



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

ESTIMATES

(Additional Estimates)

MONDAY, 13 FEBRUARY 2006

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SENATE

**ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY
AND THE ARTS LEGISLATION COMMITTEE**

Monday, 13 February 2006

Members: Senator Eggleston (*Chair*), Senator Lundy (*Deputy Chair*), Senators Ronaldson, Santoro, Siewert and Wortley

Senators in attendance: Senator Eggleston (*Chair*), Senator Lundy (*Deputy Chair*), Senators Adams, George Campbell, Conroy, Fierravanti-Wells, Ian Macdonald, McLucas, Joyce, Moore, Nash, Patterson, Ronaldson and Wortley

Committee met at 9.04 am

**COMMUNICATION, INFORMATION TECHNOLOGY AND THE ARTS
PORTFOLIO**

In Attendance

Senator Coonan, Minister for Communications, Information Technology and the Arts

Department of Communications, Information Technology and the Arts

Executive

Ms Helen Williams AO, Secretary

Ms Fay Holthuyzen, Deputy Secretary, Communications

Dr Rod Badger, Deputy Secretary, Information Economy

Ms Lynn Bean, A/g Deputy Secretary, Arts & Sport

Legal

Mr Don Markus, General Counsel

Corporate and Business

Mr Frank Nicholas, Chief Operating Officer (COO) and A/g Chief General Manager, Corporate & Business Division

Mr Mike Hutchings, Chief Information Officer (CIO) and General Manager, Information Technology and Facilities Branch

Ms Cheryl Watson, A/g General Manager, HR and Communications

Mr Tim Cornforth, Manager, Regional Network Management Unit

Finance and Budgets

Ms Jennifer Gale, Chief Financial Officer

Telecommunications

Mr Brenton Thomas, A/g Chief General Manager, Telecommunications Division

Mr Simon Bryant, General Manager, Telecommunications Competition & Consumer Branch

Ms Liz Forman, A/g General Manager, Regional Communications Policy Branch

Mr Damian Stevens, Manager, Regional Broadband Policy & Technical Support

Mr Colin Oliver, A/g General Manager, International Branch

Ms Emily Cripps, A/g General Manager, Enterprise and Infrastructure Branch

Broadcasting

Mr James Cameron, Chief General Manager, Broadcasting
Mr Gordon Neil, General Manager, Licensed Broadcasting
Mr Rohan Buettel, General Manager, Public Broadcasting
Dr Simon Pelling, General Manager, Digital Broadcasting & Spectrum Management

Information and Communications Technology (ICT)

Dr Beverly Hart, Chief General Manager, ICT Division
Mr Philip Allnut, General Manager, ICT Industry Branch
Mr Simon Cordina, General Manager, Creators' Rights and Access Branch
Ms Andrea Grosvenor, A/g General Manager, Regional Communication Initiatives Branch
Mr David Williamson, Manager, Broadband Networks and Community ICT Initiatives

Information Economy

Mr Keith Besgrove, Chief General Manager, Information Economy Division
Mr James McCormack, General Manager, Access Branch
Mr Ashley Cross, General Manager, Security & Business Environment Branch
Mr James Shaw, General Manager, Strategy Branch

Australia Post

Mr Michael McCloskey, Corporate Secretary
Mr Michael Tenace, Group Financial Controller
Mr Stephen Walter, Group Manager, Corporate Public Affairs
Mr Rod McDonald, Group Manager, Human Resources
Ms Elizabeth Button, Group Manager, Retail Channels and Infrastructure
Mr Don Newman, Manager, Network Infrastructure
Mr Mark Roberts, Manager, Mail Marketing

Telstra

Mr Douglas Gration, Company Secretary
Mr Geoff Nicholson, Director, Business & Financial Services
Mr Denis Mullane, General Manager, Integrated Network Planning
Dr Tony Warren, General Manager, Regulatory Affairs
Mr Max Jennings, General Manager, Wireless Access Services
Mr Ken Sheargold, Head of Service Advantage
Mr Don Pinel, Regional Managing Director, Telstra Country Wide Queensland

Australian Broadcasting Corporation (ABC)

Mr Russell Balding, Managing Director
Mr David Pendleton, Chief Operating Officer
Mr Murray Green, Director of Strategy and Communications
Ms Sue Howard, Director, Radio
Mr John Cameron, Director, News and Current Affairs
Mr Michael Ward, Head, Policy and Administration (Television)
Mr Colin Knowles, Director of Technology and Distribution

Special Broadcasting Service Corporation (SBS)

Mr Shaun Brown, Managing Director
Mr Quang Luu, Head of Radio
Mr Phil Williams, Acting Head of Policy

Mr Jon Torpy, Chief Financial Officer
Mr Paul Broderick, Acting Chief Technology Officer

CHAIR (Senator Eggleston)—I welcome everybody here today, especially the Minister for Communications, Information Technology and the Arts, Senator Coonan; the officers of Australia Post; and Helen Williams, Secretary of the Department of Communications, Information Technology and the Arts. I draw everybody's attention to the fact that it is in fact Senator Ronaldson's birthday today—

Senator RONALDSON—What a lovely thought, Mr Chairman; thank you.

CHAIR—And also Senator Ian Macdonald's.

Senator CONROY—Macca! Welcome.

CHAIR—This may be known as the birthday estimates from here on in! I would like to declare open this hearing of the Senate Environment, Communications, Information Technology and the Arts Legislation Committee considering the additional estimates for the year 2005-06. By resolutions of 8 and 9 February 2006, the Senate referred to the committee the particulars of proposed additional expenditure for the year ending 30 June 2006 for the two portfolios of Communications, Information Technology and the Arts and the Environment and Heritage. The Senate also resolved that this committee should conduct estimates hearings over the next two days.

We plan to examine the Communications, Information Technology and the Arts portfolios today and the Environment and Heritage portfolio tomorrow. Then the committee is due to report to the Senate on 28 March 2006. The committee has set a deadline of the close of business on Friday, 7 April 2006 for the return of answers to questions placed on notice. I remind senators that written questions should be placed on notice by the close of business this Thursday. The committee notes that there are two answers to questions on notice still outstanding from the last supplementary budget estimates round.

Before we move to questions, I remind officers that the Senate has resolved:

... that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the Parliament or its committees unless the Parliament has expressly provided otherwise.

I also remind officers that they will not be asked to express an opinion on matters of policy, and they shall be given reasonable opportunity to refer questions asked of them to superior officers or to the minister.

In addition, I also draw the attention of this committee to privileges resolutions agreed to by the Senate on 23 February 1988 concerning the conduct of Senate committees and, in particular, resolutions 1(9), part of 1(10) and 1(16). Privilege resolution 1(9), which deals with the question of relevance, reads as follows:

A chairman of a committee shall take care to ensure that all questions put to witnesses are relevant to the committee's inquiry and that the information sought by those questions is necessary for the purpose of that inquiry. Where a member of a committee requests discussion of a ruling of the chairman on this matter, the committee shall deliberate in private session and determine whether any question which is the subject of the ruling is to be permitted.

The Senate endorsed in 1999 the following test of relevance of questions at estimates hearings:

Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I ask senators to bear this in mind when framing their questions. The emphasis is on financial positions and operations.

Privilege resolution 1(10) goes to the question of the procedure that must be followed by a committee if a witness objects to answering a question. This resolution is partially overridden by standing order 26(2), which requires legislation committees considering estimates to take evidence in public. The section of privilege resolution 1(10) that applies to estimates reads as follows:

Where a witness objects to answering any question put to the witness on any ground, including the ground that the question is not relevant or that the answer may incriminate the witness, the witness shall be invited to state the ground upon which objection to answering the question is taken. Unless the committee determines immediately that the question should not be pressed, the committee shall then consider in private session whether it will insist upon an answer to the question ...

When a witness, including the minister, declines to answer a question to which a committee has required an answer, the committee may report the matter to the Senate. Alternatively, the committee can also consider reconvening outside of the estimates process to pursue a matter under one of the committee's other powers, as provided in standing order 25(2)(b).

I also remind senators and officers that under privilege resolution 1(16), an officer of a department of the Commonwealth or of a state shall not be asked to give an opinion on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or a minister. Witnesses are also reminded that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence may constitute a contempt of the Senate. Minister, would you like to make a statement at this stage?

Senator Coonan—No, thank you.

CHAIR—We will be calling agencies in accordance with the agenda and we begin today with Australia Post. I invite questions.

Senator CONROY—Before we start with Australia Post, I would like to ask the minister about a couple of questions that are outstanding. Minister, do you know where they are?

Senator Coonan—Yes, I was asking this morning. My understanding is that they are very close.

Ms Williams—Two are still outstanding, and we hope they will be here in the next couple of days.

Senator CONROY—I checked with the secretariat last week. Minister, are you aware that your department and the agencies you are responsible for supplied only 106 out of 369 answers prior to the expiry deadline of 21 December?

Senator Coonan—No, I was not aware of that, if that is the case.

Senator CONROY—Are you aware of a cause for this delay?

Senator Coonan—I would have to make inquiries, but Ms Williams might be able to add something.

Ms Williams—We had a lot of problems, partly because of the large number and the complexity of the questions and, secondly, because they covered most of the 23 portfolio agencies, so it was a very major coordination task. I have to say that it also ran into the Christmas-New Year period and, as you know, people had already taken leave, but the department is working hard with the portfolio agencies to try to improve our performance across the board.

Senator CONROY—So the department had not been able to coordinate and pull it together by 21 December?

Ms Williams—They were not there by 21 December, and we are trying to improve performance.

CHAIR—How many questions were on notice?

Senator CONROY—I said 369. Are you aware that the Environment and Heritage portfolio got all its questions in on time?

Ms Williams—No, I was not, but this is a very complex portfolio.

Senator CONROY—You are not suggesting that Environment is not?

Ms Williams—I am suggesting that it does not have as many portfolio agencies. We have a large number of portfolio agencies and therefore it is a task coordinating across those.

Senator CONROY—I was pleased to see that Senator Ronaldson's question turned up. He had been waiting many months for it. You must have known it was his birthday to get it here on time, so well done.

[9.14 am]

Australia Post

Senator CONROY—I would like to start by asking about Australia Post's workers compensation costs. How large are they and how much time is lost through workplace injury?

Mr McDonald—We have answered some previous questions on notice in relation to the number of incidents, but I can get you workers compensation costs in total.

Senator CONROY—I would appreciate that. I think Senator Marshall was asking some questions previously on this.

Mr McDonald—Yes; we answered all those.

Senator CONROY—Have you been able to get costs down significantly in recent years?

Mr McDonald—Yes. Over the last six to eight years there has been a significant reduction in cost. It is around the \$38 million to \$40 million mark. But that is a significant reduction over the years.

Senator CONROY—Has the actual number of injuries fallen?

Mr McDonald—Yes. The LTIFR, which measures the number of lost time injuries, has reduced significantly. It is currently tracking at just under seven, whereas it was well up into double figures.

Senator CONROY—In response to Senator Marshall's question in the May round, you reported that in 2004-05 there were 748 lost time injuries and that the lost time injury frequency rate was 9.6 million hours worked. I am wondering how these numbers have changed in recent years.

Mr McDonald—As I said, the national figure at the moment is tracking at just under seven, compared to that 9.6. In previous years it has been into double figures. We are currently tracking at the lowest figure we have ever been.

Senator CONROY—I understand that Australia Post adopted an injury management early intervention policy. I am not sure how you pronounce that acronym—IMEI.

Mr McDonald—We call it IMP.

Senator CONROY—IMP, okay. Can you tell me the circumstances in which this policy applies?

Mr McDonald—This policy came into play over the last five or six years. What it is about is encouraging early intervention and getting employees back to work. It is a voluntary program. It is about reducing both the human and the individual cost of injury and illness. We are a big employer with a diverse range of occupations, and we believe we can often make arrangements for a worker to do different sorts of work or altered work. We encourage them to talk to one of our IMP doctors, who understand the nature of the Australia Post workplace, and see if they can be assisted to get back to work.

Senator CONROY—I just want to clarify this. This does not relate to sickness but workplace related injury. Is that right?

Mr McDonald—That is correct.

Senator CONROY—How long has the policy been in force?

Mr McDonald—Sorry, it could relate to illness as well.

Senator CONROY—How could it relate to illness?

Mr McDonald—It depends on the nature of the illness. It depends how you define illness, I guess—

Senator CONROY—I said 'sickness' rather than 'illness'.

Mr McDonald—Sorry. No, it does not relate to sickness.

Senator CONROY—How long has the policy been in force?

Mr McDonald—It started in about 1999 in Western Australia. Then it gradually moved around to the other states. It was picked up nationally in around 2000 or 2001. It followed concerns which were raised by the CEPU about what we could do to assist people to get back to work. There were discussions with both the CEPU and the Industrial Relations Commission on the principles, and those principles have been in place now for around five years.

Senator CONROY—In what circumstances does Australia Post direct employees to deal with facility nominated doctors?

Mr McDonald—We have a right under clause 26.5.10. It reads:

Australia Post may require an employee to furnish a medical report or undergo an examination by a medical practitioner nominated by Australia Post where the employee:

26.5.10(a) may be unfit or incapable of discharging duties;

26.5.10(b) may be a danger to other employees or members of the public due to state of health;

26.5.10(c) has been absent through illness for a continuous period exceeding 13 weeks;

26.5.10(d) has been absent through illness and the authorised employee—

that is, the Australia Post delegate—

believes that the employee is not fit to resume duty.

In cases where we think there is a question mark about their capacity to do work, we can refer under that clause.

Senator CONROY—In previous estimates Australia Post stated that it had the power under the award to request people to attend an Australia Post doctor or an FND. My understanding is that the award deals only with simple sick leave.

Mr McDonald—No. The provision I read out to you is the award provision.

Senator CONROY—So you do not agree that it is simply sick leave?

Mr McDonald—No. Where we think that there may be a fitness issue with an employee about their ability to discharge duties, we can refer them under that process. I should explain that this is separate from the workers compensation process, which I can elaborate on if you wish.

Senator CONROY—Maybe you want to explain to me the difference between workers' injuries and workers compensation.

Mr McDonald—Workers compensation is triggered by an employee making a workers compensation claim. Australia Post cannot do that; the individual has to do that. Where that happens, it goes through a process of assessment by a delegate, and there is a reassessment process in terms of appeal and eventually through the AAT if needed. The injury management prevention process is a voluntary one where we encourage people to see a doctor who understands the Australia Post workplace. In addition, the clause that I read out to you is the statutory right Australia Post has in certain circumstances to refer somebody through to an assessment. That is not somebody who has a workers compensation claim, because workers compensation is dealt with through the SRC process.

Senator CONROY—Could you read that award out to me again.

Mr McDonald—Yes. It says:

Australia Post may require an employee to furnish a medical report or undergo an examination by a medical practitioner nominated by Australia Post where the employee:

26.5.10(a) may be unfit or incapable of discharging duties;

26.5.10(b) may be a danger to other employees or members of the public due to state of health;

26.5.10(c) has been absent through illness for a continuous period exceeding 13 weeks;

26.5.10(d) has been absent through illness and the authorised employee believes that the employee is not fit to resume duty.

Senator CONROY—I am having trouble hearing. We seem to be holding Senator Ronaldson's birthday party early.

CHAIR—I am sure you can manage, though, Senator Conroy.

Senator CONROY—I am actually genuinely having trouble hearing.

CHAIR—Do your best. We can hear your questions, I can assure you.

Senator CONROY—I am struggling to hear the answers. Could you repeat your answer, please, Mr McDonald. Sorry about that.

Mr McDonald—Certainly. The clause says:

Australia Post may require an employee to furnish a medical report or undergo an examination by a medical practitioner nominated by Australia Post where the employee:

26.5.10(a) may be unfit or incapable of discharging duties;

26.5.10(b) may be a danger to other employees or members of the public due to state of health;

26.5.10(c) has been absent through illness for a continuous period exceeding 13 weeks;

26.5.10(d) has been absent through illness and the authorised employee believes that the employee is not fit to resume duty.

Senator CONROY—Thanks. I might just hand over to Senator Moore.

Senator MOORE—I am going onto a totally different issue. I am sorry, as you are in the middle of your evidence, but Senator Conroy has asked me to step in. I want to look at an issue of restructure that is particularly interesting me as a Queensland senator. I am trying to get some information about proposed restructures of mail centres, in particular in the south-east of Queensland. I was wondering whether someone could run through that for me.

Mr Newman—The Queensland mail network has not been restructured now for about 12 or 15 years. Most of the facilities in the south-east corner are reaching their capacity. The problem is made a bit worse by the fact that they are all bounded on all sides by other developments, so there is no capacity to expand.

Senator MOORE—In existing sites?

Mr Newman—In existing sites. Recently the Queensland government issued the south-east Queensland plan, which indicated that there would be rapid growth continuing in the south Queensland area and also gave indications of land use and land availability. On the normal planning cycle, it is time that we looked at the Queensland situation and worked out how we are going to deal with the growth in the next few years.

The current arrangements have two mail centres, at Underwood and Northgate. Both of those facilities process letters, and the Northgate facility processes large letters and Underwood processes parcels. It is clear that we would prefer to have some form of additional facility in that area. We are currently going through feasibility to see whether it is possible to combine the letter processing from Underwood and Northgate and place them at another

locality. That would allow us to retain both Underwood and Northgate facilities for other purposes or retain part of the processing functions that are there at the moment. We are still in the very early stages of that evaluation. That will proceed on an ongoing basis over the next six months. I might add that this is a long-term plan. Any major restructure of this order will take several years—probably three or four years.

We also have other issues to deal with—for example, staff issues. I understand that recently there has been some misunderstanding about the closure of the Northgate facility, which is not the case at all. We will be retaining the Northgate facility. It will not necessarily be in its current form, but there will certainly be mail processing facilities continuing on at that site—but maybe mixed with some of the delivery processing.

The issue of our people is one of the biggest hurdles that we have to deal with in network restructuring. We have learned to do that very well in dealing with people issues over major and similar restructuring processes in other areas—for example, Sydney and Melbourne. We have quite an array of entitlements and tools at our disposal to help us achieve that. For example, we have what we call the triple R policy, which stands for redeployment, redundancy and retraining. That, coupled with background turnover in staff and time, allows us to deal with all staff issues on the way through.

Basically, the changes are driven by the need to provide additional facilities in that area for the next 15 or 20 years and having regard to emerging technology which will allow us to configure the network differently and also allow us to do it over time to make sure that we satisfy the staff needs on the way through. That is a bit of a high-level summary.

Senator MOORE—You mentioned a couple of time frames in your answer and you said that the current planning was at a preliminary stage.

Mr Newman—Yes.

Senator MOORE—And that you are looking at about a six-month period for this preliminary process. Is that accurate?

Mr Newman—That is right. At the moment, we are considering a couple of different options. The way that works is that ultimately that has to be feasible in a practical sense, an operational sense and a financial sense. That usually comes together in what we call a business case, where the investment to upgrade the network is financially viable. The main part of the restructure cannot start until those feasibilities are finished. Obviously, we are doing some preliminary work. We are attempting to acquire land if it becomes available in certain areas—to make sure that we have the capacity to grow with the south-east Queensland area. That is under way.

Senator MOORE—Are those decisions to purchase public—so that people know where you are seeking land?

Mr Newman—Public inasmuch as I do not think there is any secret that we have put in an offer on a block of land at a suburb called Yatala. That is undergoing due diligence process at the moment.

Senator MOORE—I think Yatala would be offended to be called a suburb. Yatala is a big centre.

Mr Newman—I will redefine it—in the Gold Coast-Brisbane corridor, which is the logical place for us to look at development, because that is where the development is.

Senator MOORE—So you have put in a tender for that.

Mr Newman—We have put in a tender for a block of land there, yes. It has not been finalised. It has to go through its own financial evaluation and due diligence processes.

Senator MOORE—And the information about proposed closures at Northgate is not accurate?

Mr Newman—It is not accurate at all. We will retain Northgate for the foreseeable future. It is ideally located; it is an excellent facility. The problem is that it has just outgrown its size. It is just a size problem.

Senator MOORE—I will put this on notice because it is difficult, but could I get information about the current staffing at Northgate and the proposals for what you could be considering for change? You mentioned that you are looking at technology changes and also a change of focus. We would like to get some information particularly about your proposals for possible staff impact.

Mr Newman—Yes, we can provide that on notice. I might just add that last week there were some comments made by a member of parliament in Queensland concerned about this very same issue.

Senator MOORE—Exactly. It is in his electorate, so he is very concerned.

Mr Newman—We always consult with the various tiers of government on major network changes. That will occur. As it turns out, because of those recent concerns and the belief that Northgate may have been closed, we have decided to accelerate that. We normally do that when we have something of substance to discuss with the various levels of government.

Senator MOORE—Accelerate the consultation?

Mr Newman—With the various levels of government. We will certainly go and see Mr Swan next week, for sure. He has expressed a very keen interest to do that. We have also decided to give briefings to other government and political representatives. At this stage it will be at a high level because of the very reason that it is still in the feasibility stage. We will provide that information on notice as you have requested, but we will also be pursuing that high-level consultation on the basis that there is this belief that Northgate would have closed—which is not correct.

Senator MOORE—Are there any other proposed changes to the south-east area?

Mr Newman—There are several other lesser changes. There are a couple of other changes under way at the moment in relocating some mail processing equipment to the Sunshine Coast. That is only a minor change. It is moving some of the mail processing equipment that processes the mail in the latter part of the process closer to where the mail is delivered. That gives us a bit more time to handle a bit more mail and also gives us some advantages in the depth of mail sort that we can achieve for those areas. That is fairly advanced, but it is also a fairly minor change. There are other changes that we will have to consider, but they are not even in feasibility yet. They would include looking at how we structure the delivery network in south-east Queensland into the future. Some of the delivery centres there are reaching

capacity. We have a choice of building more or building bigger ones. But they are still very preliminary at this stage. It really is a bit dependent on what we do with the mail processing structure first; that will lead us to solutions in those other areas.

Senator MOORE—The one you mentioned with the equipment changes—does that have any staffing impact on the Sunshine Coast—up around Bundaberg and the central coast areas?

Mr Newman—It has impacts at Bundaberg and Maryborough in terms of some positions being relocated over time to the Sunshine Coast. But we will be doing that in exactly the same way as I described—

Senator MOORE—The RRR process.

Mr Newman—And that is all voluntary—and vacancies become available. We actually phase that in to how we can achieve that concerning the staff. People come and go. They get promoted and move on. We take advantage of those circumstances as they occur. That is the intention there.

Senator MOORE—Can I get the same kind of staffing information on those various locations as well?

Mr Newman—Yes.

Senator MOORE—Down to level and term of employment, which has an immediate impact on the RRR process—how long you have worked for the organisation. The other thing is this. With the one from Northgate to possibly Yatala where you said that the consultation process is now going to be accelerated and you are looking into the future, in relation to the one in the central coast, the Sunshine Coast, what kind of time frame is there for this stage of the process? I think in your answer you said that that has been happening gradually and is imminent.

Mr Newman—That will be happening over the next couple of months, as the machines are relocated.

Senator MOORE—Do the people go with the machines?

Mr Newman—No—well, if they volunteer to do that, they will, yes.

Senator MOORE—You are saying the machines are there now at places like Bundaberg?

Mr Newman—No, I beg your pardon.

Senator MOORE—That is how I pictured your answer.

Mr Newman—I might have to go down to another level of detail.

Senator MOORE—That would be good.

Mr Newman—The mail processing equipment that has been referred to is in fact located in other states, but it is not fully operational because it was not fully utilised. It was found that, if we relocated those machines to Sunshine Coast Mail Centre—

Senator MOORE—Is that the one at Maroochydore?

Mr Newman—It is actually at Nambour.

Senator MOORE—Right, that is the Sunshine Coast Mail Centre.

Mr Newman—Yes—we would get service advantage at Bundaberg and Maryborough. It is not like we would move them from Bundaberg to Sunshine Coast. One came from Sydney and one came from Melbourne because they were underutilised in those large facilities.

Senator MOORE—The machines have come from the southern states are going to be located at Nambour and that will affect jobs and function—

Mr Newman—That will affect some jobs in Bundaberg and Maryborough. As I said, we will be using those tools of trade that minimise the impact on staff to solve those problems. In fact, the staff issues are one major contributor to the speed and the schedule that we rolled out because we are trying to do that with minimal impact on staff.

Senator MOORE—Are you going to need fewer people or just people in a different spot?

Mr Newman—There will be slightly fewer. There will be fewer in Bundaberg and Maryborough and it will require some extras in the Sunshine Coast. I am sorry; I do not have the exact numbers here.

Senator MOORE—If I could get those on notice, that would be very useful.

Mr Newman—The net effect is that there will be a cost advantage in doing that, it optimises our machinery and it gives a service advantage to the people who live north of the Sunshine Coast.

Senator MOORE—Will you be retaining significant Australia Post presence in Bundaberg and Maryborough after this change?

Mr Newman—Yes.

Senator MOORE—My understanding is that these jobs are fairly important in those regions.

Mr Newman—The originating mail is the stuff that is affected. That is the stuff that is posted in the afternoon. Terminating mail, which is the mail that arrives in the morning for delivery, will still be processed at those facilities. It affects the stuff in the afternoon rather than the morning.

Senator MOORE—So it will be mainly the overnight staff that will be affected?

Mr Newman—Where it is feasible to do that, yes. There are transport issues. You have to transport the mail further, but you get more efficient processing of the mail.

Senator MOORE—Who is involved in the consultation process?

Mr Newman—The Queensland state operations people.

Senator MOORE—What is the format? I used to work in an area that used to consult with Australia Post, so I am interested in this at the moment. These are significant changes. What is the process of consultation?

Mr Newman—The primary level of consultation is with the staff.

Senator MOORE—In the local areas?

Mr Newman—Yes. Also, we heavily involve the staff associations in that. For changes of magnitude that there may be interest in from various levels of government, we do include them. There is no hard and fast rule on that. There is a judgment thing—that is, where there is

a small change in a big town we may not necessarily do a full consultation with the various levels, but where there are large numbers involved we do. It is really a degree of significance, I suppose, that would govern that.

Senator MOORE—You are about to accelerate that process in the Northgate-Yatala case. Can you tell me or take on notice what the consultation with government has been in Bundaberg, Hervey Bay and Nambour?

Mr Newman—We can certainly provide that, yes.

Senator MOORE—That would be good. Thank you. When I get the information, I will probably follow up with some other questions. I am interested to know that.

Mr Newman—Certainly.

Senator CONROY—Mr McDonald, going back to what we were talking about before: the issue around the clause that you were reading out from the employment award is actually a matter before the AIRC, isn't it? It is a matter of dispute between yourselves and the CEPU?

Mr McDonald—Yes. There was a hearing last Friday on that which was adjourned.

Senator CONROY—The CEPU would argue that the clauses relate to sick workers coming back to work and being certified as being fit for duty as opposed to injured going off work. That would be their interpretation.

Mr McDonald—We would have a differing view.

Senator CONROY—It is a matter of ongoing argument.

Mr McDonald—Yes, it is still under consideration.

Senator CONROY—If your view was to be unsuccessful before the commission would that have a significant impact on the way you currently do business?

Mr McDonald—This is an award clause. We believe it is the appropriate clause and the way it is being used is appropriate. It is twofold. One is to make sure that people who go back to work are safe to do so—that it is safe for them and safe for the people they work with. It is also to assist us in getting them back to work as early as possible. It has been successful in that. It would be a concern to us, to answer your question, if the clause was interpreted differently.

Senator CONROY—If it was interpreted differently by the commission, okay. What steps does Australia Post take to persuade employees to visit a faculty nominated doctor? Would management call them at home or pay them a visit?

Mr McDonald—They may. Again, if I could just point out that the clause I read out, 26.10, which is the mandatory right for us to refer people to one of our specialist doctors in certain circumstances. The other, the more general one, the injury management prevention program I mentioned to you, is totally voluntary. We encourage people to take that up. Most people do because it is at no cost to the individual. They get up to six visits. As I said, the advantage—

Senator CONROY—It is voluntary, you say?

Mr McDonald—It is voluntary. They can choose to go or not go, or they can choose to accept their own medical practitioner's advice or ours, but we do want to make sure they understand the availability.

Senator CONROY—I was going to say that I thought at a previous estimates Post had said that if a person is injured at work you accept a medical certificate from other than.

Mr McDonald—Yes. Other than in terms of the 26.10, which is a specialist provision.

Senator CONROY—I want to talk about a particular example that I have been made aware of of an Australia Post employee. Ms Weissel was injured work at work last October. She went to her own GP, obtained a medical certificate and was given three days off to recover. I am told that managers hounded Ms Weissel to go to an Australia Post doctor by telephoning her on at least 14 occasions on one morning. I also understand that two managers went to her home, knocked for five minutes, waited outside for another 15 minutes, knocked again for five minutes then left a letter under her door directing the injured woman to attend the Australia Post doctor that day. I further understand that they told her spouse that she had to come to the office and sign on so that the lost time due to injury was cancelled out. Ms Weissel's spouse was told that it would jeopardise their chances of workers comp if she did not go to the Australia Post doctor. Are you familiar with this account?

Mr McDonald—I know the issue was raised by the state secretary of Unions NSW, and there was a reply given on 16 November. We were concerned about the issue of, apparently, the supervisor indicating to her that a compensation claim could be jeopardised by failing to attend a facility nominated doctor's appointment. That was incorrect and that was pointed out in writing to the union and dealt with at the supervisor level.

Senator CONROY—So you can confirm that that was said and that you have dealt with that?

Mr McDonald—Yes, we have.

Senator CONROY—What about what I can only describe as the harassing behaviour of two managers who doorknocked? Did those visits take place?

Mr McDonald—There was a visit. We do not believe it was harassing behaviour. That was again pointed out in the same letter. There was a—

Senator CONROY—Was it the manager who went around? What level of officer visited the home?

Mr McDonald—I am not sure of the level. I do not think it was the manager. The letter I have got simply says that a staff member delivered the letter. It says that he knocked on the door and waited for someone to answer. When an answer was not received he returned to his vehicle to ring the delivery facility. He then delivered the letter after trying knocking on the door a last time.

Senator CONROY—So there was only one person, not two as has been reported?

Mr McDonald—I am not sure of that. The only reference I have is to one person. And it seems at odds in terms of the claim about the number of drops.

Senator CONROY—It could have been a driver and a person?

Mr McDonald—I beg your pardon?

Senator CONROY—The person could have had a driver drive them to the house?

Mr McDonald—I do not know. I would need to check.

Senator CONROY—Have you been able to ascertain whether 14 phone calls were made in one morning to the person's home?

Mr McDonald—There is no indication of that in the response I have seen. In fact, the letter sent back to the state secretary of the union says that the times quoted in the concern—that is, the times quoted in the allegations—were excessive.

Senator CONROY—I just want to confirm that compensation has not been denied. As you said, you have reprimanded the officer who made that claim.

Mr McDonald—I do not know what the outcome was of the particular compensation claim, but the person was told that it was wrong for him to suggest that a compensation claim could be denied by going to an FND. That is not correct, and he was counselled about that.

Senator CONROY—So were there disciplinary measures?

Mr McDonald—I would need to check that.

Senator CONROY—Would you take that on notice?

Mr McDonald—Yes.

Senator CONROY—It would not be consistent with your code of conduct, though, would it?

Mr McDonald—It was certainly done. Whether it was done in error or not, there certainly would have been a discussion. I would need to check the outcome of that discussion.

Senator CONROY—And you will check to see whether there have been any disciplinary measures?

Mr McDonald—Yes, I will.

Senator CONROY—It sounds to me like a breach of the code of conduct to mislead one of your employees in that way.

Mr McDonald—Yes, we would certainly take that seriously.

Senator CONROY—Is it standard practice to send someone around to hand-deliver a letter to an injured worker?

Mr McDonald—It depends on the circumstances. Telephone calls would be more typical, but if that was unsuccessful—

Senator CONROY—It just seems quite ironic for Australia Post to require a courier to deliver mail.

Mr McDonald—It is probably associated with, firstly, the speed of getting to the employee on the same day—although it is a very quick mail service, as you know—

Senator CONROY—If only the public could count on such speed!

Mr McDonald—and, secondly, being able to explain to the employee what the letter was about.

Senator CONROY—So it was not just a delivery; it was someone who was going to explain—

Mr McDonald—Knock on the door, hand them a letter and explain.

Senator CONROY—Explain as well. It sounds very voluntary to me! That sounds like a fair bit of pressure.

Mr McDonald—It is totally voluntary, but they need to know that there is that facility. A lot of employees take up the opportunity to visit one of the doctors because (a), as I said, it is free, and (b) it enables them to get back into the workplace.

Senator CONROY—Do representatives of Post management ever contact facility nominated doctors before or after an assessment?

Mr McDonald—They are only able to talk to a facility nominated doctor about what may be available in terms of return to work—to talk to the doctor about what sorts of occupations are available and to understand what the employee may be able to do in the workplace—not about the medical assessment. That is a matter for the doctor.

Senator CONROY—That sounds to me like splitting hairs, Mr McDonald. How do you have a discussion with someone's doctor to discuss what work they can do without getting some indication of the injury?

Mr McDonald—The medical assessment is made by the doctor. The doctor says, 'This person is able to do X or Y.' The supervisor needs to understand that, and the doctor similarly needs to be aware of the sort of work that might be available.

Senator CONROY—You would agree that it would be a complete breach of the privacy laws if information was sought or received about the nature of the consultation and discussion, without permission?

Mr McDonald—Without permission, yes. A compensation claim is a different situation, of course. That is being assessed by a doctor in terms of a compensation claim, so there may be a debate about the degree of medical—

Senator CONROY—Sure. For the purpose of an argument, obviously both sides are entitled to information. But that is at a different stage. This is at the early stage.

Mr McDonald—Yes.

Senator CONROY—I just want to be absolutely clear. If employees do not attend a facility nominated doctor, are they at risk of losing their job or compensation entitlements?

Mr McDonald—No, they are not—except that they are required, as I said, under 26.5.10, in particular circumstances. But, in the injury management prevention program, no, they are not. It does not jeopardise a workers compensation claim. It is voluntary, as it is in terms of what medical advice the employee chooses to accept under that program—that of their own or our doctor, if they go to him or her.

Senator CONROY—Can you confirm that Australia Post policy is to prefer FND opinions for determining compensation claims over opinions of treating family GPs?

Mr McDonald—No. The facility nominated doctor is a doctor under the injury management prevention program. If somebody puts in a workers compensation claim, it is our right to send them to a specialist or any sort of doctor to determine the nature of the claim. That is a separate process from the facility nominated doctors. In terms of which opinion is preferred, that would depend on the circumstances of each case. The people who make a compensation assessment do that with independence. They as an individual make the assessment. There is not a supervisor who is dealing with them in terms of that assessment. They take into account what medical information they require, which may involve from one doctor or more than one doctor, and make an assessment in each case based on the circumstances.

Senator CONROY—All your FNDs are GPs. They are not specialists, are they?

Mr McDonald—I would need to check whether any of them are specialists. We have around 380 people, I think. I would need to check that.

Senator CONROY—Sure. I understand that Australia Post states this preference for your FND opinions for determining compensation claims repeatedly in compensation documents. Is that right?

Mr McDonald—I would need to check that. I do not know.

Senator CONROY—Let me read to you from a letter from Tanya MacGregor for Australia Post compensation which says:

Australia Post prefers the opinion of Dr Sim—

Dr Sim is identified as an FND—

as he is conversant with Australia Post's practices, workplace duties and reviewed on the date of incident.

It is quite clearly stated here in a letter to one of your employees that you prefer the opinion of your FND.

Mr McDonald—In that particular case and in that particular circumstance. I do not know the case. I do not have the letter in front of me. The assessment is made by the delegate according to all the facts they have. If they need further information or opinion, they get that. As I said earlier, there is a right of appeal if the individual does not like the assessment. Finally, there is a right of appeal to an independent body, the AAT. But it is up to the delegate to get whatever information is required to make a fair and objective assessment.

Senator MOORE—Can I just clarify something. Is there a right of appeal for a member if they are concerned about the doctor you have referred them to? If someone is going through a process and the FND or the doctor under the compensation case—and I am aware that they are separate—is a doctor that the staff member or the staff member's practitioner has some concerns about—previous interaction and that kind of thing—is there any process in the system that can allow that to be discussed before they attend that practitioner?

Mr McDonald—I am not sure. The process would typically be that once the assessment is made, if the individual is unhappy about that for whatever reason, including the medical person who made the assessment, that would get raised at the first level of the appeal process.

Senator MOORE—Which is after the person has been to see the chosen doctor.

Mr McDonald—Yes.

Senator MOORE—I am just interested in that period before. As I said, I come from Queensland, and in some of the regions there are quite limited numbers of medical practitioners or practitioners who are well known. If you go to North Queensland, in a place like Townsville there is a certain panel of doctors. I am wondering whether there have been occasions where people have been concerned. They may have been treated by a doctor for other purposes; the practitioner that they use may have some professional differences with the doctor who is the FND person or the workers compensation person. I was wondering whether Australia Post had any kind of process that allowed that to be discussed openly beforehand rather than having it colour the view of everybody going through the process. It is stressful for everybody, no matter what is going on.

Mr McDonald—I would need to check that.

Senator MOORE—That would be useful.

Senator CONROY—I have other examples where Post has clearly stated its preference for an FND. I understand that overwhelmingly you indicate that you prefer your FNDs to a family doctor. I understand that that is the case. Does Australia Post agree that if an Australia Post doctor treated an injured Post worker it would be unethical and grossly improper for that same doctor to act for Australia Post in a compensation process?

Mr McDonald—I do not know whether we have instances where a medical opinion by an FND is taken into account in a compensation claim.

Senator CONROY—Do you think that a treating doctor acting secretly for the employer would not have a conflict of interest? Someone is actually on your books; they are going to have a conflict of interest, aren't they?

Mr McDonald—The compensation assessment at the end of the day is not made by the doctor. It is made by the delegate taking into account medical information. That information may include briefs and medical assessments. I do not see an issue with that.

Senator CONROY—Is it not a fact that when staff are persuaded voluntarily to go to an FND for treatment they are not informed that the FND will also be acting for Australia Post in the workers comp claim process?

Mr McDonald—When they go to an FND voluntarily there is not a workers compensation claim. Once a workers compensation claim is triggered it is handled under a different process. The injury management prevention program is a voluntary program which is separate from the workers compensation process.

Senator CONROY—But my point is that if you are using the same doctor who has actually examined you, when he goes to the next stage with your employer and you are calling that person as your witness there is a conflict of interest. They are on the employer's payroll.

Mr McDonald—They are paid according to the service they provide, as is any doctor we refer people to, or the person representing the employee may refer them to. I can check that

process. I do not see that, taking into account medical information, as an issue. It has to be assessed fairly and objectively and there are rights of appeal to make sure that is done.

Senator CONROY—I just think it is one of the core issues here that if a person is persuaded—legitimately; not using the sort of tactic that we have talked about previously—to go to a doctor who is one of your FNDs, they do not know at the time that this person could end up being a witness against them on your behalf. And you do not think that is conflict of interest? They are on your payroll; you pay them, and then they turn up as your witness against the poor person who went to them voluntarily.

Mr McDonald— People who go voluntarily are not people who have lodged the workers compensation claim.

Senator CONROY—But they could end up being one.

Mr McDonald—They could subsequently.

Senator CONROY—And then the person that they have been talking to ends up as the witness against them.

Mr McDonald—Let me check what the process is in relation to that particular circumstance.

Senator CONROY—I am happy for you to come back to us on that one.

CHAIR—Have you finished, Senator Conroy? Senator Joyce has some questions.

Senator CONROY—No, I am still going. In a case currently before the AIRC—

Senator IAN MACDONALD—Mr Chairman, does one senator take an hour and other senators just have to wait till he is finished, or do you share it around?

Senator CONROY—Basically, yes.

CHAIR—Have you finished that topic?

Senator CONROY—No, I am still going on this topic.

CHAIR—I think you can continue with that topic, but Senator Joyce also has some questions.

Senator CONROY—I am not trying to stop Senator Joyce. There is plenty of time.

CHAIR—There is indeed, but if you have concluded the topic then we will let Senator Joyce ask his questions.

Senator CONROY—Thank you. In a case currently before the AIRC, I understand that the commissioner has heard evidence that in New South Wales when an injured worker is referred to the facility nominated doctor for treatment, six per cent of patients are found to be unfit for duty. If an injured worker goes to their own GP, 95 per cent are found to be unfit. That seems an extraordinary range, wouldn't you say? It is a huge difference in outcomes.

Mr McDonald—I would be very pleased if a substantial number of employees were found to be able to go back into the Australia Post workplace.

Senator CONROY—But that is a fact, isn't it?

Mr McDonald—I am unaware of what information was given to the AIRC on Friday, but I can tell you the facts for New South Wales.

Senator CONROY—You are not answering the question I have asked you, Mr McDonald. I appreciate your getting some information about the success of your program, but what I am trying to get to is that there seems to be an extraordinary difference—when workers go to your FND six per cent are unfit but 95 per cent are found to be unfit when they go to their doctors. Surely this issue of conflict of interest is going to be relevant here.

Mr McDonald—I think that reinforces the success of the program insofar as I said earlier, Senator—

Senator CONROY—If they are on your payroll I am not surprised.

Mr McDonald—They are paid according to the service they provide for individuals. The IMP system, as I said, is premised on having doctors who understand the Australia Post workplace and what sorts of duties people might be able to do. I think it is great that a substantial number have been able to go back into the workplace. In those circumstances there could well be consultation between the facility nominated doctor and whichever doctor the person may have seen previously. As I said earlier, no-one is forcing an individual to go back to work. It is a voluntary program. If that sort of percentage choose to go back and we have found jobs that can accommodate them, that is fantastic.

Senator CONROY—Okay, and I think you were going to give me some of the statistics a moment ago. Could Post provide to this committee the actual statistics relating to the situation for each state—that is, what percentage of injured workers are found unfit for work by FNDs and personal GPs? I am looking for that comparison across the country. I think I quoted the New South Wales number. But it just seems that family GPs appear to have no idea and only FNDs are your experts here.

Mr McDonald—If a person is employed, for example, as a motorcycle rider, the local GP is probably unaware of the fact that we could put that person into an administrative role or some other role within the workplace because we have a very large, varied and diverse workplace and we have been successful in doing that. I just think it reinforces the importance of the program. As I said, the program was put into place following representations by the CEPU. It involved the IRC and the driver for that was an obligation to try to get people back to work earlier than we were. So I think it is a huge tick for the program. I can provide you with that information.

Senator CONROY—Thank you. I would like to ask some questions about the process of becoming a facility nominated doctor. In response to some questions asked by Senator Marshall in May 2005, Post stated that in New South Wales, Victoria and Tasmania doctors are sourced through a company called InjuryNET Pty Ltd.

Mr McDonald—Yes.

Senator CONROY—Can you tell me how InjuryNET came to get the contract to provide doctors to Australia Post?

Mr McDonald—No, other than that it started in one state and there were discussions with a Dr Milecki, who offered to provide that service. I would have to get the circumstances of

that—it is a few years ago. It is now running in two states through InjuryNET and it is running through other doctors in the other three states.

Senator CONROY—Was there a tendering process?

Mr McDonald—I would need to check for you. I do not know.

Senator CONROY—Do you know what the key performance indicators under the contract are?

Mr McDonald—No, I do not.

Senator CONROY—Would you be able to inform the committee?

Mr McDonald—Yes.

Senator CONROY—Could you provide some tender documentation if it is available?

Mr McDonald—Yes.

Senator CONROY—That would outline some of the issues I am going to the heart of.

Mr McDonald—Sure, I would need to check that.

Senator CONROY—Again, what criteria did Australia Post use to assess the various tenders?

Mr McDonald—I will take that on notice.

Senator CONROY—Is the contract up for renewal soon?

Mr McDonald—Again I will take that on notice.

Senator CONROY—Was it a permanent contract?

Mr McDonald—I would need to take that on notice. I do not know the circumstances or the nature of the contract.

Senator CONROY—I understand that the medical adviser in Queensland has been replaced by InjuryNET. Is that correct?

Mr McDonald—I am not sure. I know that the medical adviser in Queensland was looking at leaving the company. I can check what arrangements have been made to replace him. That is very recent.

Senator CONROY—So the reason for his going was voluntary—he wanted to go?

Mr McDonald—I think so. I would need to check that.

Senator CONROY—Post has told this committee that it has made 8,000 facility nominated doctor referrals over the last two years and this has cost \$1.42 million.

Mr McDonald—That is correct.

Senator CONROY—This amounts to an average cost of \$177.50 per GP consultation. And I think in your previous answers you indicated that all of the doctors were GPs; there were no specialists.

Mr McDonald—I indicated to you that I would need to check whether any of them were specialists.

Senator CONROY—I think previously that Senator Marshall asked that question and you came back and said—I am happy to double-check that—that they were all GPs. But if that is wrong, I am happy for you to correct that.

Mr McDonald—Yes, I will check that for you.

Senator CONROY—So, as I said, 8,000 referrals, \$1.42 million—this amounts to an average cost of \$177.50 for a GP consultation. In contrast, an average GP visit costs around \$45 to \$50. Why is Australia Post paying such a massive premium to its facility nominated doctors?

Mr McDonald—The nature of that consultation could include physiotherapy or other forms of processes—

Senator CONROY—From a GP? Do GPs give physiotherapy? I haven't met one.

Mr McDonald—The injury management prevention program provides for up to six visits, three being of a general nature and three could be for particular circumstances that apply to that case. I would need to check that.

Senator CONROY—This is referring to the 8,000 facility nominated doctor referrals and the cost for the doctor referrals, not for ancillary services, which are all excellent things to do. If this \$1.42 million does not apply to just the doctor visits you might let us know, but that was the answer you gave previously.

Mr McDonald—I do not know what particular service the doctor has given in each case, Senator.

Senator CONROY—I am just reading one of your previous answers. You were asked how much the service costs and how you actually pay the doctors. You said that in the last two years the cost of this service was \$1.42 million.

Mr McDonald—Yes.

Senator CONROY—So I just assumed that that was the cost of the doctors.

Mr McDonald—I will check for you.

Senator CONROY—According to the evidence I mentioned earlier, FNDs only finds the worker unfit in six per cent of cases—that must considerably reduce your compensation liability. You said earlier at the beginning of questions that you have massively reduced it, that you have had a huge success.

Mr McDonald—Yes.

Senator CONROY—So Australia Post is prepared to pay 3.5 times the standard GP fee to guarantee this sort of outcome?

Senator IAN MACDONALD—That does not necessarily follow.

Mr McDonald—The compensation process, as I said, is separate from the IMP process. A compensation claim is assessed on its merits in each case. It is in everybody's interests, as I said earlier, to have people back in work.

Senator CONROY—Does Australia Post provide its management with any long-term incentive payments that are linked to reducing workplace injury lost time costs?

Mr McDonald—We would in many cases expect our managers to take an involvement in ensuring a safe working place. For those people who are on performance based remuneration that may be taken into account depending on what their role is.

Senator CONROY—Are you able to outline the nature of these incentive payments to the managers? If they reduce it from X to Y do they get a performance bonus? You could get back to us with that information.

Mr McDonald—Just so you know, typically it is one of a number of objectives in the performance contract of a supervisor, and any operational manager should have a responsibility for a safe workplace.

Senator CONROY—So it is actually within the contracts—a reduction in the—

Mr McDonald—It is in the performance objectives for that particular year to ensure a safe working environment.

Senator CONROY—Okay. I am sure it says more than ‘ensure a safe working environment’. Are you able to identify what all the criteria are but, more specifically, what the criteria for this item are?

Senator CONROY—The answers previously provided by Post indicate that InjuryNET Pty Ltd has a central role in the Post injury management policy. I understand that Post’s senior medical adviser, Dr Milecki, is the only shareholder of InjuryNET Pty Ltd and is the director and company secretary. Were these arrangements formally disclosed to Post, and to whom and when?

Mr McDonald—Again back to the earlier question in terms of the process of engaging InjuryNET, I would need to check that, obviously.

Senator CONROY—You are not responsible for this area yourself. Is there anyone in the room who is?

Mr McDonald—No, they would not be here.

Senator CONROY—What moneys have been paid to Dr Milecki in InjuryNET Pty Ltd over the past three years?

Mr McDonald—I’ll take that on notice and get it for you.

Senator CONROY—Can you explain how the doctors are paid? Is it by InjuryNET or directly?

Mr McDonald—They are paid directly, and let it be clear that \$1.4 million certainly did not go to InjuryNET, it went to that panel of doctors, depending on the individual consultations, directly.

Senator CONROY—You are the corporate manager of HR: is that right?

Mr McDonald—Yes.

Senator CONROY—So you are actually the line manager for this issue? You are actually in charge of this issue?

Mr McDonald—Well, I am the strategic HR manager. The actual implementation and operation of that is done in each state.

Senator CONROY—So you do not oversee these contracts at all?

Mr McDonald—I do not personally, no; it is done in each state. So there is a contract in New South Wales and Victoria—

Senator CONROY—But you are the national manager.

Mr McDonald—Yes, but Australia Post is organised into divisions with state operations under those divisions. The contract is done in each state. I have not seen the contract but I will check the information you seek.

Senator CONROY—Thank you. Is the injury management early intervention program considered intellectual property, and if so who owns the intellectual property and who supplied it?

Mr McDonald—I would not have thought it to be intellectual property. As I said, it was worked up in consultation with the union and with the Industrial Relations Commission over the last five or six years.

Senator CONROY—Personally I think scam is a better word than intellectual property. I understand that Australia Post has sought to market its expertise in reducing compensation costs. Is that correct?

Mr McDonald—Not that I am aware of. What do you mean, to other organisations?

Senator CONROY—I understand that Australia Post has spoken at a number of conferences and seminars extolling the virtues of the program.

Mr McDonald—It may have, because we do think it is an excellent program.

Senator IAN MACDONALD—They would be crazy if they did not.

Mr McDonald—It is a fantastic program.

Senator CONROY—Can you provide the committee with the details of any seminars that Australia Post have spoken at extolling the virtues of the program?

Mr McDonald—You are talking about external seminars?

Senator CONROY—Yes, external as opposed to internal. If the intellectual property, as I have described it, and it is a little woolly at the moment quite what we mean by this, is not owned by Australia Post, what was the initial cost paid to the supplier and what is the annual cost of the program that has been paid to the supplier since its inception?

Mr McDonald—I will take that on notice.

Senator CONROY—I just want to make sure that I have got the sequence of events right, Mr McDonald. We have Australia Post implementing a policy that has no legal authority, that involves, in my view from the descriptions that I have got which you have not denied, intimidating injured workers to see doctors nominated by Australia Post. Australia Post doctors are on contracts or they are paid 3.5 times the standard GP consultation fee, and Australia Post certainly does not seem to be profiting from these dubious actions. Doctors that are employed by Australia Post find employees fit to work 15 times more often than independent doctors and this has dramatically reduced the cost of workplace injuries. Post management are rewarded with a pay bonus on the basis of whether they can force injured

workers back to work and Australia Post is now seeking to market the secret of its success in how it deals with employees to the corporate world. Minister, are you at all concerned about what you are hearing today?

Senator Coonan—I think there are a number of propositions as well as the factual matters that we have heard about here. The officers have taken a number of matters on notice, so I do not have any additional comment.

Senator CONROY—We have the Chief Medical Officer at Australia Post sets up his own company and mysteriously gets the contract to supply doctors to Post. He is on a performance bonus award if he gets the down. The company he employs is 15 times more successful than your average GP at getting people back to work. It just all sounds a little bit too cosy, don't you think, Minister?

Senator IAN MACDONALD—With respect, Mr Chairman, none of that has been established; they were questions and assertions by Senator Conroy and none of that has been factually established.

Senator Coonan—I was just about to say that.

Senator CONROY—Australia Post has not denied a single fact.

Senator IAN MACDONALD—He has taken most of them on notice.

Senator CONROY—He has not denied a single fact.

Senator IAN MACDONALD—He has taken most of them on notice.

Senator CONROY—There is nothing to take on notice about a chief medical officer setting up a company themselves and somehow mysteriously ending up with the contract—

CHAIR—Senator Conroy, if you have questions for the witnesses, please proceed, otherwise we will go to Senator Joyce. While you clarify matters we might go to Senator Joyce.

Senator CONROY—I have one final question. I am looking forward to receiving the answers, Mr McDonald, and hopefully next time at estimates you will be a bit better briefed on it.

Senator IAN MACDONALD—That is hardly a question.

Mr McDonald—I am taking those detailed questions on notice. However, can I say in terms of your description of the program that that is at odds with what I said. It is a legal program. There is no intimidation, as I have made abundantly clear in the program. It is voluntary, it is used by employees and it is a real value add to those people.

CHAIR—Hear, hear! Good industrial management.

Senator JOYCE—Would it be a fair statement to say that any general practitioner would not have a perfect knowledge of a workplace that one of their patients would turn up from? They would have a view of their patient's health but they would not have any sort of detailed knowledge of their workplace at all. Would that be a fair comment about most general practitioners out there in the community?

Mr McDonald—The doctors we use are taken through the description of the Australia Post—

Senator JOYCE—That is the point I am getting to. The point is that your FNDs actually have some training in the workplace, the environment, the structure and alternative jobs, as opposed to a general practitioner who just sees a person walking in the door and has to, for lack of knowledge of that person's workplace, always err on the side of caution.

Mr McDonald—Yes, that is correct and that is the basis of the program.

Senator JOYCE—Would a reasonable break-up of the numbers be 65 per cent of people on FNDs and 95 per cent of people at general practitioners? That would really just reflect the fact that FNDs know far more about the workplace which the person is returning to than the general practitioner, therefore they would know of alternative employment—for example, as you pointed out, a person riding a motorbike could be given alternative duties. That could be one of the instructions of an FND, could it not—that they give the person alternative duties or roles for the day?

Mr McDonald—That is a very important component of it: the understanding of the different occupations available and the way in which a person may not be able to do one particular job—their normal job—but could do one or a range of other tasks within Australia Post.

Senator JOYCE—Can you tell me about the training of FNDs? What is actually involved with it? How does someone become an FND? What do they have to go through?

Senator Conroy interjecting—

CHAIR—Senator Conroy, Senator Joyce asked his questions, so do not interrupt.

Senator JOYCE—I am trying to ask questions. I am sorry if that offends people.

Mr McDonald—That is the role that is played by Dr Milecki, because he provides the training for the doctors in terms of the Australia Post work occupations.

Senator JOYCE—Is this name right: Mrs Weissel?

Mr McDonald—I think that is right.

Senator JOYCE—How many employees do you have at Australia Post?

Mr McDonald—Around 36,000.

Senator JOYCE—Mrs Weissel is a very special lady, because apparently not only does Senator Conroy have a detailed file on Mrs Weissel but so do you.

Senator CONROY—Is this a speech or is this a question?

CHAIR—He appears to be asking a question.

Senator JOYCE—Has this been some cantankerous issue that has been boiling along for a millennium?

Mr McDonald—We had a representation raised by the union in respect of that individual. We investigate any employee who we have a representation raised in relation to. In that case, we had it in one aspect and we gave a reply along those lines.

Senator JOYCE—Are there any other employees who come to mind whose life, times and troubles exceed that of Mrs Weissel?

Mr McDonald—I cannot answer that.

Senator JOYCE—If Mrs Weissel is the best we can do, it sounds like you run a pretty good show.

CHAIR—If there are no other questions for Australia Post, we thank Australia Post for appearing this morning.

Senator IAN MACDONALD—Mr Chairman, while the changeover is occurring, as you know, I am new to this committee, but I have a general policy question on telecommunications. Is this the appropriate time to ask it?

CHAIR—Yes, you may ask it but we will just wait for the officers at the table to change over.

Senator CONROY—Of who?

CHAIR—I am the chairman, Senator Conroy, not you, so we will see what Senator Macdonald's question is.

Senator CONROY—I am saying: is this the right program?

Senator IAN MACDONALD—I will ask the minister.

Senator CONROY—Can I just clarify—

CHAIR—Let us just wait for the officers to come to the table.

Senator CONROY—I just wanted to clarify how we are going to proceed, whether or not—

CHAIR—We are going to proceed through the agenda, Senator Conroy, in the usual way—

Senator CONROY—No, in terms of the questions.

CHAIR—program by program.

Senator Coonan—I have just been reminded that I have a commitment at 10.30 am for a short period.

CHAIR—Yes, okay.

Senator IAN MACDONALD—I will be finished in five minutes, Mr Chairman.

Senator CONROY—It might be an idea to have a break now.

CHAIR—No, we are not doing that because the minister is leaving in 10 minutes and Senator Macdonald has some broad questions to ask.

Senator CONROY—I just want to know on what basis we are allocating questioning now, and that might be a question that is better discussed in a private meeting, that is all.

CHAIR—We are proceeding in the usual way we deal with estimates and asking questions relevant to the programs.

Senator IAN MACDONALD—But with respect, you have had—

CHAIR—Unfortunately, Senator Macdonald, you pre-empted Telstra arriving.

Senator IAN MACDONALD—It is really a question for the minister.

CHAIR—Leave it until Telstra are at the table.

Senator CONROY—It might be a departmental question, not a Telstra question; that is my point.

CHAIR—We will find out. Let us wait and see, Senator Conroy.

Senator CONROY—I am just saying it might not be the appropriate time to ask it.

Senator IAN MACDONALD—When do departmental questions come into this?

CHAIR—Let us just leave it, Senator Macdonald, until the witnesses are at the table and then you can tell us what your issue is.

Senator CONROY—I am just asking: have we got the call?

CHAIR—We are waiting for Telstra officers to sit down. Nobody has got the call, Senator Conroy, so don't get too anxious.

[10.21 am]

Telstra

CHAIR—I welcome Telstra to the table. Senator Macdonald has indicated that he has a general question which he wishes to put while the minister is here. Perhaps you would like to outline that question, Senator Macdonald.

Senator IAN MACDONALD—It is a question I have raised with the minister in correspondence before, but I thought that, whilst officials were here, they might be able to answer the question. It was a 2001 election policy of the government that you would have mobile telecommunications on the main highways of Australia. I have had some correspondence with the minister and the minister has kindly responded, but I do not quite understand the responses, so I thought while the officials were here they might be able to explain to me why it is that there are still many parts of Australia, many roads in country Australia, main highways but in country Australia, that do not—

Senator Conroy interjecting—

CHAIR—I am permitting Senator Macdonald to ask his question because he has asked to do so while the minister is present and the minister is leaving in 10 minutes, so proceed, Senator Macdonald.

Senator IAN MACDONALD—Thank you, Mr Chairman. Why has the election policy not been actually implemented so that you can drive anywhere on a main highway in Australia and get mobile telecommunications? I understand that Vodafone have the contract—and good on Vodafone—but unfortunately they are not the biggest carrier on the highways, so is there an explanation, or are we likely to get towards it?

Senator LUNDY—It is not a question for Telstra.

Senator IAN MACDONALD—Well, where does it come in?

Senator LUNDY—It comes under 3.1 in the department.

CHAIR—As chair I have permitted Senator Macdonald to ask the question and the minister, or the appropriate Telstra official, can talk about the—

Senator CONROY—It has nothing to do with Telstra.

Senator LUNDY—The question, Chair, has been directed to the department and will come under program 3.1.

Senator Coonan—Perhaps if there is—

CHAIR—Minister, do you wish to answer the question?

Senator Coonan—Perhaps I could suggest that we could resume this when I get back, but if there is anyone from Telstra who wishes to make a comment—

Senator CONROY—I just want to ask why the government have not delivered their promise. It's a good question but it's the wrong place; the place for the question is under 3.1.

CHAIR—It is a good question.

Senator CONROY—Asking it while you were in cabinet would have been a good idea.

Senator GEORGE CAMPBELL—You might have got an answer, Senator!

Senator IAN MACDONALD—Can you point out where it should be asked.

CHAIR—Senator Macdonald, we will just leave it with the minister. If the minister wishes to answer this question on mobile phones on national highways, please do so.

Senator IAN MACDONALD—I am surprised that the Labor Party are not as interested in national highways as I am.

Senator LUNDY—It would be helpful if you read the program before you jumped in with questions.

Senator IAN MACDONALD—Point out where it should be asked, Senator Lundy.

CHAIR—Senator Lundy, I am not interested in a cross-discussion. The minister may or may not wish to provide an answer to this question at this stage.

Senator Coonan—I will, and I do think it is something that is appropriate to be asked. It is just not a very convenient time to do it, to be perfectly frank. We are just getting an update on some information for Senator Macdonald and we will deal with it at a slightly later point, if that is convenient.

Senator IAN MACDONALD—Could you tell me where it actually comes in. Senator Lundy seems to know a lot about this; she might be able to help too.

Senator Coonan—It comes under output 3.1—

CHAIR—It follows Telstra. It is after Telstra, Senator Macdonald.

Senator Coonan—And I will be in a position to give you an update.

Senator IAN MACDONALD—My apologies to the committee for being one in front. Thank you, Mr Chairman, for the courtesy, and the minister too.

CHAIR—We shall now proceed to Telstra.

Senator CONROY—I do not see Mr Trujillo before the committee today. Didn't he receive Senator Nash's invitation to attend?

Mr Gratton—Mr Trujillo received a letter from Senator Eggleston asking him to attend.

Senator CONROY—And just because Senator Joyce and Senator Nash asked for him to be here it was not good enough?

Mr Gratton—It was Senator Eggleston who asked him to be here.

Senator CONROY—You are an excellent lawyer, Mr Gratton, but the question is: why isn't he here? Wasn't the committee request for him to be here good enough?

Mr Gratton—Mr Trujillo responded to Senator Eggleston that, consistent with past practice, we would put together the team we thought best placed to help the committee to discharge its functions. It is worth noting, I think, that Mr Trujillo's predecessor, Dr Switkowski, did not appear before this committee, as I understand it. It was before my time at Telstra but I understand Mr Blount did not appear before this committee. It was before my time—I was not even out of high school; that is probably not quite true—but I gather Mel Ward, Mr Blount's predecessor, also did not appear before this committee.

Senator CONROY—Thanks for the history lesson.

Senator RONALDSON—It might be entirely accurate.

Senator CONROY—It is irrelevant as to whether it is accurate or not. Senators Nash and Joyce, through Senator Eggleston, asked for him to be in attendance. Is it correct that he is in Barcelona?

Mr Gratton—It is correct, yes.

Senator CONROY—It is 10 degrees and cloudy in Barcelona. I hope he is keeping warm. I also noted in the press that Mr Trujillo has agreed to provide a private briefing to the National Party caucus. Is that past practice?

Mr Gratton—Certainly, as I understand it, Dr Switkowski would have met with various politicians from time to time—

Senator CONROY—This is a briefing to a caucus of a party.

Mr Gratton—Senator Nash wrote to Mr Trujillo asking for a meeting and Mr Trujillo agreed to meet.

Senator CONROY—Is there any history lesson we need about whether Mr Blount, Dr Switkowski or anybody else has ever addressed a party caucus?

Mr Gratton—I am not aware whether they have addressed a party caucus as such. I am certainly aware that they have had many meetings with politicians.

Senator CONROY—There is a difference between meeting with ministers, shadow ministers, and even Senator Joyce and Senator Nash individually, but with respect to formally briefing a party caucus, I was just wondering if there was any history on that.

Mr Gratton—My understanding of the letter from Senator Nash was that it requested a meeting. I do not think it specified that it was with the party caucus.

Senator CONROY—It is only with Senator Nash?

Mr Gration—Senator Nash and some of her colleagues, as I understand it.

Senator CONROY—Who all would be members of the National Party.

Senator Joyce interjecting—

Senator CONROY—I think people are leaving it at the moment. People are going in the other direction.

Senator FIERRAVANTI-WELLS—That is the best offer you will get!

Senator CONROY—There is no previous history that you are aware of where the CEO of your company has briefed a party room, which is how it is has been represented in the media?

Mr Gration—I would need to take it on notice to work out the distinction between briefing a group of politicians and briefing a group of politicians as a caucus.

Senator CONROY—You are an excellent lawyer; I am sure you can manage.

CHAIR—I am sure you have a caucus communications committee, Senator Conroy, and people come and brief that, so there is no great distinction there, I do not think.

Senator CONROY—When it is argued that a substitute for Mr Trujillo's appearance is a secret briefing to the National Party caucus, as opposed to attending publicly to answer the same questions, it just seems a little odd, a little contemptuous of the parliament.

Mr Gration—I don't think that is the argument we are making, Senator.

Senator CONROY—We can reconvene at Mr Trujillo's convenience. I am sure the committee would happily reconvene—if Mr Trujillo is coming to Canberra one day to visit the National Party caucus, we could possibly even hold a Senate estimates committee hearing and he could attend that as well. Would he be willing to attend a Senate estimates hearing on the same day that he briefs the National Party in secret?

Mr Gration—The company will continue to send to Senate estimates the team it thinks best placed to answer the committee's questions. Consistent with the practice that I have outlined, that team would not include the CEO.

Senator CONROY—So he is prepared to attend a secret National Party briefing but he is not prepared to attend a public Senate committee hearing?

Mr Gration—Senator Nash wrote to Mr Trujillo asking for a meeting with herself and some of her colleagues. Mr Trujillo has agreed to meet with Senator Nash and her colleagues.

Senator CONROY—I would only give a caution to Senators Joyce and Nash: the last time Mr Trujillo briefed a secret government meeting there was an ASIC investigation and a shareholder class action, so bring your lawyers.

Senator LUNDY—Perhaps we could ask why Telstra is of the view that Mr Trujillo is not best placed to appear before this committee. Isn't he across the company's affairs? What is the problem?

Mr Gration—He is across the company's affairs.

Senator LUNDY—Why isn't he best placed; he is the CEO?

Mr Gration—Certainly the company's view is that the executives appearing before you are the executives who have the answers to the sort of questions this committee puts.

Senator LUNDY—That is specifically not what this committee has indicated to the company by virtue of the chair's request, so why is the company of the view that Mr Trujillo is not the best placed person to appear?

Mr Gration—We think the executives who are here today are the executives who have the level of detail of information that the committee requires.

Senator CONROY—How long has Mr Trujillo spent overseas since he started as Telstra's CEO?

Mr Gration—I do not have that information/

Senator CONROY—Will you take it on notice?

Mr Gration—Yes.

Senator CONROY—I have read in the press that the trip to Barcelona is his third trip to an overseas conference since he started with Telstra; is that correct?

Mr Gration—I do not have that information?

Senator CONROY—Mr Trujillo could probably answer these questions himself more accurately and more quickly.

Senator LUNDY—I think he could.

Senator CONROY—It is remarkable.

Senator LUNDY—He would probably know the answers.

Senator CONROY—I understand he spent the Australian summer in New York; is that correct?

Mr Gration—He has spent time in New York, yes.

Senator CONROY—Over the summer?

Mr Gration—Over the summer.

Senator CONROY—So he has spent a fair bit of time away from his desk physically since he took the job?

Mr Gration—He has spent an awful lot of time at his desk in Melbourne and at his desk in Sydney. He has also spent time overseas.

Senator CONROY—As I said, if you could provide me with the exact details of how many days he has spent overseas since he started with Telstra, that would be appreciated. Why is he spending so much time in New York?

Mr Gration—I am not sure that he is spending so much time in New York, but at least one reason that New York is a place of interest to Telstra is that we are listed on the New York Stock Exchange and have a substantial number of investors in the United States.

Senator CONROY—He has been meeting with investors while he has been in New York?

Mr Gration—I do not know that that is the case, but that is certainly one of the reasons why we have an interest in New York.

Senator JOYCE—Yes, and he does that in Barcelona as well.

Senator CONROY—That is true. I accept that, Senator Joyce. His interests in New York: they are not because he still holds company directorships in the US?

Mr Gration—I am not aware whether his visits to New York are also related to his company directorships in the US.

Senator CONROY—What company directorships does Mr Trujillo currently hold?

Mr Gration—He remains a director of Target, I think it is, and Gannett.

Senator CONROY—He resigned from Pepsi and EDS?

Mr Gration—Correct.

Senator CONROY—I read quite a bit of speculation on this issue when Mr Trujillo was first appointed, and I read that Mr McGauchie had said it was entirely appropriate that he keep one directorship. Can Mr Trujillo count?

Mr Gration—I think Mr Trujillo was asked this question last week when we announced our half-year results. He acknowledged the commitment that he had made to reduce the number of directorships down to one.

Senator CONROY—Is there any time frame as to when he will comply with Mr McGauchie's request? From his statement Mr McGauchie seemed to be saying it was entirely inappropriate to hold two.

Mr Gration—Mr Trujillo has not put a time frame on that.

Senator CONROY—Perhaps we could get an indication from Mr Trujillo as to when he intends to comply and behave entirely appropriately by only having one.

Mr Gration—We can seek an indication of that time frame from Mr Trujillo as to when he will reduce the directorships to one.

Senator CONROY—Do you think it is unreasonable for Mr Trujillo to have to resign his directorships, or should shareholders of Telstra be entitled to think their CEO is actually spending his time on 'the job' rather than his jobs?

Mr Gration—I think the shareholders of Telstra can be confident that Mr Trujillo spends an extraordinary amount of time, as executives across the table can testify, on his job.

Senator CONROY—Maybe if he gave up one of his directorships he might have time to attend estimates. Speaking of the United States, what is the latest update on how many new Americans have joined the Telstra family since we last talked?

Mr Gration—We do not have a specific number as to how many Americans have been recruited to Telstra since last time we talked but we certainly have appointed a number of additional Americans.

Senator CONROY—Can you give me a specific answer to any question I have asked so far?

Mr Gration—I think I have, yes.

Senator CONROY—How many Americans have joined since we last talked?

Mr Gration—I do not have the specific number.

Senator CONROY—You did not anticipate there might be a question about this, given we have asked questions before? That is one of the things about estimates; I understand you spend some days preparing for questions.

CHAIR—Senator, be careful. You are verging on being quite rude to the witness.

Senator RONALDSON—Perhaps you could name those that do spring to mind, Mr Gration.

Mr Gration—Linda Christian has been appointed to assist Greg Winn. I am trying to think of the other appointments we have had.

Senator RONALDSON—Perhaps your colleagues could help as well.

Mr Gration—I think Dan Burns had been appointed last time we spoke, as had Turek Robbiati. There have been additional appointments of overseas employees. It is worth noting there have also been promotions within the company since last time we spoke. Ms McKenzie, who previously appeared before this committee, has been promoted.

Senator CONROY—Have you been promoted, Mr Gration?

Mr Gration—No, I am still where I am as company secretary.

Senator RONALDSON—After estimates, Senator Conroy.

Mr Gration—Holly Kramer has been appointed to head products.

Senator CONROY—Are they Americans?

Mr Gration—Holly Kramer is in fact an American, although she has worked for Telstra for the last five or six years at least.

Senator CONROY—Back to the question that both Senator Ronaldson and I asked, as opposed to the question you are currently answering, about Americans that have been appointed to Telstra, as opposed to giving us a wonderful resume of successful Australians who have been appointed.

Mr Gration—Americans have been appointed since last time we spoke. One example is Linda Christian, who works for Greg Winn. No Americans have been appointed since last time we spoke as direct reports to Mr Trujillo. Further down the tree within the company there have been appointments of Americans, there have been appointments of Australians, there have no doubt been appointments of others.

Senator CONROY—What number are we up to now of appointments of Americans from outside the company since Mr Trujillo started?

Mr Gration—We do not track that figure. I cannot give you a precise number of how many non-Australian nationals or Americans have been appointed to the company since last we spoke.

Senator CONROY—Would you be able to get that for us?

Mr Gratton—I could certainly get the figure for senior appointments since last time we spoke.

Senator CONROY—What are you going to define as senior appointments? Direct reports?

Mr Gratton—I would think direct reports to the CEO and, if it is useful to the committee, direct reports to the direct reports to the CEO—two layers down within the organisation.

Senator CONROY—Where are you in the layers, Mr Gratton?

Mr Gratton—I am on that second layer.

Senator CONROY—How many people are in the second layer?

Mr Gratton—I suspect about 80.

Senator CONROY—I am also interested in Americans on contract, for example Bain and Co. How many Bain employees have you flown in?

Mr Gratton—Bain are providing consulting services to us. We do not fly them in, they fly themselves in.

Senator CONROY—You pay their bills, though.

Mr Gratton—We pay the bills for the services they provide but we do not keep track of the number of employees they use to provide those services.

Senator CONROY—But you pay their airfares, you would be billed for their airfares?

Mr Gratton—They would bill those as disbursements to us, yes.

Senator CONROY—So when I say ‘fly them in’, you are footing the bill?

Mr Gratton—Yes.

Senator CONROY—I appreciate the fine legal point that you made there on the definition of flying them in. Do you have an indication of how many Bain employees have been brought in from overseas?

Mr Gratton—Bain, as you would appreciate, has its Australian operations and there are certainly numerous people out of their Australian operation—

Senator CONROY—I understand they have flown them in from the US and Mr Trujillo wanted the ones he had previously worked with at Bain.

Mr Gratton—There are Bain employees from the US and Bain employees from Europe, Bain employees from the Philippines. There are certainly overseas Bain employees assisting in the task.

Senator CONROY—Could you give us a breakdown of all the nationalities; I am not trying to pick on the US.

Mr Gratton—I cannot today, but we could certainly take it on notice.

Senator CONROY—I did have a question at this point for the minister but she appears to be—

CHAIR—She will be back.

Senator CONROY—I appreciate she is coming back. I wanted to talk about Telstra's switch-off of the CDMA network. Since the government does not seem to be able to answer any questions about that directly, I thought we would chat with you. Should I put those to you, Mr Gration?

Mr Gration—Why don't you put them to me, and if I need assistance from Mr Jennings and Mr Pinel—

Senator CONROY—You would know a lot about the CDMA network, though, wouldn't you?

Mr Gration—I know something about the CDMA network: test me out.

Senator CONROY—You probably know what it stands for.

Mr Gration—Code division multi something.

CHAIR—Continue, Senator Conroy.

Senator CONROY—I offered Mr Gration the opportunity to pass the questions on and he decided he wanted to take them, so I thought we would start out with a simple one: what does CDMA stand for. We are away.

CHAIR—Let us proceed.

Senator CONROY—Telstra has already commenced work on its new UMTS 853G network: is that correct?

Mr Gration—That is correct.

Senator CONROY—I understand that Telstra is currently undertaking trials for it in northern Victoria: is that correct?

Mr Gration—We are undertaking trials, yes.

Senator CONROY—In northern Victoria?

Mr Jennings—That is correct.

Senator CONROY—Anywhere else?

Mr Jennings—Not at this point.

Senator CONROY—How are the trials going?

Mr Jennings—We are very happy with the way the trials are going. They show that the technology works and it gives us great confidence.

Senator CONROY—What kind of results are you getting?

Mr Gration—We made an announcement, I think last week or the week before, that we had made successful video calls between the 850 network and the current 2100 3G network.

Senator CONROY—Are these results in line with expectations? It sounds like they are.

Mr Gration—As I understand it, yes.

Senator CONROY—Are you getting the coverage distances you announced at the strategic review?

Mr Jennings—The test at Elmore in Victoria was not aimed at looking at coverage. When we test coverage we will go to a much higher site and stretch the technology—

Senator CONROY—Sorry, a much?

Mr Jennings—A much higher site. Elmore is not a site that has a large coverage footprint. The objective of the first test was to just ensure that the system worked, supported video calls and supported the other types of services that we would want to run over it.

Senator RONALDSON—It is surrounded by mountains and hills.

Mr Jennings—That is correct.

Senator CONROY—Telstra has promised that its new UMTS 3G network will have equivalent or greater coverage to its CDMA network. What information is available to the Australian public about the coverage currently provided by the CDMA network? I presume you maintain coverage maps.

Mr Jennings—Yes, we do.

Senator CONROY—How are the coverage maps compiled?

Mr Jennings—The coverage maps are compiled based on modelling that we do.

Senator CONROY—So it is possible that there are black spots and other anomalies, given that it is a model? You do not actually send someone out to stand in every point within the footprint.

Mr Jennings—That is correct.

Senator CONROY—There are black spots. Senator Macdonald was alluding to some black spots earlier, even though they are not necessarily Telstra's black spots. Is there any independent verification of these maps?

Mr Jennings—The last time that they were verified was when we moved from the analog network to CDMA and the department and Telstra audited several sites to compare three things: to compare the CDMA coverage footprint with the analog footprint and with the models that were formed as the basis of the coverage maps. At that time the correlation between those three items was very high.

Senator CONROY—The department was involved in that testing?

Mr Jennings—That is correct.

CHAIR—Senator Conroy, it is now a quarter to 11, which is our scheduled morning tea break, so we might take that and we will resume at 11.

Proceedings suspended from 10.44 am to 11.02 am

Mr Jennings—I would like to clarify one point that I made in the last session. I think I talked about the department being involved in the coverage testing. It was in fact the ACA. The second point that I would like to make is in reference to the question that was not asked, and that was about highway coverage. Telstra has extensive highway coverage already. In the case of the Vodafone-government funded highway coverage, there was a very large overlap between our existing coverage and the coverage proposed by Vodafone. What was left, which

was unique coverage, was very small and island-like and was simply not commercially attractive for us to pursue.

Senator CONROY—We were discussing the maps and auditing. Do these audits involve physical testing on the ground?

Mr Jennings—Yes, they do. They involve people going out, driving the coverage footprint and doing actual physical tests.

Senator CONROY—What do the tests consist of?

Mr Jennings—The test is that you can make and sustain a quality call.

Senator CONROY—Did the recent tests you did in northern Victoria involve physical testing as well? I got the impression they did.

Mr Jennings—Yes, they did.

Senator CONROY—What coverage distances have UMTS 850 phone towers been shown to be able to deliver right now?

Mr Jennings—To date we have not done coverage tests.

Senator CONROY—Internationally then.

Mr Jennings—Internationally, the UMTS 850 is in its early stages of development, and to our knowledge there have been no extended range tests of UMTS.

Senator CONROY—Is it true that the testing that has been successful so far is 50 kilometres without modification and up to 161 kilometres with a software upgrade?

Mr Jennings—That is correct. There are a number of enhancements to the software that will occur over time which will extend the footprint of UMTS 850.

Senator CONROY—What coverage do CDMA towers currently deliver?

Mr Jennings—It varies. It depends on the terrain and on the conditions in the atmosphere, but we can sustain calls on a very high CDMA site to beyond 100 kilometres.

Senator CONROY—I understood if a boomer cell was enabled it was around 180 kilometres.

Mr Jennings—Under certain circumstances you could get that. There would be no reason why you could not achieve 180 kilometres with a suitable height of base station, suitable height of customer antenna and suitable terrain.

Senator CONROY—Telstra's strategic briefing presentation states that Telstra has vendor commitments to extend the range of its proposed UMTS 850 network to 200 kilometres. Has this type of coverage ever actually been delivered in a commercially operating network anywhere in the world?

Mr Jennings—In our original CDMA network—and recognising that both these technologies are CDMA, albeit of a slightly different vintage—we did have calls in excess of 230 kilometres. Those calls, however, were between an aircraft and a high base station, so they were not your typical user.

Senator CONROY—Going back to my question, has this type of coverage—the 200 kilometres that was announced in Telstra’s strategic review—ever actually been delivered in a commercially operating network anywhere in the world?

Mr Jennings—On a UMTS network, no, because the software development needs to be done before that can be possible.

Senator CONROY—So the 160- to 200-kilometre extension would be unique to Australia, would it not?

Mr Jennings—It is expected that when the technology is developed it can be used in other places as well.

Senator CONROY—Will service quality decline at all outside of the coverage areas—between 160 kilometres and 200 kilometres? Will there be increased drop-outs and reduced data performance? Are there any indications?

Mr Jennings—We believe that when we have the capability to extend coverage to 200 kilometres there will be no difference between what our customers experience today and what they will experience under the UMTS 850 technology.

Senator CONROY—When do you envisage being able to test distance? You mentioned you were testing a video. When is your testing of distance going to start?

Mr Jennings—We expect that will start to occur later this year, and as we get the new software upgrades for the network we will do additional testing of coverage.

Senator CONROY—But these software upgrades have not been developed yet?

Mr Jennings—They are in the process of being developed.

Senator CONROY—I am trying to get hold of how we are going to be able to evaluate whether the new network provides coverage equal to or greater than the existing CDMA network. I expect you would need to undertake an audit of current coverage now and then an audit of the new network’s coverage before you flick the switch. Is that fair?

Mr Jennings—I think we would do those tests concurrently, on the basis that both networks will be running concurrently. We would do the tests while both networks are up and operating.

Senator CONROY—Will the department be involved or will there be discussions with the minister about these audits? Are you doing them just by yourselves at this stage or are you doing them in conjunction with the department?

Mr Jennings—By ourselves at present.

Senator CONROY—Minister, will the department be observing any trials in the near future?

Senator Coonan—I do not know. You will have to ask them, Senator Conroy.

Senator CONROY—You are the minister for it.

Senator Coonan—The department will work out whether or not it will participate in that. Ms Williams may know.

Senator CONROY—Ms Williams, I was just asking whether or not the department would be monitoring the audits of the new network to replace CDMA or if you had had any discussions with Telstra yet about the audits.

Ms Williams—We are establishing a working party, which will include Telstra, to examine the full range of service quality and regulatory issues associated with the induction of the 3G network, including where the coverage is. Sorry, I did not hear the question; does that answer it?

Senator CONROY—Reasonably. Who is on the working party?

Ms Williams—The department and the Australian Communications and Media Authority. The first meeting is later this week.

Senator CONROY—Any independent third parties? Any scientific experts being called in by the department or ACMA?

Senator Coonan—It is only just getting constituted.

Senator CONROY—That is what I am asking: who is going to be on it?

Senator Coonan—It is only just getting constituted with the department, ACMA and Telstra. No doubt if they need some further people on it that would be when they would discuss it, because they have not met yet. They are meeting, I think, later this week was the answer. Your earlier question was relating to audits, was it?

Senator CONROY—Yes.

Senator Coonan—Obviously, this group is going to be looking at whatever it needs to make sure that there is a smooth transition. That is why the working group has been constituted, cognisant of the fact that you do need to manage this very carefully. That is what the relevant parties have at the front of their minds in convening and meeting.

Senator CONROY—This is a choice for you, I guess, Minister, or Ms Williams. This is a very technical area and I would not actually expect you or Ms Williams or myself to have any idea about some of these issues. I was just wondering whether there would be someone independent of Telstra giving technical advice to the working party or will you just be accepting Telstra's advice?

Senator Coonan—The department works with Telstra through many technical areas across all of the networks. I would assume that, if there is any additional information needed by either the department or Telstra, that will be something for the working group.

Senator CONROY—Would you consider having someone from a consumer association involved in the working group, just for a consumer perspective?

Senator Coonan—We know what consumers want here: they want to be able to continue to have a good coverage and to be able to have at least as good a service as they get with CDMA. We know what consumers want. This is a very technical inquiry group that we have convened here to make sure that these issues can be sorted out in the long-term interests of consumers.

Senator CONROY—As it stands we are basically being told by Telstra, ‘Trust us; we’ll deliver what we’re telling you,’ even though it actually has not been done anywhere else in the world.

Senator Coonan—I do not think Telstra is saying, ‘Trust us.’ What Telstra is saying is, ‘We will work with you, the department, and we will work with you, the regulator, to make sure that service standards are at least equivalent to CDMA and to make sure that the services to consumers are not interrupted.’

Senator CONROY—Mr Jennings, I got the impression before that you made a reference to CDMA as a 3G style. You said, ‘albeit older’.

Mr Jennings—Just the same basic technology.

Senator CONROY—Yes, the basic technology is—

Mr Jennings—They are both CDMA, yes.

Senator CONROY—That is what I thought. Is there any upgrade of software that is possible under the existing CDMA that would achieve what you are seeking?

Mr Jennings—No, there is not. We need to change both the hardware and the software.

Senator CONROY—To deliver video and things like that?

Mr Jennings—To deliver fast data speeds, coverage.

Senator CONROY—Just software is not enough, in your view.

Mr Jennings—Software is not enough, no.

Senator IAN MACDONALD—While Senator Conroy is thinking of his next question perhaps—

Senator CONROY—I am not actually; I was just pondering the phrasing of it. I have pondered enough, thank you, Senator Macdonald. I appreciate your interest.

Senator IAN MACDONALD—I do have some questions, Mr Chairman. Senator Conroy has been now speaking for most of the 2½ hours that we have been here. Is anyone else going to get a go?

CHAIR—They will indeed. Are your questions on this issue?

Senator IAN MACDONALD—After being told that the issue of the election promise and the coverage on the mobiles was not for Telstra, while I was away I heard that Telstra actually answered it. I wanted to pursue that, which is also relative to the CDMA 3G question that Senator Conroy is raising. If he is nearly finished, I will wait, but if he is going to go on—

Senator CONROY—I would not say that I am nearly finished on CDMA, but I will be finished relatively soon.

Senator IAN MACDONALD—Perhaps I could interpose and you could come back.

Senator CONROY—Normally the chair does not like orderly questioning to be senators just firing in backwards and forwards. Normally it is worked on the basis that I finish mine and then we go to you and you ask all of yours and then we go to Senator Ronaldson or Senator Joyce.

CHAIR—Except in this case Senator Macdonald did ask his question earlier and Mr Jennings did make some comment about it. Perhaps we might let Senator Macdonald pursue this briefly.

Senator IAN MACDONALD—I do not want to interfere with the smooth running of the Senate; it is just that, with respect to Senator Conroy, you have a lot of things to ask, but so do the rest of us.

Senator CONROY—It is called Senate estimates and I am asking on behalf of 28 senators, it is not just my own personal flights of fancy.

Senator IAN MACDONALD—We are asking on behalf of 36 senators so we should have more time then.

CHAIR—Senator Macdonald, what do you wish to do? Do you wish to get into this issue?

Senator IAN MACDONALD—I do not wish to offend Senator Conroy—

Senator CONROY—I just want to know whether you are going to consistently apply, Chair, or not?

CHAIR—We do consistently apply and the consistency here is that Senator Macdonald raised this issue and he was out of the room when the answer was given; therefore, perhaps he has some case to seek some information about it at this point. If Senator Macdonald is prepared to defer to you, if that is his wish, we will do that; otherwise Senator Macdonald may—

Senator IAN MACDONALD—If Senator Conroy is going to sulk—

Senator CONROY—I know that Senator Joyce also has questions on this issue and I am sure Senator Nash does. They are politely waiting their turn.

CHAIR—They are, indeed, but the issue that Senator Macdonald is inquiring about is coverage on highways, and that was a matter that was raised earlier. He missed the answer that was given by Mr Jennings. Senator Macdonald, it is in your hands. Do you wish to proceed?

Senator IAN MACDONALD—Thank you, Mr Chairman. I did hear you say, Mr Jennings, or I heard someone say, that most of the Vodafone coverage was being covered by Telstra by some arrangement but there were certain parts of it that were not economic so you were not going to do that. Is that correct?

Mr Jennings—It is a little bit different to that. What I said was that when the bids for that funding for highway coverage came up, Telstra's existing coverage overlapped to a large extent with what Vodafone were proposing as their coverage extension. Therefore, we assessed the Vodafone additional coverage to our existing footprint and decided that it was not economic for us to develop systems to bring that coverage into play, remembering that our CDMA network is what we are using for our coverage extension footprint and what Vodafone were using was GSM, so there was a technology difference as well, which made it unattractive for us to go down the Vodafone path. That is why we did not opt to take up Vodafone's offer.

Senator IAN MACDONALD—Can I say at the outset that I think your mobile telecommunications coverage in the country is excellent, both CDMA and digital. It is a very good service. Our government had a policy at the election in 2001 that we would be able to have continuous mobile phone coverage along all highways within a reasonable period of time. My correspondence with the minister has indicated to me that Vodafone do have that continuous coverage but that I should get in touch with my provider, which happens to be Telstra, and I should insist that Telstra come to some arrangement with Vodafone so that I do have mobile phone coverage. That hardly seems to be the import of our policy—that I as a consumer had to get in touch with Telstra and make them do something. Will you not be making arrangements with Vodafone that will provide, as the government promised, mobile phone coverage along all the major highways in Australia?

Mr Jennings—That has been our decision, but I point out that taking the Vodafone coverage will not provide total coverage along the major highways of Australia.

Senator IAN MACDONALD—Why not?

Mr Jennings—Because we do not believe that, compared to our existing CDMA coverage, it adds very much at all.

Senator IAN MACDONALD—Again, this is coming back perhaps to the minister or the secretary, but are we going to leave the contract with Vodafone? I have no complaint with Vodafone except that they won the tender but are not obviously able to comply with the government's election promise to have mobile telephone communications along all the major highways in Australia.

Senator Coonan—Clearly the government cannot force Telstra to enter into some sort of roaming agreement with Vodafone.

Senator IAN MACDONALD—No.

Senator Coonan—But, obviously, we can ask, and sometimes Telstra accedes to these kinds of requests and sometimes, for commercial reasons no doubt, they do not. Our understanding is—and we are having a look at this contract—that there is pretty much near continuous coverage. I know you have brought up certain issues to do with the Newell Highway. The regulator has had a look at this as to whether or not there should be a declaration involved and, I think, on a couple of occasions has thought that there should not be. I am going to have a look at whether this is simply an impasse that does require us to do something further or whether we can come to some better arrangement, from a governance perspective, to ensure that where there are these gaps they can be met.

Senator IAN MACDONALD—I appreciate that, Minister. It is an issue I raised with you, I think, six months ago and I am pleased to see that it is being worked upon. It is not just the Newell Highway. That was an example I gave you, but I can also tell you that between Rockhampton and Mackay there are difficulties. There is one spot between Ayr and Townsville, where I drive to work every day, where there are difficulties. And I am sure if you go around the whole of the country you will find that there are these difficulties. I repeat again that I think their service is absolutely marvellous. It is a very good service but it could be a fraction better. Perhaps we as consumers do not really understand that Telstra have to make an arrangement with Vodafone or Vodafone have to make an arrangement with Optus or

whoever, but we just want a drive along the highway with the phone of our choice and get coverage. Perhaps I could ask Telstra: is the 3G system going to be more widespread than CDMA? Or is it the exact same footprint?

Mr Jennings—The 3G UMTS850 system will be deployed into all of the CDMA-only base stations and by far the majority of GSM and CDMA base stations where the two technologies sit together. So it forms a superset, if you like, of what we have today in both technologies.

Senator IAN MACDONALD—Has anybody done any study on where the Telstra network does not work on the main highways?

Senator CONROY—Top of the West Gate Bridge.

Senator Coonan—The reasons for black spots vary enormously. You get black spots in Sydney. You get them everywhere.

Senator IAN MACDONALD—Yes, indeed.

Senator CONROY—Top of the West Gate Bridge in Melbourne. Dropped out the other day again.

Senator Coonan—I sense in your question some kind of rebuke that, in the past six months, this has not been somehow or other magically fixed. We do have \$30 million now available to fix black spots in various places, as you know, as part of the Mobile Connect package. So we continually identify where there are these problems. Your point, which I think is a valid one, is that there may be more of an operational reason for some of the problems that exist. We have to be very sure that, where we do spend money to fix this, we get a good outcome and that the technology is not going to gallop ahead—

Senator IAN MACDONALD—And that we abide by our election commitment.

Senator Coonan—so that you put it in. We have, in fact, abided by the election commitment. We now have \$30 million more—

Senator CONROY—It does not sound like it to me.

Senator Coonan—to ensure that where there are black spots they can be addressed.

Senator IAN MACDONALD—You are right, Minister. I am not really talking about black spots. The West Gate Bridge and the one spot as I drive from here to Townsville are black spots. What I am more concerned about, though, is where there is not coverage along the highway. My question to Telstra is: do they have some map or some detail that will show which of the main highways around Australia are not covered by Telstra's network? That is the first question. Do you have that? Do you know where you do not work?

Mr Jennings—Sure. We have coverage maps that would show that.

Senator IAN MACDONALD—Have you ever done an assessment of what it would cost you to fill those gaps? You mentioned it is uneconomic, which I accept, but, with the government as still the major shareholder of Telstra, the shareholders might have to insist that Telstra, in this instance, do something that is not quite economic.

Senator CONROY—I reckon, Barnaby, if you give Senator Macdonald a form you might get a replacement for Julian.

Senator JOYCE—That would be two. That would be you and Senator Macdonald!

CHAIR—I think the coverage on highways is a broader issue.

Senator CONROY—It is a departmental question now; not a Telstra question.

CHAIR—It probably is one that comes up under that section where we talk about the mobiles on highway program.

Senator IAN MACDONALD—If I am hogging the floor for my 10 minutes I will finish on that point. I urge Telstra to seriously consider it though. You are the biggest carrier and you or Vodafone might have to sharpen your pencils or something and come to some arrangement.

Mr Gration—I will just comment on the point that Mr Jennings made earlier that the excellent coverage we do provide in regional areas, which you referred to, we largely provide through our CDMA network. CDMA handsets will not roam onto the Vodafone GSM network so it is not that we could extend our CDMA coverage by entering into a roaming arrangement with Vodafone. The excellent coverage we do provide with that CDMA network cannot be improved through GSM roaming arrangements with Vodafone.

Senator IAN MACDONALD—What about 3G?

Mr Gration—I was going to say that what it can be improved through is the 3G network that we plan to roll out.

Mr Jennings—Just to put this into perspective, when we completed the CDMA network originally, we did a drive test from Port Augusta to Port Douglas—from memory, about 4,500 kilometres. My recollection of that was there was only 25 kilometres of road that was covered.

Senator IAN MACDONALD—That was covered!

Mr Jennings—That was not covered, I beg your pardon.

Senator IAN MACDONALD—That is not right.

Mr Jennings—That is exactly what we measured. That was with a phone, a car kit and an external antenna. Senator Conroy, the West Gate Bridge, for me, anyway, is okay.

Senator IAN MACDONALD—Did you go down the Newell Highway?

Mr Jennings—The Newell Highway, I will acknowledge, has some holes in it.

Senator IAN MACDONALD—More than 25 kilometres.

Mr Jennings—No, we did not go down the Newell Highway. It was the Sturt Highway—

Senator IAN MACDONALD—Did you do the Bruce Highway?

Mr Jennings—the Hume Highway, the Pacific Highway and the Bruce Highway.

Senator IAN MACDONALD—I could take you to 25 kilometres tomorrow, but, anyhow, thank you very much.

Senator RONALDSON—Chair, have we done the CDMA?

CHAIR—I do not think we have but if Senator Conroy is not available we will go to Senator Adams or Senator Nash.

Senator ADAMS—Mr Jennings, you have given us an overview of the eastern seaboard coverage on their highways. I am from rural Western Australia. Could you give a brief overview of how we are going there.

Mr Jennings—In terms of CDMA?

Senator ADAMS—The main highways.

CHAIR—Senator Adams, we are going to come back to that under the department because there is a specific program. If you want to ask questions about CDMA and the new program for CDMA—

Senator ADAMS—The 3G.

CHAIR—That is what we are dealing with: the 3G program.

Senator ADAMS—What are the benefits of the new 3G network for people living in rural and remote areas, bearing in mind the huge cost increases they are forced to pay? I have had a lot of constituents getting very agitated—a bit like when the analog was discontinued. Now they are saying: ‘We have our mobile phones; why should we have to go and buy new ones? What is the coverage going to be?’

Mr Jennings—I will address two aspects of that. First, the network. Because they would largely be using CDMA now their coverage footprint will remain. That is a given. With the 3G network we also expect that the capabilities provided by that technology will increase substantially to allow video calling and other higher speed data services, which those customers would not have available to them currently. Secondly, on the affordability side, the public position that we have had on changeover from CDMA to 3G is that there will be affordable packages for customers to change over their services when the time comes. In fact, letters to that extent are being sent to customers, beginning today, advising of the impending closure and reassuring them that there will be very competitive plans available for them to change over their services.

Senator ADAMS—Following on from that, is the footprint going to expand? I am down in the southern area of rural Western Australia and there are still a terrific lot of areas where we have no hope of coverage. It is very difficult when you get to a mobile area and your phone is jammed up with messages. You just cannot get service. I am asked all the time: is it going to be better? Why are we changing?

Mr Jennings—As part of our 3G roll-out we have some plans for minor extensions, particularly along some of the highways. But, generally, what we would do is expand the network where it makes commercial sense to expand. That will be no different with 3G to what it was with CDMA or GSM.

Senator NASH—Going now to the trials that were conducted in Elmore in Victoria, why was that particular site chosen as the trial site?

Mr Jennings—I think mainly because the configuration of the Elmore site suited what we were trying to do technically.

Senator NASH—What was it that you were trying to do technically?

Mr Jennings—We were trying to ensure that what we call embedded cells work together correctly. At Elmore there is a hill nearby called Mount Burrumboot, which provides an umbrella coverage footprint around the Elmore area. There is also a site at Elmore itself that sits within that footprint. A part of the objectives of the trial was to ensure that both those cells worked together, interacted properly and handled calls properly. That is why we chose Elmore. There were many other suitable locations but that was, I guess, the closest.

Senator NASH—Particularly from a rural and regional point of view, I would have thought that one of the things to be very sure of would have been the distance capacity. Why was that not a priority in the trialling?

Mr Jennings—As I mentioned before, we will not achieve our full distance capability for some months yet, because we need new software loads to do that. They are not available presently. So distance testing was not a high priority at this point in time. It will be in time, as the network build moves on.

Senator NASH—When do you envisage that this will start to roll out? There is some indication that it has already started, even though you are not yet sure about the distance capacity. Has it already started?

Mr Jennings—Yes, it has started. We anticipate that towards the end of the 2006 calendar year we will be getting close to completing the initial roll-out. There will be a period of testing beyond that to ensure that the network is up to commercial standard, and some time in the first quarter of 2007 we expect to be in a position to site, to switch on, the new 3G network.

Senator NASH—You indicated that you were happy with the results of the trial. Can you expand on what ‘happy’ means?

Mr Jennings—One point that we were happy with was that the configuration worked, the cells interacted correctly. We were able to make calls not only on our 850 test base station but through that system and into the other 3G system that we have in partnership with Hutchison. Those calls were not just voice calls. They were a full range of different call functionalities, including point-to-point video. Because all that occurred so speedily after we made the announcement, it gave us cause for great optimism.

Senator NASH—Obviously the handsets are going to have to be able to roam between the 2.1 and the 850. Where do handsets currently exist that do both of those spectrums? What I am getting at is whereabouts in the world does this particular system currently exist? Where do the handsets that go with that currently exist and what is their performance like?

Mr Jennings—Currently handsets exist in the United States, and they support 850 UMTS, as well as GSM 900, 1,800 and 1,900 megahertz. The reason I included that is that it is important to understand that, where 3G is not available, these handsets will roam onto a GSM network. Those three GSM frequencies will cover the bulk of the world’s GSM networks. Secondly, in 2007 we expect that handsets will become available that will do both 850 and 2,100 UMTS, plus again the full range of GSM frequency bands. At that point in time we will have what we could call, if you like, a universal handset that would work on pretty much any system around the world.

Senator NASH—Is there going to be one particular changeover date in terms of the schedule or do you envisage some form of progressive changeover?

Mr Jennings—The networks will run in parallel for some time. It will only be until we are satisfied that the UMTS 850 network is suitably performing that we will move to close the CDMA network, but that will not be before 28 January 2008 in any case.

Senator NASH—Will there be any period—and I am taking your ‘for instance’—during which a rural dweller who may still only have a CDMA handset who travels to a metropolitan area will not be able to access the GSM network?

Mr Jennings—I think your question is, ‘Will it?’

Senator NASH—I know what my question is; I just want you to answer it.

Mr Jennings—CDMA will not roam onto a GSM ever. But, no, the CDMA network will remain in its entirety until it is switched off in its entirety. It will not be like what we did with analog, where of course we had some fixed switch-off dates which we could not easily influence. It will be as an entity. So the 3G UMTS 850 network will be switched on as a complete entity as well.

Senator NASH—So at no stage will CDMA handset owners be disadvantaged by what you are doing with the transfer?

Mr Jennings—No, they will not.

Senator RONALDSON—So there will not be that disgraceful lack of planning that occurred in relation to analog, which led to a lot of rural users without any mobile coverage at all?

Mr Jennings—The issue with analog was that there were some mandated dates by which we had to switch off part of the analog network.

Senator RONALDSON—It was a political decision, wasn’t it? Just say yes, because that is what the answer is.

Mr Jennings—I am not here to discuss politics; I am here because I was part of it, to tell you all what happened. Technically that was a difficult program to run because of the staggered switch-off and the early switch-off of the analog network. We do not have that situation here.

Senator NASH—You said that, when we get to the point of the handset changeover, there would be affordable packages. I have got to go out and tell people in the regions that there will be ‘affordable packages’ and they are going to say to me, ‘What does that mean?’ How much will a handset cost?

Mr Jennings—The letter that is going out to customers will in fact indicate that there will be at least one package which has a \$0 up-front commitment.

Senator NASH—But that necessitates staying with Telstra, doesn’t it?

Mr Jennings—Yes, it will.

Senator NASH—To slightly digress: currently with CDMA you are having to resell. Would you envisage the same situation will remain in terms of GSM—that Telstra will still be looking to resell with the new network?

Mr Jennings—We have some existing contractual commitments to resellers, which we will honour. Beyond that, any proposals to resell we will assess on a commercial basis.

Senator NASH—So anything existing will be maintained but there will not necessarily be anything further?

Mr Jennings—Correct. it would need to be commercially attractive for us.

Senator NASH—How do you define commercially attractive?

Mr Jennings—I will leave that up to our financial folks, but I imagine it means to create a reasonable rate of return.

Senator NASH—Just moving on: currently there are very innovative uses for CDMA—monitoring and controlling of irrigation systems and those types of things—that are very important out in the rural areas. We are now seeing a much greater take-up of technology. Will the new service provide that? Will they be able to migrate those things to the new service you are proposing?

Mr Jennings—We believe so.

Senator NASH—You believe so? Is that a definite?

Mr Jennings—At this stage, yes. Those devices are wireless modems and we expect that there will be a range of wireless modems available for the new network as well.

Senator NASH—So has there been any testing or trialling done on that?

Mr Jennings—No, there has not to date.

Senator NASH—Has there been any done anywhere else in the world?

Mr Jennings—In the US a company called Singular have already commercially launched data cards.

Senator CONROY—What frequency are they using?

Mr Jennings—They are using 850.

Senator CONROY—I thought it was 1900.

Mr Jennings—No. They do use 1900 as well, but most recently they have launched 850.

Senator NASH—What do you envisage will happen if they cannot migrate?

Mr Jennings—I am confident they will. I do not see that as an issue. I think what we are seeing is the development of terminal devices for 850, and that development is quite rapid. We expect that later this year and certainly into the first half of 2007 there will be a considerable range of terminal devices of all sorts.

Senator NASH—So I will go and tell my farmers that Telstra reckon it will be okay.

Senator CONROY—‘Trust me!’

Senator NASH—It is my question, Senator Conroy. I did not interrupt you.

Senator CONROY—I am actually in the middle of mine, just for the record.

Senator NASH—Certainly Telstra has given a commitment that the CDMA network will continue until the 3GSM is available. I have had some people come to me talking about the fact that they were just about to get CDMA, according to Telstra, who had said, ‘We are just about to give you your mobile tower.’ How many CDMA mobile towers currently are—or were, before this came up—on the drawing board to happen in the reasonably near future?

Mr Jennings—I do not have that number, but I can say that any that are in construction will conclude their construction.

Senator NASH—What about ones that were intended to be constructed? Will there be a time lag for that particular person getting their mobile coverage? Will they now have to wait longer because of the 3GSM?

Mr Jennings—The answer to that very much depends on economics as to whether it is worth putting in additional towers at this stage of the development of the 850 UMTS network. They will be looked at on a case-by-case basis. If we feel that, economically, they are warranted we will build those two.

Senator NASH—So somebody might in fact have to wait longer for just a mobile service—not taking into account data or voice or anything else that I do understand will come with the new technology. I am all for new technology, but they may well have a delay period now because of the potential of 3G.

Mr Jennings—It is possible, but we hope that that will not be a very long delay.

Senator NASH—Just on the boomer cells, last November Telstra said they were going to use the same booster technology approach to get the distance out there. I would put that the distance that the CDMA has been able to reach has been one of the absolute benefits for rural and regional people. If you are going to use that same technology, are boosters available for GSM yet? I gather they are not.

Mr Jennings—It is not so much a booster. With CDMA it was alteration to the base stations rather than the actual handsets that were boosted. The same techniques are available with wideband CDMA. It is all there to do. The only issue, as I pointed out earlier, is that of the software that we need to support that. That is well on the way.

Senator NASH—Has there been any thought given to what happens if the boosters do not work, if you cannot get the technology? I take in good faith that you are saying that you hope that it will all work. I do appreciate that, but is there any kind of fall-back plan if the boosters are not ready by the time you want to switch over? Do you delay the changeover? What happens?

Mr Jennings—We are absolutely confident that they will be ready. We have been through this once with CDMA, so we are fairly well experienced at this technology now. We extended coverage from analog to CDMA. Our analog footprint was 650,000 square kilometres. The CDMA footprint today is 1.6 million square kilometres.

Senator NASH—That is why we like it.

Mr Jennings—It has been a massive improvement and benefit. So from doing that we have no doubt that we can do the same with UMTS 850.

Senator NASH—Is the power requirement at the towers the same for the new system as for CDMA?

Mr Jennings—Roughly speaking, yes.

Senator NASH—Chair, could I just clarify for the record, which I meant to do at the outset, Senator Conroy's comments about Mr Trujillo coming to meet with The Nationals. I did send him a letter on behalf of those Nationals who would be interested to meet with him. I will help Senator Conroy out on a few of his vague facts. It is not a secret meeting; it is a private meeting. Thanks for your concern, but the issues—

Senator CONROY—Am I invited?

Senator NASH—that we will be discussing are already in the public domain.

Senator CONROY—It is the answers that we are interested in, not your questions, I promise you.

Senator NASH—The issues are the same.

CHAIR—Thanks very much, Senator Nash.

Senator CONROY—To take up Senator Nash's theme, as it stands at the moment this is basically a 'trust Telstra' type position. Nobody has a commercially working product that you are planning to offer at this stage. You are going to deliver it; no-one else.

Mr Jennings—That is not quite true. Lots of people are using UMTS at different frequencies. The largest provider in the US, Singular, is using UMTS at 850. The only piece that is yet to be put in place is the software I spoke about earlier, which will unlock the distance capability of that technology. The rest is there and is tried and tested in commercial markets.

Senator CONROY—I want to reiterate a couple of points that Senator Nash made. Is it true that as of January 2006 there are no commercially available handsets anywhere in the world that could work on the new network as proposed by Telstra, roaming from 850 to 2,100?

Mr Jennings—As far as we know, that is correct.

Senator CONROY—So, again, you are saying: 'Don't worry. It'll all be right.'

Mr Jennings—We are confident that handsets will be available. We have worked with some of the major handset manufacturers, and we know that they have these handsets on their road map, and their road map is well within the time frame of our network build.

Senator CONROY—There are currently more than 900 CDMA handsets available world wide. Does that sound right?

Mr Jennings—Yes, I think so.

Senator CONROY—You have made the claim that the handset prices for the new UMTS network will be no greater than the current CDMA handset prices, by virtue of economies of scale flowing from the fact that Singular—you are hanging your hat on that—in the US is using the 850 network. Am I right in saying that Singular's network operates primarily in the 1900 bandwidth—a frequency not used in Australian mobile phones?

Mr Jennings—That is correct.

Senator CONROY—That would seem to destroy any economies of scale argument, wouldn't it?

Mr Jennings—No. With the chip sets that they use in the handsets, most of them will support all of the frequency bands that we have interest in. It is just a question of the handset manufacturer activating the capabilities of those chip sets. It is all there, so economies of scale are largely around the manufacture of chip sets, and we expect that there will be economies of scale in 850 UMTS.

Senator CONROY—We have agreed that customers are going to have to get new handsets. They will also need new peripherals—car kits, earpieces and all that sort of stuff. Is that correct?

Mr Jennings—Possibly. It depends on the manufacturer, whether they maintain the handset form factor. If customers have an existing CDMA antenna on their car, for example, they will be able to use that antenna because it is the same frequency band.

Senator CONROY—I know you had a bit of a discussion about who should pay the cost of these, and I thought you left it at 'commercially viable'. I think that was the leaving point of this. Have you given any consideration to who should bear the cost of the new handsets and peripherals—the customers, the government, you?

Mr Jennings—It is a commercial situation. As I said before, we will do whatever we can to make the transition as easy as possible for customers, including commercially.

Senator CONROY—Senator Nash referred to farmers using CDMA technology for irrigation and other farm practices. Will Telstra pay for these farmers to rip out their kit and reinvest in the new technology?

Mr Jennings—Telstra will provide some assistance for the developers of the applications that run on those technologies across to the UMTS 850 technology.

Senator CONROY—What is going to be the situation for Telstra CDMA customers on long-term, multi-year contracts with Telstra for CDMA mobile services? What is going to happen there? Are they being forcibly migrated across? Are they being compensated because they are migrating across? What is the thinking?

Mr Jennings—There will be transitional arrangements and commercial negotiations will be done with those customers.

Senator CONROY—Will you be offering a trade-in for their old phone? When you turn off the network they are left with a piece of equipment that they purchased which is completely useless.

Mr Jennings—I do not have the detail of that.

Senator CONROY—Is that the sort of thinking that you would be engaged in?

Mr Jennings—It will depend on the level of customer. For retail customers there will be transitional plans and transitional arrangements if they are currently contracted, and then there will be more individual—

Senator CONROY—That contract would involve them having a phone and you delivering a service compatible with that phone; so I presume, in that situation where you are no longer meeting your end of the contract, you will make it a costless transfer.

Mr Jennings—We will work through those cases. It is not possible to go through them. They are all different and they will be treated on a case-by-case basis.

Senator CONROY—But an underlying principle is that they should not be any worse off, should they?

Mr Jennings—An underlying principle is that we will make the transition as easy and as low cost as possible.

Senator CONROY—So you are not prepared to give a guarantee that it will be a costless transfer?

Mr Jennings—I cannot give that guarantee now, no.

Mr Gration—It is worth noting your question around the contracts. As I understand it, most of our mobile phone contracts are for 24 months or less. We would be planning to open this network sometime in 2008. We will continue to honour our obligation to deliver service to customers who are currently on contract throughout the period of that contract. Mr Jennings described the customer communications that are going out to existing CDMA customers in relation to the transition to the new network. Similar communications will be put in place with customers who acquire CDMA handsets going forward to ensure that they understand what the plans are. Obviously it is in our commercial interests that we want those people to be our customers today; my guess is that they will only become our customers today if we can give them a clear roadmap as to how they are going to continue to be our customers on those contracts going forward on the new network.

Senator CONROY—Thank you for that commentary, Mr Gration. Back to my question. Are you in a position to guarantee that it will be a costless transfer?

Mr Gration—No, I am not.

Senator CONROY—So there will be expenses incurred by your customers when you flick the switch.

Mr Gration—We cannot guarantee it will be a costless transfer. You identified some of the reasons that customers might find a cost to themselves. For example, if they have got a car kit installed for a Nokia phone and they move to an Ericsson phone, they will find there is a cost that they lose in making that transition. We cannot guarantee it will be a costless transfer. We can guarantee to our shareholders that we are going to be doing everything we can to get every customer we can on the new network.

Senator CONROY—Given it is the only network that will be out there, it is a fairly strong, persuasive reason for them to have to comply. It is not voluntary, is it?

Mr Gration—Our network will be out there, Vodafone's network will be out there, Optus's network will be out there, Hutchison's network will be out there. All of them will be seeking to take our customers. We will be doing everything we can to keep them.

Senator CONROY—Is it accurate to describe Australia's 2G mobile market as highly competitive as a result of the strong competition between numerous mobile carriers, the benefits of which have been very big falling prices over the last few years, product innovation and high service delivery standards?

Mr Gration—Yes.

Senator CONROY—It would be a competitive market. What will be the effect of Telstra's closure of the CDMA network and its plans to roll out 3G? Can we expect more, or less, competition?

Mr Gration—I think you will find there will be ever increasing competition in the wireless space. Both Vodafone and Optus have already launched their own 3G networks. Hutchison has a 3G network. We are currently operating in the 2100 megahertz range with our 3G network. We will open in the 850 range. I think it will continue to be fiercely competitive.

Senator CONROY—In regional and rural areas—Optus and Vodafone are not there yet—how is the competition going to be affected?

Mr Gration—They are not there yet. Certainly that is something you would really need to put to them as to why their investment plans do not include regional and rural Australia. But, leaving that to one side, they are not there yet, we are there with our CDMA network. That is one of the reasons we tried to capture, or we are capturing, customers in rural areas. If we are the only carrier who is prepared to invest in regional and rural Australia, we would expect that we will get a lot of customers in regional and rural Australia.

Senator CONROY—Especially if there are no competitors. Can you describe Telstra's contractual commitments to the government regarding roaming associated with the government funding Telstra has received to roll out its mobile network in rural Australia?

Mr Gration—I think you have pretty much described them in the question. As I understand it, where the government funded construction of our mobile network, we have a contractual commitment with the government to make roaming available on those parts of the network.

Senator CONROY—Did Telstra respond to any of the funding programs by offering to build additional GSM base stations with its own funds? Do you have funding for additional CDMA base stations?

Mr Gration—Can you repeat the question?

Senator CONROY—Did Telstra respond to any of the funding programs by offering to build additional GSM base stations with its own funds if it got funding for additional CDMA base stations?

Mr Gration—I am not aware of the answer to that but I will ask my colleagues.

Mr Jennings—I believe there was one program where we put a package of GSM and CDMA base stations up in response, yes.

Senator CONROY—Are you going to give the money back if you turn the network off?

Mr Jennings—We will comply with the contractual conditions around that particular piece of business.

Senator CONROY—So how many GSM sites were built under such responses by Telstra?

Mr Jennings—I cannot recall. It was not a large number.

Senator CONROY—What is not a large number? One, 10, 100? Give the committee an indication of what not a large number is.

Mr Jennings—Five to 10.

Senator CONROY—Is the roaming requirement an opportunity for the government to get maximum value for taxpayer funding of mobile infrastructure in rural and regional Australia?

Senator Coonan—The government tries to get maximum value for taxpayers with all of its contractual obligations and, insofar as roaming is a component, it is clearly something that we have in mind.

Senator CONROY—What roaming is Telstra currently providing on government funded mobile sites to other mobile providers? Can you specify which providers?

Mr Jennings—On the CDMA network I am not aware of any other operator that has taken up the offer of roaming on a government funded or part funded CDMA site.

Senator CONROY—What offers for roaming have been taken up?

Mr Jennings—I am not aware of any.

Senator CONROY—Have roaming offers from Telstra to other carriers been rejected?

Mr Jennings—No.

Senator CONROY—What are the reasons for them having not been rejected?

Mr Jennings—I am not aware that any approaches have been made from other operators to Telstra on that basis.

Senator CONROY—So you are not aware of any other carrier seeking roaming on base stations funded under government programs?

Mr Jennings—No.

Senator CONROY—No-one has approached you?

Mr Jennings—No.

Senator CONROY—Can you briefly outline the network efficiency argument that allows Telstra's competitors access to Telstra mobile phone towers. How does this assist to improve access to competitive mobile services?

Mr Jennings—I think it is just a matter of using the same infrastructure for multiple operators. The actual numbers I have not got. But there must be economies that occur in doing that.

Senator CONROY—What does Telstra charge competitors to co-locate their equipment on Telstra sites? What are the costs?

Mr Jennings—I do not have that detail.

Senator CONROY—Can you take that on notice?

Mr Jennings—Yes.

Senator CONROY—What does Telstra charge competitors to co-locate their equipment on government funded Telstra sites? What are the costs?

Mr Gration—We do not have any detail on that. Again, we are happy to take that on notice

Senator CONROY—Is it possible for network efficiency objectives to be realised if competitors are not getting any benefit from access to government funded sites?

Mr Gration—I think Mr Jennings's commentary would indicate that probably access to government funded sites has not been the primary driver for our competitors. I think they would achieve network efficiency in all sorts of other ways.

CHAIR—Senator Joyce, do you have any questions?

Senator JOYCE—Yes. It is good to see that Mr Trujillo is in Barcelona; obviously the bull season must be in full swing. We will have to put on a few bullfights at Manuka oval to entice him back! What is the best megabit download speed currently available commercially on 3G GSM?

Mr Jennings—It would be in the order of 200 to 300 kilobits per second. That is in Australia. In the United States it would be around 500 kilobits per second. When we launch our network we expect it to average between 550 kilobits per second and 1.1 megabits per second.

Senator JOYCE—Why would there be a vast difference between what is currently available in the US—I imagine they are not too far off the mark—and what we are apparently going to get here?

Mr Jennings—Because there are developments in the technology that we and they employ called high-speed downlink packet access which will enable faster data rates over time.

Senator JOYCE—Can you give me the best data download speed of the current CDMA EVDO that is available in Australia?

Mr Jennings—I am talking averages. In all of these things there are what we call peak speeds and average speed. The average speed is what the user actually experiences. On EVDO the average would be somewhere between 400 and 500 kilobits per second.

Senator JOYCE—There are proponents that say that the CDMA EVDO system has as much current capacity as the 3G GSM system. If the argument is put forward that a development of the 3G GSM system will give a better download speed, then the same should be said about the CDMA EVDO system: that it has the same propensity to be developed as the 3G GSM network.

Mr Jennings—What I would say is—and I think I know where that question comes from—we are not interested in pushing particular technologies. What we are interested in doing is providing the best answer for all of our customer base, not just the CDMA customers, and we will do that. We will provide the best of both worlds.

Senator JOYCE—With the CDMA network racks, I have heard that you have to replace the whole rack or you put a whole new rack in place—is that correct?

Mr Jennings—That is correct.

Senator JOYCE—What are your intentions with the old CDMA network racks when the 3G GSM network comes into place if that so happens?

Mr Jennings—They will be removed.

Senator JOYCE—Why would you remove them if you have a superior technology that you are putting up the pole? If there are other people prepared to lease it out, wouldn't you lease it out to somebody else?

Mr Jennings—We need to remove them because in many cases we need the space for expansion of the 3G 850.

Senator JOYCE—So the reason the CDMA network rack will be taken down from current sites is because there is not enough space on those towers for the 3G GSM network as well—is that correct?

Mr Jennings—In many cases, yes.

Senator JOYCE—So what are you going to do with this CDMA network when you remove it? What happens to it then?

Mr Jennings—It has not been determined yet.

Senator JOYCE—So you are not selling it to Vietnam.

Mr Jennings—No, not that I am aware.

Senator JOYCE—It would seem strange that if you have a superior network that you should allow other people to possibly use the old CDMA network and put in the EVDO card. Is this right: there is really not much into putting an EVDO card into the current CDMA network, is there? You have got your 1X card, you put in your EVDO card and you are up and running. It is not terribly complicated, is it?

Mr Jennings—The most complicated and time consuming element of commissioning an EVDO base station is putting in the extra transmission that is needed between the base station and what we call the radio network controller.

Senator JOYCE—That is not similar technology to what is going to be required for 3G GSM?

Mr Jennings—It will. We will require the same.

Senator JOYCE—Tell me about the history of the CDMA EVDO network in the United States compared to the 3G GSM network and what coverage each of them has.

Mr Jennings—In the United States?

Senator JOYCE—Yes.

Mr Jennings—I could not give you details about that.

Senator JOYCE—Can I put that question on notice about—

Senator CONROY—At the private briefing.

Senator JOYCE—Are you putting anything in your local presence plan about access to mobile coverage and the relationship between mobile coverage in urban and regional areas? Is that going to be in your local process plan when we finally see it?

Mr Pinel—Perhaps I can pick that up. I am not aware that it is specifically addressed in that plan.

Senator JOYCE—Why would it not be in the local presence plan?

Senator CONROY—Because there is nothing in the local presence plan at all.

Mr Pinel—The local presence plan tends to deal with other matters rather than technology specific issues. It does talk about service and about a range of other matters about Country Wide and Telstra's presence in regional Australia.

Senator JOYCE—Could I pose the question that mobile coverage and data download speed is a very apt thing to be in the local presence plan? There will be a lot of people very interested in the comparative analysis of what will occur between regional and metropolitan Australia for data download speeds and mobile coverage into the future. Do you think that would be a fair assertion that a lot of people in regional areas would make?

Mr Pinel—Where we are with the local presence plan at this stage is that it is with the minister until, I think, 4 April. We will expect to hear back from the minister about its suitability in due course.

Senator JOYCE—If you had a dispute with the minister about mobile coverage—3G GSM and CDMA—concerning your belief of what is right to be in there and the government's belief of what is right to be in there, how would you resolve that? Who would you go to?

Mr Pinel—In terms of the local presence plan?

Senator JOYCE—Yes.

Mr Pinel—The local presence plan is approved or not approved by the minister in due course, and if it is not satisfactory to her she will return it to us with comments. In the lead-up to that local presence plan I should say there was a period of consultation with community and stakeholders that provided us with some guidance, and I have to say the majority of the feedback we got was fairly positive.

Senator JOYCE—This is my final question: do you believe that in the community there are people out there who are competent enough to have an independent view on any dispute between yourself and the government?

Mr Pinel—If you are talking about the rural communities centre—

Senator JOYCE—No, just anything. Do you believe that there are competent, independent arbiters out there?

Mr Pinel—I think there are plenty of people who have opinions about communication and Telstra's role, yes.

Senator JOYCE—But are they competent?

Mr Pinel—I dare say that depends on the individual. There are certainly some that are competent and they would all have valid inputs. If they are customers of ours we would be interested in their perspective.

Mr Gratton—Could I clarify one of the answers that was given previously? In the exchange about roaming arrangements with our competitors it was getting a bit technical, but certainly some of our competitors do roam onto our networks and we have roaming arrangements with them. So, for example, Hutchison 3G customers, when they go out of Hutchison's 3G coverage, may roam onto our 2G network. We also, obviously, have wholesale customers I believe for both GSM and CDMA. So if there was any impression in that previous discussion that we do not have roaming arrangements with our competitors we certainly do, and we also have wholesaling arrangements with our competitors.

CHAIR—Thank you for that helpful information.

Senator CONROY—Where do you want to go to, Senator Ronaldson?

Senator RONALDSON—I want to go into reducing network faults. Can I start with asking some questions in relation to this, and particularly the copper network. What sort of money are you spending, on an annual basis, in relation to the normal maintenance of your copper network?

Mr Sheargold—If you look at this fiscal year, it will be about the division between capital expenditure and operational expenditure, but approximately \$280 million looking after the drivers that drive access network investments—which is predominantly our network reliability framework, escalated service difficulties and others—and customer-affecting issues. That is the approximate number for this fiscal year, which is more than the previous fiscal year as well.

Senator RONALDSON—What was the last financial year, off the top of your head?

Mr Sheargold—It was approximately \$210 million.

Senator RONALDSON—So it is about another \$70 million?

Mr Sheargold—That is right.

Senator RONALDSON—What numbers of your customers have recurring faults? Do we have any idea at all?

Mr Sheargold—If we look at the network reliability framework which looks in different categories—the first being field service areas and then NRF 2 is exchange service areas—and your question relates to NRF 3, which is customers that have recurring faults: more than four or more than five. If I look at the remediation plans that we are required to submit in relation to network reliability framework, I think last quarter was approximately 470.

Senator RONALDSON—How do you normally identify underperforming services?

Mr Sheargold—With recurring faults, for a start, if the customer has rung in a number of times to our front of house elements, or, equally, if there are exchange service areas under the network reliability framework that do not meet our threshold limits.

Senator RONALDSON—Is there any plan to change the method of identification?

Mr Sheargold—The network reliability framework provides us with a robust way—

Senator CONROY—How about they fix the network? It is not how they count the costs.

Mr Sheargold—Let me finish, please. I think the network reliability framework that we work under provides us with a robust way of investing in the network, which actually enhances our customer service matrix. If I look at our complaints, which is only one way of measuring the customer service experience—we always aspire to the goal of flawless service delivery—and if I look at the TIO complaints, I see that 36 per cent of those complaints are related to Telstra, which is disproportionate to the market share. In the last quarter result we had a 14 per cent reduction in complaints, in the September quarter, based on provisioning and assurance activities. Do we always get it right? Absolutely not, but we have a formal complaint management process which provides us with ways to improve.

Senator RONALDSON—I take it that you have not or did not have any plans this financial year to spend more than that \$280 million, roughly.

Mr Sheargold—That is constantly under review. A lot of that is driven by customer issues as much as by proactive access network rehabilitation.

Senator RONALDSON—Mr Gration, I would like one of the secretariat staff to show you a press release dated 6 July.

CHAIR—Do you wish to table it?

Senator RONALDSON—Yes, please. Mr Gration, are you aware of that press release? Would you read out the heading of it?

Mr Gration—The heading says: ‘\$200 million program to improve Telstra’s copper network’.

Senator RONALDSON—I might brief committee members that on 6 July last year there was an announcement of an extra \$200 million of funding for the copper network upgrade, over and above normal maintenance. That press release is no longer on the Telstra website and seems to have been mysteriously pulled.

Senator CONROY—Airbrushed out.

Senator RONALDSON—Yes. For the committee’s interest, Mr Sheargold said that there was no decision to have any different programs of identifying underperforming services. Indeed, this press release says:

Telstra will also establish a new dedicated program that will draw upon network data to better identify services ...

Do you have a copy of that press release now, Mr Gration?

Mr Gration—I do.

Senator RONALDSON—Were you aware of that press release?

Mr Gration—I was aware of it, yes.

Senator RONALDSON—You were?

Mr Gration—I certainly recall this going out, yes.

Senator RONALDSON—Mr Sheargold clearly was not aware of it.

Mr Sheargold—I have seen that. What I said was that there is a network reliability framework by which we operate to look at investment in the network.

Senator RONALDSON—Mr Sheargold, you told this committee that the only money to be allocated in this fiscal year was \$280 million. You said that last year maintenance and other costs were \$210 million. This press release is no longer on the Telstra website. There is an extra \$200 million to go into the upgrade of CAN. Sixty-five per cent of that was to go to Countrywide. Two hundred thousand consumers with underperforming services were going to benefit from that and it has suddenly, mysteriously disappeared. You made no reference to it before; Mr Gration made no reference to it. It is not on the Telstra website and it was issued on 6 July. When did Mr Trujillo start at Telstra?

Mr Gration—He commenced on 1 July.

Senator RONALDSON—Who authorised the removal of this press release from the website? Who made the decision that this \$200 million was not going to be spent? Did the board authorise the \$200 million prior to its release?

Mr Gration—I do not know the answer to your first question, so I will need to take that on notice. If this has been moved from our website, I am not sure who authorised that. I think your second question was—

Senator RONALDSON—Who made the decision about this expenditure, which was announced in a press release that did not remain on the website? I suspect it might have been pulled quite some time ago. Quite frankly, this matter is so serious that I want those inquiries made now. When was it removed from the website? Whose authority was it? Why is this money not being spent? And did the board approve the expenditure of the \$200 million? I do not need to explain to you how serious this matter is.

Mr Gration—We will need to find out about those questions about authorisation and removal from the website.

Senator RONALDSON—I suggest you do it pretty quick smart.

Mr Gration—In terms of your question about who authorised the initial expenditure, that expenditure was part of the corporate plan for 2005-06. It was approved by the board prior to Mr Trujillo taking up his appointment. As is well known, when Mr Trujillo took up his appointment he undertook a strategic review of the entire company.

Senator RONALDSON—So the board thought that it was important enough to authorise \$200 million, but Mr Trujillo did not think that the 200,000 customers were deserving of a board approved expenditure which not only was going to assist 200,000 people but also going to establish a program. According to the press release:

Telstra will also establish a new dedicated program that will draw upon network data to better identify services that are under performing on a persistent basis.

Would you like to read out for me the last quote in that press release.

Mr Gration—I have just been handed a note that says the release was in fact never issued. I will need to clarify that, but if that is correct then it was not issued and was not pulled from the website but simply never found its way there. Let me find out the details.

Senator RONALDSON—Indeed. The plot thickens, Mr Gration, doesn't it, because I tell you that it was sent out. The fact that it did not make it onto your website I think just makes the plot even thicker. I put it to you that what has happened is that, despite the board

approving \$200 million to go to 200,000 customers to increase the copper network, someone has made a unilateral decision that that money was not going to be spent. So someone knows better than the board. Do you think the board would have been briefed on whether \$200 million was an appropriate investment from the company?

Mr Gration—As I said—

Senator RONALDSON—I asked you a question—yes or no?

Mr Gration—I will answer the question. The answer is: yes, the board was briefed on this.

Senator CONROY—Is Senator Ronaldson to be reproached for being rude to the witness any stage?

CHAIR—No, not at all. He just required an answer to a question.

Senator RONALDSON—I have not started yet.

Senator CONROY—He is planning on getting there. Chair, I just note that you pulled me up earlier on.

CHAIR—You were using a different sort of language.

Senator Coonan—Could we let Mr Gration answer the question?

Mr Gration—When Mr Trujillo was appointed to the company he undertook a strategic review. The results of that review were announced on 15 November. Part of what that review was about was that I think we announced that we were going to spend \$2 billion to \$3 billion more on our networks for our customers. So we have gone from \$200 million here to \$2 billion to \$3 billion extra. Why was that different and was the board briefed on it? Absolutely, the board was briefed on it. What were they briefed? Mr Trujillo said that you can have these kinds of bandaid programs where you put \$200 million here, \$100 million there and \$50 million somewhere else, but you will not transform the company, you will not deliver the services our customers expect or the returns our shareholders expect without making a much more significant investment.

Senator RONALDSON—When did he say that?

Senator CONROY—You are on the board, aren't you, Mr Gration? You attend board meetings?

Mr Gration—I am not a member of the board but I do attend board meetings.

Senator RONALDSON—When was the board advised of this unilateral decision to pull out the \$200 million?

Mr Gration—The board was advised and made the decision on 15 November to approve the strategic plan. The strategic plan said—

Senator RONALDSON—No, it was 6 July that this went out. I suspect that it was pulled very quickly. When was the board advised that Mr Trujillo was not going to spend the \$200 million on this CAN upgrade?

Mr Gration—I have been handed a note that says that the release was sent to government. It was not publicly released.

Senator RONALDSON—Can I tell you that it was sent to someone else apart from government because I did not get it via the government.

Senator CONROY—Isn't that an oxymoron—a press release that only goes to the government?

Senator NASH—Given that it was only sent to government and it was not formally released, why is it not a draft release?

Mr Gration—I do not know the answer to that.

Senator LUNDY—It is misleading.

Senator RONALDSON—Mr Gration, you can take it from me that it was not just sent to government because I got it from someone else apart from government. There are a number of serious issues raised here. I want those answered on notice. But I think this committee would view very seriously—

Senator CONROY—We will get a private briefing from Sol. We will invite him to a meeting.

Senator RONALDSON—I do not want to continue this any further because I think the point has been well made. I will read the last sentence of that press release. It says:

“This CAN upgrade program is a secure investment in an important asset, adding value to the business and serving customers more effectively,” Mr Campbell said.

That, of course, was Mr Doug Campbell.

Senator CONROY—Why was it only sent to government?

Mr Gration—I have just been told that it was sent to the government and the National Farmers Federation as an indication of a draft release that was under consideration.

Senator CONROY—It does not say ‘draft’.

Mr Gration—Correct.

Senator LUNDY—It could be interpreted as Telstra trying to mislead government and National Farmers Federation members.

Senator CONROY—Was it released to the Stock Exchange?

Mr Gration—No. The release, I am told, was not released at all. It was sent—

Senator CONROY—Do you often circulate your press releases to government and the National Farmers Federation and nobody else? Is that an approval process that you need before you can put out a statement? As the shadow minister for communications I am just wondering why I did not get one.

Mr Gration—There were discussions under way with government and the National Farmers Federation on these issues. As Senator Ronaldson has indicated, it is obviously an issue of importance to the constituents represented by the National Farmers Federation.

Senator CONROY—I represent those same constituents, but you did not send it to me.

Mr Gration—Correct.

Senator CONROY—So I am not important enough to get a copy?

Mr Gration—It has not been our practice to circulate draft media releases to you.

Senator LUNDY—It is not a draft. It does not say ‘draft’. I just want to point out to you that this press release that has now been tabled nowhere indicates that it is a draft.

CHAIR—I think that point has been established—it does not say ‘draft’ although it was intended to be a draft.

Senator RONALDSON—It is not a draft release. It is actually a press release that follows on from a board decision to expend \$200 million on upgrading—

Senator CONROY—It was not released to the Stock Exchange?

Senator RONALDSON—No.

Senator CONROY—You have really got those continuous disclosure provisions down pat there, haven’t you, Mr Gration? You are just an expert on them.

Mr Gration—Thank you.

Senator NASH—I have a question to follow on, on repair and maintenance, unless Senator Conroy has a repair and maintenance question.

Senator CONROY—No, go for it; jump on in.

Senator NASH—Thank you, Senator Conroy. Could somebody tell me what are your estimates for the cost of maintenance and repair in rural and regional Australia specifically?

Mr Pinel—I do not have the details on that with me, but maybe Ken does.

Mr Sheargold—Four things drive the access network rehabilitation.

Senator NASH—No, no. Quite often Telstra talks about a figure related to repair and maintenance in rural and regional Australia. You quite often use a figure, not four different categories of things.

Mr Sheargold—I do not have that figure. I do not know what that figure would be in regional and rural Australia.

Senator NASH—None of you have any idea what the figure is for rural and regional maintenance?

Senator CONROY—Good grief! Let’s get Sol in!

Senator LUNDY—What a good idea.

Senator CONROY—I wish someone had voted for that.

Senator RONALDSON—Of that \$210 million, surely you must have some idea. How much of it is going to Country Wide?

Senator CONROY—I voted for it. Did you vote for it, Senator Lundy?

Senator LUNDY—I voted for it.

Senator CONROY—Senator Wortley?

Senator WORTLEY—Yes, I voted for it.

Senator RONALDSON—Let us take up Senator Nash’s point.

Senator CONROY—Senator Nash, did you vote to have Sol here?

Senator LUNDY—I think that was a no.

Senator RONALDSON—Sixty-five per cent of the \$210 million was going to Telstra Country Wide. Surely someone can answer the question about how much of this \$210 million is going to regional and rural maintenance?

Senator CONROY—It is paying for a bunch of executives to get very rich.

Senator NASH—My understanding is that it was more like \$870 million. Is that completely incorrect? I thought that was in fact the figure that had been talked about recently; that it was \$870 million.

Mr Pinel—I cannot confirm that figure.

Senator NASH—Could you take that on notice and come back to me?

Mr Pinel—Yes.

Senator NASH—Are any of you aware of Doug Campbell's statement of what he believed, about halfway through last year, to be the repair and maintenance figure for rural and regional Australia?

Mr Pinel—I would have to go back and check that as well.

Senator NASH—Are none of you aware of that either?

Mr Pinel—No.

Senator NASH—I put to you that at that point he said that it was \$250 million. My understanding is that far more recently it is \$870 million. As a rural and regional senator, I am very concerned about Telstra's understanding of what the cost for rural and regional repairs in those areas is. Perhaps if you clarify that and come back to me—

Mr Pinel—I take it that you are referring to copper network and not general maintenance?

Senator NASH—Yes.

Mr Pinel—So you are asking about copper network only, and by rural and regional you are meaning—

Senator NASH—Non-metropolitan.

Mr Pinel—Non-metropolitan.

Senator NASH—On repairs, can somebody explain to me how the one-hour repair contract works? It is not something that I am very familiar with, but I understand that you have a one-hour repair contract with particular organisations such as the ambulance service and that type of thing and others.

Mr Pinel—If it is with entities like the ambulance, government or large corporations, those are commercial arrangements that are entered into. They would each be subject to contractual arrangements, but they would probably vary from customer to customer to meet their needs.

Senator NASH—Okay. But the intent would be that the repair would occur within one hour? I know that sounds pedantic but—

Mr Pinel—Probably within a fairly restricted footprint, I would expect. We would have to look at what the contractual details are.

Senator NASH—But surely if somebody had entered into a contract for a one-hour repair, the footprint would be taken into account and Telstra would not have committed to it if they could not provide that one-hour repair.

Mr Pinel—We would not commit to a contract that we could not comply with, that is correct. As I said, you would have to look at the geographic footprint where it is intended.

Senator NASH—I suggest to you that there was certainly at least one case I know of last year of a company that had a one-hour repair and could not get a technician for 24 hours. It was on a weekend. I understand that during workdays it is much easier, but on a weekend it may obviously prove particularly difficult. I ask Telstra to take on board the idea of having a roster for technicians on weekends for those areas where you have entered into a contract for a one-hour repair service so that service can be provided.

Mr Sheargold—If a service level agreement we have signed with a customer has shorter time frames, we certainly endeavour to meet those time frames. I am not aware of the particular incident that you are talking about with the one-hour repair, but we have communications technicians available to meet service level agreements at all times, whether they be four hour or one hour. I am just not familiar with the case that you are talking about, but certainly people are rostered on, whether they be network technicians or others. Or we look at fixing it remotely as well.

Senator NASH—In the interests of time, that might be something that I will take up later.

Senator RONALDSON—I think it was \$870 million over three years. Mr Gratton, this multibillion dollar investment you are talking about is subject to you getting a regulatory holiday, isn't it?

Mr Gratton—I think the way we expressed it on 15 November was that it was subject to reasonable regulatory outcomes. There are large parts of that investment that will go in—

Senator RONALDSON—So, when you say you have this locked in, it is actually dependent on you getting a regulatory holiday, using my words, so it does have strings attached; it is not just open expenditure.

Mr Gratton—The commitments were made subject to regulatory outcomes.

Senator RONALDSON—You gave the committee the impression it was just there and it was going to be done, but that is not right.

CHAIR—Senator Conroy has some more questions. We do need to remember that we are dealing with estimates issues to do with finance, rather than generalising.

Senator CONROY—That is nonsensical. I will defend Senator Ronaldson and Senator Nash. I think their questions were very appropriate and well within the scope of this committee. I want to follow up on Senator Nash's questions, which were all fine when she was asking them, so I am sure that mine will be fine. I have some questions about the performance of Telstra's customer access network. We learnt from Telstra's secret briefing to the government last year that 14 per cent of Telstra's lines had faults on them. How do these fault levels compare with the performance of the network over previous years?

Mr Gration—Mr Sheargold probably has the details there but, with regard to that 14 per cent figure, I think as we previously explained that was 14 faults per 100 lines per annum; it was not a figure that said in any point in time 14 per cent of lines were faulty.

Senator CONROY—I am just looking for the comparison. I understand your definition issue.

Mr Sheargold—According to the way the annual fault rate is worked out, it is currently around 14.2 per cent. That is an annualised figure. It is taken on total CAN faults over a year divided by the services in operation on a reference month multiplied by 100. If you look at December, you may have a CAN fault rate of approximately 1.2 per cent and if you align with the network reliability framework that measures the availability of the network to the customers that pretty much aligns with 98 or 99 per cent. In terms of the access network fault rates year on year, I will have to take that on notice and get back to you.

Senator CONROY—My understanding is that in 2002 it was 11.59 per cent as opposed to July 2005 at 14.28 per cent. That sounds like it is increasing. Does that seem correct?

Mr Sheargold—I do not know the numbers year on year, so I will look at those.

Senator CONROY—Mine are fairly reliable.

Mr Sheargold—The access network now has different technologies on it as well in the provision of enhanced services to our customers. I will take that on notice to come back with the numbers.

Senator CONROY—A simpler question would be: is it correct that the faults on the lines are increasing on an annualised basis?

Mr Sheargold—I would have to get the data there to have a look at year on year.

Senator CONROY—As I said to you, my information was that it was 11.59 per cent in 2002 and it is 14.2 per cent this year.

Mr Sheargold—On those numbers, CAN faults are increasing.

Senator CONROY—How do fault rates in Telstra Country Wide areas compare with these national fault rate figures, say, in July 2005?

Mr Sheargold—Again, I would have to go back to the network reliability framework that looks at service performance and reliability based on exchange service areas and then do a delineation between what is an urban area and what is a regional and remote area.

Senator CONROY—You do that already.

Mr Sheargold—Yes, it is already available. I just do not have those numbers in front of me.

Senator CONROY—Let me try to help. I understand that in July 2005 the Telstra Country Wide fault rate figure was 16.09 per cent and back in November 2002 it was 13.35 per cent. Again, it sounds like an increase.

Mr Sheargold—I am not disputing those numbers.

Senator CONROY—According to Telstra's figures, fault rates in rural and regional Australia have been around two per cent worse than those in metropolitan areas since 2002 and are still going backwards.

Mr Sheargold—The 14.2 per cent I quoted was a national figure. There is a disparity between metro and regional.

Senator CONROY—That is consistent—metro is better than regional or, to put it another way, regional is worse than metro.

Mr Sheargold—It is certainly a different infrastructure as we try to cover the huge geographical mass of this country in regional and rural Australia—we have a lot more copper out there—and to manage the customer experience and the service provision.

Senator CONROY—But these are your figures I am quoting back to you. I am sure if you go away you will find they are consistent.

Mr Sheargold—Yes.

Senator CONROY—The government likes to say it has spent \$1 billion on rural and regional telco services in the last 10 years. Yet the fault rate in regional and rural Australia is getting worse at a time when the government is claiming it is injecting more money than ever before into the network. That just seems to be at odds.

Mr Sheargold—I think that depends—when you look at the fault rates we also have a lot of new technology on the access network and provision of enhanced services to customers today, and that certainly has an impact as well. But I do not dispute those numbers, Senator, if they are sitting in front of you.

Senator CONROY—So what is the reason for this increase in fault rate? What is your assessment?

Mr Sheargold—I could not make one comment to say there is any particular reason. I think there are a multitude of reasons in the access network based on new technologies, the provision of higher voltage equipments on the access network that are subject to weather conditions and others. I could not pick one reason that the access network has a higher fault rate.

Senator CONROY—What I am trying to understand is why things are getting worse with all this extra money and new technologies. Why are things getting worse, on your own figures?

Mr Sheargold—I do not have one reason for you, Senator. I think there are a multitude of issues related to the network, the technologies that go across the network today that did not years ago and certainly where commercial investment in the access network has not got a significant return on that investment as well.

Senator CONROY—This goes to the heart of the now mysterious press release, available to people other than the ALP, where you talked about wanting to invest in trying to upgrade the network. All I can assume is that this is just because you are belt tightening. For all the extra money and technology that is claimed to be going into this, and you claimed you are putting some more money in here, it is not actually happening.

Mr Sheargold—If I look at our ongoing performance that is measured through our ACMA performance monitoring data—

Senator CONROY—No, you are not comparing apples with apples. I am talking about your figures.

Mr Sheargold—I would say our performance and service to the customers is quite good.

Senator CONROY—Don't switch the debate to another measure that you slipped off to ACMA. I am talking about your own internal figures.

Mr Sheargold—No, what I am saying is that, even though your figures indicate the access network fault rate going up, from a customer service perspective our ability to service the customers and meet our obligations to them in service is indicated by good performance numbers through the ACMA performance monitoring bulletins.

Senator CONROY—Unfortunately I am talking about your own internal figures, which show that over the last three or four years, despite all the claims by you and the government, your actual fault rate is getting worse. I am not interested in what you fob off to ACMA. Your own internal statistics are showing that the network is in a worse shape.

Mr Sheargold—I am not fobbing it off to ACMA. I am saying that is an indicator of our service performance in the ability to service our customers, which is critical to us in the service business. Those numbers would reflect ongoing high performance in the provision of services on both activation and the assurance front.

Senator CONROY—What are the cost implications of this increasing fault rate for Telstra?

Mr Sheargold—I do not think I could give you a business case here today to tell you what that would be.

Mr Gration—Senator, one of the key drivers in the strategic view I mentioned was Sol coming in and saying: 'This is not good enough. If we are going to get costs out of the company and we are going to deliver better services to our customers, the only way we are going to do it is through a massive transformation of the networks, of the business support systems that sit behind those networks and of the operational support systems that sit inside those networks.' I do not think we resile from the fact that we will not deliver that performance the customers expect until we do that transformation.

Senator CONROY—Okay. How much more per year is Telstra spending on maintenance as a result of these increased fault rates? Presumably if faults are getting worse you are having to spend more on maintenance.

Mr Gration—The answer is too much.

Senator CONROY—I appreciate that, and that is entertaining, but can we get some sort of figure? Is it the \$800 million figure that was being touted before?

Mr Gration—I think Senator Ronaldson said that was a three-year figure, which seems to add up with the \$280 million annualised figure that Mr Sheargold mentioned. But these kinds of performance issues drive all sorts of costs in all sorts of parts of the business, and we need to fix them.

Senator CONROY—I understand that no-one wants to not be able to deliver. I appreciate the point you are making. But what I am trying to get a handle on is how much more per year Telstra is spending on maintenance with the increased fault rates. Too much is a good answer, but I would like a dollar figure.

Mr Gration—Let us take it on notice and get you a dollar figure. But, whatever the figure is, it is too much.

Senator CONROY—And it could be a figure of the \$200 million that Senator Nash started with or the \$800 million annualised over—

Senator RONALDSON—I think Fiona thought it was about \$830 million, which is right.

Senator CONROY—That sounds like the figure I have been hearing as well. But that was over three years. Is that correct?

Mr Gration—I think that was the indication, yes.

Senator CONROY—And that will have been increasing because of the increasing fault rate.

Mr Gration—I think it is a fair assumption that if the fault rate has gone up it is going to cost us more fixing those faults.

Senator CONROY—How do you expect to respond to these escalating fault rates while you are laying off 12,000 workers?

Mr Gration—We have outlined in the strategic review how we are going to respond to that. It is by reducing the number of systems, eliminating the legacy systems from our network, building out better quality, more modern networks.

Senator NASH—Did you say eliminating legacy systems?

Mr Gration—Yes.

Senator CONROY—That would be copper.

Mr Gration—No.

Senator NASH—What is a legacy system?

Mr Gration—IT systems. My recollection is we have somewhere between 1,200 and 1,300 IT systems running the networks that obviously provide the services to the customer. One of the things we are doing is trying to reduce that down to a number which I think is around 250 to 300. Why are we doing that? Because simpler, better, more modern supporting systems will deliver less faults.

Senator NASH—If you only needed 250 or 300, how did you get to over 1,000?

Mr Gration—That is a great question. We got there through what I think have been identified as bits and pieces projects, bandaids applied here and there. That gets you through any one quarter, but you suddenly find yourself in the position we are in today of saying that we have way too many systems and we have not retired the old systems.

Senator CONROY—How is too many systems contributing to the faults on your copper network?

Mr Gration—Because every time those systems need to talk to each other, every time those systems provide incorrect instructions to our workforce, it drives fault rates. Better systems will deliver better services.

Senator CONROY—It might drive not getting them fixed as fast, but the IT systems are not causing the faults.

Mr Gration—In some cases, as I understand it, they are. In other cases, there are issues with identifying, for example, gel in the networks—which I think this committee previously identified—or, simply, ageing networks.

Senator CONROY—I think that is right. Those are the core drivers. Anyone would want to make sure you do not have too many IT systems, but I am really struggling to accept the answer that an increase in faults on your copper network is being caused by your IT systems or that, ultimately, integrating and improving even one or two, rather than however many, is going to cut down on the faults on the lines.

Mr Gration—Faults on the physical copper network are not caused by the IT system.

Senator CONROY—Thank you.

Senator NASH—What are they caused by?

Mr Gration—I have experts all around me. I mentioned the gel.

Senator CONROY—The famous gel.

Mr Gration—There is the weather and the lack of investment.

Senator CONROY—I would have thought you would need all of your technicians when your faults have increased by three per cent over the last three years. Cutting staff just does not sound like the best way to address dealing with your copper network problems.

Mr Gration—I do not believe there is a direct connection between the two.

Senator CONROY—Between cutting your staff and your maintenance program?

Mr Gration—Correct.

Senator CONROY—So no technicians are being sacked as part of your 12,000 workers?

Mr Gration—I do not believe there is a direct connection between the headcount reductions that we have announced over five years and the fault rate that you have identified.

Senator CONROY—Have they sent you out recently to fix some gel or a soggy line?

Mr Gration—No, they have not.

Senator CONROY—Has anyone gone out recently? Dr Warren?

Dr Warren—I am always out there, Senator. You know that.

Senator CONROY—So I am assuming the headcount in this room is okay.

Senator NASH—We have figured it out for you, Senator. I do not think rain is a problem.

Senator CONROY—But Telstra keep finding rain is a problem. I will leave you to investigate that with them at a later date. So no technicians are among the 12,000 people being laid off?

Mr Gratton—No, I did not say that, Senator; what I said is—

Senator CONROY—I know you did not say that. Now I am asking you a separate question.

Mr Gratton—I do not have exact numbers, but it would surprise me—if we reduce the workforce by 10,000 to 12,000 I think you will find some of the field workforce are part of that number.

Senator CONROY—You have got increasing faults on your copper network and you have agreed that there will be a reduction in some of your field staff, which I would refer to as engineers, technicians or whatever.

Mr Gratton—I think it is a chicken and egg type thing, that when we invest in the networks and reduce that fault rate—

Senator CONROY—But you are threatening not to invest in the networks. I am only dealing with what you are saying—the reality as opposed to the game you are playing.

Mr Gratton—When we invest in the networks and reduce the fault rate, we will need fewer people to maintain those better performing networks.

Senator CONROY—You are not planning on investing. At this stage you have said you are not investing in the network in terms of new fibre, so I am dealing with your existing network.

Mr Gratton—What we have said is that the fibre to the node part of the program is on hold. A large chunk of that network investment continues.

Senator CONROY—You have actually leapt ahead of my questions. You must be a mind-reader as well as a lawyer—that is excellent. Moving to a fibre to the node network would reduce the overall level of faults in the network and, as a result, would reduce Telstra's maintenance costs. That would be—

Mr Gratton—Mr Sheargold is more of an expert than I am, but I certainly understand fibre is less prone to faults like, for example, weather and moisture than copper.

Mr Sheargold—I think that is a fair comment.

Senator CONROY—But if you did not proceed with the fibre to the node network the fault rates would continue to get worse.

Mr Gratton—I think it is probably fairer to say that the part of fault rates generated by the copper that would have been replaced as a fibre will obviously continue.

Senator CONROY—The existing network will continue to deteriorate if you do not replace it.

Mr Gratton—We will need to continue to spend a lot more money than we think is appropriate to maintain that part of the network.

Senator CONROY—I think that is fair. You are still not going to build on that. You are going to sit there and say, 'We're going to have these increasing maintenance costs because of an ageing copper network but we're not going to build the fibre to the node.'

Mr Gratton—Fibre to the node is on hold.

Senator NASH—On hold?

Mr Gration—Yes.

Senator CONROY—That is right. It is quite comical really. They have a network that is collapsing under them, their profits are going down off the same network and they are trying to blackmail everybody else into propping up their profits with the fibre to the node. It is beautiful. I love it. I hope Senator Coonan is aware of it—there you are, Senator Coonan.

Senator Coonan—Listening intently as always, Senator Conroy.

Senator CONROY—I hope you are listening intently because this is the biggest corporate scam I have seen in years. The one we were talking about is bigger than Australia Post.

Senator RONALDSON—I am sure the debate on regulation has absolutely nothing to do with it.

Senator CONROY—Yes, absolutely. Senator Nash, you are bursting to—

Senator NASH—Just a quick question on fibre to the node being on hold: what were the reasons for putting fibre to the node on hold?

Mr Gration—Dr Warren has the detail, but we outlined that in order for that investment to be worth while to our shareholders we needed certain regulatory outcomes and particularly safeguards in terms of making the investment and then not being required essentially to share that investment at marginal cost or less with our competitors. Those regulatory safeguards are not currently in place and until they are in place our fiduciary duties to our shareholders mean that we cannot make that investment and will not make that investment.

Senator NASH—If Senator Conroy does not mind, perhaps Dr Warren might like to outline that in a bit more detail.

Senator LUNDY—And also include whether or not you notified the ASX of this decision.

Dr Warren—Yes, on, I think, 21 December last year we notified the ASX that the fibre to the node investment is still on hold. Sol and the team outlined last year the vision for how we go away from piecemeal network investment to a brand new sort of approach to how we would manage our network. One of the key risks that was identified in making that decision is the regulatory risk. Essentially, the problem is that the way the current regime operates is that it would almost automatically declare much of what we would be rolling out, so almost automatically we would be forced to resell most of what we roll out under the fibre to the node network. Then we would be forced to price that and, history has suggested, at somewhat low levels—we can go into the details of that if you like. That risk was considered quite large and was considered to basically truncate any of the revenue benefits we would get from rolling out the fibre to the node network.

Now, I know a lot of people are saying that we will do it anyway because of these cost savings—and there are cost savings there; it is just that they are not multibillion-dollar savings, which is the cost to us of rolling out fibre to the node. So there is a lot of speculation around that we will do it anyway. Unfortunately, I think that is misguided speculation: as we said very clearly late last year, we are not proceeding with fibre to the node at this moment.

Senator NASH—What is your best estimate of the cost for fibre to the node?

Dr Warren—Three billion dollars.

Senator CONROY—It is \$3 million dollars for the fibre to the node network now, is it?

Senator NASH—Three billion.

Dr Warren—Three billion.

Senator CONROY—Down from \$30 billion?

Senator NASH—I think we are talking about two different fibre networks, aren't we?

Dr Warren—Senator Conroy, you are talking about fibre to the premises.

Senator CONROY—Okay.

Senator NASH—What is the estimated cost at the moment of fibre to the premises?

Dr Warren—That was the cost I just gave you. The announcement that was made late last year talked about three major investments. One was the 3G investment; the second was upgrading the core network—the backbone, if you like; and the third was upgrading the fixed access network through rolling out fibre closer to the customer. That is what fibre to the node means.

Senator NASH—Could I just have an answer on the estimate of the cost for fibre to the home?

Dr Warren—Three billion dollars; I told you.

Senator NASH—No, that is fibre to the node. You said that was for fibre to the node. I am talking about fibre to the home.

Dr Warren—Oh, fibre to the home. That \$30 billion number—I don't know where that came from!

Senator NASH—We've got a fair idea!

Senator LUNDY—We do: Telstra!

Senator NASH—So you have estimated the cost of fibre to the node. There has been no assessment whatsoever of the cost of fibre to the home. With fibre to the node you are still going to have a copper linkage between node and home—

Dr Warren—That is right.

Senator NASH—but you have done no work at all on node to home?

Senator CONROY—None at all?

Dr Warren—We have looked at fibre to the premises. Of course we have looked at the business cases on it. But at the moment, in brownfields—

Senator NASH—But you just said you have not done any—

Dr Warren—it does not prove in, Senator. In greenfields, there are possibilities of doing fibre to the premises and that is because usually the developer makes a co-contribution; so in those areas, yes. But the economics of fibre to the premises in brownfields areas, in existing sites, is not there. It is not there in most parts around the world.

Senator CONROY—How do you know, if you don't know what it would cost?

Senator LUNDY—Can I go back to something Dr Warren said before. You said something about history showing that Telstra would be forced to provide access at less than cost.

Dr Warren—Yes.

Senator LUNDY—Could you just substantiate that statement? My understanding of the way you cost your wholesale network is that it relates to the total costs incurred by Telstra, and you set your prices accordingly. If you could go back to that and place on the record your formal substantiation of why you had concluded that you would be forced to provide access to such a fibre network at below cost.

Dr Warren—It is a good question. I think it is fair to say that most people do not understand the way the access pricing regime works, so it is worthwhile getting some clarity out there. The interesting point about the way the telecommunications access regime works is that the ACCC, when it is trying to determine prices for wholesale customers, actually does not bear in mind Telstra's own costs. Telstra's own costs are essentially irrelevant. What they do is build a hypothetical cost model called the TSLRIC hypothetical—

Senator LUNDY—Can I—

Dr Warren—No, Senator; it is quite important—

Senator LUNDY—No, this is important and I—

Dr Warren—Yes, and let me tell you why fibre to the node won't have any effect.

Senator LUNDY—The issue is that the ACCC and Telstra have always disagreed on the cost model, so this is not an opportunity for you to launch into an attack on the ACCC's determinations on this matter. I think the issue here is that the ACCC are required to provide access, are they not, when there is a bottleneck in the network and they determine there is a monopoly applying.

Dr Warren—Yes.

Senator LUNDY—I just want to make sure you do not make flippant statements to this committee which imply effectively something untrue about the way in which the ACCC apply the law.

Dr Warren—Okay. Thank you for that warning, Senator. As I was saying, the TSLRIC models bear no resemblance to actual cost; they are hypothetical cost models. What that means is that the model is actually already optimised, so the cost pool out of which access prices are determined is already in place and in fact is already almost a fibre to the node network. What that means is that we could spend multiple billions of dollars doing a fibre to the node roll-out—multiple billions—and the total cost pool that we are allowed to recover from wholesale and retail prices would not go up a jot. So the problem is the way the regime works. Even if we spend a large amount of money rolling out a fibre to the node network, we may not be able to recover that money, given the way the current access regime works. That is not an allegation. It is not an attack. That is the way the regime works.

Senator LUNDY—It goes back to your statement that Telstra have always disagreed with the way the ACCC have calculated the cost. You made that statement again at the beginning of what you just said. I want to try and get past that and ask you why you stated that it was a marginal cost. It is the whole cost that is worked out by the ACCC, and you are left in a

position of being forced to provide access where the ACCC believed there was a bottleneck and Telstra can exert monopoly pressure. That is a long way from ‘We can’t make enough money to build this network, because of the access regime,’ is it not?

Dr Warren—I do not know what I can add to what I just said. I thought I answered that question.

CHAIR—Senator, it is now time for the lunch break, so we might leave further questions on this matter until two o’clock.

Proceedings suspended from 1.01 pm to 2.02 pm

CHAIR—I have been advised that the ALP does not have questions on DCITA outputs 3.4 and 3.5 and the question is whether or not those officials could leave. I think they are all Canberra based anyway, aren’t they? They are fairly technical areas this evening but there is always the unpredictability of a stray senator coming in with some questions. But I guess if we need to we could recall the relevant officials. I think those for 3.4 and 3.5 could probably go, Ms Williams.

Ms Williams—Thank you.

CHAIR—We will run the risk. So, thank you, Senator Conroy. Senator Ronaldson has a quick follow-up question, if that is permitted, on what the subject—

Senator RONALDSON—On the press release.

Senator CONROY—I am all ears.

CHAIR—I thought you probably would be.

Senator RONALDSON—Mr Gration, given that it now seems common knowledge that Mr Trujillo was happy to unilaterally overturn a board decision in relation to this expenditure, and I presume it was a board decision based on a sound business case and indeed, if I can just refer again, it was a secure investment in an important asset adding value to the business and serving customers more effectively—and I acknowledge one of my colleagues has just actually left, in relation to what I am going to ask you—what other proposed programs, either board-endorsed or otherwise, has Mr Trujillo pulled in pursuit of this quite extraordinary claim in relation to regulation? Have there been any other programs, either board-endorsed or otherwise, that he has pulled since he has become CEO?

Mr Gration—Yes, there have. Just to back-pedal on the opening part of your question, the board approved at the end of June—so, with the previous management team in place—a corporate plan for 2005-06. That plan included the expenditure—I do not know if \$200 million is the exact number, but it certainly included the expenditure referred to in that document.

Senator RONALDSON—What do you mean, you do not know? It is in the press release—come on. You have acknowledged it.

Mr Gration—You asked the question—

Senator RONALDSON—No, no, no—sorry. With the greatest respect, you started diverting away from it and started talking about, ‘I don’t know whether it was \$200 million.’

You know it is \$200 million. You were at the board meeting, so don't come this rubbish that you do not know whether it was \$200 million. You were there. Just get on with it.

Mr Gratton—You asked the further question as to whether additional expenditure has also been changed. The answer is yes.

Senator RONALDSON—Yes, yes. At what time was that?

Mr Gratton—At the time of the half-year results we announced—and I might just turn to my colleague, Mr Nicholson, for the exact numbers—but I think it was of the order of \$300 million of capital expenditure projects, and I think it was 400 projects had been terminated that were previously in plan, and that that money had been redirected into other transformational projects.

Senator RONALDSON—Were these board-endorsed spending programs?

Mr Gratton—In the same way that this program that you previously referred to was. It was part of the previous corporate plan. Those projects have been terminated and the capital expenditure associated with them has been redirected.

Senator RONALDSON—Well, when you say redirected, nothing is going anywhere, is it, until Mr Trujillo's fight with the government about regulation is resolved?

Mr Gratton—There were three key parts of the strategic review that we announced.

Senator RONALDSON—This is all subject to it, too, isn't it? You talk about reallocation of funding. It is actually subject to what Telstra believes is a satisfactory outcome in relation to the regulation issue—that is right, isn't it?

Mr Gratton—Can I tell you what we have announced in relation to that? There were three parts of the strategic review we announced. It was the rollout of the 3G 850 UTMS network, which we have discussed at length this morning. That part of the strategic review is going ahead. There was a review of the core backbone network and we talked briefly earlier about, for example, removing legacy IT systems. That part of the transformation is going ahead. The part of the transformation that we have announced is on hold is the fibre-to-the-node, which was essentially bringing fibre closer to the customer's premises and we have said that the regulatory safeguards we need to be able to make that investment are not currently in place and therefore that investment is on hold.

Senator RONALDSON—And also \$200 million dollars to improve the copper network is on hold as well, isn't it?

Mr Gratton—What we have done—

Senator RONALDSON—If you redirected—

Mr Gratton—is announce a \$2 billion to \$3 billion dollar program to improve customer service—additional capital expenditure of \$2 billion to \$3 billion.

Senator CONROY—Do you think \$600 million or something out of the PIPES program is going to be useful?

Senator RONALDSON—It rather begs the question, does it not?

Senator NASH—That extra funding that was pulled, changed, redirected or whatever—was any of that money redirected from CDMA mobile tower infrastructure?

Mr Gratton—I do not know the answer to that.

Senator NASH—So Mr Trujillo's assertion that you would be able to answer all the questions was a little bit wrong, wasn't it? Could you take that on notice and let me know?

Mr Gratton—That is all right.

Senator CONROY—I do not know why you are complaining. You have got him come to a meeting yourself. It is a bit rich.

Senator NASH—It's the power of the Nats.

Senator RONALDSON—Any other press releases pulled?

Mr Gratton—We are looking into the questions you raised earlier. As I say, the information that we have to date is that that is a press release that was not in fact issued. It was not pulled, it was not in fact issued.

Senator RONALDSON—Were there any other not-issued press releases that I have given you a copy of— were there more of those?

Mr Gratton—There are no other draft press releases I am aware of—well, I am sure there are plenty of press releases—

Senator RONALDSON—It was a draft press release, was it?

Mr Gratton—It was not issued as a press release by the company, is the information that I have.

Senator RONALDSON—So you say it was a draft press release, then?

Mr Gratton—As we discussed before lunch, I am informed that that was provided in draft to the government and to the National Farmers' Federation.

Senator CONROY—Who in the government received it?

Mr Gratton—I do not have that information.

Senator CONROY—Could you phone Sol?

Mr Gratton—I do not think Sol would have that information either.

Senator CONROY—Phone a friend?

Mr Gratton—We can certainly take it on notice.

Senator CONROY—Anyone else behind you have any idea?

Mr Gratton—None of them are putting their hand up.

Senator CONROY—When I asked you why I did not get a copy of it, you said you understood it was standard policy for that not to be the case. So is it standard policy for your press releases to be vetted by the government and the NFF?

Mr Gratton—I think at the time that that press release was under consideration, the issues that were the subject of that press release were under discussion with the government and with the NFF.

Senator CONROY—I am interested in faults on the CAN network as well.

Mr Gration—Yes.

Senator LUNDY—And so am I.

Mr Gration—Okay.

Senator CONROY—Who made the decision that we were not to be consulted?

Mr Gration—I am not aware who made the decision who was to be consulted or who was not to be consulted.

Senator CONROY—Can you find out for us? We would like to know who actually made a decision to consult the government, consult the NFF, their mum, phone a friend, but ignore the ALP.

Mr Gration—We will take that on notice.

Senator CONROY—Thanks. Sorry, Senator Ronaldson, I jumped in on you there.

Senator RONALDSON—No, I think that is all. I thank the committee for the indulgence.

Senator CONROY—We have been discussing a little bit of this and I think you have discussed some with Senator Nash earlier; she actually gets two bites of the cherry, because she has got you and she gets Sol, but I am sure you will not take it personally; I am not. Telstra has stated in the past that it will only roll out the fibre-to-the-node network if it is granted a regulatory holiday for the network. That is still the Telstra position. I think that is what you spelled out earlier, isn't it?

Mr Gration—I think the description we have used is 'a reasonable regulatory outcome and regulatory safeguards'.

Senator CONROY—Okay. What is a reasonable regulatory outcome and safeguards? I am intrigued what you mean by safeguards.

Mr Gration—I might hand that to Dr Warren, who has the details there.

Dr Warren—The reason we did not use the word 'holiday' is that it seems to have a time delimited—

Senator CONROY—Of course.

Dr Warren—It has a specific model. What we made clear in our regulatory briefing to the market on 1 December last year was there are really three components to the regulatory—the red asterisks, if you like, that were next to the investment, and they are ULL, safeguards and operational separation. On the safeguard, which is the point of your question on the safeguard issue, what Telstra is saying is that it accepts that all of the current regulatory obligations that it currently has will continue to apply. So any customer service by fibre-to-the-node will continue to get local call resale and interconnect, et cetera. But what we are saying is that all new services that we decide to put over that network should only be regulated like every other industry in Australia is regulated—so, under the general provisions of Part 3A and section 46 of the Trade Practices Act, and that is the safeguard we have asked for. An alternative would be to do major amendments to Part 11C—

Senator CONROY—Has any other industry got a permanent access holiday?

Dr Warren—We are not asking for a permanent access holiday from what every other industry is regulated like. We are saying we want to be regulated like every other industry in Australia.

Senator CONROY—But no other industry in Australia has got a permanent—I mean, that was the original—

Dr Warren—Yes, they have. They permanently get regulated in Australia.

Senator CONROY—In union lingo we call it an ambit claim, but that was your original ambit claim.

Dr Warren—What? Sorry.

Senator CONROY—A permanent holiday.

Dr Warren—I do not think we have said that, no.

Senator CONROY—You may have thought it.

Dr Warren—We might have been verbed like that, but I do not think we said that.

Senator CONROY—And you never said \$30 billion, either? That is just incredible.

Dr Warren—So, I suppose, to answer your question specifically, what we have asked for is that if we are going to spend all this money on rolling out fibre-to-the-node, we expect that it should be regulated like rail, gas, ports, electricity. It should not be regulated under the legacy telco regime. In other words, a legacy regime for the legacy network and a general regime for the new networks is what we are seeking.

Senator CONROY—You have not actually lodged an application for an anticipatory exemption from the access provisions of the Trade Practices Act.

Dr Warren—No, that is right.

Senator CONROY—So you have no idea how you will be regulated, because you have not even bowled up the ball.

Dr Warren—There are a couple of problems. We acknowledge that there is an exemption mechanism under Part 11C and clearly we have looked at that. There are a couple of severe problems, really, with the use of that mechanism. One is that the way the mechanism is described you can only get an exemption for services, so you do not get exemption for infrastructure, you get exemption for services. And that makes sense in the way the regime is crafted, but the problem with that is we do not really invest in services, we invest in infrastructure. The infrastructure which will provide services, we do not currently know what exactly we will be putting across that. So it is very hard to get the description of the service up front for an exemption.

Why is that important? The ACCC—and I think we should acknowledge this—has said, ‘Look, we’ll take quite a broad definition of services,’ and that is a positive statement on their part. The only problem is that these things can then be appealed to the Competition Tribunal, as was the Foxtel exemption, and overturned. So the problem with the way the regime operates is you actually do not get the certainty that you need up front to make the investment decision. There are a couple of other issues to do with the fact that exemptions can be revoked unilaterally, ex post, the time lines are pretty long—so there is a number of issues why, even

though we would like to have done the exemption mechanism process, and we have been urged to do that by a number of people, it is just not really possible, unfortunately.

Senator CONROY—So there is absolutely no part of the regulatory regime at the moment that you like?

Dr Warren—I am struggling to think of one.

Senator CONROY—Yes—if you could name it I would be—

Dr Warren—Which part of the regulatory regime?

Senator CONROY—You are just so hard done by!

Dr Warren—I tell you what I do like: I really like the change that has just been put through by COAG last week.

Senator CONROY—You were exempted.

Dr Warren—You know the COAG bit where they said, ‘We’ll put in pricing principles for every industry in Australia, except one.’

Senator CONROY—You were exempted. It was a wonderful achievement.

Dr Warren—I know. Amazing! So I do like the 3A and 46 part of the regulation.

Senator CONROY—All right. Now we are aware of last week’s comments from Alcatel chief operating officer Mike Quigley regarding Telstra’s proposal for a new fibre-to-the-node network. Were you paying attention?

Dr Warren—Yes.

Senator CONROY—You were walking around Canberra, so I am presuming someone was paying attention.

Mr Gration—They were reported briefly in the media.

Senator CONROY—Yes. Alcatel has been accepted as the technology provider for Telstra’s fibre-to-the-node network, should it proceed; that is correct?

Dr Warren—Yes.

Senator CONROY—Alcatel’s operations are not limited to just fibre optics, though, are they? They are a serious player in the wireless space, too?

Mr Gration—I think they are one of the largest telco equipment manufacturers and providers in the world.

Senator CONROY—Yes. So they are in both spaces.

Mr Gration—I believe so.

Senator CONROY—So their views on technological issues would be very well informed?

Dr Warren—Yes.

Senator CONROY—You would not hire them if they were not, presumably?

Dr Warren—No.

Senator CONROY—When Mr Quigley was asked last week whether wireless could match the performance of an FTTN network, he actually laughed and then responded that it was not technically possible to match the performance of fixed broadband access with any of the available or promised wireless technologies. Does Telstra share that view?

Mr Gration—I think we probably would share the view that you can always get a more reliable service out of a fixed line connection than a wireless one. There are certainly a whole lot of conveniences about a wireless connection, like being able to carry it in your pocket for starters, that means that there are all sorts of good reasons to provide a wireless service. But I think if you—

Senator CONROY—He wasn't arguing that you should not do wireless, but he was saying, head to head—

Mr Gration—I think Mr Jennings, for example, outlined earlier with the new 3G network we would be looking at a download speed, I think he said, of 1.1 megabits per second, when we know you can get a faster—

Senator CONROY—That is one user?

Mr Jennings—You can get a faster—

Senator CONROY—It does not matter how many users are on?

Mr Jennings—No, it matters how many users. It does.

Mr Gration—Multiple users. You dimension a wireless network to suit the number of users, so if you need more capacity you just up the dimensioning. So you can have multiple 1.1.

Mr Gration—The point of mentioning that was to say that fixed line networks clearly provide a faster download speed, for example, on broadband.

Senator CONROY—Let us be clear: when he was asked the question whether fibre-to-the-node could match wireless, he laughed.

Mr Gration—Did he laugh at that, or the reverse, that wireless could match fibre-to-the-node?

Senator CONROY—No, he was laughing at the suggestion that wireless could match fibre. He actually laughed at the suggestion. That is one of the world's top boffins. You have hired him and he is laughing at the idea that they are substitutes. They can complement, that is not an argument—but that you could actually get the same sort of performance, he laughed out loud in public at the suggestion.

Mr Gration—Okay.

Senator CONROY—So wireless technologies are not going to cut it when you start talking about using bandwidth-intensive applications like triple play—voice-data-video—and other high-end productivity-enhancing applications; is that a fair statement?

Mr Gration—I think that you would find that there are applications—broadband applications—that we would certainly like to provide that you could not provide over the sort of speeds that Mr Jennings mentioned earlier: high-definition digital TV, for example. I do not think we are asserting and I am not sure anyone else is asserting that you could do that over a

wireless broadband connection. There are certainly plenty of applications that you could with a 1.1 megabit service get a very satisfactory outcome.

Senator CONROY—Providing no-one else is using the network at the time.

Mr Gration—I think—

Senator CONROY—What would be your average, Mr Jennings—rather than the maximum?

Mr Jennings—Average, we expect between 550 kilobits per second and 1.1 megabits per second.

Senator CONROY—That is a pretty broad average. One of Telstra's principal arguments in favour of its request for a regulatory monopoly for its fibre-to-the-node network—this would tend to undermine your arguments that they are substitutable and therefore you do deserve the holiday.

Mr Gration—I am not sure that that was the rationale Dr Warren just gave us as to why we were seeking regulatory safeguards.

Senator CONROY—I appreciate Dr Warren made some contributions a little while ago. There has been a general debate going on for some while. Dr Warren does not speak for you publicly often. We welcome his debating efforts. I know he looks forward to it. But it is trotted out by Telstra pretty regularly.

Dr Warren—I think we would argue that—well, actually, we do not have to argue—you can go and read an awful lot of analysts' reports—and we can get them to you if you like—that say that fixed-to-mobile—

Senator CONROY—After you have breached them?

Dr Warren—substitution is a massive competitive constraint on the company. But I do agree with you that, when it comes to high-speed internet, wireless solutions are not—

Senator CONROY—That is where you have identified are the profit-revenue streams of the future?

Dr Warren—Of the future, yes.

Senator CONROY—Yes.

Dr Warren—Voice drives the industry, as you know, at the moment, though, and fixed-to-mobile substitution is a substantial competitive constraint.

Senator CONROY—Yes. Isn't it just a technological fact that wireless networks do not currently and will not in the future provide an effective competitive check on fixed line network?

Mr Gration—I think the question—as Dr Warren has just said—is wireless providing competition today in voice? Absolutely. There is enormous competition and a lot of it is coming out of people choosing to have—

Senator CONROY—I am talking about the triple play, the future.

Mr Gration—Is wireless going to provide competition to delivering high-definition IPTV? I do not think we see that in the foreseeable future.

Senator CONROY—Data, video? Wireless is not really a serious competitor to those, is it?

Mr Gration—I can watch video, you can watch video, on your mobile phone today. It is certainly a serious proposition but, given the choice between watching the news on my mobile phone and watching it on the TV at home, I am just about always going to watch it on the TV at home.

Dr Warren—Which is wireless.

Mr Gration—Part of it is. A lot of it is Foxtel.

Senator CONROY—We have got him there.

Mr Gration—No, it is not wireless mobile technology.

Senator CONROY—Do you disagree with the statement that it is just a technological fact that wireless networks do not currently, and will not in the future, provide an effective competitive check on a fixed line network?

Mr Gration—I do not think we disagree at all that you can get much faster, more reliable speeds over a fibre network than you can over a wireless mobile network.

Senator CONROY—But you still want a monopoly on the fibre-to-the-node network?

Mr Gration—We do not want a monopoly. We want safeguards for the investment we make in respect of that network.

Dr Warren—Just one point, though, is that we are talking here between our 3G network and our fixed network, or our proposed fixed network. You really should check with Unwired and these other wireless operators. I do not really know what they say, but I have seen some discussions and they have quite substantial claims about their capacity.

Senator CONROY—I appreciate that they are going to talk their book. What I am interested to hear is you guys talking about your book.

Dr Warren—The bottom line is that spectrum is much more limited across the airwaves than across wires. That is what Mr Quigley, I suspect, was laughing at.

Senator CONROY—It is a technological fact—unarguable.

Dr Warren—The physics are there. I think the question is: what are the economics? That is a more interesting question and a much more important one.

Senator CONROY—I guess if you take over every piece of spectrum and let wireless broadband loose, it might be a competitor.

Dr Warren—I think you have to ask yourself—

Senator CONROY—I think a few TV stations and radio stations might object to that level of ambition from Telstra.

Dr Warren—I think what we would say is that you have to look at where the economics are in the market, and the economics of the market at the moment is not at 24 megabyte per second broadband. It is not there yet. That is not what is driving the market. What is driving the market is voice. In that world, wireless is an exceedingly effective competitor.

Senator CONROY—What is driving the market is voice?

Dr Warren—At the moment, voice is the competitive constraint.

Senator CONROY—Optus has publicly approached Telstra on a number of occasions with offers to roll out this network through a joint venture vehicle. Telstra has rebuffed these offers on the grounds of regulatory uncertainty. Is that still your position?

Dr Warren—Yes.

Senator CONROY—How would the current regulatory environment need to be changed in order for Telstra to consider participating in a fibre rollout through a joint venture vehicle?

Dr Warren—For any vehicle, whether it be sole ownership, single or joint venture, before we participated in it we would need to make sure that we could get a reasonable return on that. Consequently, the regulatory hurdles that we just discussed before are exactly the same under a joint venture vehicle as under a sole investment vehicle, I would have thought.

Senator CONROY—What is a reasonable rate of return?

Dr Warren—A competitive rate of return.

Senator CONROY—What is a competitive rate of return?

Dr Warren—A rate of return that—

Senator CONROY—It is time to put your money where your mouth is. What do you want?

Dr Warren—Unfortunately—

Senator CONROY—If Sol was here he could tell us, I am sure.

Dr Warren—He would say a competitive rate of return, I know that. But the bottom line is that that is not the way our regime works. Our regime is not a rate of return regime. That is not how it works.

Senator CONROY—I am looking for a proxy. I am not asking you to say something that will bind you forever. \$30 billion did not bind you forever. It is a very flexible situation. I keep hearing that you want certainty, you want this. Give us a figure. Do you want eight per cent, 10 per cent, 17 per cent, 25 per cent?

Dr Warren—We want to be treated like every other company. That is it.

Senator CONROY—You are treated like every other monopoly at the moment.

Dr Warren—We have a unique piece of legislation that has very low sets of hurdles and a very strange pricing regime, and we are saying that that is fine, that's the way it was written, for the legacy network. But going forward, we would like, with our new investment, before we spend \$3 billion worth of shareholders' funds, a degree of certainty that the rest of the industries in Australia have just secured.

Senator LUNDY—Why do you not agree to be structured like the gas and electricity markets, if you want all things to be equal?

Senator CONROY—That would be it; you want their regulation, but you are not prepared to be structured like them.

Senator LUNDY—You want their regulation, but you are not prepared to organise yourself structurally in a similar way.

Senator CONROY—That is very rich.

Dr Warren—You know our position on structural separation.

Senator LUNDY—That says it all.

Senator CONROY—Why do you think you can claim to take their regulatory environment for organisations that are structurally separated, but then say, ‘But we’re not prepared to do that in return’?

Dr Warren—Actually, all industries subject to part 3A are not structurally separated.

Senator CONROY—Not all, but—

Dr Warren—I will give you a very good example, a somewhat topical example at the moment. BHP in the Pilbara are vertically integrated owners of their railway network. That is now being subjected to—

Senator CONROY—Are they providing a service to all Australians, like gas or water or Telstra?

Dr Warren—There are ports as well.

Senator CONROY—Exactly how many customers does that railway have?

Dr Warren—I am sorry. I think—

Senator CONROY—One or two or three?

Dr Warren—If your question is should we spend an awful lot of money under a legacy regime that does not have the safeguards that every other investor in Australia takes for granted, the bottom line is we are not going to.

Mr Gration—The way we talk about these issues internally some times is that we want a regime that gives us the opportunity to be the winner of a fast race. You were talking about the wireless technologies, broadband technologies, et cetera. There are great opportunities out there for Australians. We want an opportunity to provide those. The current regime ‘incent’ us to try to be a winner of a slow race. In terms of, for example, investment in fibre-to-the-node, if we find ourselves in a position where that gives us no competitive advantage making that investment, there is every incentive there to say, ‘Be the winner of a slow race, don’t be the winner of a fast race.’ Australia, we would argue, would be much better of if we are given that opportunity and our shareholders will be much better off if we can execute on that opportunity.

Senator NASH—In terms of Alcatel and the potential partnership you will have if you get off the on-hold with the fibre-to-the-node, what process was put in place that led to your picking Alcatel? Given probity issues, given that Telstra’s majority is Australian government owned, what was the process that led to taking on Alcatel as the partner?

Mr Gration—I do not think that being majority government owned had a big influence on the process, but the process was that Greg Winn, who has been appointed as chief operations

officer, ran a tender process, and Alcatel was the successful bidder for part of transformational tender.

Senator NASH—Was there a full tender process?

Mr Gration—There was a tender process. It was not a full process in the sense that we did not go out to the world and ask every man and their dog to put a proposal forward.

Senator NASH—What did you do?

Mr Gration—We went to a number of the leading companies and leading providers in the world of this sort of technology, particularly looking for people who have done this kind of thing before.

Senator NASH—How many companies?

Mr Gration—I do not know the exact number.

Senator NASH—You do not know that?

Mr Gration—But my recollection is that it was in the magnitude of two, three or four.

Senator CONROY—Sol will give you the answer when he meets with you.

Senator NASH—So in the—

Mr Gration—In the order of magnitude around two, three or four.

Senator NASH—Two, three or four. Could somebody possibly take that on notice and let us know if it was two or three or four?

Mr Gration—Or it might be a different number, but that is my recollection.

Senator NASH—More than one?

Mr Gration—More than one.

Senator CONROY—When is your meeting with Sol?

Senator NASH—The questioning is back to you, Senator Conroy.

Senator CONROY—When is your meeting with Sol? I wanted them to make sure they knew when they could get the answers by.

Senator NASH—The questioning is back to you, Senator Conroy.

Senator CONROY—While we are talking about plans prepared by Telstra, I have a few quick questions about Telstra's local presence plan.

Mr Gration—I think Mr Pinel is the man on the local presence plan.

Senator CONROY—When did Telstra provide the minister with a copy of its draft local presence plan?

Mr Pinel—The exact date I would have to check on, but it has been with the senator now and she is due to come back to us on 4 April.

Senator CONROY—Sorry?

Mr Pinel—On 4 April, which is the time for the minister to respond to Telstra on acceptability of the plan.

Senator CONROY—I will not hold you to the exact day, but roughly when did you deliver it?

Mr Pinel—It was before Christmas. My recollection is that it was late November, but I—

Senator CONROY—Late November is fine.

Mr Pinel—Perhaps—

Senator CONROY—No, I am relaxed; late November will do. What was the initial response of the minister's office to the plan?

Mr Pinel—I am not sure that we have had any response at this stage.

Senator CONROY—So it has not been accepted or rejected yet?

Mr Pinel—No, not at this stage.

Senator CONROY—You do not want to let us in on a secret?

Senator Coonan—My note says that Telstra provided some amendments on the preliminary draft that took into account some of the public submissions. In fact, I have some information here with me. I am looking at it at this moment, Senator Conroy, but I'm not—

Senator CONROY—You do not want to let us in on a secret?

Senator Coonan—No, you are going to have to wait.

Senator CONROY—I want to talk about the contents of the document you provided. I note the comments of the Deputy Prime Minister, Mark Vaile, who stated that in regard to the local presence plan he wanted:

... more than a marketing document from Telstra, we want a real and quantifiable plan for Telstra's presence in rural and regional Australia.

Could you point me to the real and quantifiable commitments in this document?

Mr Pinel—I think the commitments are in terms of our continued focus on regional and rural Australia, and they are generally in line with the obligations that we agreed to from Besley.

Senator CONROY—I see a lot of information about what Telstra has done in the bush in the past and what Telstra's legislative requirements are in the bush and, of course, the costs, but I do not see many prospective commitments. Can you point me to a single new binding commitment from Telstra in this document? I have it here, so just tell me the page? Pick any one of these new binding commitments.

Mr Pinel—As I say, they are binding commitments that commit Telstra to its continued focus and allocation of resources to regional Australia.

Senator CONROY—So not one new binding commitment?

Mr Pinel—The commitments are in line with the obligations and the requirements of Besley, which basically says that we will continue to have our focus in line with the nature of Telstra Country Wide, with a local management a senior executive focus on regional Australia.

Senator CONROY—So no new legally binding commitments?

Mr Pinel—The document will be legally binding.

Senator CONROY—Yes, but there are no new commitments in it. There is certainly no new legal plan.

Mr Pinel—It is a new plan; to that extent, it is a new plan.

Senator CONROY—It is the same plan. As you just said, it is the Besley commitments. There is nothing new about them. Apparently the government has been telling us for years that it has met the Besley commitments.

Mr Pinel—We met the Besley commitments by agreeing to provide the local presence plan, and we are in the process of doing that.

Senator CONROY—Did someone mention the chicken and the egg before?

Mr Pinel—We are in the process of doing that. The plan has been prepared, it is with the minister and we are awaiting some response from it. When that response comes back, we will look at what is said.

Senator CONROY—Noting that the front cover of the plan is dated September 2005?

Mr Pinel—Yes, that would be right.

Senator CONROY—You gave it to the minister in late November-early December?

Mr Pinel—The date I am hazy on, but the plan was prepared, there was a period of consultation with stakeholders and the communities to get some feedback, and then the final draft was prepared to provide to the minister.

Senator Coonan—On 8 December.

Senator CONROY—On 8 December. And you made so many changes that you did not even bother changing the date on the front?

Mr Pinel—I am not sure where your copy came from. If it was the one that we published initially in the public space on the web page and that we provided to a number of stakeholders, it may well have that date on it. As I say, that was part of a consultative process that led to the preparation of a final draft that was provided to the minister, as she advised us, on 8 December.

Senator CONROY—So it was off your website?

Mr Pinel—Sorry?

Senator CONROY—I got it off your website.

Mr Pinel—If it came from the website, then it was the initial draft as part of the consultative process.

Dr Warren—The current draft is with the minister and has not been made public.

Senator LUNDY—What is the status?

Senator CONROY—What is the status of this document that is on your website?

Mr Pinel—That was the draft document.

Senator CONROY—It does say ‘preliminary draft’.

Mr Pinel—Yes, the preliminary draft. We went from the preliminary draft, which was in the public space for consultation and input from customers, the community and from stakeholders, to what is now a full draft or a final draft to the minister.

Senator CONROY—So that is not on your website? You have not actually published your final draft presence plan?

Mr Pinel—No, it has not. It is with the minister for her consideration.

Senator CONROY—Is there a reason that it is only with the minister? Are you ashamed of it?

Mr Pinel—I am not sure what process was agreed with the department for that, but we are at this stage in a draft form. The minister has the opportunity to comment on what we are proposing and give us her guidance on it.

Senator CONROY—Let me just check—

Mr Pinel—Let me say—

Senator CONROY—No, let me just check with a few of the other Senators. Senator Nash, have you been briefed on the final plan yet?

Senator NASH—Not that I am aware.

Senator CONROY—Senator Ronaldson, you seem to get documents that come and go off the website or never make it to the website.

Senator RONALDSON—That is one beauty about being on this side; I do not need to answer questions.

Senator CONROY—Is there a reason the committee cannot have a copy?

Mr Pinel—That was the agreed process, as I understand it. It is with the minister.

Senator CONROY—Funnily enough, we have the minister, the department and you all sitting here together. Is there a reason the committee cannot have a copy of the final?

Mr Pinel—My understanding is that the agreement to release the document is with the minister.

Senator Coonan—I imagine, Senator Conroy, that it is because it is not yet final.

Senator CONROY—Sorry?

Senator Coonan—I imagine it is not a final draft, it is one—

Senator CONROY—No, I am not asking for your view on this.

Senator Coonan—I am just saying that the status of the document, as best I understand it, is that it is with me for me to make some comments about for Telstra to take into account, and then they will release it as a final.

Mr Pinel—At this stage, it is a final draft pending advice from the minister, at which stage we will consider those, and it will either be rejected or accepted by the minister after her assessment.

Senator CONROY—I understand she may accept it, she may reject it, she may make some changes. What is the problem with the public or this committee being given a copy?

Mr Pinel—My understanding of the agreement is that it is in the call of the minister to assess and choose.

Senator CONROY—Is there a problem with Telstra's final submission to you being made public?

Senator Coonan—I think so, because—

Senator CONROY—They have handballed it to you.

Senator Coonan—Senator Conroy, let us put it this way: if you have about five iterations of a document, it is often not very helpful. You can see that it is often confusing. You yourself did not understand how it had changed between the preliminary draft, which was our—

Senator CONROY—That was because you have not publicised it.

Senator Coonan—Just a moment. Let me finish, please. The preliminary draft went out for consultation. As a result of the consultation, my understanding is that Telstra made certain amendments themselves. It is now up to me to see what view I take of what they have given to me, and when I make my decision no doubt that is when we will either have some further changes, it will be rejected, as you quite rightly say, or it might be right by the time it gets there. It is in consultation, in other words.

Senator CONROY—When you announce that you are either rejecting or accepting it, will it become public then? I presume if you are accepting it it would, but if you are rejecting it, will the public get to see it then?

Senator Coonan—I am sure if it was rejected it would obviously become public, because Telstra would have to do a fresh one. There is another process, however, that if there are some sensible improvements that can be made and Telstra and I consult about it, or Telstra and the department can reach a view about what I think it should contain, no doubt it will not be made public then; it will be made public when we have considered it, and I have to do that by April.

Senator CONROY—Did you think that the document prepared by Telstra, even though it is now an amended one from what the public has seen, complies with Mr Vaile's call for real and quantifiable commitments from Telstra?

Senator Coonan—I am not going to play that game with you, Senator Conroy. The document is before me for my consideration, and I have not yet formed a view.

Senator CONROY—Why have you not just tossed it out? This is absurd. You have a document that does not make one—

CHAIR—The minister has made her position clear.

Senator CONROY—I am asking a question. I have just asked why she has not—

CHAIR—We could well move on, because she has made her position clear.

Senator CONROY—Thanks for your opinion, but I am entitled to ask my questions. The minister is doing fine. She does not need your help. Given that there is not one single—and Telstra has just admitted it—new legally binding commitment in the document, why have you not tossed it out?

Senator Coonan—I have not made a decision about this document and I am not going to enter into any further discussion with you about it.

Senator CONROY—Has Mr Vaile’s office been made aware of this, or are you hiding it from him? Has this fight between the Libs and the Nats got so bad that you are not talking to each other?

Senator Coonan—You are wasting time and you are being argumentative for absolutely no forensic purpose.

Senator CONROY—Thanks for your opinion. How about you be forensic and actually start answering some questions?

Senator Coonan—I have answered all the questions appropriately.

Senator RONALDSON—With the greatest respect, the minister has made it quite clear what she is going to do, and I do not know whether any further pursuit is going to elicit any further answers from her.

Senator CONROY—I wanted to move on to talk about the future of Telstra research labs. While Telstra insisted last year that Telstra is not closing Telstra research labs and has absolutely no plans to close the lab at Clayton, Victoria, I understand that nearly 75 per cent of the organisation’s staff have already been issued with redundancy notices. That is around 200 out of the 260 employees. Is that correct?

Mr Gration—I do not have the exact numbers, but certainly that operations area has been an area that has been subject to redundancies.

Senator CONROY—When Telstra said that Telstra is not closing the lab and has absolutely no plans to close the lab, what changed? Or were you just misleading as a matter of course?

Mr Gration—Obviously, I do not have the context in which you are saying those statements were made, but I think it remains the case that Dr Hugh Bradlow is in charge of those research labs. I think some parts of the function of those labs will transfer to other corporations.

Senator CONROY—Two hundred of those 260 employees have already been axed. This is not a change of function. Most would call it a gutting.

Mr Gration—I do not have those numbers.

Senator CONROY—This could be another of those famous disappearing press releases, Senator Ronaldson, but the following is dated 10 November:

... Telstra spokesman Warwick Ponder said the company would not be closing its Clayton research laboratory.

‘Telstra is not closing Telstra Research Labs (TLR) and has absolutely no plans to close the lab at Clayton,’ Mr Ponder said.

Does that help you get a context there? It is a Telstra press release under the heading, ‘Telstra says it will not shut R&D Lab.’ It might still be on your website. So, is that just misleading the public, misleading the stock exchange, misleading the parliament?

Mr Gration—My advice is that we have not closed the research lab, that we have relocated some of the functions that were previously performed by the lab to other parts of operations. We have also asked the labs to focus on research into innovation and services. What we have asked them not to do is to try and duplicate the sort of research that is better carried on by—we talked about Alcatel before—the Alcatels, the Nortels, Lucent, Cisco, that are global equipment manufacturers. We do not see value in trying to duplicate the sort of research undertaken by those organisations.

Senator CONROY—So you have sacked 75 per cent of the staff but you are keeping it open; that is your proposition?

Mr Gration—I do not have the numbers as to the number of staff who have been made redundant in that area, but I am advised that we are keeping the research labs open, but we have moved some of the functions previously performed at those labs to other parts of the company and that the focus of the research and development efforts of the company will be on innovation and services more so than the sort of underlying network technology.

Senator CONROY—This is almost like a *Yes, Minister!* episode, just in reverse—you know, the famous hospital with no patients works brilliantly and now we have a lab with no staff.

Mr Gration—We are committed to innovation and services.

Senator CONROY—It is just that you do not have any staff left in the lab to do it. Does Telstra have any plans to close the Telstra research labs in Sydney and Launceston?

Mr Gration—Not that I am aware of—and I am just looking at my colleagues.

Senator CONROY—Perhaps you just want to change the date and the time on this and we can have, ‘Mr Gration says Telstra is not closing Telstra research labs and has absolutely no plans to close the labs in Sydney or Launceston.’ Do you stand by this press release?

Mr Gration—I have said that I am not aware of those plans and I am advised that the labs are open, and Hugh Bradlow continues to head that function.

Senator RONALDSON—Will the focus in those and other labs change as well?

Mr Gration—I think the focus of all our research efforts will be around that innovation and services. One of the things that Mr Trujillo and Mr Winn identified when they came in was to say that where we can really make a difference with our research is in that sort of innovation and services space. Where we are unlikely to make a difference is where we are simply trying to duplicate the kind of fundamental research better done by an Alcatel or a Nortel, et cetera.

Senator CONROY—I think it is normally called deskilling. So, you are prepared to give us a commitment that you are not going to close Sydney and Launceston.

Mr Gration—What I have said to you is that I am not aware that there are plans to do that.

Senator CONROY—I was going to say that I am not sure if your commitment would be worth any more than Mr Ponder, was it? Warwick Ponder—do you know Mr Ponder?

Mr Gration—I do know Mr Ponder.

Senator CONROY—TRL has played a key role in developing Australian ICT, intellectual property and ICT skills in this country, has it not? That would be a fair call. The labs have a pretty good reputation?

Mr Gration—They have done some terrific research, yes.

Senator CONROY—Around a quarter of TRL staff have advanced degrees like PhDs, do they not?

Mr Gration—I do not have the exact numbers but that would sound correct.

Senator CONROY—One of TRL's key functions is to adapt international technologies to the uniquely harsh Australian environment. That is a crucial role in maintaining service standards in rural and regional Australia, is it not?

Mr Gration—As I said, I think 'uniquely harsh Australian environment' has a nice ring to it but the reality is that there are a lot of uniquely harsh environments around the world and the equipment manufacturers fundamentally do that research as to how to make their equipment robust, whether it is in north America, Asia, Australia or Europe. What we feel that we can best devote our research efforts to is—if we take the underlying equipment from a Nortel or an Alcatel which is available to us and to all our competitors—where can we innovate in the services space to have a competitive differentiation.

Senator CONROY—I appreciate the last point you made, but are you seriously arguing that you would expect American or overseas providers to understand Australia's climate, geography and conditions, especially in rural and regional areas, as well as your researchers at your labs?

Mr Gration—What I am arguing is that although the best place to do fundamental research in relation to networks, rollouts, technology is the global equipment manufacturers, we do not see that there is value in Telstra trying to duplicate that research effort.

Senator CONROY—Minister, when Telstra denied that it was closing TRL last year, do you recall saying, 'I welcome the commitment from Telstra to research and development and the fact that Telstra will continue to make this commitment'?

Senator Coonan—I do not think Telstra has said otherwise, has it?

Senator CONROY—It has sacked 75 per cent of the staff.

Senator Coonan—I am not saying it has not. I have said that the general comment has been one repeated today.

Senator CONROY—This was a question I asked of you in parliament on 10 November.

Senator Coonan—Well, the officers did not say anything contrary to that, so far as I have heard it today.

Senator CONROY—No, I am not suggesting that you have misled anybody. I just think that, given that that was on 10 November and Mr Ponder's press release was 10 November and it is now 10 February—and I understand the sacking started some time ago—within three or four weeks of them giving you this commitment, 75 per cent of the staff have been sacked. Do you feel in any way that you have been misled by Telstra?

Senator Coonan—My understanding is that the statements made again today is that Telstra continues to have that commitment. How it chooses to actually discharge that commitment is obviously a matter for Telstra and it is something that in terms of job losses—I never like to see loss of jobs, as I have said many times, but Telstra obviously has to, in many respects, look to its costs, look to its operating costs and turn this company round because, we have said on many occasions, Telstra does need to be fast on its feet and be able to meet the challenges of being a modern telecommunications company. I understand that and I think most people understand that and welcome Telstra's efforts to get on with it.

Senator CONROY—So you are completely comfortable about being misled by Telstra so blatantly?

Senator Coonan—Senator Conroy, do not be silly.

Senator CONROY—That is what they did.

Senator Coonan—I do not consider that I have been misled.

Senator CONROY—The public were, you were, I was.

Senator Coonan—I do not consider I have been misled.

Senator CONROY—So, when Mr Ponder says that Telstra is not closing Telstra research labs and has absolutely no plans to close the lab at Clayton and then it sacks 75 per cent of its staff there and moves functions elsewhere, that is consistent with telling the truth to you?

Senator Coonan—There are timeframes involved and I think this is a totally pointless exercise directed to me. Direct it to Telstra.

Senator CONROY—I am asking how you feel about it. Telstra cannot tell me that.

Senator Coonan—Senator Conroy, how I feel is not part of my ministerial portfolio, for goodness sake! Ask me some questions to which I can give you a proper response and I will.

Senator RONALDSON—Mr Chairman, Senator Conroy is running out of steam and I just wonder whether while he collects his breath the rest of us can perhaps—

Senator CONROY—No, I am not running out of steam. I am sorry to disappoint you. I will not take personal insults as a reflection on my stamina there.

CHAIR—We do not seem to be as focused as we were though, Senator Conroy, if you wish to collect your thoughts—

Senator Coonan—We are wandering off course.

Senator RONALDSON—Senator Adams has been sitting here very patiently.

Senator LUNDY—It is not appropriate for committee members to reflect on Senator Conroy's questioning and waste time. Why do you not just let him get on with it?

CHAIR—Senator Nash might have some questions.

Senator LUNDY—She well might, but Senator Conroy has not finished.

Senator CONROY—I am actually in the middle of my questions, thanks, Senator Eggleston.

Senator RONALDSON—I have some fantastic questions as well.

Senator CONROY—This process of divesting in-house expertise in Telstra is becoming something of a pattern, is it not?

Mr Gration—Sorry, I missed the opening part of that question.

Senator CONROY—This process of divesting in-house expertise at Telstra is becoming something of a pattern, is it not? You are sacking hundreds of researchers in TRL. You are laying off thousands of technicians and we have recently heard that you will be outsourcing your IT capabilities to India. Is that right?

Mr Gration—There is a whole raft of questions you have in there. We have discussed TRL. In terms of the skill set within the company, one of the key tasks we have underway is to make sure we have the right skills for what we see as the future. We talked earlier this morning about particularly seeing broadband and wirelesses are the two key aspects of the company's future. We need to make sure that we have in place the skills to deliver those services. Your final question around IT outsourcing—obviously, I do not have the context in which you are saying those statements were made, but I think it remains the case that Dr Hugh Bradlow is in charge of those research labs. I think some parts of the function of those labs will transfer to other corporations. It is no secret that at least the last three or four years, probably longer, we have outsourced certain IT services to our IT partners. Those partners choose to provide those services in some cases in Australia, in some cases overseas and, as you have correctly identified, sometimes when they choose to provide those services overseas they provide them from India. Sometimes they choose to provide them from North America.

Senator CONROY—From the outside it looks like Telstra is adopting a very American approach to the technical side of its business, relying exclusively on contractors and third parties to provide expertise. Is this a fair or accurate characterisation?

Mr Gration—I am not sufficiently familiar with American companies to say whether or not it is an American approach.

Senator CONROY—You must be getting more and more familiar as each day goes by.

Mr Gration—We are very focused on saying that we should do the things inside Telstra that make a difference and that we can do best and that, where there are things that our partners—we talked earlier about some of the network partners, Alcatel, for example—can do better than we can, let us let them get on with it rather than try and duplicate their skill set.

Senator CONROY—That sounds like a good deal for your lawyers. You will undoubtedly need even more of them to manage Telstra's relationship with all those new contractors, will you not? Are you a lawyer, Mr Gration?

Mr Gration—I am legally qualified, yes.

Senator CONROY—You have some redeeming features.

Senator RONALDSON—Senator—

Senator CONROY—No, I think he has just admitted he is not actually. He is not professing to be a lawyer, so he does have a redeeming feature. I think it is excellent.

Senator RONALDSON—It is likely he has not got his professional indemnity paid up. We legally train them.

Senator CONROY—If you are sacking all your technical experts I presume the lawyers would have to take on greater workload drafting requests for tenders and things of that nature?

Mr Gration—I do not think we see our lawyers as being a substitute for technical expertise in tender drafting.

Senator CONROY—If you are doing more outsourcing, by definition you have more legal contracts.

Mr Gration—No. Clearly we need to and we do document those outsourcing arrangements in contracts and those contracts are worked upon by lawyers.

Senator CONROY—If you have no-one left in-house to judge the technical claims of your contractors, you will have to rely more heavily on your lawyers to ensure that Telstra is legally protected when contractors are unable to deliver on their claims.

Mr Gration—I think the premise of your question we would dispute. We do not have nobody in-house who can assess the technical expertise. We are making sure that we do have people in-house with enormous technical expertise. You were asking earlier about why we have recruited some of these overseas people into the company. It is partly to get in place that technical expertise to be able to judge the sort of contracts and contractors and make sure they deliver.

Senator CONROY—While we are talking about contractors, I have a couple of questions about one of your more recent contractors, Crosby Textor.

Mr Gration—Yes.

Senator CONROY—Telstra is currently acquiring services from Cosby Textor, is that correct?

Mr Gration—I was—

Senator CONROY—I keep reading it.

Mr Gration—This question was foreshadowed to me last night and I asked about it. I gather Crosby Textor provide some services through Carnegie Wylie, who we have engaged to assist us in relation to T3 matters, particularly regulatory matters in relation to T3. I was not able to ascertain whether Crosby Textor also directly provides services.

Senator CONROY—They are billing you. You are picking up the tab.

Mr Gration—Yes.

Senator CONROY—Wylie Carnegie are not doing it for free. They are not sending Lynton around the building just for free.

Mr Gration—Correct.

Senator CONROY—So, what services is Crosby Textor providing?

Mr Gration—As I understand it, they are assisting Carnegie Wylie in our efforts to achieve the better regulatory outcome that Dr Warren outlined earlier.

Senator CONROY—So they are doing Mr Burgess' job then?

Mr Gration—Certainly Mr Burgess' team is as focused on achieving good regulatory outcomes and one way of hopefully achieving that is if we can tell our story better in Canberra.

Senator CONROY—Actually that is Mr Burgess' job, isn't it?

Mr Gration—Mr Burgess is head of government relations amongst other things. It is public policy and communications, which includes government relations.

Senator CONROY—Yes. So, this is a duplication?

Mr Gration—No. This is a—

Senator CONROY—An enhancement.

Mr Gration—Mr Burgess, like the heads of all of our business units, does not do the job single-handedly.

Senator CONROY—What is Mr Short doing then?

Mr Gration—Mr Short was appointed by Mr Stanhope to assist with T3 related matters.

Senator CONROY—How much money has Telstra paid to Crosby Textor since they were hired by the company.

Mr Gration—I do not know.

Senator CONROY—Are you able to take that on notice for us?

Mr Gration—I am.

Senator CONROY—And if it is a subcomponent of Carnegie Wylie, that would be easily available, I presume?

Mr Gration—I would assume so but I will need to check that.

Senator CONROY—Is it an individual contract or do they just keep billing you, ongoing, as they wander around the corridors, opening doors and having cups of coffee?

Mr Gration—Carnegie Wylie have been appointed under a contract to provide services in connection with T3.

Senator CONROY—And what is the value of that contract?

Mr Gration—I do not have those numbers.

Senator CONROY—Could you provide them for us?

Mr Gration—I can provide them.

Senator CONROY—And it is a fixed term, fixed price?

Mr Gration—I would need to check that. The pricing is documented in the contract. I cannot recall whether it was for a fixed term or until we get T3 out of the way.

Senator CONROY—So, exactly how many former Liberal MPs or staffers has Telstra hired in the last six months?

Mr Gration—Looking at my colleagues I would say—

Senator CONROY—I know it is a long list, so you can take your time.

Mr Gration—I do not believe we have hired former Liberal MPs, but we might have done. I cannot think of who you would be referring to there if we have hired a former Liberal MP. We have hired David Quilty to head up our government relations—

Senator CONROY—I was getting to Mr Quilty, do not panic. So we have Mr Short, we have Crosby Textor both—well, Mr Textor I think still works for the Liberal Party. I do not know if Mr Crosby does, but Textor still does his direct stuff for them. Mr Short we have talked about previously. For the benefit of those watching, could you inform the committee who Mr Quilty's previous employer was?

Mr Gration—The Commonwealth Government.

Senator CONROY—And which office did he work in?

Mr Gration—Prime Minister and Cabinet, as I understand it.

Senator CONROY—Let us make sure we have the chronology right here.

Mr Gration—Sorry, Dr Warren tells me it was the Office of Cabinet rather than Prime Minister and Cabinet, if there is a distinction there.

Senator CONROY—A very fine one, but thank you, Dr Warren, for your contribution. Let us get this right. We have Mr Short who is Nick Minchin's office spy.

Senator Coonan—Senator Conroy, I think you should—

Senator CONROY—We have Mr Quilty as a spy for the PM's office.

Senator Coonan—Senator Conroy—

Senator CONROY—We have the former secretary of the Liberal Party.

Senator Coonan—Senator Conroy—

Senator RONALDSON—If there is a reflection on the quality of advice that is one thing, but quite frankly I do not think this is appropriate. This bears no relevance. This organisation is entitled to employ whoever it wants to. If the allegations—

Senator CONROY—I am entitled to ask the question about the expenditure of the funds.

Senator RONALDSON—If the quality of the advice is bad or there is some other outcome, then that would be fair question—

Senator CONROY—Is this a question—

Senator RONALDSON—but this line of question I do not think is reasonable.

Senator LUNDY—You are incorrect.

CHAIR—Really, you should not make adverse comments about individuals. It is under standing order 193(3): 'A senator shall not use offensive words against any member of such house' et cetera. So do not do that.

Senator CONROY—Yes. I am sorry, but I did not make any reference about a member of the House.

CHAIR—This is the second time today.

Senator Coonan—It is both houses, you will find—

CHAIR—But former employees of the Commonwealth.

Senator CONROY—Either house.

Senator Coonan—as you read on. But—

Senator CONROY—I have not reflected on anybody in either chamber.

Senator Coonan—Senator Conroy, you should withdraw that comment about Senator Minchin.

Senator CONROY—Can I go on?

CHAIR—Please proceed, but just be careful about the kind of language you use.

Senator CONROY—Thank you. So, now—

Senator Coonan—Mr Chair—

CHAIR—You are asked to withdraw the comments about Senator Minchin.

Senator CONROY—The comment was about Mr Short, not Senator Minchin.

Senator Coonan—No, it was Senator Minchin's spy.

Senator CONROY—Yes.

Senator Coonan—That is unparliamentary and I would ask that you withdraw it.

Senator CONROY—No, it is not.

Senator Coonan—It is.

Senator CONROY—Make your mind up. It might be offensive—

Senator Coonan—That is imputing—

Senator CONROY—it might be rude, but it is not unparliamentary.

Senator Coonan—Senator Conroy, not only is it rude, it is a reflection on a senator and I would please ask you to withdraw it.

Senator CONROY—No.

Senator LUNDY—Mr Chair, it is just close to the bone.

Senator RONALDSON—And it is also a reflection on someone who is not here and it has to be withdrawn.

Senator CONROY—I am sure he is skulking around the building. He was here last time.

CHAIR—It is a very inappropriate imputation and we would be grateful if you would be kind enough to withdraw it.

Senator CONROY—I would like to actually move on to my next question.

CHAIR—If you withdraw it, please.

Senator Coonan—Withdraw it, please, Senator Conroy.

Senator CONROY—Sorry, withdraw what?

CHAIR—The imputation about Senator Minchin's spy.

Senator CONROY—The imputation is not on Senator Minchin.

Senator Coonan—Yes, it is.

CHAIR—It is against Senator Minchin—

Senator CONROY—It is on his spy.

Senator Coonan—You can rephrase it a different way.

CHAIR—suggesting that his staff—

Senator Coonan—Then you would be home and hosed but at the moment—

CHAIR—are spying on other people. So, let us—

Senator CONROY—All right, he is a government spy. How is that? Are you happy?

Senator Coonan—Withdraw again.

Senator LUNDY—Maybe he is your spy.

Senator CONROY—I am sorry, you cannot impugn the government, okay. If you want to argue I am impugning Senator Minchin, I disagree with you, but I will accept your ruling and I will reword it. The government spy. Are you happy?

Senator Coonan—Thank you.

CHAIR—I do not think that is appropriate really. I think we should recognise—

Senator CONROY—Let us talk about real progress. Let us talk about Mr Quilty's salary. Now, that is really progress.

CHAIR—that Senator Conroy is making inappropriate remarks.

Senator CONROY—How much is Mr Quilty being paid?

Senator RONALDSON—Mr Chairman, how can it possibly be relevant to the proceedings today what Mr Quilty or any other consultant is being paid by—

Senator LUNDY—Because it is—

Senator CONROY—He is not a consultant, he is an employee.

Senator RONALDSON—It is an organisation of which the Commonwealth is at best a shareholder.

Senator LUNDY—It is all right. It is the interference brief coming out from Senator Ronaldson.

Senator CONROY—Yes. Not only is he a master of it, can I say that his mum gets upset when he behaves like this. She phones him and berates him.

Senator LUNDY—I can see why.

Senator RONALDSON—This is totally inappropriate. I have some serious questions about consumer telecommunications in this country—

Senator CONROY—You want to call him to order?

Senator RONALDSON—and this is not advancing it at all.

Senator CONROY—Do you want to call him to order so I can get on with my questions?

CHAIR—No, he's making very valid points. I think—

Senator CONROY—I think your bias is showing, Chair.

CHAIR—Not at all. I am completely impartial.

Senator LUNDY—I think it is.

Senator CONROY—I think if you can sit there and say he is entitled to make points, not ask questions—

CHAIR—I would like you to refrain from making imputations about ministers or their staff and to relate your questions to estimates.

Senator CONROY—I am trying to. I want to know what Mr Quilty is paid. What is Mr Quilty paid? What is his package?

Senator LUNDY—It is an entirely legitimate question, Chair.

Senator CONROY—What, you were given a brief that I may ask a question about Crosby Textor, but you did not think I would ask a question about Mr Quilty from the PM's office and cabinet office?

Mr Gration—I do not know what Mr Quilty is paid.

Senator CONROY—Who briefs you?

Mr Gration—I do not know what most of my colleagues are paid.

Senator LUNDY—Better not be getting a performance bonus.

CHAIR—I thought the purpose of this—

Senator RONALDSON—The Minister should use the Senator Ray defence. If I were the minister in charge of that estimates committee, I would refuse, and quite rightly refuse, to have appear and give evidence before an estimates committee people who are not in my employ. This is not taking this—

Senator CONROY—Are you going to call him to order, or just let him rant on?

Senator RONALDSON—Put a press release out and say, 'Telstra employees actually will start,' but it is just totally inappropriate—

Senator CONROY—This is disgraceful conduct and, frankly, disgraceful chairing, if you are going to allow him to do this.

Senator RONALDSON—It is totally part of today's proceedings, for God's sake.

Senator CONROY—I am entitled to ask the question. You know it, now call him to order.

CHAIR—Senator Conroy, we are not denying a right to ask questions.

Senator CONROY—Thank you. Well, then how about you stop Senator Ronaldson—

CHAIR—It is the imputations you make—

Senator RONALDSON—It's totally—

Senator CONROY—editorialising?

CHAIR—in the terms in which you couch them.

Senator CONROY—I have just said, 'What's he paid?'

CHAIR—So ask questions in a—

Senator CONROY—That is it; that is all.

CHAIR—reasonable way without casting aspersions on people and you may proceed.

Senator Coonan—The officers have said they will take that on notice. They do not know—

Senator CONROY—Mr Gration has not said that. You have said it on his behalf, but I am sure Mr Gration will get around to it.

Senator LUNDY—Now the minister is stopping him from answering.

Senator Coonan—We are all yelling so much now, no-one can hear him. He has said that he will take it on notice.

Mr Gration—I will take it on notice.

Senator CONROY—No one briefed you or suggested that I might ask a question like this?

Mr Gration—You would appreciate that employee privacy is important to us. I think last time we were here you were asking us questions about employee privacy—

CHAIR—Absolutely right.

Mr Gration—and one of the things that we consider private to our employees is the salary they are paid. We do not share it amongst other employees unnecessarily.

Senator NASH—How is what an employee earns relevant to this discussion?

CHAIR—This is an estimates hearing and—

Senator CONROY—Thank you.

CHAIR—we would like you to concentrate on legitimate financial questions to do with the operation of Telstra. I am not sure this really fits into that category—

Senator CONROY—Oh, cut it out!

CHAIR—because there is a question of confidentiality. It is not a pivotal issue—

Senator CONROY—It is not a question of confidentiality. I am entitled to ask a question; I am entitled to an answer. And if I press, I am entitled to be answered.

CHAIR—We told you we would give—

Senator Coonan—Excuse me, Mr Chair, just one other point. We are looking at the year ended June. I do not think Mr Quilty had even commenced, but I may be wrong about that. But it is a very small point in the whole scheme of things. If we could move on?

Senator CONROY—Why are you so afraid to tell us what Mr Quilty is getting paid?

Senator Coonan—We are not. It is just—

Senator CONROY—I am sure Mr Quilty shortly will pass a note up telling you.

Senator Coonan—It does not relate to this—

Senator CONROY—He is behind you. You could ask him what he is being paid.

Senator Coonan—It does not relate to this year's additional estimates.

Senator NASH—That is a good idea.

Senator CONROY—You do not need to take it on notice.

Senator CONROY—He is sitting behind you, Mr Gration.

Senator NASH—That is a good idea. Why don't we ask Mr Quilty?

Senator CONROY—Why don't you swivel in your chair, like you have done a number of times today, and ask him?

CHAIR—Senator Conroy, the minister has pointed out it does not relate to this year's estimates, therefore it is out of order. So therefore we should proceed to another subject.

Senator RONALDSON—We all know it is more than us, so let us move on.

Senator CONROY—I am not sure that was a helpful defence, Senator Ronaldson. I am not sure that was a helpful defence, but I appreciate it. So, you will take it on notice, Mr Gration?

Mr Gration—Yes.

Senator CONROY—Oh, I am not worth anywhere near the sort of money Mr Quilty will be paid.

CHAIR—We are drifting, Senator Conroy. I have only got a limited amount of time.

Senator CONROY—I make no argument about it. But that does not mean I am not entitled to ask and be given an answer on this question.

CHAIR—We are going around in circles. Let us move on.

Senator Coonan—Mr Chair, I think that question was ruled out of order, so Mr Gration obviously will not be taking it on notice.

CHAIR—Yes, I did.

Senator NASH—No, it wasn't.

CHAIR—Yes, it was. It is not related to last year's budget. Okay.

Senator CONROY—Can I just get your assistance, Mr Gration, because I am a little bit confused. We have Mr Burgess, we have Mr Short, we have Mr Quilty and we have Crosby Textor, and they all seem to be doing the same thing: talking to the government.

Mr Gration—There is a lot of the government to talk to.

Senator CONROY—I think Senator Coonan is a very approachable person.

Mr Gration—Yes.

Senator CONROY—So they are all talking to the government?

Mr Gration—Yes. Government relations—we are here today talking to you. If you look at our relations with the Commonwealth, the Commonwealth is currently our largest shareholder. It is one of our largest customers. It regulates the industry in which we participate and it has plans underway to sell what will amount to \$20 billion or \$30 billion worth of stock in the company. All of those give us plenty to talk to the government about.

Senator CONROY—So you have Mr Burgess; is he still banned from the building? Is he allowed to talk to the government yet?

Mr Gration—Not that I am—

Senator CONROY—I keep reading he has been banned from the building, that is all.

Mr Gration—I have not read that and I am not aware of it.

Senator CONROY—He assures me he still has his pass, but—

Mr Gration—I cannot imagine he would have given you that assurance if he does not have it.

Senator CONROY—When was the last time Mr Burgess met with a government minister?

Mr Gration—I do not know.

Senator CONROY—A departmental official?

Mr Gration—Again, I do not know.

Senator CONROY—Could you take those on notice?

Mr Gration—Yes.

Senator CONROY—There just seems to be a bit of an overlap there; maybe it is a bit of fat you could cut? While we are asking about the service contractors, can you take on notice how much Telstra spent on external recruitment firms during its search for a replacement for Dr Switkowski, who was employed to—

Mr Gration—Egon Zehnder assisted with that search.

Senator CONROY—Anyone else?

Mr Gration—No.

Senator CONROY—Are you sure?

Mr Gration—You are obviously asking me the question because you think that someone did, but I cannot think of who else did that work, apart from Egon Zehnder. Spencer Stewart also do some work for us, but they were not working on the engagement of what ultimately turned out to be Mr Trujillo.

Senator CONROY—Okay. If you could just give us the details on that and if you could tell us what Mr Spencer was doing.

Mr Gration—Spencer Stewart, I can tell you that. I suspect the context in which you are thinking of them, they have been engaged to assist with the search for non-executive directors.

Senator CONROY—They were doing the non-executive directors and Zehnder was doing—

Mr Gration—The CEO.

Senator CONROY—The CEO? Okay. Can you just double-check that?

Mr Gration—I will double-check that, but that is my pretty clear recollection.

Senator CONROY—Yes. Okay. Now, there are a few vacancies on the board at the moment, Minister. How soon before you announce the appointment of the first American to the Telstra board?

Senator Coonan—Obviously it is a matter for the board, although the government is consulted. My understanding is that there has been some considerable progress in the search for an international director. In those circumstances, I understand that that announcement might be reasonably soon.

Senator CONROY—So it will be reasonably soon that you are announcing the first American on the board?

Senator Coonan—Sorry, no, I do not necessarily say it is the first American, but an international director.

Senator CONROY—You rule it out?

Senator Coonan—Look, I am not going to pre-empt who will be appointed as the international director—

Senator CONROY—It is an American, isn't it?

Senator Coonan—but clearly a search has been had for an appropriate director, so I am not going to pre-empt what the nationality of the person is. We are looking for somebody with international telecommunications experience.

Senator RONALDSON—What would be the advantages of an international director?

Senator Coonan—Obviously this is an international company. It is a company that hopes to have a much bigger scale and scope and it is clearly relevant now to have directors that understand how a global telecommunication company works.

Senator CONROY—Yes. Telstra have had a lot of success expanding overseas.

Senator Coonan—Excuse me, can I just finish my answer to Senator Ronaldson's question? The days of directors knowing how to plug things into walls are well and truly over, as you would appreciate, Senator Ronaldson, and you need a board of the highest calibre. The thinking is that someone with international experience does add to that scale and scope.

Senator RONALDSON—Absolutely. Thank you.

Senator CONROY—And is that what Spencer Stewart have been looking at?

Mr Gration—Spencer Stewart have been assisting with the search for non-executive directors.

Senator CONROY—Yes, which would be this international director that the minister is referring to?

Mr Gration—I think we have previously stated, and the minister has restated here, that we think it would be valuable to have international experience on the board. I think you were referring to the appointment of the first American. Obviously we have previously had Americans; we had Bill Owens on the board who left the board when he became CEO of Nortel. Mr Trujillo is currently on the board and is really an American, so—

Senator CONROY—Yes. My understanding is the next appointment will be an American, because you are short of a few Americans at the moment in Telstra.

Mr Gration—Your understanding is clearer than mine, if that is the case.

Senator CONROY—The minister has the chance to put me out of my misery by saying, ‘No, it’s not.’

Senator Coonan—I am not going to pre-empt, as I have mentioned.

Senator CONROY—Okay. I would like to move on to Telstra’s wholesaling practices now. Telstra has been systematically reducing the lengths of the contracts it offers to its wholesale customers for some time, hasn’t it?

Mr Gration—Not that I am aware of. I do not think that is true.

Senator RONALDSON—Mr Chairman, sorry to interrupt, but if we are changing the subject, can we perhaps allow someone from this side an opportunity to ask some questions? I am quite happy to come back, but I think—

Senator CONROY—I accept that.

CHAIR—Senator Adams?

Senator ADAMS—Back to Country Wide: one of the things that has really upset some of my constituents is that Telstra is currently undertaking a review of the profitability of public pay phones. Can you tell us what plans you currently have to remove public pay phones in WA country towns, where those phones play a vital part in the small towns’ public infrastructure? I can assure you that, when my mobile phone does not work and I need to use the telephone, those little phones sitting in a phone box are very, very important; they may not be profitable, but they certainly are a lifeline for those communities.

Mr Pinel—I am not able to talk specifically about Western Australia, but I can talk in a general sense about our program with pay phones. We have some obligations under the USO for the provision of pay phones, and those are met. We do assess pay phones regularly from time to time to determine the extent of their use and profitability in a commercial sense, and we take decisions from time to time to either supplement or to remove pay phones that are obviously not showing either a community benefit or a commercial return. It is an ongoing program. That has always been the case. In the current scenario, as far as I know, the assessments will result in the removal of some pay phones, predominantly from locations where there are multiple pay phones, although I cannot say that that is universally the case.

I think it should also be stated that Telstra is not the only provider of pay phone services in Australia. There are a number of competitors that provide them as well, and the availability of those services is also a factor for us in determining both the obligation and the viability of pay phones. If you have specific locations that you would like me to consider in Western Australia, I am happy to take that on notice and come back to you.

Senator ADAMS—I would consider that surely it is a social obligation, and Telstra is the only provider in the area that I am talking about. There is no way those phones are going to be profitable, but they should be there.

Mr Pinel—If they are captured by the universal service obligation, then we have an obligation to provide them. As I say, I am happy to take the specifics from you and explore the issues. If there are community issues that we need to take into consideration that we have not already, I am happy to give you that undertaking.

Senator ADAMS—I understand that Penrith in New South Wales is covered by Telstra Country Wide, and I really wonder how this can be ‘country’ because of its size. On part of our Brookton Highway, which is a fairly thick-forested area 40 kilometres from Perth, you cannot get coverage. Of all the places that you need it, because of kangaroos, that is one place, and another is the Albany Highway, about 40 kilometres south. I have gone through this with our regional manager. Unfortunately, it is because there is no power to the area; that is the excuse they are using. Yet up near Broome they are using solar power to have their towers utilised.

Mr Pinel—Once again, I do not know the specifics. Unless Mr Jennings is more familiar with that particular aspect of the mobile network?

Mr Jennings—No, I am not, but we would be happy to take that on notice, to examine the coverage that is there or is not there.

Mr Pinel—There are many factors that come into the provision of mobile coverage, of course, and usage is one from a commercial perspective. That is impacted by the cost of transmission, the cost of site acquisition, the availability of power and access to the base station, a suitable location for the base station. That all adds into an economic equation that we assess to see how viable the site is. If it is not a commercial proposition, we often look for partners to help us fund that, whether it is the federal government or a state government or another commercial entity. But I will take on notice, as Mr Jennings said, the specifics and try to give you some more advice.

Senator ADAMS—I was rather hoping that the new manager, Mr Booth, would be here, because he would have been able to answer my question. Anyway, thank you.

Mr Pinel—I will talk to Mr Booth about that particular issue. His history in Western Australia is strong and he has a strong commitment to that part of the world. We will get back to you.

Senator ADAMS—On the broadband rollout, can you outline for us your plans to roll out broadband services to rural Australia? I think this is probably done, but what is worrying me is that, guaranteeing when this company is fully privatised, will those plans stay in place?

Mr Mullane—Our broadband rollout does continue. As of just the last day or so, I checked the number of exchanges we have enabled. It has now advanced to I think a very significant total of 2,113 exchanges, and still expanding. The program is running still under the ADSL demand register approach, where we set thresholds and communities marshal their energies and we enable such exchanges as a result of the community demand that we see there.

Senator ADAMS—Just while we are on that threshold, what is the number now that is required to get broadband to a community?

Mr Mullane—It varies from location to location, depending on the cost to provision the service in those places. Also, whether it is subject to any other subsidy arrangements where

we can build that into the threshold equation. But, fundamentally, we have a demand led process that we have been operating now for quite a long time and we are continuing with it. In terms of WA, there are 219 exchanges, at last count, enabled in Western Australia, and we will undertake more if the demand requires it.

Senator ADAMS—That is still just limited to 4.5 kilometres outside those towns, from the exchange?

Mr Mullane—For the general availability distance, yes. In technical terms, it is 56 decibels from the exchange, so typically it equates to just over four kilometres with our standard urban-type cable gauge. In country towns, often the cable gauge is a thicker type of wire and can carry the signal further, so sometimes it can go probably out to six or so kilometres. It depends on the cable.

Senator ADAMS—It is pretty hard for our people that are a long way out. Anyway, is it going to go any further? As technology improves, will that particular service go any further out?

Senator RONALDSON—Are you not trialling a program called XTel?

Mr Mullane—There is an opportunity with some technology that has been offered to us from the XTel company. It is, if you like, an extender. You could put a unit out in the field and it would service a small number of customers in that vicinity. You would need a matching unit in the exchange. We have been looking at that for some time. It is a very challenging business case to get up.

Senator RONALDSON—How have your trials being going?

Mr Mullane—We have checked it in one or two places. I think the technology itself seems okay, but it is fundamentally the economics that is the challenging part of it.

Senator RONALDSON—Just so Senator Adams and I are clear, you actually have the ability to extend it, but it is now a financial decision; is that right?

Mr Mullane—That is correct; using XTel. There are some other techniques, obviously, that you can also consider with getting ADSL technology closer to customers. In fact, one of those techniques is in fact the much-discussed fibre to the node-type approach. Where customers who are beyond the existing transmission limit, we would look to installing nodes closer to the customers. With that mechanism, you then have the ADSL signal source out of that node and it can carry out for whatever the distance of the band/signal you are looking for.

Senator ADAMS—How much further could it go?

Mr Mullane—For today's 1.5 megabyte-type download service, depending on the gauge of the copper again, but let us assume it was 0.04 millimetre gauge copper, it could go another approximately four kilometres from that node. ADSL is a technology that is designed around urban cable networks primarily. You can use it in regional town-type networks, but in terms of the more distributed, 20 to 30 kilometres from town-type customer locations it is not the answer.

Senator RONALDSON—Is XTel a legacy program?

Mr Mullane—It is not a legacy program.

Senator RONALDSON—It seemed to me from—

Mr Mullane—No. It is a program we have not actually taken up yet.

Senator RONALDSON—But it just seems that you have drawn a bit of a line in the sand; as of 1 July, everything pre-July is legacy and everything else is bundled into the future bit. If you have the technology and it has been trialled—and there are people like Senator Adams's and Senator Nash's constituents and, dare I say it, people in Victoria—has a business case model prepared for this?

Mr Mullane—Yes.

Senator RONALDSON—What is the likely cost?

Mr Mullane—Quite a lot of work has been done on it. The fundamental problem is that you have got two boxes of equipment that need to be installed. They service a small number of customers and, if you exhaust the capacity, you have then got another very expensive arrangement to do what you can.

Senator RONALDSON—I understand that. But you have not also been told to put this on hold, have you, as part of these other discussions that Mr Trujillo is—

Mr Mullane—No, it is not on hold.

Senator RONALDSON—The copper wire upgrade, et cetera—this is not one of those, I hope.

Mr Mullane—It is not on hold. It is just the economics are challenging to make the case in the way that we are confident that the approvals will be persuaded to be given.

Senator RONALDSON—What sort of money are we talking about?

Mr Mullane—I have not got the details to hand, but across the whole of Australia where we think this has an application it would be quite some millions of dollars.

Senator RONALDSON—You think it is technology that you could put in place now, the trial has been successful and you can put it in place, but it is a financial matter; is that right?

Senator LUNDY—It always is.

Mr Mullane—Yes, fundamentally that is it. ADSL—there is nothing dramatic about the technology. We know very much how to make it work. It is economics.

Senator RONALDSON—Surely the XTel technology was quite exciting, wasn't it, the same as your attenuation Newground trials in metropolitan areas.

Mr Mullane—Newground has potential application, again, in any area where customers are beyond the current 56 decibel limit.

Senator RONALDSON—With the greatest respect, that is bureaucracy-speak. What you have done is you have trialled new technology which enables extended decibel loss. You will therefore have many thousands or hundreds of thousands of potential broadband consumers who could, if the decision was made, get that service that they are no longer doing. You have gone through the process, you have got the new technology, you have trialled it, it has been successful, you have got dB levels out to, what, 70 decibels successfully now with Newground; I do not know about the other technology. Have you actually sat down and

worked out exactly what the cost is and, if it is too expensive and has failed some financial test, can you tell us what that financial test was and why it failed?

Mr Mullane—Just to be clear, there are two different items here that you are discussing.

Senator RONALDSON—Yeah. Newground and the XTel are different; I understand that.

Mr Mullane—That is correct. Newground does not really involve any new technology. It is can we actually extend today's limit and go further on the existing cable pairs.

Senator RONALDSON—It is tweaking it, is it?

Mr Mullane—It is what is the impact on performance, what is the impact on the telephony circuit quality—

Senator RONALDSON—What are your trials showing?

Mr Mullane—We did have a trial of this Newground approach and it showed that there were additional costs that were thrown up, and some services did not work in a way we were satisfied with.

Senator RONALDSON—What were the problems?

Mr Mullane—The costs are that fundamentally—

Senator RONALDSON—It has not passed the business case test. How much money was required?

Mr Mullane—We did—

Senator RONALDSON—If you do not know the answer, are you prepared to take it on notice?

Mr Mullane—Let me say this. We have not said we are not doing Newground. We are still examining it.

Senator RONALDSON—What more information do you need to be able to implement it?

Mr Mullane—We have reviewed the business case a couple of times, adjusting assumptions in the light of internal company discussions around this matter, and it is moving towards, we hope, another submission to gain approval to proceed.

Senator RONALDSON—You do not need to do any more trials; they have been done.

Mr Mullane—No.

Senator RONALDSON—They have been successful.

Mr Mullane—We have the information we need. It is really the economics again is the issue.

Senator RONALDSON—Are you prepared to take on notice and provide the committee with the cost of implementing Newground?

Mr Mullane—If that is the information you would seek, we can take it on notice.

Senator RONALDSON—A lot of people would love Newground to be introduced, and I would love to know what the cost is, and then I would be able to make a value judgment about whether the decision to or not to is appropriate.

Mr Mullane—Bear in mind that it is not just the cost, you have to balance the cost against what the benefits are going to be.

Senator RONALDSON—Surely from a business case point of view, if you have all these people who are not at the moment able to access and who will under that, there is probably a reasonable business case there?

Mr Mullane—That is the issue, isn't it—it is the business case?

Senator RONALDSON—Are you prepared to provide us with the costs of—

Mr Mullane—We will look at the information we have and see what we can provide you.

Senator RONALDSON—Yes, and what about XTel for Senator Adams and Senator Nash and their constituencies? Where is that at?

Mr Mullane—XTel has application depending on the nature of the community demographics. In fact, our assessment is that the XTel solution is fairly limited in how many services it would bring online, which is part of the challenge of the business case for XTel.

Senator RONALDSON—Are you prepared to take on notice and provide the committee with the number of regional and rural customers who will benefit from the XTel program and the costs of that?

Mr Mullane—We will take it on notice. We will just need to be careful. There will be some commercial information around some of those costs, so we will just need to be careful about that. But we will have a look at it and come back—

Senator RONALDSON—People are going to be assisted; surely that is not commercial in confidence, is it?

Mr Mullane—No. The number of customers, we can certainly give you information around that.

Senator RONALDSON—I am sure those from regional and rural backgrounds will be very interested to hear what numbers of people are going to benefit from that program particularly, and for those in metropolitan areas the—

Mr Mullane—Yes. Bear in mind, as I said at the start, if the fibre to the node proposal was taken off hold, we would probably find in some locations using that approach would be a better solution as well.

Senator RONALDSON—And if I did not ask you before, are you able to provide the committee with the numbers who will benefit from Newground application and the extension of the dB loss?

Mr Mullane—You did ask that before. We have that.

Senator RONALDSON—Thank you very much.

Senator LUNDY—Can I just—

CHAIR—Senator Nash.

Senator LUNDY—Sorry. Can I just ask that question relating to ADSL? I got an email today from a constituent who lives 10 minutes north of Dalesford and, like many people that still email me about their inability to get ADSL, usually because of pair gains, he writes to me

and says that, although he has requested ADSL and his neighbours have it, he is not able to get it, presumably because he is on a pair gain. But he also tells me that he has been told, once again, by Telstra that if he signs up with BigPond things will happen. Are either of you aware of any of your Country Wide representatives advising rural and regional customers that they are only going to get ADSL if they switch from a competitor, a competing ISP, to Telstra?

Mr Mullane—No. That is—

Senator LUNDY—This came in this morning.

Mr Mullane—That practice—we have had it to here many times. Telstra has absolutely stopped that happening. I am sure Mr Pinel will enforce that as necessary. But the issue with—

Senator LUNDY—I am not suggesting—

Mr Mullane—No. The issue—

Senator LUNDY—you have got a policy.

Mr Mullane—No. What happens—

Senator LUNDY—I can only take it from this that it is still happening out there on the ground.

Mr Mullane—The reason it is happening is that there are quite a few ISPs who will not take an application and put it in for further processing to have the service application assessed for transpositions or any other network work that can make it capable. As soon as they get a rejection on service qualification, a number of ISPs, including some of the very biggest, do not proceed—stop. Some of them say to their customers, ‘If you want to do any more about it, go and talk to BigPond.’

Senator LUNDY—But do you not think that is a bad reflection on the process that they have to endure in dealing with Telstra in actually ascertaining the problem with the network?

Mr Mullane—I do not at all. No, I do not. I think it is a reflection on the lengths to which they are not prepared to go to serve their customers.

Senator LUNDY—I can tell you that, as you know, we have years of complaints on this specific point and it is still happening.

Mr Pinel—As we have in the past, if you could give us the details, we will chase it down. I would be very surprised if there is aberrant behaviour. But if there is, we will certainly address it. As you know, the policy is very clear. If we have the details we will chase it down.

Senator LUNDY—Thank you.

Senator RONALDSON—Mr Chairman, now we are talking about the website, who is able to answer some questions on that?

Senator CONROY—On what?

Senator RONALDSON—We are asking—

Senator CONROY—Are you changing topics?

CHAIR—Senator Nash had some questions, actually, so—

Senator NASH—Senator Nash does.

Senator CONROY—It is a fatal mistake, Senator Ronaldson. If you change topics, get your script. I have discovered that today a couple of times.

CHAIR—Senator Nash.

Senator NASH—I have a few brief questions just to finish up today. Mr Mullane, just to go back to your point about the exchanges, 2,113 exchanges, that now have broadband, how many exchanges do not have broadband?

Mr Mullane—There is in the order of approximately 5,000 exchanges in Australia, all of which are quite small. We are down to 300 line exchanges now. Exchanges that are not yet equipped have probably got low service in operation accounts, quite possibly a reasonable percentage of pair gain in their access networks; a percentage of customers could not get it if it was enabled. Those sorts of factors come into play when you are considering exchanges for enablement.

Senator NASH—How many of those 2,113 are in non-metropolitan areas?

Mr Mullane—Quite a lot. In the TCW area there are 1,788 existing and planned sites.

Senator NASH—Existing and planned?

Mr Mullane—Yes. And installed—

Senator NASH—How many existing, how many planned?

Mr Mullane—Installed is 1,539.

Senator NASH—I think legislation last year required there be two rural directors on the board, if I am correct. Has that happened?

Mr Gration—That legislation has been in place for some time. It is section—I know this, because I got a question about it a week or so ago—section 8BUA of the Telstra Corporation Act requires, the previous wording was, two directors who had knowledge of regional and remote communications in Australia, or words to that effect, and then that was slightly tweaked when the T3 legislation went through. I must admit the reasons escape me as to why that slight tweak occurred.

Senator NASH—Reasons for tweaking often escape me, too.

Mr Gration—Nevertheless, there is that requirement that there are two directors who have a knowledge of regional, rural and remote—

Senator NASH—Now we have got through all that and we know there is a requirement, are they on the board yet?

Mr Gration—They are and they have been. In fact, I think when Donald McGeachie was first appointed to the board in 1998 was when that requirement was introduced. The two directors at the moment, who most obviously satisfy those requirements, are obviously Donald McGeachie, with his background in the National Farmers Federation. I think the last time I was here Senator Adams asked me the same question and I said that Donald McGeachie tells me he was born in the farmhouse in which he now lives, has lived there all his life and expects to be carried out of there in a box.

Senator NASH—I know Mr McGechie. And the other one?

Mr Gration—The other one is Dr John Stocker, who previously had various qualifications but most relevantly in this area he was chairman of the Grape and Wine Research Foundation and was very involved in the viticultural industry. He was also previously chief scientist or head of the CSIRO, and in that role clearly had a lot to do with the needs of regional and remote areas. He also in fact himself has a property and produces, what I am told is, great wine from it.

Senator JOYCE—Whereabouts is that?

Mr Gration—It is in Victoria. I do know; I can find out the exact address, but I know it is in regional Victoria—Seymour.

Senator NASH—As I said, I have a few questions that are probably not really connected but just to finish/tidy up. In terms of the CDMA, which is prior to my time being here, obviously, what was the process by which Telstra acquired spectrum or, if you like, CDMA?

Mr Jennings—Telstra acquired spectrum by public auction. We purchased the CDMA spectrum.

Senator NASH—Also, just on fibre to the home—and you know I have a keen interest in this—obviously the \$30 billion came out of nowhere and has gone back to nowhere. There was a figure that Telstra put forward—and please correct me if I am wrong—after that point that to do fibre to the home would actually be \$11 billion. That may again just be wrong on one of those figures. Regardless of the cost, has there been any work done by Telstra at all on rolling out fibre to the home?

Mr Gration—I think the answer is, yes, in the sense that we have run trials of fibre to the premises.

Mr Sheargold—There is certainly a trial being run in southern Queensland, I think near Robina. Do not quote me on that. I will find out for you. There has certainly been a trial being run and had a look at the provision of those services for customers via fibre to the premises.

Mr Pinel—That is at the Springfield development outside of Brisbane.

Mr Sheargold—That is the one, yes.

Mr Pinel—It is relatively small. It has been done in cooperation with the developer and ourselves. It was a proof/trial of technology. There was another one on the Gold Coast at Emerald Lakes, which was a different type of development. It was a low-rise strata-titled residential development on the Gold Coast, and I suspect there is one in Victoria, too, but I am not familiar with it. We have some experience with it, but it has been, as I say, proof of concept more than anything else.

Senator NASH—Has there ever been any conversation with other companies perhaps on fibre to the home or anything like that, just in terms of information gathering?

Mr Pinel—We have dialogue with suppliers of various types of equipment. But if you are talking about other carriers, internationally we watch the markets there with what other carriers are doing, et cetera.

Mr Mullane—Certainly there is a lot of discussion with developers all around Australia, and have offered fibre to the home opportunities to some of those new developments that involve developer contributions.

Senator NASH—Finally, Telstra's view, I guess—and I certainly appreciate your intent that we get a better telecommunications environment out there—for those people, though, who do not live in urban areas and for those people who do not live in large regional centres, as far as I can see, with respect to fibre to the node on hold, even if it was off hold it would not really affect those people very far outside those regional centres. How do you see Telstra being able to provide better services to those people outside urban areas and regional centres if we are moving towards 3G, which is going to offer at least equivalent but perhaps not a lot more, and we can't get fibre to the node and there is no fibre roll-out to the home? What does Telstra see as a way of improving those services outside those larger areas?

Mr Gration—The answer we are going to say is that for providing better services we need a regulatory environment that gives us the incentive to invest in those services.

Senator NASH—Are you actually saying that, if you have a monopoly, you will do it and, if you do not, you won't?

Mr Gration—No. We are saying that, for example, we put a plan to government, which the government chose not to proceed with. The national broadband plan that we brought to government last year was to say how we can deliver six to eight megabyte services to 98 per cent of the population. The government chose not to proceed with that plan and had its own plans well developed. Senator Coonan has certainly covered that in detail in the past. Those are the sorts of things where we would say there are definitely opportunities to deliver services to regional Australia, to deliver value to our shareholders in doing so.

But we say that the regulatory environment is not currently in place that will allow us to do that. We put forward a plan that said, 'This is how we think we might do it.' That plan was not accepted, but we have not seen anyone else come up with a plan that answers your question to say, 'Well, okay, if you don't want to go down the path Telstra suggested, how am I going to get six to eight megabyte services to 98 per cent of the population?' We had our plan, people did not like it. None of our competitors have come forth and said, 'Well, that's okay, because we have got the plan that is going to get the Optus network out to 98 per cent of the population, the Vodafone network' and so on. We will keep looking for the answer. You will keep encouraging us to look for the answer. But the only way we are going to deliver that is if we actually have an environment that says we can invest in providing services to those customers in a way that we have safeguards for that investment and the opportunity to earn a return.

Senator NASH—I would say there are other plans out there, and I think what you are saying there is actually wrong. It still looks to me as though if you do not have a monopoly, you will not—

Dr Warren—In terms of their waiting for the Optus van to roll out fast broadband to them—

Senator NASH—You will not do it?

Dr Warren—they will be waiting a while, is my guess.

Senator NASH—It looks like we are going to be waiting a while for you, too.

CHAIR—Senator Ronaldson has some quick questions.

Senator RONALDSON—Mr Warren, you remember that I asked the recently-promoted Ms McKenzie some questions about the website?

Dr Warren—The lengths she goes to get away from it.

Senator RONALDSON—I think after what Mr Gration has been through today, he is probably in line for promotion as well. I am sure you all have our best wishes, Mr Gration, for what lies ahead.

Mr Gration—Thanks.

Senator RONALDSON—Ms McKenzie told the committee that there would not have been more than about \$5,000 or \$10,000 spent at the time of the last estimates hearing. Where is the website at? When was it completed? I gather there seemed to be a bit of delay to it?

Dr Warren—Yes. Let me let you know what I have been informed, and forgive me if I do not sound like I know all the answers on this. To the end of January—we launched on 7 December so—

Senator RONALDSON—Sorry to interrupt. Were there problems? It was meant to be up a lot earlier, was it not?

Dr Warren—Yes. It did take longer to be launched than we had hoped, but I suspect that is the nature of these beasts, rather than anything else.

Senator RONALDSON—Could it not have been for any other reason?

Dr Warren—I could not speculate.

Senator RONALDSON—Just the nature of the beast?

Dr Warren—The nature of the beast. The cost of the site to date has been about \$60,000.

Senator RONALDSON—I notice you have now started talking about regulation inquiry on your website and you are now using staff hours, and 85,000 years for one person et cetera.

Dr Warren—I think it was 89,500 hours, or 42 to 45 years.

Senator RONALDSON—It is getting late in the day.

Dr Warren—Eighty-five thousand years would be excessive, I suspect.

Senator RONALDSON—The total cost of creating and maintaining has been \$60,000 to date?

Dr Warren—Yes.

Senator RONALDSON—How does that equate to person-hour regime that you now use for the other matters?

Dr Warren—Sorry, I think you might have to—

Senator RONALDSON—I am just trying to work out—

Dr Warren—How the 60,000 compares to the reporting hours?

Senator RONALDSON—What would that equate to—

Dr Warren—If it is 42 to 45 people per year to do all of this reporting, then it depends how much they get paid.

Senator RONALDSON—So it was—

Dr Warren—Sixty thousand would be a fraction of the 42 to 45 people.

Senator RONALDSON—forty-five people, did you say, working?

Dr Warren—If you think about it as being 89,500 hours for Telstra to produce these reports, for the six-month period from 1 July to 31 December, this is equivalent to between 42 and 45 full-time equivalents, full-time people preparing these reports. It depends what they get paid, but 60,000 is a fraction of those 42 people, if that is the way you want to look at it.

Senator RONALDSON—Forty-two people are doing the regulatory stuff; is that right?

Dr Warren—Regulatory reporting, yes.

Senator RONALDSON—Reporting? What about other regulatory matters?

Dr Warren—Yes. Sorry, I might go back and clarify what I said there. I do not have 42 people sitting there on the porch just at this moment, so I cannot say, ‘And what are the other people doing?’ What I am saying to you is that it took an estimated 90,000 hours for Telstra to develop those reports for that six-month period. If you wanted to convert that into people, it is either one person for 42 years, or 42 people for one year. That is just the way, if you divide it through.

Senator RONALDSON—You have just announced your half-yearly results. What was the revenue for the half-year?

Dr Warren—\$11 billion.

Senator RONALDSON—What percentage of that revenue would have been spent on complying with regulations?

Dr Warren—Are you talking solely about reporting? We are being careful here. I just said to you then the cost of reporting. That is not the full cost of regulation. We can go through that and talk about what the percentage of that is to total revenue. But reporting is only a fraction of the cost of regulation.

Senator RONALDSON—We have the figures for reporting. What is the cost of—

Dr Warren—Some regulations are relatively easy to calculate the costs of. They include low income measures—

Senator RONALDSON—No, sorry. The cost of complying with regulations, not the regulation itself. The compliance costs, is that the 42 people over one year?

Dr Warren—Over half a year.

Senator RONALDSON—Half-year?

Dr Warren—That is because we had to put in 238 reports, totalling 82,000 pages.

Senator RONALDSON—Normally it would be less than that, would it?

Dr Warren—No, that is pretty much for the six-month, year in, year out, the regulatory reporting that we do.

Senator RONALDSON—The cost of that—

Dr Warren—The cost of that, if you want to convert it into full-time people, is 42 to 45 people times some labour rate that you might want to put in. Let us say 60,000. That is probably low, but make it 100,000—

Senator RONALDSON—That is a very, very small percentage of your workforce costs of doing business?

Dr Warren—Of the total company's workforce, yes. Of course it is.

Senator RONALDSON—Now, how much time—

Dr Warren—Total regulation is much, much more expensive.

Senator RONALDSON—Yes, I appreciate that. That is an entirely different matter. In terms of the amount of time that is spent on regulatory requirements, what is the breakdown between time actually spent complying with the regulatory regime and how much time is spent actually fighting decisions or trying to overturn regulations?

Dr Warren—I do not have that specifically in front of me. I am not sure exactly how I would get it. I would say that the majority of the time, if I think about my regulatory work, is compliance. That is what most of the group does.

Senator RONALDSON—Can you get those figures for me, please?

Dr Warren—I will have a go. I am not sure exactly what we can get you. But, yes, I will take that on notice and see what I can get you.

Senator RONALDSON—I presume you have a dedicated group within that that focuses solely on the politics of regulation? If you can get me those figures, I would be very grateful. I have noticed you have stopped sending dividend cheques, Mr Gration, to shareholders, via the mail, or you have tried to discontinue that practice?

Mr Gration—We announced some years ago, from memory it was in April 2004, that our policy would be to pay shareholders by direct credit rather than by cheque.

Senator RONALDSON—The reason for that?

Mr Gration—A couple of reasons. We think it is safer, secure and more efficient. In one sense, it is objectively true if you look at it. Certainly, my preference is to get a payment into my bank account rather than having to go down and bank a cheque. Unashamedly, it also saves money for the company. We made an estimate at the time that we introduced the policy. At the we introduced the policy, about 1.2 million shareholders were receiving dividend payments by direct credit and about 600,000 were receiving payment by cheque. The calculation was that that would save about \$700,000 per annum by introducing the policy. So a little bit more than \$1 a shareholder, which does not sound much, but which certainly adds up.

Senator RONALDSON—Twice that, while it does not sound much, is still a lot of money too, isn't it? Has not Mr Trujillo written out twice to shareholders regarding the regulatory regimes?

Mr Gration—He wrote to shareholders a general letter that included discussion about regulation, and he also wrote following the strategic review outlining some of the announcements made in the strategic review.

Senator RONALDSON—Is \$1.4 million an appropriate use of shareholders' funds, to be writing to shareholders regarding this matter that he has taken a passionate interest in?

Mr Gration—I think Mr Trujillo's judgment, and certainly the company's judgment, was that it was very important that shareholders understand what we were doing strategically with the company and also understand the impact of regulation on the company.

Senator RONALDSON—Are you suggesting your shareholders can actually do something about this? Were they being encouraged to do something about it?

Mr Gration—We think our shareholders are very important constituents in—

Senator RONALDSON—I know. Of course they are. Were you encouraging them to take a course of action? Were you asking them to write to their local MP?

Mr Gration—I think we were encouraging them to take an interest, to say, 'This is a matter that vitally affects the value of your investment in the company and we encourage you to take an interest in that.'

Senator RONALDSON—Have you written to them regarding the post-legacy big bang that you are looking to impose? How many letters have you written in relation to that?

Mr Gration—We sent a letter following the announcement of the strategic review, which was 15 November. Shortly after that, from memory it was about a week after that, we sent out a letter to shareholders essentially outlining the same things we had outlined to institutional investors and the ASX.

Senator RONALDSON—But that also referred to regulation again, didn't it?

Mr Gration—Yes.

Senator RONALDSON—Yes. When was the last time a CEO wrote to shareholders about general matters, not in annual reports?

Mr Gration—Other than we send out a half-year review to shareholders—

Senator RONALDSON—Yes, but apart from that?

Mr Gration—and a full year review—

Senator RONALDSON—Special letters?

Mr Gration—In my time as company secretary, this is the only time we have sent a specific letter or specific communication to shareholders outside those periodic reports.

Senator RONALDSON—I put to you, Mr Gration, that the \$1.4 million is just a publicity stunt for the organisation and should have been spent, as small as it might be, on some of the issues that need to be addressed in regional and rural Australia. I rather suspect your shareholders in those areas will be pretty peeved about the fact that this is just a publicity stunt—\$1.4 million—when there is absolutely no precedent for it at all. This is just part of this ongoing PR campaign being run by Mr Trujillo, using everyone else's money bar his own. It is using shareholders' funds that would be far better directed to addressing some of the

real telecommunications issues that are confronting this country. I do not expect you to comment. It is probably time for a cup of tea.

CHAIR—We have an arrangement for Barnaby Joyce to ask some questions, and then we will break for coffee at 4 o'clock.

Senator JOYCE—I have a concern. It is a small issue; this will help you to relax a bit. I am worried, because every time I meet a Telstra technician, they are really nice blokes and know the history of the town back to about 1942, because they are all getting old—really old. I am concerned, even in the area I work, with this local presence plan, about whether we are going to have the capacity when these people retire. They all intend to retire in the next couple of years. I cannot see anything on the ground for people to replace them—new people coming forward who have the actual knowledge of the area, as in, 'This is broken down in this corner' and they know where to go. They know where the general ticks are in the network and know how to fix it. We are seemingly falling into this trap that some person is going to arrive by contract from Sydney and actually know the run of the roads, know where to find things, know where the problems are, know that actually you don't dig there, you dig here. Have you done any sort of study into how you are actually going to maintain your network when these gentle old people decide to finally put up their feet and retire?

Mr Gratton—That is a really important point. We have done studies into our ageing workforce, and reports. It is a problem that Telstra faces. Probably the area of Telstra you have identified, the field workforce, is one of the areas where it is most obvious that there is a concentration at the older end of the spectrum. It is a really important issue. I do not think there is a simple answer that says how we are suddenly going to find 25-year-olds who know as much about the town as the 55-year-olds. But we need to find a way to replenish the workforce and get those 25-year-olds in. As you say, the 55-year-olds retire and we, like every other company, need to find a way to manage that ageing workforce issue.

Senator JOYCE—That is a concern; the knowledge base is about to go and there is no one there to replace it. That is basically the crux of it. Do you have any plan? Have you put anything actually together that says, 'This is how we are going to deal with this issue', even in draft form?

Mr Sheargold—We do have the trainee program. There are over 400 positions in the trainee arrangements under the national framework. Not all of those positions are filled, but over 300 are filled. While not directly employed by Telstra, clearly that is bringing some young people into the front end of the business that can be taught some of your concerns, about the ageing workforce. We could actually provide you a breakdown—I do not know the numbers exactly—by state of where those trainees are.

Senator JOYCE—These people are actually going to live in the town, aren't they?

Mr Sheargold—I do not know their exact locations. I could probably try to find that data for you. Equally with the trainee program, in my area we have supplementary workers, which is a different full-time employee available to come in under different arrangements. Certainly, I have over 200 of those in my business unit that come in, and many of those are graduates. So some of the intellect is coming into the front end of the business in a younger way. That

model is not particularly applicable to the field, but I will take on notice the issue about the trainee program for you, if you like, to provide that to you.

Mr Gration—It is worth noting that our HR people do this stuff. They have all the buzz words about Gen X and Gen Y and so on, but the reality with the model in place that led to the 55-year-old who knows everything about the town's history, our experience—and, again, I do not think there is anything unique to Telstra about this—is you do not find people in their twenties with that same sort of expectation—‘I will join the company and work there for the next 40 years.’ They say, ‘I'd love to work at this company for a couple of years, I'll do that and then I'll do something else, then I'll travel and then I'll come back.’ As I say, it is certainly not a unique Telstra problem, but there is a real issue as to how as a corporate you respond to a workforce that has different motivations, different expectations and is much less geared into that kind of lifetime employment model and needs different things to motivate, give them incentive and reward them.

Senator JOYCE—The question I am getting at is: are they going to be based in the town? Is Walcha, St George, Cowra, I do not know—

Senator FIERRAVANTI-WELLS—Someone in St George.

Senator JOYCE—Is someone in some place in Western Australia actually going to have a person in the town? I acknowledge that in a small business, if you walk out of town, you go broke. Are you going to have people actually living in the town? What I am debunking is that this idea of a fly in, fly out type arrangement is going to have the capacity to do the job.

Mr Sheargold—I have the breakdown by geography of the 319 trainees that we currently have out of those positions. The breakdown would be 138 in the metropolitan areas and 181 in regional areas. I do not have any information further of towns and locations, but clearly there is a split there between our rural customers as well as our metro customers.

Mr Pinel—I am aware of some in regional Queensland in particular with some issues around it, I must say, in terms of finding candidates that were prepared to do that. It is a challenge that we have. I am happy to look at the St George situation specifically and talk to you about it. It is not only St George, it is a number of locations that have the same sort of dynamics around them.

CHAIR—Our time is up now. It is 4 o'clock and we will take an afternoon tea break.

Proceedings suspended from 3.59 pm to 4.19 pm

CHAIR—We will resume. Our agenda requires that we continue with Telstra, then we do DCITA 3.1. I am advised that that should take us through to dinner, so we will not be doing the ABC and SBS until after dinner. Is that helpful to the officials here?

Senator CONROY—We were just talking about contracts and I was asking about reducing contracts for your wholesale customers from five years to six months, and there seemed to be some confusion about whether that was or was not happening.

Mr Gration—I think Dr Warren was going to take those questions.

Dr Warren—I do not have the contractual links in front of me. My understanding, though, from a quick call I made, given you foreshadowed the question, is that the contracts have always been relatively short because of the regulatory review clauses in them, and the degree

of regulatory uncertainty. So what we tend to find is that, if there is an undertaking that is about to finish, people will always put their contracts to the length of the undertaking. In a period in which an undertaking is being assessed and there is no undertaking in place, we find that people want month-to-month contracts so that they can lock in the new regulatory rates. So in practice, as I understand it, we do not have a huge history of very long contracts. I suspect the longest ones were around that period when we got the originating and terminating access and mobile call resale undertakings locked down for three years and people were able to basically lock in contracts for that period.

Senator CONROY—So it is correct that you have reduced your contract terms to six months?

Dr Warren—I will take that on notice, but yes.

Senator CONROY—It would not surprise you?

Dr Warren—It would not surprise me, no.

Senator CONROY—What do you imagine the impacts of being forced to sign contracts that provide costing certainty of no longer than six months would be on your customers' business plans?

Dr Warren—The way I sort of think about that is that, do not forget, there is continuity of supply agreed and there is the sense that the regulatory review process is in place. So it is not like in an unregulated commercial context, but I can imagine they want as much certainty as we do.

Senator CONROY—Does Telstra sign many major contracts in which it acquires essential services at prices that are set for only six months?

Dr Warren—I am not really qualified to answer that, but the point of your question is valid, and of course we would like—length of contracts, the greater the length, the greater the certainty for everyone. I cannot see why we—

Senator CONROY—Are you aware of any contracts that Telstra sign to acquire essential services for only six months?

Dr Warren—No, I am not aware of any contracts.

Senator CONROY—Yes.

Dr Warren—But that does not mean there are not.

Senator CONROY—But it is unlikely?

Dr Warren—I do not know.

Senator CONROY—As you say, such an arrangement would be the cause of significant pricing uncertainty, wouldn't it, if you were in that situation?

Dr Warren—Yes, and it is also a significant cause of uncertainty for us. We would have liked to have had our undertakings accepted. That is why we put them in the market; that is why we want them for three years out there. That is why we have pursued the undertaking process quite vigorously. We do want that certainty as well. It makes a lot of difference to us and, I imagine, to our wholesale customers.

Senator CONROY—There was a recent example in which Telstra issued its wholesale customers with contract variations that provided that the prices they would be paying for ULL services from Telstra would be increasing by up to 230 per cent in two months' time. Is that correct?

Dr Warren—That 230 per cent sounds wrong. What happened was—

Senator CONROY—It was \$13 to \$30. That would be 230 per cent.

Dr Warren—No-one is on \$13.

Senator CONROY—No-one is on \$13? Good grief.

Dr Warren—No one is on \$13.

Senator CONROY—13? One, three?

Dr Warren—Yes.

Senator CONROY—Are you sure?

Dr Warren—Yes.

Senator CONROY—A minute ago you were not familiar with all of your contracts, now all of a sudden you are an expert on every contract?

Dr Warren—All I know is the current ULL price on the market in band 2, which is what you are talking about, I think, is \$22. What happened was, as you know, we put in an undertaking—

Senator RONALDSON—Was that metropolitan?

Dr Warren—That is for metropolitan—CBD is band 1.

Senator CONROY—And what is band 1?

Dr Warren—And then metropolitan—

Senator RONALDSON—And how much is that?

Dr Warren—That is \$13.

Senator CONROY—I did not actually ask about band 2.

Dr Warren—I am sorry.

Senator CONROY—I was asking you in general.

Dr Warren—Sorry, no, you are right. I stand corrected.

Senator CONROY—So \$13 to \$30 is 230 per cent.

Dr Warren—I stand corrected, but most of the activity you need to know is in band 2, not in band 1, because most people have their own fibre networks in band 1.

Senator CONROY—I am talking about some of your wholesale—

Dr Warren—Yes, and I am responding.

Senator CONROY—who are trying to compete in the CBD.

Dr Warren—And the point of your question was, these customers were given the \$30 request, is that right? Sorry, where are we at, question-wise?

Senator CONROY—I was just asking whether it was correct, and you said no. Now we have established I am correct. My next question is: these contract variations were designed to mirror the \$30 ULL undertaking recently lodged by Telstra, weren't they?

Dr Warren—Yes.

Senator CONROY—Is it standard practice to issue contract variations like this to wholesale customers to reflect newly lodged undertakings? Is that the normal practice?

Dr Warren—I understand it is standard practice, yes.

Senator CONROY—But I am sure you have noticed that the ULL is extremely controversial at the moment. It is being considered, as we speak, by both the ACCC and the federal cabinet. You did not think that in circumstances like that, where you know the government is going to make a decision about the appropriateness of a \$30 average pricing in the near future, it might be worthwhile to hold off issuing these contract variations until you have heard the government and the regulated view of that legitimacy?

Dr Warren—Yes—

Senator CONROY—Or is it just a general, thuggish scare tactic?

Dr Warren—I reject the latter allegation, but I think the way to think about it is that our \$22 undertaking was rejected by the ACCC. We put in the new average \$30 undertaking. Customers who were coming off their contracts, not unsurprisingly, said, 'What price are you going to offer us?' We said, 'The undertaking price.' I mean, what other price could we have put in there?

Senator RONALDSON—But it just was not existing customers who were lumbered with that. It was everyone else, wasn't it?

Dr Warren—A lot of customers came off the contracts because of the fact that there is great uncertainty as to where we are at with the ULL.

Senator CONROY—Six months, 230 per cent price increase; cannot imagine why people would bail, can you?

Dr Warren—Let me just state that the average undertaking also included an offer of substantial price reductions in bands 3 and 4. Substantial—much greater than 230 per cent. Down from \$100 in band 4 to \$30. That is quite a large reduction.

Senator CONROY—And you almost did that with a straight face, Dr Warren. You will be as good as Mr Gration soon, don't worry.

Senator RONALDSON—Do you get any subsidies from band 4?

Dr Warren—Sorry, subsidies for what? For provision of service? The question of the Universal Service Obligation and how it overlaps with band 4 is an important question. Let me say, first of all, our competitors make a contribution to the USO of approximately \$60 million to \$70 million a year. So that is the subsidy that goes to the USO. The USO covers not only copper, so band 4, but also all the other radio concentrator systems, et cetera, that are used to supply services in rural and regional Australia. About 20 to 30 per cent of USO customers are copper customers. So to that extent, 20 to 30 per cent of that \$60 million, I would say is a subsidy that goes to the copper.

Senator RONALDSON—There are \$878 million going through into that band 4 and broadband connect programme, about 113 million networks. It is a fair bit of money going in there to help your cause. How many customers are in bands 3 and 4, where the prices will be going down? How many are in bands 1 and 2?

Dr Warren—The majority—70 per cent—are in band 2.

Senator RONALDSON—What about 1 and 2? What is the percentage of customers in bands 1 and 2?

Dr Warren—It is 80 per cent.

Senator CONROY—What will be the effect of these contract variations if the ACCC rejects Telstra's undertaking or the government rejects Telstra's appeals for \$30 ULL pricing?

Dr Warren—If the undertaking is rejected by the ACCC, then the ACCC can currently go to an arbitration between ourselves and any of the access seekers. There are several on foot at the moment. An interim or final determination made by the ACCC will be binding unless it is overturned by a ministerial determination or a tribunal decision.

Senator CONROY—Will any Telstra wholesales customers be forced to pay this \$30 rate for any period of time, even if the government or the ACCC rejects this pricing?

Dr Warren—Only if they agree commercially.

Senator CONROY—And if they do not what happens then?

Dr Warren—We would be in dispute and then the ACCC would rule on an arbitration.

Senator CONROY—If you were in dispute would they lose the service?

Dr Warren—No, we cannot discontinue supply, nor would we.

Senator CONROY—I mean, it took nine months for the mobile termination arbitration.

Dr Warren—I think, possibly.

Senator CONROY—I might be a cynic but these contract variations were not just issued to increase uncertainty for your wholesale customers, were they?

Dr Warren—To the contrary. The question was asked of us: what is the offer price, and we said, consistent with our undertaking, \$30. If we had put any other price in the market I think that would have dramatically increased uncertainty. I guess the question would have been, 'What price do you really want—your undertaking price or what you are putting in the market?'

Senator CONROY—There are customers who are currently making investment decisions that are reliant on ULL pricing levels, and these contract variations were not designed to put the wind up them or to scare them away from making investments, were they?

Dr Warren—Definitely not.

Senator RONALDSON—What would have provided more certainty is if you had waited until some of these decisions were made, surely.

Senator CONROY—That is a very good point, Senator Ronaldson.

Dr Warren—And that would have been ideal.

Senator RONALDSON—Why was it not done?

Dr Warren—The decisions unfortunately have not been made and people have come off their contracts, and we needed to give an offer price in the market consistent with normal commercial practice.

Senator RONALDSON—With the greatest respect, Dr Warren, it is normal commercial practice, isn't it, that where there has not been a renegotiation of a contract the existing price will continue?

Senator CONROY—Correct.

Senator RONALDSON—With the greatest respect—

Dr Warren—Yes, Senator.

Senator CONROY—You are blushing.

Dr Warren—Thank you!

Senator CONROY—One of the primary reasons cited by Telstra as justification for its \$30 average ULL undertaking was the fact that de-averaged prices allowed Telstra's competitors to pick the eyes out of the Australian market and invest in metro areas where costs were low, but not in regional areas where costs are high. Does Telstra believe that if an average \$30 ULL price was implemented competitors would begin installing broadband infrastructure in regional and rural Australia?

Dr Warren—Yes.

Senator CONROY—Sorry?

Dr Warren—Yes. I mean, do I believe it will be as extensive as in band 2? No, of course not. But if you looked at the ACCC's proposed pricing construct, it definitely was not going to happen. With the average pricing construct we have a much greater chance of that. But it is a question you will have to put to the ACCC, I suspect.

Senator CONROY—Okay. So where competitors install DSLAMs in regional exchanges, ULL is not the only service they will have to acquire to offer a resale broadband service, is it?

Dr Warren—No.

Senator CONROY—They would have to acquire backhaul.

Dr Warren—If they do not have their own backhaul facilities in place, yes.

Senator CONROY—Yes, to transport data from the regional exchanges to the capital cities.

Dr Warren—That is right.

Senator CONROY—Telstra is still insisting that there is no problem with the competitiveness of backhaul pricing in Australia?

Dr Warren—I do not think that is our position. I think what we said is that many of the backhaul routes are highly competitive. Those that are not are regulated by the ACCC.

Senator CONROY—I can remember a recent Senate hearing where Telstra told us that you had never even received a complaint from a customer about the expense of backhaul

services, but I note that iiNet recently lodged an access dispute with the ACCC over the price of Telstra backhaul services. Did iiNet complain to Telstra about the pricing before lodging an access dispute?

Dr Warren—I do not know. I would have to check that. No, well, actually they would have had to. There would have to be a dispute in place before they can lodge a dispute with the ACCC, so they would have had to be in discussion with us. I don't know the timing on that.

Senator CONROY—Whoever it was who told us—I am not saying it was you, because I do not think you have sat up here before quite as much, lucky you—but someone said they had never even received a complaint, and yet from that date, which I think was November 30—

Dr Warren—I can check the dates for you.

Senator CONROY—October 31 I think it was, through to when iiNet lodged it, that complaint suddenly emerged, went through your internal dispute—

Dr Warren—They may have heard that comment and I think they would do it.

Senator CONROY—Could be. Has Telstra changed its backhaul pricing in any way in recent times?

Dr Warren—Not that I am aware of. I am not sure if there is anyone—

Mr Mullane—I do not believe there has been any change in the standard rack rate prices, but as I have said to you before, the wholesale prices are negotiated based on a number of factors and would depend on the nature of the deal under consideration.

Senator NASH—May I just ask what those prices are based on?

Mr Mullane—Pretty much volume, how much transmission capacity they are seeking, the distance, those commitments, the term, the volume; the usual sort of commercial things that would influence the long-term prospects of the deal.

Senator CONROY—I have had colleagues that have circulated the transcript where they have demanded more money.

Dr Warren—Can I just check something? The question you just asked before about iiNet and the dispute, I am not aware of it and I was just checking with my colleagues.

Senator CONROY—I genuinely believe that iiNet have lodged a backhaul dispute.

Dr Warren—Okay. I will check that. We will get the details.

Senator CONROY—Sorry. Had you finished, Mr Mullane?

Mr Mullane—Yes.

Senator CONROY—I have actually received a number of complaints from a large number of operators that Telstra have recently increased the prices that it is actually charging its customers for backhaul; not necessarily that Telstra has increased its rack rate for these services but that Telstra has ceased providing bulk discounts and other forms of negotiated rack rate reductions to its customers. Are these complaints accurate?

Mr Mullane—Without seeing details I find it difficult to comment, but there are probably two different types of so-called backhaul that may be being considered here. One is straight bandwidths, an X megabit per second link between two points is what we would generally call the Telstra wholesale bandwidth product. There is also a Telstra wholesale internet product which sort of bundles in the access to the backbone of the internet and also provides for the internet traffic carriage over that and so on. That is a different product, and that particular product has had a price increase in recent times—I am aware of it—driven by changes in the way that the Reach(?) organisation handles their pricing on data products these days. So if it is Telstra wholesale internet then that may be behind what your inputs are there.

Senator CONROY—Okay. I understand Telstra is currently negotiating with the government about the pricing equivalent framework—if anyone can tell me what that is I would appreciate it—but that will structure the way Telstra accounts for its wholesale prices under the minister's operational separation regime; is that correct?

Dr Warren—That is correct.

Senator CONROY—And the pricing equivalence framework; how is that going? Tell me all about it.

Dr Warren—I suppose what I can tell you, senator, is that the department of communications, the ACCC and Telstra are engaged in some tripartite discussions.

Senator CONROY—Are you selling tickets?

Dr Warren—Sorry?

Senator CONROY—Are you selling tickets?

Dr Warren—You would be very disappointed, Senator.

Senator CONROY—Fundraiser to pay for Sol's trips and—

Dr Warren—You would be very disappointed. And those discussions are actually going quite amicably, hence you would be very disappointed, but I think where that is at the moment is really still trying to work out exactly how we can meet the objectives set out in the legislation for a pricing framework and that is what we are trying to work through. I don't really have much I can say about that at the moment. It is still a work in progress.

Senator CONROY—Okay. Will prices that Telstra charges itself for backhaul services on specific routes be visible within this pricing equivalence framework?

Dr Warren—I don't know. I really don't know. It will depend on what the framework should look like.

Senator CONROY—Do you think it should?

Dr Warren—Telstra does not charge itself for backhaul. What Telstra does is incurs the national cost of supplying the backhaul network, so the visibility of that is the total cost of transmission to the national—

Senator CONROY—So you are charging yourself cost.

Dr Warren—No. What we do is charge ourselves the total. We don't charge ourselves; we don't have internal transfer pricing, and what we do, senator, is we, the company, incur the

cost of supplying transmission to every exchange in Australia, and that is the cost, if you like, that we incur. Now, we don't have a price.

Senator CONROY—If these prices are not visible, how would competitors who are considering installing competitive infrastructure and regional exchanges be sure that Telstra is acquiring backhaul services to that exchange on the same terms as they are?

Senator CONROY—That would seem to militate entirely against the capacity to achieve what the operational separation of the minister is trying to achieve.

Dr Warren—I think the best way to answer that is probably just to see what comes out of the pricing framework because you are asking me to speculate on something that really we have not finalised. It has not—

Senator CONROY—You have never thought about it?

Dr Warren—Yes. Of course I have got lots of positions on that but I think it is probably—

Senator CONROY—You have no views on it?

Dr Warren—I do have views on it but—

Senator CONROY—Please share them with us.

Dr Warren—I would prefer to leave my personal views out of it and just say—

Senator CONROY—How about you tell us what Telstra's views are?

Dr Warren—And the question was again? Telstra's views on whether or not competitors should have access to—

Senator CONROY—You are wasted here. You should go into politics or on the stage, Dr Warren. What I asked before is, if these prices are not visible, how would competitors who are considering installing competitive infrastructure in regional exchanges be sure that Telstra is acquiring backhaul services to that exchange on the same terms as they are?

Dr Warren—My position on it is it is the wrong question, and the reason it is the wrong question is because really our cost base should not be relevant to competitors. What they should be concerned about is whether or the position between wholesale and retail gives them sufficient margin to compete. And that has gone every test—

Senator LUNDY—Trying to create—

Senator CONROY—Yes, that is true, Senator Lundy.

Senator LUNDY—Very good.

Dr Warren—Thank you.

Senator CONROY—It is extraordinary. Telstra are sitting here saying that they do not charge themselves any price so there is no capacity to tell whether or not there is equivalent treatment for customers, and that all they should be worried about is some other issue completely.

Dr Warren—I accept what you have just said is the nub of the problem, yes. The problem is that Telstra incurs a multibillion dollar cost of supplying transmission across all Australia.

Senator CONROY—Once they have laid the pipe what is the cost? What is the ongoing cost?

Dr Warren—The cost of capital and an optics cost.

Senator CONROY—Those flashing lights. Are they expensive to flash?

Dr Warren—And maintenance is very expensive.

Senator CONROY—Is it expensive to flash it down the line?

Dr Warren—And maintenance.

Senator CONROY—They just blink.

Dr Warren—I assume the electronics is quite expensive as well, yes.

Senator CONROY—Any ongoing running costs of a—

Dr Warren—Yes.

Senator CONROY—There is capital cost there; there are some equipment costs, they are not ongoing.

Dr Warren—The capital costs are probably the predominant cost.

Senator CONROY—Maintenance is the only ongoing cost though, is it not?

Dr Warren—Yes. Capital cost is the most important cost.

Senator CONROY—Do you depreciate your capital costs?

Dr Warren—Yes.

Senator CONROY—Over what time period?

Mr Nicholson—It varies depending on the nature of the asset that is in question. Our average life for assets, communications assets, is in the order of eight to ten years, but some of the assets have service lives going out 20 years.

Senator CONROY—And what about a backhaul pipe? Is that closer to the seven or eight or closer to the 20?

Mr Nicholson—I am guessing a little bit, but my view would be that it is in the order of an average of eight to ten years.

Senator CONROY—Right. So if it has been in the ground for longer than 10 years it has been depreciated to zero?

Mr Nicholson—Yes, but bear in mind that we replace each year. There is supplemental expenditure going on each year. So, yes, the old stuff has probably been written out by now.

Senator CONROY—So you dig them up often and replace them, do you?

Mr Nicholson—No. There is supplemental expenditure going into the inter-exchange network each year.

Senator CONROY—That is at the end though; it is not the actual cost.

Mr Nicholson—I think we supplement the pipes periodically.

Senator CONROY—Supplement them.

Mr Nicholson—Yes.

Senator CONROY—What, with a one—

Mr Nicholson—Boost them and things like that.

Senator CONROY—Yes, but that is changing the box on the end, that is not actually changing the pipe, is it?

Mr Nicholson—I would need to take some—

Senator CONROY—Technical advice?

Mr Nicholson—Detail, yeah.

Senator CONROY—You are not suggesting here for a moment—

Mr Nicholson—I am just going on what we spend, and we spend some considerable millions and millions of dollars each year on that backhaul. Now, to take your point is that what we hook on the ends of the pipes or was it actually supplementing the pipes themselves, I am not sure, and if you like we will get back to you.

Senator CONROY—Tell me, you are not suggesting that you are digging up the pipes each year.

Mr Nicholson—No, I am not suggesting that.

Mr Mullane—As to the depreciation rates for the electronic equipment that goes on the end versus the optical cables versus the ducts that they may run in in some parts of the route, some parts of that equipment would be replaced in its asset life cycle so the optical electronics would be replaced more frequently than the actual fibres.

Senator CONROY—Anything that is buried being replaced on a regular basis?

Mr Mullane—it will often be supplemented and added to with a new cable on heavy traffic routes.

Senator CONROY—So you dig a new hole and you put it in or you just slide a new one down the length of the pipe around the pipe.

Mr Mullane—If it is in a metropolitan type environment we would usually have a—

Senator CONROY—I am talking backhaul. I am sorry, Mr Mullane; I am talking—

Mr Mullane—there is backhaul in metropolitan—

Senator CONROY—Did you miss the first couple of conversations?

Mr Mullane—and there is backhaul in regional.

Senator CONROY—We are talking about the pipes you lay between cities.

Mr Mullane—No. Generally speaking, between cities we have pipes within the urban areas and when you run out past the urban areas it is generally direct buried cable. That is the usual method. There is an all-fibre optic cable in Australia between Sydney and Melbourne that was laid in 1987, so what is that? That is nearly 20 years ago.

Senator CONROY—Dug it up regularly, have you?

Mr Mullane—I think you will find that what has happened on those sort of routes is that there have been many more cables laid in addition to the original one, and if the original one is still serviceable it will still be running and carrying traffic. But there has been a lot more investment on that route and many more routes, and often there is further investment made to, if you like, form ring type networks to give country towns multiple access so we do not have single points of failure. So there is continual investment going on in many, many parts of the transmission network. It is a living type entity, and the lifetimes—as I say, the different equipments have different lifetimes. But the investment is made on the basis of growth, serviceability, planning for the future, all that sort of stuff, and carries a great mix of traffic. It is not just broadband; it carries telephony, mobiles traffic, data, corporate data. There are huge amounts of traffic.

Senator CONROY—Thank you for that. Given Telstra's fondness for cross-subsidy, it is entirely possible that Telstra might be cross-subsidised in the costs of regional backhaul routes with the profits it makes on the other higher volume backhaul routes? Is that plausible? you would not actually know, would you? You do not know what the price is.

Dr Warren—No. Good answer to your question.

Senator CONROY—We are happy for you to take that on notice if you would like to, and let us know if you actually do cross-subsidise the backhaul. Will you take that on notice?

Dr Warren—Yes. Sure.

Senator CONROY—Have there been any other changes in the prices that Telstra actually charges its customers for other wholesale services? I note a recent dispute between AAPT and your indefatigable debate with Mr Rod Broom about whether or not Telstra's wholesale charges to AAPT have increased in recent times.

Dr Warren—Yes. Probably the clear example there is the wholesale basic access charge that has gone up last December by \$3.10 per month to \$31.95.

Senator CONROY—And this is because Telstra has reduced the discount it is offering large customers off its rack rates. There is no actual increase in the rack rate, it is just less of a discount.

Dr Warren—No. The reason why the price increase occurred and we also put up the price at retail of the equivalent service.

Senator CONROY—It was actually the rack rate that went up.

Dr Warren—Yes. The rack rate went up.

Mr Mullane—At the time those rates—

Dr Warren—The rack rate went up. Sorry? I am not sure of the distinction you are making.

Senator CONROY—Why are they complaining that they are paying more if it was only the rack rate?

Mr Gratton—I think when the rack rate goes up as the other rate goes up, unsurprisingly, if you are acquiring the service you complain when the price goes up.

Dr Warren—And they are in a more—

Senator CONROY—So they were not paying any more money, it was a mythical—

Dr Warren—No. They were paying more money and that is why they were complaining. It went up by \$3.10.

Senator CONROY—Coming back to the issue of the \$30 average ULL pricing on infrastructure investment, I can see how there is an argument that averaged pricing might stimulate infrastructure investment in regional ADSL services, but what impact would average pricing have on incentives for third parties to install wireless infrastructure?

Dr Warren—In regional areas?

Senator CONROY—Let us say an average pricing uses city ADSL services to subsidise regional ADSL prices, even though factors like population density mean that costs in regional areas are actually much higher. If the government implemented a subsidy regime for regional ADSL to the detriment of wireless services, you could argue that this really amounted to the government picking winners on the technology front, couldn't you?

Dr Warren—I do not think the government set the average price, anyway. It is the regulator. So I do not see it as a sort of picking winners model. Clearly the relative costs of ULL have a relative effect on the attractiveness of alternative technologies. We saw that here in Canberra, where TransACT was rolling out a lot of its own fibre and then suddenly became a ULL purchaser because the price of ULL went down. We have seen that in the Optus footprint where Optus is using ULL rather than its own HSC to deliver services to customers. So clearly relative prices do work and do have some effect. I have not thought through the implications for wireless, but I imagine there are some.

Senator CONROY—Yes. So if ADSL is relatively subsidised, will people invest in the unsubsidised wireless space?

Dr Warren—It would be open to them to do the same thing, to do the cross-subsidy between city and bush as well.

Mr Gration—I think we had the earlier discussion that there are areas where wireless and fixed line services clearly compete vigorously. There are things a fixed line service cannot do for you that a wireless service can, like put it in your pocket or in your car. There are things that fixed line services deliver that wireless cannot, like very high bandwidths. In some areas clearly a subsidy on fixed line services will affect the attractiveness of investing in wireless. In other areas they would not be seen as substitutes.

Senator CONROY—Would Telstra support or disagree with this statement: 'That means that competition and subsidies are to co-exist and that individuals in high-cost areas should have access to affordable services that are comparable to those in high-density low-cost urban areas, and for as long as there are subsidies in the system all subsidies or other so-called support mechanisms should be explicit, direct and visible. No subsidy should be indirect, hidden or implicit. Telecommunications must move forward towards deregulated competitive markets where price move towards cost. Exceptions are problems of affordability and ubiquity and those should be addressed only through carefully targeted universal service payments.'

Dr Warren—If the question is: is that first best principle, yes, of course it is.

Senator CONROY—Given Telstra argues that a subsidy should be available to service telecommunication users in regional, rural and remote areas, would Telstra agree that the subsidy should be explicit, direct and visible?

Mr Gration—I think Telstra's position is that there is a clear social policy around parity of pricing between regional areas and urban areas. If that is the clear social policy that can only be achieved through a subsidy, we would say that that subsidy ought to be explicit and transparent.

Dr Warren—And the mechanism we have suggested is averaging.

Senator CONROY—Should these subsidies be contestable?

Mr Gration—In the sense that they should be open to—

Dr Warren—To the extent that others are required to supply at retail on a parity basis, then yes, they should enjoy the same subsidy. To the extent that they are not required to do that, then clearly they should not be getting such a subsidy.

Senator CONROY—Right. Given what you have just argued about explicit, direct and visible and those sorts of things, what about the average ULL pricing?

Dr Warren—Yes. We would argue that that—

Senator CONROY—Is it explicit, direct and visible?

Dr Warren—I would argue it is extremely visible. It is very direct.

Senator CONROY—Is it direct?

Dr Warren—Yes.

Senator CONROY—Is it explicit?

Dr Warren—Sorry. Is the question—

Senator CONROY—I am asking whether a \$30 average price—

Dr Warren—Yes.

Senator CONROY—is explicit and direct. You may argue it is visible but the level of it—you may be able to say that you can definitely work out there must be a subsidy in there somewhere, but I would hardly believe that it could be defined as explicit, direct and visible.

Dr Warren—My answer to your question is yes, I do believe that. But we can disagree.

Senator RONALDSON—That is in direct contradiction to the current ACCC operating model terms and conditions.

Dr Warren—Sorry, I did not understand the question.

Senator RONALDSON—Well, this \$30 imposed average, as you call it, that is in direct contradiction to the current ACCC model, is it not?

Dr Warren—Yes. The ACCC wants—

Senator RONALDSON—And conditions.

Dr Warren—to have a de-averaged price at wholesale. Yes, that is their position, and so we are in conflict over that, yes.

Senator NASH—I understand your principle there, but what guarantee is there that you will cross-subsidise to the rural areas? I understand the principle of what you are saying, but what guarantee is there to people in regional Australia that you will actually cross-subsidise?

Dr Warren—It is a long-standing Telstra policy but the minister—

Senator NASH—No.

Dr Warren—has just imposed retail price control which requires that that pass through.

Senator NASH—I am just kind of going back to the clear and visible point that Senator Conroy made. Sorry to interrupt, Senator Conroy.

Senator JOYCE—Is that \$144 to acquire and supply the final four? The ACCC's intended cost or zone must be zoned. Is that right?

Dr Warren—Just to give you an update, the ACCC in December finally rejected our undertaking, and the number there is 149.

Senator JOYCE—So it has gone up. Are there any takers whatsoever wanting to buy line off you at \$149?

Dr Warren—Not any.

Senator JOYCE—I do not know who decided this. I think it is ridiculous.

Senator CONROY—So back to the new definition of explicit, direct and visible—a national average. I think that about sums it up, Dr Warren.

Senator FIERRAVANTI-WELLS—Lost your train of thought, Senator Conroy?

Senator CONROY—No, I have not lost my train of thought. I am just enjoying Dr Warren's arguments, as I always do. Now, answers from questions on notice from the last round of estimates indicates that Telstra spent a total of \$1.2 billion on constructing the CDMA network; is that correct?

Mr Jennings—\$1.2 billion.

Mr Gration—\$1.2 billion, I think.

Senator CONROY—This answer also suggests that Telstra received \$122 million from the government for the construction of the CDMA; is that correct?

Mr Jennings—I think our number is \$115 million, but thereabouts, yes.

Senator CONROY—Now, these answers also suggest that there is no technical reason why the CDMA network needs to be shut down in order to run the 3G network; is that correct?

Mr Jennings—Well, there may not be any particular technical reason. I mean, there is a financial reason that it costs money to run multiple networks and it is more efficient to run a single technology.

Senator CONROY—It sounds like spectrum squatting to me. So you have invested \$1.2 billion in this network. There are no technological reasons why CDMA and 3G cannot operate side by side, so why are you throwing away a billion dollar asset without seeking to recover any of your investment?

Mr Jennings—We are really not throwing away a lot of investment. The sites that we build—the towers, the huts, the power, the airconditioners, the access roads—they all stay and we re-use those, so that is about 80 per cent of our investment. So it is only 20 per cent that is being turned over.

Senator JOYCE—That is only a bit over \$200 million.

Senator CONROY—Okay. So, this comes to an issue that Senator Joyce raised earlier today. Wouldn't it be rational to try to sell off the CDMA network to a third party and recover all \$1 billion of it?

Mr Jennings—I do not think you are going to recover all \$1 billion of it because by the time that the CDMA network is shut down the majority of it will be at least 10 years old.

Senator CONROY—Could it be depreciated away to zero then?

Mr Jennings—Notwithstanding that, it is technology that is rapidly becoming dated, and in fact that is one of the reasons why we are opting to go UMTS850 because it is the latest technology, it is more capable and it will offer our customers better services.

Senator JOYCE—I think the point that Senator Conroy is getting at, because it was brought up this morning, is if it is not a threat to you and you can earn an income stream off it, if it is not a threat and such a deficient technology, and there are other people out there willing to use it, why not let them?

Mr Jennings—It is both a commercial and practical choice. As I said this morning as well, in a lot of our locations we need to remove the CDMA equipment to fit the expanded UMTS850 network into the huts that the base stations live in.

Senator JOYCE—Is it that big, is it?

Mr Jennings—Yes.

Senator CONROY—We could not possibly have a bigger hut?

Mr Jennings—That is more cost.

Senator CONROY—Which you could recoup from the people who were going to—

Senator JOYCE—How much did the government subsidise—all those CDMA towers that you are about to pull down?

Senator CONROY—I am trying to get to the bottom of that one, too.

Senator JOYCE—I will let you go on.

Senator CONROY—No, you keep asking. Go for it.

Senator JOYCE—All that money that is in the CDMA towers, I seem to remember government actually tossing a heap of money in that direction. Can you just tell us how much of Australian people's money, is now tied up in the CDMA technology that you are now going to scrap?

Mr Jennings—That was the \$115 million number, of which 20 per cent will be—when we say 'scrapped'—it will be replaced by newer technology at Telstra's expense.

Senator JOYCE—But you have no intentions of selling the CDMA technology to someone. Is there some money turning up somewhere?

Mr Jennings—I do not know. But, taking the analog network as an example, when we decommissioned the analog network some of that equipment was sold to other operators. But it got to a point where it was actually costing us more to pull out the equipment than we were getting as the sale price. So it rapidly became something that was not worth doing.

Senator CONROY—You might want to sell the use of the spectrum as well as the equipment.

Mr Jennings—We cannot sell the use of the spectrum because we need that for the 850 network.

Senator CONROY—Every inch of it?

Mr Jennings—Correct.

Senator CONROY—How are you going to squeeze it into that tiny spectrum?

Mr Jennings—We will find a way to do it.

Senator JOYCE—So you have made no negotiations with any overseas country about selling off the CDMA—

Mr Jennings—Not that I am aware.

Senator JOYCE—No place in South-East Asia? I will just run a few names past you: Vietnam?

Mr Jennings—None that I am aware of.

Senator CONROY—Mr Gration, who would be in charge of this action?

Mr Gration—Greg Winn, as chief operations officer, is in charge of rolling out the 3G network.

Senator CONROY—You would not have a three-way network there, would you?

Mr Gration—I think Mr Jennings has given you a pretty good description of—

Senator CONROY—You would not know what he was up to.

Mr Gration—If we can derive value, whatever assets are taken out of that network—

Senator CONROY—Sol would know, though, Barnaby. You will be able to ask him in—

Senator JOYCE—He is at a private briefing in Barcelona. If we put a bullfight on in Manuka, then we would have him here!

Senator CONROY—If he had come to estimates, he might have got his wish.

Senator RONALDSON—Where did the \$149 band 4 cost that was referred to before come from?

Dr Warren—The final ACCC determination released in the second last week of December.

Senator RONALDSON—They specifically referred to that amount?

Dr Warren—Yes. In relation to the numbers they put in there, there is a slight question as to whether or not you have to add a little more to do with ULL as specific costs. But the numbers that are in there, which we and everyone in the industry have calculated, and which you can clearly work off, are: \$4 in band 1, \$13 in band 2, \$27 in band 3 and \$149 in band 4.

Senator RONALDSON—You say that figure is accepted by the ACCC, accepted by everyone else, or is that a Telstra figure?

Dr Warren—No, it is not a Telstra figure. It is a number that you can calculate. I think you can read—I am hesitating here because I am not sure whether you have to add two numbers together in two side-by-side columns to get that or whether it is in the table as that number. But there is not any substantive dispute around those numbers.

Senator RONALDSON—Could you provide me with the details as to how—

Dr Warren—We will definitely do that. I have known that people are sort of saying that that is not the case, but there is not real dispute about—

Senator RONALDSON—Okay. You will get that information?

Dr Warren—Yes.

Senator JOYCE—I agree with you; at \$149, no-one will buy that. That is ridiculous. If you do not agree with it and the ACCC says that should happen but you say it should not happen, are you happy for someone in the department to be the arbiter of working out what should happen?

Dr Warren—I think the process we would like to see happen is that the minister would issue a ministerial determination which would basically say that, since the government has now made the decision to formally require retail pricing parity, the ACCC now has to align its wholesale pricing structure with that retail pricing construct. That is how we would like it done. I do not think there is any other way to achieve that.

Senator CONROY—Mr Jennings, just coming back to the discussion we were having about the existing CDMA network, I can understand your desire to save costs operating on only one platform, but why does that mean you need to throw away an investment without trying to find a buyer for it? Senator Joyce has heard a rumour that some negotiations are going on. Mr Gration will be able to check with Mr Winton when he gets home. I asked you about the bandwidth and your needing all the bandwidth. I am not sure about that. Do you really need as much bandwidth as you are suggesting in the rural and regional areas? I would have thought that the lack of population density in these areas would mean that you need less bandwidth in these areas than in the city, where you have the additional 2.1 gigahertz spectrum?

Mr Jennings—Our belief is that in any area, whether it is metropolitan or rural, there will be strong demand for the new services that will become possible from third generation mobile technology and we will need at least the spectrum that we currently have available to us.

Senator CONROY—I think Senator Ronaldson has made the point that that answer did not answer the question I asked. Without the population density, you do not need the same bandwidth in the regional and rural areas, do you, Mr Jennings?

Mr Jennings—That is not our belief. Our belief is that services will be taken up in larger numbers because the capability of that technology is greater.

Senator CONROY—Have you done demand forecasting of the amount of spectrum you will need in these areas?

Mr Jennings—Not specifically.

Senator CONROY—After telling me that there will be the demand, you then tell me you actually have no basis whatsoever for that previous statement?

Mr Jennings—No. I base the previous statement on the fact that wherever we look, in both metropolitan and regional/rural Australia, wireless data services are growing extremely strongly. Without having to do detailed demand predictions, you could draw the conclusion very easily that therefore we would need the 850 spectrum that we have in those areas too and we certainly will in metropolitan Australia.

Senator CONROY—Are you expecting major spikes in bandwidth demand in rural and regional areas?

Mr Jennings—We have seen extremely strong growth already in the wireless data offerings that we have put into the rural areas of Australia.

Senator CONROY—Are you expecting a substantial population explosion or that people will suddenly start using substantially more per person?

Mr Jennings—The second of those reasons, yes.

Senator CONROY—It is just a try-on, isn't it, to justify your spectrum spotting?

Mr Jennings—No, not at all.

Senator CONROY—I mean, seriously?

Mr Jennings—Yes.

Senator CONROY—Minister, have you considered whether there is a case for preventing Telstra from shutting down the CDMA network and perhaps requiring it to divest it to another party?

Senator Coonan—At first instance it is a commercial decision for Telstra what happens with its CDMA and what networks it wants to deploy. In the transition to the new network my major focus has been to ensure that that goes smoothly, that consumers are not disadvantaged, that they get at least equivalent or better services. So that has been certainly the government's major focus at this stage.

Senator CONROY—Whilst Telstra may have legitimate commercial reasons, as you have mentioned, for moving into 3G, allowing it to switch off the CDMA instead of requiring it to at least offer that for sale to another operator would be a terrible result for regional and rural Australia. Keeping the CDMA going in parallel with the 3G network sounds like it will be a great competitive result for the bush. Have you considered this at all, Minister?

Senator Coonan—It might be a great competitive result for Telstra. I do not know whether it would assist the bush. There is obviously a period of transition for us to consider all the implications of what Telstra is proposing to do with this new network. I have told you

what my current focus is. But basically I think we have to respect the fact that Telstra has to make commercial decisions, and that is the current way in which the government is looking at it.

Senator CONROY—So that was, no, you have not considered making them divest it to—

Senator Coonan—That is not quite correct. There has certainly been no government consideration of it. Personally, I certainly have given some thought to it. But my answer is the same.

Senator CONROY—Are the government prepared to look at this?

Senator Coonan—My answer remains the same. I have no current plan to look at it in a formal sense. But clearly, as with all these things, you do take some soundings, you give consideration to things. But the government prefers to work cooperatively with Telstra. This is a very major decision and investment for Telstra. I understand their need to upgrade, and I think they have outlined a very good case as to why a better network with better technology will ultimately serve the best interests of consumers. We keep in mind all of these things.

Senator CONROY—But they do not seem to be willing to test it by letting the competitor stay in place.

Senator Coonan—The competition—

Senator CONROY—If it is so much better, surely customers would flock to it.

Senator Coonan—Senator Conroy, please let me finish. Do you want to hear me or don't you? If you do not, I will not bother answering that.

Senator CONROY—I am waiting for you to finish.

Senator Coonan—You interrupted me. I did not think you wanted to hear me.

Senator CONROY—I am waiting for you to finish.

Senator Coonan—What was the question?

Senator CONROY—I asked whether the government was considering it.

Senator Coonan—I have already answered that.

Senator CONROY—Minister, would you support a Senate inquiry into the issue, to look at all these unanswered questions regarding the CDMA switch-off?

Senator Coonan—I understand there is none mooted. I would have to consider what the terms were.

Senator CONROY—But you do not rule it out of hand automatically?

Senator Coonan—Put it this way: if the Senate wishes to have a committee about something and it is in my portfolio area, obviously I will have a look at it. I do not dismiss what the Senate wishes to bring forward for my consideration before I have even looked at it.

Senator CONROY—I am sure Senators Nash and Joyce would be interested in having some discussions other than their private chat with Sol.

Senator NASH—You can speak—

Senator CONROY—I just speak about what I see you say in the newspaper. But I appreciate we should not believe what we see you say in the newspaper.

Senator NASH—Absolutely.

Senator CONROY—An inquiry would let us test some of Telstra's claims. Some seriously contestable claims are certainly being made by Telstra, and I am sure you do not just believe everything Telstra tells you. I have no doubt you do not. But certainly some independent third parties might be useful in informing the parliament, the Senate, even perhaps you and the department about whether or not all of Telstra's claims are accurate.

Senator Coonan—I know you are always very helpful, Senator Conroy, but I have not seen any suggested Senate inquiry.

Senator CONROY—There have been a number of media reports recently, and I think you indicated that they were accurate, Mr Gration, about Telstra's intention to outsource its IT capabilities to Indian providers. These reports speculate that Telstra will be sacking up to 30 per cent of its more than 2,200 IT employees in favour of Indian contractors. Are these reports accurate?

Mr Gration—As I said earlier, we are continuing a process which began some years ago of looking where operations are better placed inside Telstra and where we are better placed outsourcing those operations. In many cases where they have been outsourced they have been outsourced to global players. Some of those players are solely based in India. Some of those players are, for example, global players who have operations in India, and they are global players with operations all over the world.

Senator CONROY—Telstra's labour costs in its IT division are only 13 per cent of operating expenses; is that right?

Mr Gration—I do not have that figure to hand.

Senator CONROY—I understand that compares pretty favourably to your international peers.

Mr Gration—Again, I do not have the peer group figures to hand, although I think the outcome of the review is that we found we were probably spending more on IT and getting less bang for our buck than many in our global peer group.

Senator CONROY—While we are talking about the job cuts from Telstra, can I get specifics. I know you made some announcements last week. What is the total number of employees Telstra is proposing to terminate and offer a redundancy to over the next five years?

Mr Gration—We announced on 15 November that we expected 10,000 to 12,000 over five years.

Senator CONROY—I thought I saw last week in your half-year announcement an indication that you were speeding up at least 8,000 of them, which would be the bulk of them.

Mr Gration—There is copious material around the half-year results, so I might be thinking of a different part to the part you are thinking of. I think Mr Trujillo was asked during the media briefing—

Senator CONROY—Was he in Australia?

Mr Gration—He was in Australia. He was asked during the media briefing—

Senator CONROY—What, a fleeting visit?

Mr Gration—about the job cuts, and I think he outlined how many people had left the company in the first half of the year and he made the comment that that would accelerate in the second—

Senator CONROY—Is that the first half of the financial year? What date?

Mr Gration—In the period to 31 December, which was what the half-year results related to.

Senator CONROY—How many had left the company in the first half of the year?

Mr Gration—One thousand, and, as was outlined, that is 1,000 of what we would call FTEs plus contractors. So the number that we said that was coming off was 52,000, and we said 1,000 had come off that number.

Senator CONROY—So you are now down from 52,000 to 51,000?

Mr Gration—Yes.

Senator CONROY—So you have 11,000 to go?

Mr Gration—Yes.

Senator CONROY—I thought I read that Mr Trujillo, as I said, or Mr Stanhope had indicated that the program was being accelerated.

Mr Gration—Where I saw that Mr Trujillo used the word ‘accelerated’, he was talking about the second half would be accelerated as compared to the first half.

Senator CONROY—So the five-year time frame is now shorter?

Mr Gration—No. I think he was indicating that, if 1,000 people had left the company in the period to 31 December, more than 1,000 would leave the company in the period to 30 June.

Senator CONROY—So how many do you expect to be gone in the next six months?

Mr Gration—That work is still under way, and that is one of the things we—

Senator CONROY—Sorry?

Mr Gration—That work is under way in terms of scoping that, so we do not have a precise number there.

Senator CONROY—Can I get a breakdown of the job functions of these employees—I am talking about for the full amount, not the 1,000—for example, network technicians, IT technicians, research and development staff, call centre workers, customer service staff, Telstra Country Wide employees, management? Can I get that sort of breakdown of the proposed 10,000 to 12,000?

Mr Gration—We have not developed that breakdown yet. One of the things we said at the time we announced—

Senator CONROY—Bain and Co. have been working on this for six months. Have you got your money back from them yet?

Mr Gration—Let me finish. What we said at the time of the strategic review and also at the half-year results is that we are scoping out how we will achieve those targets. Mr Nicholson is more across this than I am, but for the full-year results we flagged to the market that we may make a provision for restructuring and redundancy. In order to do that we would need to have that fully scoped out. We did not have that fully scoped out at the half year, which is why we did not take a provision at the half year for restructuring and redundancy.

Senator CONROY—Can I get what is available?

Mr Gration—You can get what is available. There is obviously the material that we made available—

Senator CONROY—It would not be broken down in quite that detail, though?

Mr Gration—No.

Senator CONROY—If I could get a list of, as I said, network technicians, IT technicians et cetera.

Mr Gration—Let me see what is available. You would appreciate that making five-year predictions in the telecommunications industry is a risky business.

Senator CONROY—You would not have misinformed the market, would you?

Mr Gration—We would not have.

Senator CONROY—Could I get a geographic breakdown as well of Queensland, New South Wales?

Mr Gration—Again, without knowing the details, I suspect we simply have not done that work.

Senator CONROY—So someone just plucks a figure out of their head to keep the markets happy, to make sure the share price stays up; they go, 'We are going to need 10,000 to 12,000,' and no-one gives any thought to where they are going to be from?

Mr Gration—No. We come up with a high-level strategic plan, we announce that to the market and then we work out the details of execution.

Senator CONROY—So how do you come up with the figure of 10,000 to 12,000? Is that just what the head count has to be to appease the markets and keep the share price propped up?

Mr Gration—It was done using a number of mechanisms: looking at global comparisons of peer group companies and what they had achieved and what we considered—take, for example, retiring the CDMA network, which we had a lengthy discussion about earlier, you can look at it and ask how many staff would be needed to run one really good mobile network rather than three mobile networks, which we currently do.

Senator CONROY—If I could have the information on a geographic basis, if you have the information, especially the number of employees sacked in rural Queensland and rural New South Wales.

Mr Gration—If we have that information; we will see what we can find.

Senator CONROY—The terms that Telstra will be offering these employees upon termination?

Mr Gration—I think it is in accordance with our usual redundancy processes.

Senator CONROY—Other than the John Short redundancy package style, where you do not have to pay it back. Just the usual redundancy packages, and whether the job function of these employees will be replaced by overseas contractors.

Mr Gration—Okay.

Senator CONROY—In how many locations are Telstra staff employed? You can take these ones on notice. If you could provide details of the street, town, suburb, location.

Mr Gration—I suspect that will be a very long list, but we can certainly have a look at it.

Senator CONROY—You have a lot of employees, but I am presuming you do know where they work.

Mr Gration—I think so. We will give you a download of our Outlook address book. We will see what information we can come up with.

Senator CONROY—For each of these locations could you provide how many staff are directly employed by Telstra, how many are contract labour hire and the name of the contractor labour hire firm?

Mr Gration—Let me see what we can do there.

Senator CONROY—Could you please provide an indication of which of these locations contains call centre staff and the numbers of staff employed in call centres in each location?

Mr Gration—Likewise.

Senator CONROY—For each of these locations could you indicate the Telstra business units the staff belong to and the numbers of staff at each location within each business unit, and how many call centres are operated under subcontract to Telstra? If these call centres are not included in the locations discussed above, could you please provide details of the locations of these call centres, the companies subcontracting this service and the length of their contract with Telstra?

Mr Gration—Yes.

Senator RONALDSON—I have had so few birthday messages that I think there must be a surprise birthday party coming, so I will keep these very short so I can get out in the unlikely event it is going to happen. Can I just go back to the costs of the mail-out. I have actually revisited that. It is probably closer to about \$2.5 million. I was looking at the postage costs for only two mail-outs. Can you get me some precise figures, please, on the costs of those mail-outs, including stationery, printing, clearing house and all those sorts of things?

Mr Gration—We can do that.

Senator RONALDSON—Going back to the ULL again, do you think your decision to lift the access prices in metropolitan areas will result in increased broadband prices?

Dr Warren—In relation to the decision to lift the ULL in metropolitan areas, no, I do not think that is the case. Looking at the sort of public information that the ULL builders have put out there and the sorts of margins that they are talking about and that they believe they can make shifting from a resale base to a ULL base, Optus, for example, have talked about a monthly ARPU, revenue per customer, of about \$120. They say their resale costs at the moment are about \$80. If they move to ULL, on a \$22 plan, on a \$22 ULL basis, their costs will total about \$35. So \$22 to Telstra and then—what is that?—\$13 extra in their additional costs. That is what they are telling the market.

Our view is that if we were to go from \$22 up to \$30, which we believe is the average cost, that would clearly see an \$8 increase in their costs. But we are still a long way from their \$120 ARPU number. There is still sufficient margin there. To be clear, they are gross margins. So there are other costs that they have to incur in there. But our view is that, looking at what they are saying, they are making substantial margins still on ULL build. So we would expect to see still significant ULL build.

Senator RONALDSON—Is that for both existing and new contracts?

Dr Warren—Yes, that is at \$22 or at \$30. We are saying the extra \$8, from what we can see—we are not building this stuff, so we have to go on what they are putting out to the market. They have substantial margins. Most of the margin gain comes from no longer being a reseller of the Telstra network but instead putting their own network in place using ULL. There is substantial margin difference there.

Senator RONALDSON—I suspect the jury is very much out about that commentary, but I will just leave that be. If there is not going to be an increase in broadband prices—again, I think that is more likely than not, but we will take what you have said at face value—would you acknowledge that this is highly likely to slow down the broadband price reductions that we have seen recently?

Dr Warren—Clearly, if you average, city ULL prices go up as they do not have as much margin benefit as if we did not average. That is clear. So clearly there is a reduction in their margin in the cities and a dramatic increase in their margin in the bush, if they decide to go and invest in the bush. There will be less in price declines in the cities and much more in price declines in the bush. That is the nature of averaging.

Senator RONALDSON—I know it is the nature of it, but you are prepared to concede that metropolitan users will see a slowdown in the sorts of decreases we have seen in broadband prices—

Dr Warren—We do not anticipate that.

Senator RONALDSON—You do not anticipate that?

Dr Warren—No, because, as I said to you, most of the gain comes not from the difference in ULL price; it is moving from a resale base. At the moment Optus give Telstra \$80 a month to do a full triple-play or probably a dual-play broadband and voice service. They buy it off us and then resell it to their customers. If they move to ULL, they go from \$80 a month to \$35 a

month. We are talking a \$45-a-month benefit. That is the total cost they believe they save. I expect that that will flow through to consumers, so we would really anticipate broadband prices to continue where they are, to continue—

Mr Gratton—To pick up Senator Conroy’s earlier questioning about cross-subsidies, though, no matter how you ask the question, at the end of the day, as Dr Warren said, if you achieve averaging in a cross-subsidy to the bush, there is only one place that comes from: the city. We will each have a view as to whether the government is right or wrong, but in my view the government have rightly said as a matter of social policy, ‘We are looking for pricing parity at a retail level.’ The only way to get that is through a cross-subsidy, and the only place that cross-subsidy can come from is the metropolitan areas.

Senator RONALDSON—That would be a legitimate comment if you were not getting nearly \$1 billion in subsidy from the federal government. I think you are having your cake and eating it too.

Mr Gratton—Let me take a step back. There is one other place it could come from—

Senator RONALDSON—You are whacking it up to take—

Mr Gratton—It could come from the taxpayers if the—

Senator RONALDSON—You are whacking it up to take—

Dr Warren—Sorry, can I just respond to this question, Senator, because you mentioned it before—

Senator RONALDSON—Yes, of course it comes from taxpayers. Let us not get down to semantics. The bottom line is, whether you want to say it is from the government or from taxpayers, it is about \$1 billion. What you have effectively done is put up ULL access prices. It is going to have a direct impact on your competitors. My view is, and I will be very interested to see in three months time what the outcome is, that you are going to see higher broadband prices potentially in metropolitan areas and at the very minimum a rapid slowdown in the decreases in prices that we have seen. That, to me, as sure as night follows day, will be the outcome of what has been done. You argue: ‘We have done the right thing. We have the averaging. We have now reduced prices in the bush. It has now been offset in the metro area.’ But the bottom line is you are getting \$1 billion in there to kick that along. Anyway, we will wait and see what happens.

Dr Warren—Sorry, Senator, the \$1 billion does not go to the ULL costs; it goes predominantly to broadband upgrade in the exchange. So it goes to enabling these very small exchanges, for example. If you were saying to us the government gave us \$878 million a year, then your point would be absolutely right. The \$878 million a year would be a terrific boost to maintaining regional pricing parity. But that is not what is happening. That is not what Broadband Connect does.

Senator RONALDSON—So you are not getting any averaging of your costs by merely a billion dollars going into this broadband program?

Dr Warren—What we have—

Senator RONALDSON—No; answer the question. You are not getting any reduction in your average costs by having a billion dollars going into these two programs?

Dr Warren—No.

Senator RONALDSON—Is that what you are telling this committee?

Dr Warren—What I am telling this committee is that the cost of the coffer is not funded by Broadband Connect.

Mr Gration—It is also worth noting, Senator, when you are talking about the retail broadband prices that Telstra have led the way in reducing retail broadband prices and, for our troubles, we had a year of grief from the ACCC for doing so. But what we have done is led the market in reducing those retail prices. The market is exploding. We will keep doing that, but it is not a trouble-free existence in trying to do that with the regulatory regime we find ourselves in.

Senator RONALDSON—This is as much about taking the cherry picking that you see out of the system as it is about anything else.

Mr Gration—We do not believe that is the case.

Senator RONALDSON—You do not?

Mr Gration—No.

Senator RONALDSON—This has not been done to stop the cherry picking?

Dr Warren—What we said is that, if we are forced to price on an average basis, it is fair enough that our competitors are forced to face the average cost as well. The other way of putting it is: if there is a government social policy to have retail pricing parity, who should pay? Should it be only Telstra shareholders or should it be the shareholders of all carriers in Australia?

Senator RONALDSON—But you are prepared to wear the potential outcome that broadband prices in metropolitan areas will go up and you are also prepared to wear the outcome that the significant decreases we have seen in broadband prices will either slow down or finish completely. Now, that is the end for me. Thank you, Mr Chairman.

CHAIR—We want to move on to the department, but Senator Nash assures me that she has just two minutes of questions.

Senator NASH—My questions will be very brief and they arise again from the CDMA issue. Just in terms of obviously the greater take-up that you expect with the new 3G network, has any work been done on metropolitan versus rural take-up? Do you expect one to increase more than the other? Just roughly; I know you do not have anything specific.

Mr Jennings—I think it would be true to say, and I will defer to my 2CW colleague here, Mr Pinel, that we have seen greater increases in take-up in terms of usage—this is data, wireless data—in rural Australia than in metropolitan Australia.

Mr Mullane—That is correct. A high-speed data mobile network provides another alternative for customers in some of the less populated areas that do not currently have access to things like ADSL and others. So the take-up there is expected to be strong. Part of this is predictive and we do not know the exact answer, but history would tell us that they are also great users of technology because of the distance that they are from population centres. So they conduct more business and also more of their basic communications in that manner.

Senator NASH—With the new system, do you envisage needing more spectrum than you currently have for either metropolitan or rural areas?

Mr Jennings—I think with any of these things we find that, as capacity, capability and technology go up, people consume more and more of it. So the commodity that will be most scarce in the future is likely to be spectrum.

Senator NASH—Do you have any plans in place if all of a sudden this great new network coming out gets chocker?

Mr Jennings—In rural Australia the options at the moment are limited. We just need to consider what might come on the horizon both in terms of technology and in terms of spectrum availability. We have to match the two. In some cases you have technology but you do not have spectrum that will work with that technology.

Senator NASH—So there is a possibility you might get to a point whereby you would not have enough spectrum?

Mr Jennings—It is possible.

Senator NASH—Just very briefly, I am fascinated with the changeover with the towers and having to get rid of the CDMA because of a lack of space on the towers that you are now going to need for this new network—tiny towers. I am sure you probably cannot do it right now, but could you please supply the committee with the exact measurements, the exact space usage, the exact space available at the moment on those towers and why CDMA has to be taken away from that to provide you with enough space to run your new network?

Mr Jennings—That is an enormous task.

Senator NASH—I am sure somebody would be able to do it. If you can ascertain that you need the space, I am sure you have somebody who can inform the committee of how you arrived at that.

Mr Jennings—We can give some examples, certainly.

Senator JOYCE—In all seriousness, the box is about this big, isn't it?

Mr Jennings—No.

Senator JOYCE—How big is it?

Mr Jennings—Depending on how many you need, the most basic unit is about that wide, about that high and about that deep.

Senator NASH—Just to get it on the record, a metre by half a metre. If you could come back to us on that, that would be appreciated.

Senator JOYCE—How big are the towers? This big?

Senator RONALDSON—Dr Warren, when we were talking about the regulation web site very early on—just so there is no confusion—that is called the 'Now we are talking' web site, isn't it?

Dr Warren—'Now we are talking' is the web site, and there is a regulatory component to it. But the main focus, to be frank, is 'Now we are talking'. The parts that people are most

interested in, I am afraid to say, Senator, are not the regulatory sections; they are more the blogs and the cartoons.

Senator RONALDSON—Oh, for another day!

[5.37 pm]

CHAIR—We thank Telstra for appearing. We now come to ECITA output 3.1. I welcome the officers from the department to the table.

Senator CONROY—I have a number of questions for the department about the minister's intervention in the ACCC's consideration of unconditioned local loop wholesale access pricing. The government has asked the ACCC to report to it on this issue as soon as possible. What is the government's timetable for this process?

Ms Holthuyzen—The ACCC has been asked to report around the end of March.

Senator CONROY—Why did the minister believe it was necessary to issue a press release late last year directing the ACCC to ensure that its ULL pricing decisions enable the maintenance of retail pricing parity whilst not placing an unreasonable burden on an industry player? Why did the minister believe it was necessary to intervene in the ACCC's consideration of this issue in this way?

Ms Holthuyzen—As you are aware, the ULL issue had been debated and the ACCC had made decisions previously. The government, as you are aware, considered the matter and made some decisions in relation to retail pricing parity. Having come to the conclusion that the government wanted to enforce the retail pricing parity policy, the government then asked the ACCC to take that into consideration in looking at ULL pricing and to come back to the government with an assessment.

Senator CONROY—Does that mean the legislative guidance provided to the ACCC by the Trade Practices Act is inadequate?

Ms Holthuyzen—I do not think so, no.

Senator CONROY—The government tweaked these provisions of the TPA as part of the legislative package accompanying the Telstra privatisation legislation, didn't it?

Ms Holthuyzen—But not in relation to these matters. That was in relation to other matters.

Senator CONROY—It just looks like the situation is already inadequate if a minister has to intervene in the ACCC's decision making on this issue. It is not a good precedent.

Ms Holthuyzen—No, I think that the ACCC takes into account policy of the government of the day, and this is a relevant policy factor that is somewhat different to what was there before. There was never any strict policy about retail pricing parity. The government has now made a decision on that, and has asked specifically the ACCC to take that into account in providing some advice back to the government.

Senator CONROY—Retail pricing parity may well be a worthwhile policy goal but, if the minister wishes to pursue it, shouldn't the government legislate for this so that the industry has some certainty about what it can expect from regulatory decisions?

Senator Coonan—The ministerial—

Ms Holthuyzen—Yes. The retail pricing parity will be included in the price caps determination. The price caps determination will be amended to include the pricing parity policy.

Senator CONROY—Has the department given any consideration to the impact that Telstra's recently lodged undertaking providing for averaged ULL pricing set at \$30 per line would have on retail pricing in metropolitan and suburban areas?

Ms Holthuyzen—It is a matter for the ACCC.

Senator CONROY—So you do not have an opinion about what will happen?

Ms Holthuyzen—We might have an opinion about what would happen, but there are processes that the ACCC are responsible for in relation to that particular issue.

Senator CONROY—Telstra continue to argue, as you probably just saw, that there will be no increase. Apparently you can increase an input price by 230 per cent and it has no impact on your retail price—a fairly extraordinary proposition to most. Telstra are probably the only people in the country who believe it. Do you believe it?

Ms Holthuyzen—In a sense, it does not matter what I believe. There are processes there for the ACCC to deal with that particular matter. It is a pricing issue in relation to declared services, and the ACCC—

Senator CONROY—But you have injected yourself into that situation. There is a directive to the ACCC. So it does matter what you think.

Ms Holthuyzen—The ACCC are the experts in this area, and they will come back to the government with some advice in relation to how to take that particular matter into account.

Senator CONROY—But, Minister, you are intervening. You must have thought of the consequences of the intervention.

Senator Coonan—I want to see what the advice is, Senator Conroy.

Senator CONROY—The ACCC have said what the advice is three or four times. It is just that Telstra do not like it.

Senator Coonan—They have not said how they are going to take into account my decision in relation to pricing parity. It is appropriate that they have an opportunity to do so. They have said they will do so by about the end of March. So, rather than guess, pre-empt or give you a running commentary of my thought processes, I would rather see what the advice is.

Senator CONROY—Have you asked the ACCC or any other third party to provide you with advice on the issue?

Senator Coonan—I have asked the ACCC.

Senator CONROY—No-one else?

Senator Coonan—The ACCC are the regulator and it is their role to actually provide advice in relation to this matter. So they are the people I have asked.

Senator CONROY—You have been here while the discussion has been taking place, Minister. Do you believe that increasing the ULL prices in metropolitan markets by between

36 per cent and 230 per cent will not result in retail broadband providers utilising ULL passing on these increased costs to their consumers?

Senator Coonan—I would rather the ACCC and those processes take their course rather than agree or disagree with propositions you are putting to me.

Senator CONROY—No, they are factual. Telstra agreed they are factual. They are not a proposition; they are a fact.

Senator Coonan—I am not going to have a view about it. I am going to wait until I see what impact that has according to the ACCC.

Senator CONROY—Independent communications analyst Paul Budde believes that prices will rise. Are you aware of the paper that he recently prepared on this issue arguing that broadband users in metropolitan and suburban areas could expect to see price rises if Telstra's undertaking is accepted? Has anyone seen Mr Budde's statements? No-one has seen them?

Ms Holthuyzen—I have not seen them specifically, but those comments—

Senator CONROY—I think they are in either yesterday's or today's papers. That clipping service of yours still needs some work, doesn't it? They have been in the newspapers for the last 48 hours.

Ms Holthuyzen—Those comments have been made by a number of commentators. They are not—

Senator CONROY—I read in today's paper the analysis of Mr Budde's paper.

Senator JOYCE—To be fair, Mr Budde seems to be changing his tune as time goes on.

Senator CONROY—That is an adverse comment. So I think, Senator Eggleston, you will have to draw Mr Budde's attention to Senator Joyce's comments and allow him to make a reply.

Senator JOYCE—Yes.

Senator CONROY—Some in the industry have even suggested that price rises may be in the order of \$10 per month for families in suburban areas. Are you familiar with some of that analysis?

Ms Holthuyzen—We have seen the comments, but I think I can only repeat what the minister said: we are waiting for the ACCC to come back to the government with some views.

Senator CONROY—Would you expect these providers to merely absorb a cost increase of this magnitude?

Ms Williams—I think it is very hard for us to really comment. We are waiting for the ACCC. We then advise the minister. But that is a policy issue.

Senator CONROY—I understand that. I am just trying to understand. We have had an intervention. There has been a direct intervention by the minister/the department on this issue. I am just asking questions based on what was behind the intervention and trying to gain an understanding of what has happened.

Senator Coonan—There has been a request to the ACCC. It has not been a direction; it has been a request. I think we really need to wait and see what the outcome is.

Senator CONROY—But the ACCC is responding to a policy framework that the department has developed, and you have not considered its implications.

Senator Coonan—I am sorry, I just do not follow what you are getting at, Senator Conroy.

Senator CONROY—It is pretty simple and straightforward.

Senator Coonan—It is not, really. If it were simple and straightforward, then we would not be having this conversation.

Senator CONROY—It is very simple. Telstra are putting up a proposition which will increase the price of broadband in metropolitan areas. I am just trying to work out whether or not the government have considered this.

Senator Coonan—Senator Conroy, are you serious? Of course we have considered it. Why do you think I have asked the ACCC to have a look at it? I mean, get real.

Senator CONROY—The minister's press release outlining the government's position on ULL pricing—I think it was 19 December, Minister?

Senator Coonan—Yes.

Senator CONROY—It emphasised the importance that the government places on delivering parity of price in broadband services to rural and regional Australia. That is certainly an admirable goal, but has the government considered what the cost of such a policy might be for Australians in metropolitan and suburban areas?

Senator Coonan—That is what we have asked the ACCC to have a look at. Of course we are very conscious of the possibilities, and we want to get some proper and rigorous analysis around it.

Senator CONROY—What was the department's view of Telstra's decision to issue contractor variations providing for an averaged \$30 price to its wholesale customers before the government's consultations with the ACCC over the issue have concluded?

Ms Holthuyzen—Again, how the regulator deals with those matters is a matter for the regulator. If they raise issues with the regulator, the regulator deals with those.

Senator CONROY—Minister, do you have a view on Telstra whacking out the \$30 price rise, the \$30 notice?

Senator Coonan—I think it is surprising that Telstra would see the need to do that whilst this process is in play. I think it might have been prudent to wait until we had an outcome, but that is not what has happened. Clearly it is a matter where ultimately the ACCC and the government will come to a view.

Senator CONROY—It was pretty provocative, wouldn't you say?

Senator Coonan—I would not put it as 'provocative'. I think it is surprising that they would do that whilst clearly the ACCC and the government are engaged in this process of trying to get some rigour around their arguments and the arguments of competitors, and indeed in the interests ultimately of consumers both in metropolitan areas and in rural and

regional areas. They are quite complex matters, and I think we really do need to wait until the ACCC come back to us.

Senator CONROY—You are involved directly in discussions with the ACCC and Telstra?

Senator Coonan—Yes, that is true.

Senator CONROY—It must make it pretty hard to have conversations with them if they just go past you and issue press statements and contract variations. Are they negotiating in good faith with you?

Senator Coonan—I do think for the most part Telstra have. The government prefers to act cooperatively with Telstra, and for the most part we do.

Senator CONROY—They just seem to be not acting cooperatively with you, Minister.

Senator Coonan—I do not think that is correct, and I think that is quite an unfair characterisation.

Senator CONROY—So you do not think their being involved in discussions with you around this very issue when they are putting out press statements and contract variations trying to pre-empt the process is uncooperative?

Senator Coonan—Ultimately that is not going to get them anywhere if there is a different outcome. I think we need to wait and see what price the ACCC come back with and how they are going to take into account the change in, or the government making explicit, the retail pricing parity.

Senator CONROY—While the government and Telstra have not reached a final decision on the ULL issue, what options does the government have for resolving this impasse?

Senator Coonan—First of all, I will be waiting to see what the ACCC says, and I am not going to pre-empt any other outcome.

Senator CONROY—Is one option encouraging the ACCC to accept Telstra's \$30 undertaking?

Senator Coonan—These are options, but I want to wait and see what advice the ACCC provides to the government, and then you will know soon enough.

Senator CONROY—Has the department considered the prospect of issuing a ministerial pricing determination that would allow the ACCC to accept Telstra's \$30 proposal? Is that something that is under consideration?

Senator Coonan—That is a policy issue, and I am not going to discuss something that is not an announced or considered policy position.

Senator CONROY—I have for the department just a couple of quick questions on Telstra's plans to switch off CDMA, which you would have heard us discussing at some considerable length today. What is the total monetary value of Commonwealth support provided for the construction of the existing CDMA network? Telstra claims the figure is \$122 million, while other parties indicate the figure is closer to \$400 million. Are you able to assist with this disparity?

Dr Hart—I actually have not totalled up the programming support overall, but funding for CDMA was provided through a number of programs under the Telecommunications Service Inquiry and the RTI, the Estens response. I can give you the actual figures for the individual programs, and I guess we could total them up from that.

Senator CONROY—Is that readily available? Could it be done quickly?

Dr Hart—Yes. Part of the TSI was a small initiative called the Wireless West program, and that totalled \$7 million. There was a program called Towns Over 500, which targeted population centres over 500, and that was \$21.8 million. There was also a program which targeted towns under 500, and that was \$18.8 million. There was the selected regional highways program, which was \$19.1 million. Then more recently, as a part of the Estens response, there was an extended mobile phone coverage program, which is \$15.6 million. They were all CDMA.

Senator CONROY—So what total does that come to?

Dr Hart—Is it \$61.3 million?

Senator CONROY—Telstra reckon they have received \$122 million from the government.

Dr Hart—That was the total funding under the programs. I do not know what the particular question was, but they may have been talking about how much they had received to date. Not all of that funding has been expended at this point. For example, the last initiative here is not complete.

Senator CONROY—I am now probably more confused than I was before you started, I am afraid.

Dr Hart—When you say ‘received’, it depends on whether you mean the actual moneys have been passed across as a result of compliance with the contract.

Senator JOYCE—So you are still midway through the contract on the final programs?

Dr Hart—Yes, they are still continuing.

Senator CONROY—So they are still actually installing CDMA as they are about to close it down?

Dr Hart—The extended mobile phone coverage, the most recent program, is an ongoing program and still has some sites to complete.

Senator CONROY—Just before they close it down.

Ms Williams—I think in the tension of the moment our addition was a bit wrong. I think it might be nearer \$82.3 million. I have only done a quick—

Senator CONROY—That is okay. I am not going to hold anyone to account. I did not have a calculator myself, so I was not game.

CHAIR—I added it up too.

Senator CONROY—What about Networking the Nation?

Ms Williams—There was some in that too. I do not know whether we have the exact figure for that.

Dr Hart—I could probably find you the figure for NTN as well. There were quite a number of mobile phone initiatives under NTN.

Senator CONROY—It may just be easier if you take it on notice so that it gives you a chance to pull it all together. I do not need an absolute answer now.

Dr Hart—The answer is \$36 million. There were 260 mobile towers.

Senator CONROY—I am just concerned to make sure you get the total amount that they are going to receive rather than they have received in terms of dollars to date, just to avoid the issue of their having only partially received something. So if I could get the total amount they are expected to receive for the CDMA.

Dr Hart—Certainly.

Senator CONROY—As I said, they are saying \$122 million. Others believe it is much closer to \$400 million. So I just really want to try to put this issue to bed.

Dr Hart—We will give you a detailed breakdown.

Senator CONROY—Has the department engaged in consultations with the public about the impact of Telstra's decision on rural and regional service levels?

Dr Hart—Are you talking about the CDMA transition?

Senator CONROY—Yes.

Dr Hart—No. What we have I think has already been said. We are establishing a consultation group with Telstra to work through the full implications and make sure that there are no consumer disadvantages through the transition process. I think the minister said that previously.

Senator CONROY—Those consultations will be in private, though, won't they?

Dr Hart—At this stage.

Senator CONROY—Are any public consultations planned?

Senator Coonan—No, not at the moment. There may be. This is the initial working group. It is largely technical, but out of that obviously comes things where it may be appropriate to have a consultation process.

Senator CONROY—Has the department considered the need for an audit of the current coverage areas of the existing CDMA network?

Dr Hart—Not at this stage. That will be one of the clear issues probably worked out by the working group.

Senator CONROY—Does the department have information independent from Telstra regarding the coverage area of the CDMA? Perhaps Senator Ian Macdonald, who was here earlier, might be able to assist with that particular issue. He seemed particularly interested in the coverage.

Dr Hart—We do have information on the coverage areas of all the sites under all of the programs.

Senator CONROY—Minister, would you invite Senator Macdonald to be on your working party to assist with coverage issues?

Senator Coonan—I think it is really important that, first of all, this group that we have identified have an opportunity to look at where the issues are. It may be that they want to do some sort of audit. But at the moment I think we need to just get to the bottom of how we will have this cooperative process.

Senator CONROY—Has the department considered the need for an audit of the performance of Telstra's proposed new network before it switches off the CDMA?

Ms Williams—I think all things like that are issues that may come out of the working group, but we are in early stages at this point, and that of course is a decision for government.

Proceedings suspended from 5.59 pm to 7.05 pm

CHAIR—I declare these hearings resumed and hand over to Senator Conroy.

Senator CONROY—I just wanted to talk about operational separation. Telstra points out that meeting its reporting obligations to regulators in 2005 cost it around 42 man-years in work. Does the department agree that government has an obligation to minimise this burden as far as possible?

Ms Holthuyzen—I think one of the provisions in the Telecommunications Act is actually to make sure that you have minimal regulatory burden.

Senator CONROY—The additional estimates budget papers show approximately an extra \$600,000 per year allocated to operational separation functions within the department for the next four years through to 2008-09. What was the reason for this increase in costs of operational separation for the department?

Mr Bryant—It has been recognised that the department will have an ongoing role in the development of the operational separation framework. Part of that allocation will be for staff, but part will also be for expert advice to ensure that the regime is rigorous and effective.

Senator CONROY—You only released the statutory framework for operational separation a couple of months ago, but the costs are blowing out already, it seems. Why were these additional costs not anticipated when the operational separation regime was first developed by the department?

Mr Bryant—I am not sure that the costs have blown out at all.

Ms Holthuyzen—The costs have not blown out, no.

Senator CONROY—As I said, this is from the additional estimates budget papers.

Ms Holthuyzen—Yes, they are the costs to enable the department to do the operational separation work.

Ms Williams—The decision was made post budget I think, Senator Conroy, and that is why it had to hit the additional estimates.

Senator CONROY—So it is the same cost, it is not an add-on?

Ms Williams—It is the same cost, yes.

Senator CONROY—Is the operational separation model that has been adopted by the government different in any way to the model that was envisaged when the costs of the model were evaluated?

Mr Bryant—Perhaps you could clarify the question. The government made a decision on the model.

Ms Holthuyzen—The government made a decision.

Senator CONROY—Sorry?

Ms Holthuyzen—The government made a decision, and we are going about implementing the decision that the government made.

Senator CONROY—I have a few questions about the consultation process the department engaged in for the operational separation determinations. On what day were the operational separation determinations made available for public comment?

Mr Bryant—We would have to take that on notice, I think. I do not think we have that information. Bear with me.

Ms Holthuyzen—It was in December.

Mr Bryant—We can provide you with exact dates.

Senator CONROY—So it was December?

Mr Bryant—Yes.

Senator CONROY—How long did interested parties have to comment on these determinations?

Mr Bryant—It was very truncated timeframes.

Senator CONROY—Very truncated. What, one week?

Mr Bryant—Again, I will have to take that on notice to get the exact times. It was in the nature of about that amount of time.

Senator CONROY—When were the determinations finalised and registered by the minister?

Mr Bryant—At the end of December. Again, I will take it on notice and give you the exact date.

Senator CONROY—I know ‘very truncated’ is a short time, but I understand it was actually four days.

Ms Holthuyzen—That is possible.

Mr Bryant—Yes.

Senator CONROY—Was it mid-December, early December, late December?

Mr Bryant—When the determinations—

Senator CONROY—When were they first available for public comment?

Mr Bryant—It would have been towards probably the third week in December, but again—

Senator CONROY—So virtually at Christmas people were given four days to comment?

Mr Bryant—That is correct, yes.

Senator CONROY—Why was the consultation process so short? What was the urgency?

Mr Bryant—If you work back from the time frame when the regime itself has to be implemented, by 30 June next year, included in the legislation is a 90-day period for the development of the plan. Essentially the development of the plan could not take place until the determinations were in place, so we were on a very tight timeline to have those determinations in place by the end of the year.

Senator CONROY—When was the legislation passed?

Mr Bryant—September.

Senator CONROY—It took from September to the third week of December for you to even be able to put out the operational separation determinations for public comment?

Mr Bryant—Yes.

Senator CONROY—And then you only gave people four days?

Mr Bryant—I should stress we gave people four days on the actual draft, but there was a lot of discussion and consultation with industry leading up to that time in terms of the concepts we are talking about.

Senator CONROY—There is currently significant industry dissatisfaction with the determinations as issued by the minister, dissatisfaction from parties who will be directly impacted by these determinations as Telstra's wholesale customers. Do you not think that a lot of this dissatisfaction could have been resolved if a longer consultation period was held and the department actually took the time to properly consider any feedback?

Mr Bryant—As I said, we had discussions with industry leading up to the development of those drafts and we were able to get industry views and consider those views and provide advice to the government.

Senator CONROY—Do you think four days was really satisfactory?

Mr Bryant—I think we responded to that.

Senator CONROY—Was the draft substantially different, the final draft, to what was consulted with industry on?

Mr Bryant—Not substantially different, no.

Senator CONROY—An absolute farce. Is the department aware of recent media reports concerning correspondence between Primus and the United States Trade Representative regarding the compliance of Australia's telecommunications regulatory regime with the terms of the free trade agreement?

Ms Holthuyzen—Yes.

Senator CONROY—Has the department or the minister received any correspondence from the United States Trade Representative regarding telco policy in Australia?

Ms Holthuyzen—Not that I am aware of.

Senator CONROY—Have you received any correspondence from the Department of Trade or other government departments regarding this issue?

Ms Holthuyzen—Not that I am aware of.

Senator CONROY—You are aware of the stories but you have not actually received anything official whatsoever?

Ms Holthuyzen—No, my understanding is that the USTR takes submissions. It does a regular annual review in relation to regulatory matters, and my understanding is that this submission feeds into that process.

Senator CONROY—I have a few questions about a specific review that the government announced on the weekend, the review into the establishment of a national Do Not Call Register. Can I just firstly congratulate the minister on finally giving some attention to an issue that Labor has been campaigning on and pushing for a number of years? I wish to ask a few questions about the likelihood that we will ever see an outcome from the review or if there is any sort of timeframe. Can the government guarantee that the Do Not Call Register will be concluded in a shorter time than the VOIP review?

Mr Thomas—The government is currently receiving advice from the department on the outcome of the submission process for the Do Not Call discussion paper that was issued last year. We have received approximately 500 submissions and we are providing advice to the minister on the basis of those submissions.

Senator CONROY—How long is it anticipated the review will take?

Mr Thomas—I am not sure what review you are referring to. We issued a discussion paper last year. Submissions closed—

Senator CONROY—The weekend before the last Senate estimates, I think.

Mr Thomas—Yes, it would have been about that time. It was issued early—

Senator CONROY—When was the announcement?

Mr Thomas—Early November.

Senator CONROY—The weekend before this Senate estimates.

Mr Thomas—I was not aware that—

Senator CONROY—An incredible coincidence. They must really be afraid of you.

Mr Thomas—But what is happening in this process is that we have now given advice to the minister. As I said, we are analysing the submissions and it will be a matter for the minister to take onboard the proposals.

Senator CONROY—You have to stop frightening them like this. It is really quite disgraceful. Stop embarrassing the government like this, Senator Ronaldson.

Senator RONALDSON—Given this is on the public record, I think that perhaps the record should show that Senator Conroy is smiling as opposed to implicating me in any matters that may or may not have been mentioned.

CHAIR—Are you trying to get him into trouble?

Senator CONROY—Why was there a need for a discussion paper at all?

Mr Bryant—There are a number of different issues associated with the establishment of a Do Not Call Register. There are issues such as what sort of exemptions might be available to different callers—for example, charities, religious organisations and political organisations. There is the issue about whether it would be an opt in or an opt out-type arrangement. There are other aspects to do with it in terms of standards that might be applied, such as limitations on the time during which calls could be provided to different individuals. There are a number of different parameters, variables if you like, that could be put into the scheme. We were seeking wide public consultation on this from not only industry players but also from the public in general, and we received, as I mentioned, almost 500 submissions, which were valuable in our consideration of these issues.

Senator CONROY—As I said, I know it is not a question for this area, but I will put them on notice. I did want to congratulate the minister, as I said, on finally moving in this area, and of course I congratulate my colleague, Anna Burke, who is moving a private member's bill on this. She has to get to the stage of private member's bills being pushed before we get some action from the minister. Anyway, I will move on.

Senator Coonan—Senator Conroy, I take issue with that. I actually have not even read Ms Burke's private member's bill. This has been under consideration for some considerable time. Some of the complexities are, of course, wishing to cover overseas telemarketers as well as the other issues identified by Mr Bryant, so I just want to disabuse you of any suggestion that Ms Burke's bill had anything to do with this.

Senator CONROY—Or Senate estimates.

Senator Coonan—Certainly not Senate estimates.

Senator CONROY—No. Paper issued the weekend before last one, discussion paper issued before this one.

Senator Coonan—I think you flatter yourself, Senator Conroy.

Senator CONROY—I think that Senator Ronaldson is clearly having an effect on you since he came on this committee. He has really got you hopping. I wish I could have that impact. No, there was actually one question left unanswered at this stage from the last estimates hearing, Senator Coonan. I was just wondering—

Senator Coonan—I am sorry, what was that?

Senator CONROY—There was actually one outstanding question.

Senator Coonan—For?

Senator CONROY—From last Senate estimates, one of mine. I am just wondering if there was any sign of it?

Senator Coonan—I am sure it must be somewhere close by.

Ms Williams—Was that the one on the reviews?

Senator CONROY—That would be the one.

Ms Williams—It is being worked on and finalised today. Hopefully, we will get it to you tomorrow.

Senator CONROY—That would be after we have finished.

Ms Williams—I have not discussed it, but I know it was going to be worked on today. I just do not know where it has got to. There were some issues that had to be checked.

Senator CONROY—Yes. Have you formed a committee?

Ms Williams—Sorry?

Senator CONROY—Are you conducting a review or have you formed a committee to answer it?

Ms Williams—No, we have not.

Senator Coonan—Although I did think of a discussion paper.

Senator CONROY—A discussion paper, yes. How many inquiries, reviews, investigations or discussion papers has the department conducted in the past 12 months?

Ms Williams—We will have to take it on notice, I am sorry.

Senator CONROY—You have had it on notice for three months.

Ms Williams—I do not have the answer with me.

Senator CONROY—I thought you were just checking a couple of points. Surely you can—

Ms Williams—Yes, but I am not doing it personally. I do not have the answer with me, I am sorry.

Senator CONROY—There have been so many that I understand how you might lose count. I did have a look myself. Your department web site lists 26 papers and reports that are open for consultation with the department. That is a review every fortnight and that is not even a complete list. It does not include the reviews that have been completed in the last year. It is just the ones that—

Senator Coonan—Is that—

Senator CONROY—I have been able to find out this information. I am shocked that, after three months, you could not answer them before and you are still taking them on notice. I just thought I would help with the answers. Maybe you can just get Hansard to do a cut and paste and send it back to me.

Ms Williams—I think the problem was not listing the reviews. The problem was making sure that all the parts of the question that you asked were properly answered.

Senator CONROY—It has been a busy year for you, as you can see from all this reviewing and working parties.

Ms Williams—It has.

Senator CONROY—Lots of reviews have been going on here.

Senator Coonan—You have a real thing about consultation, don't you, Senator Conroy?

Senator RONALDSON—He is not used to it.

Senator Coonan—Much better to shoot from the lip; it is a terrible thing.

Senator CONROY—I am not going to take any lectures from the New South Wales Right of the Liberal Party.

Senator Coonan—We actually like it. We think that it gets good outcomes if you actually ask people when you are developing policy. I know it is a novel approach.

Senator CONROY—It is a good excuse for not doing anything; it is a great cover.

Senator Coonan—It is not a cover. You get better outcomes. I know you do not agree.

Senator CONROY—Not if nothing ever happens.

Senator Coonan—I know you would not do it, Senator Conroy, but we think it is a pretty good process.

Senator CONROY—How many of these reviews have resulted in new legislation?

Ms Williams—I am sorry, I will have to take that on notice.

Senator CONROY—How many have adopted the recommendations resulting from the reviews? Have we had any recommendations adopted from any of the reviews?

Senator Coonan—There would be a lot. The entire Telstra package was the subject of reviews. That involved legislative packages, ministerial determinations in a package of \$3.1 billion. But then of course there were reviews that relate to much more technical matters, so we will take it on notice and have a look for you. But usually there is action on recommendations.

Senator CONROY—How many of the reviews have recommended no changes to the existing law?

Senator Coonan—We will have to take that on notice. There would be some.

Senator CONROY—An awful lot of reviewing and not much action.

Senator Coonan—I think that is a very unfair characterisation. There are not very many portfolios that manage to come up with a package of \$3.1 billion, a Future Communications Fund.

Senator CONROY—I thought the National Party were claiming credit.

Senator Coonan—And the entire implementation of a regional telecommunications inquiry.

Senator CONROY—I cannot keep up.

Senator Coonan—The framework for operational separation.

Senator CONROY—I cannot keep up with this.

Senator Coonan—The amendments to the consumer customer service guarantee. There are a lot of them there, so it is a very unfair characterisation.

Senator CONROY—You have got me beat. I cannot keep up. You have whipped me into submission. I cannot keep up with that reviewing process.

Senator Coonan—I am aware of that.

Senator CONROY—I am finished. As I said, it would only be about 15 minutes.

CHAIR—Thank you very much. That concludes output 3.1. We now move to the Australian Broadcasting Corporation.

[7.25 p.m.]

Australian Broadcasting Corporation

CHAIR—I welcome the officers of the ABC. I welcome Mr Balding. We are pleased to see you here tonight, Mr Balding. Thank you for your service to the ABC and we wish you well in your new career at Sydney Airport, I believe.

Mr Balding—Thank you, yes.

CHAIR—We thank you for your letter of apology. We shall now proceed.

Senator CONROY—I will very quickly open and then I will pass over. I just wanted to wish Mr Balding all the best. Perhaps we will see you before another Senate committee.

Mr Balding—A senate inquiry.

Senator CONROY—I suspect not. I cannot understand why. I am sure you would want to join with me in welcoming and congratulating Senator Santoro on being appointed to the ministry.

Mr Balding—I sent him my personal congratulations.

Senator GEORGE CAMPBELL—Mr Balding, welcome this evening. I am surprised to see you here. I just want to follow up on a couple of issues that we have been discussing over the past two to three estimates, and one in particular which I think remains to be resolved. I understand the time constraints we have on us so there is a number of issues that I will put on notice that I otherwise would have raised with you directly. Can you tell me what the status of the current situation is with Mr Cox in Tasmania?

Mr Balding—Mr Pendleton will be able to bring you up to date with the actual position on that.

Mr Pendleton—A meeting had been scheduled for late December or early January with Mr Cox to run through those issues with him. He is on sick leave, I believe, and is not expected to be able to attend that meeting. I think he is still able to undertake his duties but is not able to attend the meeting until about 20 February.

Senator GEORGE CAMPBELL—Can you tell me what the status of the position is between him and the ABC? Has he actually been charged with any offences?

Mr Pendleton—No, all that has happened at this stage is that a number of matters have been raised formally with Mr Cox for discussion at that meeting.

Senator GEORGE CAMPBELL—But he has actually not been charged with any particular offence?

Mr Pendleton—No. A number of allegations have been couched in a letter that has been given to Mr Cox, and the purpose of the meeting is to discuss those issues with him.

Senator GEORGE CAMPBELL—I understand he has now been advised that the earlier reference to myself has been dropped?

Mr Pendleton—Yes, the ABC is not pursuing that particular allegation. The allegation was not so much about who he spoke to. He is quite at liberty to talk to you or to any member of the parliament in relation to these matters. It was more about a pattern of behaviour that was being described.

Senator GEORGE CAMPBELL—One of the major issues that was raised as part of Mr Cox's behaviour was this question of the fish incident. I would not put it as far as saying cash for comment, but receiving of goods for comment. I understand that has not been pursued any further?

Mr Pendleton—That matter had been completed a number of years ago. The investigation had been completed quite thoroughly and findings made in relation to it. I think the issue with Mr Cox is that he just does not like the outcome of that investigation.

Senator GEORGE CAMPBELL—I understand that you have a policy that applies across-the-board in the ABC to employees in respect to this matter. Can you tell me what the status of Kerry O'Keefe is? Is he an employee of the ABC?

Mr Balding—No, he is not. He is under contract.

Senator GEORGE CAMPBELL—He is under contract.

Mr Balding—It would be a specific contract.

Senator GEORGE CAMPBELL—Is there a different set of rules that apply to Mr O'Keefe than apply to Mr Cox?

Mr Balding—The editorial policies apply to all people who work for the ABC and go on ABC airwaves, yes.

Senator GEORGE CAMPBELL—Have there been any actions initiated against Mr O'Keefe for his comments on the third day's play of the New Year cricket test?

Mr Balding—Can you outline to me those comments?

Senator GEORGE CAMPBELL—He made several comments during the day about the quality of Ricardo Tomatoes, which I understand are organic—very good. He thanked the Loftus Public School for gifting him cakes. He solicited a lobster from a mate of his:

...on the south coast who supplies us with lobster every Sydney Test: day three, no sighting, what's going on, have you brushed us? Jump in that ocean, get your bottom into gear and get us some lobbies.

Those were the comments of Mr O'Keefe. He said:

Lobsters are nil at the moment, has the potential to grow to at least two tomorrow.

He then went on to solicit donuts, and I think the reference was very directly to those Krispy Kreme donuts. References were made to Gilchrist hitting some 'crisp shots' and creaming shots to fine leg, and he did say at the end of the thing:

That's my endorsements for the day. I don't need a new car.

It seems to me that they were pretty blatant.

Mr Balding—I am not aware of those comments and I am not aware of any action being taken. I am quite prepared to take that on notice for you.

Senator GEORGE CAMPBELL—I am making the point, Mr Balding, that they seem to be pretty blatant comments. I have listened to the tape. They certainly sounded very blatant to me and I wonder why the ABC has not jumped as rapidly on Mr O'Keefe as it did on Mr Cox.

Mr Balding—I do not know.

Senator GEORGE CAMPBELL—I do not particularly want to damage 'The Skull'. I actually think he is one of the better commentators around the place. Nevertheless, everybody should be treated equally.

Mr Balding—Yes. I do not know whether action has or has not been taken. I would like to take that on notice and follow it up for you.

Senator GEORGE CAMPBELL—I would be happy if you would do that for us. There is one other matter relating to Mr Cox, and that is the involvement of Mr Michael Mason, who is seen to have a fairly substantive involvement in the whole of the Cox issue. You are aware of the decision, I assume, of the commission in Brisbane. I think it may have been under the Queensland commission, because some of these names are new to me. I have not been near the commission for quite a while. There was a board of reference, and there was the decision of 31 October. No, it was the Australian Industrial Relations Commission, a decision of 31 October 2005, when there were some very adverse findings about Mr Mason's behaviour in respect to his performance, I think, on a panel assessing the suitability of a candidate for a particular position in the ABC. That behaviour included swearing, intimidation, et cetera. I can read out the whole of the finding, but I am sure you have read it on a number of occasions. Can you tell us what action has been taken against Mr Mason in respect of this incident?

Mr Pendleton—I am not fully across this matter, but the conduct in particular was perhaps taken out of context of Mr Mason's performance at that interview. The finding of the review panel concluded that one of the participants may have been disadvantaged as a result of the line of questioning of Mr Mason, but I am not certain that Mr Mason was acting inappropriately. The use of language was illustrative to make a point in relation to an issue that he was putting at interview.

Senator GEORGE CAMPBELL—The decision said:

Certainly, none of the panellists supported Mr Mason's swearing or contended that it was in accordance with the reasonably held expectation for the process of these interviews, as stipulated in the guidelines. At a minimum, the conduct was disparaging towards the Applicant and in contravention of the process to be observed. The evidence of all ABC witnesses corroborates that the swearing occurred.

Mr Pendleton—I do not think anybody is saying that it did not occur.

Senator GEORGE CAMPBELL—I do not think there is any doubt about the finding. What I am asking, Mr Pendleton, is: what action have you taken in respect of Mr Mason since this incident?

Mr Pendleton—I would have to take that on notice, but I am not sure that there was any need for action. I would have to confer with the director of radio in relation to that specifically, as his line manager.

Senator GEORGE CAMPBELL—Are you saying that a manager within your structure acted in this manner in an interview, the commission has found that the behaviour was less than what you would expect, yet the commission has done nothing with respect to counselling this manager about his future behaviour?

Mr Pendleton—In relation to the interaction between the director and Mr Mason, I would have to take that on notice.

Senator GEORGE CAMPBELL—I ask you to take it on notice. Can I also ask you to take on notice whether or not you will look at other cases, including the Cox case, where Mr Mason has been involved in disciplinary matters or in charges against other individuals, given the findings in this case?

Mr Pendleton—The Cox matter is a very different matter, and the allegations were not made against Mr Mason. Mr Cox made allegations against his current manager.

Senator GEORGE CAMPBELL—It was Mr Mason who wrote the letter.

Mr Pendleton—As the manager responsible for the local radio manager down there.

Senator GEORGE CAMPBELL—Yes. But Mr Mason was still the person who wrote the letter and there were fairly strong overtones of intimidation in the letter. We have all read the letter.

Mr Pendleton—I would not agree that there is intimidation in the letter at all. The letter is purely trying to engage with Mr Cox a range of issues and difficulties that management is having in relation to his conduct and his performance that have been seen over a number of years.

Senator GEORGE CAMPBELL—Including at that time his writing to me.

Mr Pendleton—No, I think we have explained the context of that in response to questions on notice.

Senator GEORGE CAMPBELL—But you are not suggesting that at the time Mr Mason did not write to Mr Cox and that we would not assume it was a veiled threat by the fact that he had written to persons outside of the ABC, namely myself?

Mr Pendleton—I think the issue was that—

Senator GEORGE CAMPBELL—I understand what has happened to it since then.

Mr Pendleton—I do not think it was an attempt to intimidate him. It was an attempt to put on the table issues of concern and, at any time management are trying to talk to Mr Cox about editorial issues or give lawful directions, Mr Cox's response to management in that regard. I think the letter is an attempt to broach those issues for a discussion.

Senator GEORGE CAMPBELL—I understand that these activities occur. I have been around industry long enough to know that disciplinary activities occur, people have arguments, have hassles and they can be described as bullying, they can be described as other things. But it seems to me that, when issues like this arise, the commission is quick to jump to

support its management team when it comes to an issue of bullying but not so quick to jump when perhaps people on the management side may be the ones who are the persons who are prosecuting the bullying. I find it hard to understand, hard to comprehend why, given the findings in this case in Brisbane, that you would not have looked at some of the issues surrounding Mr Mason's behaviour. But that is a matter for you.

Mr Balding—I believe that the director of radio has had a discussion with Mr Mason, but the actual outcome of that discussion I am not aware of. I can take that on notice. It is not as if we did not do anything. I am aware that the director of radio has had discussions with Mr Mason.

Senator GEORGE CAMPBELL—I would appreciate your taking it on notice, Mr Balding, and advising us perhaps what the outcome of those discussions were and whether or not you intend to pursue the matter any further with him. When is it intended to release the KPMG report on the triennial funding?

Mr Balding—That would be a decision for the minister. The government commissioned that report.

Senator GEORGE CAMPBELL—Yes. I am asking the minister but she is not paying attention. I actually was looking at the minister when I asked the question.

Senator Coonan—I am sorry, Senator Campbell. I was engaged in something else. Your question was whether—

Senator GEORGE CAMPBELL—When is it intended to release the KPMG report that you promised into the triennial funding?

Senator Coonan—The status of the report is, of course, that it forms part of the budget process, so there is no medium term intention to release it. It may be that, once we have sorted out the budget process, some consideration could be given to releasing it, but at the moment there is certainly no intention of releasing it. It is part of what the government is taking into account, together with the triennial funding submission by the ABC in the budget context.

Senator GEORGE CAMPBELL—Can I ask again whether or not Margaret Simons's comments in *Crikey* are accurate when she says that the report indicates that the ABC is both efficiently run and in need of more funding?

Senator Coonan—I would not be making any comment about the report.

Senator GEORGE CAMPBELL—At all?

Senator Coonan—No.

Senator GEORGE CAMPBELL—Unfortunately, I do not—

Senator RONALDSON—Is there any issue of sensitive information in that paper?

Senator Coonan—It was a report commissioned in the way that, of course, the committee is well aware, but to inform the government's thinking for the purpose of the tripartite funding. It is all fed into it. Initially it was not intended to be viewed together, but the timing and framework has meant that it has been very useful in being able to look appropriately at the tripartite funding. It is clearly part of the budgetary process.

Senator GEORGE CAMPBELL—Normally we would engage in discussion about the issue of confidentiality, but I do not have time tonight to do it. Mr Balding, who is handling the putting together, if I can use that term, of the ABC submissions back to the tripartite funding for the budget?

Mr Balding—Senator, it is—

Senator GEORGE CAMPBELL—Given that you are heading for—I do not know whether you would call them this—greener pastures or more concrete employment in the future.

Mr Balding—It is a triennial funding submission. It is the board's submission, signed off by the board, and that went to the government towards the end of last year. That submission is with government and with the minister.

Senator GEORGE CAMPBELL—It is already there?

Mr Balding—Yes.

Senator GEORGE CAMPBELL—I will just quickly skip through these.

Mr Balding—Just for your information, I released a summary of that submission a couple of weeks ago.

Senator GEORGE CAMPBELL—Of your submission?

Mr Balding—Yes.

Senator GEORGE CAMPBELL—I have not seen it. I am sure we can pick it up around the place somewhere. Mr Balding, Annie Lawson, in the *Age* column 'Inside Edge' carried a story on 7 November that talked about police checks for staff being proposed in an occupational health and safety meeting. Has any policy been adopted in that area?

Mr Balding—Police checks?

Senator GEORGE CAMPBELL—The article says:

ABC staff in Melbourne were apprehensive last week about a proposal to conduct police checks on all employees ...

Mr Balding—All employees at Melbourne?

Senator GEORGE CAMPBELL—In Melbourne. That appeared in the *Age* on the 7th of the 11th.

Mr Balding—It could be something to do with the accreditation for the Commonwealth Games, but I cannot comprehend why all employees would be subjected to a police check.

Senator GEORGE CAMPBELL—It said it emerged as part of a discussion about a recent security breach in which guards allowed someone access to all parts of the building without an ID pass. It does not appear to be related to the Commonwealth Games.

Mr Balding—I am not aware of that. Mr Green, are you?

Mr Green—No. I have no further information on that.

Senator GEORGE CAMPBELL—Can I ask you again to take that on notice?

Mr Balding—Yes, certainly.

Senator GEORGE CAMPBELL—Mr Balding, why will the ABC not release complaints made by members of the public about its coverage of Middle Eastern affairs?

Mr Balding—As a rule we do not release the details of the complainant. In respect of complaints we publish quarterly online—and Mr Green will be able to give you more details—the nature of the complaint and whether that complaint was upheld or not. But as an issue in respect of privacy we do not publish the name of the complainant.

Senator GEORGE CAMPBELL—An article appeared in the *Bulletin* of 15 November. The *Bulletin* column claims that they are already spending \$17,000 on producing the documents. They had at that point spent two days in court with a senior counsel, a junior counsel and a team of solicitors.

Mr Balding—I think you are referring to a freedom of information application?

Senator GEORGE CAMPBELL—FOI, yes.

Mr Balding—Mr Green is across the detail of that. He will be able to bring you up to date.

Mr Green—The issue is that the University of technology, Sydney, has made a claim through freedom of information to access the correspondence that people have written to us concerning Middle Eastern politics, and they are wanting to access the actual letters. We are in the process of resolving this matter in the courts with them. The issue is not the matter of money. The issue is that, when people write to the ABC, we believe they should have a reasonable expectation that they are writing as part of private correspondence, unless they wish to put it on the public record, and some people do that as part of their complaints process. But generally the 40,000-plus complaints or contacts that we get in a year are where people write to us with the expectation of that correspondence being private and confidential. That is the issue that we are contesting in this matter. It is not a question of money or the resources that we have in terms of being able to gather this material. The issue is the integrity of the communication between our audience and the ABC over matters that concern them.

We report the actual nature of those complaints in a summary and generic form. In terms of complaints that are upheld, every quarter on the ABC web site there will be a detailed analysis of the complaints that have been upheld, which would include complaints relating to our Middle Eastern coverage. But in terms of general correspondence relating to editorial matters where complaints may not be upheld, they are reported in a statistical manner by way of summary in terms of what the issues are and the nature of those complaints. I just want to reiterate that the issue here is not the question: does the ABC have the resources to gather this material? The issue is that we have a great commitment to the integrity of correspondence between people who write to us and express their concerns. If they want to put it on the public record, that is fine by us. But that initiative should come from their, rather than from us, taking that initiative.

Senator GEORGE CAMPBELL—I understand the point that you are making. The *Bulletin* article says that the cost of producing this material would be about \$18,000, which is usually used as an argument why not to produce material. We get it quite often from government departments.

Mr Green—That is not our argument.

Senator GEORGE CAMPBELL—No. I would like to know how much this case has cost the ABC so far in defending the point that you have just made.

Mr Green—We can happily provide that on notice.

Senator GEORGE CAMPBELL—I have two final matters, and the rest I will put on notice for you. A story appeared in the *Courier-Mail* on 13 February last year stating that, during the past 11 years, there had been 11 cases of breast cancer recorded from women who worked at the Toowong studio. It also reported that Queensland Health had investigated the matter et cetera. Has any further action been taken since the Queensland Health study with respect to the Toowong studio?

Mr Pendleton—The Queensland Health study concluded that there was no link between the incidence of breast cancer and the Toowong site. That report was on the back of a number of other reviews that the ABC has had under commission and undertaken on the site, one by EMC Technologies more recently to look at the effect of any possible electromagnetic radiation on the site. Again, that survey concluded that the site complied with all the appropriate standards. The ABC continues to provide support/counselling services to the staff up there affected and is working with the staff as best we can to help them through this situation, but we have turned over as many stones as we can to satisfy ourselves or to ensure that there is no linkage. We cannot find any relationship between the environment at site and the incidence of cancer.

Senator GEORGE CAMPBELL—The union, I understand it, Mr Pendleton, has asked for a full epidemiological survey to be taken of the employees at the site, which the ABC has refused. Why will you not engage in—

Mr Pendleton—That is not true. The ABC commissioned a firm by the name of Health for Industry, HFI, to make a full epidemiological survey at the site.

Senator GEORGE CAMPBELL—When was that carried out?

Mr Pendleton—That was done probably around mid-last year, mid-June-of last year, probably a little bit earlier, actually. Unfortunately, there were insufficient staff responding to the questionnaires; it is confidential and it requires the staff to provide that information confidentially for the survey to actually gain enough information to make a conclusion. That is why the staff spoke to Queensland Health and they offered to actually undertake a similar sort of review, and they have managed to get enough data to make their conclusions. We were quite supportive of it.

Senator GEORGE CAMPBELL—I have wrongly accused you.

Mr Balding—With this particular case, the ABC has tried to assist in every way we can. We definitely care about the health of all our staff, and particularly where staff have gone through a trauma such as this. Anything the ABC can do to assist with this we will do.

Senator GEORGE CAMPBELL—Finally, Mr Balding, have any further cases of cancer arisen since?

Mr Balding—Not that we are aware of.

Senator GEORGE CAMPBELL—Not that you are aware of?

Mr Pendleton—Not in Queensland.

Senator GEORGE CAMPBELL—Yes.

Mr Balding—At Toowong.

Mr Pendleton—At Toowong. Not that I am aware of. I probably need to take it on notice. I am just not certain.

Senator GEORGE CAMPBELL—Could you do that? I probably should have raised this at the start, and I will put on notice the rest of my questions. Can I ask, Mr Balding, why it took so long to supply the answers to the questions on notice I put at previous estimates? The date was the 21st of the 12th. A lot of them are fairly straightforward and we did not get the answers until, I think, two Fridays ago.

Mr Balding—I believe that we supplied answers to all our questions on notice within the stipulated timeframe.

Senator GEORGE CAMPBELL—Can I ask the minister why they were not supplied until some, I think, seven to 10 days ago?

Senator Coonan—I am sorry?

Senator GEORGE CAMPBELL—I asked Mr Balding why the answers to the questions he took on notice at the last estimates were so late in being received, and he has indicated that the ABC supplied the responses within the time limits set, which was 21 December.

Senator Coonan—I have no doubt they did. That was canvassed a little earlier with Senator Conroy. The secretary's answer was to the effect that in total there were some 360 questions. They all have to be checked and some of them were quite complex. I am not sure whether or not Mr Balding's answers came within that category. But unless the secretary can throw some particular light on the ABC's answers, that was the answer that was given earlier. There is one outstanding that will be available tomorrow morning, and I think we have got rid of them all. The secretary indicated that every effort is being made to deal with them more promptly.

Senator GEORGE CAMPBELL—Can I ask the secretary why these ABC questions were so long in being supplied? They were mainly straightforward answers, most of them. A lot of them were statistics.

Ms Williams—Are you referring to this hearing that has just gone past?

Senator GEORGE CAMPBELL—Yes.

Ms Williams—What I have got here does not quite agree with what Mr Balding said, so I think rather than answer it I had better check it for you, if you would not mind, and I will get back to you.

Senator GEORGE CAMPBELL—Can you supply us with an answer?

Ms Williams—I do not want to—

Senator GEORGE CAMPBELL—in the time limits that have been set?

Ms Williams—I will see if I can do that before we close, but I had just better get what I have got here checked, because it does not quite—

Senator GEORGE CAMPBELL—Good luck, Mr Balding.

Mr Balding—Thank you.

Senator GEORGE CAMPBELL—I will see you at the airport occasionally.

Senator WORTLEY—I, too, would like to welcome you, Mr Balding. I am sure that your staff around Australia will be pleased to note that you made it here this evening. The first question I would like to ask I will just put generally; whoever needs to answer it obviously will do so. A human resource consultancy firm, IHR Australia, was last year appointed to independently review the ABC's anti-bullying policy and procedures. I understand that review was concluded in December. What were the findings of that review and what are the financial implications of the findings of that review?

Mr Balding—I actually commissioned that review, and to my knowledge that review has not been fully completed at this stage. Mr Pendleton was oversighting that review for me.

Mr Pendleton—Senator, the extent of the work has substantially grown from the time we started that review. Just to give you a bit of an understanding of the breadth of the review, all our documentation, including policies and procedures, are to be reviewed, external documentation, benchmarking, legislative requirements, random staff interviews—there were meant to be about 150 random staff interviews—voluntary staff interviews of any staff who wished to make a contribution to the review, a number of focus groups were held around the country, interviews with the unions, interviews with senior management and interviews with human resources. In fact, the reviews ended up looking at some 373 randomly selected to get enough data together, and 75 staff volunteered to come forward. The interviews have taken on average probably 10 to 15 per cent longer than what was originally envisaged. The work is just so extensive that we are now expecting to see a report towards the end of February. It is, as you would understand, quite a comprehensive review and we will be making the results of that available for staff.

Senator WORTLEY—Thank you. When are the findings going to be made public? You said February. Would the board be notified at that time or have they been notified of preliminary findings at this stage?

Mr Pendleton—The ABC board?

Senator WORTLEY—Yes.

Mr Pendleton—No. We have not had even preliminary findings in relation to the review. Because it has happened over the Christmas period as well, it is actually probably another factor that has delayed it. We have talked to the consultants. They are pulling the data together as we speak. We expect to see a report, as I said, towards the end of February, which will be made available to staff.

Senator WORTLEY—Have you seen the draft report at this stage?

Mr Pendleton—No, I have not.

Senator WORTLEY—You do not know at this stage whether or not the recommendations would be implemented? Is there an intention to consult staff before new anti-bullying policies are drawn up?

Mr Pendleton—We think our bullying policies and grievance handling procedures are pretty good. They are certainly always open to improvement. We need to see what the recommendations say, and the extent to which they do or do not support the policy. Certainly, anything that is going to improve our policies we will certainly implement. If there is anything of a material change, then, yes, we will need to talk to the staff before we go ahead and do it.

Senator WORTLEY—Was the ABC surprised by the extent of the review and the amount of time and the additional information that was sought?

Mr Pendleton—Not surprised. I think we had always envisaged there would be a number of staff who would want to participate in a review, and that has certainly been the case. I think the length of the interviews was probably ambitious when the consultant scoped it, in terms of how long the reviews would then take, and I think the number of random surveys needed to get a statistically valid population. Over the Christmas period there was a need to really extend that work. That is what has delayed it.

Senator WORTLEY—Has any financial costing been done in relation to bullying at the ABC, including the conducting of the IHR review, compensation to employees, replacement of employees who have chosen to leave as a result of alleged bullying, employee-forced retirement where bullying has been alleged, and the replacement of often experienced senior staff?

Mr Pendleton—No.

Senator WORTLEY—Given that the alleged bullying, in some cases, resulted in resignations and early retirement, why did the review not invite former employees who had (a) alleged bullying or (b) were known to have left the ABC because of bullying, to contribute?

Mr Pendleton—Since the ABC's bullying policies were implemented, there have been approximately 20 cases where staff have come forward making allegations of having been bullied, and they have all been investigated, either formally or informally, under the ABC's grievance handling procedures. To date, there has yet to be a finding of bullying having actually occurred within the ABC.

Mr Balding—Can I just make a comment in respect of former employees? It is actually after I attended a Senate estimates hearing and took on board a number of questions from Senator Campbell, where he asked me to go back and look at each of the individual cases where staff had written to me personally, I undertook to do that and I went back and did that. Subsequent to that, a number of former employees wrote to me personally. That is what prompted me to say, 'Well, look, we had better call for an independent, external review.' There has been some input into this review via former employees.

Senator WORTLEY—You would be aware of the staff turnover at the ABC in South Australia over the past couple of years. Given the high staff turnover is a considerable cost to the ABC, has there been adequate investigation and monitoring of the situation in the South Australian newsrooms, both city and regional?

Mr Balding—Mr Cameron might be able to address that.

Mr Cameron—I do not know that the turnover there has been any greater necessarily than at other places. There has been quite a bit of staff movement over the last two or three years there, but we generally have a staff turnover of more than 10 per cent in our editorial staff, news and current affairs staff, that you are talking about. There have been a number of retirements in South Australia, other staff have moved on and, to my knowledge, in most cases willingly and happily for career advancement. I do not think that South Australia stands out as a particular case of interest, as far as my division is concerned. That would be the answer to that.

Senator WORTLEY—As you would be aware, I am a South Australian senator. My understanding is that senior experienced journalists leaving the South Australian newsrooms have been in most cases replaced by less experienced journalists at significantly lower banding levels, but given similar or significant levels of responsibility. Is the ABC concerned with the loss of senior experienced journalists from the newsroom?

Mr Cameron—We do have a general policy, obviously—and I think I might have answered this question in a similar fashion last time—of keeping a reasonable balance of senior, intermediate and junior staff in all of our newsrooms and regions, all our states. I do not think, again, that South Australia is any different to other states in this. Certainly, we do often obviously replace senior retiring journalists with middle-graded people, and I do not think we put an extra onus on them. They receive the same training and the same career building opportunities as other staff do.

Senator WORTLEY—Can you make comment as to whether it is usual ABC practice to target senior experienced journalists by changing their job, their hours of work and their authorisation to work across the ABC without any real consultation? Is the ABC aware that this often leads to job dissatisfaction and a loss to the ABC and, therefore, the Australian public?

Mr Cameron—We may be talking about one or two individual cases there, which I am not really qualified to give you forensic answers to here and now. If you want to provide me with those details, I will attempt to satisfy your concerns.

Senator WORTLEY—I will do that. Can you confirm whether or not the journalists replacing the senior experienced journalists are provided with appropriate levels of training and support?

Mr Cameron—I think I can, with considerable confidence, but if you have specific questions about that, again, I will address them on notice.

Senator WORTLEY—Would you be able to take that on notice and look into the journalists that have replaced senior journalists in the South Australian newsrooms?

Mr Cameron—Yes. I think I can do so reasonably—

Senator WORTLEY—And their training.

Mr Cameron—sorry, generically. But if you have specific examples as well, I would look at those.

Senator WORTLEY—At the supplementary budget estimates in October/November, questions were asked regarding the number of journalists employed at each level in the major

city and regional newsrooms from 1 October 2004 to 1 October 2005. I note that your response did not provide a breakdown for each of the newsrooms. The breakdown was for city and regional, but not specifically for the newsrooms. Would you now be able to provide a breakdown for each level for each newsroom and include the cadets, clearly labelled along with any other trainee type positions in those newsrooms?

Mr Cameron—State by state and territory by territory?

Senator WORTLEY—Yes. Is it possible to do that to 31 January now? It was to October, but—

Mr Balding—We can bring it up to the latest date.

Mr Cameron—Yes, we can. It is a fairly major breakdown, but I guess we can provide that.

Senator WORTLEY—I do have some other questions, but I will put those on notice, because we do have an agreement regarding timeframe here. I will hand it back to the chair.

CHAIR—Senator Adams?

Senator ADAMS—Firstly, I must say that I am very disappointed that Ms Sue Howard, Director of Radio, is not here, because I wish to continue a discussion that I had with her at estimates last year. I am from rural Western Australia. The discussion was to do with the 720ABC morning broadcast schedule, which went from 8.30 to 11 o'clock and then was taken back to 10 o'clock; in Perth, 720 goes from 8.30 through to 12 o'clock. I have continued to have an enormous amount of correspondence from my constituents, especially living in the southern area of the state, about a letter that was received by Mr Ron Blake from Albany. He received one on 17 August, the same letter again after he had written another complaint, on 9 September, from Deborah Leavitt, the ABC local radio manager in WA. I will just read what she says, because I would like to refute some of these things. The letter states:

The 720 mornings program between 8.30 and 10.00 will continue to keep regional listeners across statewide issues of the day and will afford plenty of opportunities for talkback. Most of the hard news and state based issues, such as political debates, health, education and transport are broadcast before 10.00. Between 10am and midday, Liam now has the opportunity to tackle issues of particular relevance to the city—the roads, rates and rubbish issues, which do not necessarily affect regional listeners.

Our new Premier for Western Australia was interviewed many times between 10 o'clock and 12 o'clock. I do not think he would like to be looked upon as 'roads, rates and rubbish' and things like that. We are terribly disappointed. When the program was changed, I did ask Ms Howard last time about a petition that had been sent by 8,000 of our constituents to the ABC, and she just said, 'Well, it was only a small thing and I really do not know what it was about.'

Since then, the ABC has paid a market research company to survey a thousand Western Australians living in rural and regional areas to get their views on returning the morning program to its original broadcast footprint. I just wonder why the ABC would go out and spend extra money on a survey when they already had 8,000 people from rural and regional Western Australia who had asked for exactly the same thing. Could someone answer that?

Mr Balding—Can I, firstly, apologise for Ms Howard. Ms Howard did intend to be here tonight. She is on a day's annual leave. She has unavoidable private issues that she needs to be in Melbourne for tonight. Firstly, I would like to apologise for Ms Howard. In respect of the details that you raised, Mr Green may be able to assist with answering the questions that you have raised.

Mr Green—I certainly hear the concern that is expressed through the petitioners and the debate that continues to go on in Western Australia in relation to this issue. I think our starting point is this, that we have invested a significant amount of money, public money, in infrastructure that allows regional communities to have a commentary and analysis in relation to events that are going on in their own patch. As you will be aware, we have recently opened a station in Wagin that further develops that commitment. Right throughout Western Australia we have a very extensive range of regional stations that reflect that commitment.

The first thing I would want to say by way of comment might not necessarily meet the concerns of some of the petitioners. The reason we have this infrastructure is that local radio essentially at some critical point needs to be in fact that, not a broadcast of what comes from the state capital city to the rest of the state. If that was our infrastructure pattern, we would not have bothered building in Wagin or we would not have bothered developing further resources in our newsrooms and other centres in the north-west and other parts of the state.

I hear the ongoing debate about the extent of Liam Bartlett's program. He is being networked statewide from 8.30 through to 10 o'clock. As far as I am aware, that does not happen in any other state or territory around the country, in terms of the way in which the capital city program is related to the rest of the state. On the other hand, we have to be responsive to community interests. That is the balancing exercise. If it was just a matter of putting Liam Bartlett across the state, we would just have a facility in Perth and we would not have any facility in any other part of the state, which would be quite unacceptable in terms of our commitment to regional and rural Australia.

Senator ADAMS—Just in answer to that, as far as the local managers go and the local content, is there any reason why they cannot spend that morning getting up-to-date news in the local communities and then broadcasting that in the afternoon?

Mr Green—The answer is that that certainly is a possibility, but there has to be a consistency in terms of the way in which programming is reticulated around the state. The decision has been made to have the structure whereby some of the morning is statewide, some of the morning is local, because that is the reason for being in these places I have been referring to, and some other parts of the day take on the whole state of Perth as well as regional Western Australia.

Senator ADAMS—With respect to Wagin, I live 35 kilometres from Wagin, so I am fully aware of what comes out of that station and I do not really want to put those people down who do their best, but it still really is not suiting us. I will read to you several comments I have had from listeners, who state:

The problem with the local radio out of Wagin is that it is not local to us. We do not want to know about some local event happening over 400 kilometres away. The areas covered are too vast for local news and interviews. Commercial local stations cover local events quite adequately.

Another states:

If I want to listen to Eoin Cameron, I must do so before 6.00am, as after 6.15am we get a vacuous program from Wagin. This is while ABC city listeners can have the highest rating breakfast show in Western Australia. We no longer have a quality farmer information based program as John Cecil in Albany has reduced Owen Greave's rural program to fifteen minutes which has turned it into a pointless rushed session short on detail.

Another states:

We miss excellent interviews with people like Norman Swan and instead get an interview with the swimming lesson teacher at Cape Riche. I feel incensed at the differentiation and at the discrepancies the ABC makes between the city audience and the country. It is as if we are considered less intelligent.

That was the feeling I had at the last estimates. Someone else states:

I suggested that we in the regions do not all chew grass stems and really could properly understand the programs that the big grown up city kids listen to.

This is just a broad brush. I am a rural senator. I am the only one of the 12 Senators in Western Australia who lives in a rural area. When I am at home, I get terribly frustrated trying to keep up with what is happening. That is a little description of where we are with that.

I turn to the ABC charter in relation to serving consumers of regional radio services. The functions of the corporation are:

a) to provide within Australia innovative and comprehensive broadcasting services of a high standard as part of the Australian broadcasting system consisting of national, commercial and public sectors and, without limiting the generality of the foregoing, to provide:

- (i) broadcasting programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of the Australian community ...

I will not go on any further with that, because you are probably well aware of it. I just want to put forward my constituents' views about their ABC Radio. These people are all dedicated ABC listeners. As they say, if people want to know about other issues, they can go to the commercial stations.

Mr Balding—I have taken your concerns on board and, when I go back to Sydney, I will sit down with my management team to have a look at that. The scenario that you have outlined there is not the same throughout Australia. The ABC's strength lies in localism throughout regional and rural Australia. As Mr Green pointed out, over recent years, and particularly through the National Interest initiative funding, the ABC has further invested in regional and rural Australia in local programming issues with local radio.

The audiences throughout regional and rural Australia are very appreciative of the local content that they receive. I am getting a different message from your constituents, and I am more than happy to go back and have a look to see what other alternatives can be put in place to provide the programming content that the audience there feels it is missing out on.

Senator WEBBER—Can I just follow up on that. Also being someone from Western Australia, although obviously from a different political party, Senator Adams is spot on; I do not know that management in Sydney would realise that these people do not get their local newspaper until 12 o'clock. They actually rely on what comes out of ABC Radio Perth for information on what is happening outside of Meekatharra or wherever the local station is. It

does have those unique difficulties. As Senator Coonan would know, we struggle with access to Internet and what have you in those regional areas. That first morning show is really important to their connection to the outside world.

Mr Balding—Yes, I again appreciate what you are saying. In fact, those arguments were communicated to me via a letter from Wilson Tuckey earlier on.

Senator WEBBER—It is not often Mr Tuckey and I agree.

Senator RONALDSON—How much was spent effectively trying to overturn the 8,000 signatures by interviewing a thousand? What was the cost of that?

Mr Balding—I do not know. I can take that onboard. Again, the ABC regularly undertakes focus groups with its audiences to find out if there are any issues, can we improve our services, what are the types of services that the audience is looking for. To get a proper sample, you need to go beyond what would a particular interest group be saying to balance that out.

Senator RONALDSON—What views were sought from this? Was this a general focus view or was it in relation to a specific incident, or a specific matter?

Mr Balding—As I understand it, it was related to this particular issue of receiving or not receiving Perth city-type content.

Senator RONALDSON—So the 8,000 signature petition was not sufficient; you needed to go and spend further money?

Mr Balding—Again, it is all about finding what the audience really wants. Again, as you know—

Senator RONALDSON—Didn't 8,000 people tell you quite clearly?

Mr Balding—Again, it depends on the circumstances and the context in which that particular issue was raised. I hear tonight from the two senators the issues of concern. As I have said, I am more than happy to go back and take those on board. But I do not want to also dismiss proper surveys, audience focus groups, that the ABC has commissioned, because we do it quite regularly and the people we engage are experts in this field.

Senator RONALDSON—If a thousand people agreed with the 8,000 petitioners, will you reverse this decision?

Mr Balding—As I said, let me go back and have a look at it.

Senator RONALDSON—I have asked you a question.

Mr Balding—No, I cannot give that—

Senator RONALDSON—If the thousand that you focused on agree with the 8,000, will you reverse the decision in line with the request of Senator Adams?

Mr Balding—I cannot give that commitment tonight, because there is a whole range of things that one needs to look at.

Senator RONALDSON—So you might have 8,000 signatures, you have a thousand focussed, but you are not prepared to accede to Senator Adams's request?

Mr Balding—No, I am prepared to go back and have a look at it in the context. As Mr Green outlined, there are infrastructure issues involved and there are other programming implications involved.

Senator RONALDSON—Would there be any good reason not to overturn the decision if the thousand focussed group people agreed with the 8,000 petitioners?

Mr Balding—Again, I am sorry, I need to have a look at it. I am not in the position to give this answer tonight and it would be wrong for me to do so.

Senator RONALDSON—It has been raised twice. Senator Adams, at length, raised this matter last time.

Mr Balding—I have given you—

Senator RONALDSON—Excuse me. We got one of these pat answers we have heard again from Mr Green tonight, pontificating about this matter without actually answering the question. Senator Adams deserves a response to a matter that she is very passionate about, and she is not getting it.

Mr Balding—I believe I did give a response. I have given a personal commitment to review it. I am not going to commit one way or the other on what that outcome will be. I will do it as soon as I can.

Senator FIERRAVANTI-WELLS—Could you give us more of a definite timeframe?

Mr Balding—I will do it within a month.

Senator FIERRAVANTI-WELLS—I think two senators have raised very important issues.

Mr Balding—I can only reiterate that I understand what the senators are saying and I understand the concern, but I will undertake to complete that before the end of February.

Senator JOYCE—That is the answer.

Senator FIERRAVANTI-WELLS—Thank you.

Senator JOYCE—End of February; that is all you had to say.

Senator GEORGE CAMPBELL—I just want to follow up a question I asked earlier in respect of the situation in Tasmania and why Mr Cox's position had not been progressed. In response to that, you said that the reason was that Mr Cox was on sick leave.

Mr Pendleton—I said Mr Cox is not fit on medical grounds to attend that interview. He is still fit for duty and he is still attending work.

Senator GEORGE CAMPBELL—He is not on sick leave? He is actually working his normal rostered hours?

Mr Pendleton—Apparently, yes.

Senator GEORGE CAMPBELL—Who has determined that he is not well enough to attend the interview?

Mr Pendleton—His doctor.

Senator GEORGE CAMPBELL—His doctor? He has a certificate to say that?

Mr Pendleton—I think it is not the 20th, I think it is from 21 February, from that point onwards he may be available.

Senator GEORGE CAMPBELL—We are in heated agreement that he is on the payroll and he is working?

Mr Pendleton—No, I said that at the time.

Senator GEORGE CAMPBELL—You did not, because I thought you had said that he was on sick leave. I understand the difference.

CHAIR—Senator Joyce has a question.

Senator JOYCE—I like the ABC. I reckon it is great. Radio National is like the University of the Third Age; it is great to listen to. Triple J wakes you back up when Radio National is sending you to sleep. I have a couple of brief questions. Do you have to have *The Planet* on every day on Radio National? It is very boring.

CHAIR—It is a late-night music program.

Senator JOYCE—Do you ever listen to it?

Mr Balding—I have listened to it occasionally, but these are programs—

Senator JOYCE—I put it on in the house and the cat fell asleep.

Mr Balding—We all have our different views and beliefs about programming. These programming decisions are taken annually.

Senator JOYCE—He disappeared for a while, but he came back. The other thing is—on a serious note—I have been lobbied about wanting to keep a strong regional presence for the ABC. Do you struggle keeping older journalists?

Mr Balding—Older?

Senator JOYCE—Yes, older.

Senator WORTLEY—I think he means experienced.

Senator JOYCE—Experienced.

Mr Balding—Mr Cameron might be in a better position to answer that.

Mr Cameron—I am still here. I do not know. The context of your question eludes me a little. Certainly, people retire when they get to retirement age. A lot of people stay on beyond retirement age.

Senator JOYCE—You have a fair distribution of journalists that is comparable to other stations in ages?

Mr Cameron—In ages?

Senator JOYCE—Yes.

Mr Cameron—Very much so.

Senator JOYCE—Finally, why is it that you can always tell me what the weather was like in St George but you can never tell me what it is going to be like? Every night, I watch the

weather and it tells me how hot it was. I know that; I live there. But it can never tell me how hot it is going to be tomorrow. What happens to St George on the prognosis chart?

Mr Cameron—On the television, do you mean?

Senator JOYCE—Yes, on the television.

Mr Cameron—I do not know. There is a forecast element, and it should cover your particular spot as well as everyone else's.

Senator JOYCE—It is the same with a lot of towns. You fit us on the map to tell us what it was like, but we seem to be off the map when you are going to tell us what it is going to be like. Can we have that looked into? I just want to help the people of regional Queensland to find out what the weather is going to be like tomorrow, as opposed to yesterday.

Mr Cameron—There is a component of the forecast, as you know, that does point ahead. There are divisional forecasts, as you know, region by region. I know it does not predict the temperature tomorrow for St George, but it does generally cover the area.

CHAIR—Senator Conroy?

Senator CONROY—I understand the ABC advertised for the new managing director last Friday.

Mr Balding—That is correct.

Senator CONROY—When does the ABC expect the managing director position will be filled?

Mr Balding—As you would probably appreciate, the board engaged an international search firm to undertake that process and the board expects the firm to provide it with a short list within the next six to eight weeks.

Senator CONROY—The ABC said that you are leaving at the end of March?

Mr Balding—That is correct.

Senator CONROY—Will there be a delay between the departure and the announcement? Are you going to stay until they have made a decision, or will we have a headless chook at the ABC as well?

Mr Balding—No, I will be leaving the ABC at the end of March in accordance with an agreement I have with the board and with my new employer.

Senator CONROY—How did the board come to hire Egon Zehnder International to perform the executive for the new MD. Was there a tender?

Mr Balding—I was not across that issue. I was not involved with that. I can find out for you.

Senator CONROY—Okay. Do you know what the cost of the contract is?

Mr Balding—I do not know.

Senator CONROY—If you could take it on notice, I would appreciate it. I presume you are here to give the answer.

Mr Balding—I thought you asked me did I know.

Senator CONROY—Take it on notice?

Mr Balding—Yes.

Senator CONROY—And if there was a tender. Will the minister be advised of the list of candidates selected by the search firm, or any list of possible appointees that are being considered by the board? Is that part of the process?

Mr Balding—The appointment of the managing director is the responsibility of the board and I doubt very much whether the minister will be involved in that part of the process.

Senator CONROY—Minister, do you want to be in the loop?

Senator Coonan—I expect I will be.

Senator CONROY—What does the act say, Mr Balding?

Mr Balding—The act says that the board appoints the managing director.

Senator CONROY—So you are in the loop, according to the act, Minister?

Senator Coonan—I am sorry?

Senator CONROY—Mr Balding was just saying that the act specifies that the board appoints.

Senator Coonan—It is a matter for the board, but as a matter of courtesy I would expect I would be at least involved in knowing the final deliberations of the board.

Senator CONROY—So do you get a veto?

Senator Coonan—I would not seek to exercise a veto.

Senator CONROY—But you would frown upon a choice you did not approve of. It does not go to cabinet or anything, does it?

Senator Coonan—That particular appointment would not necessarily go to cabinet. It is a matter for the board but the way in which these things operate, Senator Conroy, is that most agencies that are responsible for these appointments do government the courtesy of notifying.

Senator CONROY—There is a difference between the courtesy of letting you know the outcome and you saying, ‘I’ll be involved.’

Senator Coonan—I did not say I would be involved. I said that I would expect that I would be, not in the selection process but in being informed of the outcome of the board’s deliberations.

Senator CONROY—So the government does not have any role in clearing or vetting candidates being considered by the board?

Senator Coonan—I have not had one of these managing director jobs go since I have been in the portfolio. I would not expect that the government would do that.

Senator CONROY—So the only process you anticipate would be that the board would give you a ring and say, ‘Look, this is who we’ve picked.’

Senator Coonan—I do not know what form it will take, but I am quite certain that I would be informed at an appropriate time of the outcome of the search.

Senator CONROY—But not in the process of the search?

Senator Coonan—No, I did not mean to imply that I would have any role in the process.

Senator CONROY—One hot tip I have already heard is that Kim Williams from Foxtel might be a favourite candidate—Mr Balding has obviously heard the same rumour. Anyone want to confirm or deny that? Is Mr Williams a candidate? Does anyone—

Mr Balding—I have no part in this process.

Senator JOYCE—You know that you have a part in this process.

Senator CONROY—The minister seems to think she has a part in the process.

Senator FIERRAVANTI-WELLS—As the military would say, I can neither confirm nor deny.

Senator CONROY—He has plenty of experience—Mr Williams.

Senator RONALDSON—It is an important part of the processing.

Senator CONROY—I would now like to move on to your triennial funding submission. If the ABC's funding was just maintained in real terms, how much additional funding would you need to receive in the budget?

Mr Balding—Can you repeat that or rephrase it, sorry?

Senator CONROY—If the ABC's funding was to be maintained in real terms, how much additional funding would be needed in the budget?

Mr Balding—That depends on the indexation parameter to be used.

Senator CONROY—Whatever you make up—

Mr Balding—That would then determine the amount of money, the increase to the base funding.

Senator CONROY—If you were to be restored to the pre-1996 figure in real terms, how much money would you need in the budget?

Senator RONALDSON—That is making an assumption that that has not actually occurred.

Senator CONROY—Will you let him answer the question?

Senator RONALDSON—It is premised—

Senator CONROY—How about you let Mr Balding answer the question? Senator Eggleston, will you call him to order?

CHAIR—Let Mr Balding answer the question.

Senator CONROY—I am sure Mr Balding, if he needed to, would ask me to clarify my question, but he does not need you running over the top of him.

Senator RONALDSON—He does when you are putting statements—

Senator CONROY—This has been happening all day, Senator Ronaldson. Mr Balding?

Mr Balding—As I understand, at the last Senate estimates we gave evidence that funds available for programme making have declined some \$51 million in real terms since 1995-96,

but what I can say is that as part of the KPMG review, the ABC has obviously provided KPMG with what we believe is the gap, particularly over the last, say, three years—in other words, over our current triennium. As you have heard from the minister tonight, I have been advised that because we have handed over to KPMG, it now forms part of the budget process, so I am not in a position to outline to you what that gap would be as we have provided to KPMG, nor—

Senator CONROY—It is a matter of public record. I am looking for the indexed figure going over the next 12 months on top of the \$51 million, so it might end up being \$59 million.

Mr Balding—We have not calculated that. The last calculation was what was provided to this committee late last year.

Senator CONROY—In your funding submission, the ABC requests an additional \$38.4 million on average over the next three years for new services such as improving your digital TV offering and making more Australian content. The viability of these new proposals, however, is said to be contingent on a satisfactory outcome of the funding adequacy review that is being conducted, or finished, by KPMG. I would like to explore that issue. In the ABC's view, what would be a satisfactory outcome to the KPMG review?

Mr Balding—Again I cannot go into the actual detail itself, but a satisfactory outcome is that the KPMG review addresses what is the funding gap in respect of program making.

Senator CONROY—In your press release on 3 February, you state:

... the ABC has also sought additional funding to address the cumulative funding gap in relation to the corporation's capital and operational expenditure requirements.

Is it correct to conclude the ABC is leaving it to KPMG to determine the size of the gap?

Mr Balding—We have put to government a triennial funding submission which clearly outlines—and I believe, puts a very compelling case in respect of—that funding gap. KPMG have now independently looked at that and will be providing a report to government.

Senator CONROY—So they are actually making a decision?

Mr Balding—They will be making the judgment on what we have put in our triennial funding submission. But again, because it is part of the KPMG review it has been subsumed by that review and is now part of the budget process. So no, we were not leaving it to KPMG. The board, in signing off its triennial funding submission to the government, did outline what we saw was a funding gap in respect of operational and programming funds.

Senator CONROY—So KPMG have been second-guessing, following—

Mr Balding—I would like to think they are doing a detailed analysis of it, rather than just a second guess. They could be coming at it from their own perspective, as well. The important thing about this is that it is not just what the ABC is saying; it is an independent, external organisation providing that assessment.

Senator CONROY—So, unless the KPMG report is released, the public will not know how much money the ABC is really asking for?

Mr Balding—That is a matter for the government.

Senator CONROY—No, I am asking: is it a factually accurate statement? Unless the report is released, the public will not know how much money you were really asking for.

Mr Balding—No. Well, at this stage, I have been advised that that information is budget protected information.

Senator CONROY—Do you think it is acceptable or desirable for the public not to know how much money the ABC needs?

Mr Balding—I do not think it is appropriate for me to comment on the government policy part of it at this stage.

Senator CONROY—Has the ABC received a copy of the KPMG report?

Mr Balding—Not the final report, no.

Senator CONROY—So you have not even seen the final report?

Mr Balding—Not the final report. I do not believe the final report has gone to the department yet.

Senator CONROY—Is the ABC prepared to tell the public what the cumulative funding gap is after you have received the KPMG report?

Mr Balding—Again, based on the advice I have received, I am not in the position to do that.

Senator CONROY—The minister revealed belatedly in a question on notice that the KPMG consultancy has cost the government \$417,000. How much has this exercise cost the ABC?

Mr Balding—I have not put a dollar figure on it but I can assure you that we have provided a lot of time, effort and resources into this review. It is a very critical review and it is publicly known that this is a review that the board actually requested more than two years ago. Back in November 2003 the board actually suggested—

Senator CONROY—You did not ask for the review that took place, though; you asked for something different. Let us not overlook that.

Mr Balding—The board asked for an independent assessment of the adequacy of the ABC's funding, and I am satisfied that KPMG is fulfilling the terms of reference that were put out—the exercise by KPMG, I believe, will satisfy the board's request for that independent external assessment of the adequacy of its funding.

Senator CONROY—Did you ask for an efficiency review?

Mr Balding—No, the board asked for an adequacy review.

Senator CONROY—So the review you got was not what you asked for?

Mr Balding—I believe the review we got was generally what we asked for. The terms of reference, though, were agreed between us and the government.

Senator CONROY—I love it!

Mr Balding—Let me just say that I have no problem in opening up the ABC for anyone to come and have a look at the efficiency of the corporation. I have no problem at all. As I said

to the staff when the review was commissioned, the staff has nothing to fear from this review. I still remain confident that staff will have nothing to fear from the outcome of the review.

Senator CONROY—So, just back to my question: how much has the exercise cost the ABC? You have not quantified it at this stage? Will there be a figure?

Mr Balding—No, I have not quantified it. I can take it on notice and try and assess it. There is a lot of time and effort that has gone into it in obtaining information, in sitting down, obviously, with the consultants and going through a whole lot of detailed data with them.

Senator CONROY—Minister, have you received the final report from KPMG?

Senator Coonan—No.

Senator CONROY—Does the report contain commercially sensitive information?

Senator Coonan—I think so.

Senator CONROY—Are you able to give us a broad outline of not what the actual commercial dollar figures are, but sort of—

Mr Balding—There is a broad range.

Senator CONROY—What is the commercially confidential—

Mr Balding—There is a broad range of detailed information that we provided KPMG. Whether all of that ends up in the final report or not remains to be seen. But obviously we opened up our books to KPMG in respect of the cost of our operations, the efficiency, the productivity, how we go about program acquisitions, how we go about commissioning television, how we put our television schedule, how we put the schedule together—there is a whole range of what we would see as commercial-in-confidence information. What degree of that information ends up in the final report is yet to be seen.

Senator CONROY—When the ABC board requested that the government commission an independent review of its funding and efficiency, didn't they want it to be a public document?

Mr Balding—I do not think—

Senator CONROY—Given you asked for it.

Mr Balding—Yes. That is something I do not think was canvassed at the time—the extent to which it would be public or not. The idea of the initial request for that report, or that submission, was to inform the board in putting together its triennial funding submission, rather than running in parallel. The board had hoped some time ago that the actual report would be completed which would inform the board in putting together its triennial funding submission and bid to government.

Senator CONROY—Is the public not entitled to benchmark the government response in the budget against the KPMG report, which is effectively your submission now?

Mr Balding—I would say that is a question for the minister.

Senator CONROY—You signed off on this. So it is not just a question for the minister. The board signed off on this, and you are here representing the board.

Mr Balding—The board signed off on the terms of reference and the board requested the review. The review was commissioned by government and the report goes to government. It is not the ABC's report.

Senator CONROY—No, but you must have agreed that the report be confidential—by the terms of reference?

Mr Balding—No. I would have to go back over my notes of the detailed discussions. I do not believe that actually came up in discussion.

Senator CONROY—In response to a question on notice in October, the ABC has supplied information on a range of new services that the ABC has provided in recent years without getting supplementary funding. You told the committee that in recent years the ABC has absorbed the cost of things like the establishment of ABC new media, ABC2, *The Insiders*, *Stateline* and a new complaints procedure. Is there a new footy show, did I see, that Barry Cassidy is going to host?

Mr Balding—That is *The Offsiders*.

Senator CONROY—*The Offsiders*—that dog, how does he get these gigs?

Mr Balding—It is a very good, generous broadcaster.

Senator CONROY—You are far too soft on him. He is a very good Collingwood fan, I have got to say.

Mr Balding—We will not hold that against him.

Senator CONROY—So I look forward to Eddie McGuire being on his show on a regular basis. You told the committee you had absorbed costs of around \$26 million per annum to provide these new services. Does the ABC believe that the cost of these services should be included when KPMG calculates the funding shortfall?

Mr Balding—We identified to KPMG, as I said, a whole range of data and analysis, in particular in respect of the costs of our content, new programs and services that we have provided over the last three to five years. All that information has gone to KPMG.

Senator CONROY—There was a \$51 million figure which Mr Pendleton identified last time. There is \$26 million in absorbed costs. That is at least \$77 million that should be considered as part of the review by KPMG. That is just maths.

Mr Balding—No, not necessarily. You have to be careful what figures you are adding together there. A number of those enhanced programs and services that have been provided by the ABC have been funded through efficiency savings and productivity savings. So if you start talking about what is an accumulated funding gap versus what you have been able to do yourself through identified efficiency savings, you have just got to be careful you do not mix those two up.

Senator CONROY—I would like to turn to the proposal in your triennial funding submission to boost the take-up of digital TV through an extra 200 hours of content for ABC2. The submission suggests that an additional \$29 million is required over the next three years to increase production and program acquisitions across a range of content genres; is that correct?

Mr Balding—Yes.

Senator CONROY—I know that you are well aware that the ABC is subject to restrictions under the Broadcasting Act as to what it can show on ABC2. Is it still the ABC's view that the restrictions need to be lifted as soon as possible?

Mr Balding—Definitely.

Senator CONROY—We did actually try and move that in parliament last week, but the minister withdrew the bill on us. Do not give up hope.

Mr Balding—Never give up.

Senator CONROY—There may well be a chance in March. Do not give up hope, Mr Balding, even as you watch us from the airport lounge at Sydney. Do you believe that the capacity for this additional \$29 million investment to drive digital would be greater if the ABC were not subject to genre restrictions?

Mr Balding—It would be a lot more difficult. We have been advocating for quite some time the issues in respect of what drives the take-up of digital. We have been advocating that new programs and enhanced services assist to drive the take-up of digital and ABC2 can be part of that solution. To what extent it will be successful depends very much on the lifting of those genre restrictions.

Senator CONROY—The submission states that you will develop interactive television enhancements to differentiate digital and analogue TV. Can you tell us what you have got in mind?

Mr Balding—I beg your pardon?

Senator CONROY—You have talked about developing interactive television enhancements to differentiate digital and analogue TV. Can you tell us what you have in mind there?

Mr Balding—A lot of it is interactive in respect of response from audiences and this will be developed over a period of time—in respect of electronic programming guide, for instance—but what we would be looking to do is to differentiate the programming content so the audience can see clearly the advantages of digital television as opposed to what is only restrictedly available on analogue television.

Senator CONROY—I have had a brainstorm here. I recently got digital at home. Senator Joyce would be interested in this. You can actually program, when using the digital—you can go to the weather and program in your local area—

Senator JOYCE—I want to know why you can do it there but they cannot do it on the weather report.

Senator CONROY—Because you will not give Mr Balding enough money so he can do it. You will not lift genre restrictions. He could do it if you would let him.

Senator JOYCE—Even if he cheated—even if he went to that station, looked at the weather and put it on, I would not mind.

Senator CONROY—I am just trying to give you some encouragement.

Mr Balding—Thank you.

Senator CONROY—It is quite a good weather service and it would be available on the ABC if you would just let them provide it. Will access to these services require people to buy new set-top boxes?

Mr Balding—Yes, or through subscription television.

Senator CONROY—Is any legislative change required to permit you to do this interactive programming?

Mr Balding—I do not believe so.

Senator CONROY—It might fall under the enhanced content category.

Mr Balding—Yes, I do not believe there is any restriction from doing it.

Senator CONROY—That would seem fair: enhanced content under the Broadcasting Act, rather than anything new.

Mr Balding—Yes. There is no problem with that.

Senator CONROY—The good news, Mr Balding, is that that is the last you will hear from me. Thank you.

Mr Balding—Thank you.

Senator RONALDSON—Senator—

Senator CONROY—Your mum keeps sending me emails saying, ‘Will you please ask him to behave?’ It is his birthday, he cannot behave this badly on his birthday.

Senator JOYCE—Can I just ask a quick question? With regard to content, I know you have your regional capitals, but do you have any plans for further identifying developing regional areas as a base for news? For television, I am referring to here, instead of just having Brisbane do you also use North Queensland as a separate base?

Mr Balding—You may or may not be aware of the history of this. Some three years ago in our previous tri-annual funding submission, the ABC did seek additional funding to launch a far north Queensland news service out of Townsville. We were talking a bit earlier on about audience research. We did do significant audience research in far North Queensland to see whether or not the audience there would welcome their own far north Queensland news as opposed to a news service coming solely out of Brisbane.

CHAIR—I can give you the answer to that one.

Mr Balding—The result was yes, but there was no funding forthcoming for that. What the proposal was, because we already have a studio in our Townsville office and that television studio is basically in mothballs at the moment, but with at that stage about \$8 million or \$10 million worth of capital funding to convert that television studio into a digital studio, we were seeking in the order of \$2 million or \$2.5 million per annum to assist us to provide a local television news bulletin out of Townsville.

Senator JOYCE—Certainly there is as much interest in North Queensland about Brisbane as there would be about Adelaide. It is almost a separate state.

Mr Cameron—Interestingly, I think that our research showed that, although we felt they did want a defined North Queensland news service, they also did not want to lose what they saw as a national bulletin even though it came from Brisbane. They wanted both.

Senator JOYCE—Is there an ability to—I am searching for a better word but I am going to use the word ‘pickle’—to pickle the service so that you have actually got grabs from associates of both?

Mr Balding—You need to do a breakout on it because of the footprints on the satellite and that was part of the funding that I thought I was seeking, because at the moment it is a statewide signal going out of Brisbane and you need to do a breakout for the different areas.

Senator RONALDSON—Mr Balding, have you read a book published by Melbourne University Publishing entitled, *The Alfred Deakin Debate: Barons to Bloggers?*

Mr Balding—No.

Senator RONALDSON—It is a book about media power and the contributors include: ABC chairman, Donald McDonald; publisher Eric Beecher; political journalist Margo Kingston; Andrew Clark, AFR journalist and former editor. Indeed, Mr McDonald wrote the preface. The book has a reference in it to an independent study by the RMIT, Roy Morgan and the *Reader* and the study sought to determine how journalists view the media in terms of the most bias in Australia. In answer to which media outlet is the most biased, 40 per cent of journalists said News Limited and 25 per cent said the ABC. So, 25 per cent of Australian journalists think the ABC is the most biased media outlet in Australia and, as a whole, Australian journalists rate the ABC as the second-most biased media outlet. How do you respond to a book with a preface by your Donald McDonald indicating that journalists think that you are biased?

Mr Balding—We are all entitled to our views and opinions and in any sample like that I would like to know where those 25 per cent of journalists came from, in particular what area of the media they came from.

Senator RONALDSON—Do you think your chairman would put his name to a book unless he was reasonable confident that—

Mr Balding—I cannot speak for my chairman and I do not know the context of how he prefaced it.

Senator RONALDSON—It would seem a bit strange that the chairman of the ABC would write the preface to a book that, if it was factually incorrect, you cannot imagine that your chairman would be putting his name to a book with those sorts of facts and figures, could you?

Mr Balding—As I said, I am not aware of the book or aware of the study.

Senator RONALDSON—It was probably an unreasonable question to ask you and I will just state the obvious, that it seems a bit surprising. Is Gordon Bick known to any of those at the table, former producer of *Four Corners*?

Mr Cameron—Before my time in news and current affairs terms.

Senator RONALDSON—He had a letter written in *The Age* on 24 January this year and it was titled, ‘Why we need a biased ABC’. In the letter he said:

Governments continually condemn the ABC’s left-wing bias and yet without the ABC there would be little account for the Government decisions.

It is necessary and essential for the ABC to always be left of centre — whichever Government is in power. To be completely “unbiased” and not be opinionated is to be weak in my terms.

Does this reflect the standard approach in thinking amongst news and current affairs staff at the ABC?

Mr Balding—Definitely not.

Senator RONALDSON—If not, what steps will be taken to make sure that this approach is appreciated as being not acceptable.

Mr Cameron—It is one person’s one-liner, in my mind. I do not know who the person is and what credibility he has. He accuses us of being left of centre, whoever is in power, I think. I do not really understand fully his point.

Senator RONALDSON—So, the general view, Mr Balding, is that despite this book with a preface written by your chairman and despite comments from people such as a former producer of *Four Corners*, are you arguing that the ABC is not biased?

Mr Balding—As I said, I cannot speak for my chairman, but I am definitely of the view the ABC is not biased and I have addressed this issue before this committee over a number of senate estimates now. There is a number of processes we have in place to address that issue. As I said, everyone is entitled to their opinion, but I reject that opinion.

Senator RONALDSON—I have other questions but I am not sure if I want to ask them, so I will leave it there at the moment. Sorry, just one very quick one. Radio National—a popular ABC News Radio program called *Star Stuff* apparently plays on Saturday and Sunday nights. Is anyone aware of this program, *Star Stuff* on Radio National?

Mr Green—Yes, it is on News Radio.

Senator RONALDSON—News Radio, that is right. Is it right that the program rates four or five times more highly than News Radio’s general programming?

Mr Green—I would have to take that on notice. I do not have that.

Senator RONALDSON—Off the top of your head though, Mr Green, is it a reasonable claim?

Mr Green—Yes, I think it has a particular following. It takes an approach to astronomy that is not available elsewhere and I think there is appreciation for that.

Senator RONALDSON—Is it right that the ABC is planning to axe this program and replace it with a package of science clips from overseas?

Mr Green—I cannot respond to that. I am not aware of that. That may be the case. I mean, I cannot speak for the director of radio on that matter but I am happy to take that on notice.

Senator RONALDSON—If you could take that on notice. If you could just find please where it rates and whether this is indeed correct. Thank you.

CHAIR—We are scheduled to have a break at 9.30 but it might be easier just to have it now. We might just have a private committee meeting if that is possible with the full members of the committee.

Proceedings suspended from 8.55 pm to 9.10 pm

Senator FIERRAVANTI-WELLS—Mr Balding, I note from replies to questions from Senator Santoro at the last estimates that the ABC has admitted culpability for a whole range of breaches of editorial policies, news division style guide rules and inappropriate political comments on air. I have had a look at these and will be asking you questions in relation to them. It is clear that this is going unchecked. You are leaving the ABC after 10 years. What has been your legacy to the ABC? Is this a management style that has failed to exercise editorial discretion? I hardly think that a legacy of 40,000 complaints per annum, as I heard from Mr Green, is a proud record.

Mr Balding—First of all, if you want to address the number of complaints and audience contacts received, it is because we engage with our audience. A very low number of those complaints are actually upheld. A lot of those complaints deal with changes to schedules, people complain about one program versus another program; it is all detailed in our annual report. I would not be concerned about 40,000 complaints. I would be concerned if there were 40,000 upheld complaints, but I can assure you that the number of complaints that are upheld do not reflect that to that extent.

Senator FIERRAVANTI-WELLS—You recently gave a speech in which you defended the ABC against allegations of bias by saying the ABC had managed to offend every Prime Minister since 1932. Are you aware of that speech?

Mr Balding—I am.

Senator FIERRAVANTI-WELLS—Doesn't that actually confirm the allegation made against the ABC that it continually attacks government of either hue from a position well to the Left?

Mr Balding—I reject that, Senator—far from it. The point I was trying to make is that the ABC is balanced. It is balanced because of the nature of its operations and its governance processes. As I said earlier, we have a number of processes in place, particularly through our editorial policies, that ensure that the ABC's content overall is balanced and impartial.

Senator FIERRAVANTI-WELLS—I will be coming to that as well. Senator Ronaldson mentioned Gordon Bick. This journalist was employed in a senior role on a flagship current affairs program. He has clearly got a left-wing propagandist view of journalism. Surely, having had an admission by somebody so senior, you cannot sit here and deny that there is no left-wing bias in your organisation.

Mr Balding—Senator, I do not even know the gentleman. It was well before my time; I believe he was employed some time ago. You would be surprised to know, with respect to a number of people who used to work for the ABC, that whenever they write something, they always say 'former ABC journalist' or 'former ABC producer'; they do not say what they are currently doing or what they have done over the last three to five years. Everyone is entitled to their views and opinions. I do not accept that gentleman's opinions as outlined here tonight. As I have outlined to this committee on a number of occasions, I am definitely of the view

that the ABC is not biased. We have a number of processes and procedures in place to put any of those issues on check. There are times—

Senator FIERRAVANTI-WELLS—Thank you, Mr Balding. Believe me, I have read all the answers that you provided on notice. By rote, you repeat the same old answers to the questions. In the end you are entitled to your opinion, Mr Balding, and so am I, only I am a taxpayer and I help to pay your wages. Mr Balding, at the last estimates you were provided with an exhaustive list of left-wing protest activities undertaken by a whole range of your broadcast staff. I note that you confirmed these activities in the answers that were provided.

Mr Balding—Left-wing protest activities undertaken by staff?

Senator FIERRAVANTI-WELLS—I would have appreciated it if you had reviewed the answers given to questions on notice so that we would not have to go through this.

Mr Balding—Senator, I cannot recall a question about—

Senator FIERRAVANTI-WELLS—I am happy to provide the answers back to you, Mr Balding, so that that will refresh your memory. Perhaps we can continue, and I will provide these at the end of the hearing. You were found to be culpable for left-wing bias over your coverage of the Iraq war. From my point of view, and that of a great many other people, the evidence of left-wing bias is very clear. You have been provided with dozens, if not hundreds, of instances. During your absence from the last hearings your head of radio was unable to answer a simple question about the styles ‘we’ and ‘our’. Your news boss, Mr Cameron, could not even remember issuing a memo that you had confirmed in a previous written answer to a question on notice.

Additionally, my colleague wanted to ask you whether you had misled this committee when you gave an answer in November 2003. You were asked whether, between March and November 2003, the ABC continued to refer to various ‘ours’ after the ban on ‘our troops in Iraq’. You denied it—you said there might be “occasional lapses”. Senator Santoro found a minimum of 151 in that period. Did you mislead this committee or did you simply not bother to check? What checks did you make? With whom? Who actually went and checked? How did you go through that checking process? In fact, Mr Green said that if there were that many breaches it would be a serious concern. Do you share that view?

Mr Balding—Senator, are we referring to the terminology ‘our’ or ‘our troops’?

Senator FIERRAVANTI-WELLS—We are referring to ‘our’. Senator Santoro provided evidence on all this material; I am simply repeating what I have read in the answers to questions on notice. This is not rocket science; this is just simply me reiterating to you what your organisation has provided.

Mr Balding—Senator, I think you will find in the answers we have provided a lot of context around where there has been the use of the word ‘our’ as well.

Senator FIERRAVANTI-WELLS—Staying with the ‘our’ rule for just a moment longer—and I have other examples since the last hearing which, time permitting, I will provide to you—what action has been taken to reinforce this rule or does the ABC only bother when the issue at stake is the Australian involvement in Iraq?

Mr Balding—First of all, as we have explained a number of times to this committee and in our answers to questions on notice, the news and current affairs style guide, which Mr Cameron can talk to, is a guideline. There is a difference between that and editorial policies—the ABC staff must adhere to editorial policies. In respect of the style guide, the staff are expected to adhere to it but it depends on the circumstances at the time. There are obviously a number of occasions when there are lapses in the adherence to the style guide and, from what I have seen, most of those occasions have proper context and an explanation around them.

Senator FIERRAVANTI-WELLS—Do you have in-house lawyers, Mr Balding?

Mr Balding—We have an in-house legal section.

Senator FIERRAVANTI-WELLS—I hope that you have read the transcript of the last hearing, as you were not here. What troubled me was the difficulty that people at the ABC seemed to have with the word ‘mandatory’. For anybody who has practised law ‘mandatory’ is quite simple. It means ‘you must’. What really troubled me, as I read that transcript, was that ‘mandatory’ meant ‘mandatory’ in some instances but there were always exceptions. That is the thing that I find most troubling. You seem to find a convenient response whenever it suits you. I would suggest that you go back and read the transcript, particularly in relation to the comments that were made about ‘mandatory’, and that you and your organisation refresh your memory as to what ‘mandatory’ actually does mean.

Mr Balding—I will, Senator.

Senator FIERRAVANTI-WELLS—Thank you. Before we go on, did the Australian Broadcasting Authority uphold the complaint about *Media Watch* coverage of an item on Channel 7’s *Today Tonight* about Middle Eastern men in Sydney? Can you provide the details?

Mr Balding—Mr Green may have more information in respect of the detail.

Mr Green—There are several issues in relation to this program. *Media Watch*’s critique of *Today Tonight* was in relation to the way they allegedly edited the material that they put to air in terms of the interviews they had with the various young people of that community. ACMA, when looking at a complaint from a viewer, was looking at a separate question of fairness. I do not think it is right to bring together both of those issues and present it as the one issue.

Senator FIERRAVANTI-WELLS—Thank you, Mr Green. You might take it on notice and provide me with the details and documentation in relation to that. You have said that there are—

Mr Green—That is right. And, with respect, you might want to pursue that with ACMA when they appear before you later.

Senator FIERRAVANTI-WELLS—Going back to the November estimates questions on notice, I note that the ABC agrees that on-air comments made by former *World Today* presenter John Highfield showed that he sympathised with the cause celebre of immigration activists, the Bakhtiari family. For the record, Mr Balding, I am just putting down what you have said in answers to Senator Santoro’s questions to show that you have made a whole range of concessions in relation to where the ABC clearly has shown evidence of bias, and where you agree that that has occurred. I note that you accept that it was wrong to link the

Bali bombings with Australia's involvement in Iraq—the reporter has been spoken to and the ABC has apologised. I note that the ABC has conceded that a range of anti-Christian comments were made on various programs. I note the ABC concedes that a comment about Mrs Bush and Mrs Howard referring to US Secretary of State Condoleezza Rice, 'My, isn't that black girl pretty?', was made on the program *Insiders*. The ABC contends that what to many people was a racist comment was merely satirical. But you can be racist and satirical at the same time, can't you? I contend that the comment was an attempt to portray Mrs Howard and Mrs Bush as racist and that the ABC should apologise.

Going on with your concessions, a former *AM* presenter, Linda Mottram, broadcast an endorsing 'hear, hear!' in response to a programs guest comments, about the monarchy being the elites in the republic debate; the ABC agrees that this was unwise. You further accept that it misrepresented the words of President Bush on *Lateline*—a misrepresentation that I think was intended to cast Mr Bush in a very unfavourable light.

There was a further concession that the reference in a transcript of *AM* to Prime Minister John Howard speaking sarcastically should not have been published. There was a further concession that allegations of abuse by terror suspects were presented as facts on *AM*—this is a breach of your rules. Similarly, claims by immigration detainees on *PM* were also a breach of your rules.

I note further concessions that bogus vision of Hurricane Katrina was broadcast on *Lateline* and that the reporter, Rachel Carbonell, was counselled. There was a further concession that a number of prominent broadcasters have taken part in various left-wing protest activities. The list goes on—I will put the rest on notice. There were a large number of admissions. I am really troubled that, on the last occasion, Mr Green, in your answers to questions, you said that the ABC was 'striving for excellence'. This is not an organisation, in my view, that is striving for excellence. In fact, I would say quite the opposite. Do you have any comment?

CHAIR—Is that a question?

Senator FIERRAVANTI-WELLS—I am asking Mr Balding whether he has a comment.

Mr Balding—Senator, I hear what you say, but the ABC is striving for excellence. Again, without wishing to repeat the processes we have in place, one thing you will find about the ABC and its governance processes and procedures is that when we make a mistake we will put our hand up. You spoke about what legacy I leave: one of the things is a complaints handling system. Where the ABC makes a mistake, I insist that we will admit to that mistake, we will put our hand up, we will correct it and issue an apology. There have been a number of occasions—and it is regrettable that we make mistakes. Everyone makes mistakes. We put 14,000 hours of unduplicated news and current affairs to air year in and year out, and mistakes will be made. But when we make mistakes we will take action. We have demonstrated through a number of those answers to questions on notice where we have taken action. That is all about striving for excellence. It is acknowledging your weaknesses, acknowledging when you make a mistake and putting processes and procedures in place to correct them.

Senator FIERRAVANTI-WELLS—When we talk about performance and we look at ratings for the ABC—and correct me if I am wrong—I think your ratings for ABC TV are about 15 per cent?

Mr Balding—Overall, they could be 15 to 16 per cent; it depends whether you are talking about share or people.

Senator FIERRAVANTI-WELLS—ABC local TV varies from city to city, but it is around eight to nine per cent?

Mr Balding—TV or radio?

Senator FIERRAVANTI-WELLS—ABC local TV?

Mr Balding—No, that would be local radio. Local radio is eight, nine, sometimes 12 or 13 per cent. ABC television locally is, on average, about 15 per cent; in WA it is up to about an 18 or 19 per cent share. With the eight or nine per cent—I may be wrong—I think you would be referring to local radio.

Senator FIERRAVANTI-WELLS—Radio National is about 2.5 per cent?

Mr Balding—Correct.

Senator FIERRAVANTI-WELLS—ABC NewsRadio is about 1.8 per cent?

Mr Balding—About two per cent—a bit over two.

Senator FIERRAVANTI-WELLS—ABC Classic FM is about two per cent?

Mr Balding—Yes.

Senator FIERRAVANTI-WELLS—Triple J varies from city to city—about 2.6 per cent in Sydney and perhaps a little higher in other places?

Mr Balding—Yes, and a lot higher in regional Australia.

Senator FIERRAVANTI-WELLS—I would hardly say that is a wide audience for an organisation that is striving for excellence in performance.

Mr Balding—When you look at the ABC reach it is a very wide audience. ABC television reaches more than 13½ million people weekly. It reaches more than 6½ million people weekly around Australia. That is the widest audience of any media network in Australia. It is the breadth and the different demographics that we reach.

Senator FIERRAVANTI-WELLS—That is not reflected in your ratings.

Mr Balding—Senator, it is. If you look at the total reach of ABC radio you are talking about a 20 per cent share reach; that is an enormous reach—6½ million people. ABC television reaches 13½ million people.

Senator FIERRAVANTI-WELLS—That is not the figures that—

Mr Balding—It is not so much the ratings that I am looking at here; it is the reach in respect of our audience.

Senator FIERRAVANTI-WELLS—I would have thought that if a broadcast reaches you but you choose not to listen to it or you choose not to watch it, there is no point having a reach out there if people do not watch or listen to it.

Mr Balding—In the reach, this is the measurement of people who are actually watching and listening.

Senator FIERRAVANTI-WELLS—Perhaps you would like to provide me with details—a comparison right across Australia.

Mr Balding—I am more than happy to do that.

Senator FIERRAVANTI-WELLS—This really troubles me, given the history. I appreciate that you have a different view from mine. I have looked at this material; I have read the estimates transcripts and the history of the exchanges that have occurred here, particularly in relation to the situations of clear bias, which has been admitted on the record by the ABC. I look at the budget and the contribution that you receive from government. It is clear that you want extra money. My question is: what does the average punter out there get? What sort of value for money do they get from the ABC given the limited audience that you do have around Australia?

Mr Balding—First of all, it is not a limited audience, and I am more than happy to come back with information on that. It is an extensive audience.

Senator FIERRAVANTI-WELLS—Let us look at television—15 per cent is not a large audience.

Mr Balding—You are talking about five capital cities; I am talking about across Australia.

Senator FIERRAVANTI-WELLS—I am talking about 15 per cent.

Mr Balding—The audience figures that you are talking about are the audience ratings of the five capital cities. It excludes regional and rural Australia and the other capital cities.

Senator FIERRAVANTI-WELLS—I am saying to you, Mr Balding, that an organisation like yours that gets so much public funding and is now putting up a case for more public funding has to justify to taxpayers like me and everybody else—the average punter out there—what the value is to them of the ABC. I think you have to convince a lot of people.

Mr Balding—If you go back to our last audience appreciation survey, nine out of 10 Australians value the ABC. Every year we undertake a very—

Senator FIERRAVANTI-WELLS—They might value it but they do not watch it.

Senator LUNDY—Speak for yourself.

Mr Balding—That is not true, and I am more than happy to provide information to you.

Senator LUNDY—You obviously are.

Mr Balding—In respect of what value we give and how we account for it, every three years we provide a triennial funding submission to government. We account for how we have spent that money. The Auditor-General signs off on how we spent that money. When we come to government and put new policy proposals forward, part of that submission is about the efficiency of the ABC and what we do with the initial investment that we have got. It is not about merely putting our hand out for extra money. The funding submission that has gone to government, in my 10 years with the ABC, is the most comprehensive and detailed submission that I have seen forwarded by the ABC.

Senator FIERRAVANTI-WELLS—Well, we will just see.

Mr Balding—That is now before government for it to consider.

Senator FIERRAVANTI-WELLS—That is fine, Mr Balding. I would like to look at how you spend some of your money. I was very troubled when I read some of the answers to questions on notice, where you openly admitted that 70 per cent of Australians are of Christian faith. It is all very well—and this was clear from the answers that you gave—to satirise Christian values in some of the programs that you put to air. Do you not realise that that offends people?

Mr Balding—The satire programs?

Senator FIERRAVANTI-WELLS—Yes, particularly in relation to anti-Christian themes.

Mr Balding—I think a lot of satire offends some people.

Senator FIERRAVANTI-WELLS—Particularly in the light of the current debate, it is all very well to satirise the Christian faith, but would you be doing the same for the Muslim faith in the current climate?

Mr Balding—It depends on the nature of the program and the subjects that they are covering.

Senator FIERRAVANTI-WELLS—It is clear from the answers that you have given that clearly your programming has been in bad taste and has offended people.

Senator LUNDY—No, it is not.

Senator FIERRAVANTI-WELLS—Why don't you go back and look at the answers that they have given where they clearly admit that some of the material that they have broadcast, Senator Lundy—

Senator LUNDY—I am sorry, Senator, you are sitting there giving speeches and making assertions that have no reality on the facts. They have no relevance to Mr Balding's answers, so I just think it is a farce.

Senator FIERRAVANTI-WELLS—It has, with respect, Senator Lundy, because it is talking—

Senator LUNDY—It is a farce because you are using the Senate estimates committee time, but please keep going.

Senator FIERRAVANTI-WELLS—I will give you a copy of the answers on notice.

Senator LUNDY—It is entertaining.

Senator FIERRAVANTI-WELLS—I am glad that you find it entertaining, Senator Lundy.

Senator LUNDY—Just keep speaking.

Senator FIERRAVANTI-WELLS—In the answers that you gave you kept repeating, 'We don't have the tapes; therefore we can't work out if there was a breach.' Could you take this on notice: I would like a list of all the programs that you tape, how long you keep those tapes and who has access to them, because that seemed to be the feature or the colour of a lot of your answers: 'Oh, we just don't have the tape, therefore we can't give you a comment in

relation to that,' or you have gone back to the journalist. Clearly, the journalist will tell you that they did not say a particular thing.

Mr Balding—I am more than happy to take that on notice and to outline our policy. Mr Green might be able to give you a bit more detail now. When you take into consideration that we have four national radio networks going to air 24 hours, seven days a week, we have 60 local radio stations throughout Australia, we have two television networks, it is quite difficult to keep a tape, an audio or a visual tape, of every program and every segment we put to air.

Senator FIERRAVANTI-WELLS—I am just simply asking you what you do keep tapes and for how long you keep them.

Mr Balding—Yes.

Senator FIERRAVANTI-WELLS—I notice that you are revising your news division style guide?

Mr Balding—That is correct.

Senator FIERRAVANTI-WELLS—I understand it is only two years since that was done?

Mr Balding—We are revising the style guide in parallel with the revision of the editorial policies. At the moment, the board is undertaking a fairly comprehensive review of the editorial policies, which is a board document, and the board approves that document. News and current affairs, on their own initiative, is reviewing the style guide in parallel with the review of the editorial policies.

Senator FIERRAVANTI-WELLS—Will it actually be reprinted or will it just go online?

Mr Balding—Both.

Senator FIERRAVANTI-WELLS—When do you expect that to be done?

Mr Cameron—It is almost finished. Parts of it are being used at the moment in training courses and the printed version will be probably no more than a couple of months away, I expect.

Senator FIERRAVANTI-WELLS—Mr Balding, the ABC was asked quite specifically at the last estimates whether you were comfortable with the fact that the morning Triple J broadcaster, Lindsay McDougall, had been hired, even though he had a very strong publicly stated agenda to get rid of the government. You were given a large number of examples of both his various statements about his politics and intentions prior to his full-time engagement and a detailed list of subsequent on-air comments that indicated he was succeeding in continuing his personal left-wing political agenda. I have to say that the answer we received was one of total evasion. You have not addressed the question in any remote fashion. Mr McDougall campaigned excessively against the Howard government during 2004, particularly on the immigration issue. After the 2004 election result, he announced his intention: 'Get the c...'—my paraphrasing, by the way, not his—'and his Treasurer mate out at the next election.' You were provided with full transcripts and you have not denied that he said it. Then you hire him, and he continues his campaign—taxpayers' money going to finance one man's personal political crusade. You make no attempt to monitor this, as evidenced by your answers about the lack of availability of audio tapes and transcripts. Given the answers that you have provided, are you comfortable with this situation?

Mr Balding—I am comfortable that all ABC staff, in particular broadcasting and program makers, have to adhere to our editorial policies, and they are monitored. Their programs on air are monitored for breaches of editorial policy and practice.

Senator FIERRAVANTI-WELLS—You are telling me that you are monitoring this fellow's antics on radio?

Mr Balding—Yes, Senator.

Senator FIERRAVANTI-WELLS—Okay, and you are able to provide me with tapes or transcripts of—

Mr Balding—Up to a period. I think they keep the tapes for six weeks.

Senator FIERRAVANTI-WELLS—Six weeks? Okay, so after six weeks, it does not really matter; after that, they go. I would have thought that, given this guy's history, you would be monitoring this guy a little bit more.

Mr Balding—All program makers, as I said, are subject to the editorial policies and practice, and they are monitored.

Senator FIERRAVANTI-WELLS—I have a number of other questions. I refer you to comments in the Triple J guestbook of 3 February this year. One is from a woman claiming to have been a rape victim who objected to apparent jokes about rape on *Jay and the Doctor* on the same date. Surely, the ABC considers—I will provide you with a copy of this—such jokes about rape to be totally unacceptable?

Mr Balding—Let me have a look at that. I will take that on notice.

Senator FIERRAVANTI-WELLS—Given the long list of inappropriate remarks that have been made by this pair, and especially by Mr McDougall, and your replies that the tapes are no longer available, will the ABC begin to monitor this program and keep better records?

Mr Balding—I will be talking to the director of radio in relation to this program.

Senator FIERRAVANTI-WELLS—Could you take that question on notice and give me some sort of indication of what you propose to do in relation to this program?

Mr Balding—Yes, Senator.

Senator FIERRAVANTI-WELLS—You referred to an adjudication of the ABC complaints process from January to March 2003 as follows:

A listener complained that a radio news item about a planned peace march included a comment from the Trades Hall urging people to attend. This had effect of promoting a political event. We agreed that the line about the Trades Hall urging people to attend a rally was inappropriate. While it is important we report on these events, the ABC should not be seen to be promoting them.

Broadly speaking, is it still ABC policy to not promote protest rallies?

Mr Balding—It is still the policy not to promote those rallies, yes.

Senator FIERRAVANTI-WELLS—Why then, on 15 November 2005, did the ABC broadcast, with respect to protests against workplace reforms, on Canberra radio national news at 7 am:

The ACTU rally is being held at the Canberra racecourse from 8.30 am and the ACT Government has allowed public servants paid leave to attend the demonstration.

Talk about an invitation!

Mr Balding—Mr Cameron might be able to have a look at that, but I would say that would have been reported as a news item.

Senator LUNDY—It sounds like a news item.

Senator FIERRAVANTI-WELLS—Is that acceptable, Mr Balding? Time and place conveniently advertised in the middle of a news bulletin?

Mr Balding—If that is in the context of the news story itself, I believe it would be. Mr Cameron might be able to answer.

Mr Cameron—I might agree with you to an extent, Senator. If that actually happened, and I will certainly check it, I would have preferred that we did not specify the time and possibly even the venue, because it can be perceived as promotion of a protest. Certainly, there is an obvious news angle in the fact that people were being given paid leave to attend. There is a story in that in basic news terms.

Senator FIERRAVANTI-WELLS—I will provide you with a copy of the documents that I have.

Senator RONALDSON—Mr Cameron, I think that is really pushing the boundaries, isn't it? Whether it is in a news item or not, I think that if you start giving places, times and addresses et cetera, it would have to be viewed as way outside the guidelines.

Mr Cameron—Senator, I was agreeing. In my opinion, that probably does push the boundaries a fraction. I would have to see it, and I am a bit surprised that it would be in there.

Mr Balding—If that was part of the news item.

CHAIR—It is almost an advertisement to attend.

Senator FIERRAVANTI-WELLS—It is, and I have another one: on 27 June last year, it not only described the ACT campaign against the government's workplace relations, but it gave the 1800 number for people to ring and register their disapproval of the changes. Is it basically ABC policy to advertise union activities on your programs?

Mr Balding—No, Senator, it is not, and I would be very concerned if that was the case.

Senator FIERRAVANTI-WELLS—I am very pleased to hear that, Mr Balding, because that is only one of a number of examples. I will provide you with copies of the documents. I would like to move on to another rally. On 1 March last year, why did ABC NewsRadio advertise a protest against the visiting Israeli Prime Minister in such a way that it appeared the ABC was encouraging, or at least inviting, people to join the protest? Is it the role of the ABC to encourage protests or just those against the Howard government and Israel, Mr Balding?

Mr Balding—No, Senator, it is the role of ABC news to report the news, not to encourage or discourage—

Senator FIERRAVANTI-WELLS—I am pleased to hear that, so I will give you those examples, and I look forward to the answer that you will no doubt give me at the next estimates.

Mr Balding—I may not be at the next estimates, but I will personally look at—

Senator FIERRAVANTI-WELLS—I am sure you are thrilled not to be at the next estimates, Mr Balding!

Mr Balding—I will personally look at the answer to the questions on notice; I will give you that undertaking.

Senator RONALDSON—Aren't these examples so clearly articulated by the senator an example of the fact that the issue is not whether you are striving for excellence; it is actually a cultural issue within the organisation whereby it does not matter what management says, it does not matter what Mr Cameron, Mr Green, you or anyone else says, there is a culture of non-compliance within the ABC that you are not within a bull's roar of getting close to changing? I accept it from you that you are in pursuit of excellence; I accept that every person at the table passionately is doing their bit to do that. But the bottom line is that you are just not getting anywhere near changing the culture that we see with the quite outrageous examples of breach of ABC policy that we have heard about tonight.

Mr Balding—Let me look at all these issues that have been raised, and let me look at the context. If there are lapses regarding the style guide, that is something that obviously Mr Cameron and I will be talking about. If there are breaches of the editorial policies, that is something on which we will be taking some disciplinary action.

CHAIR—These are very obvious examples of quite outrageous breaches. What sort of system do you have in your broadcast rooms and news rooms to supervise? Surely, the news room editors or supervisors could have seen that these types of comments were way off the mark and taken action appropriately?

Mr Balding—Yes, that is why I am a bit perplexed, as is my colleague Mr Cameron, if they are direct takes from what has come out of a news bulletin, because there are systems and processes in place to monitor that output through the producers. Mr Cameron might wish to elaborate further.

Mr Cameron—We do, and one of them that I now recall, the one you raised, Senator, from the middle of last year, where a phone number was broadcast. It was picked up immediately by me and a number of others, and that has been handled extremely properly. The people involved were severely counselled and it was placed on their records that this should not have happened. I think they had a rather innocent but naïve explanation that they thought it was adding information and value. That is one example which we picked up and acted on immediately. We are talking here about millions of words a week, literally, that are going to air. The occasional lapse does slip through, and we cannot escape that reality. It does occur.

Senator FIERRAVANTI-WELLS—'Occasional' is not the adjective I would use, Mr Cameron.

Mr Cameron—Two examples over a year is reasonably occasional.

Senator FIERRAVANTI-WELLS—You have no doubt waded through the material that Senator Santoro has provided previously, and no doubt you will hopefully give the documents that I provide to you the same degree of attention and, when you do provide the answers, I will be able to repeat them back to you when you do make the concessions that you have previously made.

Senator RONALDSON—Mr Balding, we are not being precious about this, and these things are not raised in estimates hearings because we are precious about them; we are all big boys and girls and we can take a whack where required. The issue is that it is always one way. I have never heard the Labor Party come in here and articulate list after list for hours and hours about alleged bias towards the conservatives in this country. It seems to me that two and two equals four, and I just think there is so much of it. I referred before to a book, *The Alfred Deakin Debate: Barons to Bloggers*, or whatever it was, and your former *Four Corners* producer—people are openly talking about bias. Maybe you are better off saying, ‘Yes, we are biased, left of centre,’ and acknowledge it, and then everyone will know where we are going. But you come to estimates every time and you passionately plead the case, and you do it with great dignity. But it is always one way, isn’t it?

Mr Balding—Not all of the issues that have been raised were agreed to as being lapses or breaches of editorial policy. The senator is quoting those ones where we did say there was a breach of or a lapse in the style guide. Let me go back again to our audience appreciation surveys where, as I said, nine out of 10 people value the ABC. Newspoll found that, overwhelmingly, the majority of people believe that our news and current affairs programs are balanced. Ninety-four per cent believe the 7 pm news is balanced and even-handed; 91 per cent say the same thing about the *7.30 Report*; 88 per cent say that about *AM*, *PM* and *The World Today*. With respect to the whole issue of balance, from an audience perspective that audience believes that we are balanced. There will be individual cases and instances, as cited here tonight and cited by Senator Santoro over a number of Senate estimates hearings, that we go back and have a look at. On a number of those issues, where lapses and breaches have been proven, as my colleague John Cameron has alluded to, ABC management and editorial managers have already picked up those breaches and have counselled those staff.

Senator RONALDSON—But if someone listened to a news item and heard the 1800 number from their ABC, they may be of the view, innocently, that that is just information that is given out by the ABC without looking at it in the context of its being biased. That is entirely different from audience acceptance or whatever word you used before—

Mr Balding—Audience appreciation.

Senator RONALDSON—Yes. That is entirely different from the issues that we are talking about. If you rang me up and said, ‘What is your view of the ABC?’ I would say, ‘I love the ABC, love it to death.’ But that does not mean that everything you do within that provides an explanation of the sorts of things we are talking about, and they are two different things.

Mr Balding—No, and that is correct. It is an audience appreciation survey; it is a perception of what the audience perceives of the ABC. The questions go into a lot of detail. With respect to the example you cite, no, it is not to go without punishment, and the news and current affairs manager has actually picked it up.

Senator RONALDSON—If you rang people and gave them the examples that my colleague has given you tonight and said, ‘In context, does that appear to you to be biased?’, I would rather suspect those audience surveys that you are getting would reflect something entirely different. I do not think you can pass it off by saying, ‘Everyone thinks we’re terrific and therefore what we’re doing is right.’

Mr Balding—No, far from it, Senator. In actual fact, it is part of improving the governance processes. It is about striving for excellence and putting proper processes and procedures in place. It is also about proper training for our staff—not only our journalists but all our program makers and broadcasters. With the roll-out of the new revised editorial policies, there will be a very comprehensive training package delivered to staff as well. It is not just about bringing out a new policy; it is about following up with training, and making sure that when we have a cadet intake program with our journalists, those cadets have access to proper training and proper mentoring all the way through. So it is not just one set of principles or one set of mechanisms that we have put in place here, it is a broad range. We do not accept that we are perfect—far from it; but I do believe that we are striving for excellence, and I will support Mr Green’s comments there.

Senator FIERRAVANTI-WELLS—Mr Balding, your last answer begs the question that that has not been happening to date. The reason that you are now going to implement this staff training begs the question: what have you been doing in the past?

Mr Balding—Senator, we have always had staff training, particularly when we roll out new editorial policies. I want to ensure that that training gets to all editorial staff, not just the new staff—new as in staff recently coming to the ABC. It is about continual professional development, continual learning.

Senator FIERRAVANTI-WELLS—Perhaps some of those people have been there for some time and their views have perhaps somewhat lapsed, if I can put it that way, so they will go on a bit of a retraining program, will they?

Mr Balding—Yes, for all editorial staff.

Senator FIERRAVANTI-WELLS—Including your senior staff?

Mr Balding—Yes.

Senator FIERRAVANTI-WELLS—And the main programs?

Mr Balding—Yes.

Senator FIERRAVANTI-WELLS—I look forward to seeing the number of contact hours that some of your senior journalists attend in relation to that. I would like to continue, if I may.

Mr Green—Senator, I do not want to demean the gravity of your analysis, but there are two issues. One is that the particular instances you have presented to us certainly need addressing, and we will do that. The other issue, which I do not think is clear in terms of our discussion so far, is the question of scale. You are painting a picture of the ABC being awash with editorial lapses. Of the 40,000-odd complaints that were generated in the last financial year, as I referred to before, four per cent of those—1,000 of the 40,000—relate to the issue of political bias. You are quite right in identifying what you believe to be breaches that need

attention. What you are not right in doing is portraying a picture that this is something that is endemic across the entire corporation. When one looks at the scale of what you are talking about, over the last financial year this amounted to four per cent of all the complaints that all Australians were making about the national broadcaster.

Senator FIERRAVANTI-WELLS—People who listen to the ABC obviously empathise with the views that are promulgated on your network, Mr Green.

Mr Green—There is a diversity of views.

Senator FIERRAVANTI-WELLS—I am saying that they are not likely to be complaining, otherwise they would not be listening to the ABC if they did not want to listen to what the ABC was promoting. I do not understand the logic of your comment, Mr Green. Anyway, I have other questions that I want to ask. If you want to add something further, just put it on notice.

Senator LUNDY—Don't interrupt the diatribe!

Senator FIERRAVANTI-WELLS—I would like to continue with a comment in relation to radio. When your radio current affairs staff went on strike in December, did the announcement on Radio National state that the program *AM* was not available due to technical problems? That really troubles me, because it is all very well for the ABC to accuse others of lying. When it suits itself, instead of telling everybody that their people had gone on strike, they put it down to 'technical problems'. Somebody might provide an answer in relation to that bulletin.

I want to move on to another *AM* item, on 7 November 2005, when Tony Eastley interviewed Gough Whitlam. Mr Eastley states as a fact to Mr Whitlam,

... as you say in your book, the constitution was subverted.

Mr Balding, that is a partisan view of those events—the Labor Party view, the Whitlam supporters' view. It is one view, but Mr Eastley presented it as a fact. Do you have any comment in relation to that?

Mr Balding—I was thinking about the context. Was he presenting it as a fact or the fact that it was in the book?

Senator FIERRAVANTI-WELLS—This is a copy, and I will provide it to you, of an interview between Mr Eastley and Mr Whitlam.

Senator LUNDY—Scraping the barrel now!

Senator FIERRAVANTI-WELLS—I will go on. Why is it that the first and only time that Kerry O'Brien referred to Saddam Hussein as the 'Butcher of Baghdad', on the *7.30 Report* of Monday, 7 February 2005, was in a link between a story about allegations of Australian Wheat Board payments and the trial of Saddam Hussein? Again, I will provide you with a copy. In light of the way the ABC has answered questions in the past, can I just reinforce my question. It is quite specifically about Mr O'Brien; it is not about Jill Colgan or Matt Peacock, nor anyone else. I am really concerned that the reason Mr O'Brien referred to Saddam Hussein in this way, only on this occasion, is because it involved a story about Iraq and the AWB. It shows that he is biased. Saddam Hussein only gets highlighted as the 'Butcher of

Baghdad' when it is alleged that he has been receiving Australian money. Again, I will provide you with a copy of that.

Mr Balding, looking at your staff and its bias against—it is clear from the many examples that have been provided in relation to Iraq—the treatment of David Hicks, the coalition government and counter-terrorism policies, I would like you, if you could, to comment on these comments by your broadcasting staff. Stephen Crittenden, standing in on Radio National breakfast on 14 December 2005, said:

Major Mori, if David Hicks is released, will it in fact be a very dramatic illustration that the only reason he's been in Guantanamo Bay over these past four years is because of the bloody-mindedness of the Australian Government?

And again:

Well, look I don't know if we're going to have any reason to speak again on the radio, but I think I speak for many Australians when I say that the way you've handled this case, and your generosity with your time, and your strong ethical sense, has earned the respect of many Australians.

What other public figures, Mr Balding, would be deemed worthy of an official ABC thank you? That is clearly—

Mr Balding—Senator, I agree with you. That breach was picked up by Radio National management and they spoke to Mr Crittenden within 24 hours of that breach. I received a formal complaint in respect of that matter. We actioned that complaint and Mr Crittenden has been counselled over the seriousness of those breaches of editorial policy.

Senator FIERRAVANTI-WELLS—What about this one: Mr Crittenden, again, on the same program, speculated on Australia's motives for joining the East Asia Summit:

No wonder John Howard gave a billion dollars to Indonesia after the tsunami. Nothing John Howard does happens by accident.

Was Mr Crittenden implying corrupt or selfish motives to the Prime Minister by saying he only gave tsunami aid to get Australia invited to the summit? That is Mr Crittenden again. You have obviously spoken to him. He does not really heed when you speak to him, does he?

Mr Balding—I can assure you that Mr Crittenden has been spoken to in a very formal sense, and I am more than happy to take that other one on notice.

Senator RONALDSON—When are you going to take some disciplinary action against him?

Mr Balding—The processes we go through are in accordance with our industrial policies, and when formal action is taken it is taken. For continued breaches there is more significant discipline.

Senator RONALDSON—What is the most extreme disciplinary action that has been taken against someone who continues to breach these editorial rules?

Mr Balding—If a person continues to breach editorial policies then they will be taken off air.

Senator RONALDSON—Has that happened to anyone that you are aware of?

Mr Balding—There are a number of instances that I have been monitoring, and I am satisfied that action has been taken in a proactive way.

Senator FIERRAVANTI-WELLS—Can you provide us with those sorts of details?

Mr Balding—I am not prepared to name names at this stage.

Senator FIERRAVANTI-WELLS—I am not asking you to name names. Perhaps you can give me the instances, with some sort of description that does not disclose the names. I would like to see the nature of the action and the disciplinary action that was taken against a particular person. I am not asking you to name names; I am just asking you—

Mr Balding—I am not talking about a particular person; I am talking about a number that I am aware of where ABC editorial management has taken a very, very close interest in a number of matters and they are followed through.

Senator FIERRAVANTI-WELLS—Without naming names—and I appreciate that—why can't you give this committee an outline of the sort of actions that have been taken?

Mr Balding—I can give you an outline of our process and procedures, but I think it would be wrong to go into the detail of particular programs or whatever.

Senator FIERRAVANTI-WELLS—Given the sort of matters that have been raised this evening—and the matters that I have raised are only a small portion of other matters that have been previously raised—I think we are entitled to know the nature of disciplinary action that the ABC alleges that it takes in relation to clear breaches.

Mr Balding—I can definitely give you an overview of the action that we take.

Senator FIERRAVANTI-WELLS—Thank you very much.

CHAIR—Can we have some statistics as well?

Senator LUNDY—He just said that he would give it and you went off at him. I do not understand. You should listen to the answer.

CHAIR—Can we have some numbers, Mr Balding, as well? We do not have to know names.

Mr Balding—We provide details in respect of upheld complaints. They are in the annual report and they are published quarterly.

Senator FIERRAVANTI-WELLS—I would like to take you to your audience complaints and comments report for December 2004, where you upheld a complaint that David Hicks was referred to as an accused war criminal. You said this:

The ABC agreed that the terminology was inappropriate: Mr Hicks is an accused terrorist not an accused war criminal.

Do you know what Mr Hicks has been charged with? Attempted murder, aiding the enemy and conspiracy to commit war crimes. That is from the media release produced by the US Defense Department. Does that make him 'an accused war criminal'? 'Yes, it does.' So I guess the question here is: who is correct—you or the Pentagon?

Mr Balding—I think we put our hand up on that one, didn't we? That is an upheld complaint.

Senator FIERRAVANTI-WELLS—The point I am making is that I assume the ABC accesses documents—public documents that are on the record. Why did you choose, off your own bat, to describe Mr Hicks in that terminology rather than in the terminology that was officially used by the Pentagon?

Mr Balding—I am not aware of the particular instance; Mr Cameron might be.

Senator FIERRAVANTI-WELLS—That is fine. I am happy for the answer to be provided. Did you actually write to the complainant and apologise because a television news producer checked and reported the true facts?

Mr Balding—On all upheld complaints we do write to the complainant, yes, and apologise where an apology is warranted.

Senator FIERRAVANTI-WELLS—Why did you reply to this committee that the ABC previously could not find any reference to Mr Hicks being described as an accused war criminal when you upheld a complaint about it? That complaint and your response are even published on your website. I guess the point I am making is: does one side of your organisation know what the other one—

Mr Balding—To put it in context, we have said to this committee that we could not find any instances?

Senator FIERRAVANTI-WELLS—It is my understanding that that is the assertion.

Mr Balding—It depends on the timing. I am more than happy to have a look at this.

Senator FIERRAVANTI-WELLS—I will not take up time now, but what I will do—

Mr Balding—Because it is going on the public record, I would like to address issues that have been put on the public record.

Senator FIERRAVANTI-WELLS—I will go back and give you the dates.

Mr Balding—Thank you.

Senator FIERRAVANTI-WELLS—Then when you do no doubt comment on it, you will see—

Mr Balding—I would be very surprised because our audience and consumer affairs area has very good records of complaints that have been upheld.

Senator FIERRAVANTI-WELLS—Staying with terrorism and war crimes, here is a Radio National item on 6 October 2005. Richard Aedy, on *Media Report*, lamenting an apparent hardening of media attitudes against terrorists:

So it's partly what the terrorists are doing but surely it's also a change in response from what the media used to do. They used to be, look I don't know if sympathetic is the right word but I feel a more sympathetic treatment of what terrorists wanted and what their aims were.

Is that correct, Mr Balding? Should the ABC be more sympathetic towards terrorists, or even more sympathetic?

Mr Balding—I would have to look at the context of what you are quoting there, the program and the person who has made that comment.

Senator FIERRAVANTI-WELLS—Sure. I have it right here. I will give you a copy. Here is Richard Aedy again, on the same program, this time giving us his personal opinion on counter-terrorism laws in Australia:

The end point of it would be a police state and you hope that you'd get a very benign police state, but it's still a police state.

Mr Chair, I am trying to ask questions and I think that there are people who are carrying on a conversation. I would appreciate it if courtesy is shown to this committee. If people want to have conversations perhaps they—

CHAIR—If people are having conversations they might like to have them outside.

Senator FIERRAVANTI-WELLS—Sorry, Senator Patterson; yes, it would be good. I am trying to concentrate.

Senator PATTERSON—You should be able to concentrate from there.

Senator LUNDY—Whoops! That was embarrassing, wasn't it?

Senator FIERRAVANTI-WELLS—No. I am still trying to carry on. I refer to Mr Aedy, on the same program, this time giving us his personal opinion on counter-terrorism laws in Australia:

The end point of it would be a police state and you hope that you'd get a very benign police state, but it's still a police state.

Why is someone from the ABC's *Media Report* stating as a matter of fact that Australia is being turned into a police state? And here is Mr Aedy again, thanking his guest, the left-wing Fairfax writer Geoffrey Barker, for agreeing with Mr Aedy's own left-wing views of the counter-terrorism laws:

There aren't enough people saying that.

That is yet another clear piece of personal political bias from the ABC—and, yes, I will provide you with a copy of that. I now turn to another topic, anti-IR bias. What action was taken against Mr Grant Cameron, an ABC broadcaster in Adelaide, following your admission that he made biased comments regarding the government's Work Choices legislation? Is this the sort of professional coverage you would expect, or do you endorse your broadcasters making a series of left-wing anti-government pronouncements? Does anyone know about that incident? I will provide you with a copy of it.

Mr Cameron—I do not remember who that is.

Mr Balding—What was the name, Senator?

Senator FIERRAVANTI-WELLS—Mr Grant Cameron, an ABC broadcaster in Adelaide.

Mr Cameron—We do not know him, I do not think.

Senator FIERRAVANTI-WELLS—I now turn to Mr Kohler. Mr Alan Kohler has been allowed an editorial slot on *Inside Business*, a slot he often uses to attack the government when your editorial policies state that the ABC takes no editorial position. What are we going to see next? Tony Jones's political editorial on *Lateline*, Kerry O'Brien's on the *7.30 Report*?

Senator LUNDY—Sorry, was that sarcasm?

Senator FIERRAVANTI-WELLS—I am just asking.

Senator LUNDY—It does not come across in *Hansard* too well so you need to flag it.

Senator FIERRAVANTI-WELLS—I am asking Mr Balding if he would like to comment on what the basis is of Mr Kohler having an editorial slot.

Mr Balding—Is there a specific issue there of editorial comment by Mr Kohler?

Senator FIERRAVANTI-WELLS—I will provide you with a copy of the comment. I am conscious of time constraints.

Mr Balding—I am happy to take them on notice.

Senator FIERRAVANTI-WELLS—Thank you. On *The World Today* on 27 September, did reporter Daniel Hoare make the following biased comment:

There's a school of thought here in Australia that it's unnecessary to introduce draconian terrorism laws.

Again, I will provide you with a copy. Tony Jones, on *Lateline* on 27 October 2005, to Minister Ruddock, asked:

Why do you need the draconian secrecy provisions?

Further, you went to particular ends in your answers to questions about the Peter Cave report on Jenin to explain it in terms of the dictionary definition of 'massacre'. The *Oxford Dictionary* defines 'draconian' as 'rigorous, harsh and cruel'. 'Draconian' is a partisan view of the legislation and this has been pushed by its opponents: 'Is it not the view of the government that the laws are draconian?' Why did the ABC reporters adopt one side of the debate as a factual position? Does the ABC believe that the laws are harsh and cruel? Again, I will provide you with a copy.

Mr Balding—Again, Senator, I will look at that.

Senator FIERRAVANTI-WELLS—I will go on. On the *Midday News and Business* program on 12 January last year, the ABC reporter stated the following:

The Attorney-General can't bring himself to accept Mamdouh Habib's innocence under the law.

Isn't this another example of blatant ABC bias? Was that comment within your editorial policies? I will provide you with a copy.

Mr Balding—Again, we need to have a look at the context in which it was said.

Senator FIERRAVANTI-WELLS—Another example: Kim Landers, on *The World Today* on 31 May last year, quite wrongly claimed that my Senate colleague Minister Vanstone was at a reconciliation conference and had barged in and announced she was in a hurry and had to speak before the Western Australian Governor, when that was completely false. Isn't this another example, Mr Balding?

Mr Balding—I am aware of that one. From memory, I have written to Senator Vanstone on that one.

Senator FIERRAVANTI-WELLS—What was the upshot of what you wrote to Senator Vanstone?

Mr Balding—From memory, I believe that Kim Landers was out of context—what she had said.

Senator FIERRAVANTI-WELLS—Was this another example? Was Mr Landers spoken to?

Mr Balding—No, Ms Landers.

Senator FIERRAVANTI-WELLS—Ms Landers, sorry.

Mr Balding—It is also corrected on the website. I can come back to you, and treat that as a question on notice as well.

Senator FIERRAVANTI-WELLS—Okay. I would like to conclude with some recent comments in relation to Mick Keelty. I refer to *AM*, and Karen Barlow, on 9 November last year. The program and its reporter seriously misrepresented the statements made by AFP Commissioner Mick Keelty on the *7.30 Report*—namely, the reporter, Karen Barlow, misused a quote and stated that Mr Keelty had said the arrests were made entirely through current police powers. In fact, the quote she used related to police powers to shoot people who were shooting at them. His comments actually related to current provisions pertaining to people shooting at police and not proposed changes involving people subject to preventative detention or control orders who may flee police. Commissioner Keelty actually stated in the interview with Kerry O'Brien that the legislative changes made in the previous week had assisted them in their operation to arrest the suspects, and I will give you the transcripts. No senior editorial staff on *AM*, including the executive producer and the associate producer, spotted the error. This was a serious lapse of editorial management. No correction to this mistake was broadcast on the subsequent day's program. These actions constitute bias, I believe, against the government's passage of counter-terrorism laws and the counter-terrorism raids. I would like you to investigate that and comment appropriately.

Mr Balding—I will, Senator.

Senator FIERRAVANTI-WELLS—The *AM* reporter said:

The Australian Federal Police Commissioner, Mick Keelty, has told Kerry O'Brien that yesterday's arrests were made entirely through current police powers.

KERRY O'BRIEN: Does it demonstrate that current powers are adequate?

MICK KEELTY: Well, I think they are and I think the issue about the proposed bill was an issue of transparency and I commend transparency when we've got such difficult issues to work through with the community.

Here is the *7.30 Report* transcript:

MICK KEELTY: And police are entitled to protect the community. An innocent bystander can be shot as a result of shots being fired in a confrontation such as that, but of course the police officers are entitled to defend themselves as well and, look, I can assure you, Kerry, that police officers are trained regularly. They have to re-train and qualify for that sort of use of force and no police officer looks forward to having to draw their weapon from their holster, I can assure you of that. KERRY O'BRIEN: I am sure not, but does it demonstrate that current powers are adequate?

MICK KEELTY: Well, I think they are and I think the issue about the proposed bill was an issue of transparency and I commend transparency when we've got such difficult issues to work through with the community.

Earlier in the *7.30 Report* interview there was the following exchange:

KERRY O'BRIEN: So it's clear that you waited until after the amendment, last week's amendment was rushed through both houses of parliament and royal assent to that amendment before you put your plan into motion; that's correct? Can we assume that you began to put that plan into motion immediately after that impediment was removed?

MICK KEELTY: Well, certainly on the advice of the DPP and I think that's acknowledged even in your prelude to this interview, all of us accept that the passing of the legislation assisted in making the decision.

Why did the reporter on *AM* misrepresent the comments of Mr Keelty?

Mr Balding—I will take that on notice, unless Mr Cameron can shed some light on that.

Senator FIERRAVANTI-WELLS—I think that is a very serious situation; could you come back on it.

Mr Balding—I am prepared to have a look at it, Senator.

Senator FIERRAVANTI-WELLS—I do have other questions but I will put those on notice. Thanks very much.

Senator RONALDSON—Some restless soul and insomniac has emailed me and said that Mr Bick worked with the ABC from 1971 until 2001. Have you all collectively dropped him or does someone remember him? I am not going to ask you any questions about it, but someone must remember somebody who worked at the ABC for 30 years and was executive producer of *Four Corners*.

Mr Cameron—No, he was not described as the executive producer.

Senator RONALDSON—Whatever I have described him as.

Mr Cameron—As a producer.

Senator RONALDSON—Former producer of *Four Corners*.

Mr Cameron—A producer. Forgive me, Mr Bick, whoever you are, because I have been there for 22 years and I do not know him.

Senator RONALDSON—I think we have got one bitterly disappointed Mr Bick listening to this. Can I follow up on a serious matter I raised at estimates last time. I want to follow up on your answer to part 3 of question 125 from the last estimates. My question was, 'Does the ABC acknowledge that it consistently uses a different terminology when referring to the murder of Israeli civilians?' It was stated that it, and I quote the ABC, 'does not accept that it consistently uses a different terminology when referring to the killing of any particular group of citizens'. In the introduction to that question I have provided many concrete examples of ABC journalists referring to attacks on civilians in Indonesia. Your new adviser is doing a marvellous job, Mr Balding, with this information to hand. I provided many examples of ABC journalists referring to attacks on civilians in Indonesia as 'terror', 'terrorism' and 'terrorist attacks' and to those who carry them out as 'terrorists'. I can also provide numerous examples of these terms being used in ABC reports of attacks on civilians in various other locations. The ABC still has different descriptions of those who use mass murder, including suicide

bombings for political purposes, depending on where they strike. I will emphasise ‘depending on where they strike’.

Ian Henderson, introducing a report for the Victorian evening news bulletin on 27 October, referred to ‘the Palestinian militant group, Islamic Jihad’. Mark Willacy in his report referred to ‘Islamic Jihad, one of the militant groups meant to be observing a truce’. Nowhere in the story was there any mention of ‘terror’, ‘terrorist’ or ‘terrorism’ news. However, in the 10 November edition of the *Midday Report*, Ros Childs referred to Azahari bin Husin as ‘the master bombmaker of terrorist organisation Jemaah Islamiah’, and ‘the most wanted terrorist in Asia’. There is a constantly inconsistent use of the term ‘terrorist’. I am sure the ABC knows which countries are in Asia and which countries are not, so I am not going to make a flippant comment about that. How you cannot describe someone like Osama bin Laden or Abu Musab Al-Zarqawi, as a terrorist, while describing someone else operating out of Asia as a terrorist is just beyond me. That night’s story on Azahari bin Husin was introduced with a graphic announcing ‘Terrorist Trapped’.

The following night, Ian Henderson announced, ‘More details have emerged about the death of the terrorist Azarahi Husin.’ Mr Balding, can the ABC provide examples of ABC journalists using these terms in reports about indiscriminate murderous attacks, including suicide bombings and shootings, by Palestinian groups on civilians in Israel?

Mr Balding—Can we provide examples of where we have described them as ‘terrorists’?

Senator RONALDSON—Yes, or mention of ‘terrorism’.

Mr Balding—There is nothing precluding the ABC from describing events as a ‘terrorist act’ or an ‘act of terrorism’.

Senator RONALDSON—I could not agree more. On behalf of many people, I am complaining that the ABC consistently refuses to call one group of terrorists ‘terrorists’.

Mr Balding—The ABC journalists are governed by the board’s editorial policies, and at the moment those policies are very precise in respect of labelling. We have outlined to this committee before what that policy is.

Senator RONALDSON—Regrettably, it is interesting but Mark Willacy on *PM* on 23 August, in a throwaway line talking about the right wing—I presume they are right wing; I do not know—Kach group, explained, ‘Israel banned that movement because it was involved in a bit of terrorism against the Palestinians.’ He was quite happy to talk about Kach’s activities as ‘terrorism’ but—

Mr Balding—He may have been describing the reason given as to why Israel has banned them.

Senator RONALDSON—That is right, but he used the word ‘terrorism’. They constantly do not use it the other way around.

Mr Balding—I am more than happy to look at it in its context, but from what you have just said there I get the impression he is ascribing that label and attributing back to Israel the reason why Israel has banned that group. They are not his words.

Senator RONALDSON—No, Israel did not describe them as that; he described them.

Mr Balding—Could you quote them again. I am sure Mr Cameron would be interested in this.

Senator RONALDSON—‘Israel banned that movement because it was involved in a bit of terrorism against the Palestinians.’

Mr Balding—That may have been the reason given by Israel and he is merely reporting why Israel banned them. I am happy to have a look at it in the broader context of the story.

Senator RONALDSON—I am prepared to acknowledge that that is a possibility, but I rather suspect it is just another example of the total inability of your reporters in the Middle East to give a balanced view. They are quite happy to talk about terrorists in Asia but they are not prepared to describe Palestinians who are suicide bombers and killing Israeli civilians as ‘terrorists’. Does the ABC not view them as terrorists? I suppose that is my question.

Mr Cameron—There is no double standard here. It is a simple case of describing acts of terror as ‘acts of terror’ and we do that no matter who is involved. Are you dissatisfied with the responses you got to those questions?

Senator RONALDSON—Absolutely, because it has continued. What you said to me, Mr Cameron, in the answer that came back, is as follows:

The ABC does not accept that it consistently uses a different terminology when referring to the killing of any particular group of citizens.

What I am putting to you is that your reporters in the Middle East consistently fail to use the words ‘terrorist’ or ‘terror’. The only example that I can find, quite frankly, was talking about this group called Kach in relation to the Palestinians. That is the only example.

Mr Cameron—I am fully aware—

Senator RONALDSON—Either no-one is a terrorist or everyone is a terrorist but you cannot geographically describe people as terrorists on one hand and as a military group on the other.

Mr Cameron—We do not have a double standard; if they are demonstrably terrorists we call them that, and that is our policy.

Senator FIERRAVANTI-WELLS—You go to the Israeli Ministry of Foreign Affairs website on 21 November—

Senator CONROY—Excuse me; I think we are over time.

Senator FIERRAVANTI-WELLS—and they refer to Hezbollah as a terrorist organisation, yet your journalist, barely a day later, refers to them as ‘Hezbollah fighters’. That is a classic example of what Senator Ronaldson is saying. I have got more examples here which I am happy to give you where your journalists refer to them as ‘militants’ and other organisations refer to them clearly as ‘terrorists’.

Mr Cameron—You can give us these new examples. If they somehow contravene our policies, believe me, our reporters around the world, not just in the Middle East, are fully aware of this perception that is out there and they are very careful because of it. And we are very careful because of it.

Senator RONALDSON—Mr Balding, on 23 August Mark Willacy was talking about the West Bank and made the comment in his report that ‘all of the West Bank is regarded under international law as Palestinian territory’. That is simply not right. Under UN Security Council resolution 242, it is still to be finalised by negotiation. There seems to be a clear anti-Israel bias in the reports coming out of the Middle East by ABC reporters.

Mr Balding—I do not agree with that but I am more than happy to have a look at each of those examples and provide context and provide this committee with a full answer.

Senator RONALDSON—I was going to have a very philosophical debate with you about diversity and the ABC’s view of diversity, which I think seems to be more related to ethnic heritage or sexuality background, but given the hour of the night we might have that discussion at another time.

Mr Balding—Thank you, Senator.

CHAIR—If there are no more questions for the ABC, we will call SBS. I thank the ABC for being here. I thank you for your various appearances at estimates, Mr Balding, and I am sure we all wish you well in the future.

Mr Balding—Thank you.

Special Broadcasting Service Corporation

[10.23 pm]

CHAIR—Senator Conroy, do you wish to begin?

Senator CONROY—Yes, then I can go and the thought police can engage. I will try and live up to my colleagues. I will do my best to keep you honest. I want to briefly refer to your triennial funding submission. One thing that is noticeable about your submission is that there are no costings attached to your proposals. Why has SBS chosen not to disclose how much money you are actually seeking?

Mr Brown—There has not been a specific decision to withhold that; it just has not been released at this stage. We are quite happy to talk about the numbers now.

Senator RONALDSON—Sorry, I missed the question.

Senator CONROY—I was just saying that their triennial funding submission does not have any numbers in it. I was wondering if we could find out.

Mr Brown—It falls into two main parts. One is the funding sought to assist SBS in creating more digital content to assist in the uptake of digital television, and there is a part for digital radio as well. There is a figure ranging from \$13.9 million in year 1 to \$25.6 million in year 3 for digital television; for creating two new digital multichannels, including special event programming and broadband content and other enhancement. That phase-in obviously represents a phased introduction of service. Supporting that is a request for funds to assist in digital marketing, ranging from \$3 million in 2006-07 to \$3.1 million in the third year of the triennium. In the case of digital radio content, which is a suggestion that, prior to the arrival of the digital transmission system for radio, content be developed and put online, there is a figure ranging from \$1.7 million in year 1 to \$9.2 million in the full year of implementation in year 3.

With regard to the second main category, which is maintaining our core activities, SBS has sought a continuance of the funding for overseas program purchase costs first granted in the year 2000 to continue into the next triennium. That ranges from \$3.8 million in the first year to \$4 million in the final year. Similarly, SBS has sought a continuance of sports rights funding which it received for this year only. That ranges from \$4.8 million to \$5.2 million. It has also sought an increase in the amount of money provided to SBSI, its independent commissioning arm, all of which goes to the independent production sector. That amount is \$11 million, rising to \$11.5 million. Finally, there is an amount that runs from \$600,000 in year 1 to \$2.3 million in year 3 for the extension of the SBS national radio network to those centres which do not enjoy two networks but only receive one.

Senator CONROY—At the last election the government promised to maintain your funding in real terms. If that promise is to be met, what increase in funding will SBS need to receive?

Mr Brown—Our base funding needs to be in the range of \$88.4 million, rising to \$91.1 million, with depreciation of \$10 million across that period as well. You could also argue that the overseas program purchase cost, because it has existed inside the funding for six years—although it is not part of the base; it is a terminating program—in order to maintain position, would also fall under that category.

Senator CONROY—Your submission places a lot of emphasis on driving digital take-up. In addition to funding for additional content, what else do you need to proceed with your proposals?

Mr Brown—In terms of digital television?

Senator CONROY—Do you need any legislative changes broader than just dollars?

Mr Brown—Clearly, the issue that has previously been discussed is the issue of genre restrictions. SBS has taken the position that it would like to see those genre restrictions relaxed. The position that SBS holds in this regard is that there is a gap currently that could usefully be filled, and that is the provision of original content that can only be sourced on a digital platform. That will form an encouragement for the Australian public to purchase a set-top box and join in the digital service.

Senator CONROY—There has been some suggestion that all broadcasters should be required to broadcast in what is known as true high definition or 1080i. What impact would that have on your multichannelling capacity?

Mr Brown—I will ask our director of technology and distribution to answer that in detail but this is a changing landscape. The way in which we allocate the available bandwidth will change over the years as compression regimes permit.

Mr Broderick—The central high definition is a range of different line rates and field rates and 1080i is at one end of the spectrum and 576p is at the other end of the spectrum.

Senator CONROY—Which one are you broadcasting in at the moment?

Mr Broderick—576p, which is the same as the ABC and the Seven Network.

Senator CONROY—What would be the impact?

Mr Broderick—We would have to allocate more bandwidth to the 1080i which would then compromise our ability to go to multichannel.

Senator CONROY—Basically you would not be able to multichannel, in the short term at least?

Mr Broderick—That is a subjective question because the more compression you apply to something the more the picture quality degrades. You can compress the pictures—if you look at a videoconference you have a picture at the other end but the compression rate is horrendous—so there is a quality issue there. But generally no, you would not be able to do it.

Senator CONROY—At least until MPEG4 is viable.

Mr Broderick—MPEG4 is not in the Australian standard so moving to MPEG4 is a problem. Also, the legacy of digital set-top boxes in the marketplace today would have to be swapped out as well. Although there is a technology there that may allow it, there are a lot of implications in rolling that through the existing consumer base.

Senator CONROY—Right now you have enough spectrum to broadcast the additional channels that you proposed in the submission?

Mr Broderick—We believe we do.

Senator CONROY—What is SBS's response to the argument that consumers will increasingly want to watch true HD and will be aggrieved if they receive a lesser standard from some broadcasters?

Mr Brown—If the intent is to drive up digital uptake that is better secured by offering distinct original material that cannot be sourced on an analog service. HD does have a role that will progressively become more important. Certainly our preference at the moment is to provide multichannelling and believe that is more consistent with the driving of digital uptake.

Senator CONROY—Can you tell us about the work SBS is doing to prepare for these new platforms? I am talking about IPTV, mobile TV.

Mr Brown—We have a number of pilots and experiments that we have put into the field. We have taken part in a mobile pilot. We are the first broadcaster to provide a television program on iPod, *Safran v God*, last year. We continue to play a small but important role in pushing those boundaries.

Senator CONROY—How significant do you think they will become in the next few years?

Mr Brown—I think one of the difficulties in predicting the future for broadcasting is that the chances are we will get it wrong in terms of both the scale and the nature of the changes that take place. I do not think anyone would have thought that the introduction of cellular phones would have led to an SMS revolution. I approach it with great care. It is clear that the what was talked about 10 or 15 years ago was the emergence then of the 'super highway' for broadcast and Internet convergence. While it is fair to say that has been somewhat slower in coming than many of the futurists predicted that long ago, there is a sense now that we are right on the cusp of a significant sea change in broadcasting globally.

Senator CONROY—Coming back to the multichannelling issue, can you multichannel the World Cup soccer at present?

Mr Brown—I believe the genre restrictions would permit us to carry enhancements on additional channels and that would be our intention. They might take the form of multiview of the main game on the existing analog channel simulcast in digital, but with enhancements or an interactive dimension permitted on multichannel.

Senator CONROY—What would be an enhancement?

Mr Brown—Multiview probably—an ability to switch to another channel to watch isolated cameras on individual players, match statistics, a loop of highlights for people who come in late so they can go to one channel and catch up with the part of the game they have missed. Those are the sorts of enhancements that are taking place in regard to football at the moment.

Senator CONROY—Would you like to be able to time shift games?

Mr Brown—It is not particularly an issue for us in terms of the World Cup because there is a cascading series of matches through the night. Time shifting probably would not be terribly helpful.

Senator CONROY—I think in the past, Minister, you have suggested that Australia rarely qualified for the World Cup. Would you like to offer your congratulations to the Socceroos now?

Senator Coonan—I am absolutely thrilled.

Senator CONROY—Excellent, given you seemed to have some doubts before the qualifier.

Senator Coonan—I was never a doubter, Senator Conroy. How could I be?

Senator CONROY—I think the record might show you might have been.

Senator Coonan—It may not be correctly reported. I am very enthusiastic and extend my hearty congratulations and will be watching with interest.

Senator CONROY—Can you imagine the scandal if we did not have it on free-to-air TV and we had qualified?

Senator Coonan—I think there is a great place for free-to-air to broadcast these important events.

Senator FIERRAVANTI-WELLS—Mr Brown, I want to ask you about a broadcast on the Greek radio program of August 29 last year. I think you referred to in your answers to questions. As I understand, a commentator on economics from Athens made a series of bigoted and inflammatory, intolerant and racist remarks about Jews, including actively encouraging listeners from the Greek community here in Australia to believe that Palestinian terrorist attacks against Israeli civilians were justified. What action has been taken by SBS? How many previous warnings have the program producer and head of program received? What action was taken by the national editor prior to SBS receiving the complaint?

Mr Brown—I will ask the head of radio, Mr Quang Luu, to respond to that.

Mr Luu—There was a complaint on that particular program and the audience affairs manager filed in favour of the complainant. The commentator is no longer broadcasting on the Greek program, not because we do not like him as a political commentator, but because we like to have a balance over time of the views expressed. You asked what action has been taken. We did draw a lesson in terms of the findings of the complaint and brought that to the attention of the broadcaster concerned. The whole broadcaster group is going through the training process to ensure that similar breaches would not happen again.

Senator FIERRAVANTI-WELLS—What measures do SBS have in place to monitor radio programs particularly for racist material like this? The concern I have here is that it was only really picked up when somebody from the Jewish community complained. Do you monitor your radio programs? Do you produce transcripts? Over the years I must say I have had an association with SBS and, as you rightly put, as a commentator since the early 1990s. So I have had a first-hand view of how you operate and it really troubles me that a lot of the material that you broadcast on SBS Radio is not monitored.

Mr Luu—I am not sure that is correct. As you said, you were one of the political commentators in the Italian language program so you are fully aware of the impact of the program insofar as our listeners are concerned. We should bear in mind that SBS Radio broadcast 36 news bulletins a day, 36 language programs a day, including English. A lot of money is needed to translate all those language programs into English. My failing as head of radio is that I cannot speak 68 languages to understand all of them, so we have to rely on many things to ensure that the quality of programs are up to the standard expected of us by our listeners and also by the board. The broadcasters are trained to be professional broadcasters and we also rely on our audience. You are fully aware that if we say something wrong, or we are not balanced, we have a reaction from the listeners. We have a very robust, independent audience affairs manager to ensure the listeners have a mechanism to express their view. That certainly would be taken very seriously and followed up to ensure that the code of practice is adhered to.

Senator FIERRAVANTI-WELLS—The thing that concerns me on that Greek item is this: why didn't SBS write to the complainant and explain that the broadcast was wrong because the commentary was not balanced by an alternative view within a reasonable time period? The concern I have is that here you have classic racist, bigoted and intolerant views and anti-Semitic views being presented, but as long as you have an alternative, presumably an anti-Islamic and anti-Palestinian set of racist and bigoted views, this is what troubles me. You say that you have got to put the alternative point of view over time. Your charter talks about tolerance and understanding but in this situation are you promoting the opposite view to what you would have put, which would have been worse?

Mr Luu—Your concern is our concern, too. Our task is to make sure that it is objective and balanced; that is why the particular commentator is no longer broadcasting on SBS Radio. We have to make sure that a variety of views are expressed and we have to make sure that the whole program is balanced over time.

Senator FIERRAVANTI-WELLS—When we look at some of your journalists—you do broadcast in many different languages—are your journalists all qualified journalists? That is

the concern that I have had from my observations over many years, particularly in terms of some of their views. I have seen first hand the attitude that many of them have.

The other thing is that you answered a question on notice about frequency. It implies that you have these commentators on frequently. I can tell you that over the many years that I have been commentating on SBS, is not regular over a year have I been on to give a balanced, alternative point of view. I appreciate what you say. I think that the inference in your question on notice is somewhat misleading because frequently the balance is not there. From my observations of the Italian program I do not think that has always been the case. I make those comments and I would appreciate it if you could provide to me on notice your system of recruiting journalists, particularly with different language skills—the criteria, the number from overseas and the qualifications of a cross-section of your journalists.

When you go back and look at some of the problems that have existed, there was a Tamil broadcaster who was also allegedly the head of international fundraising for Tamil Tiger terrorists. I just give these as examples that I understand have been raised in the past.

Mr Luu—When that was established the person left SBS Radio.

Senator FIERRAVANTI-WELLS—I appreciate that, Mr Luu. I appreciate the actions that were taken, but the concern that I have is that these circumstances arose in the first place. I refer, for example, to the Croatian head of group who was sacked or euphemistically allowed to retire early after using SBS Radio airtime and Australian taxpayers' money to raise funds for the Croatian army during the Balkan wars; and an Arabic program provoking hatred and racism amongst Iraqi religious groups.

Mr Luu—I am not sure that that example was correct, Senator.

Senator FIERRAVANTI-WELLS—I am just raising these because I am concerned that programs are not monitored in terms of the charter that SBS has, and I am raising them by way of examples—

Mr Brown—Can I just make a point here: you are reaching back to justify the position you are taking but could I emphasise what Mr Luu has pointed out about our new complaints system. It is just completing its first year. The sort of issues that you are talking about, under the complaints system we currently have, which is fully objective and transparent, would be exposed. That really is a very useful device in picking up any sort of systemic problems inside an organisation because it picks up patterns. In isolation, and particularly if you are going back over years, I am not sure that a case can be sustained on a handful of isolated instances, but you can through a transparent, objective and impartial process as it throws up a series of problems. That is not the case to date.

In each case an action is required and, as Mr Luu said, in this case not only has an action been taken against the broadcaster involved but there have been a series of workshops held specifically sparked by this complaint and the actions taken from it with the broadcasters under his control. There is a view that we are not going to let matters go unresolved; we are not going to let bad behaviour by one or two reflect on the credibility of a large number of impartial, talented and committed broadcasters.

Senator JOYCE—You may have already answered this. Did you do any sort of reporting on or publishing of those Danish cartoons?

Mr Brown—Only in the same way as every other media outlet certainly in the broadcast world has done recently.

Senator JOYCE—Did you show the cartoons?

Mr Brown—Only in distant form, panning shots.

Senator JOYCE—Why? Did you have some concern there?

Mr Brown—I think we are sensitive to that, yes.

Senator JOYCE—Sensitive to what?

Mr Brown—To take you through the process that operates inside a broadcasting organisation, the only people who would be interested in broadcasting that sort of material would be the newsroom. It is up to them to identify whether or not they think it is appropriate to carry them. In a situation as significant as this, that would be referred up through the director of news and current affairs and probably to me. I have checked with the director of news and current affairs and that issue has not arisen.

Senator JOYCE—Why would you stop it?

Mr Brown—I have not stopped it. That is the point of my argument. It has not arisen from the newsroom; there is no sense that this is needed to be done in order to communicate the story.

Senator JOYCE—Obviously what I am inferring is—and I think that is probably the right thing, by the way—the sensitivities portrayed in that event are well and truly acknowledged, while the sensitivities in regard to other religions seem to be left behind.

Mr Brown—I do not believe that is the case. I think the issue of satire and parodying of religious beliefs is a pretty sensitive area. Certainly, this extraordinary event surrounding the Danish cartoons has given people pause for thought. If I look back over the last year there have been occasions when the Islamic faith has been the subject of satirical programming on SBS.

Senator FIERRAVANTI-WELLS—I would like to ask some questions about some of your plans for an English language youth program.

Mr Brown—Radio?

Senator FIERRAVANTI-WELLS—Yes, radio. As I understand it, the original premise of SBS Radio was to present relevant information in languages other than English for migrants who could not understand English or perhaps whose English was limited. So the focus of that objective is language. If you are going to provide a program in English for young Australians from ethnic backgrounds, where do you stop? When you look at what is out there already, why is there a need? There are children of millions of migrants who have come to this country who have progressed through the system without this sort of situation. Why, in 2006, in the context of multiculturalism coming under scrutiny, do you see a need for this sort of program?

Mr Luu—I certainly do, Senator. I have answered this question from the committee previously. The need can be seen through the three million or so Australians of second, third or fourth generation born to migrant parents. They are issues that are not catered for in terms of their needs—the issues affecting them. For example, we submitted this proposal before the

Cronulla situation, but after the Cronulla situation it is so obvious that in order to be able to talk to young Australians of culturally and linguistically diverse backgrounds, you need to have a common language. I have said previously to this committee that you cannot have a dialogue between a Greek Australian who can be bilingual, speaking Greek and English, and an Italian Australian speaking Italian and English, and an Arabic Australian speaking Arabic and English. The whole thing needs to have a common denominator, that is, English, the common language, so that we can talk to everyone. In order to satisfy their needs, we have to use English as a common language as a means to an end; it is not an end in itself.

Senator FIERRAVANTI-WELLS—I appreciate that, Mr Luu, and I understand where you are coming from, but I am concerned that, given we have a mainstream press out there where English is the common language, why is it that this sort of program is necessary on SBS?

Mr Brown—There is a mainstream press out there, but it is not charged with the same charter obligation as SBS—that is, to reflect Australian multicultural society to all Australians. At some point, the language obviously will prevent that reaching all Australians. That is really why SBS has a mix of multilingual and English-language services. Currently that tends to be defined with all multilingual on radio and a roughly fifty-fifty split between English and other languages on television. What Mr Luu is pointing out is that that is somewhat constraining for radio if it wishes to connect and stimulate debate and understanding of multicultural Australia amongst all its audiences.

Mr Luu—I might use an example. Shortly after the Cronulla situation, SBS Radio brought its outside broadcast unit to North Cronulla where our broadcasters interviewed lifesavers as well as swimmers and surfers of all backgrounds—Arabic, Italian, Greek, Anglo, everyone. What language was being used? English. Because if SBS Radio could not use a common language to link all parts of Australian society together, then SBS Radio, and SBS from that point of view, would not fulfil its charter responsibility.

Senator FIERRAVANTI-WELLS—Having grown up as I have with my background, I have watched SBS from its early years. My concern is the relevance now that there is choice. My parents would have watched SBS many years ago; they now watch RAI International. They now listen to Rete Italia. The point I am making is that there is now choice out there. People subscribe to many different services in the private sector. There are Arabic, Aboriginal, Greek, Chinese, Indian stations—and the list goes on. When you look at the private media that is out there in different languages—when you look at your ratings for SBS TV, you are talking about four per cent, and I understand that it went up with *The Ashes* series, but it only went up to about five or six per cent.

Mr Brown—It has been averaging five per cent and it went to 6.5 per cent.

Senator FIERRAVANTI-WELLS—I appreciate that, but in the bigger picture of things, that is hardly substantial. Do you appreciate the point where I am coming from, Mr Brown, that, in the bigger picture of what you are doing, I am really asking: what is your relevance 30 years on?

Mr Brown—The examples you have given demonstrate the need for SBS, because RAI International will not reflect Australia's multicultural society. It will give people a view of life

in Italy. If you believe that social harmony is created by better understanding, tolerance and inclusiveness inside society then we all have to understand each other in an Australian context, and that cannot be achieved simply by importing a foreign language news service like RAI International.

Senator FIERRAVANTI-WELLS—I am concerned about what is now being promoted on SBS—the sort of programming and what you are broadcasting these days. If you look at today, and if you go to prime time, you will see *Mythbusters*, then *South Park*, followed by a cheesy seventies dabble into the world of horror and, after the news, a British film about the world's worst father. Tomorrow night there is a program about people with a fetish for athletic footwear; the other day we got the American Superbowl. I hear what you say, but your programming today is not reflecting that. That is my difficulty; I appreciate your charter, and I have observed your charter and have watched SBS develop over the years, but my concern is that, in the context of 2006, with respect, it is no longer achieving its objectives as it should have been when it was first introduced.

Mr Brown—You have taken a selective approach to our schedule. You neglected to mention *Remote Area Nurse*, a six-part drama set in the Torres Strait Island—a view of Indigenous Australia that very few people are privileged to have seen. It is probably the biggest drama undertaking that SBS has had. Remember, that is also part of our charter—responsibility to Indigenous audiences and Indigenous affairs. Then there is *Storyline Australia* every Thursday night. I know it is not on air quite yet, but it is about to start. It is a series of documentaries made by independent documentary makers that you will not see on any other network, including the ABC. There is also *Going Bush* on Wednesday nights at 7.30, with Deborah Mailman and Cathy Freeman. This is an entertainment show, but it is a perspective of Australia—again, it has an Indigenous element to it—that you simply will not see on any other network. I guess that is the challenge, is it not? The day when you can say that Channel 9, Channel 7 and Channel 10 are running the rich range of diverse content that you currently get on SBS, then I might agree with you that SBS's job is done. Frankly, I cannot see that on the horizon.

Senator FIERRAVANTI-WELLS—Can I just ask you to look at your new series, *Marx and Venus*. As I understand it, you are inviting smutty or bad language scripts from the public with an M rating. This is about two people sharing a flat. How could you say that this fits in the SBS charter? It seems that you have gone from a channel that was basically set up for immigrants to watch soccer and get homeland news and the sorts of things that you have been talking about, to what is now quite frankly a kind of mesh art-house special interest ABC2 station. Sure, you are doing some fine things, but why should the taxpayers foot the bill for some things that, quite frankly, they can see on commercial networks or pay for on pay television?

Mr Brown—I think my point stands that you will not see us on commercial networks. I am not sure that I agree with your portrayal of *Marx and Venus* as necessarily being smutty; it is an attempt really to provide entry to script writers across Australia who have struggled to find a way into broadcast television. There are many examples, and let me give you another example. On Saturday nights, *Here Comes the Neighbourhood* is a direct result of a discussion with ethnic communities who said they wanted to see more of themselves.

Actually, they said, ‘We don’t want to see so many movies from our home countries; that is quite nice, but that is not really where our interest lies. We want to see more of ourselves on air.’ That is where *Here Comes the Neighbourhood* comes from, and I invite you to look at it at 6 o’clock on Saturday evenings.

I am not without sympathy for the view that SBS may have, at some stage, developed a particular relationship with an elitist audience that made this a case of sort of saying, ‘If it is too highbrow for the ABC, stick it on SBS.’ I am aware of that, and I can see how the ebb and flow of the channel’s identity may have taken them to bed earlier. Let me assure you, that is not an area that I intend SBS to occupy.

Senator FIERRAVANTI-WELLS—I will run out of time, but I want to ask some questions about community relations. I think this has been raised in examples at the last estimates hearing, but I do want to speak about concerns that the Jewish community have had. I think Senator Santoro asked about how SBS translates the Israeli use of ‘terrorist’ for ‘militant’. A further examples from *SBS World News* on 5 December is:

Defence Minister Shaul Mofaz has reiterated that Israel would not sit with its hands crossed in the wake of attacks by militants.

Further, on 22 November last year:

Israeli military sources said it was the Shiite military group Hezbollah which sparked the fighting.

I will put this on notice, but this is the concern that the Jewish community have repeated, and my concern is that they still appear. I will give you these examples. I am very concerned at the sorts of actions that obviously and clearly SBS is not taking to rectify these concerns.

Mr Brown—With respect, the times conclude that we are taking action. It is whether or not the substance of what you are putting in front of us is sustained. I am happy to take that on notice and look through it.

Senator FIERRAVANTI-WELLS—All right. When you look at the programming, I would like your view on the transcript of an item from 18 January, *A Report by Chairman Mao*, by Caroline Davey on *World View*; a report on the same program on Peter Debnam’s comments about policing in New South Wales. I will put these questions on notice as well. I am conscious of the time, Mr Chairman.

CHAIR—If you wish to put questions on notice, Senator, that is fine.

Senator FIERRAVANTI-WELLS—I think I have run out of time and I will put the rest of my questions on notice. Thank you.

CHAIR—You had a question, Senator Wortley?

Senator WORTLEY—I have questions on notice.

Senator RONALDSON—I have a few questions.

CHAIR—You wish to ask something?

Senator RONALDSON—I think it is well and truly over. Over recent months there have been some interesting documentaries and other types of material in relation to the Middle East and terrorism and the US et cetera. While there has been some balance in those, the balanced ones seem to have been outnumbered by those reaching questionable conclusions at the very

best. I think you heard my cross-examination, or my discussion should I say, of the ABC with their bias in relation to Israel. I suspect that you are equally guilty of that. Can I just run through some programs? There was the *Cutting Edge* series—I think on 6, 7, 8 December last year. It was a six-part series.

Mr Brown—It was two three-part series.

Senator RONALDSON—You are right, yes. The first half was the *Power of Nightmares: The Rise of the Politics of Fear*. The second half was a BBC series called *The New Al-Qaeda*. Certainly, the second part, from what I have been told, was factual and seemed to be fairly noncontroversial.

Mr Brown—It challenged some of the assumptions made in the first series. The *Power of Nightmares* was sort of an essay by Adam Curtis, as you say, on the politics of fear. Peter Taylor, a well-known journalist in the UK, directly challenged those and, although it would not be fair to say that he set out specifically to provide balance to the *Power of Nightmares*, it clearly represented a different point of view, and I think most viewers of those two series would see them providing balance.

Senator RONALDSON—I think even the most reasonable man would say that the objectivity of those two series could not be further apart. One ran the line that international terrorism was just a fantasy cobbled together by neoconservatives in the US and Islamic fundamentalists and it is all just a huge hoax involving politicians.

Mr Brown—That is not quite what it said. It said that the suggestion that international terrorism was organised—I do not think it used the word fantasy—and it said that in fact Islamic fundamentalists had taken advantage of that. I do not think it said that they were part of the conspiracy.

Senator RONALDSON—I am going to save you and me the pain of actually reading some of the quotes I have, but would it be fair to say it was an elaborate conspiracy theory?

Mr Brown—No, it would not. It was a very powerful documentary series. It was very provocative and challenging and it went back into the 1940s to find the origins of Islamic extremism. Yes, it did suggest that the neoconservatives had specifically cultivated a politics of fear in order to secure and sustain power. These were all theories advanced, but within the documentaries there were conflicting views expressed. It was not rhetoric. As I say, I think the opening episode of *The New Al-Qaeda* from Peter Taylor specifically said, ‘Some people say this is all an illusion. I don’t believe that. I have been studying the activities of the Al-Qaeda for this long and these are my beliefs.’ It was a very direct challenge to some of the claims made in the *Power of Nightmares*.

Senator RONALDSON—Given the quite bizarre claims in the first half, it would not have taken three series to negate it.

Mr Brown—I think you would enjoy the series—I can get you the DVD. It was very powerful.

Senator RONALDSON—They said things like:

... bin Laden had no formal organization until America invented one for him—
and:

There is also no evidence that bin Laden used the term ‘al-Qaeda’ to refer to the name of a group until after September 11th, when he realised that this was the term the Americans had given it.

Given that he had formed Al-Qaeda in 1988, it was fairly unlikely, I think.

I will go to *Dateline* in November. I think there were six reports or interviews in the two November programs which were highly critical of the USA and also the war on terror. It was full of inaccuracies, but I will run them past you and see what your view is. There were a number of quotes from George Negus, Martin Walker, Joe Wilson and others about Saddam Hussein’s regime attempting to obtain uranium from Niger. The Butler report in the UK, after the unfortunate suicide of David Keeley, found quite clearly that that was so, but there were programs dedicated to taking a different view. The one I really object to I think was—and I am not too sure which week it was—was the one where Olivia Roussett reported on further allegations of US atrocities at Abu Ghraib. She claims:

It has been widely reported that in August 2003, Secretary of Defense Donald Rumsfeld encouraged the physical coercion and sexual humiliation of Iraqi prisoners to try to get information on the growing insurgency.

She also states the former Abu Ghraib prisoner Haj Ali believes that his first interrogator was Israeli, and Ali says that he heard women being raped every night. The fact is that there were no female prisoners in Abu Ghraib. She went on to say:

Little is known about these women. They don’t appear in any of the photos and it is near impossible to find women willing to tell their stories.

She did not check that story with anyone from the US forces. She did not check the integrity of that statement about women in that prison. There were no women in that prison, but she had not attempted to ascertain whether what she had been told could possibly have been right.

Mr Brown—I did not see that particular program, but I will take on notice those questions.

Senator RONALDSON—Can I just give you some very quick examples of biased reporting and factual errors. On 6 January, Ross Cameron reported that Sharon was found to be at least indirectly responsible for the massacre of hundreds of Palestinians in Lebanese refugee camps. In fact Sharon was found to be indirectly responsible. There is no ‘at least’ at all. By contrast, on 16 December, Mary Kostakidis referred to Marwan Barghouti as ‘the imprisoned Marwan Barghouti’, while Vesna Nazor called him ‘a jailed activist’. Given he was jailed for numerous murders after a trial in the civilian court, one would perhaps have expected him to be described in other ways. The question is, after Barghouti’s victory in the Fatah internal elections, Nick Wells reported on 28 November:

Israel accused him of being a leader of the AL- Aqsa Martyrs Brigade and sentenced him to five life terms.

It was not Israel; a civilian court sentenced him. The emphasis was that the Israelis had been doing this. On 31 August, Lee Lin Chin announced:

Palestinian President Mahmoud Abbas said gaining control of Gaza was just a first step to the establishment of an independent state with its capital in Jerusalem, something Israel has never agreed to.

Wrong. Israel agreed to that at Camp David in 2000 and Taba in 2001. I just wonder whether you might consider getting a bit of balance in here. I know that you have run Swedish

films before—on *Cutting Edge* you ran one on 25 October last year called *Dining with the Devil*, a Swedish documentary alleging longstanding collaboration between the CIA and Palestinian terrorists. I just wonder whether you might be prepared to purchase a documentary made by a Swedish filmmaker, also available in English, which has also been shown on Swedish television, to balance the number of pro-Palestinian, anti-Israel documentaries, called *My Mother was Murdered by a Suicide Bomber*. I gather that is available and has been run on Swedish TV. I wonder whether you might consider running that documentary, perhaps to provide some balance to part of an audience, I have to say, who believe that there is substantial bias in your reporting of matters in the Middle East, and it may well go some way towards addressing their concerns.

Mr Brown—I am happy to consider any documentary. I do not accept that it is necessarily a balancing act, but if it is part of a diverse range of opinions on events there then I am happy to consider that.

Senator RONALDSON—I did not expect you to acknowledge that what I was saying was right, but I just wonder whether you might be prepared to provide, to some people at least, balance in what has been shown.

CHAIR—I am sure SBS will take it on board and take note of it, and give due consideration to it. I think at this point we will conclude this hearing. I thank the witnesses from SBS for being here. We will resume in the morning at 9 and continue this.

Senator RONALDSON—I think we should especially thank SBS who have been here since this morning.

CHAIR—Unfortunately sometimes our agendas do get behind. We do appreciate the fact that you have stayed.

Mr Brown—Thank you for fitting us in tonight.

CHAIR—We are going on tomorrow with DCITA 3.2, 3.3, DCITA corporate services, and, as I said, ACMA will be first. Thank you all for being here.

Committee adjourned at 11.11 pm