



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATION, INFORMATION
TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

Consideration of Additional Estimates

MONDAY, 18 FEBRUARY 2002

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SENATE

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

Monday, 18 February 2002

Members: Senators Bartlett, Calvert, Eggleston, Lundy, Mackay and Tchen

Senators in attendance: Senators Allison, Bishop, Calvert, George Campbell, Conroy, Eggleston, Ferguson, Harradine, Lundy, Mackay, McGauran, Schacht and Tchen

Committee met at 9.08 a.m.

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

In Attendance

Senator Kemp, Minister for the Arts and Sport

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

Arts and Sport

Dr Alan Stretton, Acting Executive Director, Arts and Sports Division

Mr Les Neilson, General Manager, Arts Branch

Ms Karen Gosling, General Manager, Cultural Development Branch

Ms Megan Morris, General Manager, Film Tax Offset Taskforce

Ms Caroline Greenway, Acting General Manager, Film and New Media Branch

National Gallery of Australia

Dr Brian Kennedy, Director

Mr Alan Froud, Deputy Director

National Library of Australia

Ms Jan Fullerton, Director General

Mr David Toll, Deputy Director General

Mr Gerry Linehan, Assistant Director General

Australian Sports Drug Agency

Mr John Mendoza, Chief Executive

Ms Anne Gripper, Manager, Operations

Australian Sports Commission

Mr Mark Peters, Chief Executive Officer

Mr Michael Scott, Director, AIS

Ms Sue Baker-Finch, General Manager, Sport Development

Mr Brent Espeland, General Manager, Business Operations

National Science and Technology Centre

Dr Annie Ghisalberti, Director

Ms Ann Landrigan, Deputy Director, Finance and Business Management

Telecommunications

Mr Chris Cheah, Chief General Manager, Telecommunications

Dr Beverly Hart, Principal Adviser, Tel and ITID

Mr Col Lyons, General Manager, Competition and Consumer Branch

Mr Brenton Thomas, General Manager, Enterprise and Radiocommunications Branch
Mr Simon Bryant, General Manager, Regional Communications Policy Branch
Mr Philip Allnutt, Acting General Manager, Telecommunications Service Inquiry (TSI)
Implementation
Mr James Barr, General Manager, Networking the Nation Branch
Mr Michael Sutton, General Manager, IT Industry Development Branch
Ms Michelle Kinnane, General Manager, Information Access Branch

Telstra

Mr Bill Scales, Managing Director, Human Resources
Mr Gus Barda, National General Manager, Infrastructure Services
Mr Jim Weber, Pricing Manager, Telstra OnAir
Mr Paul Paterson, Director, Regulatory
Mr Darian Stirzaker, Chief, Consumer Sales
Mr Paul Granville, Senior Manager, Networks
Mr Geoff Nicholson, Group Controller, Finance and Administration
Mr Omar Khalifa, General Manager, Business Management
Ms Jane van Beelan, Group Manager, Regulatory, Telstra Retail

Australia Post

Mr Michael McCloskey, Corporate Secretary
Mr Peter Meehan, Chief Finance Officer
Mr Jim Marshall, General Manager, Mail and Networks Division
Mr Stephen Walter, Group Manager, Corporate Public Affairs

BIP

ABC

Mr Russell Balding, Acting Managing Director
Ms Sue Howard, Director of Radio
Ms Sandra Levy, Director of Television
Mr Colin Knowles, Director of Technology and Distribution
Mr David Pendleton, Acting Director of Funding, Finance and Support Services
Mr Colin Palmer, Director of Human Resources

ABA

Professor David Flint, Chairman
Mr Giles Tanner, General Manager
Ms Andree Wright, Director, Industry Performance and Review
Ms Jonquil Ritter, Director, Planning and Licensing
Mr Fred Gengaroli, Director, Engineering

DCITA

Ms Fay Holthuizen, Executive Director, Communications
Ms Susan Page, CGM, Broadcasting and Intellectual Property
Dr Simon Pelling, General Manager, Intellectual Property
Mr Gordon Neil, General Manager, Licensed Broadcasting
Mr Rohan Buettel, General Manager, Public Broadcasting
Mr James Cameron, General Manager, Digital Broadcasting

NOIE

Mr John Rimmer, CEO

Mr Rod Badger, DCEO
Information Economy Group
Mr Patrick Callioni
Ms Anne Marie Lansdown, General Manager, Access and Skills
Mr David Kennedy, General Manager, Strategy and Analysis
Mr Ashley Cross, General Manager, E-Commerce Diffusion
Ms Robyn Fleming, General Manager, Corporate and Governance
Ms Cathy Tighe, Manager (Finance)
Information Industries Group
Mr Keith Besgrove, CGM
Mr Tom Dale, General Manager, Regulatory
Dr Richard Thwaites, General Manager, International
Dr Lee Boldeman, Acting General Manager, ICT Industry Innovation
Mr Greg Piko, Manager, ICT Centre of Excellence Taskforce
Government Online Group
Mr John Grant, CGM
Mr Brian Stewart, General Manager, Policy and Directions
Mr Joe Gunning, Acting General Manager, Projects
Mr Steve Alford, General Manager, Infrastructure
Mr Steve Fielding, General Manager, Service Taskforce
Corporate
Ms Helen Williams AO, Secretary
Mr Arthur Blewitt, CGM
Ms Jennifer Gale, CFO
Mr Len Marsden
Mr Kim Ulrick
Ms Erica Martin

CHAIR—I declare open this public hearing of the Senate Environment, Communications, Information Technology and the Arts Legislation Committee considering the 2001-02 additional estimates. On 13 and 14 February 2002, the Senate referred to the committee particulars of proposed additional expenditure in respect of the year ending on 30 June 2002 and related documentation for the two portfolios of Communications, Information Technology and the Arts and Environment and Heritage. We will be examining the Communications, Information Technology and the Arts portfolio today and the Environment and Heritage portfolio tomorrow.

The committee is required to report to the Senate on 13 March 2002 and has determined that the deadline for answers to questions placed on notice at the hearings today and tomorrow is the close of business on 27 March 2002. I welcome the minister, Senator Kemp, in his new role as Minister for the Arts and Sport and officers from the Communications and Information Technology portfolio. In particular, I welcome Helen Williams, who is appearing before us today for the first time since her appointment as departmental secretary.

Senator SCHACHT—Can we have until the close of business on Thursday to lodge, because we will not know exactly what questions we are going to put on notice until we run out of time here. If this committee finishes on Tuesday, could we have until the close of business on Thursday to lodge questions on notice from committee members.

CHAIR—We can accommodate that.

Senator SCHACHT—Thank you.

CHAIR—Minister, would you like to make an opening statement.

Senator Kemp—I am very happy to be before this committee and I look forward to answering questions put by the committee. I do not know whether it is practical at this stage, but in order to plan our day I was wondering whether senators could give any indication of when they expect to finish the National Gallery, the National Library and the sports section. This would help me plan meetings later in the day and I am sure it would be of great interest to Senator Alston. In the spirit of cooperation, is there any chance of senators indicating when they hope to complete those two areas?

Senator LUNDY—I hope to have completed them by lunchtime.

Senator Kemp—Both of them?

Senator LUNDY—Yes.

Senator Kemp—That is a big help, and I am sure that has been duly noted by my staff downstairs.

Senator LUNDY—We cannot promise anything, of course.

Senator Kemp—Of course you cannot promise anything, and of course it is possible that issues may arise. I understand that fully.

Senator SCHACHT—The quality of your answers will help to give an outcome like that.

Senator Kemp—I will be giving my usual succinct answers, straight to the point.

Senator SCHACHT—Make it midnight!

Senator Kemp—It may be appropriate at the start of the hearing, particularly in this portfolio, to extend our congratulations to the gold medal winner last night, Steven Bradbury. I am sure I speak for all the committee in offering him our congratulations. I am sure the secretary will in due course inform him of that.

CHAIR—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 of 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 a personal opinion on matters of policy and shall be given a reasonable opportunity to refer questions asked of them to superior officers or to a minister. In addition, I draw the attention of witnesses to resolutions agreed by the Senate on 25 February 1988, 'Procedures to be observed by Senate committees for the protection of witnesses' and in particular to resolutions 1(10) and 1(16). Resolution 1(10) in part states:

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.

Resolution 1(16) states:

An officer of a department of the Commonwealth or of a State shall not be asked to give opinions on matters of policy, and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a Minister.

That simply restates that point. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute contempt of the Senate. I will call agencies in accordance with the agenda, although we would normally seek to hear the interstate

agencies first to assist their representatives with their travelling arrangements. We have agreed to begin today's hearing with the National Gallery of Australia to ensure that its director, Dr Kennedy, can make an important trip to New Zealand later this week.

National Gallery of Australia

Senator LUNDY—Before I start questions, I would like to put on record my concern about the late response to questions on notice from the previous estimates hearings. My understanding is that we were still getting the questions on notice back last week and over the weekend. That is how I understand it. That is a concern and I wanted that concern reflected in the *Hansard* record of today's hearings.

CHAIR—The committee did write twice to the ministers concerned but they were under an enormous pressure of work at the end of last year.

Senator SCHACHT—Who were? The ministers or the Gallery?

CHAIR—The ministers.

Senator SCHACHT—What about the Gallery's answers?

Senator LUNDY—I do not believe that you should feel obliged to defend the ministers as chair of this committee. I have made my concerns known. I expect we will be able to discuss it at a later point, perhaps in a private meeting of the committee.

Senator Kemp—I am concerned that we have not obviously been able to respond in time. I have every intention that we will try to do this. I am a fairly new boy in this committee. I do not pretend the record is always perfect but I think between the last hearings of estimates and this hearing a lot has happened in this world. There have been a lot of other distractions and ministerial changes but, of course, we will try and make sure that questions are answered.

Senator SCHACHT—Eight months.

Senator Kemp—I am trying to be helpful. I am not trying to have an argument. I will try to ensure that we will do our best to meet the deadlines.

CHAIR—Thank you, Minister.

Senator LUNDY—I would like to ask you a series of questions about the reappointment of Dr Kennedy. I know you have had eight months—or some months—now to get yourself briefed across all of those processes. Can you confirm that the minister at the time received advices arising from a council board meeting in May 2001 that advised against the reappointment of Dr Brian Kennedy?

Senator Kemp—I am not sure that I can do it. Perhaps someone at the table can assist. I cannot specifically answer your question but the appointment of Dr Kennedy is a matter for government. We made the appointment. We have been very pleased about the appointment.

Senator LUNDY—My question is going to process, Minister.

Senator Kemp—Yes, I will see if there is anything. I imagine if there is an issue there it would have gone to Senator Alston. I will see if there is anything that he wishes to add.

Senator SCHACHT—Is there a record or not of communication in writing from the board? Surely the officers will have that on record now. They do not have to take it on notice.

Senator Kemp—I am quite happy if the officers feel they would like to make a contribution but you are asking about a communication which would have gone to a different minister.

Senator SCHACHT—But the department—

Senator Kemp—Senator Schacht, you are not having a very good start this morning. I am trying to answer the question, but I am being constantly interrupted. I will make inquiries of Senator Alston. I will draw Senator Lundy's question to his attention and see if there is anything he wishes to add.

Senator LUNDY—Can I ask officers whether they are aware if the chair of the council communicated this information to the minister in any way?

Senator Kemp—The minister in this case is Senator Alston. I assume you are speaking of him?

Senator LUNDY—Yes.

Senator Kemp—I will check with him and see whether he wants to respond.

Senator LUNDY—Minister, the decision making process that I am questioning you about is exactly that: it is process. What was the communication between the board and the minister's office at the time? To refer that question back to the minister because he was personally involved in some way is unacceptable, and I think you should be in a position to ask the department at least if they are aware that that information was passed on to the minister's office.

Senator Kemp—Senator Lundy, I do not need to be lectured to by you, I have to say. I have said that I was trying to help you. I do not know whether you listened to my response. I said—

Senator LUNDY—I did. I am just trying to make sure that I am asking the question in four different ways, so you do not squirm out of it.

Senator Kemp—You are asking me whether, in some way, Mr Harold Mitchell communicated with Senator Alston about this appointment, and what any reasonable person would do is exactly what I have done. I have said that, first of all, I will check with Senator Alston to see whether there is anything that he wishes to add, and then I have invited officers at the table to respond. I think that that is a perfectly fair and reasonable response to the question. If you were in my shoes—if you were over here, Senator—you would be answering in exactly the same way.

Senator SCHACHT—Minister, your department is not made of complete dills. They would have prepared a brief for this estimate, in view of the controversy about Dr Kennedy's appointment; they would have had all the material available for you and the officers at the table. I find it extraordinary that there is no record amongst the officers at the table, or in the phalanx sitting behind them, about whether there was communication or not.

Senator Kemp—Senator, I am seeking some advice on what you say. I am not sure I can add, in exquisite detail, to the question that was asked. But it has been reported that the Gallery council has discussed the director's contract—I think in May 2001—and Senator Alston wrote to the Prime Minister on 29 August providing further supporting information in relation to the proposed extension. But I would make the point that this is a government that makes decisions. The appointment of the Director of the National Gallery, Dr Brian Kennedy, is a decision of the government, and we make the decision.

Senator SCHACHT—We are not disputing that; we are just asking whether the board wrote to you, to the government. Goodness me!

Senator Kemp—Can we say, Dr Kennedy, that we are very pleased to make that decision.

Senator LUNDY—Can I ask you, Minister, if the chair, or any member of the council, expressed council's view to you personally after you took up the portfolio?

Senator Kemp—I am not in the habit of revealing any private discussions I may have with people. People are able to have discussions with me and provide their thoughts and advice to me without having this canvassed while there are Senate estimates. But, like you, Senator, I am aware of some press speculation and comment. People will have different views. You may have a different view on Dr Brian Kennedy—

Senator LUNDY—No, I don't really.

Senator Kemp—I am sure you do have a view, because it is part of your portfolio responsibilities. The government has a view. And we were very pleased to be in a position to reappoint Dr Brian Kennedy.

Senator LUNDY—I will come to the motivation for the reappointment shortly, Minister. Can you tell me if you were formally advised of the decision of the council?

Senator Kemp—Just before you go on, I think our officers have had a brief discussion. Secretary, would you like to share your views with Senator Lundy?

Senator LUNDY—Thank you, Minister.

Ms Williams—Senator Lundy, I have just checked with the officers here, and we are not aware of any communication between the chair and Minister Alston relating to the May meeting.

Senator SCHACHT—Was there any direct communication between the chair or the board and officers of the department? So there is no communication? Are the minutes of council—

Dr Stretton—I first found out about the May meeting in the newspapers.

Senator SCHACHT—Pardon?

Dr Stretton—I found out about the May meeting in the newspaper after Mr Ferguson—

Senator SCHACHT—The minutes of the May meeting, or any meeting of the council, are not forwarded to the department as a matter of—

Dr Stretton—They are, but my understanding is—sorry, reading the press, it was said—

Senator SCHACHT—In the minutes you received from the May meeting, there is no indication that the board had decided to recommend against Mr Kennedy's reappointment?

Dr Stretton—I assume because it was an informal meeting—whatever that means—that there were no minutes.

Senator SCHACHT—There weren't minutes?

Senator LUNDY—Is this for the May meeting?

Senator SCHACHT—The May meeting. I think you ought to get that clarified.

Dr Stretton—There was nothing in the minutes that we received.

Senator SCHACHT—There was nothing in the minutes. When it was in the press, you did not have any curiosity about contacting the Gallery to find out what was the basis of the leak that the board had, informally at least, recommended against appointment? Didn't your curiosity as a good public servant—

Dr Stretton—Again, my memory of reading that report was that it referred to not a normal meeting of the Gallery but an informal meeting in Mr Ferguson's office.

Senator SCHACHT—How much money do you give the Gallery each year, Mr Stretton?

Senator Kemp—Senator Schacht, there is no point in seeking to be aggressive on this matter. We are trying to assist Senator Lundy and I think Dr Kennedy can add some comments about this meeting.

Dr Kennedy—My understanding is that there was a gathering of members of council which I was alerted to at that time. There was no agenda for the meeting, there were no minutes of the meeting that I am aware of and, if I may say, no written agenda, no written minutes. I understand, from subsequent reporting, that the matter that was discussed was whether or not, at that time—some very considerable time before the end of my current contract—my contract should be sought to be renewed at that time.

Senator LUNDY—When were you made aware of that meeting, Dr Kennedy?

Dr Kennedy—I knew about that time that the chairman wished to have a private meeting with a number of council members.

Senator LUNDY—I am sorry, say that again. I did not hear you.

Dr Kennedy—I was aware at about that time that the chairman wished to have a private meeting with a number of the council members.

Senator LUNDY—When were you aware that the outcome of that meeting was that there was an intention to advise against your reappointment?

Dr Kennedy—I was never advised of that outcome, and, in fact, you have stated that as the outcome but I do not know that that is the case.

Senator Kemp—It is clear that—

Senator LUNDY—Hang on. I just want to find out when Dr Kennedy actually became aware of that. Was that from the newspaper report?

Senator Kemp—Senator, I am actually the minister at the table and the questions go through me. I wish to make a point. It is well known there were people who had a variety of views on this appointment and those people are quite entitled to have those views. Some of those views were aired publicly and I do not think there is any particular argument about it, but in the end this is a government decision and governments who have responsibilities make those decisions. If the substantive point you are making is that there were some people who had a variety of views on this issue, I think that is accepted. We can all read the newspapers.

Senator LUNDY—Sure, but that is not the substantive point that I am trying to make. I am exploring the process—

Senator Kemp—What is exactly the substantive point?

Senator LUNDY—and I asked Dr Kennedy a question about when he did actually become aware of the views expressed at that meeting and I asked him whether it was in the newspaper reports.

Dr Kennedy—Senator, I would just like to clarify my remark. I was not aware of what was being discussed at that meeting. Subsequently, I was aware that a number of matters had been discussed.

Senator LUNDY—Including the issue of your reappointment?

Dr Kennedy—I imagine so. When I am saying I am never aware of whether or not they had decided to actually have me reappointed, obviously that is a matter for the government and it is a matter for the chair to discuss with whoever is relevant. I imagine it would have

been an issue at the time because it was an issue in the papers at the time, but really it did not concern me.

Senator SCHACHT—Was that informal meeting in May, which there are no minutes of, held on the same day as a normal meeting of the Gallery?

Dr Kennedy—No, not at all. My understanding was that it was over breakfast or coffee in the morning.

Senator SCHACHT—Was it here in Canberra?

Dr Kennedy—No.

Senator SCHACHT—As it is not minuted and as it was not a formal meeting, did the board members get paid travelling allowance to attend the meeting?

Senator Kemp—I do not know, Senator.

Senator SCHACHT—Could you take that on notice, please.

Dr Kennedy—Mr Froud can answer that now.

Mr Froud—No.

Senator SCHACHT—They did not get paid?

Mr Froud—No.

Senator SCHACHT—They did not get paid their airfares to attend the meeting?

Mr Froud—No.

Senator SCHACHT—So they all paid them out of the goodness of their hearts and their altruism to go somewhere in Australia to have breakfast to discuss this matter. They paid for it all themselves?

Mr Froud—I can only say they were not paid.

Senator SCHACHT—I congratulate the board members for starting a trend that some of us might be frightened about, but nevertheless—

Dr Kennedy—Our board members, from time to time, I am sure, do meet outside of session to chat about various things.

Senator SCHACHT—Do you know, Dr Kennedy, whether all the then board members attended that informal breakfast meeting?

Dr Kennedy—Following comment in the papers, because, as I said, it was not a matter that was of concern to me, I did ask Mr Froud whether that was the case and my understanding is that not all members were present.

Senator SCHACHT—Not all members were present?

Dr Kennedy—We would have to check that exactly, but my understanding from his comments to me was that not all members were present.

Senator LUNDY—Is it normal process to consult the council about significant appointments such as the head of the Gallery?

Senator Kemp—I am new at this portfolio, but this is a consultative government. This is a government which talks to people. We listen to people. One of the reasons we are back in office is because we are a consultative government. On the specific issue, of course I was not in the portfolio so I cannot detail, and probably would not detail anyway, the nature of any consultations and advice that has been tendered. I am still trying to work out what the

substantive point is. The substantive point is that there may have been a variety of views on Dr Brian Kennedy and the reappointment, the government has made its decision as it is entitled to do, and that is where the matter lies. Clearly, there was a resignation from the Gallery board, if I remember rightly on this issue, and clearly there was a view that some people may have had about the reappointment.

Senator LUNDY—Yes.

Senator Kemp—But what is the point we are trying to establish?

Senator LUNDY—I am actually asking a series of questions and I have a series here that I would like to get through. I think it would save time if you stopped trying to second-guess what I am trying to do and just allowed me to go through the questions. As I said, it is a matter of process and I am entitled to ask any question I like about the decision making process of both yourself and the department—

Senator Kemp—I have no argument with that.

Senator LUNDY—and the Gallery. It would be good if I could get on with it.

Senator Kemp—But we have established that there were a variety of views on the reappointment of Dr Brian Kennedy. No-one is arguing the toss on that. We do not argue the toss that this is a matter for the government to make its appointment, which we have done, and we are very pleased to have made that reappointment. I cannot see what the issue is, to be quite frank.

Senator LUNDY—That is okay. It does not matter whether you can see it or not, quite frankly.

Senator Kemp—I am not sure whether you can see the issue; that is the problem.

Senator LUNDY—You just worry about yourself, Minister.

Senator Kemp—I am worrying about this committee and the amount of time it is taking.

Senator LUNDY—Why was the decision taken so early regarding Dr Kennedy's appointment, given that it was not due until August 2002?

Senator Kemp—I think the government likes to provide certainty and, in our view, it is appropriate that the reappointment be announced some eight months before Dr Kennedy's current term expires. Positions of this kind are subject to international interest and can take quite a time—up to 12 months—to fill. I think the certainty that this gave was appropriate and welcomed.

Senator LUNDY—The timing of the decision to reappoint Dr Kennedy was something that attracted some speculation as well. Can you tell me what date that decision was actually made to make the reappointment at that time?

Senator Kemp—I think I can assist you there. Senator Alston wrote to the Prime Minister on 30 November 2001, seeking to revisit the matter in cabinet of Dr Kennedy's reappointment. Cabinet considered and recommended the reappointment of Dr Kennedy as a director on 17 December 2001 and the Governor-General appointed Dr Kennedy on 20 December 2001.

Senator LUNDY—Can you tell me the date when the minister's office was first canvassing the issue of the reappointment, if not going through those formal processes.

Senator Kemp—Just going back a bit, Senator Alston wrote to the Prime Minister initially—subject to any correction that anyone else may have at the table—on 16 August 2001 proposing an extension to the term of Dr Kennedy’s contract.

Senator SCHACHT—For two years?

Senator Kemp—Proposing an extension—

Dr Stretton—Two years.

Senator Kemp—My understanding was two years.

Senator SCHACHT—Was a two-year extension always proposed?

Dr Stretton—That’s right, yes.

Senator LUNDY—So, on 16 August 2001, Senator Alston wrote to the Prime Minister suggesting a two-year extension. Is that correct?

Senator Kemp—That is the advice that we have received. I have given you the date on which the communication was sent.

Senator LUNDY—And what was the action arising from that correspondence?

Senator Kemp—Senator Alston again wrote to the Prime Minister on 29 August providing further supporting information in relation to the proposed extension. My advice is that cabinet considered the proposed extension in September 2001.

Senator LUNDY—What date in September, Minister?

Senator Kemp—You have got me there.

Senator LUNDY—What date was the cabinet meeting in September?

Senator Kemp—If anyone can provide any advice—we will see if we can provide that figure.

Dr Stretton—Sorry, I do not know that. We will find out for you.

Senator Kemp—Clean bowled, Senator. We will check that one.

Senator SCHACHT—Did those two letters to the Prime Minister contain information on the view of the board—from the informal meeting—that they were against the appointment of Dr Kennedy?

Senator Kemp—I am not in a position to advise what Senator Alston writes to the Prime Minister. It is a matter for Senator Alston and the Prime Minister, and it is not normal that we would canvass this advice to the Prime Minister before this committee.

Senator SCHACHT—I appreciate your claim of cabinet confidentiality, and I accept that ruling, but it does seem a bit odd that there were two letters in one month to hurry this appointment up. Was this because Senator Alston was afraid that Dr Kennedy might be heading back to Ireland, to an appointment there?

Senator Kemp—I do not know whether he was afraid or not. I think that the government had a view on Dr Brian Kennedy and that has now resulted in an extension.

Dr Kennedy—Senator, can I make a brief point: I said to you that never at that time—to the best of my knowledge—was I informed that there was a decision made not to extend me. The decision that was taken, as I understood it, was at that time, in May. That is a considerable difference between an informal meeting deciding not to reappoint Dr Kennedy and this informal meeting deciding not to submit views to the government at that time to

reappoint me at that time. I would have taken considerable comfort from that when I was eventually told about it.

Senator SCHACHT—Dr Kennedy, since you have raised it, did you directly consult between May and August with Senator Alston about your reappointment?

Dr Kennedy—I have always found that the minister has an interest in the continuity of the Gallery. He talks about issues from time to time and I am sure that we discussed my continuity and—

Senator SCHACHT—Did you discuss with him—or did he discuss with you—between the informal May meeting and the first letter to the Prime Minister your continuing in the role?

Dr Kennedy—I have found that the minister takes a continuous interest in the continuity of the Gallery and—

Senator SCHACHT—We know that the minister took a continuous interest. We are simply asking: did you discuss with Senator Alston, during that period, your possible reappointment for another two years?

Dr Kennedy—I think the minister was continually interested in what I had to say about whether or not—

Senator SCHACHT—So you did raise it with him then?

Dr Kennedy—I imagine that we would discuss things from time to time, which would include that—

Senator SCHACHT—You cannot remember? This is—

Senator LUNDY—Dr Kennedy, did you ask Senator Alston to extend your appointment?

Dr Kennedy—Did I specifically ask him to do that?

Senator LUNDY—Yes.

Dr Kennedy—It is a matter for the government and I have never presumed to go into—

Senator LUNDY—Did you ask him to extend your appointment?

Dr Kennedy—I have no recollection of ever having specifically asked him to do that. In fact, what I would say would be quite what I have just said to you: I would never presume on the government's intention about the directorship of the National Gallery of Australia. On the other hand, I am grateful for the interest in the continuity of the Gallery management that the minister shows. Always of course my own personal career is a matter for myself.

Senator SCHACHT—Mr Kennedy, we would not begrudge you the fact; you are after your job. You want a job; everyone wants a job in Australia. I would not blame you for approaching the minister to have your contract continued. It is not a matter of ASIO sort of secrets.

Dr Kennedy—I do not see that we need to be extensive about it. I answered the question directly to the senator.

Senator SCHACHT—You cannot remember whether you discussed your future employment with your boss, the minister.

Dr Kennedy—I have answered that, Senator.

Senator SCHACHT—I find that extraordinary.

Senator Kemp—Mr Chairman, to be quite frank, any communications and advice between Dr Brian Kennedy and Senator Alston are matters which I am not sure are appropriate to be canvassed at this stage.

Senator LUNDY—When it goes to a matter of process, I would disagree.

Senator Kemp—We have gone through the matter of process, Senator. I do not think that you seem to be able to grasp the nub of this. This is a government decision, Senator. The government is charged with making this decision and the government has made this decision. You have established that some people were not happy with this decision, and we accept that. This is clear from the press. But the government has shown its confidence in Dr Brian Kennedy by making the reappointment and extending his contract for two years. That is where the matter lies.

Senator LUNDY—Why was the decision taken so early, given Dr Kennedy's reappointment was not due until 2002?

Senator Kemp—I have answered that question, Senator.

CHAIR—I think, with respect, the minister has answered that.

Senator Kemp—I have answered that question in quite some detail, actually.

Senator LUNDY—Perhaps I could ask on what basis the decision to reappoint Dr Kennedy was actually made.

Senator Kemp—On what basis? The government has confidence in him in his role as director of the Gallery, and that is why the government appointed him.

Senator LUNDY—Did the job offer in Ireland have anything to do with his early reappointment?

Senator Kemp—Senator, I cannot add much on any job offer in Ireland. We were keen to give certainty. The government is quite entitled to make that appointment—there was clearly speculation in the press; that is a matter of fact—and the government has made the appointment. You may not agree with that appointment or you may agree with that appointment, but it is a government decision.

Senator LUNDY—Was the minister aware at the time that a job offer had been made to Dr Kennedy?

Senator Kemp—I am not sure. That is a matter for Senator Alston.

Senator LUNDY—So you will take that on notice?

Senator Kemp—I will put that to him and if he wishes to respond I will advise the committee.

Senator LUNDY—Was the minister's office aware that Dr Kennedy was in Ireland during this time being interviewed for this other job?

Senator Kemp—I will seek advice from Senator Alston's office. It will be a decision for them to make about whether they wish to respond or not. I will draw your question to their attention and see what the minister wishes to say.

Senator SCHACHT—Draw it to the attention of Ms Williams at the moment as the head of the department.

Senator Kemp—I am not one to stop any senior public servant from talking, so would you like to say something?

Senator LUNDY—Can I ask Dr Kennedy for the date of the interview in Ireland for the other job. What date was it?

Senator Kemp—I do not know whether that is the business of this committee, to be quite frank.

Senator LUNDY—It goes to the matter of process regarding the reappointment of Dr Kennedy.

Senator Kemp—With respect, I am not sure that that is a matter for this committee.

Senator LUNDY—Perhaps you could tell the committee then whether the federal government paid for the travel arrangements to make that interview possible.

Senator Kemp—I will take that one on notice.

Senator LUNDY—I would ask Dr Kennedy that question.

Senator Kemp—The questions actually go through me, Senator, as a matter of process.

Senator SCHACHT—So you cannot answer?

Senator LUNDY—Are you telling me that you do not have any officers here or at the table that could answer that question?

Senator Kemp—No. We were actually responding to your question before you interrupted me.

Dr Kennedy—The answer is no.

Senator LUNDY—So there were no government funds expended to make that interview possible?

Dr Kennedy—I do not wish to comment on any such words that you have used, but you asked whether on this particular occasion there were any government funds expended. The answer is no.

Senator LUNDY—Was there any government funding expended in your pursuit or exploration of alternative employment?

Senator Kemp—I do not think that that is an appropriate question. Frankly, I think that we judged Dr Kennedy on his record at the Gallery. The government has come to the conclusion that we would like him to continue to serve the Gallery, and that is what we have done. I do not think we can explore what may have been in his mind about other matters. I do not think this is a subject for discussion at this committee.

CHAIR—I do think we should focus on the Gallery and its workings here in Australia. That is really the purpose of this committee—to examine expenditure in relation to the workings of the Gallery here.

Senator SCHACHT—That is exactly what Senator Lundy asked: whether any money had been expended, directly or indirectly, in the director's pursuit of another job. That is taxpayers' money.

CHAIR—No. The director has given an answer, so let us deal with the issues of expenditure.

Senator Kemp—We have the director of the Gallery before us, so I think it would be useful if we could explore some of those issues. It is a matter of fact that Dr Kennedy has been reappointed and the government were pleased to make that appointment. This was not an

appointment which all people welcomed, we understand that, but nonetheless the government has expressed its confidence by the reappointment.

Senator SCHACHT—It is not often that an appointment in Australia to a prestigious body like the National Gallery leads to resignations from the Gallery board in Australia and an Irish minister intervening back in Ireland—as a result of which, I understand, there have been a number of people resigning from the Irish board considering that appointment. To have people resign on two different boards in two different countries almost at the same time over whether Mr Kennedy should be appointed is really a distinguished achievement. That is almost equivalent to gold medal status at the winter Olympics. I do not think I have heard of that happening too often.

Senator Kemp—Happily, we do not answer for what happens in Ireland. What turns the minds of people in Ireland is not a matter of concern for this committee. People on boards are quite entitled to make their own decisions and assessments. I am sure this happens from time to time. You are involved in sporting bodies, and you know yourself, Senator, with your own distinguished sporting career, that there can be significant issues which arise.

Senator SCHACHT—I do not think I have ever heard that a board appointment for a national sporting body that the Australian government has some involvement in has led to resignations from a national sporting institution in another country.

Senator Kemp—Senator, I do not think I can answer for what happens in Ireland.

Senator SCHACHT—I just make the point that, partly for that reason, there is a fair bit of interest in Mr Kennedy's reappointment.

Senator Kemp—That is true. No-one argues that there has not been a fair bit of interest. We have all read the press, and people have made comments on it.

Senator SCHACHT—Thank you. To save time, we will go back to the questions of my colleague Senator Lundy.

Senator LUNDY—I would just like to tie off this issue of government expenditure. Dr Kennedy, it was reported that you were interviewed twice in Ireland for the position of Director of the Irish Museum of Modern Art, most recently on 19 November 2001. Can you tell me if you were in Ireland on National Gallery of Australia business on either occasion that you were interviewed for that position?

Senator Kemp—I do not think the question of interviews is a matter for discussion at this committee, to be quite frank. The question has been posed by Senator Lundy as to whether any government money was expended, and I think we have had a couple of responses. I am not sure if we can add too much more to this, to be quite frank.

CHAIR—Senator Lundy, the position is quite clear. The Gallery director gave an answer, and Senator Kemp has just fleshed it out a little, but it really does seem to be an area which has been resolved.

Senator LUNDY—Perhaps it has in your mind, Chair, but please bear with me for just a few more minutes. Have you had cause to reimburse the Gallery for any expenses relating to those trips to Ireland?

Dr Kennedy—Any expenditure which would not be expenditure properly incurred by the Gallery would, of course, be reimbursed by me, as in the case of, for example, the use of any telephones or anything other than that, as indeed no doubt, with parliamentary procedure here, some expenditure is incurred personally and then reimbursed to the individual and other expenditure is incurred by the institution and reimbursed by the individual to the institution.

So all I can say to you, as the chairman said some considerable time ago and as I have said today, is that the answer to your question as to whether or not there was any government expenditure involved in that trip is no.

Senator LUNDY—Sorry, I can't hear you.

Dr Kennedy—The answer to your question as to whether or not there was any government expenditure involved in that trip is no.

Senator LUNDY—Have you had cause to have been asked to pay back any money that was expended on either of those two trips?

Dr Kennedy—Specifically my way of handling things is that, on the very rare occasions where it might arise, in order to maintain the probity and accountability of the position, I would alert my personal assistant, who is aware of all my activities, as to whether or not I wish to have expenditure reimbursed or paid to me in such a way. On this matter, I can assure you that the proper process was conducted.

Senator SCHACHT—The Gallery did not buy the ticket and you reimbursed them; you bought the ticket outright yourself.

Dr Kennedy—I was on an international trip and the trip to Dublin, yes, was reimbursed. Senator, I do not wish to go into any further detail on this matter. I have answered the question as to probity and accountability, as you know, and anything about my career, just as about yours, whether this year or any other year, I regard as a matter for me. I really would appreciate it if that privacy was respected. Thank you.

Senator SCHACHT—When government money is at stake—

Dr Kennedy—Government money is not at stake. I have said no on several occasions.

Senator SCHACHT—Okay.

CHAIR—The question has been answered.

Senator Kemp—I think the question has been answered, Senator.

Senator SCHACHT—Dr Kennedy, when did you first inform the chairman of the board that you had been having discussions in Ireland on a possible appointment in Ireland?

Senator Kemp—Again, I do not know whether this is relevant to this committee.

Senator SCHACHT—It is in the process—

Senator Kemp—The process is crystal clear. The process is that the government has the decision making powers in this area and the government can take into account whatever matters it wishes to. We can speak to whomever it wishes about this matter. This is a consultative government, as I have always said. We listen to people, we talk to people and we try to accommodate people. We do not always agree with people and sometimes we will differ. We will respect people whose views differ from ours. But on this matter the government has reached a decision. That is the process.

Senator LUNDY—The government took extraordinary action to seek to reappoint Dr Kennedy for an extended time and it seems extraordinary action to get that long-term reappointment in place. The questions relate to the motivation and process of those decisions. Minister, can you tell me what your understanding is of the relationship between the council of the National Gallery of Australia and the director and what the history of advice exchanged relating to the appointment of the director is?

Senator Kemp—I think we have canvassed the history quite extensively before this committee.

Senator LUNDY—Does the council have a history of advising the minister regarding appointments or reappointments?

Senator Kemp—I am not sure what has precisely happened in the past. My expectation would be that this will vary, to be quite frank, if you look over the years in which we have had directors appointed. I do not think there can be any argument that this is a government decision and the government is entitled to make that decision. You may be unhappy with the decision. In your party you get advice from a whole host of people on various issues and sometimes you accept that advice and sometimes you do not. There is nothing wrong with that; there is nothing underhand about that. The government's appointment is quite open.

Senator LUNDY—Minister, do you see the board of the National Gallery being like an independent advisory body? Would you, as the minister, seek their advice on matters like appointments?

Senator Kemp—I hope that I have a reputation for going around and talking to people and meeting with people. People are quite entitled to offer their views to me, and I welcome that. But the process of government is to assess the views that are being put to it, to draw on the individual experience and judgment that a minister and a cabinet collectively have and then make a decision. I do not think there is any argument that this is not a government which is prepared to consult and listen to people. But it does not mean that we always agree with people, that is true.

Senator LUNDY—What seems to have happened here, obviously, is that the view of the minister and the view of the board diverged. Are you of the view that it is important to ensure that the director of the institution and the board or the council is in harmony?

Senator Kemp—Senator, it is not clear that the underlying assumptions of your statement are clear. There have been statements made by individual members of the board, that is correct, and in the end they are entitled to make those statements. But I do not wish to give any credence to the underlying assumption—there may have been a variety of views. I do not see what we are seeking to establish here. If we are seeking to establish that there were a variety of views in relation to this appointment, as far as I am aware, the answer is that there were. But, in the end, the government has decided to make the appointment because we have confidence in Dr Brian Kennedy. That is why we have made the appointment.

Senator LUNDY—What is your current term, Dr Kennedy? What are the terms and conditions of that reappointment now, as they stand?

Dr Kennedy—My contract is for a period of five years.

Senator LUNDY—From what date?

Dr Kennedy—From the first week in September, I think, of 1997. I would have to confirm that date with you. That would run then to five years from that date, which would have been to end August next year, 2002. There was in my contract—and I made this information available to some of your party colleagues in private discussions which I think was illuminating for them—provision for a potential two-year renewal, and I am very pleased and honoured that that has been offered to me, and I have gladly accepted it.

Senator LUNDY—So an original five-year appointment in September 1997?

Dr Kennedy—Yes.

Senator LUNDY—So the process by which you were reappointed—I think the date you gave me was 17 December—was for what?

Dr Kennedy—My understanding is that the government took a decision which was then, as is subject to our act, approved by Council of the Governor-General, and that that took place, which was to offer me the extra two years from next August, 2002.

Senator LUNDY—Right.

Dr Kennedy—As provided for by the provision which could be exercised one way or the other in my contract.

Senator LUNDY—So the decision to extend your contract from August 2002 has been taken?

Dr Kennedy—I have been provided with a letter of confirmation—

Senator LUNDY—Confirming that your appointment will extend from August 2002 to August 2004?

Dr Kennedy—Yes. This has been in every newspaper, I have to say.

Senator LUNDY—I am just getting it on the record for the purpose of this committee's deliberations.

Senator Kemp—As I mentioned in the earlier part of this hearing, the contract has been extended for a period of two years until 31 August 2004. I think we have had that evidence.

Senator LUNDY—What about the provisions in the contract from that point? Is there any provision for extension post 31 August 2004?

Dr Kennedy—Senator, I do not wish to discuss any further matters to do with my contract and I leave it to anybody else to provide that.

Senator LUNDY—You are required to respond to the questions of this committee.

Senator Kemp—Senator—

Dr Kennedy—I take it on advice, Senator, as to whether or not that is information I should in fact impart to the committee. It is a matter of process, and if provided with information that I should provide that I will gladly give it to you.

Senator LUNDY—It relates to the expenditure of taxpayers' funds. I am entitled to ask the question and entitled to an answer.

Dr Kennedy—I do not understand how it relates to the expenditure of taxpayers' funds.

Senator LUNDY—Who pays your wages?

Senator Kemp—I think that Dr Kennedy has answered the question. The substantive matter is that Dr Kennedy has been reappointed until 31 August 2004. That is where the matter lies.

CHAIR—I think I would have to agree with that, with respect.

Senator LUNDY—I still want that question taken on notice.

Dr Kennedy—Very well.

Senator LUNDY—I will look forward to an answer. I would like to ask some questions about an interview on *Stateline* in which Dr Kennedy stated:

There hasn't been a mass exodus of staff: no more people have left the staff in my time than in my predecessor's time, absolutely no more at all.

I ask you specifically how many staff have left in your time.

Dr Kennedy—I have been provided with that information just so that it could be accurate for this particular meeting. My information is that total separations of permanent staff—which include voluntary redundancies, age retirement and other occasions for departure, medical or, sadly, in the case of fortunately few individuals, people who have passed away—total 112 for the similar period of my predecessor and 111 for me. So 111 for my time thus far. That is relevant because it has been important to me to correct the misleading and unfortunate information that was being passed in the media for some very considerable time, and that was fuelled by commentary, saying that the departures in the Gallery were somehow unusual. We addressed this matter with information to media outlets last year, and I believe I canvassed it with this committee. The number of permanent staff is a matter of concern, but it is always a matter also of what is the nature of the institution, and by the nature of this arts institution it would appear that, in the 10 years from 1990, the average number of departures each year is pretty well static. It is the nature of our institution and also the nature of Canberra. It is the nature of a creative environment. I will give that there have been a number of notable departures with comment, but that again, I am advised by people who have much longer knowledge of the Gallery than I, is far from unusual as well. I hope that provides the information.

Senator LUNDY—Are you able to tell me how many people are currently acting in middle management and senior positions?

Dr Kennedy—That was an issue for us some time ago. I remember talking with you a couple of years ago at this committee about that. The matter has been very significantly improved, but I would have to take that on notice.

Senator LUNDY—Perhaps you could also take on notice the question of how many of the 111 who have left during your time were middle management positions, curators or senior staff. Could you break down all the ones that have left into their employment status, classification or whatever the appropriate terminology is.

Dr Kennedy—I would be happy to do that. We would ask you, however, in consideration of any figures provided, to recognise, for any time within the last decade, that there are also other issues that are at stake. For example, under a particular director for a particular period of time, there may be a staff restructure or a decision to expand one area.

Senator LUNDY—Could you take the opportunity to note that on the data so it cannot be misinterpreted.

Dr Kennedy—We will try to do that.

Senator LUNDY—And also, if you would like to take the time to provide the comparative data from before your time, please feel free to do that if you think it helps people to not misinterpret the information you provide.

Senator Kemp—We will take that on notice.

Senator LUNDY—Have you filled the position of Curator for Aboriginal and Torres Strait Islander Art?

Dr Kennedy—Yes, we are absolutely delighted that Brenda Croft has accepted the position and is in this position and very active, as I would expect her to be. She is a terrific addition to the Gallery staff.

Senator LUNDY—How long was that position vacant before it was filled?

Dr Kennedy—The resignation of Wally Caruana from that position was, I understand, in time with the acceptance of the new person into the post, and therefore we have had a continuity, which I am pleased about. However, Brenda Croft was the curator in the Art Gallery of Western Australia, somebody who had built tremendous connections in the indigenous community. It has been my hope that, on merit, through our systems of employment practice, an indigenous person would be in this post. That has now occurred, which is also pleasing to me, but it was on merit. Brenda Croft is a terrific person, and Wally Caruana has also agreed to assist us in continuous fashion with the Oceania shows. We have contracted him to work on those.

Senator LUNDY—Can you tell me how long the position was vacant for, please?

Dr Kennedy—I have just said, Senator, that my belief is that the departure of one person from that position and the acceptance of the other person were coincidental in timing. I will not ask Mr Froud to offer any comment now, but I will take that on notice.

Senator LUNDY—Just vacant in terms of someone acting in that position. How long has it been since that was permanently filled?

Dr Kennedy—I am trying to make the point, obviously in a way that is not adequately clear yet, that there was not somebody acting in the position and there was not a vacancy in time.

Senator SCHACHT—A matter has been raised about allegations of fraud and misuse of Commonwealth resources. You wrote a letter on 24 October last year about these allegations in a letter to Mr Froud. You stated—

Dr Kennedy—Could you clarify what the allegations are, please. I am not sure what you are speaking of.

Senator SCHACHT—Allegations of fraud and misuse—that some staff were using the services and resources of the Gallery to conduct private business.

Dr Kennedy—I see.

Senator SCHACHT—As a result of that report, the minister asked for further details from the then shadow minister. That was provided and an inquiry was conducted. Do you know what the outcome of that investigation was?

Dr Kennedy—I can comment that there was an investigation and that the investigation was conducted in accordance with the provisions of the National Gallery certified agreement, which specifically required that the matter be treated in confidence. That is an agreement between the staff and management of the Gallery. I can say also that, as a result of the investigation, the Gallery is reviewing certain administrative practices, and it has been implementing and will continue to implement some changes, for example on guidelines for outside employment. That is all I can comment on at this stage.

Senator SCHACHT—I have been on this issue on and off for 18 months, maybe two years, when these matters were first raised. It has taken a long time to get to the investigation. If people want to read the transcript and catch up, the allegations were that certain staff members were conducting private business and using the resources of the Gallery. A Gallery telephone number was used as a contact if you wanted to get a private job done et cetera. What administrative changes have you now made as a result of this investigation that will indicate to me that you have stopped this practice—I hope you have stopped this practice—and that taxpayers' money is no longer being used to allow people to conduct private business for profit?

Dr Kennedy—Certainly you have made some allegations; I cannot comment on them at this time because we have an agreement with our staff which prohibits me from so doing. I cannot, however, say anything—

Senator SCHACHT—If the Auditor-General came along and investigated this and found that taxpayers' money had been used for private profit, your answer would not be considered satisfactory by the Auditor-General. I think you should be able to tell the estimates committee what you have done. As a result of this investigation, you have made some changes. I hope the changes mean that people cannot use taxpayers' money to conduct private business at the Gallery. Is that the case?

Senator Kemp—Before Dr Kennedy answers, I know this must have been inadvertent on your part, Senator Schacht, because I have rarely seen it before, but a question was asked of Dr Kennedy, and he was answering it and then you butted in and prevented the full answer being given. As a matter of courtesy, if a question is put to Dr Kennedy he should be given the chance to respond; when he is finished a second, third, fourth or hundredth question can follow.

CHAIR—That is a good point. Senator Schacht, you must not butt in. Please let the witnesses finish answering the questions.

Senator Kemp—I pointed out that it was a very rare thing for Senator Schacht to do.

Senator SCHACHT—Can we get the answer then. All right, I will wait. I will wait patiently.

CHAIR—It is fairly rare for Senator Schacht to butt in, but please proceed. Would you care to finish your answer, Dr Kennedy.

Dr Kennedy—Thank you, I would. The specific question, as I understand it, was: 'What has the Gallery done to make sure that such practices could not happen in the future?' I am taking that to mean that I cannot comment, and will not, on anything that may have happened in the past, because then the investigation was subject to confidentiality under our Gallery certified agreement. That does not mean that I say it happened or that it did not happen; I am not commenting on it. On the second issue, however—'What have we done?'—I can say that we have implemented some changes, as I said in my first answer to you, for example, in the guidelines of outside employment, so that every member of staff is very clear as to what their obligations are as a member of the Gallery staff vis-à-vis any outside employment. We have had the benefit of advice in drafting those guidelines in cooperation with our staff consultative committees and the union representation on it, and I am satisfied that we have clear guidelines now.

Senator SCHACHT—Can you provide those guidelines to the committee?

Dr Kennedy—Yes, I can.

Senator SCHACHT—So in the future the activities of Mr Sitauti, one of your officers, who was conducting a business after hours or during hours, where people could contact the Gallery, would be forbidden. Is that correct?

Dr Kennedy—I am—

Senator SCHACHT—Is that forbidden?

Dr Kennedy—There are two questions there. One is whether I will comment on the first matter, which regards naming members of my staff and making allegations about them, which I will not comment on. The second—

Senator SCHACHT—But—

CHAIR—Senator Schacht, please let the witness answer.

Dr Kennedy—Which I find—

Senator SCHACHT—Sorry, it is not an allegation; it is a fact.

Dr Kennedy—No, I am sorry—

CHAIR—Senator Schacht, please let Dr Kennedy finish his answers.

Senator Kemp—Mr Chairman, I think Senator Schacht has transgressed again.

CHAIR—It is very unlike you, Senator Schacht.

Senator Kemp—It is very unlike Senator Schacht, and I do not know why he is doing this this morning. I think it is important that the witness be given a chance to respond. I am very opposed to any sense that the committee may be attempting to harass the witness, and I will not allow it. Senator, you have made your point and Dr Kennedy can now respond. I urge you to let him finish his response.

Senator SCHACHT—Let him finish and I will ask one more question and then move to the next area, which is just as important.

Dr Kennedy—I have said that I am not commenting on any allegations that you made. I have taken a position generally that I try not to refer to particular individual members of staff and therefore I have no comment to make on the investigation, which was conducted, as I said, in confidence, according to the provisions of our staff union agreement. However, I am confident that we now have guidelines, which I have agreed to pass to you, to make sure that in future everybody is aware of their responsibilities in the matter.

Senator SCHACHT—Does that guideline prohibit people during office hours using the resources of the Gallery to conduct private business for their own profit.

Dr Kennedy—I certainly hope so.

Senator SCHACHT—Yes or no.

Dr Kennedy—My answer is that I certainly hope so. That is the intention of the guidelines.

Senator SCHACHT—I will wait for the guidelines. We are running out of time and I will have to put some of my questions on notice, but where are we at with the saga of the design of the new front door and the argument with moral rights of architects et cetera. You kindly showed me—it must be 12 months ago—a model in your office of the redesign of the Gallery, which was quite extensive; it was not just the front door area but other areas. Where are all of those plans now?

Dr Kennedy—Thank you for the question. Personally, I have to say that I do not regard it as a saga at all; I regard it as an evolutionary situation leading to the right answer for the development of the National Gallery in the interests of its many visitors and its staff. I found it a very enriching experience.

Senator SCHACHT—I think the taxpayers might find it a very costly experience, but nevertheless I await your enriching experience.

Dr Kennedy—The present position is that the Gallery has been moving to redevelop the building that would be viewed externally by the provision of a number of facilities, including a new front door access. I have discussed this many times with you, as you said. The other matter is that internally there is very significant work happening in the Gallery on our systems

and on the development of the layout of the Gallery, in visitor services. A considerable amount of that work will be completed in time for the 20th anniversary of the opening of the Gallery to the public, which will be in October of this year.

Since the December meeting of council, and at a meeting of committee of council last week, we have been looking at a concept for the Gallery which will involve the placement of the major front door access at a different point from any previously considered. This has been due to examination of the previous plans and, ultimately, the decision to resite the entrance, and all those plans will be available very shortly on our web site. I have had discussions with the original architect about them at a meeting last week, and we have also had discussions with the Heritage Commission and with the National Capital Authority. The overwhelming sense I get is that we are moving forward very positively, and in our discussions with the Institute of Architects I also got the sense that the Gallery is moving in the right direction. The difficult matter of moral rights—which is, of course, at the present time, subject to being without precedent judgments in the absence of legal cases on moral rights legislation—will be, I think, importantly informed by the Gallery's decisions in the matter.

Senator SCHACHT—How much have you spent so far on this issue of the redesign of the entrance of the gallery? In view of the fact that you have now said that a new design is coming forward, I presume that all the work done on the initial design is now dead money—as we use that phrase. How much was spent on the design that is now no longer going to be used?

Dr Kennedy—Senator, to answer your first question first, how much have we spent altogether, and the second question being how much have we spent on a particular original design, we have spent so far \$4.837 million out of what, as you know, is a—

Senator SCHACHT—How much?

Dr Kennedy—It is a \$42.9 million project, Senator—

Senator SCHACHT—\$4 million.

Dr Kennedy—which has been funded by government, and we are very pleased that we are moving ahead, yes.

Senator SCHACHT—Of the over \$4 million, other than having a box full of plans and drawings that apparently, for the front door, are no longer available because you have a new design coming up for a new, different entrance, how much is drawings and other issues that we are not going to see any value for because things have moved on, as you call it, and new designs have to be reached?

Dr Kennedy—That goes to your second question. Your second question is, specifically, how much was spent on the original design? The answer to that question is that we are part of an evolutionary process, and it would be very difficult to extract precisely that figure for you. In the nature of every building project, as you move towards getting the right answer, you have to expend considerable sums. We are involved with the same project team of architects, engineers, consultants and project management, and we are moving ahead with the designs as I have outlined them to you. We will seek, as much as is possible, to provide you with some sort of information, but we would ask you to acknowledge that, in the nature of working on a particular building with the same design team, there will be a very considerable overlap.

Senator SCHACHT—Will you get to one of these consultants and architects that you have employed who has been paid over \$4 million, most of which appears not to have led—yet, anyway—to an improvement or addition to the Gallery? Someone has collected a lot of money here and we have nothing for it.

Dr Kennedy—Senator, I meant to take that as a question: has this money been expended in such a way that it is all lost?

Senator SCHACHT—You should have over \$4 million.

Senator Kemp—All right, let's have a question now.

Dr Kennedy—Is that a question, Senator?

Senator SCHACHT—I want to know—you had better take it on notice—what the \$4.8 million has now been spent on so that we can work out how much was spent on architects' fees, engineering fees and consultant fees for the design of the new entrance, for example, which you have said earlier in the estimates is now not proceeding; you are looking at a new entrance design. That is more architectural fees, more engineering fees, more consultant fees—and the taxpayer is running up the flag.

Senator Kemp—Senator, you have asked a specific question, and we will take that question on notice.

Senator SCHACHT—Have you reached agreement, satisfactory to both you and Mr Madigan, the original architect, that there is no longer any legal action from Mr Madigan or the architects' union—whatever they call themselves—against the Gallery over moral rights issues and design issues? Has that all been satisfactorily concluded?

Dr Kennedy—Senator, there are two assumptions in your recent comments. First of all—

Senator SCHACHT—I just want to know: are there any—

Senator Kemp—No, you have asked the question, Senator.

CHAIR—And you have put it on notice.

Senator SCHACHT—Just a straight answer—

Senator Kemp—You have asked the question and now—

Senator SCHACHT—Okay. I will sit back and wait. If I do not get a yes or no, I will come again.

Senator Kemp—Sit back and wait—good.

Dr Kennedy—There are two assumptions you have made, Senator, in your recent comments. One is that Mr Madigan was in legal action against the Gallery, which he was not. The second is that all of the \$4.8 million was actually expended on the design of the building; it is not. I have explained to you that there are a lot of internal works, and I think you are well aware—because I have had several confirmations on the matter of airconditioning—that we have actually been spending very considerable sums of money on the internal systems of the Gallery. That is all part of the \$4.8 million.

Senator SCHACHT—And you will put it on notice that you will break it all down?

Dr Kennedy—I will provide you with that on notice. Thank you.

Senator SCHACHT—Fine. In the discussion or the dispute with Mr Madigan which was public last year, did you incur any legal expenses or consultant's expenses?

Dr Kennedy—There were expenses, certainly, in relation to advice on the Moral Rights Act so that we could act appropriately under a recent piece of legislation about which there were no precedent judgments. I am not going to presume to talk for Mr Madigan to say what he personally feels about the matter, other than to say that we have been in continuous dialogue since 1997 and in a very enriching way in the last nine months, and that dialogue is

continuing to the extent that, as I said to you, I had a meeting with him in Canberra, in the Gallery, last week.

Senator SCHACHT—So the relationship with Mr Madigan is now very reasonable and he is cooperating with you and you are cooperating with him in any further design changes to the present gallery which he designed?

Dr Kennedy—We have been in continuous dialogue with him, yes, but again your presumption is that I was in dispute with Mr Madigan. I have not been in dispute with Mr Madigan. He has had a view of the matter and I have had a view of the matter, the architects have a view of the matter—

Senator SCHACHT—It was in the press!

Dr Kennedy—Yes, but they are points of view about a building about which Mr Madigan cares deeply and I guarantee you that I on behalf of the staff of the Gallery and many visitors care about also.

Senator SCHACHT—You will take on notice what it cost to get that advice. I accept that moral rights legislation was new legislation—

Dr Kennedy—Thank you.

Senator SCHACHT—and you were probably not the only one to get caught with it, as the architects line up to protect their last 50 years of design, and I wait for those answers. You said in reply to a question put on notice in June of last year that the Gallery has spent \$2.8 million on airconditioning upgrades. Was any of that money used to correct matters that Mr Brian Cropp, a former employee of the Gallery, complained about?

Dr Kennedy—The Gallery's airconditioning system has been planned for maintenance and development to contemporary standards since 1995 and many people have had input into the decisions taken to provide what is currently regarded, I think, as a much improved system, we have all acknowledged that—specifically as to whether any comments of any person in particular, I cannot answer you right now.

Senator SCHACHT—I would like you to take it on notice and come back to us to say whether the complaints he made—and you might dispute the standing of his complaints—were corrected by any of the money spent. That was \$2.8 million in the answer to June of last year. And could you update the figure and take on notice how much has been spent on the upgrade of the airconditioning since June of last year?

Dr Kennedy—Could I ask Mr Froud to clarify something for me.

Mr Froud—Senator, as I understand it, the answer given in June of last year was that the estimated project cost for upgrading airconditioning facilities was in excess of \$2.8 million, and that is still the case.

Senator SCHACHT—And that has not all been spent yet?

Mr Froud—No. The work is still under way.

Senator SCHACHT—When will it be completed? When will the \$2.8 million expenditure to upgrade the airconditioning overcome its problems to be completed?

Mr Froud—We would expect that the majority, if not all, of the \$2.8 million would be spent in the current financial year. We are looking at the refurbishment of the airconditioning plant being completed by about May of this year.

Senator SCHACHT—Take on notice the breakdown of where the \$2.8 million was spent.

Dr Kennedy—Chairman, if I may, I would like to take the opportunity, given the number of questions—several hundred—that have been asked to me in my time as director of the National Gallery about airconditioning, to extend an invitation, if the committee wishes to take it up and Senator Schacht in particular, to have a look around our airconditioning system now.

Senator SCHACHT—I am more than happy to take that offer up.

Senator Kemp—That is a very kind invitation.

Senator SCHACHT—Bring the minister with you so we can crawl up all the ducts together. We may never get out alive.

Senator Kemp—Senator Schacht has shown enormous interest in this and it would be extremely useful if Senator Schacht could go down and inspect the airconditioning.

Senator SCHACHT—Absolutely. I just want to make sure I do not get some bug or disease.

Senator Kemp—We can facilitate that.

Senator SCHACHT—I want to make sure I come out safely. If you come with me and we both die together there will be a balanced pair as a result in the Senate.

Senator Kemp—You know I am always prepared to assist you, but I do not propose to act as your bodyguard in this matter.

CHAIR—We do thank the director, however, for that invitation. It has been a controversial issue and the committee would like to take up that offer.

Dr Kennedy—Thank you. I think that would be beneficial.

Senator SCHACHT—In the last 12 months there have been so many reports in various areas. There have been three Ombudsman reports and a Comcare report. Do you accept that you have been able to respond to all the recommendations and criticisms in the Ombudsman reports satisfactorily?

Dr Kennedy—I undertook to you and to this committee quite some considerable time ago to seek to fix the issues being raised about our airconditioning system, plant and machinery and the procedures and processes around them. I am confident that we have been making very considerable progress in the matter. We are very clear that we are under the watch of many agencies. It is open at any given time for the same person, for example, to make criticisms and objections—allegations even—to a number of agencies simultaneously or in sequence. We will take every single report that arises in such matters seriously and seek to investigate it. We have had quite a number and some have had similar sources. Others are provided on anonymity and we respect that. I am confident now that we are moving forward very strongly, and I am very grateful to the staff who have taken on board all the criticisms and sought to improve the matter in the interests of the public.

Senator SCHACHT—In the third Ombudsman report 13 recommendations were made. I will not read them all out, but I would seek leave to table the 13 recommendations.

CHAIR—That is given.

Senator SCHACHT—Have those recommendations been released publicly and, in particular, made available to all staff members of the NGA?

Dr Kennedy—We have received, as you said, 13 recommendations from the Commonwealth Ombudsman. Specifically, this was about investigation of our complaint handling processes.

Senator SCHACHT—Yes, that is right.

Dr Kennedy—It was recommendation No. 13 that the Gallery director, having seen through the other 12, should inform the gallery staff of the aforementioned recommendations and also inform the staff of the action the NGA intended to take to comply with the recommendations. We have actually done that and informed the staff of the recommendations. I was very happy to work with the Ombudsman in making sure that our complaints handling processes would be the best that we could have at this time.

Senator SCHACHT—Will you supply the committee with the circular that the Gallery has sent out to every staff member on the 13 recommendations, including No. 13, which is that they should be publicised to the staff?

Dr Kennedy—Yes, we will take that on notice.

Senator SCHACHT—Has the circular already gone out to all the staff?

Dr Kennedy—That is correct. The word ‘circular’ has a particular meaning in bureaucratic terms. I do not know the nature of the circular.

Senator SCHACHT—Whether it is by email, by fax or by camel train—

Dr Kennedy—Absolutely correct.

Senator SCHACHT—but all the staff have it somewhere freely available and they do not have to go and ask someone secretly for it. It is available on what these recommendations are. I do not want to go through the detail of them, but it is quite clear that these are pretty substantial changes to the complaint processing going on in the Gallery. Do you take this in any way as a direct criticism that the previous complaint handling process in the Gallery was not up to scratch in what a modern 21st century organisation should be about?

Dr Kennedy—A lot of the issues raised were actually being undertaken by staff in the Gallery. What I do agree is that they were not formalised in this way, and the processes proposed with the Commonwealth Ombudsman’s support are obviously Public Service wide, and therefore we benefit from his greater knowledge in the matter. Therefore, I say that I would hope that now it certainly is better than it was, but I do not wish to say that we were not operating such processes in the past.

Senator SCHACHT—Has the Ombudsman acknowledged that you have accepted the 13 recommendations?

Dr Kennedy—I believe I wrote to him to that effect, yes.

Senator SCHACHT—And did he respond that he is pleased to hear that you have accepted the 13 recommendations?

Dr Kennedy—I would have to take that on notice, Senator, as regards the state of the correspondence, but let me say that we have been working with the Commonwealth Ombudsman’s office on the matter, as I said to you, and we would seek to continue that.

Senator SCHACHT—If he is not satisfied that you have responded to the 13 recommendations, is it true that he can proceed to a formal section 15 report on these matters?

Dr Kennedy—Senator, that is not how we propose to work in such matters. We would not have issued them to staff, if the Commonwealth Ombudsman had not been satisfied about them.

Senator SCHACHT—Okay, so we can look forward to a considerable improvement in the complaint handling process in the Gallery which, I have to say, is to the good credit of the

management. I also have to say, Mr Kennedy, that you inherited some of these issues. They go back before your time, so you are not to be completely slotted for every one of them. Nevertheless, it is a good step forward. I would like to point out that, in an answer you gave to me, you finally conceded that the use of the word ‘doubling’ in relation to attendances was not correct. In response to my question No. 15, you said:

It is acknowledged that the word ‘doubling’ is incorrect and in future it will be adjusted to ‘increase’. The number of gallery works of art included in travelling exhibitions in recent years is as follows ...

So we finally got that clarified: there was no doubling in attendances. There was an increase, maybe, however you do the figures, but there certainly was no doubling.

Dr Kennedy—No, Senator, what I have conceded is this—

Senator SCHACHT—You said in your answer that it was incorrect

Dr Kennedy—No, but Senator—

Senator SCHACHT—You said ‘The doubling is incorrect’.

CHAIR—Senator Schacht, let Dr Kennedy make his response.

Senator SCHACHT—All right, I will let him. Go ahead.

Dr Kennedy—I am interested to protect the reputation of the Gallery. The Gallery does not issue statements which are untrue. However, the Gallery did concede that, if this statement was read as meaning one thing or another thing, in addition to what it actually said, that would be misleading. We did double our exhibitions program and our travelling exhibitions in that year from four to eight. However, that did not mean that we increased the number of works that we sent around the country. It did not mean that the number of visitors attending increased. We answered the question and gave an accurate answer to that question. However, what we found was that some people misused that answer to imply something else, and we made it clear, as a matter of public probity and veracity, that that should not be. I am not conceding that we were incorrect; I am conceding that it could have been misleading and, therefore, we clarified that matter in the interests of public knowledge.

Senator SCHACHT—I think that—

CHAIR—That was a very clear explanation.

Senator SCHACHT—It was a clear explanation that ‘doubling’ was not correct, and when we raised it in this estimates committee 12 months ago we were told that it was correct. But it has now been clarified that it was not correct.

CHAIR—It has been clarified. We should accept that.

Senator SCHACHT—It was not a correct answer at the time.

Dr Kennedy—I would like to take that on notice, because it is really uncharitable and unfair to the staff of the Gallery to say that was incorrect. It was not incorrect.

Senator SCHACHT—Hang on, Mr Kennedy, you said it. As far as I am aware, no-one else in the Gallery said it. You took the responsibility to say that there was a doubling of attendances. I do not think you can blame the rest of the Gallery staff for giving misleading information. You were the one who gave it to the estimates committee.

Dr Kennedy—No, Senator, I did not.

Senator SCHACHT—In the report, you were the one who put his name to it. I may be getting old and suffering from Alzheimer’s, but I know that is correct.

Senator Kemp—Senator Schacht, you are getting very bad-tempered .

Senator SCHACHT—No, I am not getting bad-tempered at all.

Senator Kemp—That is not charitable, and it is certainly outside the usual standing orders of this committee. You are not to harangue the witness. You are not to attempt to put words in the witness's mouth. Dr Kennedy now would like to respond. Mr Chairman, could he be given a chance to respond without interruption?

CHAIR—Indeed.

Senator SCHACHT—Okay, I will leave that matter.

Dr Kennedy—No, I want to respond. This is my veracity here.

Senator Kemp—Dr Kennedy wants to respond. Senator Schacht, could you please keep quiet and allow him to respond.

Senator SCHACHT—Let him respond. I thought he had.

Dr Kennedy—This matter travels out of this chamber into the newspapers and then into the international newspapers and into the national newspapers all around the country, and it is not right. I said that we had two things—and this came out of our public affairs office and, therefore, I take personal responsibility because it came out of the Gallery. It said that we had doubled the number of travelling exhibitions in that year. We did: they went from four to eight. We said, secondly, that we had doubled the availability of loans. We did. How did we do that? Previously, people had to write to us a year in advance to get a loan; we changed that to six months. We were lauded for making works of art more available around the country. On the other hand, as you have put it, we should be critiqued for a misstatement. That is not true; we did not make a misstatement. Other people imputed that that statement might mean that we had doubled the number of works that we were sending around the country or doubled the number of visitors or doubled the number of loans around the country, and that was incorrect, and we gave that to you in an answer. Therefore, I reject any claims that we have been mendacious.

Senator Kemp—Senator Schacht, I am somewhat shocked that you did not appreciate that this had already been responded to and you continue to make the same claims.

Senator SCHACHT—Minister, you have only been here one estimates hearing for two hours with the National Gallery. I was in government for three years, and in three years time I think you might have a more jaundiced view about some answers given from the Gallery and, I have to say for your sake, I hope the place does get better managed because you will have a lot less time here at these estimates long after I have gone.

Senator Kemp—Thank you for that, Senator. Of course, we are sorry to learn of your departure.

Senator SCHACHT—Some people aren't.

Senator Kemp—But not on our side, Senator.

Senator SCHACHT—On another matter, Dr Kennedy—

CHAIR—Do you wish to table a document?

Senator SCHACHT—Yes. I will give it to you in a moment because we have nearly finished this section with the Gallery.

CHAIR—Thank you, Senator.

Senator SCHACHT—The Hennessy report in October 2000 dealt with a number of allegations about the airconditioning. Do you believe that report substantiated the complaints that Mr Brian Cropp, a former employee, made about the condition of the airconditioning?

Dr Kennedy—Senator, I have already, I believe, answered that question because you asked me whether we had taken on board specific questions of the gentleman mentioned, and therefore we will seek to answer that question as previously said.

Senator SCHACHT—You are saying you have already answered that?

Dr Kennedy—If I understand you, you are asking the same question that you asked before, which was whether or not any comments made by the individual concerned had been taken up by the Gallery. If that is the same question but just being applied to the Hennessy report, then we will certainly be doing that.

Senator SCHACHT—The Hennessy report, in one of these extracts, and I think that this is a reasonably correct extract, says:

During our site inspection we observed that corrosion of the AHU walls is significant, with some sections literally eaten away. We found floors covered with water and behind the corroded walls we found saturated sections of insulation. AHUs in this condition are considered to be at risk and steps should be taken to rectify the problem.

Were these some of the matters that Mr Cropp originally complained about when he was employed by the Gallery?

Dr Kennedy—Senator, as I have said before, we would have to check out that answer for you and provide it on notice.

Senator SCHACHT—Okay, take it on notice. Thank you very much for that. I will be putting a series of questions on notice because we do not have enough time to deal with that, and I know you have partly complained that this takes up time of staff and officers to prepare answers. Many departments make similar complaints. When we were in government, we made complaints when Senator Kemp flooded estimates committees with hundreds of questions, but it is part of the process.

Dr Kennedy—Sorry, it wasn't a complaint, Senator, it was just an observation.

Senator SCHACHT—An observation, and in one sense it is unfortunately correct from your point of view, but I think as part of the estimates it is good for parliamentary scrutiny. Dr Kennedy, my colleague Senator Lundy did quote what you said on *Stateline* towards the end of last year. The story that was subsequently printed in a local paper said 'Kennedy says attention on him borders on pseudoracism' because we were attacking you because of your Irish background or heritage. You say in the article, 'That sort of thing in Europe has been outlawed by discrimination and racism legislation and I think we need to be very careful how we handle this sort of thing.' We do have Commonwealth antidiscrimination legislation against sex, race et cetera. Have you decided, or thought it necessary, in view of your concern publicly, to take action against those who you think are acting against you on a racist basis?

Dr Kennedy—Certainly, Senator, you are commenting about what 'we' have done. I do not know who the 'we' is that you are referring to.

Senator SCHACHT—You have complained that there may be a racist element, and you quite rightly say that in Europe there are laws that protect people from this. There are laws in Australia—there is a Commonwealth act—on discrimination, and racism is one of the criteria. I just wondered whether you have decided, in view of your public comment, to use the

provisions of the discrimination act to take action against those whom you think have acted against you on a racist basis.

Dr Kennedy—As someone in public life, even marginally so, unlike yourself perhaps but perhaps with a very public profile, I have found it better not to take legal action, generally speaking, against people and I have not done so. In this particular matter, what I am going to the heart of is the nature of an art gallery. An art gallery, particularly one like the National Gallery, actually celebrates the diversity of the world's cultures. It is about tolerance and it is about harmony. What I was observing to the interviewer on this particular TV program is something that has been of concern to me but just to me as an example of maybe many people, and I have referred to this in other speech material, most recently in Melbourne. I tend to put my speeches up on the web site, so you could consult them if you wish. I have been referring to the fact that a number of remarks—and it is when you become aware of it yourself—are made which actually go to your race, your nationality, your religion. These types of remarks, which have come from a range of people, make me sensitive to this issue in the community at large on behalf of the broad range of people who are part of the ethnic diversity in the Gallery's staff, for example, and who would make that clear to me in other ways. But also it is at the heart of the celebration of what a national gallery really is. So it is a matter of general concern to me, not of specific concern, and the matter of legal action does not arise.

Senator SCHACHT—This is under privilege here, Dr Kennedy, so no-one can sue you, which is a great opportunity to clear the air. Can you indicate to me those who you believe have made comments that are pseudoracist? Here is your opportunity. You cannot be sued. You can put it on record; you can mention anyone you like.

Dr Kennedy—It has not been my habit to use this chamber in this way, and anything I have to say I will say publicly outside of this chamber before I say it anywhere else. I do not use this chamber in that way.

Senator SCHACHT—I will be quite specific. I have asked you a number of questions—

CHAIR—Senator Schacht, Dr Kennedy has made his position clear and I think we should move on.

Senator Kemp—I think you are trying to be provocative there, Senator.

Senator SCHACHT—I am never provocative.

Senator Kemp—I know that, and this is why I am shocked, actually. I think we can detect an element of being provocative on this. You have been answered with great courtesy by Dr Kennedy. I would tend to leave it there and move on.

Senator SCHACHT—He has been very courteous, and I appreciate it. Dr Kennedy, if you do not want to name anyone in particular, I will put it around the other way. I have been one of those people consistently questioning you about management but I have never questioned you or argued with you about your artistic judgment, because I do not think politicians should be in that at all. I have only argued about the management style and the management issues of the Gallery. Have any of the questions I have asked you over the last two years in this chamber being pseudoracist?

Dr Kennedy—I am very happy to put on record that you have not come into my orbit on this issue at all. Your remarks have never been about my race or any other matter that I knew of. I am very happy to put that on record, and I would regard you as a champion of this issue.

Senator SCHACHT—Thank you very much. I will put that on my CV!

Senator Kemp—I think we should end on a high note.

Senator SCHACHT—I agree. All I can say is that occasionally in the past, Dr Kennedy, you have come here and we have questioned you on some remarks, and I think on one occasion you said that it was infelicitous of you to have written a particular letter. May I suggest that this is a free country with free speech and I certainly encourage it. It might have been marginally infelicitous to suggest that pseudoracism is behind the background of some questions, criticisms or comments about the Gallery. But I am in favour of free speech, so you can continue to say it. Here is an opportunity to bag us all.

Dr Kennedy—No, Senator, it is not about bagging.

Senator Kemp—Senator, there is one small blemish on your career which remains—

Senator SCHACHT—I hope there are many, from your point of view.

Senator Kemp—In that you attempted to prevent the printing of Odgers.

Senator SCHACHT—I think Odgers is a complete waste of money.

Senator Kemp—That is the only blemish on your free speech credentials, I would have to say .

Senator SCHACHT—I think Odgers is a complete waste of money. You know my view about that.

Senator Kemp—We do. You tried to prevent it being published.

Senator SCHACHT—One edition is enough for all senators. Anyway, Dr Kennedy, we have other agencies to examine in restricted time. I will be putting a number of questions on notice. I appreciate that the Gallery has to spend time on them, but I think they are relevant in the issues before us. In the estimates elsewhere this week I will be raising some questions with Comcare about their report on the Gallery. Thank you.

Dr Kennedy—Thank you, Senator.

CHAIR—As that completes the questions on the Gallery, thank you for appearing, Dr Kennedy.

Proceedings suspended from 10.45 a.m. to 10.53 a.m.

National Library of Australia

Senator LUNDY—I have got some questions about the information technology—which may not surprise anybody—in particular, Kinetica. Does the Library derive income from Kinetica? If so, how much and from whom?

Ms Fullerton—Kinetica is a charged for service. It is provided to Australian libraries. Libraries of all sorts are the customers of Kinetica. My colleague, Mr Toll, will speak about the level of revenue we receive from that.

Senator LUNDY—Thank you.

Mr Toll—We receive \$4.5 million per year. That comes from the Kinetica customers, and there are over 1,000 of those. Most of them are other Australian libraries.

Senator LUNDY—In terms of charging for that service, is there any legislative mechanism or barrier to you doing so or are you needing any legislative changes to be able to charge for that service?

Ms Fullerton—We have charged for that service from the outset. It was a condition of the National Library implementing that service that we attempted to achieve cost recovery. That was the basis of embarking on the service now over 20 years ago.

Mr Toll—No additional funding was provided. It commenced in 1981, and no additional funding was provided at that time. It was a government decision that the service would have to be self-supporting.

Senator LUNDY—Was a legislative change required at that time to allow you to charge for that?

Mr Toll—No, it was not required, and it has not been subsequently.

Senator LUNDY—What changes have there been to the Library's collection policy following the termination of the distributed national collection policy?

Ms Fullerton—None that I can think of that relate to the distributed national collection. The distributed national collection is a concept regarding all Australian library collections as a single collection that is accessible to all Australians. The National Library is pursuing its own collection development policy. Its policies are publicly available and, in fact, we are about to apply more funding to some areas where we have not been able to in more recent years, particularly retrospective overseas material.

Senator LUNDY—I know I have asked questions about this previously but, from recollection, there were some cuts to some overseas collecting?

Ms Fullerton—That is right. It is now about seven years ago.

Senator LUNDY—In relation to that change, I am looking for descriptions or statistics on the number of on-site users or readers since that change occurred. What has been the impact of that over time?

Ms Fullerton—Yes, there is a decline in the number of people attending the National Library building physically because we provide more of our services in an online manner. The nature of library collections is changing very dramatically. We are moving away, all across the world, from large print collections to buying serials, in particular, in online form. That makes us able to provide many more titles, and we are about to increase by about 40,000 additional titles in the next year.

Mr Toll—It is actually 4,000 titles.

Senator LUNDY—I was about to say that 40,000 is very impressive; it is 4,000 titles?

Mr Toll—Yes, 4,000 titles from July.

Senator LUNDY—In terms of Kinetica, I have been made aware that there have been complaints made about that service including, specifically, the difficulty it has in sorting responses alphabetically and the number of searches having decreased. Can you perhaps shed some light or confirm whether those complaints are accurate?

Ms Fullerton—The system is being progressively upgraded. We do regular surveys of our user response and user response is increasing every year. We have now overcome the teething problems that occurred during the change from the previous software we used to support that system. The numbers of holdings being added is increasing. We have a very high coverage of the collections of Australian libraries on that system.

Senator LUNDY—Does the system cover all libraries?

Ms Fullerton—The system covers a very high percentage of Australian libraries—over 1,000—of all sorts, from public libraries to research libraries and special libraries.

Mr Toll—To be more specific, it covers 100 per cent of libraries in the state library sector and the university libraries, and about 80 per cent in the other categories, which are public libraries and special libraries attached to organisations.

Senator LUNDY—What are the barriers to picking up the last 20 per cent of those other categories?

Mr Toll—We have had a number of initiatives. They tend to be very small libraries and they often have very small budgets and very few staff, and we have tried to find other ways to provide access. One has been to actually offer the service via another service offered by the State Library of New South Wales that is specifically targeted to very small users with relatively small usage patterns over time. It is much more cost-effective for those smaller libraries to access Kinetica through that service than through us, because our costs of registration and that sort of thing tend to mean that a very small library may not use the service as much as it actually costs for the minimum charge each month.

Ms Fullerton—We also pursuing mechanisms to enable libraries to join in groups rather than as individuals, to make access easier for them.

Senator LUNDY—So is the strategy to make it a ubiquitous service, to actually get that last 20 per cent on board?

Ms Fullerton—Our objective is to try and make the service more accessible to end-users at this stage. We think that there is very high percentage of collections covered, but we would like to see the service extended to enable ordinary people to use it more easily.

Senator LUNDY—How will that impact on the requirement to recover all of the costs?

Mr Toll—We actually do not recover all of the costs. There are some indirect costs that we do not recover, but we do recover all of the direct costs. What we are trying to do at the moment is to find ways that we can offer additional use for our existing customers at a lower cost, on the basis that it does not require us to upgrade the computing infrastructure. So there is a certain opportunity there, we think, to actually offer some much lower cost access which could be extended to the end users through those existing customers.

Senator LUNDY—How will those new arrangements actually impact upon the smaller libraries' incentive to get together and purchase the service?

Mr Toll—At the moment there is quite a bit of activity there. We have recently concluded an arrangement with several groups of public libraries to join Kinetica as a consortium, which means that all of them can actually participate. This includes all of the public libraries in Sydney and, more recently, all of the country New South Wales public libraries. We have also concluded an arrangement with a group of public libraries in the country Victorian areas and we are talking to other areas at the moment, such as the Queensland country public libraries. So we are very actively trying to offer these consortium type arrangements, which allow all of the members of those groups to participate at a lower cost than they would have if they joined individually.

Senator LUNDY—I have been made aware that the British Library, which also purchased the same software that Kinetica uses, found it unsuitable for public access and developed an alternative system. Are you aware of that? How does that impact on your strategy to improve public access to your system?

Mr Toll—We are aware that the British Library chose the same product at a point in time. However, they had contracted with another party to rewrite that software and develop that software specifically for their requirements. The software that they were developing was in fact different from what we have here, which is the generic version of the software. We have heard recently that they are looking at alternative software solutions for their situation.

Senator LUNDY—Sorry, can you say that again?

Mr Toll—We have heard recently that they are looking at alternative software solutions for their particular application in the British Library.

Ms Fullerton—Their intended use was not the same as the Australian use either.

Senator LUNDY—Have you studied the findings of the New Zealand government's parliamentary inquiry into the World One system and what actions, if any, arose from that analysis?

Ms Fullerton—We were aware of it, but it is now over three years old. We ceased an earlier contract we had and had to move along to provide a new service. We used a standard government procurement process and the end result was the software that we now use for Kinetica.

Senator LUNDY—I am trying to recall—I know I have asked many questions in the past about this—that following the New Zealand inquiry they made a decision to use Te Puna.

Ms Fullerton—They run a service that is similar to Kinetica, which they call Te Puna, and they chose different software to run that service—software that was not offered to the National Library during our tender process.

Senator LUNDY—Right. You have anticipated my question which is: have you investigated the feasibility or suitability of that particular software? So that was not available to you as part of the tender process?

Ms Fullerton—No.

Mr Toll—No. Each of the national libraries had its own procurement process in the terms that they had to operate those processes within their governments. The system that was eventually chosen in New Zealand was not in fact one of the systems that was offered through the procurement process that we undertook.

Senator LUNDY—So with the procurement process it was like an endorsed supplier arrangement here. What prevented that being part of your process?

Mr Toll—Nothing. It was completely open process.

Senator LUNDY—So they just did not tender?

Mr Toll—That is right. And we did encourage every known system supplier of this type of software to tender because we wanted the widest possible choice. Another fact here is that the New Zealand experience came after ours—I cannot remember exactly, but I think it may have been about 12 months later—so from that point of view the system that they eventually got may have been in a better position to tender at that stage in terms of its own business situation.

Senator LUNDY—Can you tell me the justifications for the Library rejecting joining the Online Computer Library Center?

Ms Fullerton—That is OCLC, a very large US company.

Mr Toll—We did not reject it as such. OCLC was, in fact, a tenderer during that process that we just referred to. However, the tender was extremely underdeveloped and we were not able to proceed with it.

Senator LUNDY—But they did participate in the continuing process?

Mr Toll—Yes. They basically submitted what you could say was an expression of interest rather than actually complying with the tender document in terms of the requirements of the process.

Ms Fullerton—We do have a continuing relationship with that company; we do use the services of OCLC. We have recently concluded an agreement with them whereby our small customers can go to OCLC to use their service to supplement what is available in Kinetica.

Senator LUNDY—In terms of the general issues around the Kinetica system, do you still feel that it represents value for money in serving the needs of the National Library?

Ms Fullerton—We have a service unparalleled in the world, really, that we provide to our nation. It was the only system that was available to us that met our needs to the degree necessary at the time. We go through software upgrade processes to make it perform better, but of course we are considering what action to take at the end of the period of the contract.

Senator LUNDY—When is the end of the contract?

Mr Toll—The current contract expires in December 2003.

Senator LUNDY—What is the process of reassessment? For example, is there a two-year possible extension on that contract or does it finish? Do you have to renegotiate prior to that terminating, or is it a completely new open tender process?

Mr Toll—There is the option to continue it for two periods of two years.

Senator LUNDY—It was five and then two plus two?

Mr Toll—That is right, yes.

Senator LUNDY—Have you made any decisions or made known a decision of the Library to extend that either by two or, indeed, go out to a full tender again in December 2003?

Mr Toll—We have been considering the broader issue of the ongoing need for this type of service which in fact was an issue we considered when we first went into it. What we had expected was that the pace of technology would be probably faster than it had been in terms of allowing you—

Ms Fullerton—Distributed computing.

Mr Toll—to have distributed computing rather than a large centralised database which this essentially is. We have recently undertaken a review of the technology and we believe that we probably do need to continue to offer the service for a couple of years longer at least. We have consulted with the users of that service through the user meeting that we have each year. We believe that our customer libraries definitely want the service to be continued for a couple of years at least, and we believe that it is viable for that period. We have not made a final decision on that as yet.

Senator LUNDY—You have not made the final decision but that is your thinking.

Mr Toll—That is the thinking at present. We remain hopeful that other technological solutions will arrive which will be more cost-effective for us and all of the other libraries in Australia in the future, but that has not arrived as yet.

Senator LUNDY—No, but you are out there canvassing for alternatives like distributed systems networks and databases.

Mr Toll—Yes. We monitor the technological developments in these sorts of areas very closely.

Senator LUNDY—I will watch with interest. I also want to ask you about e-permanence and the archiving of webpages and web sites; I want to see how that program was developing. Do you have a general update or description?

Ms Fullerton—We are developing the technological underpinnings we require to make our archive just an operational activity rather than a project or an experimental activity. We have most of the pieces of software required in place now, but we are continuing to develop it. In the last 12 months we have made a public statement about our policy in regard to resources in electronic form. We are working closely with other state libraries that have a responsibility similar to the National Library's to ensure that publications in all their forms are preserved for posterity.

Senator LUNDY—Do you keep archives of the departmental and ministerial webpages?

Ms Fullerton—We make selection judgments and, of course, some of it is the responsibility of archives. We feel responsible for the kinds of things that would equate to publication even though they are not publications, and we know that. But we have an interest in archiving things that we believe should be permanently accessible to the Australian public.

Senator LUNDY—Is that archive accessible to the Australian public at this point?

Ms Fullerton—It is accessible through the National Library web site, and it is accessible through Kinetica as well.

Senator LUNDY—You mentioned resources for that project. Is that funded in your budget on an ongoing basis, or is it still funded on a project-by-project basis?

Ms Fullerton—No additional resources have been received for that project.

Mr Toll—We have reallocated resources within our appropriation in order to now fund it on a recurrent basis because it is considered to be an ongoing activity.

Senator LUNDY—But you did not get additional resources to do that?

Mr Toll—No.

Ms Fullerton—None.

Senator LUNDY—In the additional supplementary estimates, just to demonstrate to the minister that all my questions relate to them in some way—

Senator Kemp—I have not queried that, Senator.

Senator LUNDY—there is some \$3½ million additional supplementary estimates. Is that for a specific project?

Mr Toll—It relates to the revaluation of the Library's collection which was undertaken in June-July last year. The revaluation of the collection, like revaluation of all assets controlled under the accrual system, occurs every three years and that was the due date for that particular revaluation. As a result of the revaluation, the value of the collection is higher than it was previously. That has then meant that the depreciation expense which exists on the collection asset is higher, and this figure mainly reflects that difference. Effectively, it is additional funding for collection purposes to reflect depreciation of collections.

Ms Fullerton—That funding will only be applied to that part of the collection which depreciates.

Senator LUNDY—I will take your word for it. They are all the questions I have.

Senator CALVERT—The current *Treasures* exhibition you have at the Library is priceless and, I must say, it was fantastic to view it last week. Has it exceeded your expectations with regard to the number of people who have visited?

Ms Fullerton—It has exceeded our expectations. I think the enthusiasm of the public's response is what has exceeded our expectations. People remark on it in the most positive terms. Superlatives are used by practically everybody who sees that exhibition.

Senator CALVERT—I have heard stories circulating that people were queueing up at 5 o'clock in the morning.

Ms Fullerton—People have begun queueing now at 10 o'clock the evening before. Over 98,000 people have now seen the exhibition.

Senator CALVERT—Ninety-eight thousand people have actually viewed it?

Senator Kemp—What was the original forecast? Was there such a figure?

Ms Fullerton—We did, in fact, think about 100,000 people. We knew it was a very special exhibition. There are constraints; it is a relatively small room in terms of galleries. I suppose what we did not anticipate was the length of time people would spend viewing the material in the gallery. People are averaging more than an hour.

Senator CALVERT—Due to its popularity, is it likely that you will consider repeating something similar in the future? Or is it all too hard?

Ms Fullerton—We have demonstrated that it is not too hard but it was a very special exhibition for us. It was to celebrate libraries, particularly national libraries, last year when the National Library was celebrating 100 years of its existence. We have a very active exhibition program, but we will not be attempting anything quite on that scale in the next couple of years.

Senator CALVERT—I know the admission was free, but do you have any idea of the actual cost of putting it all together and bringing it here? I guess the insurance cost would be rather horrendous.

Ms Fullerton—The budgeted total cost from the beginning of thinking about it to its completion is \$3.6 million. Of that, about half a million dollars is in kind and sponsorship costs. As you know, we are not charging for it but expect to gain some revenue from it.

Senator CALVERT—Have you got any idea of the insurance costs?

Ms Fullerton—The art indemnity scheme has indemnified most of the material. For some items the National Library took out—

Senator CALVERT—Okay, so it is similar to what happens with the National Gallery. I was most impressed with the way you had a numbering system so that people were not crowded or pushed through it in a hurry.

Ms Fullerton—We have tried to make it as pleasant an experience as possible, but it is inevitable that some people miss out and so our main problem is coping with disappointed viewers.

Senator CALVERT—I guess the sale of the exhibition books is about the only income you are getting out of the whole thing?

Ms Fullerton—We have a donations box that people have given to generously.

Senator CALVERT—Of course. I remember the donations box.

Mr Toll—There is a range of merchandise and our estimate on revenues from that is about \$375,000, but the numbers that we have had indicate that that will be exceeded. The revenues may get up around the half million dollar mark.

Senator CALVERT—I think we should be very proud of the fact, as a nation, that we were able to have an opportunity to view so many precious items. I think those countries that allowed you to use them should also be thanked. All in all, I was fascinated by the whole thing. It is a credit to the Library for putting it together.

Ms Fullerton—What has been most rewarding for us is that response from the Australian public—quite phenomenal.

Senator CALVERT—It is a pity it could not have been viewed in other states because I am sure that people would have queued up for the rest of the year.

Ms Fullerton—It is such fragile and precious material. Most of it has never been lent before or, indeed, ever exhibited before. It requires very strict environmental control and stringent management, so it was just not possible.

Senator Kemp—The committee appreciates the questioning from Senator Calvert on the exhibition. I think it has made quite a national impact too. Speaking for my home state of Victoria a lot of interest has been created and we understand the reasons you say that it cannot travel around the country. Congratulations should be extended to all those who were involved with this project because, by any measure, it has been an outstanding success.

Senator CALVERT—Some of the Australian items, Minister, may be able to be exhibited in other states, I am sure. For instance, some of the Captain Cook artefacts—

Ms Fullerton—The Captain Cook journal is our item and it is fairly frequently exhibited. Our objective is to build a treasures gallery where it can be permanently on display.

Senator CALVERT—Anyway, well done.

Senator LUNDY—I would add my concurrence. I had the privilege of seeing the exhibition late last week. It is truly remarkable and it is a great achievement on behalf of the National Library of Australia. Congratulations to you and all of your staff who I know have worked incredibly hard dealing with the popularity and the huge numbers of people who are literally lining up at midnight to get tickets.

Senator Kemp—Director, I would have to say in all my experience of Senate estimates—on that side of the table and on this side of the table—I have rarely heard five minutes of such praise going to anybody.

Ms Fullerton—It is hard to live up to.

Senator Kemp—I think you should frame that part of the *Hansard* and that praise in a sense is also a treasure because it is so unusual.

CHAIR—Director, I think I should add my praise as well because it is a remarkable exhibition and you are to be congratulated.

Ms Fullerton—Thank you.

[11.22 a.m.]

Department of Communications, Information Technology and the Arts

Senator LUNDY—I have one small group of questions about the progress on film directors copyright and then I am happy to have all of the sports agencies and departmental representatives.

Dr Stretton—Before you start, the Intellectual Property Group, who will be answering this question, are not here because we did not realise it was about IP. They are part of the broadcasting part of the department.

Senator LUNDY—Right. Perhaps if I just read the question then you can take it on notice, and if you could provide the answer even before this committee shuts down tomorrow afternoon that would be helpful. It is just one area.

Dr Stretton—Of course.

Senator LUNDY—It was over two years ago that the government promised to examine options for reforming the current laws to ensure that the input of directors to the production process is appropriately reflected in the key rewards and recognition provided by copyright. When do you plan to begin the consultations about the issue of directors copyright as promised as part of the government's election platform last year?

Dr Stretton—We will get that question back to our people and maybe they can answer it this afternoon.

Senator LUNDY—That would be terrific, thank you. I am looking for a general update about that consultation process.

Senator Kemp—Sure.

Senator LUNDY—With that, I am ready to move to Sport.

CHAIR—That was very straightforward and quick. We now call the Australian Sports Commission.

Senator LUNDY—Chair, just to clarify, we normally have both the departmental representatives and all of the sport agencies at the table at the same time.

CHAIR—Including the Australian Sports Drug Agency?

Senator LUNDY—Including ASDA, yes; we get there eventually. But, quite often, my questions will cross-reference through the department, the Australian Sports Commission, the AIS et cetera. We found that to be the most efficient approach to questions relating to the sport portfolio.

CHAIR—Thank you for your advice, Senator Lundy. This is a new area for this committee, so if that is the practice I call all the relevant officials, including the Sports Drug Agency and the departmental officials. I remind witnesses that, before answering any questions, they should identify themselves and state what their positions are.

[11.27 a.m.]

Australian Sports Commission

Australian Sports Drug Agency

Senator LUNDY—I guess the appropriate place to start is to talk about the departmental restructuring as a result of the changes that have seen Sport come from what is now Industry, Tourism and Resources to Communications, Information Technology and the Arts

incorporating Sport. Can you describe to me the new arrangements within the department and the appropriate offices?

Dr Stretton—The sports function has come to my area. I am now, as I said, Executive Director, Arts and Sport. A section of about seven staff was transferred and they fall under my general area of responsibility. We are still thinking about whether there is going to be a major or significant restructure of that area and how best to incorporate Sport into that, but at the moment they are a section reporting to me.

Senator SCHACHT—So it is a section?

Dr Stretton—It is a section. It is seven people; no branch head. You will recall—

Senator SCHACHT—I do not recall anything.

Dr Stretton—Sorry. When it was part of DISR, there was a Tourism and Sport Division and the sport and tourism functions were spread, as I understand it, across the whole division so that there was not a ‘sports branch’ and a ‘tourism branch’; they were merged.

Senator SCHACHT—What is the name of the head person in the section who does nothing else but handle sport?

Dr Stretton—Stephen Richards.

Senator SCHACHT—What level position does he have?

Dr Stretton—He is an EL2.

Senator SCHACHT—An EO2.

Senator LUNDY—EL.

Dr Stretton—EL, a section head. Sorry, I do not know how far back you want me to go.

Senator SCHACHT—Could you take it on notice and provide us with the details of the establishment of the sports section? Does Mr Richards report directly to you?

Dr Stretton—There is also a branch head at the moment who is handling some film matters and sport matters.

Senator LUNDY—Perhaps I could ask for a table of all personnel, their responsibilities, appropriate levels and how it relates to the rest of the department.

Dr Stretton—Sure.

Senator LUNDY—You mentioned that you are having ongoing consideration of that structure. Minister, do you have a timetable in mind for considering that structure, or is it something you are thinking about?

Senator Kemp—We will see how these things develop. I have an open mind and if there is a need to change it we will. On the other hand, the current structure may operate well—and these things are always subject to some changes—but, no, I do not have any timetable on it.

Senator LUNDY—Minister, do you have any reviews or inquiries planned for this next term within the sports portfolio?

Senator Kemp—The major one that we are looking at is the insurance review. A draft report of that has been prepared and we are very anxious to get that finalised. The issue of insurance is one of the key issues in the portfolio at the moment. It applies within the arts side of the portfolio as well. A considerable amount of work is being done, of which you would be aware. We are very keen to make sure that the concerns of the sporting area, and indeed the

arts area, are brought to the attention in the overall review of insurance in the forum which has been called for next month.

Senator LUNDY—Thank you for that. I do appreciate the importance of that issue. I actually have some questions specifically on that. I will move to that a little later and try to be a bit more general. I do want to talk to you about that.

Senator Kemp—That is certainly one of the major issues which is facing the portfolio at the moment.

Senator LUNDY—You will not get any disagreement from me in that regard.

Senator Kemp—I am delighted to hear that.

Senator SCHACHT—Who is invited to the insurance forum? Are the national sporting administrations invited?

Senator LUNDY—I am going into greater detail shortly, so if you want to hold your horses we will get there.

Senator SCHACHT—If we cover that later, then that is fine.

Senator LUNDY—On more general questions, the former minister, Ms Jackie Kelly, claimed on 23 November last year that she had drafted a 10-year sports policy. Are you able to produce that for the committee and, indeed, has it been published at all?

Senator Kemp—I think you are speaking about the Backing Australia's Sporting Ability policy, are you not?

Senator LUNDY—Are you saying that that is a 10-year sports policy?

Senator Kemp—I am asking you. I do not have the quote before me, Senator, and I know you are good on trick questions.

Senator SCHACHT—Don't be nasty!

Senator Kemp—Not at all. Senator Lundy is doing her job and I am doing mine. I assume that is what you are referring to.

Senator LUNDY—I am always at a bit of a loss with the statements of the previous minister. She referred to a 10-year policy. I am certainly aware of the document that you refer to. If you could tell me that they are one and the same, then that will take me to my next question.

Senator Kemp—If I read your policy carefully, you also thought it was a pretty good policy.

Senator LUNDY—We thought the allocation of money was a good thing.

Senator Kemp—You made some marginal changes, but we welcome the broad support for the thrust of the policy.

Senator SCHACHT—We announced our money first and then you supported it.

Senator Kemp—Senator, I think people will draw their own conclusions anyway.

Senator LUNDY—Okay. So Backing Australia's Sporting Ability is the so-called 10-year policy plan?

Senator Kemp—That is what the government went to the election on. I am not being difficult—

Senator LUNDY—I am not trying to be tricky either.

Senator Kemp—This is our policy, Senator.

Senator LUNDY—There is continual reference to a 10-year sports policy. If that is it, then that is what is being talked about.

Senator Kemp—That is our policy.

Senator LUNDY—That is what is being talked about, okay. Has that policy been distributed to all the sports agencies in preparation for the next 10 years?

Senator Kemp—I would hope that people have accessed that. I would be surprised if they had not. My assessment in the early days in the sporting area—and, indeed, in the arts area—is that relevant bodies look very closely at what government is doing, and that is very appropriate. We welcome that scrutiny.

Senator LUNDY—I know you do, Minister. Can you point to anywhere, either in that 10-year sports policy plan or in subsequent budget statements, where there is a budget out-years estimate extending beyond just the next three or four years? Is there a funding plan extending over the 10-year period of any detail?

Senator Kemp—I am shocked to hear that similar questions were asked at the previous estimates on a similar matter.

Senator LUNDY—I know I am going to get a better answer from you. That is why I am asking you.

Senator Kemp—I am most gratified with that, Senator. We publish our forward estimates. We make an annual commitment, Senator, and I do not think we go beyond that.

Senator LUNDY—So there is nothing beyond the normal forward estimates range?

Senator Kemp—We do not go beyond the usual estimates period, unless anyone here wishes to add to my answer.

Senator LUNDY—So, just to clarify, the Australian Sports Commission and the AIS do not have funding commitments beyond the normal range of forward estimates, which is four years?

Senator Kemp—The answer is that we make commitments each year. We publish the forward estimates. The government has given considerable assurances in our Backing Australia's Sporting Ability. I think the commitment the government made—and I welcome the opportunity to say this—was very widely welcomed by the sporting community. In fact, I think the long-term commitment that the government has given and the priorities that the government has outlined have been very strongly welcomed. I think it is one of the many pluses that we went to the last election on.

Senator LUNDY—Are you in a position to give an indication that the budget for sport beyond the out years will not be downgraded or significantly reduced?

Senator Kemp—We have greatly increased the funding that the Labor Party was prepared to put up. This government has shown a very strong commitment to sport. Senator Schacht, who plays a very distinguished role, I have learnt, in the area of volleyball, would be very appreciative of what the government has done in his area. I do not want any suggestion around here that this government has not shown a very high priority to sport, and frankly—

Senator LUNDY—I was actually asking about the future, not the past.

Senator Kemp—I am not going to give a commitment as to what the funding is going to be in eight years time. All I can say is that this government has given this a huge priority and,

compared with what happened under the previous government, I would have to say that we can puff our chests out

Senator SCHACHT—I would be careful about saying that; you will get yourself into strife.

Senator Kemp—I have very nice letters from a variety of people about what the government's policy has been, too.

Senator LUNDY—In 1996, the coalition made an election promise to commission a white paper into the future of Australian sport. We have been told many a time at the Economics estimates committee that the Oakley report entitled *Shaping up* was not the promised white paper. Are you able to clarify this elusive issue of the white paper and tell me whether or not there is still a white paper to be commissioned under your carriage of this portfolio?

Senator Kemp—You drew our attention, correctly, to the Oakley report that was commissioned. That sort of thinking, where appropriate, was incorporated in our Backing Australia's Sporting Ability policy.

Senator SCHACHT—But that is not the white paper.

Senator Kemp—The policy that the government stands behind is more important than a white paper.

Senator SCHACHT—So we are not having a white paper then?

Senator Kemp—Senator, I think—

Senator SCHACHT—Yes or no.

Senator Kemp—Jackie Kelly, the former minister, commissioned the Oakley report. That was reported as far as I am aware.

Senator LUNDY—So was that the white paper?

Senator Kemp—I am not proposing to develop a further white paper. We have this policy, which is a great policy.

Senator LUNDY—So that should be the end of any talk about a white paper, shouldn't it?

Senator Kemp—I am not proposing to commission a white paper. I suspect that what Jackie Kelly was referring to—and the former minister can speak for herself—was that we had the Oakley report and that sort of thinking provided some background for the development of the policy that we went to the election on, which is more important than a white paper.

Senator LUNDY—Thank you, Minister, for clarifying that for us.

Senator Kemp—I am always happy to assist.

Senator LUNDY—Can you guarantee that you are not planning to decentralise or break up the Australian Institute of Sport during your term as minister?

Senator Kemp—I have no plans to break up the Australian Institute of Sport, but I am a bit worried about what your government in Canberra is thinking of doing. We might like to have some assurances from you on that issue—and you know exactly what I am talking about. But this government is not planning to put a road through the Australian Institute of Sport, no.

Senator LUNDY—The Australian Institute of Sport has had the number of residential programs—

Senator SCHACHT—You are shameless!

Senator Kemp—You know what I am talking about.

Senator LUNDY—I think we all know what you are talking about—

Senator Kemp—What is your policy on that?

Senator LUNDY—I think Mr Peters has had the opportunity to make his position known to me and he has chosen not to.

Senator Kemp—But what is your policy on that? Are you backing the current policy of the ACT government?

Senator LUNDY—This was so predictable—you are hilarious. Can you answer my question about the breaking up of the AIS?

Senator Kemp—You have forgotten—I have just answered that and you were happy with that answer. And then I said—

Senator LUNDY—I am asking you: during the term of the last coalition government—

Senator Kemp—that we were not planning to put a road through the Australian Institute of Sport. I then asked you whether you were supporting the approach of the Labor government in Canberra and you have ducked that issue.

Senator LUNDY—No, I have not. I am about to ask Mr Peters some questions about that.

Senator Kemp—Good. It would be very handy, I think, if you could clarify your position on this very important issue. It is hardly hilarious; it is actually quite an important issue.

Senator SCHACHT—So Northbourne Avenue is going to do a U-turn right through the AIS, is it? Is that what you are proposing?

Senator LUNDY—Can you tell me—

Senator Kemp—You spoke about breaking up the AIS.

Senator LUNDY—Can you just answer my question. During the last term of the coalition government the number of residential programs at the Australian Institute of Sport was reduced. Is it your intention to reduce further the number of residential programs?

Senator Kemp—That is a different question. You asked me whether I was determined to break up the Australian Institute of Sport. The answer was that I am not proposing to do that. In fact, I am a very strong supporter of the Australian Institute of Sport. As far as its daily programs are concerned, the institute will make proposals on those. There is a wider issue. Apart from the insurance issue, the biggest issue that is facing the institute at the moment, I regret to say, is the policy of your Labor government in the ACT. I take great exception to you questioning my bona fides when Labor policy, which you are equivocal on and where you do not seem to have a view—

Senator LUNDY—You do not know my view, Minister, and it is not your place on that side of the table to ask questions. So I would like to ask—

Senator Kemp—Give us your view. Tell us your view.

Senator LUNDY—Mr Peters, what is the institute's view of the road going past the AIS?

Senator Kemp—Why don't you tell us your view?

Senator LUNDY—Be quiet, Minister. Stop trying to be smart.

Senator Kemp—Frankly, to suggest that I am thinking of breaking up the AIS is an absurd question—

Senator LUNDY—Be quiet!

Senator Kemp—It is quite absurd, and I am shocked that you would ask such a silly question.

Senator LUNDY—We have had to ask it of every minister so far.

Senator Kemp—The major threat to the institute is, of course, the policy being pursued by the ACT government—the Labor government. Senator Lundy, you are the shadow minister for sport. Could you put your view?

Senator LUNDY—I have asked Mr Peters a question. You are making a fool of yourself.

Senator Kemp—Say yes, I support them, or no, I do not support them. It is a very simple response.

Senator LUNDY—Mr Peters, what is the institute's view of the road going past the Australian Institute of Sport?

Mr Peters—The option proposed by the ACT government is causing us great concern. In the lead-up to the recent election, consistently we had put proposals forward saying that if a road needed to go through that vicinity it should be the road preferred at that stage by the then government, which went behind Bruce Stadium. That is the proposal at the moment we are being told, but again when the present Chief Minister came in we wrote to him. In the end the planning minister met with us some weeks ago. He is coming out to the site in two weeks time to explain to us exactly what the contour is going to be. But the amount of area they have to play around with suggests that it will be within 100 metres of our residencies, and it will be a disaster. We have agreed to work with the government over the next few weeks and suggested that they review all the arguments we have put forward in the past. This is an institute one of its kind in Australia and regarded as one of the best in the world.

Senator LUNDY—Can you tell me, leading up to—

Senator Kemp—In the light of that—

Senator LUNDY—Excuse me, Minister. I have further questions to Mr Peters.

Senator Kemp—No, excuse me. The questions come through me. You should learn the basic standing orders.

Senator LUNDY—Well, stop interrupting.

Senator Kemp—The minister will make comments. You had finished your question, Mr Peters had finished his answer, and therefore with the gap in the proceedings I chose to comment—

Senator LUNDY—I am asking another question.

Senator Kemp—and I will continue to do that. You had better get used to it, because I will continue to do it. What I would like to say is this: we would very much like the assistance of Senator Lundy to resolve this matter with her government in this territory. We would like you to put the views that Mr Peters has expressed to the Labor government in this area because we want your support for the Australian Institute of Sport. That is the point I want to make.

Senator LUNDY—Mr Peters, when did the AIS first form the view that they were not happy with the western alignment of the proposed Gungahlin Drive extension?

Mr Peters—My understanding is that my predecessor, Jim Ferguson, was involved in extensive discussions, put submissions forward as soon as the two proposals were actually on the drawing board and extensively argued against the now preferred alignment.

Senator LUNDY—Can you provide copies of those expressions from the Australian Institute of Sport?

Mr Peters—Yes.

Senator LUNDY—In terms of the decision making process in the lead-up to the ACT Assembly election last year, what public position did the Australian Institute of Sport take during that period?

Mr Peters—We have tried not to delve into politics, so we have put the submissions into the appropriate commissions that were established—

Senator LUNDY—Which were the forums that you made submissions to?

Mr Peters—I would have to get back to exactly what—this was before my time—but I am aware of the submissions and have seen them. On the election of the incoming government, we wrote to the Chief Minister asking that a decision not be made until there was a discussion with us—

Senator LUNDY—I will come to post the election. I still would like to know what submissions were made to whom prior to the election.

Mr Peters—The dates and the actual submissions we can supply.

Senator LUNDY—When were you appointed?

Mr Peters—In January last year.

Senator LUNDY—So you did not make any submissions yourself between January and the ACT election, which was late October?

Mr Peters—I am not aware of institutions or reviews that we had the ability to make submissions to during that time.

Senator LUNDY—Any submissions and expressions of view were before your appointment.

Mr Peters—Yes.

Senator LUNDY—So there was a period of some eight months when there was no formal expression from the Australian Institute of Sport to the Labor Party, any formal forums, the Liberal Party or anyone else—or indeed to the Greens, who had a very strong position about that road too—during that whole year leading up to the election?

Mr Peters—I have just been corrected. There was an opportunity for us to put in a submission to the urban planning area, which we did, but that was part of a normal process. A lot of public consultation had gone on before my arrival in January.

Senator LUNDY—When was that submission you are talking about?

Mr Peters—They are the dates I will now get for you, and copies of the submissions.

Senator LUNDY—Did you take the opportunity to make any public expressions or public announcements about your concern about that road during any time in 2001 prior to the October assembly election?

Mr Peters—We made a decision that we would abide by the government process and we would be professional in the way we conducted ourselves. Prior to the election there were opportunities for us to make political statements. We did not believe that was in the interests of the commission or the AIS and, therefore, we abided by the good judgment and mechanisms set up by the system.

Senator LUNDY—But what the minister is implying now is that somehow the viability of the AIS or the aesthetic or something will be threatened by this road. Surely you would not have been thwarted from expressing a public opinion if the future of the AIS was at stake during that period of time?

Senator Kemp—Mr Chairman, I do not need to have words put in my mouth by Senator Lundy. The point I was making was that there was a major issue around. This was the issue of the road. Mr Peters has said it would be a disaster, if I quote you correctly, and for reasons that he has explained what the Commission would like is for the ACT government to reverse its position. We would welcome any expressions of support that you may be able to give to the AIS on this matter. That is what we would like.

Senator LUNDY—Mr Peters, have you written to my office regarding this issue?

Mr Peters—No.

Senator LUNDY—Have you ever asked me for my views or support or insights into the road?

Mr Peters—No.

Senator LUNDY—Why not? Given the minister is now sitting at this table asking me, in this little pathetic political attempt to somehow imply that I do not support the AIS by virtue of—

Senator KEMP—It is not a pathetic attempt. All I am saying is—

Senator LUNDY—I am asking Mr Peters if he has ever given me the opportunity to formally discuss this issue with him.

CHAIR—You can put your position on the record now, Senator Lundy.

Senator LUNDY—No, I am asking Mr Peters.

Senator SCHACHT—Hang on a moment!

Senator Kemp—We are happy to provide you with a briefing, Senator, if you would like a briefing on this matter.

Senator LUNDY—You have taken the opportunity to raise this issue, Mr Peters and Minister, at the estimates committee about a road. Of course I am fully aware that there have been concerns and I have been wondering, with extreme curiosity, why Mr Peters had not taken the opportunity to raise this issue with me formally as shadow minister for sport. I now know why, and it is very unimpressive—

Senator Kemp—You have a phone. What a pathetic effort, Senator. Look, you are ducking and weaving because you find yourself unable to fix a position on this. You decided to come out and start —

Senator LUNDY—This is an appalling stunt and it denigrates the AIS.

Senator Kemp—It is your stunt, Senator. You came out, you decided to adopt an—

Senator LUNDY—You are a disgrace!

Senator Kemp—extremely aggressive approach and, naturally, Senator—

Senator SCHACHT—What? You are the one who threw the first bomb!

Senator Kemp—this is a game where, if you approach the estimates in a certain way, ministers will respond in a certain way.

Senator SCHACHT—What? You are a clown..

Senator Kemp—The point I am making to you, Senator, is that this road issue has been around a considerable amount of time. You are finding it extremely awkward to state a position. If you would like a briefing on this, we will provide one. Would you like a briefing on this?

Senator SCHACHT—Why don't they write, if it is such a hot issue?

Senator LUNDY—If it was such a concern to the Australian Institute of Sport, I want to know why—

Senator Kemp—What a weak position!

Senator LUNDY—the AIS didn't express that point of view, either directly to my office or indeed publicly during the eight-month period leading up to the election—

Senator Kemp—No wonder the Australian public haven't got a clue what Labor stands for.

Senator LUNDY—that impacted upon the decision rather than—

Senator Kemp—Is it such a hard issue for you?

Senator LUNDY—No, not really.

Senator Kemp—You are a Commonwealth shadow minister. Is it such a hard issue for you to—

Senator SCHACHT—Why didn't you write to her? Why didn't you bring it up yourself if it is so hot?

Senator LUNDY—What I object to is the fact that the Australian Institute of Sport has never expressed to me a formal view about the road. I would like to come now to the level of consultation the Australian Institute of Sport has had with the ACT government post election and detail the correspondence and exchange and consultation that has occurred.

Senator Kemp—Okay. Fire away.

Mr Peters—The position prior to the election was that the road behind the Bruce Stadium was the preferred option, which the AIS and the Sports Commission supported. Since the new government came in, the Chief Minister has been written to. He chose not to meet with us. Some weeks after, the planning minister agreed to meet with us. We have had that meeting. The agreement there was that they were still committed to not our preferred option—that being the western highway—but they did not have the alignments and they needed to do a lot more work. The planning minister, Mr Corbell, agreed to come out to the institute to meet with us and our sports science people to look at what the issues were. And the agreement was that we would not enter any discussions or do anything else until those meetings had occurred. Unfortunately, the Democrat was brought out by some ACT planning people and shown supposedly some plans that we are yet to be privy to. She has agreed also to come out and talk to us about the issue. We have recently provided the brief to the minister based on those discussions. Again we have chosen not to go public. We have repeated media requests. We are trying to deal with this professionally and find out exactly what the present government is trying to do in terms of alleviating the enormous problems we perceive.

Senator LUNDY—Did you have discussions with the minister earlier on the basis of him deliberately raising this issue to allow this exchange this morning?

Senator Kemp—Not at all, and, frankly, I object to you attempting to seek information on advice that I have received from any of my officers. What led to this particular issue was your

somewhat aggressive start to the estimates, the idea that somehow I was going to be breaking up the AIS—

Senator SCHACHT—It was a simple question.

Senator LUNDY—I ask it of every minister. There have been plenty, and I have had the opportunity to ask that question a lot.

Senator Kemp—Which I rejected, and then I naturally focused on what was one of the bigger issues that was facing the AIS. Mr Peters has indicated that there is an issue with the road. What we would like is for this matter to be resolved as speedily as possible. Your good offices would be a help, to be quite frank, as it is a Labor government.

Senator LUNDY—As I said, if the Australian Institute of Sport had taken the opportunity to express a point of view to me, I would have been at least in a position to be formally appraised of their view. Just going now to the level of consultation with the ACT government, you say you have entered into discussions and you have had consultations with the Minister for Planning, the one responsible for the road decision.

Mr Peters—That is correct.

Senator LUNDY—What stage are those discussions and negotiations at?

Mr Peters—The minister was not able to show us any final plans or talk about whether it would be a raised road or whether it would be dug in. The only common information we have concerns its proximity to our front door and also to our residences. There is a very limited area for them to work within for a four-lane, possibly six-lane, highway. And, just to finish, our concerns were that, as I said before, this is a world renowned facility based on its positioning, and that is the environment that it is in. A four- to six-lane highway would be extremely damaging to that and would affect the future operation of the AIS.

Senator LUNDY—In relation to the discussions you are having now with the ACT government, with no finalised plans, that implies that there is an opportunity for you to express a view on what would be, for example, the least impact option for how that road is ultimately configured. Is it your understanding that you have an opportunity to comment about the nature and configuration of the road?

Mr Peters—Yes, we do have the opportunity but, given the area of land they have to work in, we do not believe any option, other than perhaps a tunnel, will serve the AIS into the future.

Senator LUNDY—The politics of this matter were obviously significant during the election campaign. You made a strategic decision as an institute not to make any public comment at that time, knowing full well that, if the outcome of the election went one way or the other, that road would be built in one place or another. Given that the outcome of the election was that the Labor government was elected, which meant you would get the western alignment, have you been able to occupy yourself with the constructive input that would lessen the impact on the AIS through the different construction, design or configuration possibilities of that road, or are you choosing not to engage in lessening the impact, given that the western route is a foregone conclusion?

Mr Peters—We have had initial discussion with the planning minister. Any deliberations since then within the ACT government they have chosen not to discuss with us, even though a member was brought out—

Senator LUNDY—But you have been providing constructive input about lessening the harm?

Mr Peters—We have offered to have discussions anywhere at any time about whatever options they are prepared to propose.

Senator LUNDY—How many meetings have you had with the ACT government?

Mr Peters—We had an initial meeting with the planning minister. He then went on leave, and it was agreed that he would come back to us with further information when it was available. He has not done that as yet. There is a meeting planned for, I think, the end of next week, when he will come on site.

Senator LUNDY—And there still have not been any formal plans circulated?

Mr Peters—Not to us.

Senator LUNDY—Are you aware of any?

Mr Peters—We are wondering what they showed the Democrat representative when she went out to look at the alignment. We did inquire as to whether whatever she was shown would be available to us, and I can only suggest that the answer was less than satisfactory.

Senator LUNDY—What does that mean? Were you given an answer in writing?

Mr Peters—We were given different answers from different areas of the ACT government, but again we are waiting for information to be provided to us.

Senator LUNDY—Are you expecting that issue to be clarified at your next meeting with the minister?

Mr Peters—We are expecting the minister to come along and talk about alignment issues.

Senator LUNDY—But have you asked for the issue of the presence of plans to be clarified specifically?

Mr Peters—That was the agreement that we had in the meeting with him.

Senator LUNDY—So that is your expectation?

Mr Peters—Yes.

Senator LUNDY—You said you chose not to make any public comment and have, I guess, stuck to that pretty well. Can you explain why the Canberra Business Council—I think it was—made a public comment? Can you fill me in on how that occurred or whether you had any knowledge of that public statement before it was issued to media outlets?

Mr Peters—We have discussions with that council; we now have a representative on there, because there are a number of issues about the importance of the AIS as an economic contributor to Canberra, and therefore we believe that any issues that that council looks at we should be involved in. I did have discussion with the chairman in early January about issues that may be on the horizon, and that was one of the issues we were discussing at that time. But they are an independent body; they chose to put out a press release that covers a number of issues.

Senator LUNDY—When did you join that body?

Mr Peters—Our name has been on their committee for some time. Physically we have had people going to the last meeting or the meeting before. So only really this year.

Senator LUNDY—When was that—January?

Mr Peters—I assume it may have been January. In the last couple of weeks. I can certainly provide that information.

Senator LUNDY—So you have only just started doing it? When was their public statement issued?

Mr Peters—Last week some time. I can get that date.

Senator LUNDY—So you join and then they put out a statement.

Mr Peters—There are coincidences in life.

Senator LUNDY—It is a pretty obvious one, isn't it?

Senator SCHACHT—You got your money's worth pretty quickly.

Senator Kemp—What is the substantive point, Senator? Should there be—

Senator LUNDY—I am just exploring the level of consultation—

Senator Kemp—Hold on, let me finish. Should there be a substantive public debate on this issue or not, and should the body that sees itself as being particularly affected have a chance to put its view across? I think the substantive point that has come through the evidence that has been led to this committee is that the AIS has been very restrained and very happy to consult and to put its views. It did not make a big issue of it before the election, which you noted. The committee has to come to a view as to whether the evidence that has been led by Mr Peters—that it would be a disaster for the AIS—is correct, and he is probably the best person to judge that. The second thing is this: if that is the case, what should then happen? Those are the threshold issues that we all have to address. This is a view that has been put to me. This is a view that you have to address too, Senator, in your position, an influential position, in the ACT.

Senator LUNDY—Is it a sport and leisure working party of the Canberra Business Council? Can you just clarify the group?

Mr Peters—It is a subcommittee. I understand it is a sport and tourism subcommittee. It is linking the major attractions of Canberra, looking perhaps more at the tourism issues than sport. We have 600,000 visitors come to the AIS a year.

Senator LUNDY—Sure, it attracts a lot of attention. I am just curious as to why you did not participate in that forum way back prior to January last year when you knew that there would be problems, or when your predecessor was aware of problems, and could seek support from other members in the business community at that time.

Mr Peters—The subcommittee had my name on there as a member for six months or longer. Because of circumstances, I never went to a meeting. We have decided that it is no good trying to have the CEO of the organisation represented when I am not able to attend. That is why we now have another staff member attending those meetings.

Senator LUNDY—What input did you have into the preparation of that statement that was issued by that subcommittee?

Mr Peters—None.

Senator LUNDY—None at all? It came out following the meeting.

Mr Peters—I do not know the exact time because, in my opinion, it was not related to a meeting we were at. We were sent a draft of it. In fact, I would have liked the wording to be a bit different, but the press release had already been put out. We were sent a copy or draft saying this is what they were sending out. I looked at it. I would have liked the wording to have been a bit stronger in pointing out some of the factual information. But the draft had been sent out as their council. So our input into it was nil.

Senator LUNDY—So you were just told that it had gone out; you were not given the opportunity to modify it in any way?

Mr Peters—As I said, I would have preferred the wording to be different, but the release had been sent out.

Senator Kemp—Is the point you are making that there should not have been a public comment on this?

Senator LUNDY—No, not at all, Minister. I am just exploring the process.

Senator Kemp—I know you have a great love of process. But what confuses me is whether you are critical of this process or whether you are supportive of it.

Senator LUNDY—What I am extraordinarily curious about is that the AIS can be so passionate about this proposal being a disaster and they have not taken the opportunity to formally advise me or, as far as I can see, make any public expression about this, up until the last month when it was a *fait accompli*. You know it is a *fait accompli*; I know it is a *fait accompli*. It is a Labor Party policy. It was leading into the election. For the record, of course I support it. It is a Labor Party policy.

Senator Kemp—Good, Senator. In that case, be careful in the future in making reflections about any government policy on sport, particularly as it relates to the AIS because I will choose to remind you of your very weak position on this. You are a Commonwealth shadow minister; you are not part of the territory Labor government. You have a great interest in sport and no-one queries that. You may well be a person of some influence in putting a view on this matter. I understand that all policies are open now. Mr Quinlan has pulled all policies off the web site. You have to have a Commonwealth sports policy. I would urge you, Senator, to reconsider your position in the light of the evidence that Mr Peters has led to this committee. You think it is a joke, but I do not think it is a joke at all.

Senator LUNDY—I do not think it is a joke.

Senator Kemp—I think it is quite serious.

Senator LUNDY—The issue here of the road, as Mr Peters knows, was a *fait accompli* on 20 October when the government changed hands.

Senator Kemp—You may have a different policy.

Senator LUNDY—What I am observing now is quite an appalling stunt on your behalf.

Senator Kemp—What—to ask you your views and whether you support the AIS after—

Senator LUNDY—The AIS have decided after one year—

Senator Kemp—expressing great concern about—

Senator LUNDY—to express it when it is too late to change.

Senator Kemp—You are so illogical—after expressing great concern—

Senator LUNDY—What sort of exercise is that?

Senator Kemp—about the AIS in Canberra and any policy we may have? And then when it comes to a really crunch policy you go missing in action. That is what you do—MIA.

Senator LUNDY—What a joke.

Senator SCHACHT—Can I ask a couple of questions on this matter. First of all, Minister, I put on the record—some people call it a conflict of interest—that I am President of the South Australian Volleyball Federation.

Senator Kemp—And a very good one, Senator Schacht.

Senator SCHACHT—I have been on the board since 1996. I also point out that, in the past, two of my children have received direct and indirect funding as elite athletes in volleyball.

Senator Kemp—Senator, I would not be so churlish as to raise the issue.

Senator LUNDY—You will find yourself an expert in volleyball before you even know it, Minister.

Senator Kemp—He has already asked me along and he has a few big people lined up for me too, apparently.

Senator SCHACHT—I put that on the record for the new minister. I have put it on the record before so that people can judge whether my questions are self-serving on behalf of the sport that I am very proud to be chairman of. I was not aware of this issue until you raised it here today. But, if I get my geography right about the AIS, the proposal by the new government is to build some sort of four- or six-lane freeway 100 metres, you said, from the residential area. That means to the west and just past where the informal car park is located. Is that correct?

Mr Peters—That is correct.

Senator SCHACHT—Your concern is that the noise of the road would obviously affect the living conditions and sleeping conditions of our elite athletes. Would that be the major concern?

Mr Peters—Yes, it concerns the environment in which the athletes actually train. It is also used by our walkers, and there are issues about expansion in the future with the limited land available. But the key issue is that it destroys the environment. The debate is whether it is 100 metres, 120 metres or 125 metres—we are waiting for that clarification.

Senator SCHACHT—Volleyball, like many other sports, has residential programs at the AIS—and I am very pleased with them. Minister, I can assure you that we do not want the AIS program split and devolved down to the states. You will find that there are many state governments—Labor and Liberal—who would very much like to have the AIS money redistributed to state sport institutes. That issue has been around for a decade and it will be around for the next 10 years. You know what state governments are like, Labor and Liberal: give them 10 cents and they want a dollar for any of these sorts of things. Mr Peters, have you contacted any of the national sports elite programs who have residential programs at the AIS expressing your concern, in view of the fact that the minister is so hot to trot on this?

Mr Peters—As I said before, my predecessor put submissions in, made public speeches, had the media out and actually made very strong arguments on behalf of the AIS. A process was then established and that process involved the normal government representations. We made presentations at the time of the election that the then government's proposed option was the one that we preferred. At the change of government, we wrote to the Chief Minister and said that, again, we still had concerns. Those submissions were available to both sides of government to review. We have met with the minister. We chose not to go into a political bloodbath before an election. We have tried to do this very professionally. We have grave concerns, and if our answers are not satisfactory in terms of what is proposed by the government then, yes, we will be drawing on the forces of anyone we can within the sporting sector to try to get some facts and some realism onto the table, because I am not sure the present ACT government understands the extent of the issue.

Senator SCHACHT—So, even though, as Senator Lundy said, this was a clear-cut policy for the Labor Party at the October election—which they won—it was not until maybe this minister turned up and he thought he could make a political point that you decided that this was a disaster.

Mr Peters—No. As I said, we wrote to the Chief Minister after making submissions to the appropriate inquiry that was set up where we outlined the effect it would have on the AIS. At the election, the former ACT government was supporting the option that the AIS was arguing for—out of only two options we were presented with. It is interesting that there is some debate about whether either option will solve the problems into the future. Again, we have tried to be very professional in our approach. We are now meeting to get some answers to the concerns that we have continually raised over a long period of time. We have been given a guarantee by the ACT government that they will produce those answers at the soon to be held meeting.

Senator SCHACHT—As soon as you get those answers—assuming there is no change in the government's position regarding the various national sporting bodies that have elite programs at the AIS—can we expect to receive some information from the Australian Sports Commission/AIS expressing your very strong concern?

Mr Peters—I hope the ACT government, when they understand the full facts—and perhaps they have not read the submissions to their full extent—will understand the seriousness of this and will look at alternative options. I understand the minister has put some investigations in train to try to find out what options there are, but he has been quite adamant that this is the government's policy at the moment, as Senator Lundy said.

Senator LUNDY—So this minister who has put in some—

Mr Peters—No, I am sorry, the planning minister is going back to access our submissions. Hopefully, we can convince him of the seriousness of this issue.

Senator LUNDY—Are you optimistic that those consultation processes will at least improve the outcome for the AIS?

Mr Peters—At the moment it would require a change in the government's policy. I can never be optimistic about those things.

Senator LUNDY—Is that the condition upon which you are going into this? Does that mean that you are placing yourself in a position where your concerns cannot be alleviated? Are you being intransigent about this or are you actually genuinely negotiating and discussing different options for the road?

Senator Kemp—I do not know whether those are the only two options. The threshold decision is whether this road will cause a major detriment to the AIS. We would be happy to arrange for you and Senator Schacht, and anyone else on the committee, to be briefed on this by the AIS. You can make your own judgment. My take is that the AIS has a preferred option, and its preferred option was the one that was being proposed by the previous government.

Senator LUNDY—The Liberal government?

Senator Kemp—Yes, the Liberal government. Isn't it awful? I do not think the AIS were concerned it was a Liberal government. They actually thought it was a better option for the AIS. Being in government, you have to take wider things into consideration; I understand that. If you wish to be briefed on this, we will arrange it. That is the first option: to get the ACT government to change their view as far as the AIS is concerned.

Senator LUNDY—I would certainly like to take up that opportunity to be fully briefed. I am always keen to be briefed, not only by the AIS but, indeed, by the department in relation to all of the sports portfolio areas, and that would be a good idea, given the restructuring that has occurred. I will take you up on that. Was there a negotiated outcome that required some modification in the infrastructure? Obviously, there is no plan circulating of any rigidity, so there may well be an opportunity to negotiate an outcome. As a minister of the Commonwealth, given your passionate intervention on this matter—

Senator Kemp—Passionate; really!

Senator LUNDY—Appropriately so. If, as you say, we are talking about the future of the AIS, I would like to ask whether or not the Commonwealth government would be prepared to support in a budgetary sense—

Senator Kemp—You must be joking.

Senator LUNDY—some capital infrastructure that would assist the AIS to resolve their physical infrastructure challenges.

Senator Kemp—If the ACT government want to take a decision to the detriment of the AIS, I have to say that is a responsibility that they have to wear. What I find a little distressing is the inability of you to come out and support the AIS on this. With your responsibilities and your keen interest in the AIS, with which you led off the debate here, I would have thought that it would be very appropriate—given your links to the current government—for you to see what you can do to deal with what the AIS sees as a very significant problem for them.

Senator LUNDY—As I explained to you—

Senator Kemp—Ducking and weaving on process and all the rest of it is not really the point. The point is that in the end you have got to reach a decision on where you stand on this and on where the federal Labor Party stands on this issue.

Senator LUNDY—When I am in control of the federal sports budget I might take the appropriate level of responsibility. I am asking you if you would be prepared to negotiate with the ACT government to help fund a physical infrastructure solution to this problem.

Senator Kemp—This is our policy. If the issue is a major detriment to the AIS being caused by the action of a Labor government, our view is that the Labor government should make the changes. That is our view.

Senator LUNDY—So you are not prepared to support the AIS if they were to negotiate—

Senator Kemp—No, I am not prepared to support the Labor government's action.

Senator LUNDY—Listen to me. Don't interrupt me.

Senator Kemp—If the Labor government wants to impose detriments—

Senator LUNDY—Don't interrupt me.

Senator Kemp—the Labor government should pull back. That is my view.

Senator LUNDY—If the AIS were able to negotiate an outcome with the ACT government that required physical infrastructure changes, would the federal coalition government be prepared to assist them in any capital requirements to achieve a positive outcome for the AIS? Answer that question.

Senator Kemp—Okay. I will answer this question and then I would be very interested in your observations. This is a problem created by a Labor government. It is Labor policy—

Senator LUNDY—So the answer is no?

Senator Kemp—Hold on.

Senator LUNDY—The answer is no.

Senator Kemp—Hold on. I am going to finish. You asked me a question and I am going to finish it.

Senator SCHACHT—It was elected by the people actually, Minister.

Senator Kemp—It is your policy to cause a detriment to the AIS. It is your government's policy to do that. Then you are saying, 'Could the Commonwealth bale out and assist the Labor government in the implementation of a detrimental policy to the AIS?' The Labor Party will have to wear the problem of this. That is the issue, Senator, and I frankly am astonished that we cannot use your good offices—

Senator LUNDY—You have not tried. It is an absurd suggestion.

Senator SCHACHT—You have not tried, Minister.

Senator Kemp—Can I make this point? You have already indicated that you are well aware of the issue. If we can convince you that this is a major detriment, are you prepared to make a submission to the Labor government in the ACT to change their position on this?

Senator SCHACHT—I have listened enough to your abuse. Can I ask Mr Peters—

Senator Kemp—Don't say abuse, Senator, it is not all that confusing.

Senator SCHACHT—a question. Not you, Minister, because you are just making political mileage where you think you can get a boot in somewhere.

Senator Kemp—No, I am not, Senator.

Senator SCHACHT—Mr Peters, I understand that your first concern is the effect of noise on the living conditions of the elite athletes. The road would be close. I can understand that. You then mention that future expansion plans for the AIS would be compromised. I am always interested in expansion plans at the AIS and by and large I am in favour of them. I wonder if you could give me details, subject to the generosity of the minister and his government and seeing he is so enthusiastic here—

Senator LUNDY—What are those expansion plans?

Senator Kemp—We have been very generous. We have been very supportive.

Senator SCHACHT—He is so enthusiastic you have actually got an open cheque from him to go straight now to say, 'We want to build the following things, Minister, to stop this rotten road.' Can you give us an idea what are the—

Senator LUNDY—Expansion plans.

Senator SCHACHT—The minister might say 'wish list'. What ideas would you have for the future other than to preserve the quality of life of the athletes?

Mr Peters—There is an overall master plan that has been developed in recent months looking at what the AIS could look like into the future, which again dispels the constant question of whether the AIS is going to leave Canberra. There is a need for things like an indoor training facility. There are suggestions that certainly on the athletics side and recovery side of athletes over Canberra winters we need an inside venue that is able to cater for that.

Senator SCHACHT—Is that an inside running venue or something?

Mr Peters—It may well be a single long track rather than a circular one, given the costs of those sorts of developments. There is a need to increase our water space by putting another

pool in because the programs have just brought water polo in. These things we can cope with at the moment. They are two major developments and there are others in terms of space that we need to put in for our athletes. We can cope at the moment but we are trying to project 10 to 15 years ahead the sorts of things that we would need. Those things require space. We do not have that on the back side of our venue. We would need to look at car park areas that are there at the moment to try to put in those sorts of facilities.

Senator SCHACHT—That is very useful information, I have to say. Minister, given that you are such a devotee on this issue, there is plenty of opportunity to ask you whether you would fund these excellent projects from Mr Peters, the AIS and Sports Commission?

Senator Kemp—We have always shown our very strong commitment to the AIS but any future funding or new funding is always subject to budgetary considerations—you know that.

Senator SCHACHT—You would say that, wouldn't you.

Senator Kemp—What would you say in my shoes?

Senator SCHACHT—You are the one who raised it—you are the one who wanted to make a political statement and you made a goose of yourself in doing so. My answer to Mr Peters is that I am unaware that this has been raised; I haven't with our full-time staff based at the AIS—they may well be aware of it but their concern has not been raised with my board. In my other hat as president I will certainly discuss it with them. I will seek to have discussions about it with our full-time coaches and, above all, with the athletes who live there. Our federation will express a view at an appropriate time once we have had the information before us.

Senator LUNDY—What is the view of the Sports Commission board on this matter? Are they aware of it? Have you been having discussions with the board about it?

Mr Peters—It has been on the agenda as an information point. They are concerned, as we are. But as I have said before, we are waiting now for the final details on what the plan is going to look like and what the alignment is, so that we can reinforce our statement that the solution is not going to solve the issues that we have raised. At the moment we have a tract of land, which suggests that the alternatives that the government has are very limited and trying to build tunnels is enormously expensive. We have tried to be professional and we have agreed that the local government will come back to us and tell us what their solutions are. Also, it gives them time to address the issues that we have already put on the table for them.

Senator LUNDY—So have you got any complaint now about that consultation process?

Mr Peters—I think we will await the meeting next week. We were concerned that one of the local members was supposedly shown alignments and sites, and supposedly shown information that led her to support the road in principle, seemingly without any information to go on. We have asked for clarification on that.

Senator LUNDY—You have been told that you will get answers to that at the meeting?

Mr Peters—Yes.

Senator LUNDY—So there is no real outstanding complaint that you have with the ACT government at the moment, given that you are engaged in a consultation process?

Mr Peters—No, we are waiting eagerly.

Senator LUNDY—I am pleased to hear that. Can I ask you another question about the Sports Commission—

Senator Kemp—There is an outcome. It is not only a matter of process—

Senator LUNDY—Are you talking to the committee?

Senator Kemp—it is a matter of outcomes.

Senator SCHACHT—What are you bumbling on about?

Senator Kemp—I am making a very important point. We are interested in outcomes as well.

Senator SCHACHT—You are making a statement, you are not answering a question.

Senator Kemp—I thought I would assist you, Senator—

CHAIR—Just to clarify?

Senator Kemp—Yes, just to clarify—thank you, Chair.

Senator SCHACHT—We must get you on a volleyball court—you would get the bejesus beaten out of you by the bloody ball. Maybe that would shut you up for a while.

Senator Kemp—I think I could match you any day.

Senator LUNDY—Minister, can I ask you some questions—

Senator SCHACHT—I will get my son onto you. He will fix you.

CHAIR—Where are we at? Is the minister going to make further comment, or can we proceed?

Senator LUNDY—Has the Australian Sports Commission board expressed a view about the road through any formal mechanism?

Mr Peters—Other than the board's support and the actions that we are taking, there have been no specific press releases or anything put out. They have the confidence that the professional way in which we have been dealing with this is the best way to approach it. But they are very concerned about the outcome.

Senator LUNDY—Do you have any formal representation of the board's view in supporting you, or expressing their view—such as minutes, or any formal proof that that is their position?

Senator Kemp—I think Mr Peters has just stated it.

Senator LUNDY—I am just looking for correspondence with—

Senator Kemp—Mr Peters has put on record indicating their concern. I do not think he needs to prove every word that he says. Information that is given to this committee has got to be accurate.

Senator LUNDY—I do not mean to imply that I need proof to substantiate his statement but I am interested in any correspondence or formal record of the board's view of this matter. Could anything of that nature be provided to the committee?

Senator Kemp—I do not know whether there is any appropriate correspondence that we can give you, but I think Mr Peters has expressed what he sees as the position of the commission.

Senator LUNDY—If there is anything formally expressed that can be provided to the committee regarding the board's views or deliberations on this matter, please provide it.

Mr Peters—At the board meeting I present a CEO's report. It has a whole lot of issues on it that the board notes.

Senator LUNDY—So the board's view will be minuted then?

Mr Peters—Yes.

Senator LUNDY—Perhaps you can provide a copy of those minutes. Minister, I have some questions for you about how you view the importance of an independent representative voice of sport in Australia, and how important you think that is for Australian sport, as a general question. Then I would like to explore specifically the role that Sports Industry Australia has in the sporting community.

Senator Kemp—Senator, I support independent voices; I support a variety of voices that inevitably will come up in an area like sport. There will be a diversity of views and this, as Senator Conroy knows, is a government that listens, consults, takes advice and then reaches decisions.

Senator LUNDY—Sports Industry Australia is the representative peak, if you like, of sports organisations around the country. Are you prepared to commit, Minister, to ensure their ongoing viability as an organisation?

Senator Kemp—My understanding is that there are consultations occurring at present with the Sports Commission board on this issue, and I am awaiting the outcome of those consultations. I am aware that Sports Industry Australia is facing severe financial difficulties, and I have asked the Sports Commission to investigate that issue. My understanding is that we have provided staff to assist Sports Industry Australia to determine the extent of its financial problems. Unless there is any further update that you are able to provide us with, Mr Peters, I am awaiting formal advice on that matter.

Mr Peters—Thank you, Minister. I met with the chairman of the board and their CEO on Friday. They are having a board meeting next Wednesday. There are significant issues they need to address, not just in the short term but for their long-term viability, which require them to discuss with their members what the future role of the organisation should be and some of their priorities, and then they will be coming back to us after that board meeting, in a formal sense. At the moment we have been assisting them to identify the extent of the problem and, as you say, they are in some difficulties, but their board needs to make some decisions about what their future role is going to be, and have their members support it.

Senator LUNDY—I am not aware of the detail; I see this as an extremely serious matter. Have Sports Industry Australia put a survival plan to you, or have they asked specifically for funding to get them through this difficult period? What is the status of any such requests and responses from either the Sports Commission or the minister?

Senator Kemp—What we are doing is we are trying to find out the extent of the problem, and on that basis the board will then be able to make some decisions; we would not want to pre-empt that. This is an area that we are looking at closely. The commission is taking a close interest in it, but I think we have to await the outcome, the final comments of the advice that the commission is able to give to the board and any decisions that the board itself wishes to make.

Senator LUNDY—Minister, what I am looking for from you is an indication that you are of the view that it would be detrimental to community and sporting organisations if that organisation were to fail, if it is as serious as you say.

Senator Kemp—We like vibrant bodies, bodies that can be sustained in the long term. We are not worried—in fact we welcome independent voices in this area. The general principle which we are discussing is one which we are comfortable with, but then you have to go from that to look at the particular problems of this particular body. I wouldn't want to pre-empt any

final sort of advice that the commission may present to the board and any decision that that board may wish to take.

Senator LUNDY—Is it a fair observation to say that the future of Sports Industry Australia really is in the hands of the Australian Sports Commission board now?

Senator Kemp—Sports Industry Australia is in the hands of its own board and its management. We don't run that board.

Senator LUNDY—No, I appreciate that.

Senator Kemp—The whole nature of what you are saying is about an independent board, and that is what we support. I think there are serious financial problems, which I think you have alluded to, and these are matters that the board itself will have to consider, and I don't wish to pre-empt what may happen in the next few weeks on that issue.

Senator LUNDY—I know that Sports Industry Australia have been particularly active and constructive in dealing with the question of public liability insurance and that they have been lobbying on behalf of many of the smaller sporting groups that are facing cancellation of events and their viability is being threatened. How do you see that issue, and the ability of those organisations that are disaffected by that huge problem to continue if Sports Industry Australia isn't there as a cohesive professional body participating in that national discussion with you?

Senator Kemp—A number of groups are putting their views and, as I mentioned to you, a major report is being produced on this very issue. Just going back one step, my understanding is that Sports Industry Australia are making representations to their own members about possible fee increases and we will have to wait, among other things, the outcome of those representations to their own members. On the issue of insurance, Sports Industry Australia have put views to me and I welcome discussions with them on that issue. Many bodies have, in fact, come to see me. I would say that this is just about their No.1 or No. 2 issue, and it is one which I have flagged before this committee that I am personally taking very seriously.

Senator LUNDY—I want to talk about that now. Obviously, it is a huge issue—the business of being a sports organisation is under threat as well as many events that attract the limited time public liability premium being cancelled. What has been, in general, the nature of your consultations with the sporting groups around that issue and how does it fit in with the government's proposals to host a forum on these matters?

Senator Kemp—The first point I would make is that I support the initiative of my colleague, Senator Coonan, in proposing a meeting of responsible federal, state and territory ministers to exchange information and consider possible courses of action and any scope for a common approach. I mentioned to you that there has been a study which has been prepared and which will be in its final form, I should hope, next week, which will be making proposals in this area which relate specifically to sport. In a sense, we will be well prepared for this, I hope. A lot of preliminary work has been done and I will be putting very strong views to and briefing Senator Coonan on this matter as it relates specifically to the sporting area. I would have to say the amount of work which has been done in this area is quite extensive. Mr Peters, I am quite happy for you to speak in general about the report to brief the committee and to say what we hope to achieve from that.

Mr Peters—The report was done through a tender process to Rigby Cooke lawyers, who represent a majority of NSOs. They undertook an extensive review questioning NSOs. We will have a formal report, hopefully, this week or next week at the latest. There is a meeting of the Standing Committee on Recreation and Sport on 15 March, which involves the heads of

all state and territory sport and recreation agencies, to have a final review and presentation of the report. As the minister said, we are organising a briefing for him next week, and it fits into the government's agenda. It is, as everyone has recognised, a major issue facing our industry and any industry that has volunteers involved in it. We are expecting, from the preliminary drafts we have seen, some significant recommendations. There will need to be further consultations with national sporting organisations and also, we would hope, through volunteer sectors in the state governments. That is why it is part of the overall sport and recreation minister's council's brief.

Senator LUNDY—Are there any contingency plans to help with those grassroots sporting bodies, in particular, that are finding they are having to cancel events in the meantime?

Mr Peters—There are no contingency plans from the Sports Commission's perspective. I understand some state governments have put in some insurance subsidisation. We are finding out about these things from our colleagues in the states, many of whom are doing parallel investigations with us. What they are actually putting in place affects groups like parents and citizens groups.

Senator Kemp—The point is worth making that many of these insurance issues are primarily a matter for state and territory governments. The Commonwealth is willing to assist in developing the best ways forward on what is clearly a significant problem.

CHAIR—I remind everybody that we are due to break for lunch at one o'clock, so time is running out.

Senator LUNDY—At this rate, I expect that we will be needing to come back to sport after the lunch break for at least half an hour.

CHAIR—Thank you; that clarifies it.

Senator Kemp—Deputy Leader, do you have any questions for us before you leave?

Senator CONROY—I do have a number, mostly about Wes Lofts and the fraudulent superannuation fund that APRA are investigating, but I am sure we can ask you about that some other time.

Senator SCHACHT—Just because he is a Carlton player.

Senator CONROY—He has always been sensitive about John Elliott and the NCA's investigations. I was disappointed to see another board member from your footie club being investigated by a regulatory authority.

Senator Kemp—I am sure you will be pursuing this in another more appropriate area.

Senator CONROY—I do actually have some questions for the AFC, but I will defer to my colleague and I will come back after lunch.

Senator Kemp—I can hardly wait.

Senator LUNDY—One of the issues that has been raised with me is the way in which grassroots sporting groups are looking to try to subsidise the rising insurance costs, including things like having to raise club membership fees or admission fees. Are you getting these messages through? Are you getting representations from those groups? Are you able to support these groups in any constructive way on how to get through this period presuming, of course, that you are going to come up with a glorious solution at some time?

Senator Kemp—The first point is whether this is an issue that is very regularly raised. The answer is that it is. Many sporting groups would probably say it is the No. 1 or No. 2 issue, as I said before. With regard to the Commonwealth's role in this, as I mentioned, insurance

matters are largely matters for state and territory governments. We would hope, maybe resulting from this forum, to develop a way forward which can be done quite speedily.

The more you get into these insurance issues, the more you see they are complex issues. There are delicate balances which have to be met. I think the best thing the Commonwealth can do is the sort of thing that Senator Coonan is now taking a lead on so that we can get these matters properly considered at a roundtable in which state and territory ministers can be actively involved. Hopefully there will be some constructive proposals coming out from the report that has been mentioned.

Senator LUNDY—I can only reinforce that whatever you are hearing I am hearing in spades because it is an issue that is confronting just about every organisation now.

Senator Kemp—I think we are all aware of some horror stories in this area.

Senator LUNDY—Do you have a funding pool within this portfolio that you can use to help groups out in crises because of this?

Senator Kemp—I do not think that there is an identifiable pool that you can point to, Senator. I think the best solution is to deal with the substantive matters that we have, and hopefully this can be done in as expeditious a way as possible. My feeling is that I would hope that the state and territory governments would be very cooperative on this as well. I think they are getting the same messages that we are getting.

Senator CALVERT—I want to ask about one of your programs—the elite cricket program in Western Australia. Rod Marsh has gone to the English cricket team, I believe. Who replaced him?

Mr Peters—The announcement is due to be made shortly. Interviews were held in the last few weeks and a nomination came from the interview panel. The ACB are, with us, looking to make an announcement, I would say within the next two weeks.

Senator CALVERT—Have there been any major changes to the cricket program at all for any reason, or is it still progressing as successfully as ever?

Mr Peters—It is still based in Adelaide and still seems to be producing very good results.

Senator SCHACHT—Very well-placed in Adelaide too, I have to say, Mr Peters.

Senator CALVERT—I was just going to comment, Minister, that—

Senator Kemp—That comes under a different program, Senator.

Senator CALVERT—Quite obviously this program worked very well because we have a Tasmanian as captain of the one-day side who is a product of that particular academy. I just hope we see many more successful cricketers coming through that program. I think it is something that is being adopted by other cricketing nations. I wish Rod Marsh well, but I certainly wish his replacement even more success.

Senator SCHACHT—Mr Peters, at the last estimates we had in June last year I asked you some questions about the turmoil in soccer. The saga has gone on: there has been a change of the board since then and unfortunately we did not qualify again for the World Cup, and there is the precarious financial position. Have there have been any discussions between the Sports Commission and soccer or any request for it to assist with the financial difficulties soccer may face? And can you tell us about any reorganisation in that sport to put it on a more sound footing, particularly the operation of the National Soccer League?

Senator Kemp—I will make a couple of preliminary comments before Mr Peters does. I think we would all be aware that Soccer Australia is experiencing considerable financial and

management difficulties at the present time and Senator Schacht alluded to a number of changes which have already been made in terms of their management. Soccer Australia, as I am advised, has developed a financial plan to raise capital, reduce debt and provide ongoing service to members and is working closely with the Australian Sports Commission to achieve the best outcomes possible. I have asked the commission to continue to work closely with Soccer Australia and I am hopeful that the benefits of a reform process will begin to take effect. Mr Peters, you may wish to make some comments on the process of how those discussions are going with Soccer Australia.

Mr Peters—The issue is one of reducing a fairly substantial debt at the moment. The problem, if that does not happen, is that our reading of the situation is that if Soccer Australia goes into administration, then it may well be disaffiliated internationally, which in turn may mean that even a new body would take two years to get recognised internationally. The effect then on our women's soccer programs and our junior programs would be just not acceptable in terms of where—

Senator SCHACHT—Liquidation, or in administration, means that under FIFA rules they could be disaffiliated automatically?

Mr Peters—That is our understanding at the moment and we are seeking clarification as to whether that is the definite last word from FIFA. In view of that, they not only need to resolve their initial problem of overcoming a significant debt at the moment, but they need to be able to generate capital so that this situation does not happen again and they are not reliant on qualifying every four years, which does have a significant financial injection for them. Their solution has been to go to their constituents and look to increase registration fees. As a principle that is something that the Sports Commission is supportive of, because a sport needs, through its members, to be able to support itself but it also needs openness in terms of the way it governs itself and its decision making processes. To that end, we have had staff working with Soccer Australia to look at their financial systems, their accountability systems and their structure. We are continuing to do that, and will do so. They have just appointed a new acting CEO who has a very strong banking and financial background and we have supported his appointment to try to put in place some systems. He is a chap named Greg Bates, out of Sydney. We are continuing to work with them and they still have some enormous hurdles to overcome in terms of the image created within their sport.

Senator SCHACHT—You are paying about \$2 million per year to soccer for the development programs et cetera?

Mr Peters—Yes. It is very much linked to the elite programs, the women's AIS program, the under-20s and that area. We have talked to them about the isolation of those funds so it doesn't go into a black hole that can be used to get rid of debts.

Senator SCHACHT—Another question is about the contribution the government federally makes to sports—over \$100 million a year in one form or another—and after the last Olympic Games and the last election I don't think there was any argument, so we have bipartisan agreement on the amount of money being contributed. One of the things that I want to raise here, as a result of looking at what happened in the last week in the winter Olympic Games, is that we contribute money to promote elite athletes in ice skating, ski jumping and all those winter sports right across the board. Then we have this extraordinary story where there is a scandal about the judging of the ice skating where, by all accounts, something untoward took place.

Senator CONROY—The Russians fell over and still won.

Senator SCHACHT—As my colleague put it more bluntly, the Russians fell over and still won the gold medal. This is not the first time in this sport or in many other sports where there is a subjective judgment by judges and there are allegations that the final outcome was a political decision. Now, with the large amounts of money available from sponsorship to athletes, it is not inconceivable that someone could bribe a judge, because if you get the gold medal your price in the endorsement market et cetera becomes much higher—that is in any sport, I am not just pointing to skating. In view of the fact that the Australian taxpayers are funding, quite rightly, ice skaters in figure skating, for example, is the Sports Commission concerned that we might not get, at some stage in the future, a fair shake on the judges because there are some other political arrangements, and therefore it compromises our commitment to put money into athletes who can't get a fair shake in the judging of an elite event like the Olympic Games?

Mr Peters—Our responsibility is to ensure that there is integrity in the worldwide sporting system, and with the Australian Olympic Committee and the Australian Paralympic Committee we will work in whatever ways we need to to ensure that happens. If I can use another example—not that example, which is relatively new—of the problems we had in the Paralympics where in fact the classification system was brought under review, we have just put in place now with the Australian Paralympic Committee a major review to look at the classification system in disability sport which we believe will actually become a worldwide system. When John Coates returns and we sit down and do a review of what actually happened in Salt Lake City, if there are issues that we need to support the AOC on at international level then we will certainly be looking to do that.

Senator SCHACHT—The one point I have discovered from my own sport is that in the Olympic Games the IOC might appear all- powerful, but the individual running of each of the sports at an Olympic Games is in the hands of the international sporting federations. The IOC, whatever problems it may have, does not have enough control—unfortunately, in my view—over those international sporting federations on these sorts of issues and it is really left lamenting when something like this has occurred, or as in boxing previously. I think that is an area where the Sports Commission, funded by the taxpayer, is going to have to develop some arrangements and understanding about, because the IOC itself is dictated to by the national sporting federations over such issues of administration, competition policy, refereeing et cetera. With the amount of money that we all agree should go in, you can then find at the wrong moment that judges compromise the outcome to the detriment of one of our athletes, let alone anyone else's. You have got a long-term issue that cannot be avoided, because what has happened in this case in one sport in the Winter Olympics will be repeated elsewhere until there is some ability—

Senator CONROY—It was four years ago in the ice skating as well.

Senator SCHACHT—Ice skating seems to be always coming up, unfortunately. There have been absolutely scandalous results in boxing where people have all but admitted being bribed, yet the sporting federation internationally does nothing about it. What I am concerned about is that we put in money to train boxers and ice skaters and they get good enough to even go close to a medal, but if we are not doing some deal on a panel of judges you will not win.

Mr Peters—Your point is well made. The issue for Australia, and also some other of the countries that are not well represented on international bodies, is that we need to have more representation. Again, the board is very supportive of the commission looking at ways that we can encourage and ensure that more Australians are represented on those international bodies that in fact make those sorts of decisions.

Senator SCHACHT—Could you or the government in reviewing this be willing to make representations to international sporting bodies to express your concern that you are supporting sport and that these things create a bad image and leave a very bad taste in the public's mouth—

Senator Kemp—These things are to be absolutely deplored. I do not query the observations you have made. I think it does cause a huge concern in the public and amongst the athletes. They do all this work and spend years training and then suddenly they come before a panel where accusations are made. I think it is a matter of very great concern. I will do what I can do to make sure that it is properly addressed.

Senator CONROY—I always found the quickest way to get the attention of international federations is to have a chat with their sponsors. They always seem to have much more leverage than the rest of us. If Adidas phoned them and said, 'Let's have a chat about this,' that may be a way to facilitate things. It is more of a political pressure, can I say, rather than—

Senator Kemp—I think sponsors are very conscious of this. My view is that the last thing sponsors want is controversy in this area and there is immediate pressure which might not be verbal. I think each of the sports where there is some issue raised would naturally be enormously concerned about it. So, Senator Schacht, you are quite right to deplore what has happened.

Senator CONROY—But this is not the first scandal in ice skating. Four years ago they had the vote trading scandal in ice skating. It is a recurring theme. I am just not quite as confident as you that the international bodies are so keen to pursue it to the logical conclusion.

Senator Kemp—What we are seeing more is that the public accountability is now extensive. That is one of the pressures. You not going to create a perfect world, but there is a very powerful pressure out there for people to get their house in order, I would have thought.

Proceedings suspended from 1.00 p.m. to 2.05 p.m.

CHAIR—I would like to resume these hearings. The plan was for Senator Conroy to be here. In his absence, Senator Lundy might like to proceed.

Senator LUNDY—Indeed, I would be very happy to. There is a lot of emphasis on participation in sport in the Backing Australia's Sporting Ability document. Can you demonstrate how that commitment is being reflected in how you allocate the sports budget or in strategies and targets you have on the table now?

Senator Kemp—I think we certainly can, Senator. This is an important priority of the government. We are very strong supporters of elite sport but, equally, we are very keen to broaden the base for a variety of reasons, not only for reasons of health but also because sport is community building. Sport can play an important role in building communities as well. There are a variety of reasons why we strongly support greater participation in sport. A number of important things have been done quite recently by the Sports Commission. I might prevail on you, Mr Peters, to relate them.

Mr Peters—Thank you, Minister. There are two key elements in looking to drive increased participation through clubs, the policy direction set under Backing Australia's Sporting Ability. The first is called a targeted sports participation program where we have picked 22 sports over two years that we want to work with and that can actually deliver increased participation at the club level throughout Australia. At the moment we have signed up eight of those sports. The estimations are that over three years that will increase participation by around half a million. We are negotiating—and hope to have—another three signed off by the

end of June. The second group were always to be in next year's allocation. We have had some debate about whether we are just working at the large end of sports. The reality is that they are the only sports at the moment that have the systems that we believe can move programs out to the rural and remote areas. We are hoping that, with the variety and different types of models these sports are putting in place, we can use those models to help other sports in the years to come after that.

The second initiative we have put in place is in what I might call the events area. We will be working with the Westfield shopping centres, piloting in Queensland and South Australia initially because that is where Westfield do a lot of their piloting due to population mixes. We will have 13 sports in those areas having displays and information sessions within the shopping centres. There will be letter drops advertising around that so people can go and experience a sport activity. If they are interested in participating and becoming a volunteer or a coach or whatever, they can then get immediate registration into a local club. Firstly, this is trying to encourage more people to participate in sport but having an easy mechanism for them to link into club structures. Secondly, we are working on a major participation program called Skate Australia where we are looking to work with what are not some of the traditional sport participants to help them develop their sport into the future as well. We think there is an untapped youth market that has been organised by the corporates. We believe there is an opportunity for them to organise themselves better in terms of some of the opportunities internationally.

One of the controversial issues—which you, Senator, will be aware of—when we implemented the Backing Australia's Sporting Ability was our relationship with the states. Other than Queensland we have now signed agreements with all of the states and territories, specifically around the quality end of putting programs into the market, around sports coaching, education, the ethical-social programs that we put in place and also a big emphasis on indigenous people. All states bar Queensland have signed, and I am talking to the head of the Queensland department during the first week of March. One of the issues for them is whether they need our money to be directed in certain areas. We will be negotiating with them. So they are the key strategies coming out of Backing Australia's Sporting Ability that we have put in place.

Senator LUNDY—If I have time I will come back to a few specifics on that. The ABS statistics show that participation in non-playing roles by volunteers is decreasing—the number of coaches has declined by 70,000 nationally, the number of volunteer referees and umpires fell by 116,000 and the number of administrators fell by 134,000. What is your response to those very significant figures showing decline in non-playing participants in community sport?

Mr Peters—That statistical period ended in May 2001. What it shows is a trend not just in Australia but worldwide. We need to develop programs which, as we coin it in the commission, put the fun back into being involved in activities and in volunteering—whether it be as a coach or an official. We also have a significant emphasis on risk management programs.

Senator LUNDY—This relates back to the liability question, too.

Mr Peters—Yes. There are a lot of concerns about the mums and dads as to why they would get involved in a sport if someone falls over, twists an ankle and sues them. So we are actually working with state governments—I think there is a really positive relationship there—and we are developing check lists. We have Active Australia networks in school systems, in clubs and through local government where information is actually produced to try

to help people understand how to establish a safer environment and deal with the risk issues—not necessarily with the legal issues that may occur after that.

Senator LUNDY—Just reflecting on election policies, we had quite a strong emphasis on that. But what funded program have you got to focus on safety in sport?

Mr Peters—We do not have a funding program that we give grants out to. We work with national sporting organisations, and part of their sports education grant money can be used to run coaching and administrative courses within their organisations. We have a management improvement group—and they are working with soccer at the moment, and they have worked with a number of other sports—helping them to look at their governance issues at the national level which, hopefully, then will translate to the state, regional and club levels. So we are actually offering expertise to work with them. As we keep saying within the sporting sector, the national sporting organisations are actually their states. Sometimes there seems to be a differentiation between what a state association is and what a national body is. There is representation all through the sports system, and we work with NSOs to make sure that there is a top-down approach to that education and restructuring if there needs to be.

Senator LUNDY—A lot of the evidence—and I suppose you would look at the trend analysis—shows that sports find it tough for that trickle-down effect to work. A lot of resources are put into training and skills development as well as professional development at that national level, but a lot of the sports have demonstrated quite severe difficulty getting that to filter down into their grassroots regional clubs. What strategies have you got in place through the NSOs, or outside of that structure, to actually facilitate that and help to get that support where it is arguably most needed?

Mr Peters—There are two major initiatives. One is that we deal with NSOs, as I said before, and we provide materials such as the club provider program, which says how the system should work—the skills and risk management needed et cetera. Through these partnerships I talked about with state governments, we are also actually supplying funds to employ a coordinator in a state government department who can actually work at the state level. Sometimes that is a fifty-fifty funding relationship; sometimes the percentages are slightly different. But we have actually put someone in to work with the state governments to make sure that, at that state and regional level, there are some arms and legs to help deliver the programs—and there are some really successful models.

Senator LUNDY—Is that the grants scheme? What you just described sounds like the state recreational grants that were cut.

Mr Peters—We had trouble over terminology last year.

Senator LUNDY—We did, and I am just curious because it was the community sport and recreation grants that were cut. The role you have just described sounds like the sort of role that those grants had.

Mr Peters—Prior to the Backing Australia's Sporting Ability policy, grants were given out to the states. Some of them were tied grants and some allowed them to do some work that they prioritised. After that policy we withdrew some of that money. We wanted to be far more targeted for the very reason you talked about: we needed to get down to the clubs and the people who are at the community level. Therefore, for us to now have a different agreement where we are still putting some funds in, we know what environment those people are actually working in with the states.

Senator LUNDY—So what has changed? The community sport and recreation grants were cut and you have put in place a new grant program which employs the people you were just describing.

Mr Peters—There was \$3.2 million that we distributed to the states previously, and we now distribute about \$1 million in direct grants. We have renegotiated the delivery programs around education models which are about sports education, which covers a whole host of things from coaching down to club development.

Senator LUNDY—You have more control, but there is still less net money?

Mr Peters—Yes.

Senator LUNDY—Significantly less. I might come back to that issue. You mentioned a target of 500,000 additional participants.

Mr Peters—Our target is one million over four years, and at this stage, in the first eight agreements we have with national sporting organisations, over three years the figures are around about half a million. We have another 14 sports that we will be finalising negotiations with over the next 15 months.

Senator LUNDY—So that half a million is over the four-year period with those eight sports?

Mr Peters—Yes.

Senator LUNDY—So if you do not finalise the rest of the sports for another year that will just give them less time to achieve their stated goal—the time frame condenses?

Mr Peters—Yes, some of the sports we are looking at are winter season, so some have asked us to begin negotiating with them now, and we would expect there to be two or three sports that we will have signed up by June, and the rest we would hope to have signed up by the end of the year, but that may spill over into the next winter season.

Senator LUNDY—What are the eight sports that you have an agreement with?

Mr Peters—Athletics, basketball, gymnastics, rugby union, tennis, AFL, surf life, baseball, softball and a combined program in women's golf.

Senator LUNDY—Is that a new grant that has been provided?

Mr Peters—Yes, it is in addition to the funds we supply to NSOs under their sports excellence program and their sport development program.

Senator LUNDY—What is this one called? You said it before.

Mr Peters—Targeted sports growth program.

Senator LUNDY—Targeted sports growth program. Apart from a commitment to increase the actual number of participants, what is the application process and selection process for those grants? Were they selected sports or did they apply and compete with other sports?

Mr Peters—We did an analysis of the sports that we believed could deliver the objectives in the Building Australia's Sporting Ability policy, which was to look to get programs out into the rural and remote area but at the same time increase overall numbers. If we were just in a numbers game, we would obviously go to a metropolitan area and drive the figures there, so we have a dual responsibility. We looked at sports that could deliver programs Australia-wide, that could deliver them out into rural and remote areas, and on that basis we selected 22 sports. If I could use the example of tennis, tennis had a history, particularly in rural areas, of running very successful regional tennis tournaments that generate a lot of participation around

them, but they have dropped off in recent years. So the targeted sports growth program that we are talking to them about is about reintroducing a number of those tournaments and reinvigorating clubs out in the regional and rural areas. The key thing for us is not to double count, because these are new people we want to bring into the system. Some of them may have stopped participating, so we also have an accountability measure in to make sure we are not double counting some of the numbers.

Senator LUNDY—Again, that whole issue of tournaments and events links back into insurance. How are you addressing the financial challenge facing clubs hosting those kinds of initiatives? Does some of the grant money end up going towards covering off the insurance policies as part of the exercise?

Mr Peters—In some sports premiums have increased enormously, and the grant money we provide could not cover that. So we are working with the sports now, and each of the individual programs will cover the insurance aspects of them. At the moment I do not have those details for tennis.

Senator LUNDY—No. I was asking more in the general, either for targeted sports or the events, if the grant money is allowed to be spent on an insurance policy.

Mr Peters—The grant money we give under our sports excellence program and our sport education would not be used for insurance. In some of these targeted sports areas, if they are events, I am assuming—and I could check it—that we would look at what it takes to set these events up and there may well be some flexibility in how we address those grants. I can go back and check on some of these programs which have actually got regional events. The targeted sports program is to be much more flexible. We are looking at new ways of doing things. The trend suggests that the way that we have done it over the last 15 years is not the way we are going to produce more people in sport over the next 15 years; so we need to design programs, model and experiment, and that is the idea of this particular program.

Senator LUNDY—When are you going to review its operation? What is the review and assessment process?

Mr Peters—We have a contract with each of the individual sports which is reviewable at the end of 12 months. It will be progressive depending on when that sport's 12-month review is. They have particular targets. We initially started the program hoping that in the majority of these arrangements we could have a corporate sponsor involved. That has not eventuated. It has with some sports, but it is such a tough market out there we have agreed to go with some sports on the basis that we will work with them in the corporate sector as the program progresses to hopefully get some corporates in. It is a 12-monthly review and there are particular targets that have been set within that 12 months for each of the sports.

Senator LUNDY—Can you provide this committee with the details of those targets and progress reports?

Mr Peters—Yes.

Senator LUNDY—What I am looking for is an insight as to whether or not what you are doing is actually working and an assessment of whether the targets are able to be met in accordance with the strategy. I certainly appreciate there is a bit of experimentation involved here. It will be interesting to see how it shapes up. You mentioned indigenous sport. In particular, how does this targeted sports program aim to increase the number of indigenous people participating in community sport?

Mr Peters—Again it varies between the sports and where some of their initial targeted areas are going to be. The whole basis of our indigenous sports program is our relationship

with ATSIC. We put about \$1.5 million into that separate from the targeted sports program and ATSIC put about \$2.1 million in, and there is some tremendous cooperation with the various state governments now where we are seeing a lot of indigenous sports development officers actually being placed in the indigenous communities on the ground. The number is around 35 at the moment, and I know Queensland is also putting a lot more money into that area at the moment. Again, specifically with this targeted sports program, some of these sports will venture into indigenous communities in the first year and some over time, but we have very much a larger program with ATSIC that is about the development of sport within indigenous communities.

Senator LUNDY—Have you benchmarked the level of participation in the indigenous community so you have some idea of measuring the relative success or otherwise of your policies?

Mr Peters—We have not at the moment. The issue about statistics is that, even though we read the ABS statistics about decreasing trends in participation, we are seeing them contradict themselves with other surveys about volunteerism. One of the key issues for us at the moment, not just in indigenous communities, is to be able to get some base statistics that are realistic. There is a CRC proposal on the table at the moment in the health and physical education area. We are discussing the inclusion of sport in there that may well give us a firmer research base into the future through that model.

Senator LUNDY—Have you done benchmarking with the levels of general participation in sport, again to inform the assessment of the relative success of your other courses?

Mr Peters—Our NSOs have had to benchmark their participation numbers at the moment, so with the introduction of the targeted sports program we can know what the movement is. I can use the example again of the AFL and their Auskick program, which the minister launched a few weeks back. Simpson-Electrolux have now come on board as a corporate partner. They are looking to take Auskick, which has previously been a ‘come-and-try’ program, and still run it—it has been highly successful—and take it further out into the regional areas, particularly in Queensland and New South Wales initially, and look then to having a direct relationship between clubs and those Auskick players, whereas in the past they have had a good time, wandered off and done something. Again, we know how many people participate in Auskick, and then we will know how many actually go on into that club structure. Then the key is to find out how many people actually stay in that club structure.

Senator LUNDY—What is the whole targeted sports program worth on an annualised basis?

Mr Peters—For 2001-02, the program has been allocated \$4.16 million over three years—that is the eight programs. The rest of the rollout of the program has \$3.6 million in 2001-02, and then it is a matter of which sports drop in and out as to how we progress it after that. I am happy to give you a financial breakdown of what is against each sport in the summary we are going to provide you.

Senator LUNDY—That would be useful. Can you give me an idea of what percentage of the overall funding from the Sports Commission is targeted sports programs in relation to any NSO that gets a grant from the commission? How much more money is it, and does their existing grant decline if they are a recipient of this money?

Mr Peters—No, the targeted sports program and the events programs have no effect on the funding that goes to an NSO and has gone to them previously. It is, if you like, an incentive fund for them to get involved in looking at different ways of increasing participation. It is on

top of the standard grants that we give them under the sports excellence program and the sport education or sport development program. In relation to the actual figures we put in here—our budget—if we look at off budget revenue, together with \$124.4 million, which is the grant from government, it is about \$140 million, of which this program, the events and targeted sports, will be about \$5.6 million this year. As you know, it extrapolates up under that \$28 million over the four years for these increased programs. One of the issues is the distribution of elite money and participation money. The ratio was about 84 per cent to 16. It is now up to about 78 to 22. We are refining some of our objectives at the moment. We previously had three objectives, which made it a little confusing as to where we allocated money. The ministers agreed recently for us to drop back to two objectives that talk about elite and participation, which will make it much clearer to people as to where our resources are going.

Senator LUNDY—As far as the continuity of this program goes, you have talked about a four-year program. Is this program expected to have a longer life than that in the way that it is obvious to me already, as we found with OAP, that these sports tend to then back end load their general administration. It changes the way they fund their different initiatives. What are you doing to make sure that, if this is a limited grants program, there is not the same dependency built up on a specialised program that then undermines that sport of its ability to do what they do with everyone's interests at heart, following the cessation of the grant?

Mr Peters—The model that we have set up for each of the sports, given that their internal models may be different, is that there has to be sustainability. That sustainability has to be through an involvement of the corporate sector, which is very difficult at the moment, or through registration, if they obtain the registration numbers that they are predicting, which will generate capitation fees, which in turn should allow the program to be progressed. As I say, we are looking for new models. We are not sure if all these will work, but we need to try. We are optimistic that some of these sports will be able to continue these, because there will be the increases in participation with the associated capitation fees.

Senator LUNDY—Some of the sports you have funded with the targeted sports programs are already professionally run and have corporate sponsors at the elite level. How much do you factor that in compared to sports that are arguably more in need of government support because they have no access to the sort of high levels of corporate sponsorship that occur with that elite televised aspect of the sport?

Mr Peters—It is an incredibly difficult problem for us because of Australia's history of having all sports able to develop using government funds. We have to make some tough decisions about what increase in participation there actually is. Some of the medium or smaller sports have not got the structures in place to deliver the targeted sports program. We think we may well just be propping up administration in those sports rather than actually getting the money out to the clubs and the participants. We have deliberately gone with the larger sports and some of the middle sports so that we can, as I say, test the models out as to what works. We have received some criticism from smaller sports saying we are just working with the top end. Some of those sports just cannot go out into the regional and rural areas; they cannot increase their popularity by getting a grant from us. They just do not have the structures in place.

Senator LUNDY—With the first eight sports that have been selected and funded, what is the gender balance between the aims for improvement of participation and the gender split in those sports?

Mr Peters—If I can defer to Sue Baker-Finch, I am not sure whether we have actually broken up the increased participation into males and females. We have worked with sports that actually have dual participation as well as some single-sex sports.

Ms Baker-Finch—In setting the targets of participation growth, we have not at the moment asked the sports to indicate what proportion will be girls, boys, men or women. We have, in the first eight sports, however, made sure that we have included a couple of sports where we know an emphasis will be on female participants. This applies to gymnastics in particular, where one of the programs will be a program called ‘Aeroschools’, which we anticipate will target a very important group in the population, teenage girls, who traditionally have had a tendency to drop out of sport during their teen years. We have been mindful of that. More importantly, we will be monitoring the gender breakdown of the participants in the one-, two- and three-year review process, because each of the sports will be required to set in place a comprehensive database structure and information gathering system so that we can actually monitor this closely. As Mr Peters said, one of the aims will be to use these programs as a form of market research and customer satisfaction analysis so that we can find out how long people are staying in the club structure and why they may opt out when they do, if they do.

Senator LUNDY—What are the sports again—gymnastics, tennis? What else?

Mr Peters—Gymnastics, tennis, AFL, athletics, basketball, rugby union, surf lifesaving, baseball, softball and the combined program women’s golf. We have highlighted the other sports as well that we are now negotiating with.

Senator LUNDY—Can you just list them.

Mr Peters—Netball, men’s golf, soccer, surfing, sailing, touch, cricket, hockey, lawn bowls, swimming, volleyball, cycling, equestrian, rugby league.

Senator LUNDY—I am concerned that there was not a stronger emphasis placed on particularly the gender equity between the different sports that were funded. I do not know if I am correct, but it looks to be at least a slightly stronger emphasis or proportion devoted to men’s sport. I do not know if that is the case. I would like to give you the opportunity to do that analysis on the projections and gather what information you can from the sports about where those programs would be targeted. I ask that in the context of the very well known and obvious challenges that face women in sport, who quite often find it much tougher to access corporate support and sponsorship, to the point where it does become a vicious cycle. I know you know all of this, and that is why I am concerned that in what few programs are available to sports in general there is not a particular emphasis placed on that because of the disadvantage women’s sports suffer, through primarily lack of coverage and associated difficulty in getting sponsorship.

Mr Peters—Our expectation is that this will be male and female. We do not want to stereotype. We are finding that some young females actually like to participate in male sports. A lot of the modified sport programs that were initiated by the commission 10 years ago in its Aussie Sport program have now become a key part of what may be seen as male dominated sports, particularly at the professional end. But we have a lot of young women and, in some sports like rugby league, older woman actually wanting to participate in those sports. It is certainly something that we are aware of—the whole issue of women’s sport and how we develop that in Australia.

Senator LUNDY—I appreciate your comments about not stereotyping, but even in those sports that do have women’s participation the administration tends not to provide the

emphasis that perhaps they would like as an organisation. They would like to do a lot more, I am sure, but I know that it is a reasonable generalisation to say that there is a lot of frustration and fewer opportunities for women's sport. I will look forward to receiving that information. You mentioned the events program and Westfield. Do you already have a formal agreement with Westfield about that?

Ms Baker-Finch—Yes, we have an agreement with Westfield to stage the two pilot programs in the seven Westfield centres in Adelaide and Brisbane. That will be staged in the week beginning 4 March, so it is not far away now.

Senator LUNDY—How did you select Westfield?

Ms Baker-Finch—We wanted to go to an environment, in the first instance, where we knew there would be high traffic flow. Westfield has remarkable statistics indicating that there is extremely high traffic flow through the centres, especially through the centre court areas. Westfield is also interested in becoming a long-time partner for this program, so we see some commercial sponsorship benefits there. We are mindful, however, of the fact that Westfield shopping centres are primarily on the eastern seaboard and south of Brisbane. In the full event that it should go national, we will be looking at a strategy to take the program into rural and regional areas using other means—perhaps community halls or, indeed, other shopping centres, subject to some commercial and sponsorship arrangements with Westfield, I guess.

Senator LUNDY—Does your arrangement with Westfield make it an exclusive one that prevents you from entering into arrangements with the owners of other large shopping centres, say, in north Brisbane where Westfield does not have centres.

Ms Baker-Finch—We are piloting the program with Westfield at the moment and we have not made any long-term commitments, exclusive or otherwise.

Senator LUNDY—How are you going to ensure that your sponsorship with Westfield does not potentially alienate sports which might either be in mid-negotiation or in continual active pursuit of Westfield as a sponsor for their own events and their own organisations? Have you done any research or turned your minds to that?

Mr Peters—It has not been raised by any NSOs, particularly the 13 we are dealing with at the moment, because I think they are all looking for avenues to actually increase the whole. There are no exclusivity arrangements that we have gone through. We work with Sporting Frontiers—they are our sponsorship company at the moment—who look at possible sponsors for sport into the future. But you are right, it is a very valid point: we do not want to be moving into territory where we may be taking sponsors away from sports. But with Westfield that has not been an issue raised with us at the moment.

Senator LUNDY—How much are you paying them?

Mr Peters—Paying Westfield?

Senator LUNDY—Yes.

Mr Peters—We are putting funds into the program. They are putting funds in terms of use of their centre, a lot of in-kind and that sort of thing. The figure is around \$300,000.

Ms Baker-Finch—If my memory serves me correctly, the total cost of staging the pilot will be \$600,000 this year, and that will include promotions, all operations, all of the IT backup required for the electronic online sign-on for the sports and follow-up for action by the sports at a later date.

Senator LUNDY—That is the pilot for this coming financial year, I presume, 2002-03?

Ms Baker-Finch—There are some additional expenses in the pilot due to loss of efficiencies of scale. There are 29 Westfield centres in Australia and we have costed the staging event in 29 centres at about \$1.3 million, but you can see from the figures that, in piloting it, especially with the up-front research and development work in such things as the web site and resource kits to assist the sports in staging the event, obviously there have been some up-front costs in the first year that we will not be bearing in the future.

Senator LUNDY—So the initial pilot is \$600,000 and then the ongoing program is \$1.3 million per annum?

Ms Baker-Finch—Yes. We have costed that at about that amount.

Senator LUNDY—The sports that participate in that are the ones that have been selected for the targeted sports grants? Is that how it works?

Ms Baker-Finch—That is correct. There are 13 of the 22 that took the opportunity, although all were invited. In addition, any sport can be involved in the promotions online. Each sport will have almost like a web page where an interested participant or potential volunteer can sign up, but only 13 sports will actually be physically on display in this pilot.

Senator LUNDY—How does that online initiative relate back to the existing one with Telstra that the commission has in place—SportNet?

Ms Baker-Finch—No.

Mr Peters—It does not have a relationship.

Senator LUNDY—Is SportNet still going?

Mr Peters—Telstra have just informed us that they do not wish to continue the contract and we are negotiating an exit strategy with them at the moment.

Senator LUNDY—Does that mean they have to pay you or you pay them?

Mr Peters—They pay us some compensation for looking after the sports that are on the particular SportNet product at the moment.

Senator LUNDY—So SportNet is defunct basically as of now?

Mr Peters—Yes.

Senator LUNDY—Very interesting. I could ask a heap of questions about that, but I might save them. How much have you spent on SportNet to date?

Mr Peters—I would have to come back to you on that figure with staff time. Telstra's estimation of their costs is in the order of \$6 million, and they have made a commercial decision that the—

Senator SCHACHT—Did you say \$6 million?

Senator LUNDY—Yes.

Mr Peters—Yes.

Senator SCHACHT—Gold plated wires.

Senator LUNDY—Did it do anything?

Mr Peters—It certainly has raised awareness that we need to look at a system that has sustainability.

Senator LUNDY—That is being polite. It did not do much then?

Senator SCHACHT—Did they give you a breakdown of why they spent \$6 million?

Mr Peters—Setting up the platform structure and a lot of the programs and everything. It has been over a number of years now that they have been supporting the product through help desk and other particular costs.

Senator SCHACHT—When you say ‘platform’, that is hardware, not software?

Mr Peters—Yes.

Senator LUNDY—If SportNet is now defunct, will the new framework that is being funded through the targeted sports events program initiative become available to the sports that are not part of the targeted sports program? At the moment, theoretically they could have access to SportNet. Once SportNet goes they cannot. What will be available to support them in an online environment?

Mr Peters—Two things have happened. Advanced Solutions International, who are supplying iMIS, the membership management database, is the group that we are negotiating with so that existing sports can continue on with that system. That is where negotiations with Telstra are continuing at the moment—

Senator LUNDY—Sorry, who is picking up that contract?

Mr Peters—The iMIS membership management database was being run by Advanced Solutions International. They will continue to do that for the sports that are with SportNet at the moment. That is where we are negotiating with Telstra on the compensation.

Senator LUNDY—What was the company name again?

Mr Peters—Advanced Solutions International. What we have done in recent weeks in the larger portfolio here is to speak to our communications colleagues looking to explore what other options are now available for us to take this Australia-wide with some certainty into the future.

Senator LUNDY—So those sports which perhaps relied upon that service will not be completely disaffected or disadvantaged.

Mr Peters—Yes.

Senator LUNDY—Will they incur a cost for that service that perhaps was not there before by virtue of Telstra’s involvement?

Mr Peters—Sorry, I do not understand the question.

Senator LUNDY—Because I am not familiar with the costs or pricing structures previously, I do not know whether the sports incurred a cost. If they did, will they incur a similar cost, an increased cost or a decreased cost with the changed arrangements?

Ms Baker-Finch—Currently there are about 24 sports using the SportNet product for online Internet based database management. We hope to negotiate arrangements with those sports so that they will all be transferred to an alternative product supplied by ASI, Advanced Solutions International. They will in fact be advantaged because the new model is to provide access to every club and state association and the national body. The arrangement on SportNet with Telstra was a costing model where every club separately had to pay a user fee. This model is what we are calling a whole-of- sport model which in fact will bring the true benefits of an online product like that to bear. The comparative costs for a whole-of-sport model are much cheaper. What we will be interested in looking at is how the sports will choose to perhaps share that cost across state bodies and regional bodies into the future. But, as Mr Peters said, what we are arranging in the first instance so that no sport which has been a user will be disadvantaged is for their costs to be subsidised for the first year of their operation.

Senator SCHACHT—By whom?

Ms Baker-Finch—By some arrangements we are putting in place between the Sports Commission and Telstra.

Senator LUNDY—Part of negotiating Telstra's exit is that they continue to subsidise that service for at least a period of time, 12 months.

Ms Baker-Finch—We have signed a settlement deed. While I think that we could provide that information to you out of this forum, I do not think that we could put it on the public record since it is a commercial arrangement between Telstra and the ASC.

Senator SCHACHT—You can provide it to this committee as a legislation committee rather than an estimates committee, in confidence. Is that right ?

Senator LUNDY—You can request that that evidence be held in camera by the committee, and I would suggest that when you provide it you give reasons, and the committee will consider that request. We are not going to be unreasonable about this. It is a very reasonable question and we respect the concerns.

Senator Kemp—We will look at it if you make a request. It is not only this particular issue but the general one of how you deal with commercial-in-confidence material. I know it is difficult and it is something we are grappling with. Probably the best thing is that we take it on notice and look at it and advise you.

Senator LUNDY—It is the implication that I am more concerned about at the end of that period. Does that mean that these sports will be confronted with a hike in the costs of something that they are effectively locked into and have no choice to get out of—that they will be, effectively, a captured market? It is about making sure that they are not going to be set up for incurring a big cost down the track.

Ms Baker-Finch—None of the sports will be forced to migrate to the new option. I think the majority of them that are using this as a national database will be only too pleased to do so. The costing model will still be cheaper than one that they would have perhaps eventually moved to had they managed to get their state associations, regional associations and clubs signed onto the product. The ASC's view is that it will always be the choice of the sport as to which, essentially, commercial product it chooses to use. Unfortunately, there are not a lot of alternatives out in the market for sport at the moment, certainly not ones that—

Senator LUNDY—No, I cannot see a lot of competition.

Senator Kemp—I think that the comments Ms Baker-Finch has given give you some comfort.

Senator SCHACHT—Telstra put \$6 million in and now want to get out. Is that correct?

Mr Peters—Yes.

Senator SCHACHT—Is \$6 million what they invested, but how much did they lose? I cannot imagine Telstra wanting to get out if they had actually made money, not knowing them to be an organisation of unlimited altruism. They probably would have said, 'We will keep in, so long as we keep making a quid.'

Mr Peters—I do not have their definite figures, but they have done an analysis of what has happened in recent times and projections of the take-up of the product into the future and it is not a commercially viable operation.

Senator SCHACHT—If it is not commercially viable for them and they are the 'biggest gorilla in the marketplace', to quote Senator Alston's description of them, why would this

new body, ASI, be able to make money? Why are they putting their hand up? If Telstra cannot make it, how can ASI make it if the structure of the sports have not changed? I do not want to do you out of a client, but I have to say, Mr Peters, I am in a quandary as to why someone would sign up.

Senator Kemp—I think Sue Baker-Finch touched on that issue in her own remarks.

Senator SCHACHT—To Ms Baker-Finch as well.

Senator Kemp—Mr Peters, would you like to expand on this issue?

Mr Peters—I think it is an understanding of the relationship between Telstra and ASI and what ASI were providing and has been developed and Telstra prepared to novate across to them. We have done the costings and, as Ms Baker-Finch said, we believe this service now will be able to operate for those 24 sports and in the interim we are working with our communications people, looking at what states have set up at the moment to see whether we can tap into that.

Senator SCHACHT—Of the 24 sports, how many of those have a national membership database where there is one list, one fee paid across Australia to be a registered member of that sport?

Ms Baker-Finch—Mostly, they tend to have bits and pieces. The true goal of a single membership database with access by various associations probably still needs to be implemented by most of those. The new option does provide for that to happen.

Senator SCHACHT—But not if the sports do not take it up. I can go only partly on my own experience with my own sport. We hope by the end of this year, or some time this year, we will have on one database all registered members of those playing volleyball across Australia rather than having them in six states and two territories. But until you get to that level there is very little value for a service provider because you just cannot get the full list. The list comes in in bits and pieces, and only some clubs are in. If you say you are going to provide this for clubs to use, to put in information about the McGill Hockey Club as part of the women's hockey association for example, if they do not choose to put information in, the hockey community is not fully represented on that Internet service and it starts falling down. How do you overcome that problem of ensuring, per sport, that the district, state and national are all in the databases totally? If they are not in, I cannot see it working commercially, for someone to make a quid out of.

Mr Peters—And that is why we are seeing a number of providers come in and offer particular products to sports, and then, unfortunately, not be able to deliver and cease as a company.

Senator SCHACHT—I know about the experience.

Mr Peters—One of the interesting issues for sports some time is to not tell the national body the number of representatives they have because then they have to pay lower capitation fees.

Senator SCHACHT—You have anticipated my next question.

Mr Peters—I think the insurance issue—and the need for us to understand our industry and NSOs and the membership base of state and regional associations—will be an imperative for future management of sport.

Senator SCHACHT—What is the policy of the Australian Sports Commission to encourage sports to move to a national structure—not having a federation but having a national association—where across Australia the associations and the state offices are actually

part of a nationally run organisation like a national company or trade union so that you do have only one membership and you know who they all are; you have one national competition? What is the Sports Commission's view about encouraging sports to move to that level for that style of organisation? Some call it the corporate model. I call it a national organisation that is superior to the federal system of anarchy.

Senator Kemp—It does not always follow, Senator.

Senator SCHACHT—But it does in sport, unfortunately, Minister.

Mr Peters—Our approach in working with the NSOs is to actually suggest, particularly through our management improvement area, that there is no alternative; that we cannot have a whole lot of cross-purpose organisations supposedly representing the one sport. Therefore, we are looking at any opportunity we can to see how to have a truly national model. As I said before, I think in one sense the unfortunate insurance issue is going to see a big education for a lot of people in the sports system.

Senator SCHACHT—You have my full support to move in that direction, Mr Peters, because I think that in the long run sport will be a lot better off.

Senator CONROY—These were the exact issues that I wished to talk to you about.

Senator Kemp—You are puffing a bit there, Senator.

Senator CONROY—I was just watching the monitor.

Senator Kemp—I was just wondering whether you need a bit of extra training.

Senator CONROY—There is no question about that. I just wanted to ask you about your view of staff of the ASC hogging positions within state and federal structures of sport. Do you have a policy on that?

Mr Peters—That is the quality of staff?

Senator CONROY—It is not that exciting a question, believe me.

Mr Peters—This is the quality of staff in national sporting organisations?

Senator CONROY—Not necessarily a full-time employee of yours—presumably they cannot hold a position—but the honorary positions.

Mr Peters—The honorary positions that Sports Commission staff may hold in national sporting organisations?

Senator CONROY—Yes. If you are the president of volleyball or of a soccer association, state or federal, does the commission have a position on that?

Mr Peters—We have a policy that staff should not be involved in national sporting organisation boards. In my situation, I was President of the Australian Baseball Federation before I took the appointment up. On taking the appointment up I resigned. We do not stop our staff from being involved in development committees associated with the sport, but we have said it is not allowable to sit as a board member for a sport.

Senator CONROY—And the state federations, notwithstanding that you are trying to wipe them out?

Mr Peters—Our policy only exists for national sporting organisations.

Senator CONROY—And in a situation where individual sports, like soccer—which Senator Schacht was talking about—are in significant financial difficulties, and they exist at

almost your own goodwill, do you have any requirements on them to consider a restructure in the form that you described to Senator Schacht earlier?

Mr Peters—If we believe that the sport is poorly structured and the governance is incorrect, then we will put certain conditions in place associated with our continued funding of that organisation.

Senator CONROY—What sort of conditions?

Mr Peters—We have a management improvement section, which works with sports on structural issues. Those people will sit down and look at their present governance structures and then make recommendations. They will recommend that they are implemented and they will take the recommendations to the members in whatever forum may be appropriate. We do demand that there should be good governance and good structure in sports.

Senator CONROY—I have attended a few meetings of the type you are describing, but I have just never heard the word ‘demand’ before. I have heard many other words, but I am glad to hear you describe it in the manner that you do.

Mr Peters—We have a recent example where the survival of some sports is about having democracy and transparency in the way they operate and good governance. With all of the risk management issues—the issues to do with insurance and so on—unless the sport is well structured then it will struggle in the future. Through federal government grants we are investing a lot of money in the sport system. To some extent, some sports are becoming more reliant on government funding rather than less reliant because of the difficulty that the corporate sector is having at the moment.

Senator CONROY—What is your definition of democracy?

Mr Peters—Democracy in a sporting organisation is where those who are members have an input into decision making and understand the reasons for decisions being made. Sometimes a board may make a decision that some members do not agree with, but at least with the openness of communication the reasons why that decision was made should be passed back to members. With a number of sports we are working with independent boards. This underlying structure suggests that, constitutionally, we look for expertise on those governing bodies rather than having individual states being represented on the governing body. The underlying principle there is that the member states should always have the right to remove that board at some point in time based on a 75 per cent agreement. They are the elements that we believe to be important.

Senator CONROY—Is democracy based on one vote, one value, depending on the size of the membership, or on set votes per state? What is democracy, ASC style?

Mr Peters—It comes down to the sport, and looking at where memberships are and where developments are. There is an issue now on the international scene, which Senator Schacht referred to, where a country in Oceania with 200 members can have one vote—the same as Australia or the USA. There are some issues now as to how that actually works in good decision making at the end of the day. So we look at each sport, its structure and the sort of representation it has. There is a great difference between sports at the moment.

Senator CONROY—You do not demand a particular style of democracy?

Mr Peters—No, we look at individual sports.

Senator CONROY—Based on standards. You could have a voting structure that is set up as a gerrymander. Do you demand the end of a gerrymander?

Senator Kemp—Do you mean in the sense where one particular group could have a 60 per cent block vote?

Senator CONROY—It depends on whether or not they are represented in that fashion.

Senator Kemp—I just wanted to check.

Senator CONROY—I am interested in Mr Peters's view.

Senator Kemp—There are a variety of ways in which bodies structure themselves, as you know.

Senator CONROY—There are. But what we are talking about here are the ones that are financially dependent upon the ASC and what the demands are that have been placed on them by the ASC. I am seeking Mr Peters's and the ASC's view on what true democracy is, given that they seem to be champions of it.

Mr Peters—It is difficult to answer any further than I have unless we have examples to talk about, because—

Senator CONROY—Is it one member per vote? Is it representation based on the state with the largest population rather than actual participating membership? Are there caps? Is there a minimum floor so everyone gets a vote? What is the ASC's version of democracy?

Senator Kemp—It might actually help us if we get to what you are aiming at.

Senator CONROY—My aim is to find out what the list of demands from the ASC is.

Senator Kemp—I think you are heading somewhere, Senator, and I think you should now fess up and tell us what your question is.

Senator CONROY—I am just interested in what the ASC's views on democracy are since they have 'demands,' as described by Mr Peters, upon people who are in hock to them.

CHAIR—It is a very philosophical question.

Senator Kemp—It is an interesting discussion and Mr Peters has answered pretty well, actually.

CHAIR—We are really here to discuss finance.

Senator CONROY—We are here to discuss ASC policy and that is what we are discussing.

CHAIR—Estimates are about finance.

Senator CONROY—They are about the policy that goes to the heart of finance. Do you have a preferred structure that you like to demand from your affiliates or your sports?

Mr Peters—It is not possible to answer that question because of the different types of structures, memberships and development stages of the different NSOs. Some NSOs at the moment are looking at regional representation rather than state representation. Other bodies believe that state representation is the key and that they should not have regional associations. There are lots of sports at the moment reviewing what is the best structure to ensure that the best decisions are made for that sport. We work individually with those sports. If a sport is in a crisis, we look at why that sport is in crisis and try to work with them to work out of that crisis and to put structures into place to ensure that it will not happen again. We have resource agreements with every one of our NSOs so that when we give them funds it is for an outcome.

Senator CONROY—So you do not have a problem if a sport is gerrymandered in a particular way to disadvantage some members ahead of others?

Mr Peters—If some members are disadvantaged, then we would like to sit down and talk to that sport and find out why. Again, it is difficult without examples. We work with sports when they have particular issues. We have resource agreements with those sports. We meet with state sports federations to see if there are issues at the state level. We meet with state government departments to see if there are problems that they perceive within certain sports.

We recently had Athletics Australia come to Canberra and sit down and talk to the state representatives of government departments about the model that they are implementing, because there is an issue about whether Little Athletics should come into the Athletics Australia model or whether they should be funded by state governments as against what the national body believes the best model to be. So they are the sorts of issues we are constantly dealing with and looking to find solutions for. We are cognisant that the majority of sports are made up of volunteers.

Senator CONROY—If a particular sport has a structure that gives a particular voting block—unfortunately these things happen and people vote in blocks—which takes it into bankruptcy and then, because of the nature of the constitution of the organisation at the time, it uses its numbers to maintain its ongoing voting strength in the new constitution, even though it is still a gerrymander because it specifically capped and floored certain states so that everyone still had a vote and the numbers just happened to fall the same way, would you have any views on that? Is that what you consider good governance and good democracy?

Mr Peters—If it was to the detriment of the sport and the situation you say sends—

Senator CONROY—So it is only if it disagrees—

Mr Peters—Your point was that it sends a sport into bankruptcy. Of course we have concerns because, for the majority of sports, we are their major funders. We will ask our management improvement people to sit down with those within the organisation; we will often bring some people in if it is a particular issue within their structure that needs some professional assistance. Our concern is that we have a sports system that is credible and that can survive into the future.

Senator CONROY—I should flag that, like Senator Schacht, I share an interest in and passion for volleyball and I am the President of the Volleyball Victoria Association.

Senator Kemp—How many more Labor senators are involved in the sport?

Senator CONROY—We are working on it. Geoff Gallop is the patron of Volleyball Western Australia. It is quite embarrassing. If a state association has a set of assets that are backed by the state government—

Senator Kemp—You are not having a factional fight with Senator Schacht, are you?

Senator CONROY—and gets into a situation where a restructure is being demanded by the ASC, where do you think those assets should fall?

Senator Kemp—I think that is a bit difficult to answer hypothetically.

Senator CONROY—It is a perfectly straightforward question concerning demanding control and wanting to take the assets of state associations. I am asking for the ASC's views on the situation.

Senator Kemp—I am an interested observer in the cross-examination that you are conducting, but a lot of hypothetical questions have been thrown out and, if you want a view, I think it would be more helpful to put a specific case which you are dealing with so we can—

Senator CONROY—I am looking for a policy from the ASC. I am looking to understand the ASC's policy. Mr Peters used the word 'demand' about the demands that the ASC have. I am seeking to find out what policy is the basis of those demands. I do not think that is unreasonable.

Senator Kemp—No. We have had a very interesting discussion, but some of the questions have been very much on the hypothetical issue.

Senator CONROY—I have just put a fairly straightforward question about where assets are state government based and whether or not the assets would pass from the state association into the federal association or the new structure being demanded by the ASC. How do you think state government would go barracking for that or handing over future funding to an association like that? Have you sorted these things out with your state colleagues?

Mr Peters—There is some assumption that if we are recommending—and you used my word 'demand'—what we put into resource agreements these things are done in isolated discussion with state associations and members. When we get involved in sports and reviewing structures, and the way they operate, it is not just with a few people who sit around an NSA board. It is actually with the whole sport. I use the example where Athletics Australia have come up with a model that we support to take athletics forward rather than having a lot of disparate groups. The issue of the funding of Little Athletics has become a problem because they have developed an organisation of their own. Is it realistic for Athletics Australia to be progressing certain strategies in some states where Little Athletics will become part of their bigger picture structure when in other states they will not? We had those state representatives around the table, we discussed the model Athletics Australia wanted to put in place and we asked our colleagues to give us feedback as to where we should progress from there. The issue of assets, and all of that, comes down to what those discussions are and what that model is at the end of the day that we believe to be best for that sport, working through those issues with the members of that sport. It is not to do it with a group of people who sit around a national sporting organisation's table.

Senator CONROY—I come back to that issue where state associations are incorporated with assets and a variety of styles of assets. They could be buildings, they could be equipment or they could be anything. It is a state association that is incorporated and it is backed with funding from state governments. Assets are created with the assistance of state governments. Do you think there are some tricky issues to be worked through there?

Mr Peters—Having come from a state government for 10 years, yes.

Senator CONROY—If a national association comes forward and says, 'But we have no choice, the ASC says we have to cop this central model or else we will all go under; it is all to the betterment of the sport,' do you think that is a fair representation?

Mr Peters—I do not believe that would happen.

Senator CONROY—I want to talk about volleyball specifically. Senator Schacht is the President of the AVF. Are you working with the AVF on any initiatives at the moment?

Mr Peters—We have had a request from AVF whether our management improvement people can work with them in looking at a different structure for the management of volleyball in Australia which, in fact, is a structure along the lines of having a number of regional representations rather than a state representation. I understand that Senator Schacht may be able to add more to that. We are looking at our resources. I understand that there was

to be a meeting between Volleyball's executive director and our management improvement people to see what the background to that particular request was.

Senator CONROY—How much money is being asked for this study?

Mr Peters—At this stage I am not aware of discussions over funding. There would obviously be some request at some stage for assistance to get states together to discuss issues. Those are the sorts of funds we have provided in the past, whether to bring an independent consultant in to work with the sport, depending on the workloads with our management improvement staff. I am not aware—and I certainly can check—whether there has been an actual financial demand, but I would presume that would be through negotiation with Volleyball Australia and our management improvement people.

Senator CONROY—I appreciate that you have only recently taken over. Are you aware that Volleyball received \$30,000-odd last year to provide an independent consultant to make a recommendation on a constitution that has just come into place in the last six months?

Mr Peters—I am not aware specifically of that, but I am aware that the commission has certainly worked very strongly with Volleyball to assist it in some difficult situations in the past. The feedback I have got is that there have been some good performances now and that there are some repayments coming on the loan that was given to the sport. I am not aware of that specific grant.

Senator CONROY—Was that \$30,000 to bring an independent consultant in to travel all around the country, consult with all the stakeholders and then introduce a new constitution just in the last six months?

Mr Peters—Yes, and I assume that will be a strong part then of the discussion about management improvement with people from Volleyball Australia as to why we would do that again.

Senator CONROY—I look forward to participating. My attention has been drawn to it and I am sure I will get another chance to talk to you about it.

Senator Kemp—Quite fascinating. Senator Schacht, have you got anything to add to this?

Senator SCHACHT—My colleague from the state of Victoria is dead right, but the decision was taken at the annual general meeting of the Volleyball Federation in December of last year. After a lengthy discussion it was put to the meeting that the AVF would approach the Sports Commission to discuss ways in which we could further develop a national structure. At that meeting, out of eight states and territories, seven states and territories supported it. One abstained. That was Victoria and, as a result of that, the approach was made to the Sports Commission and those discussions are continuing in accordance with that decision of the annual general meeting of the Volleyball Federation.

Senator Kemp—Thank you, Senator.

Senator CONROY—Which has a novel constitutional cap on people eligible to vote and whether or not there is a minimum floor to keep some states in and a maximum to keep some states down.

Senator Kemp—I think some of these matters might be better raised directly with the association.

Senator CONROY—This is taxpayers' funds to actually push forward certain agendas and I just wanted to know what the policy of the ASC was.

Senator SCHACHT—This discussion between me and my colleague has been around for some time. We went from a situation where each state and territory who had affiliated with the AVF had two votes, irrespective of whether they had one registered member or 10,000 registered members or anywhere in between, to a situation where every state and territory gets a minimum guarantee of some votes and then gets some bonus votes based on their registered members as an encouragement to get the states and territories to register and grow the sport. That was accepted by seven—

Senator CONROY—We did not want any one state to grow too much. We would not want one vote, one value, Senator Kemp. I would not want you to worry that that would happen.

Senator Kemp—You certainly would not want that, given the political party you come from.

Senator SCHACHT—That was carried by 75 per cent of the vote at a special meeting to adopt that constitution.

Senator CONROY—That would have been of the old constitution to bring in the new constitution.

Senator Kemp—I think we are all finding this quite fascinating.

Senator CONROY—I was stopping. It was Senator Schacht that kept going.

Senator Kemp—I am delighted you rushed up to ask these series of questions—

Senator SCHACHT—I thought he would.

Senator Kemp—but I think we may bring this to an end.

Senator CONROY—As I said, I defer to my colleague, Senator Lundy.

Senator Kemp—Maybe I could have a discussion with Senator Schacht and then I could go and have a discussion with you and see if I could act as an intermediary here to assist.

Senator CONROY—I look forward to the ASC continuing to broker—

Senator Kemp—It is unusual for a minister to make that offer, Senator.

Senator CONROY—I know. I could only suggest you spend your time brokering the Carlton Football Club board and see if you could get them out of jail collectively.

Senator Kemp—The season is about to start. We can fight this out during the year.

Senator CONROY—Senator Schacht is the only guy who had a win on the weekend.

Senator SCHACHT—We are the only ones that can beat Brisbane.

Senator CONROY—That is right. The only guys who had a win.

Senator Kemp—Thanks for all that. That was most interesting. Are there any more questions?

Senator SCHACHT—We were the last to beat them last year and the first to beat them this year.

Senator LUNDY—I have a question for the Sports Drug Agency. Can I have details of the breakdown of the \$7.6 million that was allocated as part of the Tough on Drugs in Sport program to what was then the Department of Industry, Science and Resources? More specifically, that allocation was at the time, I think, for research and testing for the laboratory. I am looking for an update as to whether that is still the case and what the relationship is now with that department, given you are here and they are over there, if you know what I mean.

Dr Stretton—As you would appreciate, the \$7.4 million that you mentioned breaks down to \$1.85 million a year. A decision has recently been made on the allocation of that \$1.85 million for this financial year, involving \$700,000 to ASDA for EPO drug test implementation, \$360,000 to meet our international antidoping obligations in support of WADA and \$790,000 for ASDTL for antidoping research.

Senator LUNDY—That is a significant shift from the position last time we spoke.

Dr Stretton—Obviously I was not here then but, as you appreciate, the initial amounts were always tentative, given the fact that there was uncertainty about what Australia's contribution to WADA would be, and that did not become clear until the December meeting of WADA, where the budget was approved. In a sense, that is something that we do not have a lot of control over, so we then move from there.

Senator LUNDY—I have got some questions about that as well. Going to the \$360,000 that has been allocated, is that for the current financial year, 2001-02?

Mr Mendoza—It is actually for a calendar year, from WADA's point of view.

Dr Stretton—We are paying for it in the financial year.

Senator LUNDY—But from WADA's point of view it is the \$360,000, not the \$1.85 million?

Dr Stretton—Of the \$1.85 million, \$360,000 will be Australia's contribution to WADA.

Senator LUNDY—Is that likely to be replicated each financial year or each calendar year as far as WADA is concerned? What is the extent of the commitment to WADA at this stage across the out years?

Dr Stretton—At the December meeting of WADA a budget was agreed for the 2002 calendar year, but also a tentative budget for the next three years was presented. That involved, from memory, roughly a seven per cent increase per annum over that time frame, but for each year an annual budget would need to be approved at the beginning of the year, that is, towards the end of this year.

Senator LUNDY—Prior to the beginning of the calendar year. There was much hoopla made about the previous minister's participation in WADA. It was reported in the *Age* of the 13th of this month that WADA was about to collapse because European nations are not paying their share of the running costs. We have made this investment. Can you tell me what your assessment is of WADA's future and how secure the Australian taxpayers' investment is in that organisation?

Dr Stretton—My understanding of the European situation is that individual European governments are supportive of WADA and the issue was whether the European contribution to WADA would be paid through the EC or by individual governments. The problem seems to arise from conditions which the EC is placing on one payment being paid through the commission. I understand also from those reports and things I have seen that there is going to be a meeting with the commission in the next month to try and sort that out. If that does not work, then individual countries can make individual contributions in the same way as Australia is. At this stage we remain confident that this issue will be sorted through.

Senator LUNDY—Does the \$700,000 come to you now to use for additional EPO testing?

Mr Mendoza—That is right, Senator.

Senator LUNDY—I am very pleased to hear that, by the way.

Mr Mendoza—I just add to what Dr Stretton said before that, in the indicative allocations that were announced last year for that \$1.85 million, in the carve-up there were two factors that were unknown to us at that stage. One of them was the exact extent of Australia's contribution to WADA and exchange rates and the actual WADA budget were not clear at that time. Secondly, an important factor was that we were in the very early stages of implementing the EPO testing program in Australia. We are the only country in the world to have done so in an out-of-competition context within its national program. We did not really have at that stage a high degree of confidence in the costings that we were providing. Our only information at that time had come from the EPO testing at the Sydney Games, an entirely different sort of circumstance in terms of implementation.

We became much clearer about our costings, and you may recall that there was an announcement by the IOC on 7 November. The same committee that approved the EPO test for use at Sydney approved the continuation of the 'Sydney protocol', as it has become known. That meant for us that the methodology we were using for field collection and analysis would remain for the foreseeable future. So those two things were the key factors in determining the carve-up of the \$1.85 million. We had to ensure we met those commitments and we still had significant funds available to advance the research agenda. Hence, that carve-up has, I think, attained those three goals.

Senator LUNDY—So has the \$790,000 that is going to research been allocated to the laboratories, not yourselves?

Mr Mendoza—It is a matter for the department to administer, and Dr Stretton may elaborate on that.

Senator LUNDY—Yes, if you would.

Dr Stretton—As I said, the \$790,000, at least for this financial year, will be going to the laboratory for research projects. We intend to bring together a small group to have discussions with the laboratory as to which of their research projects will be supported using that \$790,000. We expect that to happen within the next few weeks, and work can commence.

Senator LUNDY—Can you explain the administrative and organisational structure of the laboratory, and what opportunities there are for you to influence their research program?

Dr Stretton—In this case—answering the second part of the question first—we have the money, and we would expect to enter into either a contract or an MOU with them as to what those funds would be used for, and I expect that that would be for the following three, four, five projects and that they would be quite clearly specified. So, in having influence over which research is undertaken, I think that is fairly clear. As to the first part of your question, can you help on that, John? I am sorry, I just do not know enough of the background.

Senator LUNDY—Mr Mendoza.

Mr Mendoza—ASDTL, the Australian Sports Drug Testing Laboratory, is a whole business unit within the Australian Government Analytical Laboratory. It is based in Sydney. It has its own director, Dr Ray Kazlauskas, and deputy director structure. It reports, as it did prior to the November election last year, through Industry, Tourism and Resources.

Senator LUNDY—Is there anything that binds you, Dr Stretton, to expend that research fund through that particular laboratory or can you seek expressions of interest or put it out to tender?

Dr Stretton—In future years, we intend to do that.

Senator LUNDY—That is quite a shift in policy, then.

Dr Stretton—Given that this is the first time that we have had the funds for this purpose, it is not really a shift in policy. It is establishing the policy, as it were.

Senator LUNDY—Would you be able to provide the committee with the price list that ASDTL is currently charging ASDA for each of the tests that they perform on your behalf or for you.

Mr Mendoza—Yes, we can provide that in confidence. It is a commercial contract. ASDTL acquires about 80 per cent of its business from ASDA; the rest of it comes primarily from international federations and the New Zealand Sports Drug Agency. It needs to protect its commercial interest there. The service is provided on a full cost recovery basis for ASDTL. There is no cross-subsidisation within AGAL's other funding. In confidence, I would be happy to provide that.

Senator LUNDY—If you could, when you submit that answer, submit it with a request for confidentiality and the reasons why, the committee will be in a position to consider that. A report in the *Canberra Times* on 9 January said that the government has established a doping task force to warn athletes of the risks associated with additives in food. What is happening with that task force? Has it been established, is there a budget and what are they going to do and when?

Ms Gripper—The original task force was set up a couple of years ago with a number of different organisations being represented on that task force. They came up with a model for assisting athletes in understanding the risks associated with supplements, which involved categorising the supplements into low, medium and high risk. The task force decided that was probably a very risky approach to take, so the model that is being proposed now has a much stronger industry focus, looking at the supplements industry, the manufacturers and applying much more of the liability to them to provide guarantees to athletes that their products are free from banned substances. So it is a shift in the model that is going to be applied to the supplements project.

Senator LUNDY—How much of your budget is that task force and initiative costing?

Mr Mendoza—Very little. I would not be able to tell you, but suffice it to say it is not significant. To give athletes a legally binding guarantee on the ingredients for supplements, we are really putting the burden of proof on the industry. It is impossible for ASDA, the Sports Commission or ASDTL to take on the legal risk associated with that, because the chain of manufacture of many of what are becoming known as 'nutraceuticals', nutritionals, herbals or various supplements is not governed by the same sorts of controls that pharmaceutical companies are. TGA or anyone else cannot give guarantees as to the quality of the product. What is on the label might not necessarily reflect what is in a particular batch of product. We have seen both the IOC and another national body overseas—the Dutch equivalent of us—analysing these products and finding anything up to 50 per cent of them containing banned substances. What we are doing is putting the burden of proof back on the industry. We are clearly promoting 'user beware' to athletes through all sorts of educational means and saying that, if a manufacturer will not give them that guarantee, they should not use the product. That is an approach that other countries have looked at and are starting to also consider. In New Zealand next month, we have a forum with nine other governments and national agencies where we are looking at this problem on a collective basis. It is certainly a worldwide problem for athletes.

Senator LUNDY—Is that outside what you are doing with WADA?

Mr Mendoza—A bit of both. Both through the international anti-doping arrangement, which is the nine parties I was referring to, but also through WADA's Education and Ethics Committee. It is an issue that we have brought to attention there to be addressed, and WADA is, like us, taking up the issue with manufacturers. The problem is stemming primarily from manufacturers in the US, so it does need a global and collective response to deal with it.

Senator LUNDY—I have been looking at these reports about a new drug, called Aranesp, which has apparently the same benefits as EPO but is impossible to detect. Can you provide an update on this drug, and are you developing a strategy to combat its use?

Mr Mendoza—The drug is indeed called Aranesp, or 'Nesp', the abbreviation for it. Unlike recombinant EPO, it is a synthetic protein. It is administered in much smaller doses and less frequently to legitimate medical patients, essentially suffering blood disorders ranging from anaemia and HIV through to various cancers. That protein stimulates natural EPO production, so it enhances oxygen-carrying capacity. It has been suggested in articles in the UK that this product has now become something of a favourite among endurance athletes. It is very difficult to know the extent of it. At this stage, I would assess the use of it in Australia as either unlikely or at very low levels, partly due to the fact that the TGA approved the use of this product in Australia only last year. It will be placed on the prohibited imports list next month, and that means that at least at the border we have some level of control. That is the first strategy of response. The second strategy is that, as a result of the government's investment in the EPO test program in the lead-up to Sydney, Australia, as you know, invested about \$3 million. We convinced the IOC, with some arm twisting, that they should also put in some money, so we had an EPO test developed for Sydney. The work done by that international collaborative effort means that, at the moment, the scientists can see Aranesp in the research or analysis that is run for EPO. We simply cannot confirm it. The laboratory is confident that, in a matter of months, not years, we should be able to detect and confirm Aranesp. That base research work that has been done provides us with a fast track on this particular product.

Senator LUNDY—You have anticipated my next question nicely. It concerns that continual challenge that development with drugs outpaces development with tests. Whilst we have been focused on the test for EPO, and I think contributed significantly to leading the way globally with that, I was very interested to see how that related to Aranesp and whether all of that effort was in vain because this other drug has popped up. But it sounds as though at least there is some complementarity in that investment, which is good news.

Mr Mendoza—There is, and, further, the methodology that has been developed by the AIS and ASDTL, particularly in looking at indirect markers and particular proteins in blood that are markers of the use of products like recombinant EPO has been applied with human growth hormone and other new analogues that have been produced by biotech companies. In a sense, that is a new approach to detection in sports drug analysis that we have not seen before; it is very much the dawn of where we are going. Australian scientists are very well positioned to lead the way on this. It is as a result of that that five out of the 15 WADA research grants have gone to Australian collaborators or principals. That is to be commended. Five out of 15 worldwide is an extraordinary result. It underlines that the investment made prior to Sydney has placed Australia very well in leading these developments.

Senator LUNDY—If WADA were to collapse or fall apart over the next couple of years, where would that leave the efforts of your team, ASDA and your wider research community?

Senator Kemp—I do not think WADA is going to collapse over the next few years.

Senator LUNDY—I certainly hope not, but I am just trying to get—

Senator Kemp—I am not sure we would even want to speculate about it. WADA are building up their staff now in Montreal. They are recruiting strongly. There is an issue, as you have correctly identified, that some governments are finding it difficult to cough up their share, but the sums of money involved are not huge. The fact of the matter is that we are not talking about contributions from countries which are many millions of dollars. It is hundreds of thousands or less. So the fact of the matter is that WADA is moving ahead. It is moving ahead quite strongly. There are some issues, which you have identified and which WADA are working on. A lot of pressure will be placed on the Europeans and others to make sure they pay their share.

Senator LUNDY—I hope you are right.

Senator Kemp—I hope I am right too. I think there is a fair chance I am. I have been right before, you know.

Senator LUNDY—Perhaps I can leave you with a question on notice—to provide me with a breakdown of the contributions to WADA to date and also the plan for the outyears in those ongoing contributions. If you can break that down into what those expenditures would be on, the proportion of our participation in the actual forums as opposed to the actual levy, travel costs, et cetera, that would be useful. We may take the opportunity to place questions on notice for the sports agencies and ASDA if we find some loose ends. Thank you.

CHAIR—A couple of requests have been made for commercial-in-confidence production of evidence to this committee. I just point out that this is an estimates committee, and all information provided to estimates must be made public. I therefore suggest—and I have been advised of this—that you give consideration to writing to me, as the chairman of the committee, so that this material can be considered at a private meeting of the committee. I point out, however, that, under the rules of commercial-in-confidence, the committee or the Senate itself may decide to make any information provided public. You should be aware of that.

Senator Kemp—Thank you. We will take those views on board.

Proceedings suspended from 3.44 p.m. to 3.57 p.m.

National Science and Technology Centre

Senator LUNDY—Having explored some time ago Questacon and the funding of the institution with the federal government, could you give me, in general terms, the state of funding and whether your budget has been increasing or decreasing or whether there have been any significant changes in how the institution is funded?

Dr Ghisalberti—That is a pretty big question. We are managing to attract lots of external funding for various programs and I think our government grant has remained pretty steady. We gained another half a million dollars last year through the department. Our government money has remained pretty stable and we have been attracting other funding for projects from the private sector.

Senator LUNDY—What proportion of your income is now from the private sector?

Dr Ghisalberti—There is about 40 per cent of our income which we earn. That is not necessarily private sector sponsorship but that is admissions, selling our exhibitions and also sponsorship.

Senator LUNDY—In terms of your program of events, I know you have had travelling events. Is that still the case? Out of all of your program funding towards exhibitions, what proportion of that is spent on travelling ones?

Dr Ghisalberti—We have two major outreach programs. One is called the Shell Questacon Science Circus. It is a \$1 million program which is funded 50 per cent by us and 50 per cent by Shell, Paccar, Cootes and Visy. That is \$500,000 a year that we put in from our money. The next one, which we are just starting, is called Smart Moves. It is to go around the country to get young people into emerging technologies. That is fully funded through the innovation Backing Australia's Ability money.

Senator LUNDY—How do the changes in the administrative arrangements of the science agencies, and the move of those agencies from the industry department over to the education and training area, impact upon you? What is the level of collaboration that you have as a science outreach institute? What are some of the stated policy objectives of the government in promoting science and its role in our community?

Dr Ghisalberti—We do not really mind where we sit; we collaborate with everybody. In terms of Backing Australia's Ability, we collaborated very much with the three departments in the innovation agenda. We collaborate very strongly with the CSIRO, which is in the science portfolio, and also with the schools which are in the education portfolio. But then we also collaborate very strongly with the other cultural institutions that are part of the department for the arts. We do not think where we sit has a big impact. We just work with whoever is wanting to do the same thing we are wanting to do. For example, with Smart Moves going around Australia and getting kids into innovation, we are going to be collaborating very strongly with the CSIRO.

Senator LUNDY—I do not know if this question would be better put to the department. Is there any scope for further enhancing or supporting the role of the outreach programs of Questacon with those broader aims and objectives in mind? I see what they do as being a really important bridge between the science community and students in the community more generally. It is really a question about what you are doing to make them more able to do what they do best.

Dr Stretton—We will provide an extra half a million dollars this financial year. That is a fairly significant assistance. It is then obviously up to Questacon to decide how best to use that. The department provides a whole range of assistance in terms of governance and corporate issues as and when required.

Ms Williams—You are probably aware, Senator Lundy, that although Questacon is semi-autonomous it is officially part of the department, so we work very closely with Questacon across the board of what they do.

Senator LUNDY—Thank you. How is the work on the area out in front of Old Parliament House and Questacon affecting business? What are your hopes or concerns about that development and how it impacts upon you?

Dr Ghisalberti—At the moment that has been our car park. We did a visitor survey during January. For the first time the parking came up as something that the public was most disconcerted by. That is only in the short term while the construction is happening. What happens in the future is going to be an issue for us. There has been an aviation museum and so on mooted. If there is something there which is a very large building, we are going to have to think very seriously, because almost all our visitors are either family groups who come in a car or school students who come in a bus. That parking space has been pretty important to us.

Senator LUNDY—I have heard vague things about alternative or additional proposals for other large buildings in the area. Are you aware that that is developing to a stage of formality that you need to advise your board about? What is the state of play?

Dr Ghisalberti—We are not aware; we have not been consulted. Maybe two years ago we did talk to the NCA about that but we have had no discussion since then.

Senator LUNDY—I think I heard about it at the same time and I too have not heard anything since.

Dr Ghisalberti—My understanding is that it has not got out of the NCA; it is still being discussed internally.

Senator LUNDY—Thank you. See you in May.

CHAIR—Thank you, very much.

[4.09 p.m.]

National Office for the Information Economy

CHAIR—I welcome the Minister for Communications, Information Technology and the Arts, Senator Alston. We will now proceed with outcome 3.

Senator LUNDY—I would like to ask some general questions about the structure of the National Office for the Information Economy and what changes to NOIE, if any, have taken place since last time we spoke—indeed, since the election—or whether the status quo remains with the work that you were doing.

Mr Rimmer—Since the election the government has reaffirmed the role of the National Office for the Information Economy as being primarily concerned with the drivers and issues underlying the information economy for Australia, and also with the coordination of the application of new technology to government information services and management. There are some changes being made but they are not yet finalised in detail. In the first place, some functions to do with government information services—in particular, with the electronic provision of government information services—have been transferred from the Department of Finance and Administration to this portfolio. Most of those are expected to be part of the government information technology role that the National Office for the Information Economy has.

Secondly, there are some adjustments which will be made between the National Office for the Information Economy and the Department of Communications, Information Technology and the Arts in order to clarify some lack of certainty about responsibility for specific IT industry development issues as opposed to more general strategic issues affecting the information economy. In fact, those two issues are nested within each other so a pure demarcation is impossible—but, together with the secretary of the department, I am working to ensure that there is a clear and workable arrangement.

Senator LUNDY—I understood that Government Online was in output 2.1. Are you saying that those Government Online issues—electronic service delivery, or some aspects of it—are now under the auspices of NOIE?

Mr Rimmer—They have been under the auspices of NOIE since the second half of 2000.

Senator LUNDY—I am confused, because it is listed in the program under output 2.1.

Dr Hart—That is just the functions that have been transferred from the department of finance. The information access branch has been transferred from the department of finance in the last round of admin changes following the election.

Senator LUNDY—So where it says, ‘Government Online’ under output 2.1, those are the areas transferred from the department of finance?

Dr Hart—They are certainly represented under that output.

Senator LUNDY—So the issues relating to electronic delivery of service and application of IT in the government that you talked about, Mr Rimmer, are still in NOIE?

Mr Rimmer—Yes.

Senator LUNDY—The point that you are making is about making a clearer distinction between your roles in program delivery and in policy. Can you tell me what aspects, if any, of the industry development program associated with government purchasing you are involved with?

Mr Rimmer—The responsibility for the industry development aspects of the outsourcing program, and for industry development for information technology generally, lies with a branch within the Department of Communications, Information Technology and the Arts.

Senator LUNDY—That has changed, though, hasn't it, because previously you had some policy role with general industry development strategies in ICT?

Mr Rimmer—Yes, but the specific policies in relation to industry development are in the department. Obviously one of the key drivers for the information economy is the strength of the information technology and telecommunications industry, particularly innovation and commercialisation of new companies, so we have an interest in those matters, but the specific detailed policy issue that you inquired about is a responsibility of the department. As with many aspects of our role, we need to work closely with the department which is why we are part of this portfolio and we have close working relationships with a range of units within the department.

Senator LUNDY—So where does the ICT centre of excellence lie?

Mr Rimmer—Currently, the ICT centre of excellence is a component of the government's innovation strategy. NOIE, with its strategic role, had a key role in the development of that strategy and provision of advice about that strategy. We have had responsibility for the specification of the program and the running of the selection process in coordination with the department. So the unit which is running the centre of excellence program was originally established as a unit which was accountable both to the secretary of the department and to the chief executive of NOIE. When the program is at the implementation stage, then responsibility for it is expected to transfer completely to the department.

Senator LUNDY—So you are the right person to ask questions about processes on that to date?

Mr Rimmer—Yes.

Senator LUNDY—Good. But once a decision has been made about the successful applicant the running of it will then transfer to the department?

Mr Rimmer—That is the intention.

Senator LUNDY—Is there any particular reason for that, Minister?

Senator Alston—Yes. NOIE, as Mr Rimmer said, has a strategic role. Part of its charter is to give the government advice across the whole area of the information economy, which means economic and social implications. The department, on the other hand, is better equipped to do the detailed implementation, the policy drafting—the second stage if you like. We see NOIE as having a very important awareness-raising role for the government in making sure that we know what is going on around the world—best practice in terms of, say, a centre of excellence—but the mechanics of ensuring that that occurs involves skills that the

department traditionally has had. I think in many ways it is a clear demarcation because it ensures that people are playing for their respective strengths.

Senator LUNDY—Can you describe for me the process to date for the ICT centre of excellence and where it is at?

Senator Alston—I am not sure how much we can say about it, but it is certainly—

Senator LUNDY—There have been newspaper reports that there have been four bids. Are you able to confirm that?

Senator Alston—Yes, I can confirm that.

Senator LUNDY—So what happens next?

Senator Alston—What happens is that the advisory panel essentially makes a judgment and a recommendation to the minister.

Senator LUNDY—What is the time frame for that?

Mr Rimmer—It is expected that that recommendation will be made in May.

Senator LUNDY—In May?

Mr Rimmer—Yes.

Senator LUNDY—I can't remember from the budget, but does the funding for that then kick in from the 2002-03 year, or is there some residual money that needs to be spent in this financial year?

Mr Rimmer—It was originally expected that a first progress payment would be made within this financial year, once—

Senator LUNDY—But that will not happen now, will it?

Mr Rimmer—We are still confident that it will happen, actually, because the recommendation will not go to the minister until all of the documentation is ready to go. We do not intend that the minister would make a decision and then we start negotiating a contract. But obviously there is the potential for slippage. Our objective is to make sure that it happens in the timetable that we originally set.

Senator LUNDY—I was in the fortunate position, Minister, of having a briefing from the department of industry regarding their structure and operation. I know that you would be absolutely forthcoming if I were to request a similar briefing from both NOIE and the department about their structure and operation. You are not going to deny me that request, are you?

Senator Alston—It will be dealt with in the usual cooperative manner.

Senator LUNDY—I have tried. I am asking you now.

Senator Alston—You have asked? I am not aware of your having ever approached my office.

Senator LUNDY—That was certainly my understanding. If you have not got a problem, I will go through the process.

Senator Alston—There are protocols on those things, and I think it is fair to say we are a lot more helpful than our predecessors were in this regard.

Senator LUNDY—I would not know.

Senator Alston—I am just reminding you because these things are seared in my consciousness.

Senator LUNDY—I will look forward to your positive response, then. Another initiative that the National Office for the Information Economy are currently engaged in is obviously the ICT centre of excellence. Minister, do you see that as the centrepiece of your parts of Backing Australia's Ability? How much stake are you placing on the success of this policy?

Senator Alston—I suppose you do not put all your eggs in one basket but, having said that, in terms of the direct IT component it is the single biggest block funding and therefore it is a very important initiative. Others might want to argue about the totality of the package, \$2.9 billion and we are \$129 million of that, so it is only a small proportion of the whole. But in terms of impact in the IT sector I think it has got enormous potential. If you look at what has happened around the world, I think there is evidence to encourage us to the view that if we get this right it will make a very significant difference. It will provide cluster opportunities for multinationals on the one hand and for research institutions on the other. It will bring back some people who might otherwise have been inclined to stay offshore. It will attract people here who would not otherwise have come to Australia.

In other words, we announced this because it became clear to us that you needed to be able to get to a level where you had achieved take-off. You could not just have a whole series of little activities going on around the place; at some stage you had to try and concentrate them in the way that the CRCs and special research centres are dotted around the countryside—even the incubators are in each state and territory. The idea of the COE was to congregate enough people under the one roof so that you would achieve critical mass. As it has turned out, it is pretty much what we expected: they are all consortium bids, they are all people who do have interests in a number of different parts of the country. But it will be against that basis that you want a single physical location, from which you might have distributed nodes. Essentially this will be a place where people will identify high-quality research work being done, provide networking opportunities and provide a single face for the centre.

Senator LUNDY—How are you going to measure its success? Do you have an idea of what the key performance indicators would be for such a centre and have you specified those in any way?

Senator Alston—I presume the department is beavering away on these things as we speak.

Mr Rimmer—There were very clear objectives that are set out in the terms of reference and in the selection process. The first thing will be to evaluate it in terms of the ICT research capabilities: is it actually a first-class research centre? That will be measured in a standard international peer review type process. It is expected to increase the availability of high-quality research skills by providing postgraduate training, it is expected to contribute to the commercialisation of its outputs and it is expected to become a catalyst for the development of network and clusters of IT industry activity. So each of those four specific objectives suggests tests that you then apply later as to its success or otherwise.

Senator LUNDY—This is an age-old issue for me: what level of transparency and accountability back to parliament is there of this expenditure of public moneys? And the next question is: will those measures and assessments be available for scrutiny, either through this committee or through parliament, in an accountable way? Once the contracts are signed, will you make available what the key performance indicators are so that there is that level of accountability with the institution, or whatever it will be called—the centre of excellence?

Mr Rimmer—I would expect that we certainly would want to be accountable about what the general objectives and key performance indicators were. Obviously, there will be a range of detail about that but, in general terms, yes.

Senator LUNDY—We have had discussions about the quality of information, for example, relating to the industry development outcomes of the IT outsourcing contracts. As a government you have provided that information in statistical consolidated format and have not provided information regarding the specific outcomes of the contractors involved. Is it your intention to give a higher quality version of information so it can be assessed in a more open manner?

Senator Alston—Clearly, if there are public funds involved then the parliament is entitled to get a full accounting and, subject to commercial-in-confidence considerations, we will obviously provide as much detail as we can.

Senator LUNDY—I am sorry to interrupt, Minister. The commercial-in-confidence considerations are actually in your control. You have not yet signed the contract so you could say, ‘As a condition of this contract, these will be the KPIs over a given period of time and this is the information we require to satisfy our public accountability requirements.’ Where the government, I think, ran into trouble with the other contracts was that you created an expectation in the market that there was a level of confidentiality that in fact surpassed what was required by the parliamentary committee process. I am trying to be helpful here in flagging these issues. You can avoid getting into a similar mess down the track. With a large amount of public money people want to know if it is working so you could really do a lot to help yourselves at this point in time.

Senator Alston—Thank you for that kind advice. We are all interested—

Senator LUNDY—I am trying to be helpful.

Senator GEORGE CAMPBELL—It is only a suggestion.

Senator Alston—Indeed. I am taking it in the spirit in which it is offered. There is no doubt that no-one wants to see short-term considerations dominating and not getting the best possible result. But you measure that, I suspect, over the medium to longer term rather than simply by every move that the successful consortium might make in going about its business. In some ways you would have to be very careful if they are making judgments about priorities for, perhaps, which technologies to put more resources into. You do not want a situation where the minute they think of changing their mind something is in the public arena and there is an intense public debate with interested parties telling them how wrong they are. Your point is well made that you need to ensure that they are measuring up at each stage of the process, but the judgment that you have to make ultimately will be made in the public arena, and it is, ‘Is it delivering the goods? Is it attracting world-class people and are the outcomes adequate?’ It is no use getting top researchers coming out here and ending up with first-class honours in surfing. You want them to be able to do original research that will have a significant impact.

Senator LUNDY—The point is that they can do that as well.

Senator Alston—They can do it at weekends if they do not feel they have to stay in the garage 24 hours a day. We will all have expectations about the extent to which this will stimulate more home-grown enterprises and lead to a higher quality of outcomes. Against that background we will be wanting to ensure that there is a public accountability process.

Senator LUNDY—I think there is a real issue in what those performance indicators are and where you set them. If it is in the medium to long term then, again, the earlier that is

spelled out and made very clear, very open and very transparent the more confidence the whole technology community will have.

Senator Alston—These things are always going to be contestable. You will never be able to simply rely on quantitative metrics. It will ultimately involve a lot of judgments and different people's values about what constitutes a successful outcome. Whilst you will have key performance indicators, they will still allow a fair bit of room for responsible argumentation. Having said that, it is very important that people focus on those, even if they might be qualitative measurements, so they have a benchmark against which they know they will be assessed down the track.

Senator LUNDY—In terms of the aims that you have in mind to achieve, not just through this policy—the centre of excellence—but through other strategies, several reports now have documented with statistics the decline in the number of medium-sized enterprises in ICT.

Senator Alston—Around the world.

Senator LUNDY—I am referring particularly to Australia. The Houghton report, commissioned by the Australian Computer Society, and other reports show the demographic of the ICT sector and the general corporate sector here. We have a few very large companies and a very large proliferation of small companies but not too many in between. I want to know if you could point to specific policies within your portfolio that tackle this challenge of being able to grow smaller companies into larger companies, not necessarily megacompanies but companies that are well positioned, for example, to grow into a global market and not just be acquired or continue to exist as an SME, a smaller enterprise. Was that in your considerations?

I did have some discussions certainly trying to get insights from the industry department about this issue in this sector and I want to hear what your's and NOIE's thinking is about that particular challenge.

Senator Alston—You certainly have to have policies that encourage and make it as easy as possible for small companies to become medium companies and to become larger, but you cannot really prescribe the way that that occurs. Probably the Israeli experience is the most instructive, because what they did with their whole incubator strategy—and a lot of the things they have done since, particularly with venture capital—has been premised on the assumption that a lot of these companies will be taken over. A lot of them will go offshore and a lot of their best and brightest will physically relocate in Silicon Valley. But that is not something you should wring your hands about and it is not something you should try to put up barriers to stop. The idea of us stepping in and vetoing, say, Cisco's takeover of Radiata I think would be entirely counterproductive. The trick really is to try to have as much of that happening as possible.

In many ways, pre-April 2000 you probably did have a bunch of very prospective companies, whether it was ERG, SecurNET or LookSmart—a lot of them showed a lot of promise. What has happened since then? Like everywhere in the world, they have all come back to earth with a big thud. LookSmart seems to be getting a second wind, which is very encouraging.

Senator LUNDY—Very impressive.

Senator Alston—I think they have fundamentally restructured their business. They got into the directories business after the market told them they did not have a business case. You do have to make some fairly radical changes. On the face of it, people in the smart card business like ERG were doing some very interesting stuff internationally, but you do not get

rewards in the market if the swing is on, as we say, and you get swept out on the tide like everyone else. You get that with even the biggest companies.

I talked to Cisco when I was away a few weeks ago and it was the same story. They said, 'We are increasing our market share but our share price has come back dramatically.' When you talk to the guy who runs Silicon Graphics, who is an Australian and one of whom we should be very proud, he said, 'Our share price dropped down to 31c and it is now back up to \$3.' I asked, 'How did you change it, you must have had a fundamentally different business approach?' He said, 'No, we just basically went out there and told the analysts what we were doing, because they have this herd mentality.'

In some ways there is only so much you can do. We cannot rail against the markets or cause them to rethink their investment or disinvestment strategies. What you can do is create a climate in which it is a lot easier for these companies to emerge. There is the whole basket of initiatives: the incubators, the advanced network programs into which they can tap, the accelerator concept of providing high level technical advice to take people to the next stage, and the range of other initiatives which government can take to facilitate that climate. But if someone suddenly decides, 'Well, our share price has trebled, I'm getting on a bit and I would rather be sailing,' you cannot do much about them selling out—as long as there are enough coming through. I do not go for the Nokia/Telstra line that somehow you identify a company and do everything you can to encourage it.

Senator LUNDY—I am not suggesting that, but I am still very conscious of this gap—it is almost like our demographic in ICT.

Senator Alston—I am not sure that there are too many reports around that say we have not done pretty well. It used to be said, 'Where are the Ericssons, where are the Nokias?' They are not travelling all that well either and one should not single them out for criticism. It just happens to be a very tough marketplace, and maybe some of those who were high fliers a few years back will come good and others will come through. You and I could both name companies that you think have significant potential—the issue is that it is really up to them. How they handle things is much more of a management challenge than a government environment challenge. They have to make crunch decisions, they have to anticipate technological change. We cannot do much more than create a regulatory environment that is user-friendly, provide a range of incentives through the tax system and make sure that they have proper access to capital. Beyond that it is really up to them.

Senator LUNDY—In terms of NOIE's strategic policy focus, can you describe your main areas of focus now and any shifts in your agenda that you are planning for the next 12 months?

Mr Rimmer—When I was here last time I talked about the priorities that we had at that time. Clearly, creating the environment for innovation and the rapid development of new firms and innovation by existing firms is a primary priority for the government and for us. The centre for excellence is one of those. There are other components of Backing Australia's Ability with which we are participating in discussion with other agencies.

A second set of issues relates to encouraging an environment that supports the appropriate adoption of e-commerce technology within Australian business. One has to say that in a complicated way because it is easily misunderstood. We are not there as technology salesmen saying 'If only every small business got an Internet connection then everything would be fine,' but we are actually focusing on the underlying strategic drivers of productive use of the technology. So we have quite a lot of work on seeking what the barriers are to the adoption of electronic commerce in particular industry sectors and what are some ways of intervening in

those barriers, either by our own research work or by being a catalyst for partnerships with industry—as we have done with a number of projects with the Investment and Financial Services Association—or through the ITOL grants. They are not just another grants program in the sense of a grant for IT, but they are intended to focus on sectors where there will be a strategic benefit in terms of productive adoption of technology. That is another area.

Senator GEORGE CAMPBELL—Are you looking at all industry sectors or a number of specific industry sectors?

Mr Rimmer—We have looked at specific sectors that seem to us to be strategic, in the first instance.

Senator LUNDY—Perhaps it would be useful if you ran through the ones that you are involved with, like pharmaceuticals and the auto industry.

Mr Rimmer—We have been giving particular attention at the level of industry associations to the financial services sector because of its fundamental infrastructure for the economy and to the road transport sector because it is pervasive cost for every part of the economy. Through the ITOL program we have also had projects associated with the Australian auto industry, and worked with the pharmaceutical manufacturers, distributors and wholesalers through the PeCC project and the subsequent development of an electronic gateway there. In each of these areas our role is as a catalyst where we engage with an industry association and a number of key stakeholders, ensure that they have a buy-in to the process and that we provide support for reaching take-off. But, as in the road transport sector—we published a report called *Trucks Online*—the industry association itself is taking that to the next stage of implementation. Last year we published a report about the approach we took to industry studies in this area and I would be happy to provide that to the committee to give a more detailed background.

Senator LUNDY—Thank you.

Senator GEORGE CAMPBELL—What have you discovered in the sense of what sectors are demonstrating more productivity than others as a result of the application of IT? Have you come up with any definitive results?

Mr Rimmer—We do not have a definitive answer to that question at the moment. We do have a definitive answer to the question, ‘Can we overcome some of the obstacles and roadblocks?’ To give you a concrete example: the superannuation industry is heavily paper based, and we worked with the Investment and Financial Services Association to get a taskforce to come up with an agreement about the standards for document exchange. Just before Christmas, IFSA announced that the first Australian superannuation companies would be exchanging rollover forms electronically. That is a very specific example.

Senator GEORGE CAMPBELL—But do you know what that means in terms of productivity?

Mr Rimmer—It is difficult to unravel the precise impact of such a change, but we know from international comparisons, for instance in the auto industry and in the financial services industry, the general scope of productivity which flows from it. I cannot give you the numbers at the moment.

Senator GEORGE CAMPBELL—Are you familiar with the recent McKinsey report in the United States on productivity growth between 1995 and 2000?

Mr Rimmer—Yes, in general terms.

Senator GEORGE CAMPBELL—Are you aware that it has demonstrated that in fact the biggest consumer of new IT is the financial services sector, which has shown the lowest growth in productivity over that period?

Mr Rimmer—I think that the report needs to be studied in detail and in context. The biggest motive of investments in IT in the financial services sector over that five-year period was market share and growing a customer service base. We are certainly not advocates for, ‘Any old implementation of IT will provide you with productivity growth.’ In fact, the general comparisons of the relationship between IT investment and productivity growth tends to leave out the issue of dividing those companies who have made sound investments and those companies who have not; they all get jumbled up together in the statistics.

Senator GEORGE CAMPBELL—But I think the thing that the McKinsey report does demonstrate is that there are a range of factors, not just IT, which contribute to productivity growth.

Mr Rimmer—Absolutely, yes.

Senator GEORGE CAMPBELL—It is really the distinguishing between those factors as to which ones are contributing the most that—

Mr Rimmer—I think there is a general understanding that the contribution of IT to productivity growth has gone back from an original estimate of two to 2½ per cent to one to 1½ per cent, but a 1½ per cent improvement in productivity is still a very significant impact in terms of the national economy.

Senator LUNDY—You mentioned the auto industry, the pharmaceutical work and the ITOL grants. What role do you have in the success of those industries in getting an ITOL grant to support an issue? You do not run that actual program, do you?

Mr Rimmer—Yes, we do. We keep the processes of discussion with industry associations about issues in general and the processes of application for a particular grant separate to ensure that there is no impact on the probity of the granting process.

Senator LUNDY—As far as, say, the auto industry goes, I know that the electronic hubs of the auto industry in the US have attracted the attention of the Federal Trade Commission and so forth. What has prompted you to involve yourself in the market in the way that you have and what are the implications as far as competition policy goes in Australia?

Mr Rimmer—In all of the processes with which we involve ourselves we ensure that the process is broadly industry based rather than an impact on specific competitive advantage of individual players. We also ensure that we consult actively with the ACCC and the ACCC ensures that they consult with us on these issues. So they have taken a particular interest in a number of the projects. But our approach is a very simple one of saying that we really only engage ourselves in processes where it appears that there are no artificial barriers being put to participants in using the technology infrastructure and that if there is a new electronic gateway, as for example in the pharmaceutical case, that would be open to any manufacturer or any distributor of pharmaceuticals, not just those who were involved in its first development. There are pretty clear principles that the ACCC has enunciated in relation to electronic marketplaces that we also support and adopt in our own work.

Senator LUNDY—How many are there that have attracted the financial support of a grant to be established—just the two: the auto industry and pharmaceuticals?

Mr Rimmer—We have made grants to 75 collaborative projects over the last six funding rounds. Many of these are quite small, in rural or regional areas; some of them are specific to

a sector, like beverages distribution or online trading in a particular region. There are 75 different projects and we provide quite a lot of information about what those projects are in publications.

Senator LUNDY—How many of those would you describe as national electronic trading hub type projects?

Mr Rimmer—None of them are national electronic trading hub type projects. Our involvement intends to be much earlier than that, but I might ask Mr Cross to give a specific example or two from his knowledge of this. Mr Cross is the branch head responsible for the e-commerce activity.

Mr Cross—The ITOL projects cover a wide range of industry sectors and in some of them interested parties are helping to build an e-commerce solution based around collaboration to bring forward a solution in that industry sector. So in 75 projects that cuts across a wide range of different activities and solutions. The key that we look for is that they are both innovative and strategic, in the sense that they will help move that industry sector forward in getting a solution. We are not necessarily interested in building solutions; the idea of ITOL is to seed the initial collaboration required to help build the business case and develop an application where you can get the confidence of all the parties involved, because there needs to be three organisations as part of each application to get that sector moving forward.

Mr Rimmer—It is much more common that the ITOL grant would be funding the business case assessment for an e-commerce development than the actual development itself.

Senator LUNDY—What is NOIE's working budget for the financial year 2001-02?

Mr Rimmer—It is approximately \$40 million. With the additional estimates of \$1.5 million for the e-commerce initiative, it is closer to \$42 million, but Mr Badger may have the precise figures with him.

Mr Badger—The total NOIE budget is on page 116 of this document. That includes the money we have for normal ongoing running-cost money. The money for what are called administrative programs, like the centre of excellence and the component of ITOL grants, is administered money. There are some moneys there from programs that came out of the post Telstra social bonus package, the TIGERS money. I can get you a breakdown of each of those components—

Senator LUNDY—Take that on notice.

Mr Badger—of that budget, and just give you the details, to make sure I have it right.

Senator LUNDY—What is the e-commerce initiative that you mentioned worth? What is that additional money?

Mr Rimmer—It is \$6.5 million over 2001-02 and 2002-03, and there is a note about it on page 117.

Senator LUNDY—What does the note say?

Mr Rimmer—In the portfolio additional estimates statements for the portfolio it says:

The Government will provide \$6.5m over two years to accelerate the uptake of electronic commerce ... amongst small businesses to improve their efficiency and competitiveness. This will be done through the development of an integrated and targeted suite of e-commerce information and practical learning tools, and the promotion of electronic trading ...

Senator LUNDY—Is 'the promotion of electronic trading' going to be seminars around the country or something?

Mr Rimmer—It is anticipated, subject to appropriation of course, that it would involve a number of specific components. One of those is an e-commerce pathways guide, which is based on research that shows that the majority of SMEs have confusion about where to get information and, as in many other areas of small business, one of the biggest market failures is actually information. It is designed to provide specific resources and tools on the pathways to e-commerce. It is more self-help kits and information resources that might be used by commercial trainers, rather than us running our own seminar programs in competition with those.

Senator LUNDY—Will there be lots of opportunities for the minister to launch things and present things?

Mr Rimmer—We have not discussed this, but I am not sure there will be too many; it might just be one. The second element is a second group of case studies. As you know, we published in September a set of case studies of SME use of e-commerce, called *Advancing with e-commerce* which involved an accounting firm going over, retrospectively, the business case for electronic commerce and showing what were the costs and benefits. We want to expand that because it has been very widely circulated and well received. There is a special set of issues to do with e-security; it is obviously an increasing concern for SMEs and one factor which inhibits their uptake of electronic commerce. Within the Commonwealth we will be looking at a supplier guide to encourage Commonwealth suppliers to adopt e-commerce because one of the constraints in the take-up of procurement by Commonwealth agencies has been the willingness or otherwise of their suppliers to trade electronically. Those are the sorts of activities.

Senator LUNDY—On the question of security and the broader policy issues about the protection of critical infrastructure, particularly ICT infrastructure, what involvement has NOIE had at a policy development level about security, encryption and protection of our ICT infrastructure?

Mr Rimmer—E-security policy in the Commonwealth is coordinated through an e-security coordination group. That group is chaired by NOIE and it has participation from the Attorney-General's Department, Defence, the Federal Police, the Department of the Prime Minister and the Cabinet, Foreign Affairs and Trade, and so on. The major responsibility of that group is the implementation of a comprehensive information program to ensure that the owners and operators of critical infrastructure understand not only the threats for which they are accountable—which, you would think, they would already be well aware of and are their certain responsibility—but also the externalities like the impact of a failure in their critical infrastructure on other parts of the economy.

The Electronic Security Coordination Group, and a subcommittee of that called the Critical Infrastructure Protection Group, is the way in which the Commonwealth coordinates its approach. The Prime Minister has also announced that he will be convening an e-security business-government task force on critical infrastructure to make sure that businesses contribute to the Commonwealth's thinking and it is not just the Commonwealth telling businesses what to do. I think the Prime Minister has announced that that group will meet in March. The role of NOIE here is to identify e-security as one of the major issues and impediments to the adoption of e-commerce and a potential new threat, and to work with the relevant Commonwealth agencies and with business to make sure that there are viable processes for dealing with that threat.

[5.03 p.m.]

Department of Communications, Information Technology and the Arts

Senator LUNDY—I would like to move on to outcome 2 so we can talk about industry development associated with the IT outsourcing and the BITS programs. Where is the consultation at with industry regarding the new arrangements for strategic industry development for the IT outsourcing? Can you give me an update to start off with?

Dr Hart—I think the simplest way to answer that question is to say that they are ongoing.

Senator LUNDY—Last time I looked at the web site there had been a draft agreement prepared and that had been commented on. What is the status of that draft proposal—was it called the SIDA?

Dr Hart—SPIDA, yes..

Senator LUNDY—All right, we will call it that. What is the status of the draft SPIDA?

Dr Hart—When it was released it was very much as a document that was for ongoing consultation with industry. We did release some guidelines associated with that and it was made clear in the press release that there would be ongoing consultations with industry with a view to establishing the kinds of arrangements that would be appropriate in the current environment.

Senator LUNDY—The Humphry review, which initiated the changes, came down well over a year ago.

Dr Hart—Yes.

Senator LUNDY—At the time I know that the government expressed the relatively urgent need to come up with a new framework for industry development under the changes which were taking place. It is now mid-February in the following year. I am concerned about the delays and I would anticipate that you are as well. What have the hold-ups been in getting this agreement finalised?

Dr Hart—I do not think there were. It has been a staggered process. There was an industry framework that was announced in April, and since then we moved forward to looking at the kind of arrangements that would replace the partnerships for development, but there has not really been a delay.

Senator LUNDY—What is happening in the meantime? What are the implications for not having partnerships for development in place and not having a specific agreement in place?

Mr Sutton—The PFD transition to the SPIDA announcement which Dr Hart referred to is very much an ongoing process. There has been no specific implication as such. For the contract specific elements, as Dr Hart indicated, the minister announced a new ID framework for new outsourcing contracts back in April. The announcement of SPIDA was very much a part and a corollary of that contract specific element. Since then, as consistent with the framework announced in April for contracts above what is now \$5 million, my branch of the department has been working with the line agencies to ensure that the industry development criteria announced in the April framework are incorporated into the RFTs. We also assist agencies with the evaluation of contracts above that threshold.

Senator LUNDY—Despite not having broad industry agreement on SPIDA, you are still proceeding with providing the appropriate clauses, if you like, for requests for tenders and, indeed, contracts for those departments who are engaging in negotiations?

Mr Sutton—We see the process as very much an ongoing one. You would well appreciate that the business of government is ongoing. The approach we are taking is to ensure that consultations with industry, if you like, to refine the elements of the process are ongoing and the criteria that we use and the program information that we use will be updated as those consultations progress. Whereas, under the PFD program, there is a fixed period of review every couple of years, under the new arrangements it is much more an ongoing process.

Senator LUNDY—In other words, what you are saying is that at no point are you going to enable the minister to make an announcement about an agreed document that will then be the project form for each and every contract? Is that what you are saying, because it is subject to the negotiations within the agency?

Mr Sutton—There will be a natural point that comes in those consultations where there will be an appropriate point to announce further significant changes if that is the outcome of the processes.

Senator LUNDY—So in the meantime, if I were to ask questions about the industry development outcomes of specific contracts, the sources of information to inform that would be in fact the contract itself and not the agreement in any of its forms on your web site, for example?

Mr Sutton—For the pre-Humphry five outsourcing contracts there will continue to be the process of those agencies required under the contracts, so the contractors are required to report and we shall be putting out another annual industry development report picking up those outcomes.

Senator LUNDY—So that is all locked in and continuing?

Mr Sutton—That is all locked in. Those five contracts are sort of grandfathered under the new arrangements. For the new arrangements, for contracts over \$5 million, the successful tenderers, under the current arrangements, will be required to report to us each year on their industry development outcomes. We will then assess those reports and monitor the contracts as usual.

Senator LUNDY—Will you report publicly?

Mr Sutton—Our intention will be that the information on any additional contracts would be incorporated into the annual report for the five pre-existing contracts.

Senator LUNDY—That sounds very messy.

Mr Sutton—Because the next report to come out will only cover the period to 30 June, there were no new contracts, as in post April contracts, that are covered by that period where there will be outcomes to report. So we will be working on the best way of presenting that information, because I agree that there is a potential for it to be confusing.

Senator LUNDY—I expressed my concerns before in relation to another matter, but my concern is that the success or otherwise of that policy will become less transparent rather than more transparent if you go ahead with what you are saying. I would like to know if you going to disaggregate the data from the new contracts in not just percentage form but perhaps in actual dollar figures and quantitative outcomes and make that publicly available. This has been an ongoing point of frustration.

Mr Sutton—Certainly the report on last year's industry development outcomes for the five contracts should be out shortly. It will have several refinements from last year's report. I think, Senator, that at one of the hearings you commented that there were only percentage figures given. We intend to report on aggregate dollar figures in the new report. It is not our

intention to disaggregate individual dollar contracts for the reasons that have been canvassed at previous hearings—

Senator LUNDY—I will argue about that again.

Mr Sutton—but there will be several refinements to the report and the intention is to maximise the amount of information that we make available to the public through the report in a manner that is consistent with the commercial-in-confidence nature of the material.

Senator LUNDY—On that point, obviously with the changed arrangements you have the opportunity to specify to contractors what the commercial-in-confidence arrangements will be. Why has it obviously not been a decision that you specify to those contractors that that information must become available?

Mr Sutton—There have not been many contracts since April and we are still working through the reporting arrangements. I am not sure that the answer to your question is that we are not, if I can put it that way. I can take that on notice and we will give some consideration to that answer.

Senator LUNDY—Thank you. Minister, I do not know whether you are in a position to shed a bit of light on this, but is it your intention to allow more light to be shed on the industry development outcomes relating to the IT outsourcing contracts? The issue here is the reporting mechanism. Do you consolidate the data or do you allow it to be expressed and associated with specific contracts so that there is some level of accountability for each of the contractors and, indeed, the departments that engage them? You can take it on notice, if you like, but I am interested in what your overarching approach to this is, particularly when you are deploying quite complicated formulae like SME and AVA and various mechanisms to at least attempt to quantify the ID outcomes.

Senator Alston—I think the ultimate objective is to try and encourage as much inward investment activity as possible. These days, as we know, there are many alternatives on offer. Australia's competitors are probably fairly well established in the short term and they all do quite a range of things to encourage people, but at the end of the day you are not going to be artificially able to persuade companies to invest here, conduct research here—a whole range of objectives which we might regard as strategically beneficial—if they do not see it as being in their own interests.

It is a fairly delicate balance, and you have to be careful to avoid tying them up in red tape and identifying precisely what they are offering in respect of each particular contract, because they do not work that way. They are making a long-term decision to be involved in Australia; they will do a range of things here which will be, hopefully, mutually beneficial. We would rather make judgments about outcomes in terms of higher levels of activity that flow through rather than simply having a checklist of how many people there are in R&D and so on.

Senator LUNDY—Sure, but this is the point. Your answer presupposes that the industry development outcomes from these contracts relate to what I call the benevolent multinational model—that is, it is what you can stipulate a large company must do and how many relationships they must have with smaller Australian companies or just smaller companies. What needs to be factored in, or what should be part of your thinking, is that that is only one model. The other one is to have those relationships and contracts directly with the smaller and growing companies. The model should not automatically be structured to assume a large multinational company is going to get the contract and that therefore the only industry development outcomes are the subsequent subcontracts. Do you see what I am saying?

Senator Alston—IPEC won one of the outsourcing contracts in its own right.

Senator LUNDY—That is exactly the point. The model you are talking about and the whole concept of SME AVA and how you quantify the industry development outcomes does not presuppose an IPEC style contract; it presupposes the ID outcomes only coming from subcontracts.

Senator Alston—I do not know that that is right. The idea is to ensure that it is a level playing field as much as possible. There is no inherent preference in favour of a multinational or, indeed, a large Australian contractor. In many ways, the announcement we made about the inhibitors plan was to try to identify those areas where SMEs might be at a competitive disadvantage. What I am told is that to date there is significant information deficiency. They do not always understand the context, they do not necessarily know what the correct parameters are and, as a result, they do feel disinclined to spend money up front in the hope that they will get the contract when they perhaps do not know all of the elements of the equation. One of our key emphases in the inhibitors strategy will be to try to ensure that they do have access to the information they require. At the end of the day, the more prescriptive you are the more likely it is that you will simply turn people away. Therefore it is a balance. It is not either/or. We are not assuming benevolent multinationals any more than we are assuming malevolent multinationals. We are realistic enough to know that they are like anyone else really: they might just be bigger and less recognisable domestically, but essentially they have bottom lines, they have shareholder accountability and they are in it to make a quid. There are good citizen requirements that they might feel they should undertake, but by and large you have to make the environment commercially attractive for them. That means not tying them up.

Senator LUNDY—The other part of it concerns the amount of resources that is going into trying to make that a neat package that, as you say, will not frighten them away and will not be too prescriptive but at the same time will still have some positive outcome for the local industry. There seems to be a disproportionate emphasis on finding the solution for that model rather than finding the solutions to promote a direct relationship with the exact kind of companies that would otherwise benefit through a subcontract. I do not really have a specific question on that other than to ask whether it is part of your thinking to make sure your department does not automatically make the assumption that the model has to be somehow reliant on a multinational willing to do business with small Australian companies.

Senator Alston—We are not prepared to sacrifice all other considerations simply to entice any particular firm to do business here, but we are trying to be realistic about how you strike that balance. As you and I both know, every time an SME misses out on a contract it will be inclined to assert that somehow we have fallen for the old multinational line or that we are blindly interested in protecting the revenue rather than fostering Australian industry. In a way, it is a legitimate concern from their perspective, and we certainly want to see as many local firms as possible prosper and benefit from those arrangements, but the key is not to be giving explicit or implicit preference to someone you might think is deserving. That is what industry protection, tariffs and all the rest were about, and it has been shown time and again to simply encourage very inefficient behaviour. You have to try to ensure that there is not anything in the system that is making life more difficult for them, and that is what the inhibitors action plan is about. If we can get that right, or as right as you ever get it in the contested environment in which we operate, you are on the right track. But you are never going to get 100 out of 100 in this business.

Senator LUNDY—In terms of actually getting agencies in the devolved environment post Humphry, in terms of actually getting the agencies to commit to an industry development component of those contracts, what are you able to do to insist that that occurs? I say that in

the context that in the election campaign Labor had a policy of making it part of the general issues which a departmental head must take into consideration in making financial decisions—that is, introducing an amendment under the Financial Management Act or the CAC Act to allow industry development outcomes to be factored into their decision making. What mechanisms exist under the coalition to ensure that those agency heads and departmental heads do pay due attention to providing for a specified industry development outcome in their IT contracts?

Senator Alston—I suspect we will end up being less prescriptive than you were, although your position seemed to vary a fair bit. You had an aim of 50 per cent of contracts one day and then that became merely an objective the next. You said Labor would aim for SMEs to secure a higher proportion. I am not clear which policy you say you are arguing for.

Senator LUNDY—We identified the need to change to actually amend the Financial Management Act to allow agency heads to formally factor an industry development outcome into their decision making. ‘Most efficient expenditure’, ‘no wastage’ and all of those goals, worthy as they are—

Senator Alston—Your nine-point test, was it? Was this your nine-point public interest test?

Senator LUNDY—No, this is a separate issue. Regardless of our policy, what are you doing about it?

Senator Alston—We are still in the process of—

Senator LUNDY—What can you do to make your department factor industry development outcomes in their contracts?

Senator Alston—At the end of the day, the department will obviously abide by the outcomes of the results of our inhibitors action plan. If we take the view that the department needs to make more information available to SMEs before it makes any decisions on contracts, that is what we will require and that is what the department will do, but we are not going to start off saying to the department, ‘From now on, you have to bend over backwards to ensure that SMEs get preference.’ That is not what the game is about.

Senator LUNDY—I am not suggesting preference, but to factor in that component.

Senator Alston—They will be conscious of the need to ensure that SMEs are not disadvantaged and that every consideration is given to local companies, but not in such a way that you end up with a second-best outcome.

Senator LUNDY—I do not think they are mutually exclusive. I think you can have better outcomes.

Senator Alston—No. As I say, we could argue endlessly about precisely where the balance ought to be. We are not oblivious to the concerns, but we do have to strike a balance.

Senator LUNDY—Moving now to the original \$178 million that was the BITS program, what proportion of that money overall was not spent and was reallocated to Besley inquiry outcomes or Besley inquiry expenditure?

Mr Sutton—The \$178 million was fully allocated between the three BITS components. There was \$40 million for the Intelligent Island program, \$40 million for the Advanced Networks program and \$78 million for the incubators.

Senator LUNDY—So none of the money from the Intelligent Island program was subsequently allocated to anything else?

Mr Sutton—That is correct.

Senator LUNDY—You can say that unequivocally?

Senator Alston—Within that figure, there may be some internal adjustments.

Senator LUNDY—That is what I am asking.

Senator Alston—Yes. But your original point was whether anything less than that amount was being spent, and the answer is that—

Senator LUNDY—I know moneys were originally allocated, but I know there has been subsequent adjustment within amounts—not just within the Intelligent Island program but also within some of the social bonus and NTN funded projects.

Senator Alston—I do not think there would be much in terms of the incubators or of the ANP. The ANP was \$2 million or \$3 million. The amount that was made available to, say, the four projects was \$37 million between them.

Mr Sutton—The full amount, less a small running cost component, has gone to the incubators. That is committed via funding agreements. Regarding the Intelligent Island program, the full \$40 million is the subject of a memorandum of understanding with the Tasmanian government and will be fully transferred. There is a \$1 million component of the Advanced Networks program which has been reallocated to other purposes.

Senator LUNDY—To what purposes?

Mr Sutton—I would have to take that on notice. The three ANP projects take up \$37.23 million of the \$40 million. There is a \$1 million component of the ANP which has been transferred for other uses.

Senator LUNDY—Can you take on notice the issue within the Intelligent Island program funding—whether there have been any changes or any reallocation of any underspent money back into programs that perhaps deviate from that original memorandum with the Tasmanian government, even if it is downstream from several projects?

Mr Sutton—Yes. There have not been any of those sorts of transfers away from the Intelligent Island program at this point, and none are envisaged.

Senator LUNDY—I was reading with interest the responses to questions on notice I had about the performance of the various BITS incubators. I did want to ask the minister and the department why there was such an extensive delay in receiving those questions on notice and whether the hold-up was in the department or, indeed, the minister's office. Literally, we got some of those answers in the last couple of weeks, which—even having had a federal election in between—is absurd.

CHAIR—We did discuss this this morning, Senator Lundy

Senator LUNDY—I did not ask officials then; I made a comment on the record. Now I want to ask the minister and the department.

Senator Alston—I do not think you were singled out for special treatment, but I cannot remember.

Mr Sutton—There were ongoing discussions between the department and the minister's office about the answers.

Senator LUNDY—So they went back and forth a few times? Is that what you mean?

Mr Sutton—There was nothing abnormal about the ways of answering questions on notice but, yes, there was some going back and forth.

Senator LUNDY—So that means you sent the questions to the minister's office and they said, 'Not happy; go back and do it again'? Is that what happened, Minister? You would not have a clue, would you?

CHAIR—It will need to be answered.

Senator Alston—I do not have a recollection of it, but these things happen all the time. It depends how things are expressed.

Senator LUNDY—It does raise all sorts of implications. It would have been very useful information had we got it earlier and it would have meant that parliamentary process would have been duly followed. I am wondering if it is a general attitude of contempt for this committee or whether or not there was—

Senator Alston—No, certainly not. I do not see any reason why we would want to be contemptuous of the committee.

Senator LUNDY—I am asking you: what is the problem? You set a time; it is usually within quite a reasonable limit. I did not think the questions were that onerous—certainly not the usual form.

Senator Alston—Were these delivered before the election?

Senator LUNDY—The questions were asked on 9 June. I even know the date; it had special significance for me. They were asked on 9 June last year.

Senator Alston—I am sure the reason was not the public policy issue.

Senator LUNDY—No, it certainly was not. But surely you can see that that length of time is absurd.

Senator Alston—It is out of the ordinary, I would have thought. But there may have been arguments about whether some incubators had incubatees on board or about to come on board—I do not know. On the face of it, yes, nine months is not what you could expect in the future.

Senator LUNDY—Good. I am pleased to hear it. I look forward to everything getting in on time.

Senator Alston—I did not go that far, but we will do our best.

Senator LUNDY—Are the Office for Government Online and their strategies to get departments online going to achieve their stated policy aim eventually, and when?

Senator Alston—We have no reason to think we will not be able to achieve our targets.

Senator LUNDY—Well, you did not and I understand you have not, so the question is—

Senator Alston—Which particular targets are you talking about?

Senator LUNDY—Getting all of your government agencies online.

Senator Alston—By the end of last year?

Senator LUNDY—Yes.

Senator Alston—I do not think that is right. I will check and see. I did not think that was an accurate assessment, but if you have some good reason to suggest we have not met our targets you can tell us about it and we will correct it. Are you saying there is any particular area?

Senator LUNDY—No. Perhaps you could provide a full assessment of the different stages of online connectivity that the different departments are at. I know there were three primary

stages that were set as a benchmark for each agency and department to comply with. If you could provide details now of all of them—what stage they have achieved, what the deadlines were and when they are expected to achieve each of those outcomes—that would be great.

Senator Alston—All right.

Senator LUNDY—Also, what the security plans are and what policies or strategies you have for improving the security of the electronic infrastructure in each agency and department. We spoke briefly to Mr Rimmer about the committee he is chairing relating to security, but I would like to know what the on-the-ground programs are for monitoring and improving that—educating users, preventing laptops from being stolen; all those worthy issues.

Senator Alston—An endemic problem—all right, we will see what we can do.

Senator LUNDY—While you are there, an assessment on the implementation of privacy guidelines and policies in an electronic environment. I may have asked questions about this previously—I cannot recall—but would you attach to each of those assessments about the status of each department online a statement about their privacy awareness or specific strategies that have been put in place. I advise the chair that I would like to place on notice my questions to the corporate services section as they relate to the group 5 IT contract. I will not go through that tonight. I was going to see if my colleagues wanted to now move to the ABC for half an hour before dinner.

CHAIR—No. We are going to go to the ABA because there will be quite a lot of questions on the ABC. Senator Conroy has half an hour on the ABA.

Senator LUNDY—If Senator Conroy is out there, now is your time to come here.

CHAIR—The alternative is that we could break now.

Senator MACKAY—Could we have the ABC until then?

Senator LUNDY—Senator Eggleston is saying that he wants to call the ABA.

CHAIR—Senator Conroy has half an hour of questions on the ABA.

Senator LUNDY—My understanding was that we were comfortable in calling the ABA after the ABC and that we could in fact start the ABC before dinner.

CHAIR—Other things have occurred in relation to the ABA, because they were hopeful of being called first so that they could leave. As it turns out, they cannot.

Senator LUNDY—So they will not mind waiting.

CHAIR—Except that it breaks up the sequence if we start the ABC, stop it and then do it later. So it would be easier to do the ABA.

Senator MACKAY—The ABA are not going to be able to get home tonight anyway, are they?

Senator LUNDY—That is right. I asked earlier if that was all right, and I do not think it is a problem. I think the ABC can cope with coming in for half an hour, having the dinner break and coming back later. I know we can.

CHAIR—If that is the feeling of the committee, I am quite happy to do that. Then immediately after the dinner break we will have the ABA.

Senator MACKAY—We will go to Senator George Campbell first on the ABC.

CHAIR—Thank you to the departmental officers for appearing. We look forward to seeing you again in May. Senator Conroy is now here, so I propose to call the ABA.

[5.40 p.m.]

Australian Broadcasting Authority

Senator CONROY—How is the ABA progressing with its inquiry into the adequacy of regional TV news in Australia? Could I just get a summary.

Mr Tanner—The ABA inquiry is progressing well. Just this month there was a series of informal regional meetings to enable the public to raise issues of concern, but at the same time we are pursuing extensive fact gathering with licensees in all markets, attempting to set up a series of benchmarks for local news and other local information over the last 15 years to help with our decision making at the end. That is all proceeding to schedule. We are presently looking at May for a report.

Senator CONROY—How many submissions have been received?

Prof. Flint—About 30. We offered the facility of written email but also oral submissions on a hotline.

Senator CONROY—Are you able to give me a flavour of the general nature of those submissions?

Prof. Flint—From the public, the submissions essentially say ‘We want more news’. From the broadcasters, of course, there are different submissions about cost and need. We are having a number of public meetings to allow those people who made submissions and general members of the public and the broadcasters to put their views to us.

Senator CONROY—When are they scheduled?

Prof. Flint—The first is tomorrow in Newcastle, then Friday in Wollongong and early March in Queensland and possibly Victoria.

Senator CONROY—You mentioned you will finish the inquiry about May, I think you said.

Prof. Flint—That is our aim. We were hoping to do it by Easter, but it looks like May.

Senator CONROY—And would that be when you release your report or would that be when you finish all your hearings and then you go into the report writing phase?

Prof. Flint—We would like to have the report out, subject to the board itself approving, because we think it should be something that we do quickly.

Senator CONROY—Does the ABA currently have a view as to whether the current regulatory arrangements require regional commercial television broadcasters to provide an adequate local news service?

Prof. Flint—No, because what we want to do is to identify whether there is a problem and, if there is in fact a problem, whether that can be satisfied within the existing act, within our powers, and, if not, whether we should make recommendations about changes to the act. The key provision is the statutory condition which applies to all commercial licensees and which says that they, taken with other licensees including the national and community ones, should provide an adequate and diverse range of services within the licence area. Certainly we have taken that to include news.

Senator CONROY—Is that national or local news? Have you had a view on that previously?

Prof. Flint—Part of the submissions that we are seeking from the broadcasters concerns what they mean by ‘local.’ For example, do they mean ‘local’ as in the larger licence area which now applies or as in the older licence areas that applied before aggregation, which are probably more community based in the sense that, for example, Wollongong can be contrasted with Canberra. They might fall into the same licence area, but there may not be that sense of local news.

Senator CONROY—Yes, local news in Canberra is not of interest to people in Wollongong, and vice versa.

Prof. Flint—Yes. So that is something we are looking at. We have also visited a number of stations and it seems, tentatively, that when local news is broadcast it relates to the pre-aggregation markets—that is to say, it is in accordance with what people would expect to be local news. That seems to be a very tentative conclusion.

Senator Alston—There is a provision in the Broadcasting Services Act which requires the providers to be responsive to the need for fair and accurate coverage, if that is in the public interest, and for an appropriate coverage of matters of local significance. So, even though the licence condition might be a bit oblique, you would expect it to be read in conjunction with that statutory objective. In other words, ‘adequate and comprehensive’ would appear to embrace matters of local significance.

Senator CONROY—I am hoping that, as a fellow Victorian, you are going to be assuring the protection of local news. I do not know how you feel about late evening news simply being piped in from Sydney. Whilst I am sure it is of great interest to some to hear about local traffic conditions in Parramatta, when I am sitting in Melbourne I often wonder why I am watching the Sydney news late at night. I am sure you have similar frustrations, Senator Alston.

Senator Alston—It is so you do not have to travel outside Victoria anymore—you will just be able to tune in and pick up what is going on in the local news.

Senator CONROY—So I am hoping that you will stand up for Melbourne.

Senator Alston—We do have a national perspective on these things.

Senator CONROY—I am just hoping that you will stand up for local news so that we have some local Melbourne news.

Senator Alston—I meant not just Melbourne—locally, all over.

Senator CONROY—What arrangements are currently in place to deal with the prospect of interference to pay TV, set-top boxes and VCRs arising from the switch-on of digital TV in various regional areas?

Mr Tanner—Basically, it is as has been advised to this committee previously. The centrepiece of the arrangements is a FACTS information campaign, which includes appropriate levels of pre-publicity where these problems are expected to arise but in all cases a hotline with provision of service to back that up as people encounter difficulties. It is really the same system that was put in place before digital switch-on for 1 January 2001, but it has to remain in place throughout the roll-out of digital services, because we will continue to need to use channels which carry the likelihood of causing some forms of interference to pay television set-top boxes or VCRs. So I think there has been a fair amount of work by FACTS, which has also involved the ABA, to better coordinate those things in future and to learn from what occurred last year. Basically, the centrepiece is still the FACTS interference management campaign and hotline.

Senator CONROY—Do you have any idea how widespread this problem has been and will be?

Mr Tanner—We have a pretty fair idea. Whenever you turn on a transmitter there may very well be problems that cannot be foreseen. In general, we are able to foresee the major problems quite well. We anticipate that the problems will be most pronounced with three UHF channels in particular—that is, channels 36, 37 and 38. We know which markets we have unavoidably had to use those channels in. So those are certainly the markets where we believe it will be appropriate to have a much larger publicity campaign, with pre-publicity and so on, rather than simply relying on the hotline. So we can anticipate with a fairly high degree of accuracy where problems are more likely to arise and where they are less likely to arise.

Senator CONROY—Have you run any of those sorts of advertising campaigns in any of the regions? I offer my apologies as this is a relatively new area for me.

Mr Tanner—Not in the regions, but during the switch-on in the five major metro areas. These problems arose in Brisbane in particular and there was a comprehensive campaign in Brisbane to deal with them.

Senator CONROY—And that has solved the problem; there has been a large take-up?

Mr Tanner—Yes. The statistics are indicating a steady drop-off in complaints in general to the interference hotline. I think it is now running at about 140 calls a week from a high of around 10,000 calls in the week immediately after 1 January. I should emphasise that a lot of those calls were about other problems that were not caused by digital, so the actual problems caused by digital have at all times been merely a subset of those calls. When people are mindful that there are changes and that those changes may result in interference, quite understandably, if they are experiencing any problem which may, for example, be being caused by tower work or something like that, they will tend to use the hotline.

Senator CONROY—Did you say 15,000?

Mr Gengaroli—Yes.

Senator CONROY—Between 10,000 and 15,000 at the peak?

Mr Gengaroli—Yes, and they dropped down to just over 120 or so per week.

Senator CONROY—You may have already supplied these figures to the committee. I was just wondering if you would be able to give us that sort of profile over time.

Mr Gengaroli—Yes.

Mr Tanner—Very much so. And, in fact, during those first weeks we are satisfied that a fairly large proportion of the high number of calls were caused by factors other than digital, but there had been a lot of publicity in the weeks leading up to 1 January 2001 about the dangers of digital interference.

Senator CONROY—If you could supply the latest figures, that would be great.

Mr Tanner—We will take that on notice.

Mr Gengaroli—Yes.

Senator CONROY—How are you progressing with the review of the Australian content standard for television?

Ms Wright—We have put out a discussion paper and had a closing date last Friday for submissions. We have had about 30 submissions from industry and related players and we are

analysing those currently. We are looking, if the ABA is of a mind and recommends changes to the standard, to be issuing a draft standard for public comment, say, in May of this year.

Senator CONROY—Are you in a position as yet to flag what some of the changes to the content standard will be? Could you give us a flavour of how the debate is going?

Ms Wright—No, but when we opened the review of the standard we were mindful that there was a vigour review of this scheme within a few years. So the principal reason for setting a review at this time had been to revisit the impact of the decision which also allowed New Zealand material to count as Australian content and to see whether that needed finetuning and how that was travelling. There were other issues that we knew would come forward and, while our discussion paper has endeavoured to let people bring whatever they want to the table to us for consideration, we have always said that we thought it would be a more focused review at this time, but with technology changing we envisage a more wholesale look at the scheme subsequently.

Senator CONROY—So what are the areas that people are bringing to you saying, ‘That is just outside, there is one come in’? What are those sorts of areas?

Ms Wright—For example, the issue of the prices paid for quality children’s television. There is a quota for that type of programming and the issue of the costs associated with that in relation to the standard is certainly one issue. The overall quotas for different types of Australian content are likely to be of interest, whether they should change in relation to the different types of material, for example, as a result of the counting of New Zealand material. The quota for documentary programs was doubled, I think, from 10 hours to 20 hours. There is some discussion whether that needs to be readjusted in the light of the experience that we have had over the last two years.

Senator CONROY—We are not throwing Xena in there, are we?

Ms Wright—I do not think there is any suggestion of that.

Senator CONROY—Good. That is all the questioning I have on the ABA.

Senator TCHEN—Professor Flint, at the last estimates hearing back in June last year, Senator Newman put a series of questions to the ABC representatives about provision of regional radio, particularly regarding extending the news radio services to areas outside of capital cities. Amongst the comments made by the ABC representatives, it was said that one of the barriers to extending the service was that there was no frequency on the spectrum and that the ABA was responsible for allocating the frequencies and spectrum for service. I quote Mr Knowles from the ABC:

As the ABA has been doing its planning exercises, we have consistently sought frequencies and spectrum for services. But at the end of the day the ABC will not allocate frequencies unless it has a reservation from the government, and that requires a government call as to the extent to which those funds might be made available for extension of the services.

Prof. Flint—We are talking about the news and parliamentary service?

Senator TCHEN—Yes.

Senator Alston—Newsradio.

Senator TCHEN—Is there a difficulty with the ABA actually finding frequency to cover rural Australia to provide the newsradio service?

Mr Tanner—The ABA’s approach has been to plan channels for national services in response to reservations from the minister. That basically means that where there is some intention of installing a national service then the ABA will make spectrum available. Were the

ABA to make a blanket reservation in every market for all the national radio services, of which there are at least seven, the result would be spectrum exhaustion in a lot of the markets to no end because there would be little likelihood that the whole ensemble of national and services would be provided in the market.

Senator TCHEN—I am sorry, Mr Tanner, I missed your last point.

Mr Tanner—We do not really have enough spectrum in a lot of congested regional markets, where there are only relatively small numbers of good channels remaining vacant, to allow us the luxury of simply having a blanket setting aside, say, seven frequencies in every market. We have always planned for the national services that are realistically likely to be provided, and we have taken our lead from the government on that as the minister has the power to direct us as to the number of channels that are to be reserved.

To take that a little further, were the national broadcasters to now decide that they were able to extend another radio service into a number of regional communities, it would be a question of fact in each case whether there was still spectrum available that would allow that channel to come in. Certainly, in a number of parts of regional Australia we have planned to spectrum exhaustion. In other parts we have not. In some cases, where we have planned to spectrum exhaustion, there may be options, at some cost, of putting in additional services if we rearrange the frequencies of existing services in some way. It is certainly the case that spectrum congestion and spectrum exhaustion is a factor if we are talking about rolling out extra national networks or extending the coverage of national networks. But we would have to take it on a case by case basis to decide whether it is the problem.

In general, we are keeping in close touch with the national broadcasters so that we are anticipating proposed reservations as well, but we have not had the luxury of simply laying aside blocks of spectrum on the assumption that at some unknown date in the future the entire repertoire that is available to, say, people in Adelaide or Melbourne would be available in any given regional centre.

Prof. Flint—But they do not come out of the blue to us and we say yes or no. There is this informal negotiation—

Senator TCHEN—So they have to enter into the planning process.

Prof. Flint—There is a closeness there.

Senator TCHEN—Mr Tanner, I am a little confused about this now. It seems to me that, when we talk about the crowding of the spectrum with existing channels, the airwaves cannot be more crowded than they are in the metropolitan areas. In Melbourne we have something like 14 AM stations and 10 FM stations. Apart from Sydney, I cannot think of any geographic area of equivalent size in Australia which is likely to have more crowded airwaves.

Mr Tanner—There is a reason for that and that is that we have planned for differential allocation of radio services between the very largest markets and smaller regional centres. In the department's original planning that the ABA inherited in 1992, I think the plan was for something like 16 FM channels to be available in major metro centres but only eight in regional centres. The ABA in the early nineties did a bit of extra work on that and felt that it could somewhat increase the number in the largest regional centres—I think it aimed for 12. In the licence area planning process we have attempted to realise those figures with varying amounts of success, depending on the local planning situation in terms of who wanted to operate from what site. But, basically, we have planned the spectrum on the basis of differential allocation. There will always be more channels in Melbourne than in, say,

Bendigo because we have planned it that way, knowing that Melbourne, a city of 3½ million, will have a much larger demand.

Senator TCHEN—So, Mr Tanner, the limitation for this planning is actually not the physical limitation but—

Mr Tanner—It is a physical limitation, but we have allocated the spectrum in a differential way.

Ms Ritter—You cannot actually use all the spectrum in each area because it will interfere with the adjoining areas.

Senator TCHEN—Yes, I understand that. But, given that it is a long wave broadcast, the interference would not go beyond a certain distance. There are limitations on the interference—

Mr Gengaroli—That depends on the transmitter, the actual transmission site used, the elevation of the antenna. Generally speaking, the higher the power, the more distance you have to protect and therefore you cannot reuse that particular channel—or sometimes even the next channel—for a number of kilometres.

Senator TCHEN—I understand that. But I would certainly expect, for example, that if you caused interference to the adjoining region each of these regions would be sizeable and you are unlikely to cause interference to the region beyond that.

Prof. Flint—The ABA is very open to proposals from people who want stations. For example, potential community station engineers can come to us and say, ‘We think you could fit in a station there.’ It is the same with the ABC. If it could be demonstrated to us that we were in error, we would be very open to negotiations on that, and that does happen. The problem, of course, is this overflow of powerful stations, particularly in the evening.

Senator TCHEN—Thank you, Professor Flint. You have answered my questions.

Senator HARRADINE—I wanted to ask the ABA some questions, but if everybody has finished with the witnesses I would be happy to put them on notice so as not to delay them any further.

CHAIR—Thank you, Senator Harradine, I appreciate that. I would like to thank the witnesses from the ABA for appearing.

Proceedings suspended from 6.04 p.m. to 7.07 p.m.

Australian Broadcasting Corporation

CHAIR—The minister will be here in a minute. I welcome the witnesses and remind them that they should state their name and position when they give evidence.

Senator CONROY—There have been conflicting reports about the manner in which Jonathan Shier departed the ABC. Did he resign or was he required or invited to leave?

Mr Balding—As indicated in the corporation’s media release of Wednesday, 31 October 2001, on that date an agreement was reached between Mr Shier and the ABC board that Mr Shier would leave the corporation.

Senator CONROY—So he resigned?

Mr Balding—At that time an agreement was reached between the ABC and Mr Shier as to the terms of that separation, and basically that separation does include a confidentiality clause which was alluded to by the chairman in his recent address to the National Press Club. In respect of whether it was a resignation or a termination, I prefer not to make the details of that

separation payment public, given that confidentiality clause, unless required to do so by this committee.

Senator CONROY—I have not got to the payment yet.

Mr Balding—It is the details as well.

Senator CONROY—Did he receive a severance payment?

Mr Balding—Mr Shier did receive a termination payment, yes.

Senator CONROY—A termination payment would imply that he did not resign.

Mr Balding—Whether it was a resignation, a termination or whatever, I was not privy to the actual discussions and negotiations that took place—obviously that was at the board level—other than to say that an agreement was reached between Mr Shier and the board that he would leave the corporation.

Senator CONROY—I think we have to go through this formality before you ask me a question. Could you please explain the full financial details and conditions of his severance package?

Mr Balding—Mr Shier received a termination payment of \$983,932. He also received his accrued leave entitlements of \$29,165. He also received equivalent salary to 31 December of some \$42,875.

Senator CONROY—Were those two amounts incorporated in the \$983,000, did you say, or were they additional to it?

Mr Balding—No. Those three amounts were separate amounts.

Senator CONROY—So the \$983,000 was for paying out the remainder of his contract?

Mr Balding—It was deemed to be a termination payment negotiated between himself and the board.

Senator CONROY—I am just trying to understand what that amount would compose of.

Mr Balding—I do not know what it is composed of. Again, it was subject to discussions and negotiations between the board and Mr Shier.

Senator CONROY—Did he receive any non-cash benefits?

Mr Balding—Not that I am aware of.

Senator CONROY—Like, if he had a car, did he get to keep the car?

Mr Balding—No. The car was returned.

Senator MACKAY—What was the aggregate?

Senator CONROY—It was over a million, I think.

Mr Balding—There are three elements to it. The total would be \$1,055,973, but I do wish to stress that included in that amount is the accrued leave entitlement; and that is the \$29,165.

Senator CONROY—Mr Shier presumably had a contract. Was it a one-year contract, a five-year contract?

Mr Balding—Mr Shier had a five-year contract.

Senator CONROY—Excuse my complete ignorance on how long he had actually served—he had served how long?

Mr Balding—He had served from 17 March 2000—it was 20-odd months.

Senator CONROY—Less than one year—

Mr Balding—No, just less than two years—17 March 2000.

Senator CONROY—Sorry. Could it be assumed that the \$983,000 was essentially for the remainder of the three years?

Mr Balding—I am really not in a position to assume anything because, as I said, I do not know what basis the actual termination payment was calculated on. Again, this is a negotiation between Mr Shier and the board and I was not involved in those negotiations.

Senator CONROY—Was a special appropriation needed from the Commonwealth for something this size? That is a million dollars out of the ABC budget, I presume. Was there a special appropriation needed to cover it?

Mr Balding—No. There was no appropriation required. It was from ABC funds and the board has the delegation to approve such payments.

Senator MACKAY—He had resigned, I take it, had he?

Senator CONROY—We have not been able to establish whether he resigned. There was an agreed separation, which we have not been able to determine, Senator Mackay.

Senator MACKAY—That brings into question whether it is a termination or not. If he resigned, it is not a termination.

Mr Balding—Yes, that could be right. But, again, I can only say it was a mutually agreed separation.

Senator MACKAY—That \$983,000 is close enough to a million, but it is not a round figure. Would you be able to get some more information for the committee as to how that figure was constituted?

Mr Balding—I might be able to take that on notice, but I am not in a position at this stage to work out, or to identify, how it was calculated. This is the amount that was agreed between Mr Shier and the board.

Senator MACKAY—The entire board?

Mr Balding—Yes.

Senator CONROY—And no-one in the room was at the board meeting?

Mr Balding—No.

Senator MACKAY—Was the minister aware of it?

Mr Balding—The minister was aware of the actual separation but not the amount of money, I do not believe.

Senator CONROY—Was he consulted? Did he have to approve?

Mr Balding—He was not consulted, but I am advised that just prior to the media release going out on 31 October—and from memory that media release went out late afternoon; it could have been a bit after 5 p.m.—the ABC did contact the Prime Minister, the minister, the opposition leader and the shadow minister and informed them of the impending release of the statement and the contents of that media release.

Senator MACKAY—The Prime Minister, the minister—and who was the—

Mr Balding—The Leader of the Opposition and the shadow minister.

Senator MACKAY—Were they apprised of the quantum?

Mr Balding—Not that I am aware of.

Senator MACKAY—When were the Prime Minister and the minister apprised of the quantum?

Mr Balding—I do not believe they have been.

Senator MACKAY—So would this be news to them here tonight, if they were here?

Mr Balding—I believe it would be because, again, it was subject to a confidentiality clause.

Senator SCHACHT—So you never informed the minister or the Prime Minister of the million bucks out the window?

Mr Balding—No, Senator.

Senator SCHACHT—Is there any statutory arrangement that the ABC has to inform the minister of any particular expenditure or has that provision been taken out of the act?

Mr Balding—I am not aware of any specific issue where you need to advise the minister of particular items of expenditure other than that provided for through the budget process.

Senator SCHACHT—I have just come in a bit late, I am sorry. How did you arrive at the figure of \$1 million?

Senator MACKAY—We have already asked that. It was through discussions between the board.

Senator SCHACHT—I am sorry.

Senator CONROY—How many episodes of *SeaChange* could we make for \$1 million?

Mr Balding—I am not in a position to comment on that.

Senator CONROY—Does anyone know how much it costs to produce an episode of *SeaChange*?

Senator SCHACHT—Is that misleading? How much would it cost to make—

CHAIR—Senator Schacht, we are going to have Senator Conroy—

Senator CONROY—He is just helping me.

CHAIR—He is being very helpful, and I appreciate that, but we do have to—

Senator SCHACHT—You want me to leave again, do you?

CHAIR—It is so much quieter without you.

Ms Levy—I am sorry, I did not hear the question.

Senator CONROY—I was just asking: how many episodes of *SeaChange* could you make for \$1 million?

Ms Levy—Approximately two.

Senator CONROY—Two episodes of *SeaChange*?

Ms Levy—Not quite.

Senator SCHACHT—Mr Shier is worth two *SeaChanges*!

Senator MACKAY—I could believe it.

Senator SCHACHT—Mr Balding, \$1 million for Mr Shier: during the time he was the chief executive, how many payments were made to departing staff in total packages?

CHAIR—Senator Schacht, I really do think you should leave this to Senator Conroy.

Senator CONROY—That was my next question anyway.

CHAIR—You are very helpful.

Mr Balding—During the period 17 March to 31 December there were some 383 redundancy separations from the corporation.

Senator SCHACHT—How much?

Mr Balding—That came to a total cost of \$37.2 million, of which \$10.6 million was accrued leave.

Senator SCHACHT—So \$26 million was the—

Mr Balding—\$26.6 million was the redundancy payment.

Senator SCHACHT—As a matter of interest, Ms Levy, what is the budget approximately for television drama per year in the ABC?

Ms Levy—It would be approximately \$15 million.

Senator SCHACHT—\$15 million!

Senator CONROY—And how much was that redundancy package?

Senator SCHACHT—\$26 million for all the redundancies that Mr Shier initiated and engineered.

Senator CONROY—So we could double the budget for local drama. If I could just go back just one question, how much is Rochford International being paid to find a replacement for Mr Shier?

Mr Balding—I do not know that. I can take that on notice if you wish.

Senator CONROY—And when does the ABC expect a new managing director to be in place?

Mr Balding—Again, I am not aware of that.

Senator CONROY—Are you hoping to be?

Mr Balding—No, I just do not know. I just refer you to, again, the chairman's address to the National Press Club. There were questions there and, basically, the process is in place and an announcement will be made when the board has a managing director.

Senator MACKAY—Senator Alston, when did you become aware of the redundancy or separation payout?

Senator Alston—I have not become aware of it other than having been told that some figures were blurted out about five minutes ago.

Senator CONROY—If I could just recap Senator Schacht's question from a slightly different angle, how many ABC staff have been made redundant since 1 July 2001? I know it was a quantum of dollars.

Mr Balding—From 1 July 2001 to 31 December, some 87.

Senator CONROY—Could we get a breakdown of the redundancies by division—as an example, executive directors, senior officers and other?

Mr Balding—By division or by staff classification? Tonight I can give you senior executives and staff; I cannot give it to you by divisions. I would need to go back and get those.

Senator CONROY—Please give us what you have tonight and then take the rest of it on notice.

Mr Balding—Do you want it for the full period or for the July—

Senator CONROY—1 July 2001.

Mr Balding—From 1 July 2001 to 31 December 2001, there were 10 senior executives and 77 non-senior executives.

Senator CONROY—Can I get the cost of the redundancies in those two categories?

Mr Balding—I will be consistent with the information I gave previously. That is a total of 87 for a total payment of \$7.05 million. The redundancy payment was \$4.89 million and the accrued long service leave was \$2.16 million. In breaking that up, for the non-executive 77, the payment was \$5.59 million in total, the redundancy payment was \$3.87 million and the leave component was \$1.72 million. In respect of the 10 senior executives, the total payment was \$1.46 million, the redundancy component was \$1.02 million and the leave entitlement was \$0.44 million.

Senator CONROY—What was the average length of tenure of those 10 seniors.

Mr Balding—I haven't got that with me, I'm sorry.

Senator CONROY—Were some of them relatively recent appointments?

Mr Balding—I wouldn't know. I would be happy to take that on notice.

Senator SCHACHT—How much does the radio network get each year?

Mr Balding—The radio network is in the vicinity of some \$80 million. Mr Pendleton will have the exact figure for you.

Mr Pendleton—It is \$91.9 million.

Senator SCHACHT—Television drama gets \$26 million. How much do TV news and current affairs get?

Mr Pendleton—Television gets \$142.2 million.

Senator SCHACHT—And that \$26 million is for—

Mr Pendleton—Is within the \$142, and news and current affairs get \$116.

Senator SCHACHT—Mr Balding, during the extraordinary regime of Mr Shier, did anyone at the time question that the spending of \$26 million in just over a year in redundancies was good value for the future of the ABC and could have been better spent on programming?

Mr Balding—The redundancy programs are subject to a business case. First of all it needs to be demonstrated that it is a bona fide redundancy. What we do from a financial perspective is to identify the savings from those redundancies and quarantine those savings initially to meet the repayment of the working capital funds that we use to cash-flow the redundancy. When that is repaid, it is ongoing savings for the corporation.

Senator SCHACHT—So you are now telling me there are going to be ongoing savings, in that there is a permanent reduction in staff?

Mr Balding—There may not be a one-for-one reduction of staff because, in relation to a redundancy program, it could involve management restructures where there could be a downgrading of the job as well as a total abolition of the position. Just in respect of the funding of those redundancies, there is a working capital source of funds which is meant to

fund that and at the end of about 2½ to three years time the corporation will have about \$7 million per annum in ongoing savings.

Senator SCHACHT—That means it will take you four to five years to get back the \$26 million.

Mr Balding—There are a number of elements. If I just talk in total for you, we funded the \$37 million through three elements: \$9.4 million of that was direct from our budget, where we made specific provisions for that, and that was where—

Senator SCHACHT—Eighteen episodes of *Sea Change*.

Mr Balding—That was where we knew that those positions in actual fact would be replaced and there were no direct ongoing savings. So there was a budget provision made for those particular positions. We had already funded leave provisions of \$7.3 million as a contribution towards the actual total redundancy payment. The corporation has funded the balance of \$20.5 million from working capital. The amount of money that we need to pay back is \$20.5 million. That will be repaid under three years.

Senator CONROY—I have a couple of quick questions. Have any ABC employees been sacked since 1 July 2001 for underperformance?

Mr Balding—I would like to take that on notice. I have not got those details with me.

Senator SCHACHT—Other than Mr Shier.

Senator MACKAY—And he got rewarded.

Senator SCHACHT—He got rewarded. He was sacked for underperformance and got a million dollars on the way out.

Senator CONROY—We know that you did not want him to go, Minister.

Senator Alston—It might titillate you to make these gratuitous observations, but I think you ought to get the facts right and I do not know that that is an accurate description of the circumstances.

Senator MACKAY—We are attempting but it was not answered.

Senator Alston—Senator Schacht has been remarkably consistent over the years; he has never really worried about details.

Senator CONROY—Thank you, but I am asking the questions.

Senator SCHACHT—I will come back to that.

Senator CONROY—Could you also take on notice: if there have been any sackings, how many were senior executives?

Mr Balding—Yes, I can take that on notice, Senator.

Senator CONROY—In all cases, were the provisions of the ABC Senior Employment Agreement 2001 applied and, in particular, the requirement that the principles of procedural fairness be applied and that the employees be formally advised of the standards of performance and be given an opportunity and sufficient time in which to attempt to meet the required standards? And, just finally on that, if there were any, were representatives of the human resources division consulted prior to the senior executives being terminated in all cases? You could also take those on notice.

Mr Balding—Yes, Senator.

Senator SCHACHT—Senator Alston, it was reported in the press, and you might wish to clarify this, that to the very end you still supported Mr Shier's retention as the Chief Executive. Is that correct?

Senator Alston—That is not a matter for the government or any particular minister to support an appointment made by the board. The board makes or unmakes or, indeed, the person concerned resigns or retires.

Senator SCHACHT—So there is no truth in the speculation and reporting in the press that you, Mr Kroger and Mr Costello—the Victorian Liberals—were opposed to Mr Donald McDonald as chairman of the board and others in New South Wales who wanted to get rid of him? That is all unduly colourful.

Senator Alston—That is the cheap bit.

Senator SCHACHT—That is cheap colourful speculation—

Senator Alston—That is precisely what you would expect. It is par for the course. It is an easy line to run if you are not particularly concerned to want to deal with the merits of the argument.

Senator SCHACHT—Did you discuss with Mr McDonald or did he discuss with you the reasons for Mr Shier's departure?

Senator Alston—No.

Senator SCHACHT—So you sat by as this swirled around for a month in the press and did not choose to pick the phone up once and he did not choose to pick the phone up once to you and say, 'We might have a bit of the problem here, Richard'?

Senator Alston—The reasons for his dismissal?

Senator SCHACHT—Yes.

Senator MACKAY—Or was he dismissed?

Senator Alston—That is what I say: Senator Schacht assumes he was.

Senator MACKAY—Was he or wasn't he?

Senator Alston—From what I read, he was not.

Senator MACKAY—He was not sacked?

Senator Alston—I do not know. I did not make the decision. I just read the newspapers and I would have thought the termination package that has been canvassed tonight was one that was reached by agreement. That is how I understood it to be.

Senator MACKAY—He resigned?

Senator Alston—I do not know.

Senator MACKAY—You just said he was not dismissed.

Senator Alston—If you want the facts I will find them for you. All I am saying is that I do not know that you should make those assertions. If you want to know the details I will find out. It was not our call. We were not privy to what happened at the end.

Senator SCHACHT—At no stage up until the day he announced he was leaving did the chairman of the board or any other member of the board, formally or informally, discuss with you—despite all the press speculation that went on for several weeks—that something was about to happen to Mr Shier?

Senator Alston—That is correct. I had been led to understand that Mr Shier was effectively on probation.

Senator SCHACHT—Did you express any opinion to the chairman of the board that this might be a bit unusual to have someone on probation? I do not think I have ever heard of a previous chief executive being on probation at the ABC and, if they had been, I am sure it would have been leaked, knowing the ABC?

Senator Alston—That is probably true

Senator SCHACHT—We agree on something!

Senator Alston—I do not recall it offhand either, but there is a first for everything.

Senator SCHACHT—Did Mr McDonald inform the government, formally or by telephone or by private conversation, that Mr Shier was on a period of probation?

Senator Alston—I do not want to canvass the detail. He did not tell me that, but I received advice to that effect, and I proceeded on that basis. Therefore, I was surprised to learn that things had reached a point beyond that.

Senator SCHACHT—How long was Mr Shier on probation, from your recollection, to the day when he finally announced he was leaving ?

Senator Alston—What was the term of the probation?

Senator SCHACHT—Yes.

Senator Alston—I do not know that it was a fixed term. It was simply that he was told, if you like, ‘You are on a warning, your behaviour will need to improve,’ or, ‘There will be no further episodes that might be viewed adversely.’ I do not think it was a matter of saying, ‘You only have three months, and then you can do what you like.’

Senator SCHACHT—No, I understand that, but when was the warning given to him? You use the phrase ‘on a warning’, which was the term obviously for then being on probation. How long was he ‘on a warning’ from the board?

Senator Alston—I cannot tell you that. All I can tell you is that, for a period of some weeks before the denouement, I had proceeded on that basis, on advice received.

Senator SCHACHT—So for several weeks he was on a warning?

Senator Alston—I do not know what the facts were. I am simply telling you my understanding of them.

Senator SCHACHT—And you got that from a conversation with either the chairman or another member of the board?

Senator Alston—I received advice to that effect. I did not speak to the chairman about it.

Senator SCHACHT—Did you get it from the department then, Minister?

Senator Alston—I am not saying who I got it from, but I had advice.

Senator SCHACHT—Did you get it from Mr Kroger, the well-known Liberal party henchman?

Senator Alston—I am not saying who I got it from; I am just telling you that that was the advice I received.

Senator SCHACHT—When you received it, did you think it strange that a CEO would be on probation, in view of the nature of the job he had with the ABC?

Senator Alston—Yes, it is unusual for CEOs to be effectively put on probation, just as it is unusual, I suppose, for there to be the series of events that surrounded Mr Shier. It was not a usual period of time.

Senator SCHACHT—What had he done in particular that led to him being given a warning and put on probation?

Senator Alston—Others can answer that, if that was in fact the case. I am simply saying that that was my understanding. Whether it was an accumulation of matters or whether it was the last matter that had been reported is not for me to say.

Senator SCHACHT—This was the argument with Mr Max Uechtritz?

Senator Alston—That was the last reported episode wasn't it? Whether it was tied to that—

Senator SCHACHT—If that was the last episode, can you enlighten us by telling us what you know about the other episodes that led to him being put on probation?

Senator Alston—I know as much as you do. I read the papers on the issue. Again, it was not a matter for me to be in there second guessing, offering free advice and saying what the board ought to do.

Senator SCHACHT—But in the period just prior to his leaving, you were reported in the press giving public support to Mr Shier.

Senator Alston—I think I did no more or less than others might do when asked about someone in a position of authority about whom we have no direct reason to express reservations.

Senator SCHACHT—But you already knew he was on a warning, and you still offered your support.

Senator Alston—I had no reason to think that he was going to be in breach of any warning or that others might have concluded that circumstances had changed.

Senator SCHACHT—So up until his leaving you had no conversation with any board member about him being on a warning; you got that from somewhere else?

Senator Alston—I have just said to you that I am not going to canvass how that advice came to me.

Senator SCHACHT—Carrier pigeon? Smoke signals?

Senator Alston—You can include those in your list of possibilities, if you like.

Senator SCHACHT—It is not impossible either, the way you govern.

Senator Alston—It just shows: you had a very low standard to beat, and you could not get over that.

Senator SCHACHT—You might well say that, Minister, to make your point, but the point is you are the minister in charge and you have a statutory responsibility.

Senator Alston—I do not have any statutory responsibility to appoint a managing director. You know that.

Senator SCHACHT—But you have a statutory responsibility for the expenditure of the ABC's money on behalf of the taxpayer.

Senator Alston—Indeed.

Senator MACKAY—Are you surprised to discover that Mr Shier got a payout in excess of \$1 million for leaving?

Senator Alston—Again, I do not know the circumstances that led the board to that. As I understand it, it would have to have been a board decision. If that is the case, then presumably they took a number of factors into account. They are the ones who presumably judged this was a fair and reasonable thing to do.

Mr Balding—That is correct.

Senator SCHACHT—Mr Balding, I understand you are the acting chief executive. Congratulations.

Mr Balding—Thank you, Senator.

Senator SCHACHT—As acting chief executive do you attend the board meetings?

Mr Balding—I do.

Senator SCHACHT—Did you attend the board meeting where the \$1 million payout was discussed?

Mr Balding—No, Senator, I did not.

Senator SCHACHT—Was that the last meeting that Mr Shier attended?

Mr Balding—I do not believe Mr Shier actually attended that meeting.

Senator SCHACHT—But you understand that was the meeting where the \$1 million was agreed to?

Mr Balding—You are referring to the board meeting of 31 October.

Senator SCHACHT—Which is the day he left.

Mr Balding—Correct.

Senator MACKAY—So who conducted the negotiations with Mr Shier?

Mr Balding—That was a matter for the board.

Senator SCHACHT—Who took the minutes of the meeting? Was it the secretary of the board?

Mr Balding—I do not know who took the minutes, but I have seen a resolution of the board.

Senator SCHACHT—Who is the secretary of the board?

Mr Balding—There is a board secretariat.

Senator SCHACHT—Who is the secretary who takes the minutes of the meeting?

Mr Balding—There is a board secretariat. Marilyn Stuart-Wright is the board secretariat.

Senator SCHACHT—And she was at the meeting?

Mr Balding—I cannot comment whether she was at the meeting or not because I do not know. I was not at the meeting.

Senator SCHACHT—But you have subsequently seen the minutes that had the resolution that Mr Shier be paid \$1 million as a payout?

Mr Balding—Yes, I had to see that resolution, as I was the CFO of the corporation, in order to make sure the payment was proper.

Senator SCHACHT—How long did Mr Shier have to wait for his \$1 million?

Mr Pendleton—I believe it was 16 November.

Senator SCHACHT—He got it paid on 16 November.

Mr Balding—Correct.

Senator SCHACHT—In accordance with an agreement with the board.

Mr Balding—Yes.

Senator SCHACHT—He got the lot in one hit.

Mr Balding—Yes.

Senator SCHACHT—Since Mr Shier's resignation—leaving, departure, denouement or whatever phrase you want to use—has there been any subsequent communication from the board, explaining why they dismissed Mr Shier or reached an agreement for him to leave?

Senator Alston—None that I am aware of. There may have been from the department.

Senator SCHACHT—Ms Williams, has the Department of Communications, Information Technology and the Arts, who oversees government expenditure in this area, got a courteous note from the chairman or Mr Balding or somebody at the ABC to explain that he had gone?

Ms Williams—I understand we did not get any information.

Senator SCHACHT—Do you have any indication yet that the Department of Finance and Administration might query that this seems an excessive amount of money out of the tight budget of the ABC?

Senator Alston—I do not know why you want to assume that.

Senator SCHACHT—What?

Senator MACKAY—It is a lot of money for somebody to resign.

Senator Alston—It is a matter for the board. Why should we second-guess the board? You are asking us to say no board in its right mind would possibly have agreed to pay out a sum such as that. That is a matter for the board, taking into account the factors which presumably they regarded as valid.

Senator SCHACHT—Minister, I hope you misunderstand the question, otherwise I think you are just trying to obfuscate. We all know the finance department runs its finger across all government and agency expenditures when the budget comes round each year. It might well look at the justification for \$1 million. Was it in the budget for last year? It was not there as an item. For many other government departments \$1 million would be looked at as an expenditure of a considerable amount of money by the finance department.

Mr Balding—Senator, I might be able to assist you here. The ABC receives a base fund appropriation and it is the board's prerogative how those funds are allocated and spent. In accordance with the ABC Act, the board is responsible for the performance of the corporation.

Senator SCHACHT—Is it three-year funding or roll-on funding?

Mr Balding—Triennial funding.

Senator SCHACHT—When does the triennial run out?

Mr Balding—At the end of next financial year.

Senator SCHACHT—It may well be that there is some bean counter down in Finance who says, ‘If you are going to throw \$1 million to a bloke who you asked to leave—

Senator MACKAY—No, who resigned.

Senator SCHACHT—Sorry, who resigned or left. We do not really know that.

Senator MACKAY—The minister says he resigned.

Senator SCHACHT—After, to say the least, a colourful period of time as chief executive, why wouldn’t they question you? They might say, ‘If you want triennial funding, and you are going to throw money around like this, maybe you should not get triennial funding in the future.’

Mr Balding—Senator, can I refer you again to the chairman’s address at the National Press Club where this item was outlined. In his address, the chairman said:

The Board was convinced that the arrangement achieved was the most cost efficient for the Corporation, would minimise the risk of creating a situation which could have transfixed the attention of the Corporation for months.

Senator SCHACHT—So the chairman is recognising that Mr Shier was no longer capable of managing the organisation—civil war had broken out?

Senator Alston—They are all your colourful descriptions. They do not really add to anything. You can put out a press release saying that if you want to, but all I am saying is do not expect Mr Balding to somehow acknowledge the accuracy of your colourful descriptions.

Senator SCHACHT—Was one of the implications the fact that, with Mr Shier continuing, further significant redundancy packages would have to be funded running into millions of dollars that the corporation could no longer afford? Is that one of the issues?

Mr Balding—Again, I am sorry, I am not privy to the issues or the discussions of the board at the time.

Senator MACKAY—When was the department advised of this quantum of a million dollars?

Mr Balding—The department was not advised.

Senator MACKAY—So this is news to you tonight?

Senator Alston—Yes.

Ms Williams—Yes.

Senator SCHACHT—Ms Williams, you never had even a slight curiosity—having an AO, I notice, next to your name—to actually ring up and to just say, ‘Any idea of how much he got? We’ve got to look at budgeting arrangements, go to argue with Finance on your behalf, ABC’? I would have thought a very good official like yourself—

Senator Alston—It was water under the bridge. There were plenty of press reports.

Senator MACKAY—That is a lot of water.

Senator SCHACHT—A lot of palooka!

Senator Alston—You might think so, but we took the view that the board—

Senator MACKAY—You could not possibly comment.

Senator Alston—was capable of resolving these matters, that presumably they had agreed on some figure and they thought it was reasonable. After the event, does it really matter to us what it might be? They were not betting the company on it, were they?

Senator MACKAY—When a normal ABC staff member voluntarily leaves the organisation, what do they get in entitlements?

Senator Alston—When you say ‘normal’, can you be more specific? Do you want an average of senior executives or do you want every cleaner over the last 10 years, or what?

Senator MACKAY—Not ballpark—entitlements. If someone leaves voluntarily, what do they get?

Senator Alston—It is a meaningless proposition.

Mr Balding—If it is a voluntary redundancy, then the entitlements are prescribed in accordance with the terms and conditions of employment. If it is a resignation, then the employee is entitled to those accrued leave balances owing to that officer at the time.

Senator MACKAY—And that is it, isn’t it?

Mr Balding—Basically.

Senator SCHACHT—Mr Balding, Mr Shier appointed a number of senior executives who subsequently resigned while he was still chief executive. I think one was a Mr Dunstan, or some name like that.

Mr Balding—Mr Dunstan separated from the corporation.

Senator SCHACHT—What was his payout? He had only been there a few months and then he left.

Mr Balding—I have not got that information with me.

Senator SCHACHT—I do not want to invade people’s privacy, and I accept that.

Mr Balding—Again, it is a privacy issue and this question was canvassed at previous Senate estimates.

Senator Alston—Hang on. You cannot have it both ways. You cannot say it is a privacy issue for Mr Dunstan but not for Mr Shier.

Mr Balding—No.

Senator SCHACHT—In that case, you can take it on notice. He was there for six months. I would like to know if he just got a payout according to his six months of service and whether there was a clause in his employment contract that said that this is what he should get if he left.

Mr Balding—Can I take that on notice because I am not privy to that information.

Senator SCHACHT—Pardon this, but I cannot remember her name—there was a female member of the senior executive appointed—

Mr Balding—Gail Jarvis

Senator SCHACHT—Gail Jarvis. Do you know what her payout was?

Mr Balding—No, Senator.

Senator SCHACHT—How long did she serve?

Mr Balding—I can provide that on notice.

Senator SCHACHT—I would like you to take that on notice. When they left—separated from the ABC—was their redundancy or payout handled by Mr Shier, by you as chief financial officer, by the other executives or by the board?

Mr Balding—It was not handled through me.

Senator SCHACHT—So it was handled by Mr Shier, the then chief executive.

Mr Balding—I presume so—unless Mr Palmer, who is director of human resources, is in a position to address that.

Senator SCHACHT—Mr Palmer, did Mr Shier arrange the payout to Mr Dunstan and Ms Jarvis?

Mr Palmer—Ms Jarvis resigned from the corporation and both matters were handed to me to finalise after the decision was made by Mr Shier.

Senator SCHACHT—Mr Dunstan resigned or did he get sacked?

Mr Palmer—No.

Senator SCHACHT—He got sacked?

Mr Palmer—Yes.

Senator SCHACHT—So you will take it on notice that Mr Shier made the arrangements for what his payout should be, whatever it was?

Mr Palmer—No, when you say ‘made the arrangements’, both—

Senator SCHACHT—He negotiated it?

Mr Palmer—No. His AWA had quite express provisions to do with redundancy or payments given certain circumstances, and Mr Dunstan received his proper entitlements.

Senator SCHACHT—Under the AWA?

Mr Palmer—Under his AWA, yes.

Senator SCHACHT—And is that the same with Ms Jarvis, who resigned?

Mr Palmer—Ms Jarvis resigned.

Senator SCHACHT—And, by resigning, her AWA had provisions that meant she probably got less because she resigned of her own free will?

Mr Palmer—Correct.

Senator SCHACHT—Are they the only two senior executives, Mr Balding, that Mr Shier appointed and, one way or the other, then left subsequent to his leaving?

Mr Balding—There were another two executives whose appointments Mr Shier confirmed. They were at the ABC at the time: Ms Jackie Hutchinson and Mr Terry Maloney.

Senator SCHACHT—So he confirmed their appointment; they had been appointed before he took over?

Mr Palmer—Yes.

Senator SCHACHT—And then what happened?

Mr Balding—Again, I am not privy to the nature of their separation, Mr Palmer might be, but they have since left the corporation.

Senator SCHACHT—Mr Palmer, did they leave by resigning or were they asked to leave or were they, bluntly, sacked?

Mr Palmer—Both Mr Maloney and Ms Hutchinson were asked to leave.

Senator SCHACHT—So it was an offer they could not refuse. They got a payout according to their AWAs?

Mr Palmer—Yes, they did, but there were additional payments, eligible termination payments, made to both to satisfy the negotiated settlement.

Senator SCHACHT—And who did the negotiated settlement?

Mr Palmer—I did on both cases.

Senator SCHACHT—Under instructions from Mr Shier?

Mr Palmer—Yes. Mr Shier handled Ms Hutchinson more directly, because at the time Ms Hutchinson was my immediate boss, so it was not appropriate for me to get involved in that level of discussion. But I did handle the Maloney separation.

Senator SCHACHT—You will take it on notice for us how much they were paid.

Mr Palmer—I will do that.

Senator SCHACHT—You just said then there was an extra payment for their leaving early?

Mr Palmer—Yes. There were additional payments. They both received their redundancy payments in accordance with their contracts and AWAs, but there were additional payments to ensure that the separation was amicable, that there was no further action taken against the corporation.

Senator SCHACHT—Were Mr Dunstan and Ms Jarvis amicable separations?

Mr Palmer—With Mr Dunstan, no, I believe he did not agree with the separation, but it occurred anyway; and with Ms Jarvis I believe it was an amicable separation.

Senator SCHACHT—Mr Dunstan did not get any payment for early leaving?

Mr Palmer—No. Mr Dunstan was not under a fixed term contract. He was under an ongoing contract, so his contract was simply paid out in accordance with his AWA.

Senator SCHACHT—When Mr Dunstan was appointed by Mr Shier, did Mr Shier oversee the drafting of the employment contract for him?

Mr Palmer—Yes, he did. My division was responsible for creating all AWAs in the ABC other than for the chief executive, and the contracts for all directors were discussed personally between me and Mr Shier.

Senator SCHACHT—But he gave the instructions for the parameters of what it should be?

Mr Palmer—Yes, correct.

Senator SCHACHT—We are going to get some information on notice. Between Mr Dunstan, Ms Hutchinson, you, Ms Howard, Ms Levy, Mr Pendleton and the other senior executives, was there much difference between what each of them got paid under these AWAs?

Mr Palmer—Yes, it did vary according to the number of years, or indeed months, of service to their remuneration. Those two factors alone have very significant influence in the payout.

Senator SCHACHT—In experience in years of service performed—

Mr Palmer—Sorry, the number of years or months that you are employed accrues a certain amount of entitlement.

Senator SCHACHT—But was there much difference between the salary payments between the various senior executives who sit at the executive level?

Mr Palmer—Yes, there is, depending on whether fundamentally it is a service department or an output content department.

Senator SCHACHT—A service or an input?

Mr Palmer—Yes. A service department is one that supports the corporation's activities; an output is the core business of the corporation—television and radio.

Senator SCHACHT—So those like Ms Levy, who produce the television and commission the television production, are the output? They are, by definition, I presume, on a higher AWA?

Mr Palmer—Generally, yes.

Senator TCHEN—I would like to follow up the question that Senator Mackay raised, but before that I join with Senator Schacht in welcoming you, Mr Balding, and congratulating you on your appointment as acting chief executive.

Mr Balding—Thank you.

Senator TCHEN—This is a hot seat. I have always been aware that Senator Schacht has had a long-term interest in Mr Shier's departure, but I had not realised he has now developed an interest in the manner of his departure. I hope he does not develop the same interest in your departure.

Senator SCHACHT—We would like him to lose an election.

Senator Alston—I think he is more concerned about his own imminent departure.

Senator SCHACHT—If I got a million dollar payout from the Senate, I would go pretty quickly.

Senator TCHEN—Before Senator Schacht went on to talk about the manner of Mr Shier's departure and displayed his preference for money in the box, you were asked by Senator Conroy to provide some information on Mr Shier's packages and severance pay. I want to ask you specifically whether the ABC can provide this committee with the same level of detail on the packages provided for Mr Brian Johns and Mr David Hill, the two previous managing directors. It seems to me that they were very comparable situations.

Mr Balding—We will take that on notice, but Mr Brian Johns came to the end of his contract. There was no agreed separation there. He came to the end of a five-year contract. I was not at the ABC when Mr Hill separated from the corporation, but we will take that on notice.

Senator TCHEN—I would not take it for granted that Mr Johns did not receive any severance pay.

Senator SCHACHT—I thought it was in the contract.

Senator TCHEN—Yes, I know, but could you investigate?

Mr Balding—I am not privy to that, but I will take it on notice.

Senator TCHEN—Similarly, could you provide this committee, under the same conditions, to the same level of detail, information about the salary packages of other senior executives of the ABC, specifically the deputy managing director, the head of television, the head of radio, the head of online, the head of Asia television and the main presenter of the *7.30 Reports*.

Mr Balding—We will take that on notice.

Senator TCHEN—I also have a number of questions that relate to regional radio. I am not sure whether I should ask them now.

Senator MACKAY—We can finish this item and come back to those if you want.

CHAIR—Do you want to pursue the Shier matter further?

Senator MACKAY—Yes, then I will move on after that. Minister, do you think it is acceptable that you find out about this issue—the \$1 million payout for Mr Shier, who resigned—at an estimates hearing? Do you, as the minister for communications, regard that as an acceptable level of communication—to find out five months after the event?

Senator Alston—I suppose if I had wanted to know the figure I would have asked for it. I do not know if I would have been told.

Senator SCHACHT—This is the Reith excuse, isn't it?

Senator MACKAY—Are there any pictures of Mr Shier actually leaving?

Senator SCHACHT—Or being thrown overboard. Has Mr Shier been thrown overboard and got a blacked out face in the water?

Senator Alston—You are not doubting it happened, are you?

Senator MACKAY—Do you regard that as an acceptable procedure—that you find out in an estimates hearing about \$1 million worth of public expenditure on somebody who actually left voluntarily?

Senator Alston—I took the view that the board is conscious of its responsibilities, the board knows how much money is available to the corporation, and, if the board decides that the corporation can sustain a number of redundancies without compromising its ongoing output activities, these are all matters for judgment and decision by the people who have the responsibility. If the act allows them to make a compromise with the managing director, I do not see much point in me, after the event, burying in there and saying, 'Now, what was the precise figure?' What would I do with it? Would I say, 'That's too much,' or, 'That's too little?'

Senator MACKAY—So you do regard it as acceptable—an acceptable level of communication, because you did not think to ask the question?

Senator Alston—If it turned out that they had thrown in Gore Hill as a parting gesture, I might have thought that was a bit over the top, but—

Senator MACKAY—But a million dollars is not over the top?

Senator Alston—I don't know. Given that he had a five-year contract and he had—

Senator MACKAY—But he left voluntarily.

Senator Alston—less than—

Senator SCHACHT—He was on probation.

Senator Alston—I simply do not know the circumstances of his departure, but if, for example, the board said, 'You have a five-year contract, but we would like you to leave early,' in the normal circumstances someone would say, 'Well, that's all very well, but I am entitled to an ongoing payment per year,' and the employer would say, 'Well, we will come to an agreement, and on that basis we'll pay you a sum of money that will achieve our purpose of you leaving early and achieve your purpose of not being too much out of pocket.' Given that no-one knows what the vicissitudes of the labour market might be for someone in that situation, there is a reasonable figure to be struck. If you tell me he had more than three years

to go and he got a payout which seems pretty much in that ballpark, then I am assuming the board thought that was the only way they could achieve what they wanted to achieve. That is their call.

Senator SCHACHT—Accepting the fact that you did not know until today, or until half an hour or an hour ago, if you got a question in the Senate last week when we first came back after the election and after Mr Shier's departure, what would your answer have been? What would your answer have been if we had asked you what was Mr Shier's payout? What would you have answered? Just said, 'I don't know'?

Senator Alston—I would probably have taken it on notice if I felt generous; otherwise I would have just said, 'Don't know.'

Senator SCHACHT—Secondly, I accept your argument 'Hands off' in this case—arm's distance from the management of the ABC—though I have to say I think from time to time your government expresses things it would originally say it has a hands-on attitude about certain matters. But the one thing you do have about the independence of the board is that you appoint the board members. Do you have, as a result of this \$1 million payout, full confidence in the board?

Senator Alston—Yes. I do not have any reason to think that is an improper or excessive payment. As I say, just looking at it from the outside, which is all I can do, if you want to persuade someone to leave three years early and he is on something like a package of about \$350,000 a year, I would think that is the sort of ballpark that you would have to come with to induce them to leave.

Senator MACKAY—He had been paid out more than he would have got if he had stayed there.

Senator Alston—I do not know. Why do you say that?

Senator MACKAY—What is his remuneration?

Senator Alston—I do not know. I thought it was in the vicinity of \$350,000 a year.

Mr Balding—Yes, the total package is in the vicinity of \$350,000 per annum.

Senator SCHACHT—So you are saying his three years. He was on a warning, to use your phrase, Minister—you had heard from somewhere that he was on a warning or probation.

Senator Alston—I am saying—

Senator SCHACHT—If the board had believed that he was not performing his duties and asked him to leave because he was not up to it, you would then have said a million dollars was a bit generous for somebody who had shown demonstrably that he could not perform the duty. Why give him a million dollar payout? Ordinary workers do not get it if they are not performing their duties.

Senator Alston—We are not talking about an ordinary worker here, and you know it.

Senator CONROY—He was an extraordinary worker.

Senator Alston—That is right. You are not a common garden worker, and neither was he. You happen to be paid a bit more than average weekly earnings—Lord knows why, but you are. Therefore we look at your circumstances. If someone in that position says, 'I don't want to go; sue me,' it can be, I would have thought, not terribly in the best interests of the corporation. What you often find occurring is—

Senator CONROY—So they did not have any grounds to sack him?

Senator SCHACHT—This is extraordinary. You have never asked the question—

Senator Alston—I have no reason to think that they did anything other than act in the best interests of the corporation, and it is not my job to make those decisions. Why would I want to second-guess them unless something came to light that suggested that they had acted in an extraordinary manner? I see nothing to that effect.

Senator SCHACHT—You have told us already that you understood he was on a warning.

Senator Alston—That was my understanding.

Senator SCHACHT—That is extraordinary, because we have never heard of that before for an ABC chief executive.

Senator Alston—Maybe you haven't.

Senator CONROY—When was he given a warning?

Senator SCHACHT—At about three months, it appears.

Senator Alston—That is one of the dangers of wandering in.

Senator CONROY—Unfortunately, I was in another committee.

Senator Alston—I know. We have been through all that. I have said to you that that was my understanding. Circumstances may have changed. If they did, I was unaware of them.

Senator SCHACHT—We will wait for the answers that we will get on some of the questions you have taken on notice. I think my colleagues have other questions on the ABC.

Senator CONROY—How is the ABC progressing with its requirement to broadcast 20 hours of high definition television in 2003, just to completely change the topic?

Mr Balding—We are not required to do it as at this stage. As you said, it is January 2003 when that requirement is there. Mr Knowles might be in a position to say how we are progressing in respect of our content.

Mr Knowles—We are required to transmit in high definition; we have the capability of transmitting in high definition today and have had since 1 January 2001.

Senator CONROY—How much money have you spent so far on high definition television and how much do you plan to spend by the end of this financial year, or are you just basically ready to go?

Mr Knowles—In respect of high definition, it is impossible to separate out the transmission part from the standard definition part, because they come together in the same box. In relation to studio equipment, subject to the availability of equipment, we would expect to spend maybe \$10 million or \$15 million on studio facilities to produce high definition content. However, given the current state of the market we may not actually get to spend that much. At this point, it may be deferred a little bit longer.

Senator CONROY—With the existing digital spectrum, will the ABC be able to simulcast high definition standard definition for 20 hours per week in 2003 as required by law whilst also broadcasting its two digital multichannels, ABC Kids and Fly?

Mr Knowles—You cannot achieve that except by severe compromise to the standard definition channels. It is just a matter of the laws of physics as to how much you can fit in a shell.

Senator CONROY—What possible service or services would be scrapped during that 20 hours per week? What would be the compromises?

Mr Knowles—That would be a decision that will be taken from a programming point of view at the time it arises. At this moment, we have no specific prescription as to which hours we have to transmit the high definition. Twenty hours per week constitutes roughly four hours per day. We will have to work out when that actually runs when the time comes.

Senator CONROY—So there are no thoughts on that at this stage?

Mr Knowles—No.

Senator CONROY—Do you have a view on the forthcoming implementation of the high definition digital standard?

Mr Knowles—In what respect?

Senator CONROY—Happy, excited, concerned, worried?

Mr Knowles—I do not think the question comes into that particular category, do you?

Senator CONROY—It is like being a Collingwood fan.

Senator Alston—Are you trying to set new parameters for estimates committees? Do you want to know people's excitement levels? We could take it on notice and tell you how excited we are in due course.

Mr Knowles—There is a perfectly good standard which actually transmits high definition very effectively.

Senator CONROY—If the ABC had a choice not to proceed with high definition television—

Senator Alston—That is—

Senator CONROY—would it still proceed with high definition television?

Senator Alston—That is a hypothetical question.

Senator CONROY—Does that mean Mr Knowles cannot answer?

Senator Alston—No, because it is not relevant to any activity of the committee. Take him down to the pub if you want to ask him that sort of question.

Senator CONROY—I am sure he has much better things to do with his time. I now refer to the closure of Southern Cross local news services in November last year in Townsville and Cairns and the ABA inquiry into the adequacy of regional TV news services. What was the nature of the proposal of the ABC put to government regarding the provision of television news services in Townsville and Cairns as claimed by Mr Peter Lindsay in the *Townsville Bulletin* on 3 January this year?

Mr Balding—We have not put a proposal to government.

Senator CONROY—No proposal at all?

Mr Balding—Not at this stage, no.

Senator CONROY—So if Mr Lindsay said that you had, he would be incorrect?

Mr Balding—I do not know where he got that information from, but I did put out a media release on 25 November floating that idea. At the moment we are in the middle of an audience research project to establish audience views on the introduction of a local television service by the ABC in North Queensland. I wanted to undertake that audience research before I put anything formally to the board and before I then took a proposal to government, if it was thought to be appropriate.

Senator CONROY—Have you got any indication of what level of additional funding would be required to provide that service?

Mr Balding—It depends upon the size of the footprint that you want to broadcast in. At the time, I was talking about a footprint in the area from Cairns, Mossman, Atherton and down to Bowen. Again, it depends on the nature of the news itself and the duration of the program, but that would be in the order of a bit over \$2.2 million per annum. The issue is, though, the initial capital start-up costs needed to fit out a studio in Townsville, if that was going to be the case, and the capital infrastructure required there.

Senator CONROY—Are the existing Southern Cross studios gone? You couldn't get them cheap?

Mr Balding—I am not aware of where their facilities are or whether they are committed or not. Where I was coming from was that the ABC does have an old studio in Townsville, which is basically in mothballs. I was wanting to look at what it would take to recommission that studio.

Senator CONROY—At this stage, Senator Alston, do you have any thoughts on this that you would like to share with the committee?

Senator Alston—I know nothing.

Senator CONROY—You know nothing?

Senator Alston—Mr Lindsay may have been in touch with my office but I do not think he has been in touch with me about it, and the ABC has not—

Senator CONROY—We know that things go amiss between officers and ministers nowadays so you might want to check at your office.

Senator Alston—True.

Senator CONROY—Mr Lindsay could have sent you an email with some photos or something. Mr Balding, what is the current level of Australian content on ABC television?

Mr Balding—Ms Levy would be able to address that for us.

Ms Levy—I would be happy to answer that question. In the last six months of the current financial year our Australian content in the 6 p.m. to midnight period has increased to 65 per cent, which is the highest level achieved.

Senator EGGLESTON—Very good.

Ms Levy—In the 6 a.m. to midnight period it has increased to 59 per cent, which is also the highest level achieved. So in the 6 a.m. to midnight and 6 p.m. to midnight periods we are currently enjoying very high levels of Australian content—our highest recorded.

Senator CONROY—Does the ABC have a view on its role in the provision of Australian content?

Ms Levy—Yes, we have the very committed view that we want to increase Australian content and be a provider of outstanding Australian content.

Senator CONROY—Do you have a target? You are at 65 per cent now—or 59 per cent for the peak hours—do you want to get to 80 per cent? I will not hold you to it.

Ms Levy—At a press session a month or so ago I articulated that I would like to get to 66 per cent. That was prior to seeing this figure—I think I should probably increase it now. I think we need to have a balance between our acquisition material and our Australian content.

I do think 66 per cent would be an appropriate figure—two-thirds Australian content; one-third acquired material.

Senator SCHACHT—Over the last couple of years people have left the ABC—they have done innovative programs and have been snatched away by commercial television. We see tonight on television that *Ice Dream* with HG and Roy and others went off, and there was *The Panel* et cetera. Did they leave because you could not afford to match the payments or did they leave over editorial matters—were they not satisfied that they were going to get the full freedom they wanted creatively?

Ms Levy—I do not know the individual reasons why each of those groups left. There probably would have been a combination of reasons. I would have to look into the individual circumstances of HG and Roy leaving, of Working Dog leaving and—I have forgotten who the third group were—

Senator SCHACHT—There was one other, too—I'm sorry—it was the Friday night program.

Ms Levy—It was *Good News Week*. It went to Channel 10.

Senator SCHACHT—Is there a sense of frustration for you and other ABC creative people that you give these people a start, you accept the idea and then for one reason or another they leave—apart from getting more money, I suspect. You have created the idea and they leave the ABC. Isn't that frustrating?

Ms Levy—I think it is frustrating when the ABC would still like to continue to do work with them and it is a lack of funding—of course that is deeply frustrating. We are in fact working with *Good News Week* again, we are working with Cox Knight again and we are currently working with Andrew Denton again. One of the things it does do is make opportunities for new and upcoming talent, so we go through the cycle again. But it would be much more appropriate for the ABC to have adequate funding to be able to hold onto these very talented people.

Senator SCHACHT—What was the budget for the last HG and Roy program they did before they left, which was a sort of cabaret style? It was called *Club Buggery*. It sounds like the government, but nevertheless—

Ms Levy—Can I take that question on notice? I do not know the exact amount.

Senator SCHACHT—Yes, please take that on notice, without getting into privacy issues, just as a program. I would not imagine it was overly expensive to produce. Their brains are very expensive but I think the rest of it is pretty standard.

Ms Levy—I will take it on notice and find out that information.

Senator SCHACHT—And welcome them back one day.

Senator MACKAY—Does the ABC believe its current level of funding is adequate to provide services under its charter?

Senator Alston—That is not an appropriate estimates question. You can have that political debate. You are asking people their private views, you are not asking them anything arising out of estimates.

CHAIR—It is essentially a policy issue.

Senator MACKAY—Has the ABC undertaken any studies, either on its own or with external consultants, on prospective adequate funding levels?

Mr Balding—The ABC is in the middle of a project where we commissioned the Macquarie Bank to assist us to have a look at some benchmarking of other public broadcasters internationally.

Senator SCHACHT—Which ones? Not Albania or North Korea, which the minister always quotes in the Senate?

Senator Alston—That was Telstra.

Mr Balding—The main international public broadcasters: BBC, CBC—

Senator Alston—All the usual suspects.

Senator SCHACHT—All the usual suspects in your view, yes.

Senator Alston—You prefer Albania, do you?

Senator SCHACHT—No, but you would always downgrade them by comparing them with the BBC or CBC.

Senator Alston—The BBC happens to have an audience level about three or four times that of the ABC, but if you think it is directly relevant that is a matter for you.

Senator SCHACHT—Mr Balding does; that is the main point.

Senator Alston—I am just saying there are very few analogues. There are two or three in the world, really. There are very few comparable organisations. There are Canada and the UK. What else is there?

Mr Balding—In doing that benchmarking we do need to isolate the differences between the various broadcasters because a lot of the public broadcasters take advertising. You need to take that into account as well.

Senator SCHACHT—Does CBC take advertising?

Mr Balding—CBC take advertising.

Senator SCHACHT—On radio and right across the board?

Mr Balding—I believe so.

Senator Alston—New Zealand.

Senator MACKAY—Is the Macquarie Bank consultancy ongoing? Is it completed, or when will it be completed?

Mr Balding—It is still in the process, with a view of having a final report to the board by about October of this year. Our approach is to have that report available to inform us when we prepare our triennial funding submission.

Senator MACKAY—How much is the consultancy with Macquarie Bank worth?

Mr Balding—Can I take that on notice?

Senator MACKAY—Yes. Was it subject to the normal tendering procedures, whatever they are in the ABC?

Mr Balding—At that level I believe there were a number of expressions of interest called. That was negotiated with the managing director at the time.

Senator MACKAY—Perhaps you can take this on notice: what would the ABC's 1995-96 level of triennial based funding be in real terms today?

Mr Balding—We might be able to provide that for you tonight.

Senator MACKAY—Excellent. Similarly you might not be able to provide this: what would the ABC's 1985-86 level of triennial based funding be today in real terms?

Mr Balding—Senator, we will take it on notice. If you are going back over a huge period of time you want to make sure you are comparing apples with apples. The ABC was funded differently back in 1985-86 to how it is funded today. In particular, back in 1985-86 the ABC was funded directly for the symphony orchestras. We no longer are funded for those symphony orchestras. There are a number of one-off payments that you would need to discount. Also we have borrowings in the various appropriations over those years. I might refer you to the ABC's annual report. There is a graph in the ABC's annual report that does track in real terms ABC funding on a comparative basis. It is very difficult to compare absolute numbers. We need to look at those.

Senator MACKAY—I understand. Do your best on like with like.

Senator CONROY—I apologise for this—the figures were so large I was not able to get them all written down.

Senator MACKAY—They took them on notice.

Senator CONROY—No, these are the ones they have already given. I just did not get a chance to write them all down. There were so many numbers that, by the time you had moved on to the next figure, I was missing them. Could I just go through Mr Shier's payment again? You said \$983,982?

Mr Balding—No, Senator. Let me read it again—\$983,932.

Senator CONROY—And that was?

Mr Balding—That is eligible termination payment—ETP.

Senator MACKAY—So that is pre-entitlement?

Mr Balding—Yes.

Senator CONROY—And there were two figures for the next two components?

Mr Balding—Yes. The other component was accrued leave entitlement, which was \$29,165.

Senator CONROY—And the final figure was?

Mr Balding—There is an equivalent salary to 31 December of last year of \$42,875.

Senator MACKAY—What was that component?

Senator CONROY—That was just the payout to get rid of him on the spot as opposed to the remaining three years, I think.

Senator MACKAY—So he was paid 'normally' until the expiration of the calendar year. Is that correct?

Mr Balding—Senator, I just take you back through it. I again refer to Mr McDonald's address to the National Press Club. The initial press release that came out on 31 October indicated that Mr Shier would leave the corporation on 31 December.

Senator MACKAY—Fine.

Senator CONROY—There is one more figure. I am not quite sure whether I asked you about it in the right way before. Could I get a figure on the total level of redundancies from the day Mr Shier started to the day he finished?

Mr Balding—We have taken that through to 31 December. That is when we have the figures to. The total number was 383 redundancies for a total cost of \$37.23 million comprising \$26.6 million in redundancy payments and \$10.63 million in accrued leave and long-service leave.

Senator SCHACHT—Did Mr Shier get anything else? Did he keep the car or the mobile telephone?

Mr Balding—No, Senator.

Senator SCHACHT—Mr Shier announced here 18 months ago that a lot of senior executives were provided with Range Rovers. Is that policy still continuing or have the Range Rovers been returned?

Mr Balding—The senior executive policy does provide for four-wheel drive vehicles if the executive so chooses.

Senator SCHACHT—To drive around Sydney?

Mr Balding—A number of executives do not drive around Sydney.

Senator SCHACHT—Do they use them to drive in Melbourne? Are the roads worse in Melbourne than in Sydney?

Senator Alston—I thought you had abandoned that policy of—

Senator SCHACHT—I am just intrigued that senior executives in the major capital cities need to drive imported four-wheel drive vehicles. If they were based at Alice Springs driving out to Uluru or something regularly, I would say you had an argument.

Mr Balding—I can provide you with those numbers on notice again. We have provided that information previously. I can have that updated for you.

Senator SCHACHT—Did you get a discount from Rover England on buying the Range Rovers at such a number?

Senator CONROY—What, a bulk discount?

Senator SCHACHT—It seems like a good business for them. I would much rather you drive Mitsubishi's or General Motors Holdens made in Adelaide, actually. It seems to me a more reasonable thing to do.

Senator CONROY—Recent press reports stated that a New South Wales manager Gerry O'Leary had been sacked and then reinstated upon the intervention of—I think your name crops up, Mr Balding—you; was this report correct?

Mr Balding—That is correct, Senator.

Senator CONROY—The report also said that she was sacked by a more senior manager, Judy Grant, because she had objected to attempts to place the husband of Judy Grant into a vacant position. Is that true?

Mr Balding—I do not believe that is correct. I have asked that the Human Resources Division undertake an investigation into that matter. I did reinstate Ms O'Leary after receiving a number of very strong emails from quite a number of staff expressing their concern. I was concerned about the process. I did speak to Ms O'Leary and, on speaking to Ms O'Leary and considering the staff's response to this, I asked that she be reinstated and that the Human Resources Division undertake an independent inquiry into the process that took place.

Senator CONROY—When are you expecting that report to be finalised?

Mr Balding—I will pass that to our Director of Human Resources, Mr Palmer.

Mr Palmer—I am expecting the written report to be delivered to me some time early next week.

Senator CONROY—Are there any rules to guard against nepotism or that sort of problem in the ABC?

Mr Balding—Mr Palmer will no doubt elaborate, but there are very clear processes laid down in respect of establishment of selection committees, evaluation of applicants and the issues of appointing applicants.

Mr Palmer—We do have rules and policies to ensure that selection is based on merit and does not involve unlawful discrimination and nepotism. People on the panel are required to disclose, and you might appreciate that a panel can be formed and the applicants subsequently show that there may be some cause for disclosure. If you are a member on that panel you are required to disclose it, and if it is subsequently found that you have not disclosed it, that selection runs the risk of being classified as null and void by me.

Senator CONROY—Was anyone in your division contacted before the action was taken to sack Ms O’Leary?

Mr Palmer—Yes. I believe our New South Wales HR manager was involved.

Senator CONROY—And their name was?

Mr Palmer—Ms Jennifer McLeary is the New South Wales HR manager.

Senator CONROY—When was she contacted?

Mr Palmer—I do not know precisely. I believe it was in that week leading up to the Australia Day weekend—about 23 or 24 January.

Senator CONROY—What advice did they give?

Mr Palmer—The initial advice was that Ms O’Leary actually resigned in the heat of the moment during some sort of—I wouldn’t say an argument, but—

Senator SCHACHT—What, fisticuffs?

Mr Palmer—No, it was not that at all, Senator. There was some debate as to whether Ms O’Leary had in fact submitted her resignation. Ms O’Leary said she had not; Mrs Grant said that she had. That is part of the terms of reference of the inquiry that is being commissioned.

Senator CONROY—Whether or not there was a resignation is in the terms of the inquiry?

Mr Palmer—But in discussions with Mr Balding he sought my advice, and the elements that were relevant to me was that Ms O’Leary was now saying she had not resigned. One thing that was clear was that it was done under some anxiety or in the heat of an argument. The situation was also that she was saying that there was no resignation, so my advice to Mr Balding was that, no matter whether there was a debate, the organisation should not accept the resignation if indeed there was one and we should reinstate. Mr Balding concurred with that advice and the rest of it is fairly public after that.

Senator CONROY—Did the New South Wales manager contact anyone in your office, or you, before they took the initial action?

Mr Palmer—No, I was on defence leave for that week and I am not aware of any contact that the New South Wales HR manager had made to any of my senior directors.

Senator CONROY—Who is conducting the inquiry? Are you, Mr Palmer?

Mr Palmer—The inquiry is being conducted by one of my workplace relations managers who is not involved in that process, so it is at arm's length. Mr Caruso is the person doing that and he has been asking questions of all the known participants as to what their view of life was in that incident and will come back to me with a written report.

Senator CONROY—How many ongoing staff does the ABC employ by division and by classification? Perhaps you could take that on notice.

Mr Balding—Thank you, Senator. I will take that on notice.

Senator CONROY—Is this material publicly available? Is it published in a public document or in the annual reports?

Mr Balding—A degree of that material is published in the annual report.

Senator CONROY—Not the full breakdown?

Mr Balding—No, but we will as best we can. Mr Palmer might outline that we are putting in a new human resource management information system. But we will try and provide that information as best we can.

Senator CONROY—Has it been previously published in the annual reports?

Mr Balding—I think it has—I could stand corrected—but certainly there are staffing numbers. In the past we have tended to report by what we call full-time equivalents. At the moment, we are recording by head count because the current system, the new system, has yet to be configured to convert to full-time equivalents. So there will be some discrepancy between rates given to you now, since the end of August when the new system came in, and the previous system which could handle full-time equivalents.

Senator CONROY—But we will be reverting to the original system?

Mr Palmer—We have a preference for full-time equivalents with the system. It is not a high priority but we will get to it, yes.

Senator SCHACHT—Mr Balding, since Mr Shier left and you have been acting chief executive, are the meetings of the senior executive now being conducted on a more harmonious basis?

Senator Alston—Come on, you know you can't ask that, Senator.

Senator SCHACHT—Yes, I can.

Senator Alston—Of course you can't.

Senator SCHACHT—It is all over the press.

Senator Alston—It has nothing to do with anything that the estimates committee has responsibility for.

Senator SCHACHT—We just had to pay a bloke a million dollars to leave because he was a maniac and was abusing everybody.

Senator Alston—You are entitled to ask reasons for actions. You are not entitled to ask for a subjective assessment about whether someone had a smile on his face.

CHAIR—It is a very subjective question, Senator Schacht.

Senator SCHACHT—Shier has the smile on his face because he has the loot.

CHAIR—It is not a reasonable question, so please continue.

Senator SCHACHT—Are you meeting at the same frequency as they used to?

Mr Balding—Yes, we do and we meet along the same format.

Senator SCHACHT—At one previous estimates about 12 months ago, Mr Shier made a great point that he now finally knew the number of senior managers in the ABC. I think it was 180 or thereabouts. Are you still able to keep tabs on the number—that there are 180 managers or 176 or 204? Is that still an achievement in the structure of the ABC?

Mr Balding—It has not been my priority over the last three or four months. If you wish to seek that information I will take it on notice.

Senator SCHACHT—I am not going to bedevil you with it. If that was all of Shier's achievements, it does not seem a great point to me or one to put your coat on. Nevertheless, one of the things that Mr Shier seemed to be interested in was holding senior management seminars and getting all the managers together. I think one was held in Launceston some time ago.

Mr Balding—It was.

Senator SCHACHT—The informal complaint or scuttlebutt was that the staff had to pay the money to get there out of their programs and that they had not been warned that they should put that in their annual budget. Is that fair criticism from the managers about the money they had to find out of their own programs?

Mr Balding—They had to pay for it out of their own budgets. I have now cancelled what was the scheduled managers conference for this year.

Senator SCHACHT—Is it like Operation Sea Lion which Hitler said was 'postponed indefinitely'?

Mr Balding—It is cancelled whilst I am the acting managing director.

Senator SCHACHT—That is because you could not see any great value in bringing everybody together?

Mr Balding—I saw more important things on the agenda at this stage.

Senator SCHACHT—By cancelling it there were no pre-bookings or loss of money?

Mr Balding—No loss of money—a saving of money.

Senator SCHACHT—Congratulations. The saving is, what, five per cent of Mr Shier's payout? I will not ask you to take that on notice. I think that is about right.

Senator SCHACHT—How many of those management gatherings did Mr Shier hold while he was chief executive?

Mr Balding—He had the one.

Senator SCHACHT—He had one? That was in Launceston?

Mr Balding—Yes, in Launceston.

Senator SCHACHT—I know that my friends from Tasmania think that Launceston is a fantastic city. I would have thought it was probably, costwise, one of the more expensive places to fly everybody to from everywhere else in Australia.

Senator CONROY—Did he get a subsidy off the Tassie government?

Mr Balding—No, look, I do not believe so. I was not involved in the arrangements for that meeting, but I do believe we got some very good deals on the air travel at that stage and also on the hotel accommodation.

Senator SCHACHT—How long was that meeting in Launceston for?

Mr Balding—My colleagues might help me—I think it was about two or three days.

Senator SCHACHT—Is anyone at the table who went to it?

Mr Pendleton—Yes, we all went to it.

Senator SCHACHT—Ms Howard, how many were there? 187, according to Mr Shier's estimates?

Ms Howard—I think it was a three-day seminar.

Mr Balding—Yes, three days.

Senator SCHACHT—Three days, and were they mainly about management or was it about creative output?

Ms Howard—It was a while ago. It was a range of things. We talked about new technologies; we talked about mostly emerging technologies, new technologies.

Mr Balding—It was emerging technologies in the broadcasting environment. There were some other management issues in respect of what we are doing, taking it forward, so it was a communication exercise as well.

Senator SCHACHT—Have there been any emails to you, Mr Balding, expressing disappointment that the bun fight is not on again?

Mr Balding—I have not received any, no.

Senator SCHACHT—Good choice, good judgment.

Senator CONROY—What arts programs are scheduled for the next 12 months?

Ms Levy—I will answer for television and then my colleague can answer for radio. On television we have a 90-minute program called *Coast to Coast* which runs once a week on Sunday morning. It is an arts magazine program with news and coverage of arts around the whole country. We have performing arts specials, including the Australian Ballet's 40th anniversary celebration over Easter. We have just run some operas recently, such as the Western Australia production of *Carmen*. We have been running, and will be running later in the year, some half-hour biographies of various artists. We will be running a production of a play called *Secret Bridesmaid's Business*. They are the main things that we are running this year.

Senator CONROY—Why was the arts on TV program moved from prime time to Sunday morning?

Ms Levy—It was launched in the middle of last year as a Sunday morning program in order to give it, as I understand it, greater length. You can cover a great deal more thoroughly in 90 minutes than you can in 30 minutes, and the evening program was a 30-minute program.

Senator SCHACHT—Under the structure now, are you, as head of television, not only on the creative side looking at output—the production side—but is it your final decision on the timing of when the programs go to air? For instance, is it your decision to have the arts program on Sunday morning? And if you want to change that in the future is it ultimately your decision?

Ms Levy—Yes, I can change that decision in the future.

Senator SCHACHT—Do you have to get the approval of Mr Balding as acting chief executive to make those sorts of changes?

Ms Levy—No, that is not the way the scheduling process works.

Senator SCHACHT—But it did work that way with Mr Shier, I understand?

Ms Levy—Not with me it didn't, no. I did not seek Mr Shier's approval for schedule changes or scheduling of anything.

Senator SCHACHT—Did you seek that understanding from Mr Shier when he appointed you in charge of television?

Ms Levy—No, I assumed it was the proper responsibility of the director of television to make those decisions.

Senator CONROY—What effect would that move that we were just talking about have on the 2000-2001 arts Australian program hours transmitted prime time level of 29 hours? Will this level now increase or decrease? Does that ring a bell with you at all?

Ms Levy—No, I do not know what that level covers because we do an hour and a half each week across 40 weeks of the year, so already we are up to 60 hours without any of the performing arts specials or the other specials. So I am not quite sure what that refers to.

Senator CONROY—Prime time—I am not for a moment denigrating Sunday morning, I watch a lot of television on Sunday morning nowadays, but—

Ms Levy—The other thing I meant to say is that we have Sunday afternoon arts programs as well. We run a lot of performing arts and documentaries about the arts throughout Sunday afternoon. So you mean the prime time between 6 p.m. and midnight? And 29 hours? I would have to look into the details of that, I am not familiar with it.

Senator CONROY—Can you confirm that the Executive Director, Production Resources, flew to Singapore last year?

Mr Balding—I can take that on notice, but I believe he did. It was either Singapore or Hong Kong.

Mr Pendleton—It was Singapore.

Senator CONROY—What was the purpose of the visit?

Mr Balding—I will have to take that on notice.

Senator CONROY—Who accompanied Mr Lean and what position did the person or persons hold?

Mr Balding—I would like to take that on notice; I was not privy to that at that stage.

Senator CONROY—What requirement was there for other staff to accompany him?

Mr Balding—I will take it on notice.

Senator CONROY—What was the cost to the corporation of the visit? What was the cost to the corporation for the support staff to accompany him? Is it true that the Production Resources Division executive held their Christmas party at a Victorian winery last year and was transported to the winery by limousine? Are there any takers, any participants?

Mr Balding—I did not get an invite.

Senator CONROY—No-one here had an invite?

Senator MACKAY—Perhaps Jonathan Shier took a Learjet.

Senator CONROY—Shier helicoptered in.

Mr Balding—Can we take all that on notice please?

Senator CONROY—Sure. If you find out that this was the case, could you get the cost of the function? Was this within ABC policy and guidelines? Does the Executive Director, Production Resources, have a performance bonus in their salary agreement relating to gaining additional revenue for the ABC?

Mr Balding—I need to take that on notice.

Senator CONROY—Would contracts for the hiring of ABC equipment by outside organisations count towards such a performance bonus?

Mr Balding—Again, it is subject to clarifying that with an answer on notice.

Senator CONROY—Subject to it being the case, have any such contracts been made with the involvement of the current Executive Director, Production Resources? If so, can you provide details of those contracts, when they were signed and what the financial considerations were for such contracts?

Mr Balding—I can do that on notice.

Senator CONROY—Thank you. I think I can probably put my remaining questions on notice.

Mr Balding—We will seek to address them as soon as we can.

Senator SCHACHT—I have a final question, Mr Balding. It is probably a bit early after Mr Shier's departure in the last quarter of last year, but I noticed today's rating, or maybe it was yesterday's—I know we always want higher ratings. The first rating period across Australia came out yesterday for television. Was that about the standard that the ABC has been achieving in the last six to 12 months? Was there any general improvement or was there an unfortunate drop-off somewhere?

Mr Balding—Ms Levy would be in a much better position to comment on that. I take it that you are referring to television ratings?

Senator SCHACHT—The television ratings first.

Ms Levy—Traditionally the ABC television ratings go up across the summer period for a number of reasons. We maintain a high level of programming across the period—unlike our competitors who tend to go into recess and put their best programs to one side until the ratings season begins. So we enjoy an increased share across summer and, when our competitors come back into action at the beginning of February when the rating season begins, it becomes a much more difficult time for us to hold our share. Also, audiences go down across summer and start to increase again through the ratings period. Our recent figures have been very high. We were very pleased in the last week to see an increase in our Thursday and Sunday nights audience figures, which had been, in the last 12 months, the nights where we were not doing as well as we had expected for the programs we were screening.

Senator CONROY—To follow up on that, for the period from when Mr Shier began to when he finished, did ratings overall go up or down?

Ms Levy—The ratings did not vary much across the 10-year period. We always get somewhere like a 14 per cent to 15 per cent share across the year. We tend to fluctuate throughout the year. Summer is stronger; winter is weaker. The ratings did fluctuate in a fairly normal pattern.

Senator SCHACHT—There has been a blue in the commercial side of television about the OZTAM method which took over. Are you satisfied at the way they are doing it or is it unnecessarily penalising the ABC?

Ms Levy—At the very outset in the first couple of months that the OZTAM ratings were introduced there was considerable concern both from Channel 9 and from us because it seemed to disadvantage the single viewer homes and the single viewer homes made up quite a lot of our audience and of Channel 9's audience. There seemed to be a preponderance of family homes, which favour Channel 7, so there was a distortion of the figures for a couple of months which were quite significant. Both we and Channel 9 queried a lot of the panels. From an enormous amount of work done by our consultant on audience research, Gareth Morgan, who is an expert on these matters, and by Channel 9, the panels—on our advice—are back in much closer alliance with the ACNielsen ratings of the year before. They are closer—they will never be the same, because panels are different—but we are satisfied that they are a reasonable reflection of the audience.

Senator SCHACHT—Ms Howard, about radio ratings and the first coming out now.

Ms Howard—I would be delighted to tell you tomorrow, Senator, when the first ones come in.

Senator SCHACHT—I would wait until June to get those back.

Senator CONROY—We could buy a newspaper, Schachty. It would probably save the Commonwealth a lot of money.

Senator SCHACHT—I was just going to ask about the pattern, Ms Levy. Are you holding your own across the board in the various radio markets?

Ms Howard—I think for the last two years we have had our highest audience figures ever.

Senator SCHACHT—In which area: ABC Classic FM, Triple J, ABC Radio in the morning, AM in the capital cities?

Ms Howard—Local radio, Radio National and NewsRadio in particular.

Senator SCHACHT—So good old Radio National, despite all the hostility that it is run by a bunch of communists and is undermining the coalition's view about family life et cetera, is still rating—

Ms Howard—Nonetheless, they are successful.

Senator CONROY—They are lapping it up, Schachty.

Senator SCHACHT—They are lapping it up.

Senator MACKAY—In regional Australia that is what they listen to.

Senator SCHACHT—Very good.

Senator CONROY—One quick last question, Ms Levy: what were the prime time ratings for 2000 and 2001?

Ms Levy—Across the year there was a small drop in 2001 compared to 2000—I think we dropped about 0.5 per cent or 0.3 per cent—but there was a drop across those two years.

Senator CONROY—Thank you.

Senator TCHEN—I think I have a one-off. I do not think I have come across any questions about regional radio services on the ABC yet. This is probably the only question you will get on regional services. At the last estimates hearing in June last year Senator Newman asked a number of questions particularly about NewsRadio servicing the regional areas. As you are aware, NewsRadio is only available in the capital cities and Newcastle. I understand that a service has now started in Darwin only recently.

Ms Howard—It is about to start in the Gold Coast.

Senator TCHEN—Congratulations. Thank you, that is very good. Is there any plan to extend it to the rest of regional Australia?

Mr Knowles—We provided some information to the last estimates committee in detail which set out what we expected to be the costs of extending that network. As we pointed out at that particular hearing, it depends on the government actually finding the funds to allow us to extend that service. The Gold Coast is simply an infill to the Brisbane service; it is not a major extension position.

Senator TCHEN—You say you require funding from the government, but the government provided \$71 million over four years specifically for regional services. Is that not a matter of prioritising for ABC management? Are you saying that other services that you are funding are more important than regional news services?

Ms Howard—That extra provision was for programming. We are talking here about the need for money for transmission, which is quite separate.

Senator TCHEN—I see. The last time the figure mentioned to extend the network was about \$6 million.

Ms Howard—To extend NewsRadio?

Senator TCHEN—The network. Is it about \$6 million?

Mr Knowles—We have provided a detailed figure, which I do not have in front of me at the moment. You will find the last record. Including a Triple J extension and NewsRadio, it is around \$17 million, to go down to population groups of 10,000 and not smaller.

Senator TCHEN—Has the ABC any plans to actually extend it? Or are you waiting for the government to give you the money?

Mr Knowles—We have put that forward as a proposition that the government might wish to consider.

Senator TCHEN—And is it prioritised in terms of other services available?

Mr Knowles—As I recall, the document which we gave you last time actually also outlined the priorities for all of those services and coverages which they provided and identified that the board's next priority was to address Triple J and NewsRadio as a matter that it would take to government to consider in terms of funding for transmission.

Senator TCHEN—There is no thought of switching any spare capacity to regional radio?

Mr Knowles—We do not have any spare capacity.

Senator TCHEN—When can we expect this proposal to go forward to the government?

Mr Knowles—I guess all of these proposals are a matter for governments to consider at the appropriate time, when they are considering how they divide up the available funds.

Senator TCHEN—Have you communicated your likely requirements for allocations of frequencies to the ABA?

Mr Knowles—We have consistently provided the ABA with information about where we would like services to go—

Senator TCHEN—Including NewsRadio?

Mr Knowles—We have provided that to them in the process of them going through their detailed planning for each market, and those are considerations which they address. In fact, I went to some lengths in the last estimates to explain that process.

Senator TCHEN—Thank you for your information. At the last hearing, Senator Newman promised Mr Shier at the time that she would continue to dog him on that particular issue. Mr Shier is no longer here, and neither is Senator Newman, but I promise you that I will continue to do that.

Senator SCHACHT—Since we last met we have had an election. Mr Balding, can you take on notice how many complaints the ABC received during the election campaign about bias in the ABC's coverage?

Mr Balding—I can take that on notice for you.

Senator SCHACHT—Is Mr Lynton Crosby still the biggest complainer about bias in the ABC? I think at one stage last year he had lodged 80 complaints against the ABC.

Mr Balding—Let me provide that on notice.

Senator SCHACHT—Take that on notice.

Senator CONROY—Ms Levy, regarding the 0.5 drop that you mentioned, could you give me the two figures. Was it 15.5 down to 15 or was it 16.5 down to 16?

Ms Levy—If you would like it so precisely, I had better check whether I have got it with me. If not, I will provide it for you on notice. I will take it on notice to make sure that I give you the precise figure.

CHAIR—That concludes the questions for the ABC. This I would like to thank the ABC officers for appearing. We will now call Telstra.

[8.54 p.m.]

Telstra

Senator CONROY—Can you give me a run-down of Telstra's total area service management, or TASM? What is the purpose of TASM and what is Telstra hoping to achieve through this process?

Mr Scales—TASM is total area service management, as you quite rightly described it. It is a trial which Telstra is doing. We have found that many parts of Telstra touch any customer when we are trying to give our customers the best of service that is possible. We are trying to work a way by which we can, to some extent, have less of our organisation touch the customer so that we can more effectively meet our customer needs in the field. We have a trial going on in Victoria and probably—although we have not quite decided it yet—in Queensland that tries to define a better way by which we can get more effective use of our own resources to meet our customer needs better. This is the trial which is going on. It is primarily around our service to our customers. That is the intent and that is what we are trying to do.

Senator CONROY—You indicated it was definitely Victoria.

Mr Scales—Certainly we have decided to do one in Victoria. We will probably do another trial in Queensland, although that is still slightly uncertain.

Senator CONROY—How long do these trials last?

Mr Scales—They will probably last about six months. I will ask one of my colleagues to give you more detail on this if you wish.

Senator CONROY—That is great. What private companies will be involved in the TASM trials and in which areas?

Mr Scales—You might be alluding to an issue that came up some time ago where the unions—and it was not their fault; it was probably as much ours as theirs—thought we were actually doing three trials and the third trial that we were going to do was in fact contracting out a full area to an external contractor. We have decided not to do that. That does not mean that we still do not use contractors as part of our normal process. We do from time to time, but that will not be changed within this trial. Where we use contractors we will try to use them and we will continue to use them, but we are trying to touch them less often. We are trying to make sure that we are more effective in the way in which we organise our own resources to meet our customer needs.

Senator CONROY—What are the implications for Telstra technicians? This may revolve around this issue of whether you were outsourcing this operation completely. I appreciate your saying you are not doing it anymore. What were the implications for Telstra technicians in service delivery areas, subject to the TASM trials? Are there any in the two going ahead that are not outsourced? What would they have been?

Mr Scales—There are a number of implications at a number of levels. The first implication is that we are trying to give our technicians—and, quite frankly, our general field force—as much opportunity to take as much responsibility for that as is possible. More and more, Telstra is like many other organisations: it is accepting that often the people who can do the best job for the customer are those that are closest to the customer. In many cases for us, it is our technicians. The TASM trial will certainly emphasise the very important role of our field staff, and particularly their relation to our customer. One of the implications will certainly be that we will try to enhance that relationship.

Senator CONROY—Can you guarantee their ongoing employment broadly under their existing conditions?

Mr Scales—Certainly it is not our intention at all, with regard to TASM, to look at changing any minimum conditions of any individual that might be involved. In fact, some of the trials may involve us looking at where we can provide incentives where performance is over and above what we would otherwise have seen. We are looking at whether we can trial some element of some performance payments.

Senator CONROY—How many of your techs would be on minimum wages? You were quite specific when you said you would not be going below the minimum.

Mr Scales—That is our award rates. That is correct. That is our own internal award rates.

Senator CONROY—Will TASM involve the use of any contractors, subcontractors or other employees on inferior working conditions?

Mr Scales—I might ask my colleague Mr Barda to give you a bit more detail about that because, as I said, while there will be some contractors, I could not give you the exact detail of the extent of that.

Mr Barda—The Melbourne trial on TASM will involve some contractors from Vision Stream. The estimate at the moment would be about 40 or 50 in a total trial that will comprise some 300 staff. So 50 will be contractors, another 200-odd will be Telstra people, approximately the same number—about 30 to 50—will be Vision Stream employees. The final arrangements are going to result out of a request or proposal which is being evaluated at the moment and will be finalised on 8 March.

Senator CONROY—Is it common practice overseas for a telecommunications company to outsource its core network operations and maintenance functions?

Mr Barda—A number of overseas carriers have done that. You will find it in New Zealand, you will find it in Canada, you will find it in the United States and, to an extent, in the UK, yes.

Senator CONROY—Would you agree this is core business?

Mr Barda—The installation and maintenance is core business, yes.

Senator CONROY—Are the media reports true, and it seems from what you are saying it might be, that Telstra abandoned the full outsourcing trial model in the Sydney service delivery area? Is that the one you were talking about?

Mr Barda—Yes, that is correct.

Mr Scales—Yes, that is true.

Senator CONROY—Why was that?

Mr Scales—When we looked at it in great detail, we felt it would have been more complicated and in fact may not meet our customers' needs as much as our internal trials.

Senator CONROY—So it was not in response to just the fact that it was in the media?

Mr Scales—No, not at all. I can honestly say that. Quite frankly, we looked at a number of different trials and when we looked at this one in detail we felt that it certainly was not going to achieve the ends which we were looking for.

Senator MACKAY—In relation to the statement during the election campaign, and it was also included in the Governor-General's speech, I am wondering what benchmarks will be used in determining adequate service provision prior to any T3 sale being contemplated.

Senator Alston—That is not a matter for Telstra.

Senator MACKAY—You answer it then.

Senator Alston—We will make that judgment in due course. We will take into account—

Senator MACKAY—What are you predicating that on?

Senator Alston—We are not even thinking about it at the moment. We are simply concerned with ensuring that service levels are adequate and implementing the Besley recommendations.

Senator MACKAY—What about the latest ACA telecommunication performance report? Do you regard that as adequate?

Mr Scales—We were pleased with that performance report. We have also been reasonably pleased with the other public reports around our performance, but that does not mean, and it should not be taken as suggesting, that we are comfortable with our overall performance. We think that performance is something you have to be continually striving to improve and, as I said, while we are pleased with what we have seen so far, we think that we can still improve and we intend to do so.

Senator MACKAY—So, presumably in terms of aspiration of improved performance, how is Telstra going to measure that internally? What internal measurements has Telstra got in place?

Mr Scales—We have a range of internal measures. Probably the most important one for us is our customer performance measures and we have a range of them right across the business,

whether they are to do with our field staff, whether it is with regard to our call centres, and Mr Stirzaker may actually want to even cover of these points in a couple of minutes if he wishes around how he actually measures performance in our call centres. So we try and measure it in a number of ways. We measure it around some of the very practical issues, such as how quickly some of our customers have been attended to. We also measure it more qualitatively by the extent to which our customers are satisfied with the contact they have had with our various people. Of course, as you probably are aware, in any one day our field staff, for example, would touch about 40,000 Australians, our call centre people touch probably about 1 million per day. So there are a number of Australians that actually are touched by Telstra.

Senator Alston—That is a technical term, is it?

Mr Scales—Of course. It is.

Senator CONROY—It is a ‘footprint’!

Mr Scales—We are a very touchy-feely company! In that sense we are obliged to make sure that we do measure our performance with them.

Mr Stirzaker—Just on the call centre part of it, we have USO obligations. For example, in directory assistance we measure our speed of answer, or the percentage of calls answered in 10 seconds or 15 seconds. It is the same with the emergency answering service 000 and with our repair centres, and they are reported. But that is the type of measure that we use throughout our call centres.

Senator MACKAY—What is the relationship between Telstra’s benchmarking, or its measurements of performance, and the government’s aspiration regarding adequate services for regional areas? Where is the synergy there? Presumably, Minister, you are talking to Telstra and Telstra is talking to the government. What is happening—is Telstra talking to the government?

Senator Alston—We are not talking to them about that, particularly, except that clearly we have an interest on behalf of the community in ensuring that standard levels are as high as they can be. Obviously we want strict adherence to the customer service guarantee regime. The quarterly quality of service reports put out by the ACA are always of interest to us and the wider community. I think it is well understood that everyone expects Telstra to do their very best. I think you would have to say that over the last few years there have been very positive signs. You would find that in almost every area Telstra’s performance has improved.

Senator MACKAY—How do Telstra’s performance indicators have to improve and at what point will the government be satisfied with regard to proceeding with T3?

Senator Alston—Judgments about that are for another time. We are only interested in addressing the adequacy of service as identified by Mr Besley. We are implementing a number of his recommendations—I think there were 17 in all and we agreed with all of them bar one—and a number of those involve spending. As you know, the total is \$163 million. There are four major projects and they have each got different time lines. I think we would be pretty happy with progress on all of those, but some of them are easier and quicker to achieve than others.

Senator MACKAY—Regarding Telstra’s aspirations for improving services, are there any specific areas that Telstra believes it needs to improve upon?

Mr Scales—When one thinks about the services which Telstra is involved in, to be honest I think we would say that from time to time we are monitoring many of them and we would like to see improvement in them. If you wish to tie me down to a specific one that we are

focusing on right now, it is the area of online capability. There are a number of reasons for that. Part of the reason is that it is a very complicated and highly technical area, as you well know. It is also an area that is relatively new, where technology is moving very rapidly and where customers' demands are changing very rapidly. We are trying to meet those customers' demands sometimes with products where knowledge is not absolutely perfect. So that area is taking up a lot of our thinking and we are doing our very best to make sure that we meet not only our own aspirations but the aspirations of customers.

Senator SCHACHT—In the online area?

Mr Scales—Yes.

Senator Alston—It is worth saying, also, that our job really is not to force them to be world's best practice. Our job is to set benchmarks that we regard as adequate for the community. In an area such as bit rates, if we mandate a minimum effective 19.2 kilobits per second and they think that the average customer wants a lot better than that and so set out to do that, everyone is happy. They have not really paid much regard to our benchmark because things have moved on. At the moment, those who are getting untimed local calls have the opportunity to get a 33 kilobit satellite link if they take it up at the relevant time—they get it basically free on installation. So you have different levels. Our task, really, is to try and identify an minimum, whereas Telstra may want to aspire to a maximum.

Senator SCHACHT—How many customers—you can take this on notice—have you got using ISDN?

Mr Scales—I think I would have to take it on notice.

Senator SCHACHT—And that market is declining, isn't it? Despite the big investment in ISDN, cost-wise it is now being undercut by Internet and other online services.

Mr Scales—No, I do not think we would say that. I will ask my colleague Gus Barda to comment on this.

Senator SCHACHT—It is goddamn dear to use and so many small businesses complain about what you charge for ISDN it makes it uneconomic. I suspect you are cutting yourselves out of a growth market by having the initial cost too high.

Mr Scales—I think we are looking at different products in different markets. There are some that are ISDN based and others that are Internet protocol based. Mr Barda might want to cover that off in a little more detail, in particular about the number of customers.

Senator SCHACHT—I am happy for you to take it on notice, but you could briefly comment about it.

Mr Barda—I would need to take it on notice, but generally the ISDN products are used more by the larger businesses. ASDL tends to serve the small and medium type businesses that you may be referring to.

Senator SCHACHT—Could you take it on notice if you cannot give it to me now: what is the charge for a subscriber in a small business using ASDL compared with ISDN?

Mr Barda—I will take that on notice.

Senator SCHACHT—Can anyone give me a rough idea right now?

Mr Stirzaker—Not right now, because we are currently reviewing the whole ISDN regime—

Senator SCHACHT—To make it cheaper, I hope.

Mr Stirzaker—We are reviewing the whole ISDN regime, and it would be a good question to take on notice.

Senator SCHACHT—If you do not get that ISDN price down, it just will not be used. ASDL is still dear, is it not? It was \$60 or \$70 a month I had quoted if I wanted to use it at home.

Mr Scales—I know one of my colleagues, Omar Khalifa, may be able to go through this with you and at least give you some ballpark figures if you wish, or we could take it on notice.

Senator SCHACHT—Take it on notice and I will have a chat with you later about it.

Mr Scales—Okay, that is fine.

Senator MACKAY—In relation to the recent ACA report which we were talking about earlier, how does Telstra account for the decline in directory assistance calls in 2000-01 of nearly 100 million, if our reading of the ACA report is correct?

Senator SCHACHT—They just turned the phones off, didn't they?

Mr Scales—I will ask Mr Stirzaker to cover that off for you.

Mr Stirzaker—There has been an ongoing decline in directory assistance demand over some years. At the same time what has been interesting for us is that there has been an ongoing and significant increase in the number of online inquiries for directory assistance which significantly outstrips the amount of the decline, I must say.

Senator MACKAY—In terms of the comparison, how many are there online? You are looking at a decline of 100 million calls.

Mr Stirzaker—Online inquiries total, for example, around the 12 million mark for a month, so over a year the amount of growth in online inquiries from July 1999 means that it has actually increased by 341 per cent, which is very significant.

Senator SCHACHT—But you are encouraging that by making it more difficult to use the directory assistance voice arrangements.

Senator CONROY—Trying to copy banks. That is a reputation you want to chase!

Senator SCHACHT—You have been trying to get out of directory assistance for a decade because you think it is not cost effective. You are penny wise and pound foolish in that the best contact you have with customers is to have a friendly directory assistance, which you think is not cost effective.

Senator Alston—They never wanted to get out of it; they wanted to charge for it.

Senator SCHACHT—They cannot because of certain minimum—

Senator Alston—No, but they have never sought to get out of it. They want to charge for it.

Senator SCHACHT—They have sought to charge for it—

Senator Alston—That is a different thing.

Senator SCHACHT—so it is not a free service. When you ring up now they say 'We'll connect you' without giving you the number and charge you 70c or 80c for the connection. The whole thing is designed to get away from the personal contact.

Senator Alston—For what it is worth, I am told that there has been an increase in the use of preprogrammed dialler products, especially on mobile phones, which has increased

subscriber numbers by 25 per cent. This suggests that people are voluntarily incurring much higher charges on their mobiles.

Senator SCHACHT—There is nowhere in Australia now that you—

Senator CONROY—You could work for a bank with an attitude like that.

Senator MACKAY—Even better—the CEO of Telstra.

Senator Alston—I am simply saying that people are choosing to spend more on their mobiles—

Senator CONROY—Choosing? Most bank customers are choosing to be thrown out the door.

Senator Alston—As many teenagers would—every time—ring directory assistance rather than look it up in the *White Pages*.

Senator CONROY—Let us leave Mr Reith's children out of this; he has left parliament.

Senator Alston—I know yours have not quite got to the mobile phone stage but—

Senator SCHACHT—If you want to ring the standard local directory assistance number, there is nowhere in Australia now where, when you ring up, you speak to anybody personally. You ring up 12455 and you get a recorded message. That is correct, Mr Scales, isn't it?

Mr Scales—I think we need to defend ourselves here a little bit, if you do not mind. It is not our intention to not have contact with customers—in fact, we gain by having contact with customers—but we do need to try to make sure that our customers' needs are met in the most effective and the most efficient way.

Senator SCHACHT—With a recorded voice.

Mr Scales—In some ways, the best way for us to do that is to have new technology which enables us to do that exact same thing. Where we believe it appropriate—and there are many occasions—we will try to maintain at all costs that personal contact with our customer. Your point is absolutely right: if we make that right relationship with our customer we have won them over for a long time, and we are very conscious of that. That particular point is one that we now take into account much more than we may have—even in more recent times—as we are thinking about even our own labour force. There was a time more recently, for example, where we might have contracted a lot of those personal contact phone calls out. Our policy right now is to contract some of them in.

Senator SCHACHT—Will you take it on notice and give me examples of where you are contracting it back in?

Mr Scales—Yes, I can. Maybe Mr Stirzaker will be able to give you an example of that—and the senator would be particularly interested in this—in the western suburbs of Melbourne.

Mr Stirzaker—We have been running some services for government departments—a managed business centre—where we are actually taking work back into Telstra and managing that sort of work on their behalf, as one example. Just on the directory assistance part of it, for our 1312203 number—

Senator CONROY—12456 works.

Mr Stirzaker—That is a different service.

Senator SCHACHT—Was it 13?

Senator MACKAY—It sounds like the Pizza Hut.

Senator CONROY—Do you get a pizza with that as well?

Senator SCHACHT—Is that the pizza number?

Mr Stirzaker—I will take that on notice and get back to you.

Senator SCHACHT—Was it 133 something?

Senator CONROY—You cannot remember your own number.

Mr Stirzaker—In all seriousness, there are 300 million calls that come through to directory assistance, as you were referring to in the report. About 12 per cent of them get an automated service and the rest of them actually do go through to our friendly, highly capable operators for that personal touch.

Senator SCHACHT—Only 12 per cent—because I have discovered that myself. The automated service says, ‘Say the name,’ and you say the name and it puts you through to a live person who then responds very quickly and gives the number to you. Why waste your time if only 12 per cent go through fully by putting the name in—say, Smith, Adelaide. They cannot find it and they ask, ‘Where is the address?’ and you have got to give all the extra detail personally to somebody.

Mr Stirzaker—It has great difficulty with a name like mine.

Senator SCHACHT—You should try Schacht.

Mr Stirzaker—The good news is that, as the message comes through to our operator, they actually hear what the customer has asked for and it helps speed up the service. Of the other 12 per cent that go straight through—that is 12 per cent of 300 million—it is actually a very, very fast service relative to doing it all manually.

Senator MACKAY—In relation to the ACA report again, how do you account for the increase in CSG standard related faults in 2000-01—13.2 per cent by our reckoning?

Mr Barda—In that period. But in the more recent six months we have found that the fault trend has been arrested and come down. I think you will see in the more recent data—particularly in the last six to nine months—that some of the benefits of the capital investment that occurred in the previous two years are starting to cut in and we are getting the lower volumes.

Senator MACKAY—What accounted for the increase of 13.2 per cent in 2000-01?

Mr Barda—I will have to take it on notice. I do not know why the numbers went up in that year.

Senator MACKAY—It is a fairly substantial increase. You have got no idea why it went up 13.2 per cent?

Mr Barda—I do not know why the numbers went up in that year. I know that certainly in the last six months the numbers have come back down again.

Senator MACKAY—How do you account for the comparatively poor performance of fault rectification within the CSG guidelines in remote areas in 2000-01?

Mr Barda—My understanding was that the CSG performance had been relatively good as reported at the last two quarterly reports in remote and that we had achieved around the 90 per cent figure in the last two reports.

Mr Scales—Senator, can we have a look at those details? We will take that on notice and come back to you on that issue to give you a bit more understanding of that.

Senator MACKAY—Okay. How does Telstra account for the large decline in the number of payphones in 2000-01?

Mr Stirzaker—I will talk to that, Senator.

Mr Scales—Just before Mr Stirzaker responds, this is one of those areas where technology tends to change some of the services that we might get involved in. Mr Stirzaker will cover the details of it. Clearly, you will observe a lot more people have mobile phones. There are fewer people needing payphones around the nation. Even that change in consumer demand is making a change in terms of where certain investments might be.

Mr Stirzaker—First and foremost, there has been a reported decline. In amongst all that we are meeting our USO obligations. The decline is actually split between two types of payphone services. One consists of the payphones owned and operated by Telstra—the ones that you see out in the streets. The other payphones are what we call customer owned payphones where we provide maintenance services and the lines. It comes through our payphone infrastructure in terms of networks. The customer owned payphones have also had the largest decline. I am happy to deal with both separately. With the Telstra owned ones, the decline has been mainly due to two things. One is the retiring of older technology, particularly in multipayphone sites. There were some very old mag stripe card machines which needed to be retired and there were also some credit phones. Typically these were located where there might be a bank of two, three or four payphones.

Senator MACKAY—They are not really banks, but if that is the synergy it explains a lot.

Mr Stirzaker—The other one is the effect of vandalism on the payphone population. We have invested in the acquisition of about 1,500 of the new style street payphones and they will progressively be located in various locations. Another thing which is not factored into the numbers is the effect of competition. The payphone market became competitive back in 1989. There are quite a number of payphones from alternate suppliers which are accessible to customers being put out into the streets. They are not reported at all. The same thing applies on the customer owned payphone front where the numbers being reported are our own numbers, but in fact there are quite a number of alternate suppliers supplying the small payphones that you will see in delicatessens, hotels and places like that. They are self-tariffing, which means they are not visible certainly to us or anyone else you would expect in a competitive environment.

Senator MACKAY—Have you kept any statistics on where the payphones have gone from in, say, urban versus regional areas?

Mr Stirzaker—We would have. I do not have that available.

Senator MACKAY—Can you take that on notice?

Mr Stirzaker—Yes, certainly.

Senator CONROY—Can you tell us about any rural or regional towns that have lost a payphone?

Mr Stirzaker—I would have to take that on notice. I could add, though, that as a result of some rural town lessons we listened to very closely a number of years ago the whole process of how we may move a payphone, particularly a single payphone from a town, requires significant consultation directly with the town before that happens. That has just been built into our standard.

Senator CONROY—I specialise in bank funerals. I am happy to take up telephones.

Senator MACKAY—Telephone briefed funerals.

Senator CONROY—We can organise a few telephone briefed funerals.

Senator Alston—Most of the funerals were blue phones and gold phones. Two-thirds of the payphones that went out of service last year were not Telstra payphones.

Senator SCHACHT—If there is not a particular amount of revenue attributed to a payphone anywhere in Australia, what is the criteria you use to then think of closing it?

Mr Stirzaker—We will have an awareness of the revenue figures. The USO obligation is one of the major criteria that we would look at first. I just come back to the consultative process in small towns. There would be very few, if any, payphones that have been removed from small towns. In fact, we may find that there has been some growth in payphones in those locations as we have taken multipayphone sites and spread the payphones around. We have developed, and are using, mapping software and we are able now to very easily see where payphones are physically located so that we can keep a constant view of USO obligations and things like that.

Senator CONROY—How does Telstra account for the comparatively poor performance of fault rectification within CSG guidelines in remote areas during 2000-01? I think you took that on notice.

Mr Barda—I will have to take that on notice.

Senator CONROY—How do you account for the fact that the overall performance in repairing payphones within obligatory time frames was described as ‘ordinary’ over the past five years with no overall improvement during 2000-01?

Mr Stirzaker—The payphone performance over a period of time in terms of repair did decline. We were, as was widely reported, subject to quite a deal of vandalism and interference in various forms. We have been dealing with that. I think in the most recent ACA report payphone serviceability and repair performance has actually increased.

Senator Alston—Service availability, 97 to 98 per cent.

Senator CONROY—Does Telstra consider that the problems identified in the telecommunications service inquiry such as reliability problems in some parts of Telstra’s network and consumer communication problems have been rectified?

Mr Scales—Which report were you referring to then?

Senator CONROY—The Besley report. I have jumped back a little bit.

Mr Scales—I might ask Gus Barda to address the issues around Besley. We might need a bit more detail about which specific issues you are concerned about. We may take some of those on notice.

Senator CONROY—I will organise that and come back to you. Going back to the ACA report, why did Telstra only provide data from January to June 2001 for the appointment keeping component of the customer service standard? Why is there no urban and regional analysis of Telstra’s appointment keeping performance?

Mr Scales—I do not like doing this, but I will have to take that one on notice as well. I am not aware of us not actually contributing to those areas where we are obliged to contribute. I need to take that one and understand it in a bit more detail.

Senator CONROY—Can you confirm whether there has been any modelling conducted by Telstra comparing the cost of connecting a new service, attending to a fault rectification or keeping an appointment within customer service guaranteed time frames as against the cost of paying compensation to the customer concerned under the customer service guarantee?

Mr Scales—I do not know of any modelling that has been done. But in a more general sense that is not the way we look at the business. We do not make those sorts of specific trade-offs and undermine our customers' needs by simply looking at what might be a relatively cold model about what might be the most economic way by which we might do that. We are more focused on what our customers' requirements are rather than actually do those sorts of modelling.

Senator CONROY—So there is no modelling along those lines?

Mr Scales—Not that I know of.

Mr Barda—There is no such modelling in the service division.

Senator CONROY—So you can give us an absolute guarantee that there is no modelling?

Mr Scales—No, what I said was that I do not know of any modelling in Telstra.

Senator CONROY—Mr Barda went a bit further, though, I think, Mr Scales.

Mr Barda—There is no such modelling in the service division.

Senator CONROY—Are there any instances where Telstra chooses to incur a customer service guarantee compensation payment rather than meet the time frame required by the CSG before compensation is payable?

Mr Barda—Not that I am aware of. It is not our policy. The primary objective is to meet the customer requirement within CSG.

Senator MACKAY—Does Telstra keep statistics in relation to the issue of the payment of the fine?

Mr Scales—Yes, we keep details.

Senator MACKAY—We want the latest set. Is the latest set available?

Senator Alston—We make it compulsory that they pay everyone who is entitled rather than simply respond to requests.

Mr Barda—I can take it on notice. We do have the statistics on the payouts.

Senator CONROY—Is Telstra in a position to provide us with the full details of the matters relating to the death of Sam Boulding in north-east Victoria last week, and can you provide a full account of the reported delay in rectifying the fault with the Boulding family phone?

Mr Scales—As you would obviously be aware, as most of us are of course, that was a very sad and tragic event that happened. I think it is fair to say that all of us in Telstra are incredibly affected by that. It is one of those events that you cannot help but be moved by. As is now publicly known, Telstra decided it would have a review of all of the circumstances around that. That review will be conducted by PricewaterhouseCoopers. Subsequent to that the government decided it would have an ACA review. The Telstra review conducted by PricewaterhouseCoopers is expected to have some preliminary comments by the end of this week. It is our intention to make sure that we do not do anything which prejudices either of those reviews. We will make sure that the information that comes from the review which we decided to conduct is handed over straight to the ACA. It is clearly a very difficult issue for everybody and not the least for the family.

Senator ALLISON—And the phone has been fixed now?

Mr Scales—Yes, the phone has been fixed.

Senator ALLISON—And when did that happen?

Mr Scales—I cannot give you the exact details of that. I know I might sound as though I am trying to avoid this, but there is a series of issues around that particular incident. We are trying not to prejudice these two reviews. The dilemma that I face is that any comment that I might make might seem to be trying to influence or prejudice those two reviews and I am conscious of that.

Senator ALLISON—It is reasonable, I think, though, to ask you if the service has been restored.

Mr Scales—Yes, and the answer is yes.

Senator CONROY—Will the PricewaterhouseCoopers report become public? I know you indicated that it would go to the ACA.

Mr Scales—Yes. The slight dilemma here, of course, is that the ACA report is the government's report and the government will, as I understand it, be in control of the release of that report.

Senator CONROY—No, you control the release of your own report. You commissioned it for yourselves, not for the ACA.

Mr Scales—That is true, but you can see the dilemma that we might be in. If we were to release our report prior to the release of the ACA report, that could be perceived as us trying to influence, one way or the other, a report, a government view or even public opinion. This issue is so serious to us that we are not going to do anything to prejudice that. But I can tell you absolutely and with complete conviction that, whatever either report finds, we will do whatever it finds. I can tell you that absolutely.

Senator CONROY—I appreciate that. Is Kergunyah classified as a remote or rural area according to the fault rectification criteria under the CSG?

Mr Scales—You mean—

Senator CONROY—That is the town, I think.

Mr Scales—Where young Sam Boulding died?

Senator CONROY—Yes.

Mr Scales—I do not know the exact answer to that. That will be one of the issues that will be looked at in the review. There are a whole series of complications around the matter.

Senator CONROY—As a matter of fact, though. I am not trying to prejudice the position.

Mr Scales—I understand that. But the issue for us to some extent is that there were a whole range of circumstances at that time, some of which have been canvassed in the press, around issues to do with the number of faults that were in the system as a result of very difficult weather, and that influences how any one region might be considered with regard to our overall obligations. I am not trying to avoid the question—far from it—and all of those things will be canvassed in the review.

Senator MACKAY—Who is Telstra's normal auditor?

Mr Scales—Ernst and Young.

Senator MACKAY—Do PricewaterhouseCooper do any work for Telstra?

Mr Scales—Yes, they do work from time to time.

Senator MACKAY—What do they do?

Mr Scales—I cannot give you the exact details of that work, but they do some consulting work for us from time to time—as do most consultants in Australia, by the way.

Senator MACKAY—Do they do work in relation to performance reviews?

Mr Scales—I cannot answer that question. I do know that they have worked for us in the past on some very sensitive issues around not delivering certain customer performances, and, as I understand it, we used their review to make some changes within our own system. One of the reasons we have decided to use PricewaterhouseCooper is that we have incredible faith in their independence. Can I go just a little bit further than I might otherwise do. When Ziggy Switkowski decided that we would conduct this review, he asked me to talk to people from Pricewaterhouse about how we might conduct this review. I told them that they had our full support to speak to anybody in the company and they had our full support to make sure that, if that person wished, there was nobody in the room except the people from Pricewaterhouse and the individuals who would be talked to. I spoke to the major union that may be involved, the CEPU, on Friday night. I explained to them what we were intending to do with this review. I told them about our particular approach with regard to the review and gave them my assurance, as well as the assurance of Ziggy Switkowski, that we would make sure that everybody who wanted to make any comment about the circumstances surrounding the death of Sam Boulding would be listened to and would be taken fully into account. They have our personal guarantee that everything that needs to be considered with regard to this tragic event will be considered.

Senator ALLISON—Can I just come in there on the question of poor performance reviews and audits. The *Financial Review* last month ran a story about a survey of Telstra's performance being tampered with to obtain a favourable result. Are you familiar with that report?

Mr Scales—Yes, I am.

Senator ALLISON—And that was conducted by ZDNet?

Mr Scales—Yes. The circumstances around that were that we had a contractor working for us who we subsequently found had done exactly as, I understand it, the *Financial Review* had suggested. That contractor no longer works for us.

Senator ALLISON—So they were not Telstra staff making the calls?

Mr Scales—No, it was not, as I understand it, Telstra staff. Can I make sure that I am absolutely right about that and come back to you if I am not? That is my understanding of the circumstances.

Senator ALLISON—Telstra did say at the time that they would be investigating further. Obviously you have done that. Is the report of the investigation available?

Mr Scales—I do not think there was much need to do a detailed investigation. We acted very quickly on what we found. But again, to make sure that I do not in any way defame anybody or give you the wrong information, I will come back to you if what I have told you is incorrect.

Senator ALLISON—Perhaps you can provide the committee with a copy of whatever investigative report was done.

Mr Scales—Certainly. I will give you whatever information I possibly can without actually defaming any individual.

Senator ALLISON—I guess this calls into question other surveys that Telstra might have conducted. Can you assure the committee that the information given to the ACA has not been tampered with—

Mr Scales—This was not a survey that Telstra conducted; it was an external survey, as I understand it. But as to the general point about our involvement with the ACA, I can give you a guarantee—an absolute guarantee—that none of the information provided to the ACA has been tampered with.

Senator ALLISON—If I can just pursue that, the ACA does not in fact check whether the faults that Telstra record were repaired by the date set, does it?

Mr Scales—Is your question about whether there is any auditing by the ACA?

Senator ALLISON—Yes.

Mr Scales—I am afraid I cannot answer that. Paul may be able to answer it.

Senator ALLISON—There are a lot of officers here tonight. Perhaps someone else can.

Mr Barda—I do not know.

Senator ALLISON—Minister, you are not aware of that?

Senator Alston—No, I am not aware of that.

Mr Barda—I do know the ACA issue a list of business rules by which their statistics are kept and reported to them. We comply with those business rules.

Senator ALLISON—It would at least explain some of the very many anecdotal reports we get of poor performance in country areas if there was some tampering going on.

Senator CONROY—Is it true that Telstra will not apologise to ZDNet, as reported?

Mr Scales—Won't apologise to DNet as reported?

Senator CONROY—Yes.

Mr Scales—I am afraid I am not familiar with the particular circumstances around that.

Senator CONROY—This is the survey.

Mr Scales—Oh, that survey, I am sorry. I do not know the answer to that question.

Senator LUNDY—You would not have a problem with apologising, surely, if it was found that one of your contractors had in fact rigged the survey?

Mr Scales—I simply do not know the circumstances around it, I am afraid. If I can answer your question as directly as I possibly can, it depends on the survey. Most surveys, certainly reputable surveys, are required to have a process whereby those sorts of things are checked. There are many surveys around, some of them quite reputable, some of them not so reputable. I am not suggesting for one minute that this is not a reputable survey. Our willingness or otherwise to apologise for something would very much depend on the way in which any one survey was organised and whether any appropriate checks and balances had been put in place to ensure that people did not manipulate the system—not only any contractor of ours or even any employee of ours, but any other individual who might be part of that survey. There would be a number of circumstances where, on the face of it, it might seem unreasonable not to apologise but where there could be quite reasonable reasons why, if we felt that a survey was not appropriately conducted, we would not see it as appropriate to apologise.

Senator ALLISON—Besley report recommendation 9 suggested that the ACA establish quality of service indicators to be adopted by all the major service providers. Is that something that Telstra has picked up on and intends to do? That would give some strength to your reassurances to the committee.

Mr Scales—I might ask Mr Paterson to answer that question in particular.

Mr Paterson—Telstra has worked with the ACA to assist the ACA in developing additional quality of service indicators. There are really two elements to that. One is an extension of the current customer service guarantees. In addition to that, there are network reliability indicators being developed. The ACA has completed a report on that and provided it to government.

Senator ALLISON—That is not quite what the Besley report recommended, though, is it?

Mr Paterson—Could you expand on that, please?

Senator ALLISON—It is my understanding that quality of service indicators would be adopted by all of the major service providers if that recommendation was picked up on and that they would be required to publish their performance against those indicators on a regular basis.

Mr Paterson—As I understand it, that is what has happened. I might be missing something here, but I understand that we do publish those quality of service indicators on a quarterly basis.

Senator ALLISON—So it is business as usual. There has been no change since the Besley report. Is that what you are saying? You have always done this?

Mr Scales—Certainly Telstra will abide by any recommendations agreed to by the government. There is absolutely no question about that.

Senator ALLISON—I do not have the actual recommendation in front of me, or the Besley report, but perhaps you could shed some light on this, Minister. It was a fairly clear recommendation. If it has been business as usual since the Besley report, clearly that recommendation has not been picked up on.

Mr Scales—Can we take that on notice and come back to you on that issue. Clearly there is the whole question about service performance, in whichever way that might be described, and they are important issues for Telstra. In particular, of course, as I tried to indicate earlier, we are actually quite proud of our general performance, certainly over the last few years, and in particular over the last six months. We think we have made quite substantial gains in delivering high quality services right across Australia, including to the bush. It is in our interests, as you quite rightly said, to make sure that we abide by any of these recommendations that the government has decided to implement and do all of those things, and we will certainly do that.

Senator ALLISON—Hopefully there has been a great improvement since the Besley report was put out, but clearly the Besley panel did not see that Telstra's performance was up to scratch.

Mr Scales—Again I have to defend the company a little. I think that would not necessarily be a true representation of the Besley report. It is certainly true that the Besley report found that there were areas that needed to be improved. If I can just divert slightly, we thought the Besley report was a very good and constructive review and report. We gained a lot both by participating and also in terms of deciding how we might improve as a result of that. I think it would be going too far to suggest that the Besley report suggested that the performance was as you have described it.

Senator ALLISON—Perhaps you will get back to us on recommendation 9. That would be useful.

Senator MACKAY—Can I just ask a couple of mop up questions. What is the time line for the Pricewaterhouse inquiry that has been conducted for Telstra?

Mr Scales—We are expecting an initial response from Pricewaterhouse by Friday.

Senator MACKAY—And you will feed that directly into the ACA?

Mr Scales—Yes, we will.

Senator MACKAY—What is the time line for their inquiry?

Mr Scales—As I understand it, their expectation is that they will complete their review by around the middle of March.

Senator MACKAY—Will that report be made public?

Mr Scales—As I said earlier, that is a government report, so it really is a government decision about when it will be made public.

Senator MACKAY—Senator Alston, will it be made public?

Senator Alston—I am just looking to see if there is any report date provided in the letter that I have received from the ACA. There does not seem to be. I cannot think of any reason why the report's findings will not be made public.

Senator LUNDY—When were you first made aware of the tragedy in north-eastern Victoria?

Senator Alston—I think it was Friday morning I was told by phone and then I was aware that Dr Switkowski was on the John Laws program and then with Neil Mitchell. I think it was all on the same day.

Senator LUNDY—So were you notified by Telstra?

Senator Alston—A member of my staff told me.

Senator LUNDY—A member of you staff notified you?

Senator Alston—Who may have been told by Telstra, I do not know.

Senator CONROY—It was not on voicemail?

Senator Alston—No, he told me orally.

Senator LUNDY—Do you know if it was Telstra that rang your office to advise you?

Senator Alston—No, I do not.

Senator LUNDY—Did you put out a statement that morning, or a written statement? At what point did you make the decision to have an independent inquiry?

Senator Alston—We provided a form of words to AAP, I can recall, expressing sympathy for the family. I think we probably decided the following morning—I had a number of conversations with my office about what should be done—and I think we had already drafted the letter to the ACA that night, and we were thinking of writing to Telstra to ask them to cooperate. Then we saw a Telstra press release saying that they would, so we simply sent the ACA a letter. That was on Friday morning, I think. So it must have been the Thursday morning that we became aware of it. Maybe I was working Saturday, I have forgotten.

Senator LUNDY—So were Telstra aware that it was your intention to conduct an inquiry?

Senator Alston—I am not sure. I think there may have been some indication given, but anyway, they can speak for themselves.

Mr Scales—I can answer this to some extent. We were not aware in advance of the government making the decision. I can certainly say that.

Senator LUNDY—You were not aware—

Mr Scales—in advance of the government making this decision, but as soon as we became aware of the government's desire to conduct an inquiry, as has now been publicly stated, we rang the acting chair of the ACA and committed to him our complete support. We also advised the minister accordingly about our complete support. We also indicated that we would provide whatever resources were necessary to make sure there was a full and complete review of the circumstances around this very sad event.

Senator Alston—Just for clarification, I was told by a member of my staff about the boy's death on the Thursday and he had been told verbally by Telstra. We then drafted the letter to the ACA that afternoon and I am told it went out late that day.

Senator MACKAY—Dr Switkowski is on the record today saying there is no need for a Senate inquiry—

Senator CONROY—That is good of him.

Senator MACKAY—He could well be correct, but what is the final report date for the ACA inquiry? Mr Scales says mid-March. Does that accord with your understanding?

Senator Alston—They have not set a report date in their letter to me. They say, 'I understand Telstra intends to conduct an independent assessment of the matter, the report of which will be shared with the ACA. Whilst the ACA will take note of the report's findings, its own findings will be reached independent of Telstra's review.' So there is no report date, but I have no reason to doubt what Mr Scales said. That may be right.

Mr Scales—I may have caused the dilemma here. On radio today the acting chair of the ACA said that he was hoping to complete this review as soon as possible, and I think— although I will not get these exactly right so please understand that—he said something to the effect of within two weeks. So I may have caused the confusion, Senator, and I am sorry if I have.

Senator MACKAY—That is all right.

Senator CONROY—Can you confirm media reports that Telstra is continuing to reduce its capital investment in Australia?

Mr Scales—As we both know, capital investment is one of those issues of great interest to a range of people. We are in a slight dilemma here in that we are in a blackout period in regard to six-monthly reporting. It is a little difficult for us to answer that precisely. What I can tell you, however, is that over the last five years we have spent something like \$4 billion to \$4.5 billion on capital expenditure.

Senator MACKAY—There have been dramatic cuts in the capex budget.

Mr Scales—I am going to try and answer the question as honestly as I can without going beyond what is appropriate, given the blackout period. In terms of that, it is clear that capital expenditure budgets will fluctuate from time to time. For example, it is reasonable that when one spends a very large amount of capital in any one year, you may decide from time to time to actually reduce the amount of capital in the next year. That does not mean that the following year you won't also increase the capital expenditure.

Secondly, capital expenditure is often spent when there is a substantial boost in the demand for a new product. For example, when mobile phones and mobility development happened in Australia it was necessary for Telstra to increase quite substantially some activities in those sorts of areas. Capital expenditure is not one of those areas where you can be absolutely precise about what the capital expenditure might be in any one year.

Senator MACKAY—Are you planning on increasing capital expenditure?

Mr Scales—Our view of our capital expenditure will be appropriate for the demand from our customers. From time to time that will go up and from time to time that will go down.

Senator CONROY—When is your reporting date?

Mr Scales—The reporting date will be 6 March and on that date you will get a very detailed understanding of the situation.

Senator CONROY—Are you in a position before then to give us a run-down on the current projections for the capital expenditure for next year?

Mr Scales—Unfortunately, it is not possible for us to do that.

Senator CONROY—I am sure we will revisit this in May.

Mr Scales—Yes.

Senator CONROY—Can you give a broad outline of Telstra's second phase cost-cutting program? What are its objectives and time frames?

Mr Scales—As your question implies, we have had two rounds of what we have described internally as new generation cost-reduction programs. The first one achieved somewhere about \$500 million reduction in costs in general. Our second round of cost-reduction programs was somewhat more modest. Our expectations were that it would deliver us somewhere around \$100 million to \$150 million. We are still in the process of fully defining the extent of that and we are certainly in the process of fully implementing it.

Senator CONROY—What are the implications for full-time Telstra staff numbers?

Mr Scales—Would you mind if I broaden this answer. If you do not believe I have answered it effectively, please let me now and I will do my best to do so. Our approach to hiring staff is changing a little, in that—you would be aware as most people are about the comments made by Dr Switkowski sometime ago—

Senator CONROY—‘The 10,000 jobs to go’ comments.

Mr Scales—about reducing staff by about 10,000. We are almost there with regard to that, so we do not see that there is going to be further substantial changes in our labour force. While there will be variations from time to time around different businesses, we do not see substantial changes going on into the future. In addition, I think it is also fair to say that we are changing a little our particular view around areas like the so-called head count. These days we are certainly managing more what might be described as our total labour costs. Picking up on one of the points that Darian Stirzaker made a little earlier, we are doing as much about bringing people back into the company as we are looking at what is not our core business and then moving it out. Quite frankly, there is a bit of a balance now going on within the company with regard to that. We are finding that there have been some people who have been contractors for many years and who really should be full-time employees. We are bringing those people back into the company as full-time employees.

Senator CONROY—You have not had that unfortunate circumstance where you make someone redundant and then they end up coming back as a full-time consultant?

Mr Scales—I would be less than honest if I said we have not had some of that, but we are trying to address that by putting a number of rules in place to make sure that does not happen in the future. If it does happen, it would be really a very small number, but we are trying to address those issues.

Senator CONROY—I refer to the 11.6 per cent decrease in full-time staff at Telstra in 2000-01—this cuts across a bit of what you have already said. Can you provide some detail on where these job losses occurred and what types of jobs they were?

Mr Scales—I can give you a very general answer to that. This might sound a little dramatic, but since that announcement by Dr Switkowski we have reduced staff in net by not quite 10,000—it is about 9,200 or thereabouts. But, of course, to actually reduce your staff by around 9,200, given labour turnover and a whole range of other things, generally you have a much larger reduction than that. In fact, the total reduction has probably been closer to 16,000 to 17,000, with a net change in our staff of about 9,200. If we take that figure of roughly 16,000 or 17,000—it might be a little bit more than that, but around that figure—the split has been, up to now, about 15 per cent in rural and remote areas and about 85 per cent in metropolitan areas.

Senator CONROY—What types of jobs were they? I am happy for you to take that one on notice.

Mr Scales—Let me take that one on notice, but I will give you a general picture of it. There was a large number of people within our field force and there were others in some of our call centre areas. But I will take the details of it on notice.

Senator MACKAY—I want to ask a very similar question for you to take on notice regarding the 10,000 that you alluded to—that you were almost there in terms of that quantum—can we have a breakdown of the 10,000 into where they came from et cetera?

Mr Scales—To the extent that I can do that, I will. If we have records that actually do it in that way I will certainly do my best to provide that to you.

Senator MACKAY—We do not want it in nine months: can we have it within the reporting time for this committee?

Mr Scales—Sure.

Senator CONROY—You mentioned that you did not expect there to be further substantial, I think you said, changes in the level. I appreciate the blackout, but I do not think this is quite as sensitive—are you in a position to give us an indication of what your projections are for Telstra's full-time staff over the next two years?

Mr Scales—That is a little tricky to do. It does not so much address the blackout period, but it is a bit tricky to do because our sector is moving so rapidly. There are some parts that are actually declining quite rapidly. I may be leading you into another question, which I really do not want to do, but in areas like NDC, for example—

Senator MACKAY—Don't worry, we have got questions on NDC—you are safe there.

Senator CONROY—They are next—you are safe.

Mr Scales—I thought I would be safe in raising it. The demand for the services of NDC has declined by somewhere between 30 and 40 per cent. So the actual change in our work force is going to be a little uneven, but it is not likely to be much different from about 33,000, maybe 34,000—around that mark. That is what we expect is a reasonably stable number for Telstra.

Senator CONROY—Can you outline all of the foreign investments made by Telstra and the amounts invested? Just before you do that, I know Mr Scales and I know that his CV is impeccable, but some of these questions may be more suited to someone like a CFO, or even a CEO. I was just wondering what the policy is on—

Mr Scales—I am quite happy to cover those that I can. The details of that, of course—

Senator CONROY—Some of these, unfortunately, will be a little detailed for what I anticipate your role is.

Mr Scales—I hate doing this but some of them might be commercially confidential because of our partnership arrangements. I would need to understand the full detail of that. In general, I am quite happy to try and cover what, in our international strategy, you might like me to ask.

Senator CONROY—I want to understand what Telstra's position was on the CEO, Dr Switkowski, actually attending once a year. I would love him to come every time but I appreciate he is trying to run a business.

Senator MACKAY—To come here to the estimates.

Senator CONROY—To come to estimates. It is not a reflection on anybody at the table or sitting behind the table, but we were just wondering if there was a policy.

Mr Scales—If we are not good enough, Senator—

Senator MACKAY—You would be enhanced by the CEO coming.

Senator CONROY—You are being too modest, Mr Scales.

Mr Scales—That is very difficult for him, as I am sure you will understand. He does have to run what is effectively Australia's largest company.

Senator CONROY—We are not important enough for him?

Mr Scales—You are very important and that is why he tries to send such a quality team as he has sent this time.

Senator CONROY—Could you outline all foreign investments by Telstra and the amounts invested?

Mr Scales—I think we can try and do our best to give you that. We may need to take that one on notice. I do not have all those details available to us. As you probably are aware, our major international investments tend to be in Oceania, New Zealand or Asia, particularly South-East Asia. Most of our most recent investments have been in Hong Kong. Most of those investments are on the record. I will do my best to try and get that information for you.

Senator CONROY—That is one of the problems: I wanted to talk about some of them specifically.

Mr Scales—I will do my best to answer to them if you want to put them.

Senator CONROY—I had a general question. Have values of any foreign investments been written down and, if so, by how much?

Mr Scales—The one that you may be alluding to has been quite public.

Senator CONROY—Tragically, there is a string that I am alluding to, not all foreign.

Mr Scales—The one in particular that you might be referring to is our investment in Reach. It is a company in Hong Kong that is involved in—

Senator CONROY—PCCW.

Mr Scales—It is one part of the PCCW joint venture. That was written down by around \$1 billion. The reason for that write-down has recently been made public. Given the so-called tech meltdown, some of those assets these days have been certainly nowhere near as valuable as they may have been five or so years ago. We were obliged to write those down.

Senator CONROY—I think that is a very generous interpretation, Mr Scales. How much was the initial investment?

Mr Scales—Could I take that one on notice?

Senator CONROY—Does anyone know the full bill?

Mr Scales—The total investment, with regard to the two major involvements that we have with PCCW—that is, the mobile business in Hong Kong and also Regional Wireless Company (RWC)—was four or thereabouts. Can I take that on notice?

Senator CONROY—My recollection from the media at the time was that it was about four. That is a 25 per cent write-down. I am not quite sure of the exact timing. I was sure that it was prior to the tech meltdown; that the market melted down in Telstra shares first before the full flow-on effects. Do you believe the Telstra board and senior executives have been held to account for their mistakes that led to the billion dollar write-down?

Mr Scales—If you had been at the annual general meeting, I think you would say that they have been held to account. Many people at that general meeting of Telstra gave both the chief executive and the board a particularly hard time about some of those investments. Yes, I think we can say that people have been held accountable.

Senator CONROY—Can I draw you a comparison with NAB's debacle with HomeSide where admittedly it is four times the size of the loss. They had an independent review. Heads have rolled; people have gone. Has Telstra had an independent review of that decision? I do not mean independent as in parliament.

Mr Scales—Internally?

Senator CONROY—Probably internally is the wrong way to describe it. I think NAB had a review done by a consultant of some description.

Mr Scales—I think the NAB review was primarily an internal review to try and learn what they could about that particular circumstance in the United States.

Senator CONROY—I think they tried to pretend it was a bit more than an internal review. It may or may not have been, but I think they tried to have it portrayed as something more than just an internal review.

Mr Scales—Yes, they may have. It is hard for me to talk for the NAB. Certainly it is an important issue for us. There has been a lot of emphasis on this within Telstra. I think when our new CFO, David Moffat, came on board he made the point at that time that we needed to make sure that we were highly disciplined about any investments that we might make into the future. I think it is fair to say, if I can go a little bit further than that, that we have had many opportunities to make investments since that time and, as a result of the highly disciplined approach which we are now trying to take with regard to investments, particularly offshore, we have turned down many of those opportunities.

Senator CONROY—No heads have rolled at all? Even NAB coughed up a couple—a few sacrificial lambs.

Mr Scales—This is a difficult one for me because you are asking me to move into an area that does affect the reputations of individuals.

Senator CONROY—That is \$1 million. A person has just gone from the—

Mr Scales—Yes, but your question is not about the \$1 million. Your question really goes to the heart of which heads have rolled and I really am not prepared to tell you about that.

Senator CONROY—Have any heads rolled? It is fairly public who has gone from NAB. It has been quite clear. It has been heavily reported. It is just I have not seen any reporting of any such activity out of Telstra. I could have just missed it. I am hoping you are going to take me through.

Mr Scales—Maybe we are a bit like other organisations where we impose discipline on our people internally and we do not necessarily make those public.

Senator SCHACHT—What is the discipline—flogging?

Senator CONROY—That therefore implies that, because it is still internal, nobody has gone because if someone had gone they could not have internal discipline applied to them. I presume there is some logic in that.

Mr Scales—No, that does not necessarily follow. You can apply a discipline and they still cannot be with you.

Senator CONROY—What changes have been made to the due diligence processes to prevent a repeat of these events?

Mr Scales—Internally?

Senator CONROY—Yes.

Mr Scales—As I mentioned earlier, we have significantly tightened up the way in which we will consider all of our overseas investments. David Moffat has increased very significantly the capability of our internal mergers and acquisitions group. It is subject to high levels of scrutiny by our senior leadership team with almost every opportunity that now emerges, so there is a very high level and an increased level of due diligence around every one of our foreign opportunities.

Senator CONROY—Can Telstra provide details of their investments in Harmony Telecommunications in Singapore?

Mr Scales—I am sorry. Which one was that?

Senator CONROY—Harmony Telecommunications in Singapore. What was the total Telstra investment in Harmony and, more importantly, what was the total financial loss?

Mr Scales—That particular company's name does not ring a bell, but it does not mean we do not have a minor interest at one of our divisions. Can I take that one on notice?

Senator CONROY—I understand that the architect of Telstra's broader investment strategy, Mr Ted Pretty, was subsequently promoted to run retail, Telstra's largest division. Is that the sort of internal whips and chains that Senator Schacht was referring to as internal discipline: you get promoted to the largest division?

Mr Scales—Ted Pretty is an incredibly capable individual.

Senator CONROY—Who oversaw a \$1 million loss.

Mr Scales—I really do think it is unfair to describe Ted Pretty as the architect. All of the members of the senior leadership team within Telstra are, as the name implies, a team. They are working with each other and for each other. Simply because one of those individuals was necessarily involved in a particular part of an operation does not necessarily mean he or she is the architect.

Senator CONROY—So nobody was in charge of your investment strategy?

Mr Scales—No, that is not what I was suggesting. I was actually addressing the point you made about Ted Pretty.

Senator CONROY—Mr Pretty was in charge of the investment strategy.

Mr Scales—Ted Pretty was in charge of the investment strategy, but he was acting as part of a broader team within Telstra. I really do need to make the point that Ted Pretty is an incredibly capable individual. You seem to be suggesting that we should not have promoted him to that—

Senator SCHACHT—Did you give him a performance bonus increase?

Senator CONROY—We will have to check whether he got a performance bonus. Even Frank took a cut in his performance bonus at NAB.

Mr Scales—But what you are suggesting is that somehow we should not have promoted him to one of our most important divisions.

Senator CONROY—I think it would be great if none of your executives got a performance bonus, given this debacle.

Mr Scales—I am trying to answer a slightly different question, Senator, and trying to answer your question as honestly as I can. Since he has been involved with Telstra retail, there is no doubt that not only has the overall performance of Telstra retail improved but so has our performance with our customer with regard to Telstra retail improved. We are very pleased with the performance of Ted.

Senator CONROY—I have mentioned PCCW. I have mentioned Harmony, which you are going to come back to me on. As part of a broader technology strategy, Telstra spent \$850 million in 1999-2000 on a range of technology businesses which were valued in the final accounts at \$450 million. That is another \$400 million. Did any Telstra executive get a performance bonus? Given that you want to claim the mantle of collective responsibility, did any of them get a collective bonus?

Mr Scales—I think the answer is yes. To put some context into that, at the time you are describing there was quite a rush for not only Telstra but many companies around the world to be involved in so-called dotcom companies. I think it is also fair to say that, when you or anybody else, as I am sure you do, talk to other international telcos around the world, you will find that they have incredible regard for Telstra because of the way we have handled ourselves not only during that period but subsequent to that period. I think that many of these things need to be seen in the broader context in which they are involved.

Senator SCHACHT—If another company in Australia listed on the Stock Exchange did not have 80 per cent of the market in a number of areas and 60 per cent of the market and lost \$400 million, they would go bankrupt or be liquidated, with an administrator called in and the directors and chief executive sacked. It is just that you have such an extraordinary cash flow of \$20 billion a year that \$400 million can come and go—

Senator CONROY—You missed the first billion. PCCW was the \$1 billion they have admitted to.

Senator SCHACHT—It is a bit like NAB; they did \$4 billion cold over HomeSide. In a company worth \$30 billion or whatever it is, they think they can just slide through, but a much smaller company without the access to the market cannot. You have got guaranteed access almost, and everyone just says, 'Thanks very much.' Over the years we have had board members and senior members of Telstra saying, 'We want to be commercial.' They want to be commercial, but when they lose money they do not want to take it in the neck.

Senator Alston—You guys seem to have no understanding of what has been happening out there in the marketplace domestically or internationally.

Senator CONROY—It is called T2 being underwater, Senator Alston.

Senator Alston—The BT share price has fallen about 75 per cent. AT&T is barely alive, on life support.

Senator CONROY—If you had not lost a billion and a half, maybe T2 would not be underwater.

Senator Alston—All these companies have done dramatically badly by comparison with Telstra. Telstra is about 30 per cent off its market high. It is not by comparison doing very badly at all.

Senator SCHACHT—If you bought the second tranche, you have now lost significantly.

Senator CONROY—You are now underwater.

Senator Alston—As you know, it depends how much you have available in order to make an investment. If you lose a 20th of your revenue, then that is significant, but it is not as significant as someone losing half their revenue.

Senator CONROY—We will not hold anyone accountable for it. We will still pay performance bonuses.

Senator Alston—You are obsessed with heads rolling, as though somehow that is going to fix up a company, because someone made a decision which with hindsight was not world's best practice.

Senator CONROY—And you are the major shareholder who has approved their performance bonuses.

Senator Alston—Senator Faulkner is your chief electoral strategist. He was with Kim Beazley and he is still there. You do not practise what you preach.

Senator CONROY—You are the 51 per cent shareholder and you have endorsed their performance bonus. If you had voted no to their performance bonus, it would not have happened. You voted yes to their performance bonus with this track record.

Senator Alston—With hindsight you can criticise a lot of decisions. No-one foresaw April 2000 coming. A lot of people did not understand what was likely to happen in the marketplace.

Senator SCHACHT—People were saying that—

Senator Alston—Are you saying that people ought to be infallible?

Senator SCHACHT—No, there were lots of people saying that the dotcom bubble was like the tulip boom, the South Sea Bubble, the Florida land boom and Poseidon nickel shares.

Senator Alston—Telstra was actually a lot more restrained than most other telcos in that regard.

Senator SCHACHT—History repeats itself every 20 to 30 years.

Senator Alston—What did they invest in? They invested in about three or four things of any substance. Computershare was actually a win for them and Sausage a bit negative ultimately, I suppose.

Senator CONROY—Even Mr Scales cannot keep a straight face, Senator Alston.

Senator Alston—You cannot say these were catastrophically bad decisions in the climate in which they were taken. I find it extraordinary that somehow you are putting Telstra there

and expecting perfect investment performance when you do not get it in the market from anyone.

Senator CONROY—But the point Senator Schacht made is that the market then responds. The market puts share prices down and executives get put under pressure from shareholders and investment funds about paying themselves performance bonuses when their performance is appalling.

Senator Alston—Michael Armstrong is still running AT&T. They are about 80 per cent off their top share price. They have carved up the company and done all sorts of amazing things. He is still running the show. That is the same with all the institutions in America which have the capacity to move CEOs, if they turn their minds to it, and they have not because they make individual judgments. They do not just say, automatically and mindlessly, that someone lost a bit of money so heads must roll. On that basis, you would not have too many people left in any organisation.

Senator CONROY—Has Telstra begun implementing the new ACCC regulatory accounting framework?

Mr Scales—I might ask Paul to answer that question.

Mr Paterson—Indeed we have. For some years now we have had a set of regulatory accounts. In the last 12 months the ACCC has finalised its consideration of how they might be changed and indicated that to the carrier—Telstra. Along with other major carriers, we now provide accounts on a six monthly basis.

Senator CONROY—Without specifying the amounts involved, and particularly given the concerns about blackout, can you provide an outline of the structure of the accounting presentation and of the RAF, including the separation of different accounts, functional divisions and corporate entities including the revenues, costs, capital and assets of the separated parts. I am happy for you to take all that on notice.

Mr Paterson—I can have a go at it now and it will depend on how satisfactory you find that. If need be, we can take it away. Certainly the regulatory accounting framework requires us to break the accounts into our retail business, our internal wholesale business and our external wholesale business so that it is like a network business, and then what we sell into the wholesale market. We break our accounts up in that way. We do that for revenue and for costs in a way that is consistent with our general ledger so it all ties back to our statutory accounts. I believe I would need to check this, and I will also do that for capex.

Senator CONROY—If there are any other parts of that that you want to expand on, then please take that part on notice and I will be happy.

Mr Paterson—Certainly.

Senator CONROY—We do have a range of other questions for Telstra, but we can probably put them on notice.

Senator LUNDY—Can I ask a couple of questions about line sharing and Pair Gains. Can you tell me what proportion of Telstra's consumer access network would deploy the practice of Pair Gains?

Mr Scales—Do you mean in actual percentage of the total copper network?

Senator LUNDY—Yes.

Mr Scales—I cannot tell you that off the top of my head, I must say.

Mr Barda—I will take the number on notice, but generally it is a fairly smallish number.

Senator LUNDY—Ten per cent or five per cent?

Mr Barda—I will have to take it on notice. That is the sort of feel I have and my general impression is of that sort of order.

Senator LUNDY—For the committee's benefit, can you clarify what a Pair Gain is?

Mr Barda—It is an electronic device that basically allows you to run two services on one line.

Senator LUNDY—What are the implications of a Pair Gain—

Mr Scales—It is primarily electronic.

Senator LUNDY—So it is one phone line—

Mr Scales—With two services.

Senator LUNDY—with two services. Could you run more services on a Pair Gain?

Senator MACKAY—How many consumers do you have hanging off the end of a Pair Gain?

Mr Barda—There are many different types of Pair Gain systems. The ones I think you are alluding to are the ones where there are two to one.

Senator LUNDY—So, when someone purchases an additional line, it has been Telstra's practice to put in place a Pair Gain rather than install a new physical copper wire, has it not?

Mr Barda—Not as universal practice.

Senator LUNDY—No, but it has been the case.

Mr Barda—Yes, it has. When that is the best solution, Telstra does on occasions use a Pair Gain system.

Senator LUNDY—Does that mean it is not economic or efficient to install another physical line?

Mr Barda—That is generally the situation when you use a Pair Gain—that the work involved in putting through a second line is more expensive than what is involved with a Pair Gain system.

Senator LUNDY—When you install a Pair Gain line, do you charge customers a differential price than if you install a complete new copper wire?

Mr Barda—No. They receive the same service to the same specification.

Senator LUNDY—They pay rent on that new line even though it is still the old line physically.

Mr Barda—Yes.

Senator LUNDY—When people request a fax line to be installed, could you use a Pair Gain for a voice and a data line?

Mr Barda—Yes, that is a good application for a Pair Gain.

Senator LUNDY—But they would pay rent on both services even though they still physically had one line.

Mr Barda—One copper line—yes.

Senator LUNDY—Do you think that is a little deceptive?

Mr Barda—It is one technical solution to provide the service. The customer is paying for the service as specified and the Pair Gain system is delivering that to the customer.

Senator LUNDY—For billing purposes, do you describe both services as different lines?

Mr Barda—I am not sure. I would need to take that on notice.

Mr Stirzaker—Yes, we would. In terms of the Pair Gain system, the technology is normally placed out in the street and there is, typically, an extra pair of copper wires that go into the house.

Senator LUNDY—But there is still one physical copper pair?

Mr Barda—Out on the street, back to the exchange.

Senator LUNDY—When people ask for an additional line for Internet access, do you use Pair Gains for that second line?

Mr Scales—Paul Granville may be able to give you a better understanding of this, if you wish.

Mr Granville—We have many different types of Pair Gains for different sizes and applications that can vary from the type that my colleague mentioned which provides two lines up to some which provide up to many hundreds of lines. The application varies depending on the circumstance. One of the main drivers is the time scale required to provide service. In certain areas where we lack infrastructure, to meet CSG times and provide good customer service, providing alternative solutions can take quite a long period of time, so the Pair Gain actually allows us to provide service in a shorter time frame.

Senator LUNDY—When you create a Pair Gain, in technical terms you are reducing the bandwidth available on that particular piece of copper, are you not?

Mr Granville—It depends on the different technologies. Some are actually connected by optical fibre and are in effect outposted parts of the telephone exchange to provide exactly the same performance. Others provide lower data rates, as mentioned.

Senator LUNDY—To use a scenario: it is a suburban house, there is an Internet connection and one telephone line for voice, and you have used a Pair Gain to provide both of those services. What is the maximum kilobit connection that you can provide with a dial-up modem on a Pair Gain service?

Mr Granville—It varies over quite a range depending on the technology. Typically, for many of them, it is around 26 kilobits per second. Others are provided at a lower rate. That is one of the reasons behind the Internet assistance program—which was started as one of the outcomes of the Besley inquiry—whereby we are using different techniques to bring up the minimum equivalent throughput of 19.2 kilobits. Many of those Pair Gains which provide lower data rates are in fact improved by that program. A large number of them are around 26 to 28 kilobits per second.

Senator LUNDY—So, if people were on a Pair Gain and they did not know it and they went and bought a 56k modem, they are never going to be able to get their 56k bits, are they?

Mr Granville—No, but it also depends on other factors such as the length, even for straight copper lines. It depends on the length of the copper, for example.

Senator LUNDY—But you do not tell consumers whether they have a Pair Gain, do you?

Mr Granville—No, not usually.

Senator LUNDY—When do they find out?

Mr Granville—It is not the normal thing to tell them. As my colleague said, we are providing a telephone service and we choose the technology to enable us to provide the service in the time frames required.

Senator LUNDY—What are the implications for customers wanting to sign up to an ADSL service if they have a Pair Gain?

Mr Granville—At this point in time it is not available to those customers.

Senator LUNDY—So, for all of the consumers out there that have a relationship with Telstra, there is a line going into their house, they want ADSL and, if they have a Pair Gain, which they were not aware of, they cannot get the ADSL service?

Mr Granville—That is correct. On the other hand, we do have other products such as cable modems which are available to a large number of Australians, and satellite is another broadband alternative that we offer—both one-way and two-way satellite.

Senator LUNDY—Can you take on notice to provide details of how many of your customers Australia-wide currently have a Pair Gain and therefore are unable to access your ADSL service? Secondly, what is the maximum bandwidth that they can achieve off that Pair Gain, and if that differs give me an average?

Mr Scales—Yes, we will take that on notice.

Senator LUNDY—Thank you.

Senator ALLISON—Can I ask some questions, Mr Scales, about the broadband service. You announced a short time ago that there would be a 31 per cent price hike in the monthly access charges. Can you explain why it was necessary?

Senator SCHACHT—To pay for the Asian investments.

Senator CONROY—To recoup Ted's losses.

Mr Scales—I might ask Omar to give you an answer on that, if that is okay, Senator.

Mr Khalifa—The number you quote is actually a bit of a misconception because there was quite a large variety of different plans that were introduced when we changed the pricing plans. Overall we moved from a flat fee structure last year to one that actually allocated costs for large users of bandwidth and so, in the overall range of prices, some actually went down when we introduced the prices but had a lesser amount of gigabytes made available to the customer. Larger users did pay and will pay more for having a much larger usage.

Senator ALLISON—A householder typically has the three gigabyte plan. Is that correct?

Mr Khalifa—Actually some are in plans that are below one gigabyte now. We find overall average usage is just over one gigabyte, but the average household uses quite a bit less than that. When we did our studies we found the distortions were quite amazing, as the largest users were skewing the overall patterns of our customers.

Senator Alston—It depends on how many teenage children they have.

Mr Khalifa—That is probably part of it: how many movies they download. Just to give you an example of how distorted the figures were as far as usage was concerned, less than five per cent of our broadband users were using greater than 50 per cent of the overall download on our network.

Senator ALLISON—Why was this not known six months ago when there was a previous price hike? Why has this increase been necessary right now?

Mr Khalifa—I do not want to point fingers. I think what was not known in the early days of broadband usage was in fact how patterns would develop—what patterns were in fact out there. This was new territory for us, not only in Australia but also worldwide. There are some specifics about the way it happens in Australia which make it even more difficult for us to be able to sustain an unlimited download capability. It has a lot to do with the cost of providing international bandwidth.

Senator ALLISON—So you would reject the assertion that this was originally some sort of promotional campaign to get people stitched up and to be in a monopoly position in the broadband market and then to come along at some later stage and tell them that they are all up for a fairly significant price hike?

Mr Khalifa—Absolutely I would dispute that. I came into the company just when we were looking at the actual usage patterns, and I can tell you that it was a very difficult period as far as getting ourselves into a position where we could correct what we thought were probably some wrong estimates, give our customers a better view as to how they were using the bandwidth and work out what would be the most equitable way of providing it to all. We had an unsustainable position previously.

Senator ALLISON—If you could provide the committee with as much detail on that as you can it would be useful. I have got some other questions that I will put on notice as we are short of time. I want to raise a matter which has been raised with me. An Aboriginal community in the north-west of Western Australia—the Kimberley region—has been waiting for a telephone connection since 4 December 2001. I wonder if there is somebody available who can explain why this might be the case.

Mr Scales—We may have to take that particular example on notice; we are happy to do so. If it is a particular area in Queensland—

Senator ALLISON—It is in the Kimberley region in Western Australia.

Senator Alston—After 30 days they are entitled to an interim service, which would normally be a satellite based one.

Senator ALLISON—They do not have an interim service. They have been offered an interim service by 1 March, but there is no commitment, even then, on the date of the installation of a full service. So that is still some four months waiting for the satellite connection after the initial request on 4 December.

Senator Alston—If you tell us the name of the community, we will follow that up.

Senator ALLISON—Perhaps I will do it in writing and give you the full story as I have it.

Senator MACKAY—We have a number of questions that we have not had time to ask Telstra. If we put these questions on notice, can we get some kind of commitment that they will come in within the period of the deadline? I understand that it is difficult but—

Mr Scales—We will do our best. It is hard to answer that question without knowing the complexity of the questions you might put, but if we can possibly do so we will.

Senator MACKAY—Maybe if you cannot do it for particular questions you could call our offices and indicate which senator has put them on notice, or call the committee and indicate which ones and how long they will be et cetera.

CHAIR—I thank Telstra for appearing.

[10.40 p.m.]

Australia Post

CHAIR—I remind witnesses that when you give evidence for the first time to please identify yourselves and state your position for the purposes of *Hansard*.

Senator MACKAY—We have very limited time available to us, so a number of our questions will be put on notice and we will be able to revisit these estimates in more detail in May after the budget, but I think we have time to ask at least two or three questions. Can you provide a detailed description outlining the differences between the three modes of operation with regard to post office outlets: that is corporate, licensed and community?

Mr McCloskey—We essentially have three types of outlet: corporate outlets, licensed outlets and what we call community postal agencies. Our corporate outlets are Australia Post staffed outlets and they offer the full range of postal and ancillary services. Licensed outlets are independent small businesses also offering the full range of postal and ancillary services, often in conjunction with a host business. I need to qualify that to some extent in that some licensed post offices are not online and therefore those smaller licensed post offices are not able to provide online banking services. They can provide passbook banking services on behalf of the Commonwealth Bank, but we have up to 75 financial institutions that are part of our giroPost service. Access to those services is available only through online licensed post offices. Community postal agencies are smaller independent operations. These are typically in very small communities where there may not be any visible business of any sort. They provide basic access to the postal service: postage assessment, sale of postage stamps and mail collection and distribution to the local community.

Senator MACKAY—What are the financial differences between these three in terms of Post's responsibilities?

Mr McCloskey—Corporate outlets are essentially owned and operated by Post itself. In licensed post offices the licensee meets all the operating expenses of his business. The licensee will be paid fees and commissions by Post for a variety of services and he would receive the postal products that he sells at a discount. Community postal agencies are, as the name would imply, in an agency relationship with Post. They receive a discount on the stamps they sell. They would also receive a set fee for every delivery point that they service and they also receive an annual representation allowance.

Senator MACKAY—If a community outlet closes, what obligations does Australia Post have in relation to that service?

Mr McCloskey—If a community postal agent were to close, then we would seek to find someone else in that community that could take on that role and provide the service to the local community.

Senator MACKAY—Does that happen?

Mr McCloskey—In many cases it would happen.

Senator MACKAY—I will put some more detailed questions on notice, particularly with regard to the financial arrangements. With regard to the special dividend that was paid to the government—\$109.8 million—what has the impact been on Post's commercial operations as a result of that?

Mr McCloskey—I might ask our Chief Finance Officer, Mr Meehan, to respond to that, Senator.

Mr Meehan—It has had no dramatic impact at all on Post's financial situation.

Senator MACKAY—No impact? Can you explain to me how it has had no impact?

Mr Meehan—In the fact that we had cash reserves sufficient to meet that special dividend.

Senator MACKAY—So, if you had been allowed to retain the \$110 million, what would you have done with it?

Mr Meehan—We would have invested it.

Senator MACKAY—Where would you have invested it?

Mr Meehan—Most of our funds are invested in the short-term money market at the moment.

Senator MACKAY—So you have got a spare \$100 million kicking around, have you?

Senator Alston—Not any more.

Senator MACKAY—No, that is right; that is my point. So you would, if the government had not taken \$100 million off you, have gone to the short-term money market with it; is that right?

Senator Alston—Or put it in the bank.

Senator MACKAY—You would invest it on the short-term money market?

Mr Meehan—That is correct.

Senator MACKAY—Fair enough. Minister, are you intending to bring the deregulation bill back soon?

Senator Alston—No, I think we said we would not be bringing that bill back.

Senator MACKAY—You did not, actually. Are you saying it now?

Senator Alston—No. We are still committed to reforms that we think are in the consumers' interest.

Senator MACKAY—So you may be bringing the bill back this term?

Senator Alston—We may be looking at some other ways of advancing a consumer-friendly approach.

Senator MACKAY—But it will not be by the vehicle of the original legislation?

Senator Alston—I do not think so, but there may be some components of the original legislation that come back.

Senator MACKAY—What have you got in mind at the moment?

Senator Alston—I have nothing in mind at the moment, apart from going home.

Senator MACKAY—What has happened to what is loosely called the Ausdoc draft bill?

Senator Alston—I think the situation is that there is some uncertainty about the operations undertaken by Ausdoc over a period of some 20-odd years, to the extent that that needs to be clarified. We are still prepared to advance that issue. If that requires the amendment of legislation, then we will bring that forward.

Senator MACKAY—Clarify with regard to what?

Senator Alston—The status of Ausdoc's activities. If there is a legitimate question mark—in other words, if the existing legislation is unclear as to whether those activities are legitimate—then we will seek to clarify that.

Senator MACKAY—Is that envisaged to occur over the next few months or is that just a watching brief?

Senator Alston—No, I think it has a degree of urgency about it. This matter has been around for quite a while. Ausdoc has been going about its business now for 20-odd years. I think it is only in the last year or so that doubts have arisen, and I think it is quite unfair to allow those doubts to continue.

Senator MACKAY—So are you envisaging bringing anything forward in the current session?

Senator Alston—I do not have a precise plan at this moment. I am simply saying that it is an important issue and it is currently under consideration. That may mean that we will bring legislation forward in the not too distant future, but we have not made a decision on that.

Senator MACKAY—Has Australia Post been informed of the details of the forthcoming Australian Postal Corporation Amendment Bill?

Mr McCloskey—No, we have no information on that, Senator.

Senator Alston—I do not think there is one; that is probably why they are unaware of it.

Senator MACKAY—Does Australia Post support the establishment of a postal industry ombudsman?

Senator Alston—It does not really matter whether they do or not; if it is a government election commitment, we will be delivering on our commitment.

Senator MACKAY—When is that going to happen, Minister?

Senator Alston—As soon as we get around to it.

Senator MACKAY—As soon as you get around to it.

Senator Alston—Sooner rather than later.

Senator MACKAY—Is Australia Post aware of any proposals to raise postal issues during the current round of world trade negotiations?

Mr McCloskey—Yes, we are aware that a number of proposals have been tabled on postal and courier services as part of the current round of WTO trade liberalisation negotiations.

Senator MACKAY—What are you aware is there?

Mr McCloskey—I do not have the detail of it, but I do know that the Australian government is considering what position it might take in relation to the proposals; it is consulting with industry in that regard. Post, along with others, has been asked to make a contribution and we are currently considering what our contribution would be.

Senator MACKAY—What do they go to, specifically?

Mr McCloskey—I do not have that, I'm sorry, I would have to take that on notice.

Senator MACKAY—Do you know if there is anything in relation to courier and express post services?

Mr McCloskey—I am sure they do, but really I would be guessing. I will have to take that on notice, I'm afraid.

Senator MACKAY—Has Australia Post had any input?

Mr McCloskey—We have been asked, as I understand it, by the department to provide some input in this issue, and I believe that the area—

Senator MACKAY—On what issue?

Mr McCloskey—On the issue of any proposals in relation to postal and courier services that would come up in the current WTO negotiation round.

Senator MACKAY—So you are now aware of proposals in relation to courier and express post services?

Mr McCloskey—Yes, I think I indicated earlier that we are aware that some are on the table as part of that process, we are aware that the department is formulating the position for the government's consideration, and in that context we have been asked to make our views known in relation to the issue.

Senator MACKAY—To the government?

Mr McCloskey—To the department.

Senator MACKAY—To the department?

Mr McCloskey—Yes, along with other players in the industry, as I understand it.

Senator MACKAY—Has your response to the department been forthcoming?

Mr McCloskey—As I understand it, no; I think it is still being formulated.

Senator MACKAY—When will that be provided?

Mr McCloskey—I do not know precisely, Senator, but I imagine that it will not be too long before it is provided.

Senator MACKAY—So you have been asked to provide advice to the department?

Mr McCloskey—As I understand it—

Senator MACKAY—Not to the government?

Mr McCloskey—as part of their consultation with industry on this issue. It is an area that I do not have direct knowledge of, but that is just as I understand it.

CHAIR—Thank you very much for appearing.

Senator MACKAY—We will see you for a more extensive session in June.

Senator CONROY—We know you are looking forward to that.

[10.55 p.m.]

Department of Communications, Information Technology and the Arts

Senator SCHACHT—My questions are to the minister and the department about a particular aspect of the Networking the Nation program. It relates to the extraordinary circumstances of the collapse of the Green Phone project—if you can call it that—in the south-east of South Australia at Mount Gambier. The project is now in administration. I wonder if the department can tell me how much money under Networking the Nation was provided to the Green Phone initiative?

Mr Barr—The story is quite complicated. It actually involves three grant deeds. It is complicated because one of the grant recipients is the Greater Green Triangle Region Association, which is not Green Phone.

Senator SCHACHT—I know. I want you to tell me irrespective of the deeds. I know the green triangle development and the south-east regional local government association all have a hand in it. In total, how much did Networking the Nation provide to the Green Phone project?

Mr Barr—There are four projects as well.

Senator SCHACHT—But they are all together and they have all collapsed.

Mr Barr—That is not right.

Senator SCHACHT—The Green Phone has been screaming in the headlines in the south-east South Australian media for several months. It is now in administration. In the collapse, according to one story I have seen in the press, 88 creditors are owed over \$4 million. How much did the Australian government through Networking the Nation put into what is understood in the south-east of South Australia as the Green Phone project?

Dr Hart—The two projects, which you particularly have got in mind, are the two BARNG projects, the building alternative regional network projects. The funds associated with those are \$1.4 million for the provision of 24 network access points and a separate direct grant to the Greater Green Triangle as James is explaining. There is a separate direct grant to Green Phone for a wireless local loop project. That is \$930,214.

Senator SCHACHT—Nine hundred and thirty thousand dollars?

Dr Hart—Yes.

Senator SCHACHT—So all up it is \$2.3 million?

Dr Hart—That includes some other projects which are not in contention and which are ongoing.

Senator SCHACHT—Are you one of the 88 creditors asking for your money back?

Mr Barr—No.

Senator SCHACHT—What? You have dropped \$2.3 million, which is the major part of the expenditure and you are not one of the 88 creditors?

Mr Barr—Under the terms of the grant the Commonwealth funds should not be included in any of the arrangements that the liquidator is involved in.

Senator SCHACHT—How does one get a piece of this action, that you can get money off the Commonwealth and then the Commonwealth is not a creditor if it goes bad?

Dr Hart—There is certainly a potential for some of the funds to be returned to the Commonwealth. It is just that the situation at the moment is quite complicated.

Senator SCHACHT—What do you mean by some potential? What do you mean by potential? Are you going to put in a claim legally?

Dr Hart—No, there are different situations relating to the two projects. Because the first one was a relationship between Greater Green Triangle and Green Phone, the association contracted separately with Green Phone, who in turn contracted with Marconi for the provision of the network. The network has been completed and it is potentially an asset, but Marconi is also one of the creditors. So the situation with regard to the eventual return of Commonwealth funds is quite complicated.

The situation is different in relation to the separate direct grant to Green Phone, and there is a potential there because the money was paid into a separate trust account.

Senator SCHACHT—The money that went to the Green Triangle development organisation is \$1.4 million.

Dr Hart—Yes.

Senator SCHACHT—Are you going to get that association wound up to get some of your money back?

Mr Barr—The association is the creditor. Our deed is with the association. They are the entity which, if we had to, we would be pursuing. They at present are a creditor in the formal liquidation process. It is a point I should have made clearer in my first answer.

Senator SCHACHT—They are a creditor to the Green Phone actual company that was established to provide this service?

Mr Barr—Correct.

Senator SCHACHT—You gave them the \$1.4 million and they put it on to Green Phone, and you are not going to seek to get your money back now that this thing has fallen apart?

Mr Barr—We have to await the outcome of the liquidator's work.

Senator SCHACHT—Have you put in a claim to or notified the liquidator that you will be one of the creditors, that you want as much as possible of your \$1.4 million back?

Mr Barr—We have informed the liquidator of the Commonwealth's position in terms of the provisions in the grant deed.

Senator SCHACHT—Does the provision in the grant deed mean that you get your money back when it fell over, or did you sign it to say, 'Take the money and run'?

Mr Barr—The grant deed is with the association, not with Green Phone. Until the association knows the outcome of the liquidator's work, it is a little premature for us to be pursuing the association.

Senator SCHACHT—I do not have much time, so I will be putting some questions on notice. But I want to ask: what sort of due diligence did you do, as the Networking the Nation committee, and put to the board to make a recommendation to make a payment of \$2.3 million to what has now come out to be one of the most harebrained ideas that I have seen for some time in telecommunications, with a group of people who were running it who do not seem to have any knowledge at all about telecommunications.

Dr Hart—The project that was put forward was very much a project which was envisaged by the BARN guidelines—

Senator SCHACHT—What was that?

Dr Hart—The Building Alternative Regional Networks guidelines explicitly provide for alternative networks provided by regional service providers. So it was the kind of project which was foreseen by the guidelines. The project was then assessed against the criteria which were established for that particular program.

Senator SCHACHT—When the interim board was established that made application, it was made up of a group of councillors representing a number of councils in the lower south-east of South Australia. Did you bother to check whether any of them had experience in running a telecommunications network?

Dr Hart—There was quite a track record in relation to Greater Green Triangle itself, and that was part of the criteria used to assess all applications. The criteria go to things like meeting the needs of the community. They also go to support for the proposed project and ensuring the management skills for the proposed project.

Senator SCHACHT—That is what I want to get to. What were the management skills? All that has come out in the south-east in the media in the last several months since it went

into administration seems to indicate that nobody had an idea of how to run a telecommunications system.

Mr Barr—To be fair, the project emerged from two or three years of analysis and research by the association on demands in the region for such a telecommunications provider. It was not something that came to the Networking the Nation board cold; it stemmed from two previous studies which the board had funded.

Senator SCHACHT—The board had funded previous studies?

Dr Hart—Planning studies.

Senator SCHACHT—How much were they worth on top of the \$2.3 million?

Mr Barr—The first was, I think, \$50,000—

Dr Hart—\$50,000.

Mr Barr—and the second was \$150,000.

Senator SCHACHT—It is another \$200,000. It is nearly \$2 ½ million you have sunk into this project?

Mr Barr—That is not quite true either.

Senator Alston—Let's be clear about it. You do not expect a council to be chock-full of people who have waste management expertise—

Senator SCHACHT—That is the point.

Senator Alston—Just a minute.

Senator SCHACHT—Why did you lend them the money?

Senator Alston—What you do is you buy in that expertise. If you do not have it you buy it in—

Senator SCHACHT—Okay, thank you.

Senator Alston—so you commission, as they did, certain reports.

Senator SCHACHT—Thank you, Minister. Mr Barr will tell us: when they actually got to appoint the chief executive after the interim board was replaced by a new board, a more permanent board, what was the level of expertise of the chief executive appointed? What was his previous telecommunications experience?

Mr Barr—I have no knowledge of that.

Senator SCHACHT—No knowledge, but you gave him the money. The minister is saying you will get expertise. There is none.

Dr Hart—I was not clear who you were actually speaking about there.

Senator SCHACHT—This is a shambles. You are trying to start up in the south-east. It is like trying to stand in quicksand finding out who did what and who passed the money from which group, to which interim group, to which permanent group.

Dr Hart—No.

Senator SCHACHT—I am staggered that you can tell me that you do not know who the chief executive was who went off with \$2½ million and blew the lot.

Dr Hart—I thought you were talking about the new chairman.

Senator SCHACHT—No, the one who resigned last year who took the money.

Dr Hart—As I said, the original credentials of the group who were putting forward the proposal were assessed against the selection criteria.

Senator SCHACHT—When you looked against the selection criteria, did you actually check whether any of them had expertise in running a telecommunications network?

Senator CONROY—They were not named Keeling or Rich, were they?

Dr Hart—As well as the board's assessment, which was actually based on the secretariat's assessment, there was some independent technical advice as well as financial advice.

Senator SCHACHT—Technical advice meant one thing, but when you started putting full-time people in to run it it seems, from all the evidence in the south-east, that they had no experience in running a telecommunications network. You may as well just have taken the money and burnt it. This is why the sale of Telstra—you can only sell it once, Minister, as you well know. What are you doing to ask separately the Auditor-General or someone else to go and investigate this project that has lost \$2½ million minimum?

Mr Barr—It has not lost \$2½ million minimum in the sense that of the second grant—the grant direct to Green Phone—only \$145,000 has been paid, so that sum is roughly \$800,000 higher than the funds that have—

Senator SCHACHT—So there is \$800,000 still left that the administrator has got control of?

Mr Barr—No, there is \$800,000 that the NTN secretariat has not yet paid to the grant recipient.

Senator SCHACHT—So out of the \$2.3 million you have not paid \$800,000 yet?

Mr Barr—Correct.

Senator SCHACHT—And you are not going to be stupid enough to pay it now, are you?

Mr Barr—There is no entity to which we could pay.

Senator SCHACHT—Good. You have lost \$1.5 million that has gone in and is unlikely to be recovered?

Mr Barr—We cannot say that because the recipient of \$1.4 million of that is the association, not the company, so until the work of the liquidator is available to us we will not know.

Senator SCHACHT—When will that become available to you, Mr Barr?

Mr Barr—I am not sure when that will be available.

Senator SCHACHT—Will you take that on notice?

Mr Barr—I simply do not know because it is the liquidator's work, not ours.

Senator SCHACHT—You could at least ask the liquidator. Anyway, I will put a number of questions on notice. I will come back to this in June because the south-east is alive with this terrible saga. One last question I want you to take on notice. Which members of parliament lobbied in support of this particular project, going right back to 1997-98? You received representations from members of parliament in favour of this project?

Mr Barr—We can certainly take it on notice. In 1997 and 1998 I have no—

Senator SCHACHT—No, from 1997-98 right through to when you gave the first consultancy fee—so right back two or three years ago at least—from the very beginning. I

want you to take on notice which members of parliament, both state and federal, lobbied in support of the grant being made by Networking the Nation.

Mr Barr—And lobbied whom?

Senator SCHACHT—That wrote to you and/or the minister and the federal government in any of its forms to get the money paid.

Dr Hart—Can I just go back to your previous question and mention that a review has been put in place by the NTN board, which will be conducted by KPMG. It will be running in parallel with the liquidator's processes. We will be looking at the processes under the NTN grants administration.

Senator SCHACHT—Will that report be made available to the estimates committee?

Dr Hart—In the first instance it will be put to the NTN board. The NTN board will consider it and then it will be a matter for discussion with the minister.

Senator SCHACHT—I would like to put in a request that when it is finished it be made available to the estimates committee. I will put other questions on notice.

Senator CONROY—Has the department discussed the progress of high definition television with television broadcasters?

Senator Alston—Do you mean the commercial networks—

Senator CONROY—That would be them.

Senator Alston—or the national broadcasters?

Senator SCHACHT—They are the only ones.

Senator Alston—Yes, we have had a number of discussions. We have a working group with them. We talk to them all the time. So the answer is yes.

Senator CONROY—Is the implementation of HDTV progressing satisfactorily?

Senator Alston—As I understand it, they are all committed to the 20 hours per week and are in a position to achieve that when the requirement kicks in at the end of this year. I have read varying reports about how much money has been expended by each of the commercial networks, so I assume that the answer is yes.

Senator CONROY—Have any commercial TV broadcasters sought any modifications to their high-definition television broadcast obligations?

Senator Alston—There are a few changes at the margin but—

Senator CONROY—Would you care to share them with us?

Senator Alston—One is about whether it should apply to advertising and another is about whether it should be done on a weekly as opposed to a total annual basis. There is a third.

Senator CONROY—I am happy for Ms Page to answer directly just to save time.

Ms Page—The third issue relates to the treatment of archival material, which would not normally be in HD form in an HD program.

Senator CONROY—What arrangements are in place to deal with the prospect of interference to pay TV set-top boxes and VCRs arising from the switch-on of digital in various regional areas? How widespread do you believe that those problems will be?

Senator Alston—We did establish a working group in the lead-up to the introduction of digital television in Brisbane. I think we achieved a satisfactory working relationship between

the pay TV operators—principally Foxtel—and the free-to-air networks via fax. There are some cost sharing arrangements that have yet to be quite finalised, but essentially there is a commitment to work together. I think that the end result was probably a pleasant surprise in terms of the level of actual interference and the requirement for home visits. We are hopeful that when they embark upon the second round we will have a similar result.

Senator CONROY—How many digital TV receivers and set-top boxes are in Australian homes? That should not need more than your fingers and toes.

Senator Alston—Somewhere between 10,000 and 15,000, we would think.

Senator CONROY—Does that include the full HDTV 16 by 9 proportionate screen—

Senator Alston—I don't know that there is—

Ms Page—The majority of those would be standard definition boxes and HD boxes. There are a number of HD boxes.

Senator CONROY—Are there any screens available like the ones we were shown two years ago—the full 16 by 9, like a cinemascope screen?

Ms Page—No. Typically what people are purchasing for HD television is an HD box and a separate wide-screen television.

Senator SCHACHT—A separate wide-screen in that proportion?

Ms Page—Yes, you can buy 16 by 9.

Senator SCHACHT—So you show it without the black top and bottom?

Senator Alston—That is the aspect ratio.

Ms Page—Yes.

Senator SCHACHT—But you get the full cinemascope version. For example, if you watch *Lawrence of Arabia* you do not have it chopped off at either end?

Ms Page—Yes.

Senator Alston—It is like a cinema screen. The aspect ratio—

Senator SCHACHT—It is 16 by 9.

Ms Page—The aspect ratio is the same.

Senator Alston—You would probably have seen a larger size screen than is available.

Senator SCHACHT—It does not matter if it is 16 by 9.

Senator Alston—Yes.

Senator SCHACHT—You say there are about 15,000 of those all up?

Ms Page—All up in terms of digital reception equipment.

Senator CONROY—How many does the department anticipate there will be by the end of this year?

Senator SCHACHT—16,000!

Ms Page—The department is reliant upon advice from industry in terms of take-up rates, so we do not have any forecast target at this stage.

Senator CONROY—No forecasts?

Ms Page—No.

Senator CONROY—You have no idea where we will be in 2002?

Ms Page—Except to say that in a little over 12 months there has been a penetration rate of somewhere between 10,000 and 15,000 and presumably growth will be maintained at a steady rate.

Senator Alston—Part of the difficulty in this—and I am sure you would not want to minimise it for a moment—is that digital television is in its infancy around the world. The UK is about the only successful working model, and even then that is essentially a pay TV environment. We are looking at free-to-air terrestrial here. In the US, for example, where 70 per cent of homes have cable and another 15 per cent or more have satellite, free-to-air terrestrial is a non-event; they do not know what you are talking about. You ask them whether they are going to have set-top boxes and they look at you blankly. So they are much more concerned about digitising the cable network. In the UK it is largely a satellite-driven solution, because BSkyB basically dominates the marketplace. They have about 5 million subscribers.

Interactivity is supposedly going to be the key driver for the next generation, but at the moment it is really all the usual stuff through BSkyB of sport, movies, games, a bit of gambling and a bit of email. None of those are compelling in themselves, so the interactivity that goes with, say, t-commerce and two-way interaction on games channels and other things yet to be invented I suppose is what it is hoped will be the killer act. Until that is really identified, until you get agreement on the standard for what is called the application program interface, then you simply do not have the technical basis, let alone the content basis, and in those circumstances equipment manufacturers are very reluctant to make a one-off commitment to somewhere like Australia. In a sense, we are a bit captive to the rest of the world. We are conscious of wanting to drive it forward, and that is the reason we legislated a couple of years back, and as a result we are probably ahead of most of Europe and most of the rest of the world.

Senator CONROY—Thanks, Minister. Ms Page, you would not want to hazard a guess at how many receiver boxes the department estimates it will have by 2008?

Ms Page—No, I would not like to hazard a guess, if you don't mind.

Senator CONROY—What progress has been made by regional broadcasters in the transition to digital?

Ms Page—The regional broadcasters do not have to commence digital transmissions until 1 January 2004, but they are certainly in the process of planning and acquiring equipment at this stage to enable that date to be met.

Senator Alston—We are committed to giving them \$260 million over 13 years.

Ms Page—Some of them have started to claim against those funds.

Senator CONROY—Minister, you have committed to giving them—

Senator Alston—\$260 million over 13 years by way of—

Ms Page—Licence rebates.

Senator Alston—Licence fees and, in some instances, grants.

Senator CONROY—Is that a rebate on them?

Ms Page—It is a rebate on the licence fees.

Senator CONROY—It is a rebate on their licence fees of \$260 million over 13 years, did you say?

Ms Page—Yes.

Senator Alston—Yes.

Senator CONROY—Has the department discussed with regional broadcasters the withdrawal of local news services from regional areas?

Senator Alston—Yes, I have written to them and made plain our dissatisfaction.

Senator CONROY—Did the department require regional commercial television broadcasters to continue regional news services as part of this special allocation of funds to regional commercial TV? You had a bit of leverage there you could have exercised just by saying, ‘Look, it is a condition of this money that you have to keep providing local news.’

Senator Alston—I think it is a fair point that we all assumed that they would continue on with their previous levels of service—

Senator CONROY—So they suckered you, did they—took the money and ran?

Senator Alston—Far be it from me to plead guilty to that charge, but the fact remains that, having paid the money on a certain basis, we now find—

Senator CONROY—Can you review the contract?

Senator Alston—We can do a number of things and we are investigating our options. Obviously we are interested in the outcome of the ABA inquiry, but in principle we take the view that it is not acceptable to simply get the money up front and then change the level of service.

Senator CONROY—They have almost taken money under false pretences. This is the service they had when they asked for the money.

Senator Alston—But it is also fair to say that, irrespective of whether we had given them money, irrespective of digital television, there is a separate issue of whether we should require a certain level of local news services in non-metropolitan areas. I should add to that, I suppose, that the networks therefore should be very much on notice that they may well be required to revert to the status quo—

Senator CONROY—So you want to see the headline tomorrow ‘Minister gets tough with regionals’?

Senator Alston—I am simply saying that it would be rather short-sighted of them, for example, to seek to permanently close down facilities which they may find, as a result of the ABA report and other action, are required to be resumed.

Senator CONROY—I am shaking, so hopefully they have got the message there, Minister. Does the government have a position on whether additional commercial television broadcasting licences should be issued after the end of 2006?

Senator Alston—No, we do not have a view on that. That is really bound up with a judgment about what you do with additional spectrum that is available, and there are a number of options. We put out a discussion paper on that, we have had a number of fairly predictable responses and we are working our way through those.

Senator CONROY—When does the government believe that it will be able to withdraw the analog broadcasting spectrum from the commercial TV broadcasters?

Senator Alston—I think you have got to say you really cannot make a judgment that far out. In America the chairman of the FCC, Michael Powell, said recently that their target date of 2006 was quite unrealistic. Again it is because there are so many different factors at work that you simply cannot make a sensible judgment four or five years out because so much can change technologically. For example, in the UK what really drove it was effectively providing, as far as the consumer is concerned, free set-top boxes. If you got that sort of a model, you might suddenly find very high take-up rates and you will get to a tipping point. On the other hand, unless that happens, it may be a very slow conversion. So a lot is going to depend upon decisions that are taken. In the US and the UK they are talking about various incentives and disincentives to try and speed up the process.

Senator CONROY—Thank you. What progress has the department made with respect to drafting of the broadcasting services media ownership bill?

Senator Alston—Satisfactory progress. Well, no, it is still a matter under consideration by the government.

Senator CONROY—Has anyone outside of government been consulted about the draft bill; if so, who?

Senator SCHACHT—I can think of three names.

Senator Alston—About the bill? Obviously the issues are of interest to a fairly wide range of stakeholders.

Senator SCHACHT—There are three, aren't there? Mr Packer, Mr Murdoch, Mr Stokes and Mr Fairfax—four.

Senator Alston—There are a whole bunch of people. I think Sir Anthony O'Reilly is probably seeing your side in the next few days. There are a lot of people who are interested in change.

Senator CONROY—I am hoping that you are going to come and see our side, Minister. I was just about to ask whether you plan to brief the opposition before the bill is introduced into parliament.

Senator Alston—I was not planning to do that. We do not normally do that, do we? I will take your request on notice.

Senator CONROY—In some portfolios I have been lucky enough to be briefed by government ministers about a bill before it has hit the floor.

Senator Alston—I am not saying it will not happen; I am just saying it is not something we have considered.

Senator SCHACHT—It would be an unusual first for you, Minister, I might say.

Senator Alston—It would be very helpful to those who we thought could understand what we were putting to them.

Senator CONROY—Do you have a date for the introduction?

Senator Alston—No. Sooner rather than later.

Senator SCHACHT—Before we break for the budget—

Senator Alston—If only I knew that.

Senator CONROY—If you talk to estimates, you never know.

Senator SCHACHT—Will you introduce it by the end of March when we break for the budget session?

Senator Alston—Possibly.

Senator CONROY—How is the department progressing with the implementation to the government's response to the telecommunications services inquiry?

Senator Alston—The department is doing quite well. It is not simply up to them; there are others who are involved in rolling out those services, Telstra in particular.

Senator CONROY—I was thinking more particularly for improving services for Aboriginal—

Senator Alston—For the National Communications Fund, for example, we have called for expressions of interest. There is work in progress on that front. Telstra is responsible for the Internet access program; I think that is quite well advanced. On the mobile phones rollout we have announced a number of decisions and I think the money is probably able to be paid out to the contractors to install the towers.

Senator CONROY—Has a study into unmet telecommunications needs of indigenous communities started?

Mr Bryant—Late last year we issued an information and issues paper that went out broadly to indigenous communities and organisations.

Senator CONROY—Who is conducting the study?

Mr Bryant—A task force has been set up within the department. We are working closely with ATSI, the National Office for the Information Economy and the ACA, meeting regularly to talk through the issues and to be involved in the process. We are not very far away now from issuing an options paper which will present our findings up to this point of the study and propose a range of options that could perhaps be considered. The issues are obviously very complex and difficult, and there is a lot of consultation that needs to happen, particularly with state and territory governments because a lot of these issues have to be coordinated with the delivery of services more generally.

Senator CONROY—Has the department developed the process for allocating funds under the TSI National Communications Fund program?

Mr Allnut—Applications have been called for the National Communications Fund and applications close on 28 February.

Senator CONROY—What is the selection process; has it been made public yet?

Mr Allnut—Guidelines were issued—

Senator CONROY—Is Senator Eggleston involved?

Mr Allnut—Not directly. Guidelines were issued in October last year at the time of the call for applications and those guidelines set out the selection criteria—there were nine selection criteria—and people were asked to put in their applications responding to those selection criteria and the applications will be considered.

Senator CONROY—Regarding the \$6.7 million appropriated in 2001-02 for the TSI response, improving community awareness regional campaign, can the department provide figures for what proportion of that appropriation has been spent for campaign advertisements that were made public prior to the 10 November federal election?

Mr Bryant—We do have that information, Senator. We can put it on notice if you like.

Senator CONROY—Were the Connecting the Nation TV ads part of this appropriation?

Mr Bryant—Yes.

Senator CONROY—Who decided that Connecting the Nation TV ads would run in the electorates of Wide Bay, Eden-Monaro, Hume and Kalgoorlie? Who has an electoral map with margins on it?

CHAIR—They are very important electorates, I would have thought.

Senator CONROY—Excellent. They are very important electorates, but who in the department made the decision to run the ads?

CHAIR—They are regional.

Senator Alston—I do not think it was confined to those four.

Senator CONROY—I am sure you had something to do with it, Minister.

Mr Bryant—There was a process, as I understand it, which I might get my colleague to provide further advice and detail on. We can perhaps take that on notice and give you some feedback as well, but in general it was built around regional broadcasting service areas.

Senator CONROY—I appreciate the time. I have some more questions that I will put on notice. Just one last one for the minister: are you happy with the level of coverage that Channel 9 are going to give the World Cup compared to SBS this year?

Senator Alston—Gosh, what are they doing?

Senator CONROY—Let's just say every single match made it live—not live, but fully replayed—and I think we are getting about four.

Senator SCHACHT—The semi-finals, and that's about all.

Senator Alston—I think that over the last year or two we have not been ecstatic about the extent to which the free-to-air has provided coverage—

Senator CONROY—This is a scandal, Minister.

Senator Alston—for those events that are listed on the antisiphoning list, and that is certainly something that we will be taking into account when we review that list.

Senator CONROY—There are less than two handfuls of matches, out of all the matches that are going to be on, that you actually get live.

Senator SCHACHT—Or you could get at all.

Senator CONROY—It is all on pay; it is a scandal. I am not sure how much they have on-sold. They are selling packaged; they are putting an hour's packaged highlights on at 11 o'clock at night. SBS showed every single match.

Senator Alston—Last time, you mean.

Senator CONROY—Last time, yes. Not all live, because some of matches were played at the same time, but they showed every single match.

Senator SCHACHT—And got good ratings as a result.

Senator CONROY—Sensational ratings. Stand up for us!

Senator Alston—As I recall it, it is on the antisiphoning list and they are not going to show—

Senator CONROY—No, if Australia does not qualify, I am not sure if—

Senator SCHACHT—I do not think it is on the antisiphoning list if Australia is out.

Senator CONROY—Yes, if we get eliminated.

Senator Alston—I see.

Senator CONROY—And that's the truth.

Ms Page—Channel 9 has acquired 16 of the 64 matches and has indicated that it is going to broadcast at least 10 of the 16. SBS has expressed an interest in purchasing the rights to the unlicensed matches, but we understand that it considers the price sought by the rights holders for the remaining, less commercially viable matches to be unreasonable.

Senator SCHACHT—Minister, can't you just jawbone Channel 9 a bit until they—

Senator Alston—We can discuss the matter with them.

Senator CONROY—When more of the punters find out what is going on, it is going to build up as an issue, Minister, I promise you.

Senator SCHACHT—Practically every country in Europe with any sizeable population to Australia's is in there, plus Latin America and Africa. They are all going to start jumping up and down.

Senator CONROY—It is bigger than the Olympics, and we know how you love watching the Olympics. I am sure you are going to want to watch the World Cup.

Senator SCHACHT—It is bigger than cricket.

Senator CONROY—Kerry will get a boat over there for you, and you will be set. I thank the minister for the indulgence of the extra half-hour, it is appreciated. Thank you, Chair.

CHAIR—I would like to thank the witnesses, and in particular Helen Williams. This has been your initiation to these estimates, so I hope it prepares you well for May. I thank everybody for being here. This closes this section of these estimates. I remind senators, if they are interested, that questions on notice can be submitted before Thursday afternoon. With that, I bid you all good night. I thank the Hansard and committee staff.

Committee adjourned at 11.33 p.m.