. Thank you. Here is my further question. You had indicated that they came back to you either for correction or minor editing. You gave an example of where events had surpassed the currency of the briefing. I also asked you on notice to indicate the nature of the corrections or minor editing in each of those now seven cases.

**Mr Harris**—I believe the minister said we would not take that on notice.

**Senator FISHER**—I asked that it be taken on notice. We are open to your answer to it now.

**Mr Harris**—Subject to correction by the minister, I believe he said we would not be taking that on notice because it was inconsistent with the normal expectation that we do not provide commentary to the committee on the exchanges that occur in the creation of government documentation.

**Senator FISHER**—That must have been mumbled into the mic.

**Mr Harris**—That is my version of what the minister was saying. I think he basically just said, ‘We do not normally do this.’

**Senator CORMANN**—You speak his language, do you?

**Senator FISHER**—Can you take on notice a further attempt to categorise those seven answers in terms of the nature of the correction and/or minor editing that was required by the minister’s office prior to those answers being provided to the committee?

**Senator Conroy**—You do not get to ask what is supplied to the minister’s office—

**Senator FISHER**—I am not asking that.

**Senator Conroy**—what came back and then what was supplied again. That is outside the bounds of Senate estimates. It is very simple. It is a longstanding tradition. Senator Macdonald has been a minister, Senator Minchin has been a minister and they would attest that that is a longstanding convention.

**Senator IAN MACDONALD**—We did not take them back to alter the answers, though.

**Senator Conroy**—I think ‘update’ is the appropriate word, Macca.

**CHAIR**—I thank officers of the department for appearing for an extended period this evening. We appreciate it. That concludes the examination of this portfolio.

**Proceedings suspended from 6.00 pm to 7.05 pm**

**ENVIRONMENT, WATER, HERITAGE AND THE ARTS PORTFOLIO****In Attendance**

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

**Executive**

Ms Robyn Kruk, Secretary  
Mr Gerard Early, Deputy Secretary  
Dr James Horne, Deputy Secretary  
Mr Mark Tucker, Deputy Secretary

**Approvals and Wildlife Division**

Mr Peter Burnett, First Assistant Secretary  
Ms Deb Callister, Acting Assistant Secretary, Wildlife Branch  
Mr Terry Bailey, Assistant Secretary, Strategic Policy  
Ms Carolyn Cameron, Acting Assistant Secretary, Strategic Approvals and Legislation Branch  
Dr Kathryn Collins, Assistant Secretary, Business Systems and Governance Branch  
Ms Vicki Middleton, Assistant Secretary, Environment Assessment Branch 1  
Ms Mary Colreavy, Assistant Secretary, Environment Assessment Branch 2  
Ms Michelle Wicks, Acting Assistant Secretary, Environment Assessment Branch 3  
Ms Rose Webb, Assistant Secretary, Compliance and Enforcement Branch

**Arts Division**

Ms Lynn Bean, First Assistant Secretary  
Mr Mark Taylor, Assistant Secretary, Arts Development and Training Branch  
Mr Paul McInnes, Assistant Secretary, Arts Policy and Access Branch

**Australian Government Land and Coasts**

Mr Mark Flanigan, First Assistant Secretary  
Ms Michelle Lauder, Acting Assistant Secretary, Finance and Aquatics Branch  
Dr Charlie Zammit, Assistant Secretary, Biodiversity Conservation Branch  
Ms Alison Archer, Acting Assistant Secretary, Indigenous Policy Branch  
Dr Paul Salmond, Assistant Secretary, Policy and People Branch  
Dr Sally Troy, General Manager, Communications and Reporting Branch, Department of Agriculture, Fisheries and Forestry

**Corporate Strategies Division**

Mr Arthur Diakos, First Assistant Secretary  
Mr Malcolm Forbes, Coordinator General  
Ms Lily Viertmann, Chief Financial Officer

**Culture Division**

Ms Sally Basser, First Assistant Secretary  
Mr Kim Allen, Assistant Secretary, Collections Branch  
Dr Stephen Arnott, Assistant Secretary, Film and Creative Industries Branch  
Dr Jane Campbell, Acting Assistant Secretary, Literature and Indigenous Culture Branch

**Environment Quality Division**

Dr Diana Wright, First Assistant Secretary

**Heritage Division**

Mr James Shevlin, First Assistant Secretary

Mr Theo Hooy, Assistant Secretary, Historic Heritage Branch

Mr Brian Prince, Acting Assistant Secretary, Natural and Indigenous Heritage Branch

Ms Jennifer Carter, Acting Assistant Secretary, International Heritage and Policy Branch

**Marine Division**

Mr Stephen Oxley, Acting First Assistant Secretary

Ms Lara Musgrave, Assistant Secretary, Tropical Marine Conservation Branch

Mr Nigel Routh, Assistant Secretary, Marine Biodiversity Policy Branch

Mr Phil Boxall, Acting Assistant Secretary, Temperate Marine Conservation Branch

**National Portrait Gallery**

Mr Andrew Sayers, Director

**Parks Australia Division**

Mr Peter Cochrane, Director of National Parks

**Policy Coordination Division**

Mr Sean Sullivan, First Assistant Secretary

Ms Rachel Parry, Assistant Secretary, Communications and Ministerial Services Branch

Mr Andrew McNee, Assistant Secretary, Strategic Advice Branch

Mr Peter Webb, Director, Budget Strategies, Strategic Advice Branch

Mr Geoff Richardson, Assistant Secretary, Environment research and Information Branch

Mr Dave Johnson, Director, Scientific Research and Information Section

**Supervising Scientist Division**

Mr Alan Hughes, Supervising Scientist

**Water Efficiency Division**

Ms Mary Harwood, First Assistant Secretary

Mr Richard McLoughlin, Assistant Secretary, Irrigation Efficiency Northern Branch

Mr Colin Mues, Assistant Secretary, Water Recovery Branch

Ms Suzy Nethercott-Watson, Assistant Secretary, Irrigation Efficiency Southern Branch

Mr Nick Rayns, Assistant Secretary, Basin Communities and On-Farm Branch

**Water Governance Division**

Mr Ian Robinson, First Assistant Secretary

Mr Craig Bradley, Acting Assistant Secretary, Urban Water Security Branch

Ms Gayle Milnes, Assistant Secretary, Environmental Water Branch

Mr Mark Kwiatkowski, Assistant Secretary, Project Management and Governance Branch

**Water Reform Division**

Ms Kerry Smith, Acting First Assistant Secretary

Ms Chris Schweizer, Assistant Secretary, Aquatic Systems Health Branch

Ms Isabelle Arnaud, Acting Assistant Secretary, Water Policy Branch

Mr Russell James, Assistant Secretary, Water Resources Branch

Mr Aidan Dalglish, Assistant Secretary, National Water Market System Branch

**Australia Council**

Ms Kathy Keele, Chief Executive Officer  
Ms Robin Cowdery, Executive Director, Corporate Resources  
Mr Tony Grybowski, Executive Director, Arts Organisations  
Ms Libby Christie, Executive Director, Arts Funding

**Australian Film, Television and Radio School**

Ms Sandra Levy, Chief Executive Officer  
Ms Ann Browne, Director, Corporate and Student Services

**Bureau of Meteorology**

Dr Greg Ayers, Director of Meteorology  
Dr Rob Vertessy, Deputy Director, Water  
Mr Alan Vallance, Deputy Director, Corporate  
Dr Neville Smith, Deputy Director, Research and Systems  
Dr Ray Canterford, Deputy Director, Services  
Mr Trevor Plowman, Chief Financial Officer  
Dr Sue Barrell, Assistant Director, Observations and Engineering

**Great Barrier Reef Marine Park Authority**

Dr Russell Reichelt, Chairman  
Mr Bruce Elliot, General Manager, Corporate Services Branch

**Murray-Darling Basin Authority**

Mr Rob Freeman, Chief Executive  
Mr Frank Nicholas, Executive Director, Corporate Services  
Mr David Dreverman, Executive Director, River Murray  
Ms Jody Swirepik, Executive Director, Natural Resource Management  
Dr Fraser MacLeod, Executive Director, Basin Plan

**National Film and Sound Archive**

Dr Darryl McIntyre, Chief Executive Officer  
Ms Anne Landrigan, General Manager, Collection Development and Outreach  
Mr Steve Vogt, General Manager, Corporate and Collection Services

**National Gallery of Australia**

Mr Alan Froud, Deputy Director

**National Library of Australia**

Ms Jan Fullerton, Director-General  
Mr Gerry Linehan, Assistant Director-General, Corporate Services

**National Maritime Museum**

Ms Mary-Louise Williams, Director  
Mr Peter Rout, Assistant Director  
Ms Joan Miller, Chief Financial Officer

**National Museum of Australia**

Mr Mathew Trinca, Acting Director  
Ms Lisa Wilmot, Acting Assistant Director, Operations  
Ms Louise Douglas, Assistant Director, Audience, Programs and Partnerships  
Ms Kylie Noonan, Chief Finance Officer  
Mr Michael Pickering, Acting Assistant Director, Collections, Content and Exhibitions

**National Water Commission**

Mr Ken Matthews AO, Chief Executive Officer

Mr James Cameron, Deputy Chief Executive Officer

Mr Matt Kendall, Group Manager, Sustainable Water Management Group

Ms Kerry Olsson, Group Manager, Assessment and Policy Coordination Group

**Screen Australia**

Mr Ross Matthews, Head of Production Investment

Ms Fiona Cameron, Executive Director, Strategy and Operations

**CHAIR (Senator McEwen)**—Good evening. The committee will now begin its examination of the Environment, Water, Heritage and the Arts portfolio. 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, Climate Change and Energy Efficiency and the Environment, Water, Heritage and the Arts and related other documents. The committee must report to the Senate on 22 June 2010 and it has set Friday, 30 July 2010 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 should be familiar with the rules of the Senate governing estimates hearings. If you need assistance in that regard, 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 has been incorporated in *Hansard*.

I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, who is representing the Minister for Environment Protection, Heritage and the Arts, and I also welcome all portfolio officers. Minister, would you like to make an opening statement?

**Senator Conroy**—No, but I think Ms Kruk does.

**CHAIR**—Ms Kruk, please proceed.

**Ms Kruk**—As we have just foreshadowed with the clerk, we will be making what are two submissions in relation to the cash flow statements, firstly in relation to the National Maritime Museum and secondly in relation to the Australian Film, Television and Radio School.

**CHAIR**—Do you want to do that now or are we going to do it when we call the agencies?

**Ms Kruk**—I am quite happy to do it when they come up, if that suits. It is probably better for the order of your business.

**CHAIR**—Yes, all right. I will call agencies in accordance with the circulated program.

[7.08 pm]

**Australian National Maritime Museum**

**CHAIR**—I welcome officers from the Australian National Maritime Museum. Do you wish to make a statement?

**Mr Sullivan**—The statement of cash flows of the National Maritime Museum is incorrect in the final totals on the page. A correction will be submitted. The error was not of the

National Maritime Museum; it was my error and I make that quite clear. It was a translation error in tables coming from the agency and the error was ours and not the agency's. It is in two cases: first is the National Maritime Museum and second, as the secretary said, is the Australian Film, Television and Radio School.

**CHAIR**—Did you want to tell us what the error was or table an amended statement, or are you just noting it?

**Mr Sullivan**—We will just table the amended statement.

**CHAIR**—We will now go to questions of the Australian National Maritime Museum.

**Senator FISHER**—Let us start with the ongoing efficiency dividend, which will not be of any surprise to you. How has it impacted on your operations, if at all?

**Ms Williams**—It has had an impact. This year a net amount of about \$65,000 has been absorbed within the budget. It is not something we like to see being lost from our budget, but at the moment we can contain that amount of money.

**Senator FISHER**—You are funding an \$8 million extension to the museum from your own reserve?

**Ms Williams**—That is right.

**Senator FISHER**—How did you fund it from your own reserves?

**Ms Williams**—We have used our depreciation funding over the years to make savings to improve the building, as we knew we would have to do.

**Senator FISHER**—Were there any cuts to other programs?

**Ms Williams**—No.

**Senator FISHER**—What does the extension itself include?

**Ms Williams**—It includes additional volunteer facilities. We had imagined we would have about 100 to 200 volunteers and we now have about 850, so our current facilities are clearly inadequate. We do not have enough public program space at the museum, so we are extending that space and those facilities for schoolchildren and for public programs, and we are upgrading machinery and so on as it needs to be replaced.

**Senator FISHER**—Are you going to need additional staff to maintain the extra space?

**Ms Williams**—No.

**Senator FISHER**—Are you going to be contemplating additional funding to run the extended facilities?

**Ms Williams**—No, it should be absorbed. We have been considering this for some years and working toward it. There will be no additional staff and there will not be any additional expenses involved in it.

**Senator FISHER**—With regard to the *City of Adelaide* clipper, have you been approached for advice as to how to preserve it or look after it?

**Ms Williams**—Yes, I have been in the past, and I have had a couple of phone calls. I have not been in the last year or so since it certainly came up at the last hearing and I am unsure,



still, as to what the plans are for the organisation. It is my understanding that they are investigating at the moment the options that might be carried out on the vessel as to whether it is best placed there or here or what is going to happen to it. So, no, I have not actually formally been approached since the last hearing.

**Senator FISHER**—Previously, when you were approached, was it the preservation society or the Scottish government? Who approached you?

**Ms Williams**—It was the preservation society and it was some time ago.

**Senator FISHER**—Did you provide any sort of formal advice?

**Ms Williams**—I did. I said I would be available, as would my staff, at any stage should they wish to come and talk to us.

**Senator FISHER**—But they have not followed that up?

**Ms Williams**—No, they have not.

**Senator FISHER**—Do you know the current situation with the clipper?

**Ms Williams**—I have heard that a report is due at the end of May, which should obviously be around about now, as to what the options might be for the vessel.

**Senator FISHER**—That is hearsay, is it?

**Ms Williams**—Yes.

**Senator FISHER**—Do you think the benefits of saving the clipper outweigh the costs, or are you not in a position to comment?

**Ms Williams**—It is hard for me to answer that without knowing what the plans are for the vessel. It might be just brought up and kept as is and restored as a shell, or it may be bought out and restored for sale. It would depend entirely on what they wanted to do with it as to what my response would be to that. Looking after any ship of that scale is very expensive, and there is also the ongoing cost of maintaining it into the future that would have to be considered. As I said, I do not know what their plans are for it. I would be happy to give an opinion on the subject, as others at the museum would be, should we be asked.

**Senator FISHER**—Have you got any comments to make on the general press speculation about the arts, your organisation included, not having got a particularly favourable spot in terms of the budget?

**Ms Williams**—I suppose we were fortunate; we have no losses to our budget.

**Senator FISHER**—So you are going ‘pew’.

**Ms Williams**—I suppose we are. We are doing what we want to do. We want to upgrade the facilities and we have been given the go-ahead to do that. I am very pleased to be able to carry out that work.

**Senator FISHER**—Have you got any rhyme or reason as to why your organisation has, but perhaps others have not, been so blessed?

**Ms Williams**—I have no idea. I cannot answer that question.

**Senator FISHER**—Thank you.

**CHAIR**—Following up Senator Fisher's questions about the *City of Adelaide* clipper, would there be room at the museum to house it?

**Ms Williams**—No. We do not have the length. The wharf would not be long enough to take it.

**CHAIR**—I noticed that you had *Ella's Pink Lady*; is that correct?

**Ms Williams**—Yes.

**CHAIR**—Can you tell us whether it was that useful for the museum to have that?

**Ms Williams**—That has had a remarkable response from people in Sydney. We have had thousands each day to come down and have a look at the yacht and its diminutive little sailor who has carried out an extraordinary voyage really for someone of her age. She is a terrific kid and she has certainly endeared herself to Sydneysiders. As I said, there have been thousands of people a day come down to the museum to see her.

**CHAIR**—Is the boat still there?

**Ms Williams**—I believe it leaves on Friday this week to go home to Maroochydore where the family lives.

**Senator FISHER**—Are you meeting your KPIs?

**Ms Williams**—Yes, I am pleased to say that we are actually heading for a record year this year as far as our visitors are concerned. We will have more visitors this year than since we opened in 1991.

**Senator FISHER**—Well done.

**CHAIR**—Thank you very much for travelling to appear before us this evening. We do appreciate it. We will now have officers from the Australia Council, please.

[7.16 pm]

#### Australia Council

**Senator FISHER**—Welcome. Is your organisation, the Australia Council, meeting its KPIs?

**Ms Keele**—We just finished our triennial review, so I can say with a lot of assuredness that we are meeting our KPIs.

**Senator FISHER**—At the last estimates we visited board vacancies and I think you answered some questions on notice asked by my colleague, Senator Troeth. But you referred to two vacancies in particular in February. Have those been filled?

**Ms Bean**—I cannot actually recall which ones in particular. We talked about a number of vacancies. There is one actually on the council that is still vacant that is still in progress. There were a number on the various other boards which—

**Senator FISHER**—Is that the community interest representative?

**Ms Bean**—Yes.

**Senator FISHER**—Is that still vacant at this time?

**Ms Bean**—Yes, it is.

**Senator FISHER**—What others were you going to refer to?

**Ms Bean**—There is possibly one from the Aboriginal and Torres Strait Islander arts board. There are four now but there was one from last time, I think.

**Senator FISHER**—What is the current status with vacancies now?

**Ms Bean**—Shall I go through board by board?

**Senator FISHER**—Thank you.

**Ms Bean**—For the Australia Council itself, the target size for the board is 12 and there are 11 on there at the moment.

**Senator FISHER**—We are missing one?

**Ms Bean**—And one being progressed, yes. For the Aboriginal and Torres Strait Islander arts board the target size is nine. There are currently four vacancies with five people on the board. Three of those vacancies arose as of 18 May, so they are very new.

**Senator FISHER**—Why were they created?

**Ms Bean**—The terms of the former occupants expired.

**Senator FISHER**—I see what you mean. I am sorry, I misunderstood you. I thought you were saying they were new positions.

**Ms Bean**—No. They are newly vacant. The arts board is at optimum size, so there is a target of seven and it has seven. The literature board is the same; the target is seven and it has seven. For the major performing arts board the target is eight and there are seven.

**Senator FISHER**—What is happening with the one?

**Ms Bean**—That is under consideration by the minister.

**Senator FISHER**—He actually has a recommendation, has he?

**Ms Bean**—Yes. In each case the Australia Council puts forward names to the minister.

**Senator FISHER**—I am just checking that that is what that means. ‘Under consideration by’ means he has a name to consider.

**Ms Bean**—Normally they give three names. People are nominated on the basis of the skills they have and the skills mix of the board to try to get people to—

**Senator FISHER**—Does the minister get to choose?

**Ms Bean**—Yes, the minister does get to choose. He—

**Senator FISHER**—Is that provided for under statute, is it?

**Ms Bean**—Yes. All the appointments come under the Australia Council Act. All the appointments except for the chair are made by the minister.

**Senator FISHER**—The next one?

**Ms Bean**—For the music board the optimum is eight and it has seven, I think, at the moment.

**Senator FISHER**—And the one?

**Ms Bean**—In that case the Australia Council is finalising its nominees. It is a relatively recent vacancy. The theatre board is at optimum size. Again it has an optimum size of seven and it is at seven. The visual arts board is the same. The optimum size is seven and it has seven. And that is it.

**Senator FISHER**—Four out of eight are optimum at the moment?

**Ms Bean**—Yes.

**Senator FISHER**—And you are working on the rest?

**Ms Bean**—Yes, indeed.

**Senator FISHER**—Orchestras—Mr Grybowski, I think that might be from you. In terms of your statement earlier this month that dealing with orchestras was a priority, what is being done to deal with them and does that include extra funding?

**Mr Grybowski**—Our role is to monitor the financial performance of each of the orchestras. We keep in very close contact with them on a quarterly basis in terms of their financial results in addition to talking to them about their future role and structure so that they operate on a sustainable base.

**Senator FISHER**—Are we talking about extra funding in that sustainable base?

**Mr Grybowski**—No. The orchestras have not received any additional funding.

**Senator FISHER**—Are there are concerns, for example, about Katrina Strickland's recent article in the *Financial Review*—with which I am sure you are familiar—talking about the prospects of superannuation and Workcover costs resulting from orchestras moving out of the ABC and becoming stand-alone entities? Have you got any information that you can provide in respect of those increased costs?

*Senator Wortley interjecting—*

**Senator FISHER**—I am seeking information, Senator Wortley. We can play politics if you want.

**Mr Grybowski**—The boards and the management of these organisations are acutely aware of the financial challenges of the companies and are constantly looking at different ways to improve their operating practices to increase their financial sustainability.

**Senator FISHER**—Can you put any numbers on the supposed increased costs? Do you have a breakdown orchestra by orchestra?

**Mr Grybowski**—Not in specific terms, no.

**Senator FISHER**—Is it influenced at all by the particular state workers compensation schemes, for example?

**Mr Grybowski**—If we look at the 2009 results, each orchestra has performed in different ways. I think that there are state-by-state issues and different markets. Four of the six orchestras returned positive results last year. There are different issues for each of the different orchestras.

**Senator FISHER**—In terms of workers compensation costs—superannuation is a national thing but workers comp is state by state.

**Mr Grybowski**—Workers compensation does differ state by state.

**Senator FISHER**—Are you saying that is the source of the differing issues?

**Mr Grybowski**—There is a range of different cost pressures on orchestras in different states.

**Senator FISHER**—What categories do they fall into?

**Mr Grybowski**—The ability to generate income from box office varies from state to state, sponsorship, philanthropy—

**Senator FISHER**—Cost of accommodation?

**Mr Grybowski**—Costs of accommodation, et cetera, all those running expenses.

**Senator FISHER**—So all those things are in the melting pot. At what level is the government funding indexed?

**Mr Grybowski**—The orchestras which are part of the major performing arts group receive compensation for the efficiency dividend, so that level of indexation is—

**Senator FISHER**—What is the total annual percentage increase?

**Mr Grybowski**—In 2010-11 it is 1.8 per cent.

**Senator FISHER**—How does that sit? You have not substantiated for me the increase in costs but there has been public speculation that there is a gap between the increase in costs and the level of indexation. What is your comment on that?

**Mr Grybowski**—Again, it is well reported that the fixed costs of orchestras because of the large costs associated with employing the musicians on a full-time basis is—

**Senator FISHER**—People?

**Mr Grybowski**—People, yes, are rising at a level greater than the other income lines, including the government funding, are increasing.

**Senator FISHER**—Many industries and many businesses talk about the salary discrepancies that in the case of businesses they are finding themselves having to pay in states where wages are higher but in the case of the workers themselves, of course, they bemoan the lower salaries paid to them in the other states. Is that a similar sort of trend experienced by orchestras? There is a suggestion that there is something like a 40 per cent gap, which does seem rather significant. If it be so is that a fair ballpark assessment? In terms of salaries paid is the gap as big as that between lowest and highest in an average sense?

**Mr Grybowski**—I have not got the specific figures in front of me, so I will take that question on notice. The salaries of the different orchestras do vary across the country.

**Senator FISHER**—What is the reason for the variation in your view?

**Mr Grybowski**—The boards of the various orchestras enter into enterprise bargaining agreements with the orchestras and set the salaries according to the budgets, and the budgets are developed within their jurisdiction.

**Senator FISHER**—Do they do that based on any sort of confidence in their ability to pay according to what the government of the day will afford to them?

**Mr Grybowski**—They do. They consider all their income lines including their box office and sponsorship and their manager expenses.

**Senator FISHER**—Are you aware of what the government is doing in respect of the recommendations of the Strong review that bear upon salaries and costs?

**Mr Grybowski**—I am very familiar with the Strong review. I do not know whether I understand your question specifically.

**Senator FISHER**—In your view were there recommendations in the Strong review that would have attempted to address the discrepancy in wages, for example, in orchestras across the states?

**Mr Grybowski**—There were some recommendations accepted; others which were not recommended.

**Senator FISHER**—There were not recommendations that went to that issue; were there?

**Mr Grybowski**—There were recommendations that suggested increases in salaries.

**Senator FISHER**—Is the government looking at those recommendations?

**Mr Grybowski**—We are particularly looking at the recommendation that ensures that the orchestras are operating as efficiently as they possibly can.

**Senator FISHER**—Is the government still considering the pertinent recommendations of the Strong review?

**Mr Grybowski**—The recommendations that were accepted have been implemented.

**Senator FISHER**—Is there a further review potentially looking at the competitiveness of wage rates across orchestras?

**Mr Grybowski**—Not that I am aware of, no.

**Senator FISHER**—Are there any other reviews happening in the orchestral sector?

**Mr Grybowski**—No.

**Senator FISHER**—Is the efficiency dividend placing any additional pressure on your organisation?

**Ms Keele**—The efficiency dividend is averaging at about \$825,000 per year impact on our organisation, so every year we accommodate that level of efficiency.

**Senator FISHER**—What is the practical impact, if any?

**Ms Keele**—We are on a path of making our organisation more efficient and have been working on that through having our systems talking to each other better and those kinds of things. We are able to reap benefits from those investments, which helps us a little. We are pretty efficient. We are operating at about 9.5 per cent admin, so we work hard to look for further efficiencies; that is basically the way to put it.

**Senator FISHER**—With the budget have you gone from triennial to annual funding?

**Ms Keele**—No.

**Ms Bean**—Ongoing funding.

**Ms Keele**—Triennial to ongoing funding.

**Senator FISHER**—In your view does that deliver more or less certainty for you?

**Ms Keele**—More.

**Senator FISHER**—You are obviously pleased with that outcome.

**Ms Keele**—Yes. That is good.

**Senator FISHER**—Thank you.

**CHAIR**—I wanted to ask a question about philanthropy and the Australia Council. You have a couple of funds; is that right? You have Art Support.

**Ms Keele**—Yes, we have Art Support and we have a thing called the Donations Fund.

**CHAIR**—Did the global financial crisis have an impact on the amount of those donations?

**Ms Keele**—We largely use the Donations Fund to help us have a place for our philanthropy—we collect for the Venice Biennale. In reference to the Venice Biennale we noticed an effect, so we scaled back our budgets accordingly. As you know, that was not this year, but last year. We did notice an effect. Art Support helps arts organisations stand in front of philanthropists to pitch their story. It was very tight. Many organisations lost sponsorship, but they were able to either maintain or not go down too far in the philanthropic side. There was quite an effect around the place. We are lucky. I think Arts Support is very good in that it helps arts organisations to be skilled up enough to be able to at least know what to do with that. During that time we spent time with philanthropists talking to them about how they should be giving and what the sector was like, which was quite effective as well. In the end the arts suffered a little on the philanthropy side, but it would have been worse had we not had Arts Support.

**CHAIR**—Is there any indication that things are picking up again now?

**Ms Keele**—There are some significant donations that have been made very recently that would have you hoping that is the case. Now that the tax regime has been confirmed for PAFs we are optimistic that those will pick back up again. They went down drastically when we did not know how it was going to end up. There are some other indications that a lot of our arts organisations are able to re-establish their relationships, but we always believed that this would be the year where you would feel it the most severely. It would be much more comfortable if the economy would settle down a little bit.

**CHAIR**—You have got the tax regime that is attracting the investment and the donations, but there is still the problem of actually getting the money.

**Ms Keele**—The economy.

**CHAIR**—Thank you for that. Senator Wortley.

**Senator WORTLEY**—I would like to ask a question in relation to the orchestras. I understand that the Cultural Ministers Council meeting last year agreed to work over the next 12 months to develop a revised funding model specifically in relation to that; is that correct?

**Ms Keele**—That is to all the major performing organisations.

**Senator WORTLEY**—The orchestras were going to be included in that. I know that there has been quite a lot of discussion about the orchestras, the musicians generally and the financial circumstances that they find themselves in. Is it the case that this was exacerbated by the forced removal of the musicians from their superannuation schemes and the orchestras from Comcare under the former coalition government? Has that put the orchestras in a position today where it is something that is still being addressed on a state-by-state basis?

**Mr Grybowski**—There were costs of divestment from the ABC.

**Senator WORTLEY**—In relation to the divestment from the ABC, yes.

**Mr Grybowski**—The government of the time provided substantial funds for that divestment. That is now five years past. One orchestra in particular, the Sydney Symphony Orchestra, still claims the cost of divestment within their audited accounts. The other orchestras do not. There is a change in the nature of their business and they have absorbed any costs. Some did not experience any additional cost.

**Senator WORTLEY**—Some did not experience any additional cost for divestment in relation to Comcare and their superannuation?

**Mr Grybowski**—Correct.

**Senator WORTLEY**—Which ones did?

**Mr Grybowski**—The Sydney Symphony Orchestra still claims that. That is the only one.

**Senator WORTLEY**—Were there any others?

**Mr Grybowski**—No.

**Senator WORTLEY**—The only orchestra that is saying that it has had a negative impact on the orchestra was the Sydney Symphony Orchestra?

**Mr Grybowski**—That is correct.

**Senator WORTLEY**—Thank you.

**CHAIR**—Are there any further questions for the Australia Council.

**Senator FISHER**—Yes. I have questions around KPIs. For the Australia Council, itself, you have said you are achieving your KPIs. Are you on target for the KPI for new artistic works created?

**Ms Keele**—We are right at the end of our year. I cannot tell you off hand where we are with it, but I would be fairly sure that we are close. I cannot tell you off the top of my head.

**Senator FISHER**—Can you tell me how many new artistic works have been created?

**Ms Keele**—No, I cannot.

**Senator FISHER**—Can you do that on notice?

**Ms Keele**—Of course.

**Senator FISHER**—What about artistic works exhibited, performed and published?

**Ms Keele**—I will take that on notice. We can take all of these on notice.



**Senator FISHER**—What about attendances at your supported activities?

**Ms Keele**—Yes.

**Senator FISHER**—On notice?

**Ms Keele**—Yes.

**Senator FISHER**—Are we meeting the KPIs for the student applications for the Australian Film, Television and Radio School?

**Ms Keele**—Would you like to talk to the Film, Television and Radio School about that?

**Senator FISHER**—I have skipped agencies. Thank you.

**CHAIR**—There are no further questions for the Australia Council. Thank you for appearing before us tonight.

[7.40 pm]

### Screen Australia

**CHAIR**—I note in the audience we have former Senator Sandy Macdonald. Welcome. We now have officers from Screen Australia. I note Dr Harley is in Cannes. Is that right?

**Ms Cameron**—Yes, she is. I wanted to extend her apologies to the committee. She is currently on route home from the Cannes Film Festival where this year 20 Australian films were on show, including the French-Australian co-production *The Tree*, which had the honour of being the closing night film, hence her absence. It was shown on Sunday night to a warm and standing ovation. Just on Cannes, it is also worth noting the extraordinary achievement of the 19-minute short film, *Deeper than Yesterday*, which won the Kodak Discovery Award at the prestigious Cannes Critics Week. This film was made as a final year production at the University of Melbourne's VCA Film and Television School and is a credit to the creative team there. Finally, the Australian director, ex-pat Michael Rowe, has won the Camera d'Or with his first feature *Leap Year*. This comes hot on the heels of last year's winner, Warwick Thornton, for the acclaimed *Samson and Delilah*. All-in-all it was a good achievement for Australian film and obviously Dr Harley would much rather be here.

**CHAIR**—I would much rather be in Cannes, myself.

**Senator Conroy**—Misleading the Senate is still an indictable offence, isn't it?

**CHAIR**—That is excellent news and I am sure that all members of the committee will join me in congratulating everybody on those significant achievements. Could you update us on box office for Screen Australia productions?

**Ms Cameron**—Yes, I can. We currently have five films in release. Over the weekend *Kings of Mykonos* did \$1.8 million at the box office, which I read today in the newspaper—and I have not confirmed that this is right, but it is in the newspaper, so it must be gospel!—and that is the highest grossing Australian film on the first weekend, just beating *Bran Nue Dae*, so that is well on target to be up there. We are very pleased about *Kings of Mykonos*. That was a feature film that Screen Australia invested some \$2.3 million in. *Bran Nue Dae* has been a brilliant success at box office of \$7.3 million, with an investment from Screen Australia of \$2.6 million. It has been brilliantly received by Australian audiences, so

hopefully everyone has seen it. It is very warm and very engaging. *Beneath Hill 60* has made something in the order of \$2.7 million at the box office to date. That is a war drama. It has also been very well received. That is broadly speaking what is in release at the moment. We have obviously had a number of films that have been released, but that is the most up to date.

**CHAIR**—That is very good news. We had a screening of *Bran Nue Dae* in Parliament House, which was very well attended and very entertaining. Thank you for that update. Senator Fisher.

**Senator FISHER**—Are we meeting key performance indicators?

**Ms Cameron**—Yes, we are. As you know, we are a fairly new agency. We are not yet two years old so we have redone all of our KPIs to reflect our new vision, mission and goals, and we are very much on target.

**Senator FISHER**—If I were to ask you about developments supporting creative story telling—sorry, that is your deliverables. We will go to the right page. How would you describe your KPIs, given that we have got generalised statements in the PBS? Can you enumerate them for me?

**Ms Cameron**—We reported to the minister a couple of months back on our six-month report and in development we were exceeding all of our KPIs, so we can give development a big tick.

**Senator FISHER**—By how much?

**Ms Cameron**—As far as projects are concerned, depending on whether you are looking at the individual ones, from memory we were at least one or two projects ahead in development in almost each case.

**Senator FISHER**—Yes.

**Ms Cameron**—In state and industry partnerships, the major KPI in that program is called the Enterprise Program, and those funds were only awarded mid to late last year, so you will see that the 2009-10 is not applicable because we will not have any information on those yet; they have just been awarded. I guess we will look at 2010-11 and report back for you there.

**Senator FISHER**—Yes.

**Ms Cameron**—Indigenous are also well in excess of all of their KPIs, which is good news. With production investments, the first one in there is the percentage of feature films selected for screening at major international festivals each year. At the halfway mark we were on track. As far as value of production generated for each dollar of Screen Australia in investment in documentary and in television, we are on track to hit all of those KPIs.

Flicking over to marketing, P&A support to film for theatrical release is not applicable in 2009-10 because our program has changed, but we will report back at the end of next year. The KPI for filmmakers funded to travel to international events is exceeded, so there will be more than the 50. With 'provide support to festivals and/or touring programs', we are also on track to exceed that KPI.

**Senator FISHER**—You mentioned the six-monthly report about development. Can you table that?

**Ms Cameron**—I certainly can table the development report. I am not sure which one it will be, but that is easily done, yes, and I can give you some key facts and figures about development if you like.

**Senator FISHER**—When you table the report, that would be good. Has the efficiency dividend impacted your operations? Over two years how do you measure that?

**Ms Cameron**—We have obviously had a lot of advance notice and been able to plan that into our operations. In the context of our appropriation reduction of \$4.2 million in 2010-11, we have had to absorb that. So the efficiency dividend of some \$157,000 for 2010-11 is only a small component of the overall reduction, which has also been well and truly advance flagged, if you like. So the answer is yes; we have been able to factor it in going forward.

**Senator FISHER**—What do you say about speculation in the press—and particularly in the *Australian* on 15 March—suggesting that Screen Australia is in denial about postproduction sector problems?

**Ms Cameron**—I do recall that article. It is taking me back a little bit. There is no doubt that the postproduction sector has had a very difficult time, and we are very sensitive to that. That reflects the situation with regard to the dollar, and I think it is fair to say that the government announcements regarding PDV and location offsets go a long way to answering some of those problems for that sector.

**Senator FISHER**—You said ‘the dollar’?

**Ms Cameron**—Yes.

**Senator FISHER**—What do you mean?

**Ms Cameron**—The dollar, which was almost at parity with America there for awhile, meant that attracting offshore productions into Australia really is incredibly difficult.

**Senator FISHER**—So with the change in the last couple of weeks?

**Ms Cameron**—That has got to be better: (a) the dollar coming down is better for us attracting international productions, for sure; and (b) we have had the budget announcement regarding—

**Senator FISHER**—So would your ‘in denial’ have worked?

**Ms Cameron**—Our what?

**Senator FISHER**—If the sector were ‘in denial’ it might have brought some benefits, just waiting.

**Senator Conroy**—I think it is fair to say—

**Senator FISHER**—I thought Ms Cameron was doing a sterling job. Hello, Minister. You have come back after dinner; you would not miss it.

**Senator Conroy**—I should quote from a press release. I have been here since the committee commenced, as you know.

**Senator FISHER**—But you have opened your mouth; this is lovely.

**Senator Conroy**—Senator Sherry, Minister Garrett—the Minister for Environment Protection, Heritage and the Arts—and the Rudd government will make important changes to eligibility requirements of film tax offsets that will provide a boost for the Australian film industry. This is just to add to Ms Cameron's answer. The changes will make Australia a more attractive destination for significant filmmaking and enable more Australian businesses, particularly small businesses, to benefit from the film tax offsets. The government will remove the current requirement under the location offset for productions valued between \$15 million and \$50 million to spend a minimum of 70 per cent of their production budgets in Australia. The post-digital and visual effects production, or PDV, threshold will also be reduced from \$5 million to \$500,000. Both of those changes will apply from 1 July 2010, and, as my colleague Mr Garrett said, these changes will provide a fresh boost for the Australian film industry. I could go on but I will save you.

**Senator BOSWELL**—My question is directed to the minister. I take this opportunity to ask you this question. I came in unprepared, but is this the appropriate time to ask about the film *Salo*?

**CHAIR**—The film *Salo* is a censorship board classification issue. Ms Kruk might know something about this.

**Senator Conroy**—The classification board—what was the nature of your question?

**Senator BOSWELL**—The question that I wanted to ask is about the fact that the board banned it, there was an appeal and it was allowed to go through. It is one of the most pornographic movies that has ever been made.

**Senator Conroy**—It is the Attorney-General's portfolio that covers these issues.

**Senator BOSWELL**—All right.

**CHAIR**—Screen Australia make films, but I am pretty sure that they did not make that one.

**Senator BOSWELL**—I hope they did not; they would have to be perverted.

**Ms Kruk**—There was no recognition down that side.

**Senator FISHER**—Senator Boswell might wish that it would mean that whoever made it was put out of business, which, of course, is the next suggestion in the article in the *Australian* to which I referred before. The article in the *Australian*—and thank you for your comment, Minister—is suggesting that the industry's postproduction sector is in danger of closing businesses and suggesting that Screen Australia should do more to prevent that.

**Senator Conroy**—Did I say any of those things?

**Senator FISHER**—No, it is the article in the *Australian*. Thank you, Ms Kruk. She is quite right, Minister; that is why she is your boss/secretary. That is the allegation in the article. To that, Ms Cameron, what would Screen Australia say?

**Ms Cameron**—I think I go back to how sensitive we are to how difficult the sector has had it over the last little while. We do not necessarily see a role in articulating a floor price for production budgets. We know that there are lots of postproduction houses fighting for a small amount of work, so the best possible solution for these companies to get more work is the

sorts of initiatives that the minister outlined and that the government has done in the last budget, and the dollar coming down. The more international productions we have in this country, the better off the PDV houses are. So, while we are very sensitive to it, it is hard to see a role for Screen Australia specifically in regulating the sector, but we would like to work with the sector to help wherever we can.

**Senator FISHER**—Do you see a role for the suggestion that Screen Australia was not strictly vetting and auditing budgets, for example? What do you think of that allegation, and is there a different role for Screen Australia in that respect?

**Ms Cameron**—We do audit budgets quite judiciously. Is there anything that you would want to say on that, Mr Matthews?

**Senator FISHER**—The allegation is ‘not strictly’, but you say ‘judiciously’, and I guess you would argue that is one and the same if you take the ‘not’ away from ‘strictly’.

**Mr Matthews**—We do rigorously attune ourselves to the postproduction budgets. We look at them very carefully, and it is important to note that there are quite a few struggling postproduction houses which will all tend to underquote each other. It is very hard for us to monitor that; we can only make sure that the commercial rates are applied and that the producer chooses the best possible postproduction house. We cannot demand that a producer use any particular production house or, indeed, apply any particular level of funding to it.

**Senator FISHER**—The allegation is that Screen Australia is in denial, but are you saying, in effect, that the producers are in denial?

**Mr Matthews**—The producers are always doing the best deal they can and they will hunt around for the best deal. We just have to make sure that deal has good, commercial rates attached to it and it is not so far undercut that it is going to put someone out of business; and we do do that.

**Senator FISHER**—What do you say of the allegation that Screen Australia is ‘failing in its duty to invest taxpayer funds wisely by allowing some productions to become at worst unreleasable or unable to pay bills’?

**Ms Cameron**—We do not agree with that.

**Senator FISHER**—Because?

**Ms Cameron**—Because, as my colleague has outlined, the PDV industry is competitive. There are deals being done. We do not have a role in regulating those deals; we do have a role in ensuring that the budgets that come to us are appropriate and we maintain that they are.

**Senator FISHER**—Are you able to judge whether these organisations are being paid less?

**Mr Matthews**—Yes, we are able to judge that. We have project managers who are very skilled in analysing budgets and, yes, we are very aware.

**Senator FISHER**—So you would agree (a) that you can tell and (b) that they are being paid less?

**Mr Matthews**—No, we can tell.

**Ms Cameron**—All our evidence from what we see in the budgets that come through us is that proper commercial rates are being charged. Yet we do understand, because we have heard it too. When we have been around the country quite extensively over the last few months, we have heard a lot of criticism that the budgets are being slashed and burnt, but we have not seen any evidence in the budgets that we get, so all we can assume is that competition is such in the PDV sector and there is so little work in the PDV sector that people are undercutting each other.

**Senator FISHER**—When you say ‘proper commercial rates are being charged’, you are not ruling out those proper commercial rates having declined over time so that the income declines?

**Mr Matthews**—Production houses will discount their rates to get the job and we watch it very carefully, but we are not able to regulate.

**Ms Cameron**—It is a very competitive environment. It is getting more competitive because the cost of equipment is much cheaper so there are an awful lot of production PDV houses and that in itself is probably an issue that the sector has to grapple with.

**Senator FISHER**—You judge whether commercial rates are being charged but you do not assess, I guess, the net consequence of charging those rates over time?

**Ms Cameron**—Within the budgets that we get, we judge that commercial rates are being charged but we do not see the whole picture because we only fund a certain sector of the film community; we do not see the whole sector and we do not think that we have a role in regulating a floor price for budgets. We can certainly look at what we have and make sure what we have is not inappropriate, but the sector is much bigger than Screen Australia investment and so what happens outside our purview is very difficult for us to actually judge and make a comment on.

**Senator FISHER**—Some of these organisations allege they have been telling the funding bodies for five years about their declining fortunes—well, how can they have been, because you have not been in existence for that long? What of the suggestion that Screen Australia enforce compliance with the former Australian Film Commission document *The Satchel*, which provides recommended guidelines, forms and budgets for film? What do you think of that suggestion?

**Ms Cameron**—*The Satchel* is in existence; it is still out there. It was a document that the Australian Film Commission, one of our predecessor agencies, spent a lot of money putting into place. It is basically a document, so thick, which provides a guide to budgeting a film from A to Z. One component of *The Satchel* was recommended prices for PDV budgets and the like. That still exists; it is still there as a guide and it is still being used. We have not updated it; we never regulated a floor price. It was not our role to regulate a floor price and we do not propose to regulate a floor price. As my colleague has said, we would maintain that we still review budgets and we still review the commercial rates charged by these sectors. From our perspective the commercial rates are reasonable. We do appreciate—and I do not want to take away from this fact—that the sector is feeling pain, and that pain, as I said, is generally because there has been no international production. When you have a sector that has no work it will do everything it can to get the smallest amount of work that it can, and I am

sure there is undercutting. I am sure there are lots of things that do go on, but not from what we see in the projects we fund.

**Senator FISHER**—Setting a floor price is one thing, and you talk about in your view the commercial rates charged being not inappropriate in the circumstances. Is that a fair reflection?

**Ms Cameron**—Yes, it is.

**Senator FISHER**—However, do I understand that you do not then consider it part of your role to assess the impact of all that on the particular applicants?

**Ms Cameron**—I am not sure what you mean.

**Senator FISHER**—They are alleging declining income over time. I hear you to be saying, ‘Well, we just judge whether our prices are on a par with the market’—

**Ms Cameron**—Yes.

**Senator FISHER**—and act accordingly. On a par with the market may well be so, but if the market is declining then the reality in terms of the impact on the industry is down and negative and south. Are you saying it is not part of your role to take into account the impact, for example, of going south in incomes on the sector?

**Ms Cameron**—It is of concern. We have been talking to the government about what measures it can take to ensure that greater international productions are filmed here, and we did get some movement on that in the budget, which will help enormously. We are very sensitive to it. We are working with the PDV industry to work that through. The best thing for them is more international productions and a bigger and stronger Australian production industry as well. We do have the producer offset tax incentive, which is putting a lot of money into film. I guess we are very conscious that the more money that is invested in film the better it is for the sector.

**Senator FISHER**—I presume the criteria you use are public, for assessing market value and so on?

**Ms Cameron**—I am not sure how to answer that.

**Mr Matthews**—I am not sure either, but I guess it is. Anybody can go to a post production house and get the rate card and have a look at it. But every production has a completely different structure and a completely different set of requirements for post production.

**Senator FISHER**—What factors do you consider when you look at these issues?

**Mr Matthews**—We holistically look at the project as to what its demands are, how much computer generated imagery there needs to be, where it is going to finish up, whether it is digital or film?

**Senator FISHER**—Do you have a running sheet of those issues?

**Mr Matthews**—Yes.

**Senator FISHER**—Is that public?

**Ms Cameron**—That is the *The Satchel*.

**Senator FISHER**—Okay. So we have done the circle. So you do apply the *The Satchel* and that is it?

**Ms Cameron**—That is a rough guide but, as my colleague said, depending on what the production is it is going to change markedly. Our investment managers look at the production, talk to the producers and ensure that they are familiar with the production and that the charges are not onerous.

**Senator FISHER**—Thank you.

**CHAIR**—Thank you very much. Congratulations once again on your successes. I now welcome officers from the Australian Film, Television and Radio School.

[8.04 pm]

#### **Australian Film, Television and Radio School**

**Senator FISHER**—Are you meeting the KPIs for your school?

**Dr Levy**—Yes, we are meeting the KPIs.

**Senator FISHER**—In terms of the KPIs, can you talk to me about new student applications, new and ongoing student enrolments?

**Dr Levy**—We had a KPI of 750 applications and this year we had 756.

**Senator FISHER**—Plus six?

**Dr Levy**—Plus six. We exceeded by six. We targeted a new course that we introduced last year called foundation diploma and we again offered it this year. We targeted a number of students for that cohort and we reached that target. We introduced part-time graduate certificates and full-time graduate diplomas and we reached the targets for all of those courses of the numbers of applicants and numbers of students.

**Senator FISHER**—What about student completions?

**Dr Levy**—Completions happen at graduation, so we will not have the completion answers until the end of the year so the numbers who fail and the numbers who pass we will have at the end of the year.

**Senator FISHER**—That makes sense. What about open program enrolments?

**Dr Levy**—We are going to meet our target. We targeted 2,200 and we are going to meet that target by 30 June.

**Senator FISHER**—The final one listed in the budget statement, attendance by industry and public at fora, events, activities and open days, the figure is 10,000?

**Dr Levy**—We run a weekly event called Friday on My Mind—

**Senator FISHER**—That would be good. It is only a Tuesday.

**Dr Levy**—Friday on My Mind is a one-hour event. It is deliberately lightly titled. It is for people at the end of the working week to come and hear a creative practitioner, and we often show a film. We have very high levels of attendance at that each Friday. We have about 100 industry activities through the year from guilds and unions and production companies and feature filmmakers and collaborations with other agencies. We have high numbers attending



those functions. We have a weekend of open days. I think we had about 1,500 people who came through the school then. We have a very high level of involvement from the sector in coming to the school.

**Senator FISHER**—Has the efficiency dividend impacted on your operations?

**Dr Levy**—It has a net impact on us of \$90,000, and we have been able to manage the impact by some of the other strategies that we have in place, which is increased student numbers, which to a very large extent is offsetting the decline in our appropriation.

**Senator FISHER**—What about staffing? What are your current levels and what will they be in the coming year?

**Dr Levy**—We have a full-time equivalence of 150 staff. Our estimates were about 170, but in fact we are coming close to 150. Because of the new courses—because we now offer a lot of courses part time, at nights and weekends as well as full time during the week—the particular way that we need lecturers and staff has varied over the last couple of years. Some of those variances have enabled us to fill positions differently—that is, we employ lecturers and teachers who sometimes only come in for the two nights and weekend sessions, so they are not there full time, as it were, for different semesters and courses.

**Senator FISHER**—How do your student levels compare currently with last year's? I know we have talked about the KPIs, but how do they compare this year with last year?

**Dr Levy**—Last year we had about 264 students. This year we have got about 390. That is a significant increase from last year.

**Senator FISHER**—Which has financed your—

**Dr Levy**—Indeed.

**Senator FISHER**—Yet you are doing that with fewer staff, on the bald numbers?

**Dr Levy**—Yes, we are.

**Senator FISHER**—Do you want to comment on how that has actually impacted operations? It might not have. You might be teaching smarter?

**Dr Levy**—Yes, we have had to vary the way we teach. I think we have moved to a defined two-semester system in the school. I think previously the school tended to run classes over a longer period, and so our semesters all start on 22 February and complete at the end of October. The staffing needs per semester and per course are worked out in advance and we are able to be more efficient because the part-time courses do not require five-day-a-week full-time staff. The patterns by which we employ people and the patterns by which students come to school are varied and that has accommodated some of those other pressures on the budget.

**Senator WORTLEY**—When the students graduate, what areas do they actually find their employment in?

**Dr Levy**—It varies quite significantly. If the students have just done a 3D animation course, clearly they are looking for work in the animation organisations and they would look directly at that. The students who do perhaps a directing course are clearly looking for work as directors and they will go then to Screen Australia and apply for development funds. Some of them get work as attachments in television stations. Some of them get work with

production companies in various roles there. Occasionally they get a chance to go straight into a directing job, but it varies. The cinematographers are taken up very quickly. There is a big demand for Australian cinematographers. There are so many different specialist courses that most of them find their way into the industry in various roles. Clearly, they are beginners. When they leave school as graduates they are looking to find relationships that they can build on. But, yes, they do find their pathways into the industry.

**Senator WORTLEY**—Does the school work with industry to assist their transition from education into paid work?

**Dr Levy**—We do. We have about 500 guest lecturers a year from industry. As I said, we hold about 100 industry functions of different kinds a year. We have a lot of opportunities for students to meet industry to pitch their ideas to industry. We will be introducing an enhanced marketplace session at the end of the course this year. We are going to try a different technique to last year where we had different functions where we introduced people. We work quite closely with industry and try to ensure that people have an opportunity to meet, to talk, to evaluate, to come to the screenings of the student films and so on.

**Senator WORTLEY**—Do students stay within a certain area or do they move interstate? Do you actually, as a school, work with organisations interstate as well to assist them in that transition?

**Dr Levy**—Yes, we do. Some of the courses are offered part time. The part-time courses in particular are offered out of different state offices, and so some of the students live in Brisbane, Melbourne, Adelaide and so on. Again, the guest lecturers are usually from industry. We have close relationships with industry practitioners. That is part of our responsibility, to ensure that the teachers are current, relevant and have a complete understanding and grasp of current practices in the industry. But we also hold functions, have screenings and talks and that sort of thing in the state offices.

**Senator WORTLEY**—Do you have any statistics on the number of students that actually end up working overseas?

**Dr Levy**—No, because it is essentially a freelance industry. The opportunities that graduates have to work in Hollywood, for instance, if they get a film, may be 10 years after they leave. We keep in touch with our graduates. We have a weekly email bulletin to graduates in industry. We promote and publicise the information about our graduates—a glittering alumni of graduates. But I do not think we have statistics on direct employment internationally. We certainly have figures on their film credits.

**CHAIR**—Thank you very much for appearing before us this evening.

[8.15 pm]

#### **National Film and Sound Archive**

**CHAIR**—We welcome the National Film and Sound Archive. Thank you for joining us this evening. Senator Fisher will go first.

**Senator FISHER**—Are we meeting our KPIs?

**Dr McIntyre**—We certainly are and in many cases we are exceeding them. I can give you some examples of that. The Australian short films quota/target was 100, and we are actually at 1,170. Television works was 2,000 and we are now sitting at 2,685. Documents/artefacts was at 10,000 and we have actually acquired 27,522. Some of those have come from Channel 7, particularly with television works. We are now switching over from analog to digital, so we are getting transfer of those items to us. In terms of visitation to the archive, we have had 19,000 attendees at our Arc cinema. We have a lending collection of films to film societies in regional and rural Australia, and 41,000 people have attended those. We have had 54,000 visitors to the archive itself. In partnership with Mediatheque at ACMI in Melbourne, we have had just under 19,000 attendees using our collections.

**Senator FISHER**—Thank you. You might be able to indicate your achievement of the rest of your KPIs on notice.

**Dr McIntyre**—Yes.

**Senator FISHER**—You have an appropriate and exhaustive list. Thank you. How has the efficiency dividend impacted on your operations?

**Dr McIntyre**—It is about \$300,000 a year, which we have been able to absorb. It has had no direct impact on our operations. We have made some fiscal discipline within the institution, so in terms of supplier expenses we have been able to cut back on those and absorb those cuts. It has not impacted on us in any major way operationally.

**Senator FISHER**—Where are you at with your 10-year master plan?

**Dr McIntyre**—Page 15 of the draft.

**Senator FISHER**—Out of how many pages?

**Dr McIntyre**—I was told that I had to reduce it from 40 down to about 20. Probably within about the next two weeks we should have the draft. The intention then is to circulate it to the branch heads within the archive and to our board members for discussion and comments. We can then work on it and we will workshop it internally. It is looking at a vision through to about 2020 in terms of our strategic directions and the challenges that we face in the next few years.

**Senator FISHER**—In terms of storage it is something that is facing everybody trying to archive in your business.

**Dr McIntyre**—In all the institutions.

**Senator FISHER**—How much material are you trying to cope with?

**Dr McIntyre**—Our collection is about 1.4 million items and it will probably grow to well over 2 million in the next three to five years. We have storage facilities.

**Senator FISHER**—Almost double?

**Dr McIntyre**—Just about, yes.

**Senator FISHER**—What sorts of options are you looking at for storage?

**Dr McIntyre**—We have a number of leased premises here in Canberra, so we will extend those leases. There will probably be some deselection of old material in the collection, which

goes through an approval process with the board. We have been having discussions with the National Museum of Australia. They have a facility, so we might be able to lease some storage space from them.

**Senator FISHER**—Is Canberra and that august institution going to be kind to you in terms of cost?

**Dr McIntyre**—We are in preliminary discussions at this stage, so it depends on whether their proposal gets up.

**Senator FISHER**—What about Canberra, more generally, for the options that you have? Will you be funding the storage charges through your ongoing budget?

**Dr McIntyre**—Yes. We could put forward a proposal. We have to go through a new policy proposal if we want to acquire a building for storage. We have cash reserves that we can use, but we would have to go through the budget process.

**Senator FISHER**—Will that impact on your ability to preserve the material? You have got to look after it. You do not want to just store it. There is little point if it is not preserved.

**Dr McIntyre**—It is preserved as well, yes. We have about 60 staff that preserve the collections, and stewardship issues as well.

**Senator FISHER**—Is that going to be impacted upon in any negative way?

**Dr McIntyre**—No.

**Senator FISHER**—It is your business to make sure that it is not so, is it not?

**Dr McIntyre**—Yes.

**Senator FISHER**—Thank you.

**CHAIR**—I am curious whether the Masterpieces of Paris exhibition at the National Gallery had a good knock-on effect for you?

**Dr McIntyre**—Yes. There were a number of visitors that came across. As you know, they had a long waiting time.

**CHAIR**—Yes.

**Dr McIntyre**—I think they impacted well on all institutions. They would spend some time visiting institutions and then rejoin the queue later on. We had a spill-over impact, as did the National Museum and a number of other cultural institutions.

**CHAIR**—So, all of the institutions worked collaboratively to ensure that they maximised that?

**Dr McIntyre**—The opportunities, yes.

**Ms Kruk**—Also, the ACT government is looking at the full range of opportunities if people come down for weekends, for instance. It has been judged to be very successful. I was talking with Andrew Cappie-Wood from the Territory and he was saying that the occupancy rates have been incredibly impressive over the weekend, so the economic benefits of the various exhibits have been quite profound for Canberra.

**CHAIR**—Is *Number 96* still popular?

**Dr McIntyre**—Yes, it certainly is, along with *Neighbours*.

**Senator FISHER**—The dustier it gets the better it gets.

**Dr McIntyre**—We have had discussions with Channel 7. They are moving from Epping to Redfern and a lot of their analog collection will probably be transferred across to us over time, so we have been working with them in looking at their collection to make sure that we preserve all of those television series.

**CHAIR**—Excellent. That is good news. Senator Wortley now has some questions.

**Senator WORTLEY**—I have noticed on your website and those of a number of other agencies that you have Twitter and Facebook. What role does that play within your organisation?

**Ms Landrigan**—We have just started using this and we are developing a social media policy. We do a lot of staff training to make sure that it is done in a way that benefits the organisation. It is really about drawing people to the collection in a way that perhaps they have not been drawn before.

**Senator WORTLEY**—You are cohosting a symposium on information technologies in Indigenous communities.

**Dr McIntyre**—Yes.

**Senator WORTLEY**—Can you tell us about that?

**Dr McIntyre**—It is a collaborative effort. We have been working closely with them. It is looking at digital technologies in the future. We have a Black Screen program as well. We make accessible Indigenous material to Indigenous communities and repatriate DVDs back to communities. It is working closely on how we can use digital technology to make collections and information much more accessible, and protect their moral rights and intellectual property over the cultural knowledge that belongs to those communities. It is involving the communities. They are very much part of that process. It is a collaborative effort with not only AIATIS but with the communities. Their voice is very dominant in the planning for that.

**Senator WORTLEY**—Where are you drawing the people from who are attending?

**Dr McIntyre**—Mainly from communities right across Australia. Whether they can all come is another issue, but it is an open forum in that sense. It will also be recorded as part of that process.

**Senator WORTLEY**—Thank you.

**CHAIR**—There are no further questions. I thank the National Film and Sound Archive for appearing tonight.

[8.23 pm]

#### National Gallery of Australia

**CHAIR**—Thank you for joining us. Senator Fisher will be back soon and I am sure that she will ask questions about KPIs. I am interested in the fallout, if you like, from the *Masterpieces from Paris* exhibition. I believe it was very good.

**Mr Froud**—Indeed. Our Director, Dr Ron Radford, is away from the country on gallery business. The news is particularly good for the Masterpieces exhibition, with over 470,000 visitors. There were more than 100,000 visitors to the previously most popular art exhibition in the country. There was something in the order of \$95 million worth of economic benefit for the ACT government. That was the outcome of the economic impact study. We had not anticipated a level of success of that order in terms of attendance, so we were tested on many fronts. We tried to be responsive. Generally speaking, our audience was very positive and understanding. In terms of feedback, there was overwhelmingly positive information from visitors. Something in the order of 97 per cent of visitors rated the experience satisfactory or better, notwithstanding long queues and some of the challenges that obviously a success of that order brought with it.

In terms of written feedback, in the order of 750 people wrote something to us through our service charters or through correspondence. Roughly about half of that number provided positive feedback and about half, as it turned out, were negative. The negative feedback certainly afforded some opportunities to hone and finetune some of our practices, even though it was territory we had never been in or never really expected to be in. It certainly was a very positive experience overall.

**CHAIR**—Was the negative feedback mainly about waiting times?

**Mr Froud**—Yes. It was the queue issues and it tended to be at an earlier stage in the exhibition. We learnt some issues as we went along. We had a focus on queue management in the end. We had service clubs providing barbecues. We had sponsors handing out newspapers, bottles of water and sweets. We had our neighbours at the Portrait Gallery handing out some paper that you could actually configure into a hat. We got much better at it and the incidence of complaint dropped off dramatically once we were able to understand and engage with the challenges that the popularity of the exhibition was bringing.

**CHAIR**—I noticed a very busy shop in association with the exhibition.

**Mr Froud**—Correct.

**CHAIR**—Was that a moneymaker for the gallery?

**Mr Froud**—It was. I would expect that it was the most expensive exhibition ever mounted in the country. Those costs were fully covered and there was a surplus made, which of course assists our ability to provide for the ongoing exhibition program and for other gallery activities. The shop was a significant contributor to that overall outcome.

**CHAIR**—What was the most popular item?

**Mr Froud**—It was definitely the catalogue. About 55,000 copies of the catalogue were sold during the exhibition. It was essentially paper product, such as postcards and greeting cards. I have some particular detail with me that I could run through, but that was essentially it. The most popular image of the whole show was van Gogh's *Starry Night*, which you might recall was reproduced in many ways.

**CHAIR**—Yes, including mouse pads. It was much nicer than the Work Choices mouse pads that we used to have.

**Senator WORTLEY**—I would like to ask about the hours that you were open. I remember hearing a radio report that you were going to have extended hours towards the end, which went through. Is that right?

**Mr Froud**—Indeed. The original exhibition season was due to conclude on 5 April. We were able to extend for two weeks after that until 18 April, with the permission of the Musée d'Orsay. That afforded an opportunity to extend the hours and to do some rather interesting things. The final weekend we were open for 32 hours straight. We opened from nine on the Saturday morning until five on the Sunday afternoon.

**Senator WORTLEY**—How did that go?

**Mr Froud**—It went very well. There was an element of theatre. We quite deliberately promoted the fact that you were encouraged to come along in your pyjamas. Many of our staff were wonderful with their voluntary efforts throughout the exhibition, and one of our staff members in particular actually greeted guests on that night in his pyjamas. I was surprised that ABC Radio did their midnight-to-dawn session or something live at the gallery, and there were a couple of gigs that were playing at three o'clock in the morning or whatever. So it was actually quite a successful celebration, too, I suppose, to conclude the exhibition. In that final two weeks, because they were unexpected and, if you like, a bonus period, we were able to extend hours, whereas in the exhibition proper at times we were constrained by events that had been booked for corporates or events that had been arranged for sponsors, which meant that we had already negotiated and agreed to some level of exclusivity, which prevented our ability just to extend for public hours much beyond those that were previously advertised.

**Senator WORTLEY**—I look forward to coming to see the Hans Heysen exhibition as well.

**Mr Froud**—Indeed, thank you.

**CHAIR**—Yes, a fine South Australian artist.

**Senator WORTLEY**—A South Australian artist.

**Senator FISHER**—How much revenue did *Masterpieces from Paris* generate?

**Mr Froud**—I mentioned before that the revenue exceeded our costs.

**Senator FISHER**—So there was a profit?

**Mr Froud**—There was a profit, yes.

**Senator FISHER**—How much?

**Mr Froud**—That is still being finalised, in that the exhibition is part of an international tour. The exhibition, in fact, opened just this week in Japan. It then goes on to San Francisco. We will be sharing some of those international movement costs. We have agreed to the basis of a calculation of a cost, but we do not know what those final costs are. It will be some time before we will be able to absolutely finalise the cost. The cost of the exhibition was something in the order of \$11 million, and so the revenue exceeded that sum.

**Senator FISHER**—On notice, could you indicate the revenue, and therefore the profit should speak for itself. Thank you. Did Senator McEwen ask you whether you met your target visitor numbers?

**Mr Froud**—I believe we were waiting for your return.

**Senator FISHER**—There is a song about that, is there not?

**Mr Froud**—That is in terms of the key performance indicators?

**Senator FISHER**—Yes.

**Mr Froud**—As published then? Yes, I can say that we are on track to meet them all. In terms of visitor numbers, we have a figure in our KPIs of three million visitors to exhibitions and to works from the national collection, including those that might be in travelling exhibitions or on loan, and we are certainly well on track. We will exceed that three million target. To the end of March we were tracking at about 2.4 million.

**Senator FISHER**—That is good, but did *Masterpieces from Paris* help or hinder your achievement? Did you meet your target numbers for that exhibition?

**Mr Froud**—It significantly helped, of course. The exhibition attracted in excess of 470,000 visitors. We had budgeted for 250,000. We had set our initial plans on the expectation we had made of being able to attract 250,000.

**Senator FISHER**—Hence the queue management issues, I suppose.

**Mr Froud**—That is correct.

**Senator FISHER**—In terms of your next KPI, to the extent there was some grumpiness around the *Masterpieces from Paris* exhibition, did that impact on your KPI about visitors satisfied with the displays?

**Mr Froud**—No. Our visitor satisfaction level has never been higher, I have to say, which was quite remarkable given the number of visitors we have had. We survey that on an ongoing and regular basis. It is tracking well above that KPI figure of 85 per cent.

**Senator FISHER**—On notice, can you provide a bit more information about your achievement of the balance of the KPIs.

**Mr Froud**—Yes, absolutely.

**Senator FISHER**—With catering and sales, are you meeting your targets? I do not see that as a KPI per se, but with your catering and sales more globally are you meeting your targets for those?

**Mr Froud**—Yes, of course. This year, having the benefit of the exhibition, they are well ahead of the budget limits and the targets that we had set for this year.

**Senator FISHER**—How many members of the National Gallery do we have?

**Mr Froud**—Are we talking about council members or are we talking about members as in gallery members?

**Senator FISHER**—The gallery.

**Ms Bassar**—Not council members.

**Mr Froud**—At the end of March, which is the latest data I have before me, 35,500 members.

**Senator FISHER**—How many did you have last year?



**Mr Froud**—We signed something in excess of 10,000 during the exhibition, so we typically would run around 22,000 to 25,000.

**Senator FISHER**—You did not do ‘no ticket, no start’, did you? Sorry, you do not have to answer that. It was a voluntary membership? That is what I am getting at. That was a rhetorical question, which no-one got other than me.

**CHAIR**—I got it.

**Senator FISHER**—Thank you for your rare indulgence. The minister would have cackled were he here. Are you foreseeing an increase in the membership fee?

**Mr Froud**—We increased our membership fee this financial year.

**Senator FISHER**—From what to what?

**Mr Froud**—I would have to take that on notice in terms of the specific numbers and I am happy to do so, but there is no further increase foreshadowed or planned at this point.

**Senator FISHER**—Do you see any further increase in membership beyond what you had during the exhibition flowing on from the exhibition? It would be a bit hard to measure, would it not?

**Mr Froud**—I think our challenge will be to retain and to get that level of interest that we attracted during the exhibition, to renew and continue that membership.

**Senator FISHER**—Will it continue to be that good?

**Mr Froud**—I think what we are seeing is potentially the high water mark. It will probably recede from that level, but we have never had this many members before in the history of the organisation, so we are in a good position in terms of trying to encourage that retention.

**Senator FISHER**—How is the refurbishment and extension going?

**Mr Froud**—It is still progressing, I have to say, and every day it gets closer. We have previously indicated that we hope to open the extended gallery in winter of 2010. That continues to be our target and, as I say, it is getting very close now.

**Senator FISHER**—On schedule, on budget?

**Mr Froud**—On schedule. Budget is not quite so easy to explain in that there are costs that have exceeded original expectations, but they are being managed and the gallery has a plan to cover those costs.

**Senator FISHER**—Can you quantify?

**Mr Froud**—I can if you want me to take that on notice.

**Senator FISHER**—What is going to be in it? What are you going to house in the extension?

**Mr Froud**—The extended building is primarily a new and improved arrival experience for visitors. That south entrance, if you like, facing King Edward Terrace, would be a more logical and I think understandable entry to the building at ground level. You will go in and enter at the ground level, whereas at the moment you enter up on the first floor. You will go in at the ground level and then go up within the building. It will have dedicated gallery space for

Aboriginal and Torres Strait Islander art. There will be 11 dedicated spaces for the display of Indigenous art from this country. We will also have a multifunction space for educational and function activity. That multifunction space will lead out on to an Australian garden. There is also a major sculpture being concluded at the moment by the American artist James Turrell, and that will actually open just ahead of the building opening. Also, the shop, which was previously located on the upper level, or the ground level, will come downstairs to the actual ground level—not the upper level that it was on previously. We will have improved back-of-house and kitchen and catering facilities to service that function space as well.

**Senator FISHER**—Will all that mean more staff, fewer staff or the same number of staff?

**Mr Froud**—There will be a slight adjustment to the staff number required for the servicing of the building, but the business case associated with the extension provided for only a very modest addition. I was preparing to answer a question on the efficiency dividend, so I suppose in terms of that response I think that the gallery expects to conclude the year with something in the order of 257 full-time-equivalent staff. That is where we are tracking. We will not be able to see any growth in the year despite the requirement to service a larger space and in fact, because of the financial constraints we will need to operate within, I would expect we will be reducing that staff number slightly during the course of the year.

**Senator FISHER**—Thank you for anticipating my final question.

**Senator WORTLEY**—I note that you have a presence on a number of social networking sites—Twitter, YouTube, del.icio.us, Flickr, Facebook and so on.

**Mr Froud**—That is right.

**Senator WORTLEY**—What are the benefits for the gallery?

**Mr Froud**—One of the most tangible ones, I think, is that we found that Twitter was a very useful resource during the exhibition. Almost on an hourly basis we would update the length of the queue on Twitter, and so we were able to communicate with visitors to Canberra who were obviously using that technology to indicate what would be the best time to come along. We have got a lot of positive feedback on that facility. I think perhaps I should take on notice and confer with colleagues as to some of the benefits that they would like to draw to the committee's attention in terms of the opportunities that social networks offer us.

**Senator WORTLEY**—I would appreciate that.

**Mr Froud**—I am happy to do so.

**CHAIR**—I do not think there are any further questions. Thank you very much, Mr Froud. We now move to the National Library.

[8.42 pm]

#### **National Library of Australia**

**Senator FISHER**—Your KPIs, please? How are you going?

**Ms Fullerton**—In general we are on track to meet our KPIs. We feel there is no area of major concern.

**Senator FISHER**—On notice, can you please give me more information. You feel there is no concern, but on notice can you give me more information as to what you have achieved in terms of delivering your KPIs as enumerated in the budget statements.

**Ms Fullerton**—Certainly.

**Senator FISHER**—Thank you. Ms Fullerton, I think it was budget estimates last year when you talked about the new gallery that you were in the process of building. How is the building going and are you on time and on budget?

**Ms Fullerton**—We are. I will let my colleague Mr Linehan answer that question.

**Mr Linehan**—Yes, we remain on track and within budget. We hope to have it ready towards the end of 2011.

**Senator FISHER**—What is the final budget?

**Mr Linehan**—We are still working on a budget of under \$10 million—what we identified at the last hearings.

**Senator FISHER**—What is happening with your staffing levels for next year?

**Ms Fullerton**—There is a slight reduction in our staffing, mainly due to completion of one-off projects or projects that are funded with off-budget money.

**Senator FISHER**—Has that not been a result of the efficiency dividend?

**Ms Fullerton**—The efficiency dividend does have an effect on us. Our budget is reduced by between \$600,000 and \$700,000 as a result of the efficiency dividend. We do plan for that in our year's operations to ensure that it has the least effect.

**CHAIR**—I do not think Senator Lundy, who unfortunately cannot be here tonight, would forgive me if I did not ask how the digitisation program is going.

**Ms Fullerton**—Exceptionally well. The National Library has massive online use. Our collection is largely used online now, although very heavily used in the National Library as well. We have use of the order of 160 million page views a year on our website.

**CHAIR**—Is the program complete or are you still—

**Ms Fullerton**—It will never be complete. No, we move to do more of our business online because it enables a much wider audience to be able to have access to our collections.

**CHAIR**—Do you also have social networking site access?

**Ms Fullerton**—Social networking is a very large and successful part of the National Library's online operations. We are often cited as a model for how you engage the community in activities. Our digitised newspapers are an example of that where the community has corrected millions and millions of lines of text.

**CHAIR**—Thank you very much for appearing before us.

[8.46 pm]

#### **National Museum of Australia**

**CHAIR**—I welcome representatives of the National Museum, which has a new director but he is not here.

**Mr Trinca**—The new director commences on 1 June.

**CHAIR**—So he is spared the pleasures of estimates.

**Mr Trinca**—They are for me to enjoy.

**CHAIR**—We will welcome him next time. Senator Fisher, do you have questions?

**Senator FISHER**—Yes. In February Mr Morton was telling us about your council, which comprised a number from seven to 11. You had eight at that time. He said

... other appointments are in the pipeline and ... we will match our previous component, if you like, which was the 11 mark ...

Did you fill the additional vacancies and, if yes, when?

**Ms Bassar**—Since the last estimates there have been two vacancies filled. There are currently two council vacancies still available.

**Senator FISHER**—When did you fill those two?

**Ms Bassar**—They were filled in February 2010.

**Senator FISHER**—Your mandate to expand your collection will of course put some pressure on storage and display facilities. What sort of pressures are you facing and what are you going to do about them?

**Mr Trinca**—We are continuing to build the collection as we have done in recent years. We expect in the next financial year that there will be some refinement of the collecting work that is undertaken but we are awaiting, obviously, the arrival of the new director to play a leading role, if you like, in the strategic direction that we will adopt around the collecting. We are currently accommodating the collecting that we are doing within the storage facilities that we have.

**Senator FISHER**—How did the museum fund the extension?

**Mr Trinca**—The museum was pleased to see in the budget statement the approval to go forward with the extension to the accommodation wing, the accommodation of the museum. That is funded from reserves. As a CAC agency we are able to build up reserves through depreciation and income derived from that fund.

**Senator FISHER**—You have not cut any other activities to fund the extension?

**Mr Trinca**—No, it is being funded through that reserve.

**Senator FISHER**—Are you only expanding your exhibition space or are you expanding your storage space as well?

**Mr Trinca**—The expansion is of office accommodation, but it will allow for relocation of staff to the new extension.

**Senator FISHER**—Did you seek additional government funding?

**Mr Trinca**—We sought the approval to spend from our reserve.

**Senator FISHER**—Will you need extra staff to run the show?

**Mr Trinca**—No. In fact the addition of that office space will have no impact on the staffing levels at the museum.

**Senator FISHER**—How are you going with your KPIs?

**Mr Trinca**—We are tracking well for this current financial year. Certainly we expect the access to the museum's collections to exceed the target figure. Against all other major KPIs we expect to either meet those or exceed them. We are having a strong year in terms of performance against all of them.

**Senator FISHER**—Can you on notice give more information on the extent to which you are achieving them?

**Mr Trinca**—I am happy to.

**CHAIR**—I have one question about *The Forgotten Australians* exhibition, which was a special grant from the federal government.

**Mr Trinca**—It was indeed. It is due for delivery in November 2011. There were grant moneys from the Department of Families, Housing, Community Services and Indigenous Affairs to support that program.

**CHAIR**—What are you doing to find material for that?

**Mr Trinca**—Much as we do for most exhibitions we are both engaging the public in the search for collections that represent the histories of those Australians who experienced care and working with key representative groups in that sector and involving them in the business of making the exhibition.

**CHAIR**—Is there no problem getting stuff?

**Mr Trinca**—It is not an easy subject to represent in material terms but the testimony and the strength of testimony that is being provided to the National Library, who are our partners in this work, is such that we think there will still be a very compelling set of stories to tell in that exhibition.

**Senator WORTLEY**—There were reports in the media about Phar Lap and wanting to bring all of the pieces together in one place.

**Mr Trinca**—Periodically there are discussions about reuniting the parts of Phar Lap that are, it seems, almost in an unseemly way spread between both New Zealand and this country. The museum is currently considering that request. As a matter of course we try to make objects available, particularly if they are not in use or not in a display, to our colleagues in the states whenever possible as part of making the national historical collection available to the public. But there are special issues surrounding the conservation preservation of that object, Phar Lap's heart, that require special investigation effectively researched to ensure that we discharge our responsibility adequately as custodians of what is arguably an Australian icon. We are still considering the matter. We have taken advice from not only our own conservation staff but other experts in the field both here and abroad in an attempt to see whether it is possible for the heart to travel down to Melbourne. But there are risks associated with its transport which we are now examining.

**Senator WORTLEY**—That would not be on a permanent basis though?

**Mr Trinca**—No. The request from our colleagues at the Museum of Victoria has been for a loan I think of a couple of months really in association with the 150th running of the Melbourne Cup this year.

**Ms Bassar**—Could I just correct something?

**CHAIR**—Yes.

**Ms Bassar**—I said there were two appointments made in February. There were actually three appointments made in February.

**CHAIR**—Thank you. As there are no further questions, thank you very much to all the agencies for appearing before us this evening.

**Proceedings suspended from 8.55 pm to 9.17 pm**

**CHAIR**—We will resume proceedings. We are in outcome 5, Program 5.1. Senator Abetz has questions under 5.1 and 5.2, so we will indulge Senator Abetz. After you have finished your 5.2 questions, if there are further 5.1 questions we will go back to them.

**Senator BOSWELL**—Which one am I in?

**CHAIR**—You are in 5.2.

**Senator ABETZ**—I thank the committee and the officials for their indulgence. My first question is on art royalties.

**Ms Bean**—Is this the resale royalty schemes?

**Senator ABETZ**—Yes. Was this a cabinet decision or was it a decision by the minister himself?

**Ms Bean**—This is legislation. It is all under the legislation.

**Senator Conroy**—The legislation would have passed through the cabinet and the caucus.

**Senator ABETZ**—Thank you. When does it take effect?

**Ms Bean**—The scheme comes into effect on 9 June.

**Senator ABETZ**—9 June 2010?

**Ms Bean**—Yes.

**Senator ABETZ**—Why was 9 June chosen as opposed to the commencement of a financial year?

**Ms Bean**—The legislation provided for commencement either on proclamation or six months after royal assent, and 9 June is six months after royal assent, so we did not proclaim beforehand.

**Senator ABETZ**—From an administrative point of view I would have thought that it was very difficult to make it 9 June as opposed to waiting for three weeks and having a clear start. That is a comment. I would like to move on. Does the legislation specify in detail what the five per cent is to be charged on?

**Ms Bean**—Yes. It is the hammer price plus GST. It is the price at which the work is actually sold plus GST.

**Senator ABETZ**—The artist will get five per cent on the GST component or not?

**Ms Bean**—Correct. It is on the actual price. That is the sale price.

**Senator ABETZ**—And on the auctioneer's services?

**Ms Bean**—If you mean the buyer's premium and the seller's premium, then no.

**Senator ABETZ**—Does it depend on how it is auctioned?

**Ms Bean**—The normal practice is to have a buyer's premium and a seller's premium. That is where the charging comes out from for the auctioneers for the cost of conducting the auction.

**Senator ABETZ**—What if the artwork is sold other than by auction?

**Ms Bean**—In that case normally there would not be a buyer's premium.

**Senator ABETZ**—Is the five per cent charged on that?

**Ms Bean**—In that case it is charged on the sale price.

**Senator ABETZ**—So it is on the sale price?

**Ms Bean**—Yes, which would be inclusive of GST.

**Senator ABETZ**—The costs of running the art gallery and to pay the director of the particular art gallery, for example, would have to be part of the price, so the artist will get five per cent of all of that effort as well?

**Ms Bean**—In any contract for sale there are various components built in, so yes.

**Senator ABETZ**—Thank you. I am just establishing that. What if the artwork is damaged, needs to have considerable professional repairs undertaken to it and is then resold? Does the artist get the benefit of the cost of the repairs as well?

**Ms Bean**—I suppose they do indirectly because the damaged artwork would be of very low value, but a fully restored artwork would be of greater value.

**Senator ABETZ**—You may have a situation with a damaged artwork that is repaired at great expense where the artist that does the repair work will not get a five per cent dividend, but the initial artist does. Is that correct?

**Ms Bean**—Presumably whoever does the repairs will be paid for doing the repairs. They would be paid directly.

**Senator ABETZ**—Yes, but will that ultimately be part of the sale price of that artwork?

**Ms Bean**—Yes, because it affects the value.

**Senator ABETZ**—So the artwork at the beginning, if it was sold as a damaged piece—let us pluck figures out of the air—if it was damaged it would be worth \$100 on sale, so the artist would get \$5. Is that correct?

**Ms Bean**—Correct.

**Senator ABETZ**—If it took another \$100 to repair it then the artist will get \$10.

**Ms Bean**—It would depend on the price at which it was sold.

**Senator ABETZ**—Of course, at \$200. I thought I was trying to make it simple. If it is worth \$100 damaged and \$200 fully repaired, the cost of that \$100 is paid to the repairer.

**Ms Bean**—Correct.

**Senator ABETZ**—The original artist gets a five per cent dividend on the work of the artist that does the repairs. That sounds like a Pink Batts scheme to me and, guess what, the same minister is involved. It is all a bit difficult. Have you seen the *Sun Herald* article of Sunday, 2 May 2010 on this?

**Ms Bean**—No.

**Senator ABETZ**—It is described as another ‘bureaucratic nightmare’. In the article Andrew Taylor cites comments such as:

I cannot see the point of it all. It is just another art bureaucracy ... No one knows how to cope with it. It's another batts bureaucracy. It is all going to be a mess.

And then, of course, when you absolutely run out of arguments you pull out the old Indigenous argument, but that even blew up in the minister's face when, as the article continues:

John Oster, the executive officer of Desart, which represents all central Australian art centres, stated: As far as poverty is concerned, no scheme like this will solve all the problems in the world.

Mr Oster also said that the focus on Indigenous artists was overblown. Who drove this scheme?

**Ms Bean**—It was a government election commitment.

**Senator ABETZ**—You have got to give it to them. I have finally discovered one that they have committed to and delivered on, but it is a disaster. That is all I have on this one.

**CHAIR**—Can you clarify when the legislation went through parliament? Can you recall that?

**Ms Bean**—It was towards the end of last year.

**CHAIR**—In the Senate?

**Ms Bean**—Yes.

**CHAIR**—I think it went through as non-controversial legislation. Is that correct?

**Ms Bean**—I think that is correct.

**Senator ABETZ**—We are now finding out how it is working out and the artists are as well.

**CHAIR**—I am just pointing that out.

**Senator ABETZ**—From the Indigenous art community to art gallery owners—

**CHAIR**—I think you supported that legislation, but I could be wrong.

**Senator ABETZ**—I will be more than happy to send the South Australian art galleries a copy of the *Hansard* with your intervention so that they fully understand your commitment to it.

**Senator Conroy**—Did you support this legislation?



**Senator ABETZ**—I know that Senator Boswell always has questions on the arts.

**CHAIR**—Senator Boswell has questions on program 5.2. We will go to 5.2, despite how rude you were to me.

**Senator ABETZ**—You are very forbearing. Thank you for that.

**CHAIR**—I suspect the Richmond Bridge might be involved in this.

**Senator ABETZ**—Yes. How are we going? There was a January 2010 version of the Richmond Bridge Conservation Management Plan. I do not know what iteration of the Richmond Bridge Conservation Plan that is, but how are we proceeding with it?

**Mr Shevlin**—We received the plan in February this year. The plan recommends a range of measures; for example, that speed limits are maintained at a maximum of 30 kilometres per hour and for that to be enforced. They suggest that consideration be given to reducing the load limit.

**Senator ABETZ**—There were, in fact, 103 proposed measures. Is that right?

**Mr Shevlin**—That is right. There are a whole lot. I was not going to go through all of them, just the key ones.

**Senator ABETZ**—Have you analysed those? When do you think your people or your might be able to come up with a determination as to whether you find the plan acceptable or not?

**Mr Shevlin**—Overall we believe the plan is acceptable.

**Senator ABETZ**—Has that been communicated to the state government as yet?

**Mr Shevlin**—We are in regular contact with the state.

**Senator ABETZ**—So you are still discussing some of the measures?

**Mr Shevlin**—Yes. For example, the Tasmanian Department of Industry, Energy and Resources are currently finalising a traffic management plan, which was one of the recommendations. They are working with the Clarence City Council on that. They are looking at having that finalised by the end of August. One of the other key recommendations in the plan was that vibration monitoring equipment be installed on the bridge. We have been advised, in our most recent contact with them, that the equipment will be installed by the end of June this year. We have an understanding with them that within three months of the equipment being installed we will meet with them to see what it is starting to show.

**Senator ABETZ**—Are there any other matters that you are tweaking or discussing with the state government?

**Mr Shevlin**—Those are the two major ones.

**Senator ABETZ**—Will you be satisfied that the bridge will last forever and will be appropriately protected?

**Mr Shevlin**—As you are aware from previous questions, there was a laser scan carried out a couple of years ago that we assisted with funding. That established the baseline so that we can accurately monitor any changes in the bridge over time against that laser scan.

**Senator ABETZ**—Will you be scanning it with a laser again, because you have got that baseline now?

**Mr Shevlin**—That is right. The plan would be to obviously look at that again over the years, but the first thing that we will be looking at is the information coming out of the vibration monitoring. There will be repeats of that scanning and obviously the normal ongoing inspections of the bridge.

**Senator ABETZ**—How is the speed limit on this bridge going to be effectively enforced? Out of all of the studies that seems to be one of the issues. It is all very well to put up a 30 kilometre sign. How is that going to be enforced or how are you going to be satisfied if it is not going to be enforced with policemen standing there 24-7? Will speed humps be put on the bridge or will there be a permanent speed camera on the bridge? How are we going to enforce this speed limit, because the speed limit, as I understand it, is not so much for road safety issues as much as preservation of the bridge issues.

**Mr Shevlin**—That is right. Speed limits are a normal policing matter, but issues about traffic management will be considered as part of the traffic management plan. If there are other measures beyond normal policing to enforce the speed limit, those will be considered as part of the plan.

**Senator ABETZ**—What about reducing the load limit?

**Mr Shevlin**—The report recommends that consideration be given to that.

**Senator ABETZ**—What is your view on that? Is it a good idea, a bad idea or indifferent?

**Mr Shevlin**—There is differing evidence that has been provided. Some have suggested in the past that it should be reduced to 15 tonnes and then another group of experts did a different study and came out with something saying 25 tonnes could be okay. The key thing is the speed, which is why the vibration-monitoring equipment is very important.

**Senator ABETZ**—Which means that the enforcement of the speed limit is so important. That goes back to what I raised earlier.

**Mr Shevlin**—Part of the traffic management plan is obviously to look at those issues.

**Senator ABETZ**—I have to contradict myself where I said that the speed limit was more about preserving the bridge rather than safety. I must say that the constituent has done a fantastic amount of work, because I understand this report is about 300 pages. Is that right?

**Mr Hooy**—Yes. It is very significant.

**Senator ABETZ**—This constituent kindly gave me a three-page summary of it.

**Mr Hooy**—It is at least 228 pages.

**Senator ABETZ**—We can agree that it is over 200 pages. He has done a great job in summarising it. He does pose this question:

It would be interesting to find out if the department considers ensuring the safety of people inspecting a place listed on the National Heritage List is an important consideration.

It looks as though road safety might be an issue as well. Has any consideration been given to that in the report or are you only focusing on the heritage values?

**Mr Shevlin**—The report focuses on the heritage values. Obviously matters relating to traffic and personal safety are matters for the Tasmanian government and the local authorities.

**Senator ABETZ**—We are agreed that this is the oldest surviving bridge in Australia.

**Mr Shevlin**—Yes.

**Senator ABETZ**—You will do everything you can to continue its preservation. This is the constituent's file. I would like to move on to Port Arthur and the buffer zones. I understand this has now been resolved. Is that right or not?

**Mr Shevlin**—There was a proposed planning scheme amendment that was put to the Tasman Council. They voted in favour of it.

**Senator ABETZ**—What are the changes in the Tasman Council planning scheme?

**Mr Shevlin**—It is actually fairly straightforward. It now clarifies the area in which the Port Arthur Historic Site Management Authority will be invited to provide comment in relation to any developments within that area. Previously they could provide comments in relation to any developments anywhere on the peninsula. The buffer zone or the area is now defined, and that is the area in which they will have the ability to provide a comment. They are not the decision makers. They can make a submission, but the decision is still made by the council.

**Senator ABETZ**—That is the Port Arthur Historic Site Management Authority, PAHSMA. They simply have to be notified and have the right to comment on it.

**Mr Shevlin**—They are notified and have the right to comment on it. It is just to comment, as do many others.

**Senator ABETZ**—Yes. The visual overlay includes the valleys that are not able to be seen from the Port Arthur historic site.

**Mr Shevlin**—The area of the buffer zone is the area of the Port Arthur Historic Site Management Authority. That was based on some work carried out.

**Senator ABETZ**—Was it the visual shed or something like that?

**Mr Shevlin**—Yes. It was taken from the seven different points that were used.

**Senator ABETZ**—I can describe it crudely—not being a geographer—as hollows where you would not see anything that happens down in those hollows from any of those seven vantage points, but still the Port Arthur Historic Site Management Authority is going to be allowed to at least have input as to the planning decisions.

**Mr Shevlin**—They could do that previously.

**Senator ABETZ**—But not specifically as is now allowed under the new planning scheme.

**Mr Shevlin**—That is right. They had the right to do it previously. If anything, this reduces the area in which they can. Importantly, under the planning scheme amendment, all current use of land remains the same. All applications that are currently permitted remain permitted. Anything that was discretionary remains discretionary. Anything that was prohibited remains prohibited.

**Senator ABETZ**—Everything remains the same after all of these years of angst, but it did get somebody on to the local council in opposition to all of this. If I might say, a lot of

community angst has now been generally resolved with future matters of this nature. Do you really believe that UNESCO or the body that deals with that—what is it called—

**Mr Shevlin**—The World Heritage Convention.

**Senator ABETZ**—Would they be satisfied if they were simply told that in relation to sites of this nature the EPBC Act may well apply and, therefore, you do not need buffer zones?

**Mr Shevlin**—They inspected the site, as they did with all of the convict sites, and one of the main recommendations that they came out with was that they believed that buffer zones were an important part of the nomination in relation to many of the sites.

**Senator ABETZ**—It had already been agreed by the governments at that stage that a buffer zone would be provided. Guess what, they agreed with that. If they had been told at the very beginning, ‘Here’s a Port Arthur site of buildings which has around it a buffer of 100 hectares and then beyond that buffer you would have the protection of the EPBC,’ do you think they would have rejected the nomination?

**Mr Shevlin**—We explained how our legislative practice works. In fact, Australia’s legislative practice is probably better than most countries in this respect. The standard provision within the convention is for a buffer zone, so in effect the buffer zone describes the area where the EPBC Act would apply anyway. It helps the World Heritage committee to understand how it is going to work in practice, but in effect there is not that great a difference, if any.

**Senator ABETZ**—If a copy of this *Hansard* of your comment just then went to the World Heritage people—

**Mr Shevlin**—I would be happy to explain it to them, as we do.

**Senator ABETZ**—It shows that all of this heartache over the years, which I must say in general terms has now been well resolved, was largely unnecessary. I would like to refer you to paper No. 25, ‘World Heritage and Buffer Zones’, which was put out by the UNESCO World Heritage Convention. On page 46 under the heading ‘Are buffer zones always necessary?’ it states:

This situation leads, sometime to unnecessary buffer zones being drawn around sites ...One could easily imagine a number of situations in which a buffer zone may not be necessary including:

... ..

- the physical geography of a site (either mountainous ...

That, of course, deals with the hollows that I was talking about. The UNESCO documentation discusses and considers the very matters that a lot of the locals were complaining about, yet we were continually told by Mr Barry Jones and others that a buffer zone was absolutely essential and necessary. It seems to be countenanced that the buffer zones are not necessary. This one has gone and dusted, but I would like to say, with great respect, that in the future I think you can preserve. It is a very worthwhile venture to try to look after our World Heritage facilities, but the experience at Port Arthur will undoubtedly scare off other communities or make them think twice about the idea of nominating.

**Senator Conroy**—Any chance of a question in the next 10 minutes?

**Senator ABETZ**—Yes. Norfolk Island was provided to me as an example where everything was hunky-dory. Some tragics, undoubtedly lovely people on Norfolk Island, happened to read the *Hansard* and I received numerous communications indicating that things were not all happy on Norfolk Island with the buffer zones. Those experiences in Australia are hopefully matters that the department will learn from to ensure that the community is brought with you in what is undoubtedly a very worthwhile endeavour. Thank you.

**Ms Bean**—I just wanted to clarify one of my answers. We were talking about an example of \$100 and \$200 for sale of an artwork. The resale royalty does not kick in until an artwork is sold for \$1,000 or more. That is the flaw.

**Senator ABETZ**—Thank you very much. That was just an example. If we change the \$100 to \$1,000 and to \$2,000 then my percentage calculations would vary accordingly, but the methodology is still there—is that correct?

**Ms Bean**—Yes.

**Senator ABETZ**—Thank you for that clarification.

**CHAIR**—That is in the legislation.

**Senator BOSWELL**—Is the department aware of the Queensland government's plans for wild rivers declarations in the Lake Eyre Basin, the Georgina and Diamantina Rivers and the Cooper Creek system?

**Mr Tucker**—Those areas are not handled by our heritage area, but I am aware of those and our water people would know more about that.

**Senator BOSWELL**—What areas are they handled by?

**CHAIR**—That is on tomorrow.

**Mr Tucker**—Yes, that will be tomorrow.

**Senator BOSWELL**—As I waited about three hours, I will chance my arm here and see what I get. What involvement, if any, has the department had with the Queensland government concerning these wild rivers?

**Mr Tucker**—Those ones are not our responsibility. I am sorry that I cannot help you on those.

**CHAIR**—This is particular heritage.

**Senator BOSWELL**—I was told that it was 5.2. I have been waiting for three hours and I find that it is not 5.2. What division do I have to ask these questions to? I asked you and you told me it was 5.2.

**CHAIR**—I presume that will come under program 1.1 tomorrow. That is Sustainability Management and Natural Resources. Mr Tucker or Ms Kruk?

**Mr Tucker**—I do not know. I will have to seek advice. It is either that one or outcome 4, which is water.

**Ms Kruk**—Can Senator Boswell tell us the questions that he has. If he reads them into the record we could respond.

**Senator BOSWELL**—No, I do not like doing that, because one question leads on to another.

**Ms Kruk**—I am sorry; I was just trying to assist you.

**Senator BOSWELL**—Can someone tell me what division I have to ask these questions to? I have questions about wild rivers.

**CHAIR**—Are the wild rivers a heritage protected area?

**Ms Kruk**—The wild rivers that Senator Boswell is referring to are legislated under state legislation.

**Senator BOSWELL**—I fully understand that.

**Ms Kruk**—Yes, I thought you would.

**Senator BOSWELL**—I am asking what your department has had to do with it, if anything?

**Mr Tucker**—Those particular rivers into the Lake Eyre Basin are not protected under heritage legislation, so that is why they are not dealt with by the heritage area. We can seek some advice first thing in the morning and get back to the committee with the most appropriate area to answer those questions.

**Senator BOSWELL**—Surely with the wisdom of 50 people here I can ask someone. Who do I ask these questions about wild rivers? I am not asking about the Queensland legislation; I am asking what involvement you have had with the Queensland government.

**Ms Kruk**—We can answer that one. Presumably it is in relation to the Kimberley.

**Senator BOSWELL**—It is not in relation to the Kimberley.

**Mr Tucker**—I can say to you in terms of heritage responsibilities that we currently have before us that we have not been involved in the wild rivers decisions into Lake Eyre Basin, but other parts of the department that deal with water resources or deal with threatened species may have been.

**Senator BOSWELL**—There must be some department that is working in conjunction with the Queensland government on wild rivers, and my question is specifically to the Eyre Basin.

**Ms Kruk**—That would be dealt with, if anywhere, by our water officials or potentially through a regulatory process through outcome 1 tomorrow. These officials deal only with heritage related matters. My apologies, we cannot answer Senator Boswell's questions.

**Senator BOSWELL**—What section do I ask about that?

**CHAIR**—We can try in outcome 1 tomorrow morning.

**Ms Kruk**—If you are happy to give us the questions I will endeavour to have an officer there.

**Senator BOSWELL**—No, I will ask the questions now but I do not want questions taken on notice because that does not work. I will ask these couple of questions and you may be able to help me. I have asked you what involvement has any department had with the Queensland government concerning these wild rivers and you said you cannot help me. Have

there been any discussions about World Heritage listing parts of the Lake Eyre Basin with the Queensland government or other groups?

**Mr Tucker**—We can probably answer that question for you.

**Senator BOSWELL**—Yes.

**Mr Shevlin**—The discussions with Queensland are in regard to possible World Heritage listing for the Cape York Peninsula. There may have been some discussions many years ago about Lake Eyre Basin but certainly nothing current.

**Senator BOSWELL**—Are you saying there were discussions with the Queensland government about—

**Ms Kruk**—He said there may have been. I think he is not aware of them in any detail, from my understanding.

**Mr Shevlin**—One of my colleagues here says if there were discussions they were more than 10 years ago. There is definitely nothing that is current.

**Senator BOSWELL**—Has any work been done towards assessing the World Heritage values of Lake Eyre Basin?

**Mr Shevlin**—No.

**Senator BOSWELL**—In 1993, Prime Minister Keating gave a commitment to assess Lake Eyre for World Heritage. Are there any plans under the current administration for proceeding towards World Heritage listing for the Lake Eyre Basin? If so, what are they, who has been consulted and what is the time frame?

**Mr Shevlin**—No, there are no plans.

**Senator BOSWELL**—Okay. I will have to ask just that one question then. So, you cannot help me with what involvement any department had with the Queensland government, so I have got to find someone to ask that for tomorrow.

**Mr Shevlin**—In relation to wild rivers?

**Senator BOSWELL**—Yes.

**Mr Shevlin**—Yes, you will have to ask that tomorrow.

**Senator BOSWELL**—Thank you.

**CHAIR**—Thank you, Senator Boswell. See you tomorrow, probably. While we are still in outcome 5.2 could I ask some questions about the Kokoda Track safety package, please? Mr Shevlin, could you give us an update as to where we are at with that? I understand there was a recent announcement of some additional funding.

**Mr Shevlin**—That is correct. There was an announcement on 30 March for an additional \$3.1 million to go to the second tranche of the safety package. Probably the big item being funded out of that is completing the all-weather upgrade of the Owers' Corner Road, which is the major access to the southern end of the track, and significantly improving the Kokoda airstrip at the northern end of the track; basically, taking it back to its original length. It has become overgrown at one end of it, so by actually cleaning that up it means that it obviously gives much greater safety for aircraft flying in and out of there. Also, providing new radio

channels for use by pilots flying in their, looking at the provision of an instrument approach for the airstrip there, plus there is a range of other measures, if you like, for the trekkers actually moving along the track. There is installation of new radios along the track for communication for safety reasons; we are providing subsidised first-aid training for the trek leaders and porters so if there are problems they can help out. We have also been supporting some medical research that was undertaken quite recently just looking at the issues of hydration and possible over-hydration by trekkers on the track. There was an adventure medicine group actually doing some research there a few weeks ago. They are a range of the activities that we are supporting under the second tranche of the safety package.

**CHAIR**—Has the roadwork on the road to Owers' Corner actually started? I know it was held up because of the wet season obviously and now that we are moving into the dry season up there something might be happening.

**Mr Shevlin**—A lot of work on the track was done with the first tranche. We put about \$500,000 towards the repairs of the worst of the bits of the track and, actually, particularly gravelling all of the steep sections which became almost impassable and also repairing the bridges along that part of the road. That was done as part of the first tranche. This second tranche actually has allowed all of the workers who were there doing that first work to basically stay there and gravel the entire road. So, yes, the worst of it was fixed already and now this is going to make the entire road all-weather gravel and usable.

**CHAIR**—Given the terrain and the weather up there degrades roads rather quickly, what are we doing to ensure that what is done is maintained?

**Mr Shevlin**—One of the staff that we pay for that works for the Kokoda Track Authority is a qualified civil engineer. One of the main things they found with the road was that previously it was really simply they graded it through the thing and it acted as a drain that collected water, but now they have formed it like a proper road where it has actually got a hump in the middle and it drains off to the sides and there are runoffs that have been carved through so it will now actually drain properly—that and then the gravelling of it. We have also got an agreement now with the PNG local authorities to continue to maintain it. They are just delighted with the work that has been done because, apart from the benefits for the trekkers, it is also very good for the local communities, so they have given us an undertaking that they will, from now on, maintain the road once we have fixed it. That is a real success.

**CHAIR**—Yes, because it is a major thoroughfare for the local people.

**Senator Conroy**—Do you have more questions?

**Senator FISHER**—Chair, have you been replaced?

**CHAIR**—Apparently, Senator Fisher.

**Senator Conroy**—I was just seeing if you have got any more questions.

**Senator FISHER**—I have.

**Senator Conroy**—I was not suggesting you should ask them.

**Senator FISHER**—Thank you for asking me, Minister. Chair, I have one for 5.1.



**Senator Conroy**—I was seeking whether you had finished.

**CHAIR**—Are there any further questions in outcome 5.2? Can somebody contact Senator Ludlum? See if we can find Senator Ludlum. Senator Fisher can go back to outcome 5.1, but the outcome 5.2 people should stay.

**Senator FISHER**—I was not here for Senator Abetz's questions and I think he did ask a couple of questions about the resale royalty and around the start date, so forgive me if I am retracing a few of his steps and please tell me. Were you able to let Senator Abetz know the start date? Do re-track that for me, if you do not mind? Were you able to indicate to him when you are proposing to kick off?

**Ms Bean**—The start date is 9 June.

**Senator FISHER**—Now, with these questions do let me know if they have been asked. What information have you provided to galleries and auction houses to help them with the start date?

**Ms Bean**—That is the responsibility of the collecting society that has been selected. They are responsible for the education campaign, if you like.

**Senator FISHER**—Who has appointed that society?

**Ms Bean**—The minister under the legislation. It is CAL, or the Copyright Agency Limited, that was the successful tenderer. Since their success was announced in April, CAL has directly contacted over 200 commercial galleries to advise them of their obligations. They have convened an advisory panel of artists and art market professionals to develop a code of practice for the scheme and they have begun rolling out their education program, which includes seminars to advise the sector of the scheme's requirements. They will take place over the coming months in all capital cities and a number of regional centres. They have also put fact sheets for artists and art market professionals on their website.

**Senator FISHER**—Can we have copies? I guess they are publicly available.

**Ms Bean**—They are on the web. We can certainly perhaps provide you with the link.

**Senator FISHER**—Can you tell me the address where I can access it? By email after the hearing is fine, if you prefer.

**Ms Bean**—Okay. They place the fact sheets on their website about the rights and obligations of both artists and art market professionals.

**Senator FISHER**—Have they held information sessions?

**Ms Bean**—They have started rolling seminars out.

**Senator FISHER**—Where and when?

**Ms Bean**—As I said, over the coming months they will be in all capital cities and in a number of regional centres. I do not have with me the details of ones that have already been held, but we could certainly see what we could do about getting hold of the program for you.

**Senator FISHER**—That would be good; get with the program, get hold of the program. Did you indicate the number of tenders?

**Ms Bean**—There were three.

**Senator FISHER**—Last estimates I think we talked about the potential financial impact of the resale royalty scheme and I was asking you about whether there would be any impact beyond that on the operation of art auction businesses, pre- and post-legislation. You indicated that you would not expect a material difference. Given the press speculation, do you now still think that this is still the case, that there will be no material difference?

**Ms Bean**—Without speculating myself, I draw a parallel with the United Kingdom as I did before, where there was significant speculation prior to the introduction of the scheme that it would be the end of the world as we know it, and it was not. Whilst some parts of the sector are understandably nervous, I think the impact will ultimately not be significant.

**Senator FISHER**—How do you know it was not the end of the world in relative terms in the UK? Did they do a review?

**Ms Bean**—Yes, they did. They had been looking at numbers of volumes of works sold, prices achieved and that sort of thing. There was some work done on that in the UK.

**Senator FISHER**—Has our good government considered the findings of that review and taken them into account in implementing our scheme?

**Ms Bean**—Certainly, it was a part of the background information that we provided.

**Senator FISHER**—Minister, cover your mouth. He was yawning; can you keep him interested Ms Bean? Sorry. Yes.

**Ms Bean**—There was a lot of research done and there was a lot of modelling done and all of that set the context and underpinned the development of the scheme.

**Senator FISHER**—When was the UK review of their scheme?

**Ms Bean**—I am sorry, I do not actually know.

**Senator FISHER**—Did it predate the development of our scheme?

**Ms Bean**—Yes, I think.

**Senator FISHER**—You said it formed part of the consideration; it can only have done so if it was completed prior to our consideration.

**Ms Bean**—I may have given you a misleading impression. I do not know that it was an actual review in the sense of the Strong review of orchestras or something like that, but there has certainly been information gathered and collected in the UK as an issuative process. As information has become available that was fed into our work.

**Senator FISHER**—Does that really enable you to say that their scheme has had little impact on the UK operators?

**Ms Bean**—Certainly, the CEO of Viscopy who was previously running one of the main organisations in the UK that was delivering the resale royalty did say at the House of Reps inquiry into the bill that her view was that there had not been any significant impact.

**Senator FISHER**—So we are going on the view of one person now?

**Ms Bean**—No, I am using that as an illustration. Basically, the volumes went up and the prices went up.

**Senator FISHER**—All right. If that is indeed the outcome then, to the extent that you can show us documentary evidence of that, it is a good thing. I would welcome it. So could you on notice provide us with that?

**Ms Bean**—We will certainly see what we can provide you with.

**Senator FISHER**—Now for France. I have the same question. What is the impact on industry in France?

**Ms Bean**—I do not know. I do not have that information with me. We can certainly look to see what we have and provide you with some on notice.

**Senator FISHER**—All right, thank you. In France as I understand it royalties flow into the hands of a handful of artists—is that right?

**Ms Bean**—I do not know. I do not have any information about the French scheme.

**Senator FISHER**—Okay. What research was done into the implications in terms of costs of our scheme on businesses here?

**Ms Bean**—There was certainly modelling done on different aspects of the scheme. This is all a couple of years old now and I cannot actually remember in detail what was looked at but we can take it on notice.

**Senator FISHER**—Thank you. Given the speculation and the airing in the press about the concerns and potential complaints about the program that would be helpful. In respect of complaints raised in the press reports has the government been formally notified about those? For example an article in the *Sun-Herald* on 2 May said:

... art dealer Denis Savill said: “We have not received one bit of official paper. We know nothing about how it will be implemented.”

**Ms Bean**—To my knowledge we have not received anything formal from Mr Savill either directly to the department or to my knowledge to the minister but I will certainly check it for you.

**Senator FISHER**—Thank you. That is as to the commencement of the scheme. On 9 April in the *Financial Review* Katrina Strickland talked about Viscopy criticising the scheme itself. Are you familiar with Viscopy’s concerns?

**Ms Bean**—Yes.

**Senator FISHER**—When did you become aware of them and how did you deal with them.

**Ms Bean**—Before the scheme came into effect and this was again at the time of the House of Reps inquiry Viscopy was critical of the model that was adopted. There were a number of organisations that were.

**Senator FISHER**—So did they make a submission to the inquiry.

**Ms Bean**—They did. If my memory serves me correctly, they also appeared at the inquiry.

**Senator FISHER**—All right. Thank you. I do not have any more questions.

**CHAIR**—As there are no more questions this concludes the examination of this portfolio area. I thank the minister and officers for their attendance.

**Committee adjourned at 10.05 pm**