



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATION, INFORMATION
TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

Consideration of Budget Estimates

MONDAY, 27 MAY 2002

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE

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

Monday, 27 May 2002

Members: Senator Eggleston (*Chair*), Senator Mackay (*Deputy Chair*), Senators Bartlett, Calvert, Lundy and Tchen

Senators in attendance: Senators Calvert, Conroy, Eggleston, Harradine, Lundy, Mackay, Murphy, Schacht, Tchen and Tierney

Committee met at 9.11 a.m.

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

In Attendance

Senator Kemp, Minister for the Arts and Sport

Arts and Sports Division

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

Mr Les Neilson, General Manager, Arts Branch

Ms Karen Gosling, General Manager, Cultural Development Branch

Ms Megan Morris, General Manager, Sports Branch

Ms Helen Nosworthy, Acting General Manager, Film and New Media Branch

Old Parliament House

Mr Craddock Morton, Chief General Manager

Australia Council

Ms Jennifer Bott, Chief Executive Officer

Ms Catherine Brown-Watt, Director, Major Performing Arts Board

Mr Ben Strout, Executive Director, Arts Development

Mr John Wicks, Executive Director, Finance and Services

National Gallery of Australia

Dr Brian Kennedy, Director

Mr Alan Froud, Deputy Director

National Library of Australia

Ms January Fullerton, Director General

Mr David Toll, Deputy Director General

Mr Gerry Linehan, Assistant Director General, Corporate Services

Ms Pam Gateby, Assistant Director General, Collections Management

Australian National Maritime Museum

Mr Quentin Howarth, Assistant Director, Corporate Services

National Museum of Australia

Ms Dawn Casy, Director

Ms Freda Hanley, General Manager, Content Development and Technology

Mr Greg Andrews, General Manager, Marketing and Commercial Operations

National Archives of Australia

Ms Anne-Marie Schwirtlich, Acting Director General
Mr Peter Meadley, Acting Assistant Director General, Corporate
Mr Steve Stuckey, Assistant Director General, Collection Management

Screensound Australia

Mr Ron Brent, Director
Ms Mary Durkin, Deputy Director

Australian Film Finance Corporation

Ms Catriona Hughes, Chief Executive Officer

Australian Film Commission

Mr Kim Dalton, Chief Executive Officer

Australian Film Television and Radio School

Ms Annabelle Sheehan, Head of Film and Television
Mr Reza Bilimoria, Head of Corporate Services
Mr Derek Allsop, Head of Technology

Film Australia Limited

Ms Sharon Connolly, General Manager

Australian Sports Drug Agency

Mr John Mendoza, Chief Executive
Mr Kim Terrell, General Manager, Strategy and Support

Australian Sports Commission

Mr Mark Peters, Chief Executive Officer
Mr Michael Scott, Director, AIS
Ms Shirley Willis, Acting General Manager, Sport Development
Mr Brent Espeland, General Manager, Business Operations

National Science and Technology Centre

Dr Annie Ghisalberti, Director

Telecommunications Division

Mr Chris Cheah, Chief General Manager, Telecommunications
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 James Barr, General Manager, Networking the Nation Branch
Mr William Scott, Manager, International Strategy Section, International Branch

Australian Communications Authority

Mr Tony Shaw, Chair
Mr Allan Horsley, Member
Mr Geoff Luther, Senior Executive Manager, Radiocommunications
Dr Roslyn Kelleher, Senior Executive Manager, Telecommunications
Mr John Grant, Executive Manager, Spectrum Marketing Group
Mr Peter Stackpole, Executive Manager, Customer Services Group
Mr Grant Symons, Executive Manager, Standards and Compliance Group
Mr Rick O'Brien, Manager, Business Strategy and Administration, Customer Services Group

Mr John Neil, Executive Manager, Consumers Affairs Group
Mr John Haydon, Executive Manager, Universal Service Obligation
Mr Darren Hooper, Chief Finance Officer, Corporate Management Group
Mr Grant Symons, Executive Manager, Standards and Compliance Group

Telstra

Mr John Stanhope, Director, Finance
Mr Paul Paterson, Director, Regulatory
Mr Omar Khalifa, General Manager, Business Management
Mr Anthony Rix, Executive General Manager, Service Advantage
Mr Darian Stirzaker, Chief, Consumer Sales
Mr Paul Granville, Senior Manager, Networks

Australia Post

Mr Michael McCloskey, Corporate Secretary
Mr Jim Marshall, General Manager, Mail and Networks
Mr Michael Tenace, Acting Chief Finance Officer
Mr Gary Lee, Group Manager, Letters
Mr Stephen Walter, Group Manager, Corporate Public Affairs
Mr Allan Vallance, Strategy and New Business
Ms Liz Grant, Manager, Board and Shareholder Liaison
Mr Alan Marshall, Group Manager, Financial Strategy
Mr Terry Sinclair, Manager, National Logistics

NOIE

Mr John Rimmer, CEO
Dr Rod Badger, DCEO
Mr Patrick Callioni, CHM Information Economy Group
Ms Anne-Marie Lansdown, General Manager, Access Branch
Mr David Kennedy, General Manager, Strategy and Analysis Branch
Mr Ashley Cross, General Manager, eBusiness Branch
Mr Keith Besgrove, CGM, information Industries Group
Dr Lee Boldeman, Acting General Manager, ICT Industries Innovation Branch
Mr Tom Dale, General Manager, Regulatory Branch
Mr Richard Thwaites, General Manager, International Branch
Mr John Grant, Chief General Manager, GOL Group
Mr Brian Stewart, General Manager, Policy and Directions
Ms Michelle Kinnane, General Manager, Information Access
Mr Steve Alford, General Manager, Infrastructure Branch
Ms Robyn Fleming, General Manager, Corporate
Ms Cathy Tighe, Manager, Finance

Broadcasting and Intellectual Property Division

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

SBS

Mr Nigel Milan, Managing Director
Ms Julie Eisenberg, Head of Policy
Ms Maureen Crowe, Head of Resources
Mr Jonathan Torpy, Manager, Finance

ABC

Mr Russell Balding, Acting Managing Director
Ms Sue Howard, Director, ABC Radio
Ms Sandra Levy, Director, ABC Television
Mr Colin Knowles, Director, Technology and Distribution
Mr David Pendleton, Director, Finance and Support Services
Mr Colin Palmer, Director, Human Resources
Ms Lucy Broad, Head, Network Scheduling, Radio

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
Mr Richard Fraser, Content Assessment, Assistant Manager
Mr Leon Atkinson-MacEwer, Industry Review, Manager

Corporate Division

Mr Arthur Blewitt, Chief General Manager
Ms Jennifer Gale, Chief Finance Officer
Mr Len Marsden, General Manager, Knowledge and Information Services
Mr Frank Nicholas, Manager, Corporate Budgeting

CHAIR—I welcome everybody here and I declare open this public hearing of the Senate Environment, Communications, Information Technology and the Arts Legislation Committee considering the budget estimates for 2002-03. By resolution of 13 February 2002 and 14 May 2002, the Senate has referred to the committee the particulars of proposed expenditure for the year ending on 30 June 2003 for the two portfolios of Communications, Information Technology and the Arts, and Environment and Heritage. We plan to examine the Communications, Information Technology and the Arts portfolio over the next three days and the Environment and Heritage portfolio on Thursday. The committee is required to report to the Senate on 19 June 2002 and has determined that the deadline for the answers to questions placed on notice at this week's hearing shall be the close of business on 16 August 2002. The Senate has also resolved that a supplementary hearing should be held on 20 November, with 22 November nominated as a spillover day.

I have to advise the committee that we do not have a minister: Senator Alston is in China and his replacement for these estimates was to be Senator Kemp, who is circling Canberra in a plane because of the fog.

Senator CONROY—He is devastated because Carlton lost again!

CHAIR—He may well be doing that but the Eagles won, which is of greater importance. So what we plan to do is proceed without a minister. That means that the senators should not

ask the witnesses about issues relating to policy, and any issues relating to policy should be taken note of by the witnesses and provided to the minister for answer at a later date.

Before we move to questions, I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I also remind officers that they will not be asked to express a personal opinion on matters of policy and shall be given a reasonable opportunity to refer any such questions to superior officers or to a minister. Witnesses are reminded that the evidence given to this committee is protected by parliament privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute contempt of the Senate.

We will call agencies in accordance with the agenda. At Mr Balding's request, we have agreed to begin today's hearings with the ABC. I again welcome everybody. We will now proceed.

[9.14 a.m.]

Australian Broadcasting Corporation

Senator CONROY—How is the ABC progressing with its high definition television requirement commencing in 2003?

Mr Balding—From a program perspective, or from a technology perspective?

Senator CONROY—Technology to start with, probably.

Mr Knowles—The ABC since the commencement of digital television has the capacity to deliver high definition television programs. We are fully equipped to be able to deliver from 1 January next year. As you are aware, the ABC is able to up-convert its programs and, for that period, most of our programs will in fact be up-converted for the initial stages at least, because that is the only source of programs we have.

Senator CONROY—How much money has the ABC invested in preparation for high definition television in addition to the money it would have spent for standard definition only?

Mr Knowles—At this point we have yet to invest in high definition studios. We are building new studios at the moment in Ultimo, and the total cost of high definition is about \$30 million out of a total of \$100 million.

Senator CONROY—That was \$30 million?

Mr Knowles—Yes. If we did that in standard definition, it would cost us \$15 million anyway and so it is about a \$15 million premium.

Senator CONROY—How much money do you estimate that you still need to spend on high definition only expenses, in order to meet the 2003 high definition deadline?

Mr Knowles—We do not need to spend any money at this point. The deadline is the requirement for transmission from 1 January.

Senator CONROY—But how much do you think you will still need to spend?

Mr Knowles—We will in fact be completing the fit out of the HD studios over probably the next two years. We have not put it all in on day one, simply because the equipment is not yet available in the marketplace and so we are taking a 'wait until it has been in the catalogue

for a year' approach to ensure that what we purchase in fact is stable product, rather than something which is—

Senator CONROY—So you do not really have an estimate of what it will cost to be up and running and going on the day?

Mr Knowles—For going on the day, we have already invested the money and it is a relatively small amount. It is probably \$2 million.

Senator CONROY—Have you made a decision as to whether you will scrap the two multichannel programs during the required high definition broadcast periods?

Mr Knowles—That in itself is a technical difficulty, in the fact that it is nearly impossible to run high definition at the same time as running multichannels. There is just not enough space in the spectrum.

Senator CONROY—That would mean that you would have no choice but to scrap your multichannelling.

Mr Balding—For that period of time.

Senator CONROY—For that segment. The ABC recently called on the government to drop the 2003 20-hour per week high definition television requirement. Can you elaborate on your reasons for this?

Mr Balding—There were a number of reasons behind that. One of them was to give the chance for our multichannel to mature. It was also to enrich our content in respect of the multichannel, for the reasons that we are just discussing. If we were required to transmit in high definition as well as standard definition, there would be very little spectrum left for our multichannel, or else it would severely compromise the quality of the picture on the multichannel. We believe that by deferring the requirement to transmit in HDTV for three to five years, that will give us much more opportunity to have that multichannel mature, and to grow our audiences in respect of those multichannels.

Senator CONROY—Has the ABC conducted any investigation into allegations that board member Michael Kroger attempted to influence the *Four Corners* program on Alan Jones, which screened on 6 May?

Mr Balding—There has been no specific investigation as such, in respect of the board looking to influence programming. But what I can say is that to my knowledge no board direction was given in respect of that *Four Corners* program.

Senator CONROY—You have read reports, and presumably you have even possibly heard Mr Kroger speak. He does appear to have spoken directly to the journalist on a number of occasions. Is that usual? Do your board members often speak to journalists involved in investigative stories?

Mr Balding—I am not aware to what extent board members would normally talk to a journalist. What I would like to say is that this is the sort of situation where different parties obviously have different recollections of the same events, Senator. Not having spoken to Mr Masters but having read Mr Masters's account and Mr Kroger's account, both of those accounts are on the public record, and people can come to their own conclusions.

Senator CONROY—So you do not think there is any role for the ABC board or the ABC management to try and get to the bottom of it? Differing recollections are important—

Mr Balding—Yes.

Senator CONROY—No-one is arguing that—and I am not going to try to buy into who said what to whom—but I would have thought there is a question about a board member having had a discussion that was perhaps inappropriate. The least you would want to do, Mr Balding, is to clear Mr Kroger of such an allegation.

Mr Balding—Senator, I did call for a report in respect of the comments of Mr Kroger and Mr Masters. The director of news and current affairs has provided me with a report. That is going to the board and has been submitted to the board for discussion at tomorrow's board meeting.

Senator CONROY—So when I asked you if you had conducted an investigation, and you failed to mention that you had asked for a report but you told me there would be no investigation, was that a semantic issue there?

Mr Balding—Sorry, yes, I interpreted that as an investigation, as to whether the board members had inquired into the program.

Senator CONROY—Sorry, my question was: has the ABC—that is you—conducted an investigation?

Mr Balding—Yes, I have called for a report. That report has been received and it has been forwarded to the board for consideration at tomorrow's board meeting.

Senator CONROY—What were the outcomes of the report? What were the findings?

Mr Balding—Senator, I feel it would be inappropriate for me to discuss the contents of that report prior to it being considered by the board.

Senator CONROY—I might come back to that. Can the ABC confirm that Mr Kroger spoke out against the program during a board meeting?

Mr Balding—Senator, you will no doubt appreciate that what is discussed inside the ABC boardroom—

Senator CONROY—It is usually a matter of public record—

Mr Balding—should stay in the ABC boardroom. Again, what I can confirm is that the board itself has not given any editorial direction in respect of that program.

Senator CONROY—But the board has discussed this.

Mr Balding—Again, Senator, I do not feel it is appropriate that I should comment on what the board has discussed or what it has not discussed.

Senator CONROY—Does Mr McDonald, the chairman, ever come to estimates?

Mr Balding—Not that I am aware of, Senator.

Senator CONROY—Is there a reason that he never comes or is it just protocol? Other chairs of other boards come.

Mr Balding—I do not believe he has been invited, Senator.

Senator CONROY—There is an opportunity for us. What is he doing later today?

Mr Balding—I am not aware, Senator, sorry.

Senator CONROY—What is the ABC's view on Mr Kroger's claim of 7 May that the ABC is politically biased against John Howard and his government?

Mr Balding—Senator, as outlined in Mr Uechtritz’s statement of 7 May, the ABC rejects claims of institutionalised bias against any political party. I think it needs to be put into the context that the ABC broadcasts over 24,000 hours per annum of news and current affairs on television and radio and as many pages online. The ABC has mechanisms in place to ensure that it is balanced, impartial and unbiased in its programming output. However, mistakes are made. When those mistakes are made, appropriate action is taken to rectify those mistakes. But, at the end of the day, the ABC rejects that claim.

Senator CONROY—I think Mr Costello weighed into the debate on the weekend. I do not have the weekend’s papers with me, but Mr Costello comments—

Mr Balding—There were some comments from Mr Costello, but I might also point you to a statement that the chairman put out on Friday.

Senator CONROY—A good statement. I would like to have a chat with him about it, but he is not with us. I do at this point indicate that I have some questions I was going to put to the minister, but obviously he is circling. So I might have to come back to them, if I could just indicate that. I cannot read the note.

The ABC’s head of news and current affairs, Mr Uechtritz, has said that the ABC has a ‘robust system’ for ensuring the independence of news and current affairs. As you have indicated, he emphatically rejected accusations of political bias levelled against the ABC by Mr Kroger and the Treasurer. Can you provide us with an outline of Max Uechtritz’s defence of the ABC’s impartiality? You have done that a little, but I want to get it on the record, because it is now a matter of significant public debate.

Mr Balding—It is further outlined in Mr Uechtritz’s own statement. He referred to the recent performance audit by the Australian National Audit Office tabled in parliament in early April this year. The Audit Office found that ‘procedures and practices were effective’ in assisting the ABC to deliver news and current affairs programs that reflected the charter requirements of independence, accuracy and impartiality. Furthermore, the ABC’s approach to the control of standards of political and electoral broadcast matters was ‘robust and effective’. I think you need to consider those findings by the Audit Office in the context of a very comprehensive 12-month review of the ABC’s governance, processes and procedures.

Senator CONROY—You have been receiving correspondence from Lynton Crosby on a regular basis, making individual allegations.

Mr Balding—A number of letters have come in from Mr Crosby, yes.

Senator CONROY—Is he your most regular correspondent?

Mr Balding—I do not know about ‘most’ regular. I can take that on notice and give you some statistics on that. He is a frequent correspondent.

Senator CONROY—I will not put you to the trouble of checking; but he is certainly a frequent correspondent. I refer to the article in last Saturday’s *Age* by Annabel Crabb entitled ‘The perils of minding Aunty’. The article makes the claim that, of Jonathan Shier’s nearly \$1 million payout, about \$480,000 consisted of hush money, so that Mr Shier would leave quickly and quietly. I know that we have discussed Mr Shier’s payout previously, Mr Balding, but are these claims correct?

Mr Balding—It depends on what terminology you use. I refer you to a question on notice that we have provided back to this committee in respect of what constituted the payout to Mr

Shier. At the end of the day you will find that it was a negotiated settlement for Mr Shier to separate from the corporation.

Senator CONROY—Can you confirm reports from the article that Mr Shier's contract only entitled him to one year's pay if he were removed?

Mr Balding—I believe it is 18 months, if the process was followed as outlined in that article.

Senator CONROY—How many episodes of *Compass* can you make for \$480,000, Ms Levy?

Ms Levy—Quite a few. *Compass* is a series that is made up of both acquired and local programs, but I guess you would end up making about four local programs and probably 10 or 12 acquired ones.

Senator CONROY—So that is probably three months worth of programming for *Compass*.

Ms Levy—In that mix of things, yes.

Senator CONROY—I am not quite sure to whom I can put this question who does not have a potential conflict of interest, of the people sitting here. The managing director's appointment: where are we at?

Mr Balding—I believe that there will be a number of interviews on Wednesday of this week.

Senator CONROY—I keep reading reports that it has been six months. It seems longer since Mr Shier moved on.

Mr Balding—It depends whether you have been acting in the chair or not as to just how long it seems! But it is approaching seven months. It is over six months. But I again refer to the statement from the chairman: having regard to the size and complexity of the organisation, six months is not an overly long period of time in seeking to find a CEO.

Senator CONROY—So you do not accept the view of Michael Kroger and the minister, Senator Alston, that it is inappropriate for a large public organisation like the ABC to take half a year or so to appoint a new managing director?

Mr Balding—I am not in a position to comment on that, other than again to refer you to the chairman's statement. But also, in defence of the corporation, the corporation has a management team in place and I think by any standard of performance the corporation is performing quite well across all three platforms. My colleagues from radio and television will be able to talk to that performance. But from a governance perspective, the executive is working, working as a team, and we are getting on with the job.

Senator CONROY—When do you expect to finalise the appointment?

Mr Balding—Senator, that is not my prerogative; that is the prerogative of the board.

Senator CONROY—Do you know how many candidates are being interviewed?

Mr Balding—No, I do not.

Senator CONROY—I note reports that you are the frontrunner at the moment, but it is a bit hard to run up and down the table to have a chat about this process when most of the people at the table have been mentioned one way or the other. Is it correct that Rochford recommended no interviews and that there was one outstanding candidate?

Mr Balding—I am not aware and I am not in a position to comment on that. This is a matter that is being handled by the board, and during all discussions in respect of the appointment of the new managing director and the processes around that appointment I have not been present.

Senator CONROY—I am sure. Is it a subcommittee of the board? Who is in charge?

Mr Balding—It is the board, the full board.

Senator CONROY—The full board are doing it?

Mr Balding—Correct.

Senator CONROY—In your answer to question 90 from 18 February this year, you state that the fee payable to Rochford International to find a new managing director is commercial-in-confidence. You heard what the chair of the committee said at the beginning of the hearings. Are you able to answer that question now?

Mr Balding—The process still has not been completed. In our answer we argue that we would prefer not to provide further details at this time because the project is not complete.

Senator CONROY—Are you in a position to tell us how much has been billed so far?

Mr Balding—I have not got that information with me. We can take that on notice.

Senator CONROY—Would you be able to track it down sometime today while you are still here?

Mr Balding—I think we should be able to.

Senator CONROY—Thanks. Is it based on the length of time? So if it blows out another six months—

Mr Balding—I believe it is a fixed fee, plus expenses incurred.

Senator CONROY—Okay. If you are appointed, Mr Balding, do you think will have been a good use of money when you have been sitting there right under their noses all that time?

Mr Balding—It is very difficult for me to comment on that. Again, if you look at the statement from the chairman that he put out last Friday and a number of public statements that the chairman has made in respect of this process—

Senator CONROY—It is hard to tell which faction is backing you at the moment—the Victorian Libs or the New South Wales Libs.

Mr Balding—Having regard to the fact that the ABC is the public broadcaster, the processes do need to be thorough and robust. I am sure that the board can make an appropriate statement at the appropriate time.

Senator CONROY—I will move on, you will be happy to hear. Can the ABC advise on the current status of their arrangements with the AFL to broadcast AFL matches on radio?

Mr Balding—Yes, we can. I will ask my colleague Lucy Broad to bring us up to date on that.

Ms Broad—Senator, negotiations are continuing with the AFL. We have made our position quite clear to them in that we are not prepared to accept them selling the online ABC coverage online, but we had previously agreed to them placing the ABC coverage on their site. We have not reached a resolution on that. As I say, the negotiations are continuing.

CHAIR—May I just interrupt the proceedings to welcome Senator Kemp, recently arrived by air from Victoria.

Senator Kemp—Thank you very much. It is a pleasure to be here, especially to be surrounded by such old friends. It is great.

Senator CONROY—We are very keen. You would be excited now that we were just trying to make sure that the ABC was giving radio coverage of a Carlton game. It is a matter of some significance, as I am sure you would understand.

Senator Kemp—I do not think you would want me to comment on that. I would have to declare a heavy interest in that.

Senator SCHACHT—Perhaps you were there yesterday.

Senator CONROY—Kempy is a regular at Optus Oval. He has his own seat.

Senator Kemp—I was there yesterday, yes, from go to whoa.

Senator SCHACHT—Did you boo them off at the end?

Senator Kemp—I am not—let me assure you, Senator Schacht—in a very good mood today. I think it is only fair to warn you.

Senator CONROY—I apologise, Ms Broad.

Senator Kemp—Have we dealt with volleyball yet?

Senator SCHACHT—No, we are not doing volleyball.

Senator CONROY—No, we will be getting to that later. I have no doubt we will get there.

Senator Kemp—I do not want another occasion at lunchtime between you two.

Senator SCHACHT—No.

Senator CONROY—Senator Kemp, in your absence, I was asking some questions about Mr Kroger. I understand he is a good close factional ally of yours in Victoria.

Senator Kemp—And, I might say, I understand he is a good friend of yours. Is that correct?

Senator CONROY—I have been known to have conversations with Mr Kroger; that is true.

Senator Kemp—That is not what I have heard.

Senator CONROY—I am known to Mr Kroger not quite as well as you, though.

Senator Kemp—I want you to know I keep myself very well informed about you, Senator Conroy. So you be careful or I might be forced to reveal things.

Senator CONROY—I cannot help your unhealthy interests, Senator Kemp. We were talking about Mr Kroger and his comments last week, and Mr Costello, another factional ally of yours from Victoria, and, funnily enough, Mr Alston—perhaps not such a close factional ally but anyway.

Senator Kemp—A very close friend, actually. You are quite wrong there.

Senator SCHACHT—He barracks for Collingwood so he cannot be that close.

Senator CONROY—I hope he is chatting with you regularly.

Senator Kemp—That is his one great fault; it is not an overwhelming fault, but it is a fault.

Senator CONROY—We were talking about Mr Kroger's attempts to influence the *Four Corners* program on Mr Alan Jones. Minister, do you have a view as to whether it is appropriate for a board member to attempt to influence a *Four Corners* journalist, Chris Masters, in regard to how he should portray Alan Jones on that program?

Senator Kemp—Thank you for the question. This is a matter that was actually dealt with, in my understanding, by Senator Alston in the Senate. I do not know whether you were there.

Senator CONROY—This is last week. Mr Kroger's comments were last week.

Senator Kemp—There was a comment—

Senator CONROY—There is a running argument—

Senator Kemp—that was made, I think you will find. There was a question by Senator Hutchins, I think. Is that correct?

Mr Balding—Yes.

Senator Kemp—Yes, thank you, Mr Balding. There was a question by Senator Hutchins to Senator Alston on that. I thought he answered that rather well. Surprisingly enough, I seem to have a copy of that here.

Senator CONROY—Good.

Senator Kemp—Senator Alston said—it was quite an interesting comment actually.

Senator CONROY—Did he mention Carlton? That would have made it very interesting.

Senator Kemp—Mr Kroger barracks for Melbourne actually, I think you will find. He has had a few tough years on that one. This was Senator Alston's comment:

Mr Kroger is perfectly entitled to express those views. As I read it from time to time, there are many employees in the ABC who make it an art form to go public on their dissatisfactions, concerns or preferences in a way that simply would not be tolerated inside an ordinary commercial operation. If special rules apply to the ABC—in other words, if it is fair game for everyone to get out there on the public airwaves and have a say about how they think the show is going—I would have thought that a board member would be very well qualified to make that assessment.

That was said in the Senate. I am surprised you are asking me to repeat a comment that was made in the Senate.

Senator CONROY—No, unfortunately, it just did not answer the question that I asked.

Senator Kemp—It did.

Senator CONROY—I am happy for that to be reread into the *Hansard*, but what I asked you, Minister, was whether you thought it was appropriate that a board member—

Senator Kemp—That was exactly the question.

Senator CONROY—Yes, but the answer had nothing to do with the question. I am asking you whether you think it is appropriate for a board member to speak to a journalist who is in the process of putting together a story, in an attempt to influence him.

Senator Kemp—Senator, I have read what Senator Hutchins asked, and I have now read what Senator Alston has answered. I think—and this may be a rare occasion—that I seem to be a bit better briefed on this issue than you are.

Senator CONROY—No, that would be very unlikely, Senator Kemp.

Senator Kemp—Well, it has happened from time to time.

Senator CONROY—No. Can we come back to the question?

Senator Kemp—The question was from Senator Hutchins. It was:

My question is addressed to Senator Alston, Minister for Communications, Information Technology and the Arts. Does the minister think it is appropriate for ABC board member Michael Kroger to attempt to influence the *Four Corners* journalist Chris Masters with regard to how he should portray Alan Jones on *Four Corners*?

That was exactly your question—

Senator CONROY—And unfortunately Senator Alston did not even answer that—and you are not now.

Senator Kemp—And then Senator Alston said, ‘Mr Kroger is perfectly entitled to express those views.’ I could continue, but I have already read that into the record.

Senator CONROY—What I asked was this: is he entitled to monster a journalist when he is on the board?

Senator Kemp—I have got nothing to add to what the minister has said. That is the minister’s view.

Senator CONROY—So it is okay to go around monsterring journalists?

Senator Kemp—I am actually here on behalf of the minister. You have a view that people should not attempt to—

Senator CONROY—I said ‘board members’. There is a difference between a member of the public and a board member.

Senator Kemp—Senator, you have a view, and Senator Alston has a different view. The public will judge that debate.

Senator SCHACHT—They certainly will.

Senator Kemp—I have nothing further to add to Senator Alston’s position on this—which I thought was fine.

Senator SCHACHT—Surely, Senator Kemp, when someone who is on the board responsible for the management of the corporate body—the ABC, in this case—is going around, commenting about individual staff members, if it were a publicly listed company such as BHP and a board member were going around publicly monsterring and abusing an employee at any level of BHP, wouldn’t the chief executive of the organisation say, ‘Hang on a moment! That is a management issue. The board sets the policy, but this is a management issue. I will deal with any complaint through the management processes.’ That is the big difference that you have.

Senator Kemp—Thank you for your position. I think that point was also covered by Senator Alston. You say that he attempted to monster him, but I do not accept that.

Senator SCHACHT—‘Break an arm’?

Senator Kemp—We can argue that, but I do not accept the way the question was framed.

Senator SCHACHT—All right. I will tone it down to—

Senator Kemp—Let us cut to the chase, however. Let us go to the substantive point you are making; whether it is appropriate for board members to make public comments.

Senator SCHACHT—No; comments about one of the employees of the organisation—attacking the person who is employed by the ABC.

Senator Kemp—I do not accept the way the question has been framed. However, Senator Alston did make his position very clear—

Senator SCHACHT—He supported Kroger.

Senator Kemp—He did not. Senator Alston made it very clear what his position was.

Senator CONROY—That it was okay to monster.

Senator Kemp—I think you have made the point that you feel it is not usual for board members to make comments about staff.

Senator SCHACHT—To make comments about the performance of a staff member of the organisation of which they are a board member.

Senator Kemp—Senator Alston drew our attention to the fact:

As I read it from time to time, there are many employees in the ABC who make it an art form to go public on their dissatisfactions, concerns or preferences in a way that simply would not be tolerated inside—

Senator SCHACHT—No; a board member.

Senator Kemp—I know. Let me continue. Christopher, this could be your swan song.

Senator SCHACHT—It is.

Senator Kemp—This is a very emotional moment for a lot of us!

Senator SCHACHT—No, no. For you in particular, but not for me.

Senator Kemp—We would like you to go out on a high note, if we could.

Senator SCHACHT—No. I would never try for a high note with you, Senator Kemp.

Senator Kemp—That would come as a surprise to us all.

Senator SCHACHT—Down at a bass B or something is what I am trying with you.

Senator CONROY—You barrack for Adelaide, don't you?

Senator SCHACHT—I barrack for Adelaide.

Senator Kemp—I see. I wondered why you had a certain smugness about you yesterday. You made the comment, and it is an interesting debate, but happily Senator Alston has addressed this in detail. He is made this clear:

There are employees in the ABC who make it an art form to go public on dissatisfactions, concerns or preferences in a way that simply would not be tolerated inside an ordinary commercial operation.

So he is saying that the staff members make their particular views known in a public way—which, to use your analogy, may not be acceptable in BHP. Senator Alston then went on to say:

... in other words, if it is fair game for everyone to get out there on the public airwaves and have a say about how they think the show is going—I would have thought that a board member—

and I imagine he is referring to Mr Kroger—

would be very well qualified to make that assessment.

Senator SCHACHT—Do you think Mr Kroger understands the different between being an executive member of the board and a non-executive member of the board? I do not think he does. I think he might be in the short-list to be the new managing director.

Senator Kemp—Senator, you have asked me a question. I have a reputation for dealing with questions in great detail, as you know, and sometimes at considerable length, to make sure that senators are fully satisfied with the response, but I think Senator Alston covered this extremely well. I do not have anything to add to what the minister for communications said. The question that was posed to me by your and by your colleague was exactly the question that Senator Hutchins posed and the answer I have given is exactly the answer that Senator Alston gave.

Senator CONROY—Minister, if you were on the board would you try and speak to a journalist in the course of preparing a story?

Senator Kemp—Senator, if you have a debate with Mr Kroger—

Senator CONROY—So you have got some standards? I would expect you to say no.

Senator Kemp—I have read the standards and I do not accept the way that your question is framed. But the point I am making to you—

Senator CONROY—Would you do it?

Senator Kemp—I tell you what I would think would be sensible: seeing you are a very good friend of Mr Kroger—

Senator CONROY—I think that is a little of an overstatement, Senator.

Senator Kemp—Not an overstatement—and seeing Senator Schacht has a particular fascination with Mr Kroger, what I would recommend is—

Senator SCHACHT—He has got a bit of form, I have noticed.

Senator Kemp—why don't you go on *Lateline* and have a debate with Mr Kroger.

Senator CONROY—If I got invited onto *Lateline* he would probably whinge that they were biased.

Senator Kemp—Then, Senator, we can test your debating skills against Mr Kroger's. Your debate is with Mr Kroger. I have stated the position of the minister for communications and I have got nothing to add to it.

Senator CONROY—Do Mr Kroger's duties as a board member of the ABC include maintaining the integrity of the ABC?

Senator Kemp—I would think that is a duty of a board member, and I have got no doubt that that is how he sees it.

Senator CONROY—Do you consider that denigrating the ABC's news coverage when you allege that it is biased against the coalition government is maintaining the integrity of the ABC?

Senator Kemp—Senator, when you are in the area of public communication, when you are in the area of making observations on political issues, issues of wide concern, there will always be a public debate. I think that you and I understand that people have made their

comments about the ABC from time to time and I guess I have also made comments about the ABC.

Senator SCHACHT—But you are not a board member.

Senator CONROY—But Mr Kroger has a duty as a director to protect the integrity, not to be out there impugning the integrity.

Senator Kemp—That is the way you framed the question. I do not accept the way the question is framed. You have a particular view on Mr Kroger and I understand that you have been revved up to make a political attack on him. I understand that.

Senator SCHACHT—Come on! He has revved it up—Mr Kroger has done the revving, Senator Kemp, not us.

Senator Kemp—Senator, you and I have been in politics for a long period of time—

Senator SCHACHT—Mr Kroger has done the revving in a spectacular way.

Senator CONROY—He is a stalking horse—come on, be fair: he is Costello's stalking horse. This is what it is all about.

Senator Kemp—Senator Alston, the minister for communications, has made his views entirely clear on Mr Kroger, entirely clear on the substance of this debate, and I do not have anything further to add.

Senator CONROY—Do you believe that board members have the right to intervene in individual programming decisions?

Senator Kemp—I do not accept—

Senator CONROY—That is what it is about.

Senator Kemp—If you are referring to Mr Kroger, I do not accept the way you are framing your question in relation to Mr Kroger. Board members will have various duties and clearly there will be a different view on how those duties should be performed. If Mr Kroger was here—I do not want to put words in his mouth—he would seek to argue, I am sure, that he was seeking, as always, to protect the integrity of the ABC.

Senator SCHACHT—Mr Kemp, Senator Kemp, can I put it this way. I am sorry: Senator Kemp. I am about to become a mister!

Senator Kemp—You are the one who is going, Senator; I hope to be staying.

Senator SCHACHT—Mr Henschke has just stepped down as the employee rep of the board, and someone else has been voted on—

Senator CONROY—Who has been voted on—just out of interest?

Mr Balding—Ramona Koval.

Senator SCHACHT—Ramona Koval. If the staff representative, elected by the staff, started wandering around publicly, or even privately, monsterring staff or interfering and saying, 'I don't like this particular program,' I would imagine there would be a pretty heavy reaction from other board members that that person was using their board position to interfere in programming—and quite rightly. What is the difference? You people would jump up and down if a so-called left-wing staff member—

Senator CONROY—No, to be fair, he has form. He did demand a spot on ABC radio in Melbourne to reply to something that was said about him. Not a lot of people can just phone up the radio station that they are on the board of and demand a spot.

Senator Kemp—I hope you two are having a pleasant chat over there.

Senator SCHACHT—No.

Senator Kemp—I must confess that it is nice to see you two being polite to each other at estimates. It has not always been the case.

Senator SCHACHT—Senator Kemp, would the government be concerned if the staff rep on the board used their position, for whatever reason, to publicly interfere and make comment about a particular program?

Senator Kemp—Let me go to what I think is the substance—

Senator SCHACHT—Because if you are not, the staff rep might just start opening up and then we would have a nice kettle of fish.

Senator CONROY—Go Ramona!

Senator SCHACHT—Go Ramona! Over to you, Ramona.

Senator Kemp—Do you think that, since you have asked the question, I may be entitled to respond to it?

Senator SCHACHT—We will let you answer it, of course. I am sorry.

Senator Kemp—I know it always causes you distress when ministers seek to answer questions.

Senator SCHACHT—I know. Most of the answers are useless, I suppose.

Senator CONROY—Come on. You would break your duck if you answered this one.

Senator Kemp—The fact of the matter is that the ABC staff—and I have not made a close study of it, but my observations tend to be consistent with those of Senator Alston—are very public in the way they approach the press, the media.

Senator SCHACHT—I am asking specifically, Senator Kemp, about the staff rep on the board.

Senator Kemp—I am not going to go into—

Senator SCHACHT—If they started making these sorts of comments at the level of Mr Kroger, I would imagine there would be a fair bit of reaction, including from other staff.

Senator Kemp—My understanding is, as Senator Alston has pointed out, that the staff are often fairly public in their statements about the ABC.

Senator SCHACHT—But they are not board members.

Senator Kemp—Senator, I do not know how many times we have to go back over this issue. I have stated the view of the minister for communications. He is the person charged with these responsibilities. I do not think it is for me to add to or subtract from his comments.

Senator SCHACHT—Senator Kemp, there are nine members on the board. About four of them have got Liberal Party form. That is fine and you have appointed them.

Senator Kemp—You are opposed to that, are you?

Senator SCHACHT—No, I have never been opposed to people who have a background in party politics being appointed.

Senator Kemp—So you are quite happy that—

Senator SCHACHT—No, what I am saying is that, apart from that, there are nine members—

Senator CONROY—We have no problem with Mr Kroger being on the board.

Senator SCHACHT—You appointed him—you live by it; you die by it.

Senator CONROY—We just have a problem with him interfering in the management of various programs.

Senator SCHACHT—If the nine board members, apart from the chief executive, all started making public comments on any issue—so you had four or five different board members with a different viewpoint from Mr Kroger speaking out on any issue—everyone would be saying that the board is dysfunctional, worse than the Simpson family, and is not able to organise anything. If they were all publicly commenting on an issue like Mr Kroger, the board would be dysfunctional. Is that not correct?

Senator Kemp—I have been reminded that the previous ABC staff rep, Quentin Dempster, wrote a book about the internal workings of the ABC.

Senator SCHACHT—And quote to me where he influenced and interfered with a program.

Senator Kemp—I think that is making—

Senator SCHACHT—No. Quote to me from the book or from public comments where he is on the record as lobbying or interfering with a program being made. Quote me the example.

Senator Kemp—I have no doubt that in the ABC there are constant discussions about programs. In fact, it would be surprising if staff members were not constantly discussing programs, because that is what I would have thought was their job, wouldn't you?

Senator SCHACHT—But why is the board member?

Senator CONROY—Yes, it is just not the board's job.

Senator Kemp—And you have a view that the board members should not be making any comments. I have quoted to you Senator Alston's view.

Senator SCHACHT—I would want them to make a policy statement if they were concerned.

Senator Kemp—Senator, this is a debate which you will have to have with Mr Kroger or Senator Alston, but Senator Alston's views are quite clear on this matter.

Senator CONROY—Do you agree with Mr Kroger's allegations of political bias against the ABC last week?

Senator Kemp—I do not have his quotes here, and I do not propose to make a running comment on Mr Kroger's comments. I think we have dealt with the substantive point.

Senator CONROY—Do you agree with the comments from Liberal Party sources last week that Mr McDonald has lost the plot and gone native?

Senator Kemp—Which sources are they? No one has actually raised that with me. Which sources?

Senator CONROY—Probably Mr Costello.

Senator Kemp—Is this an unnamed source?

Senator CONROY—I am just reporting. Obviously you must have missed the papers on Thursday, Friday and the weekend.

Senator Kemp—I have been very busy.

Senator CONROY—I know that there is not a lot for you to read about in the newspapers at the moment.

Senator Kemp—The sport and arts portfolio keeps me very busy.

Senator CONROY—I know you normally turn to the back.

Senator Kemp—I am constantly being shadowed by Senator Lundy, and I have to keep on my toes.

Senator CONROY—There is no incentive for you to pick up a newspaper nowadays, but I was just wondering whether you agree that Mr McDonald has gone native.

Senator Kemp—Let me make it clear—

Senator CONROY—Taken over by the communists of the ABC.

Senator Kemp—I would have thought that your faction would be more worried about that than many. Senator McDonald has just been appointed chairman of the ABC by this government.

Senator CONROY—Senator McDonald?

Senator SCHACHT—Mr McDonald.

Senator Kemp—Mr McDonald.

Senator CONROY—Senator McDonald would have none of that.

Senator Kemp—Mr McDonald has just been appointed chair of the ABC by this government for a term of five years. You are quoting unnamed sources. I could quote a few unnamed sources about you.

Senator CONROY—I am sure you could.

Senator Kemp—And I could press you on those issues. But I am not that sort of politician.

Senator CONROY—Do you support Peter Costello's public comments last week on 3AW that the ABC have a left-wing bias?

Senator Kemp—I am sure if the ABC were asked to comment on that—

Senator CONROY—I am asking whether you do.

Senator Kemp—Am I going to get a clear run to respond to this without being rudely interrupted? I am sure that, if the ABC were here, they would say that they are not biased at all.

Senator CONROY—They are here.

Senator Kemp—I was not here at the start, but maybe that is the comment that they would make. But let me say that I do not think anyone has ever accused the ABC of right-wing bias. Let me also add that I am very much aware that Mr Hawke has attacked the ABC for bias from time to time. Actually someone said to me that Senator Schacht had made an

observation that he felt that the ABC—and you can correct me if I am wrong—had a left-wing bias in the city and a right-wing bias in the country.

Senator SCHACHT—I just said that, by definition, in the bush, because of—

Senator Kemp—Did you make that comment?

Senator SCHACHT—I did. I did not make the comment the way you have put it; I just pointed out that, by definition, in the structure of Australian politics, in country Australia, there are usually a majority of coalition members of parliament, state and federal. When you look at running any level of current affairs, from the *Country Hour* to the six o'clock and seven o'clock breakfast session on the local country station, if you listen over a period of time, they would overwhelmingly get a bigger run than their opponents. They are the sitting members, they are around in the structure, they are putting out press releases, and they get a run. That is a structural issue.

Senator Kemp—So you are saying that there is a right-wing bias, are you?

Senator SCHACHT—I am just talking about if you tallied it all up. I was not making the point that I was upset about it. I was just pointing out—

Senator Kemp—No, I know you were not.

Senator SCHACHT—I was just pointing out that, when you people get upset in some areas, you should take a more even-handed approach like I do.

Senator CONROY—They think the Nationals are a group of socialists.

Senator SCHACHT—That is probably right.

Senator Kemp—I think that Senator Conroy raises this as a sort of 'Shock, horror, someone has suggested'—

Senator CONROY—No, I did not. I asked you whether you support.

Senator Kemp—I am going to—

Senator CONROY—Don't try and verbal my question. I have it written down here.

Senator SCHACHT—It is what the Treasurer said.

Senator Kemp—I am trying to answer the question. I think there is an attempt to harass the minister here. I want to be able to give a clear answer to the question. The issue of bias in the ABC—

Senator SCHACHT—Sensitivity is not one of your qualities.

Senator Kemp—Nor one of yours, actually. It is even more the case with you. It takes one to pick one, I think. There has been a longstanding debate about bias in the ABC. The essential principle is that the ABC should not be biased in any way. The ABC should attempt to present issues in an even-handed fashion. Where mistakes are made or biases occur, in my view there should be procedures in place to have those corrected. I am sure that Mr Balding would say that that is the case. I was casting my mind around on this debate and the issue of bias in the ABC as I was circling above in the plane, as I rather suspected that this question may well be asked. I remember Mr Hawke attacking the ABC over bias. I think I can even remember Mr Keating doing it. I remember that Mr Phillip Adams—I think I may be right here, but if I am not I am sure that Mr Adams will correct me—made an observation that it was perfectly appropriate for the ABC—and I am not quoting his words but giving the

substance of what he said—to have a left-wing orientation, because he alleged that the other media were right wing. There is no surprise—

Senator SCHACHT—There is evidence of that actually.

Senator CONROY—Truth is a defence, isn't it?

Senator Kemp—There is no surprise that there is a view that there perhaps is a political culture in the left.

Senator CONROY—That is—

Senator Kemp—If you want me to answer the question, I will answer it. If you want to go and have a giggle with Senator Schacht, I will not bother to answer. I was concluding my answer by saying that there is a perception that the ABC does have a political culture which perhaps gives an orientation more towards the left than the right in politics.

CHAIR—Perhaps we should move on to something more substantial and specific.

Senator CONROY—Oh, thanks. You do not think that the deputy leader of the Liberal Party, federal Treasurer and Prime Ministerial aspirant accusing the ABC of being left wing—

CHAIR—We are not getting a lot of specific—

Senator SCHACHT—We are not getting any answers. I agree about that.

CHAIR—Senator Schacht—

Senator CONROY—We do not mind if you want to call the minister to order at any point and direct him to answer a question.

Senator Kemp—I thought I had just answered it.

Senator CONROY—That is always one of your prerogatives, Chair.

Senator Kemp—I have just answered the question.

Senator CONROY—We would not actually put you in that position.

Senator Kemp—I have just answered it.

CHAIR—The minister is answering.

Senator Kemp—If Mr Costello was saying that he believes that there is a political culture in the ABC which can be described as a left-wing culture, I would have to say that I do not think I would argue strongly against that.

Senator CONROY—I thought there was almost a split there. I thought you were dumping the Treasurer. I am pleased to see you have backed him up.

Senator Kemp—Just get on with your questions.

Senator CONROY—I will move back to the AFL Internet broadcasts. You were saying that negotiations are ongoing to resolve this issue of Internet broadcasting—sorry, broadcasting AFL matches on the radio, not the Internet.

Ms Broad—That is correct in that the radio agreement has not been signed. We are continuing to negotiate about the online component of that agreement. Our preference was to keep the two separate. The AFL's preference was to bring them together. We have not reached agreement on that. There is a tacit agreement, if you like, in place, because the broadcasts are happening—the coverage is happening—as they did last year.

Senator CONROY—Why won't the AFL let the ABC audio-stream AFL matches on your web site?

Ms Broad—That is probably something you would need to put to the AFL. We certainly were able to do that last year. This year, in the negotiations, they determined to bring the online rights into the whole rights negotiations. We agreed to allow them to broadcast our coverage on their web site. That was an agreement that we had reached, albeit not in writing but in our initial negotiations. However, what happened then was that we discovered that they were proposing to charge for listeners to access that service, which would disadvantage a large number of listeners, particularly in regional Queensland, regional New South Wales and the Territory. We were not prepared to accept that position. That is apart from the fact that we were not told of that position by the AFL; we discovered it via one of our listeners who called and—

Senator CONROY—They are trying to on-sell your product essentially, aren't they?

Ms Broad—That is correct. So, as I say, the negotiations are continuing. We are not happy with that position that the AFL has taken and we are trying to resolve it.

Senator CONROY—Is this just a case of pure greed by the AFL?

Ms Broad—I cannot comment on that.

Senator CONROY—Have you ever heard of the saying 'killing the golden goose that will hatch the egg'? Do you have any plans to ensure that AFL fans around Australia get free radio access via the Internet to the popular AFL matches, or are your hands just basically tied by your agreement?

Ms Broad—No, our position is either that the AFL allows us to place our AFL coverage online, which would provide that sort of access, or that they place the AFL coverage on their web site, but freely available to the audience. We are not taking a hard line as to which of the options is taken. We would obviously prefer it to be on our web site, as it was last season, but at the end of the day we want the audience to have access to that streamed coverage of the matches.

Senator SCHACHT—On the question of costs, last year when you had it online on the ABC, if I was out in the backblocks of wherever and could not get it on the normal radio, I could take it online. For a 2½ hour Aussie rules football match, what would be the average cost that I would have paid to get that online through the online service through a service provider or whatever? Three dollars? Five dollars? One dollar?

Ms Broad—I would need to take that question on notice. It would depend on where you were, who your IP provider was and what costs you were paying.

Senator SCHACHT—Could you get a range. Secondly, without getting into commercial-in-confidence matters, if it goes on the AFL web site, will it cost consumers more to connect?

Senator CONROY—No, that is the plan.

Senator SCHACHT—More than they would have paid to get it through your online service?

Mr Balding—It depends on the Internet service provider and what arrangement the individual had in place. It is not so much whether it is on our site or whether it is on the AFL site; it is the cost of accessing either site.

Senator CONROY—But they were proposing to charge.

Mr Balding—Sorry, I thought the senator was talking about the cost of just connecting to the site.

Senator SCHACHT—Yes.

Mr Balding—As opposed to paying a premium to access—

Senator SCHACHT—I just wondered whether the AFL would charge service providers or whether the system is so open that people can just click on and use it and they cannot get any remuneration.

Mr Balding—From what we understand, the AFL is looking to charge individuals to come through to their site. We are not aware of what arrangements they have with the service providers.

Senator SCHACHT—This is what I am not quite sure of. I am not quite sure, when I ask these questions, whether I get them technically correct. I think you get the drift of what I am after. I see this maybe as a way for the AFL, and it is in their interest, to collect more money. You pay a right to the AFL to broadcast.

Mr Balding—Yes.

Senator SCHACHT—You will still broadcast areas.

Mr Balding—Yes.

Senator SCHACHT—But for your voice going on the AFL Internet, people will have to pay more now.

Mr Balding—That is the issue that we are trying to resolve.

Senator SCHACHT—Yes, but can you give us some idea. What I am really after is whether the consumer at their end will actually, if what AFL want happens, pay more than they paid last year by coming through the ABC online site?

Mr Balding—As we understand it, yes.

Senator SCHACHT—Do you have any idea of what?

Mr Balding—We can take that on notice.

Senator SCHACHT—Can you take that on notice, because I have to say that I think that would be a very useful piece of consumer information to have out there. The AFL has to justify why it is charging X amount more to hear the ABC, which is a free service.

Mr Balding—That is the whole issue that we are taking up with the AFL. We are firmly of the view that it is wrong for Australian audiences to pay for ABC content that has not already been made available on our platforms.

Senator LUNDY—At what point did the AFL make it clear to the ABC that they did not want you to stream that material through your web site? When did they make that request?

Ms Broad—I could not give you a definite date—I would need to take that on notice—but it was early in the negotiations with them.

Senator LUNDY—Can you give me a sort of broad time frame? Was it in the first quarter of the—

Ms Broad—It would have been early this year.

Senator LUNDY—When they raised that with you, you obviously asked them why they were not going to allow you to do that. At that time, did they disclose to you that it was their intention to stream that content on their own web site?

Ms Broad—As I understand it, we were aware that they were proposing to stream it on their web site, and we had actually agreed in principle to that, but as a free service.

Senator LUNDY—Right. Was the issue of cost discussed at that point in time, when they raised with you the prospect of streaming it through their own web site?

Ms Broad—The cost issue only arose when we had listeners call us to let us know.

Senator LUNDY—So at no point did they make you aware that it was their intention to charge?

Ms Broad—That is correct.

Senator LUNDY—I will be interested in that date, when the negotiations first started. When did you actually receive that first complaint—was that when the first game of the season was broadcast?

Ms Broad—As I understand it, it was just prior to the first game the AFL had on their web site a promotion for access to the online coverage.

Senator LUNDY—In terms of pursuing this issue with the AFL, does the ABC have correspondence that they could provide to the committee?

Ms Broad—I would need to take that on notice, as to how much of that might be in confidence in terms of our commercial arrangements.

Senator LUNDY—Okay.

Mr Balding—Senator Lundy, can I say, though, that I have written to Wayne Jackson raising my concerns on behalf of the corporation that this matter still remains unresolved. I have made myself available to meet with Mr Jackson, or anyone else he nominates, to have this matter resolved sooner rather than later.

Senator LUNDY—What is the current status of that content being streamed: are people still being required to pay for it at the moment?

Mr Balding—I do not believe there is any content being streamed at this stage.

Ms Broad—That is correct: there is no streaming on either site of the ABC's coverage.

Senator LUNDY—At what point did that streaming stop on the AFL site?

Ms Broad—It never started because we were made aware of it before the first game and we made it quite clear that we were not prepared to accept that position.

Mr Balding—At this stage we have not entered into any formal contractual arrangements with the AFL in respect of radio rights or online rights for this season.

Senator SCHACHT—So with the season now one-third over—

Senator CONROY—Well, it is actually over for Carlton!

Senator SCHACHT—Of course.

Senator Kemp—Mr Chairman, I would like a ruling: we have had enough anti-Carlton jokes for the day—

CHAIR—The Eagles are doing well.

Senator Kemp—so could you make sure that that does not happen again please?

Senator LUNDY—Just to clarify: is the specific reason that that contract has not been finalised because of this streaming issue?

Mr Balding—That is the main issue to be resolved, yes. As I said, we have made it very clear that we do not support ABC content being on a third-party site and being charged for when it is not already freely available to our audience.

Senator LUNDY—Was last year the first year that you provided free streamed content for the AFL?

Ms Broad—That is my understanding, yes.

Senator LUNDY—And this year you are asking that you enter into formal arrangements, not just with the radio rights but also with a separate agreement with streaming rights?

Mr Balding—Yes.

Senator SCHACHT—Mr Balding, I know that on questions of commercial-in-confidence negotiations et cetera even an estimates committee has to be careful. But I have to say that if you have to pay extra for the online rights, that is taxpayers' money through the ABC, so can you give us some idea how much the AFL are asking?

Mr Balding—I am not aware of that; I will have to take that on notice. But, again, I would still like to stress it is a commercial arrangement.

Senator SCHACHT—But there is only one ABC, so you have not really got a competitor in across Australia broadcasting.

Mr Balding—No, not across Australia and, with all due respect, that is one of our bargaining positions with the AFL.

Senator SCHACHT—Yes, I know; that is what I am saying. If the taxpayers of Australia pay for the ABC to get a free broadcast service of the football and then find that, because they unfortunately cannot get a signal but they can get it through the wire or the telecommunications network, they have to pay again, then I reckon, even though I am an AFL devotee, that is getting a bit rich.

Mr Balding—That is a concern we have expressed to the AFL.

Senator SCHACHT—And that is why I think it is not unreasonable in this case to give us some idea, without compromising any negotiations, of what they are asking.

Senator LUNDY—Who has a financial interest in the AFL web site?

Mr Balding—I will have to take that on notice.

Senator CONROY—To what extent are Telstra involved in the AFL radio streaming arrangements? Are Telstra party to the AFL in denying AFL fans free radio Internet streaming in non-AFL states?

Mr Balding—Senator, can I suggest you put that to Telstra.

Senator CONROY—I was just asking: are they involved?

Mr Balding—I am not aware. That is an arrangement between Telstra and the AFL.

Ms Broad—They have not been involved in our negotiations, and we have not been notified of their involvement.

Senator LUNDY—Do you expect this issue to be resolved before the season is over?

Mr Balding—I want it resolved well before the season is over. I am continuing to follow it up, as is our director of radio, Sue Howard, and the appropriate managers who are doing this negotiation. That was one of the reasons I wrote to Mr Jackson. I am very concerned that this matter has not been resolved.

Senator LUNDY—stream that content and to ask people to pay would in fact have meant that the ABC would be given cause to breach its charter?

Mr Balding—I do not think it is cause to breach the charter, but again it is an issue of principle here that we need to keep in mind.

Senator CONROY—I refer to the recent decline in Internet transcripts for programs such as *The World Today*, *PM*, and recent statements on your Internet site, such as:

The ABC is currently reviewing the provision of full online transcripts for the *PM* program. We apologise for any inconvenience.

While we congratulate the ABC on moving to restore some Internet transcripts, can you advise on the long-term policy on providing Internet transcripts for ABC news and current affairs programs, given the statement that these transcripts are up for review?

Mr Balding—I have reinstated all those program transcripts. But it will be an issue that I will be raising within our forthcoming triennial funding submission. There is an added cost to us. It is a significant cost. But at this stage I have asked that those services be reinstated.

Senator CONROY—Mr Kroger is not trying to stop you from publishing them?

Mr Balding—No, Senator.

Senator SCHACHT—All the interviews that he has given you—

Mr Balding—Yes; that's right.

Senator SCHACHT—get transcribed.

Senator Kemp—The only transcript that I have received recently was a *Lateline* transcript on budget evening, which I assume came from the ABC web site

Senator CONROY—Hopefully.

Senator Kemp—It was very interesting reading.

Senator CONROY—It was certainly an interesting evening. I concur.

Senator Kemp—Let me say no more. It was very interesting reading.

Senator CONROY—That's all right. I will swap you a *7.30 Report* transcript any time you want.

Senator Kemp—That is what drew my attention to it, Senator. I did think you were ducking the question a little, if you do not mind me saying so.

Senator CONROY—I have learnt from the master, I can assure you. I have asked you too many questions.

Senator Kemp—You were a bit loath to use the word 'taxation', if I remember rightly—and rightly so, too.

Senator CONROY—Can you confirm where the funding for ABC Online comes from?

Mr Balding—It comes from our basic appropriation.

Senator CONROY—That is your annual budget?

Mr Balding—Yes.

Senator CONROY—Does ABC Online consider its mission to add value to existing programs through extensive transcripts? I am trying to get to the bottom of whether the funding issue for your transcripts is going to be given a high priority.

Mr Balding—Yes. In the triennial funding submission it will be.

Senator CONROY—Regarding the Internet audio streaming that offers people greater opportunity to listen to radio at work and so forth, you do not, I think, audio stream most of your radio programs over the Internet—like, say, 2UE or Nova, who have continuous live audio streaming of all their programs. Is this simply a funding issue?

Mr Balding—It is a funding and an infrastructure issue as well. Mr Knowles might be able to add to that answer.

Mr Knowles—We have progressively streamed a number of programs but, in fact, it represents a significant cost to the corporation in terms of the technical infrastructure and the line cost to deliver such services. There is a balance to how much you can afford to spend on that vis-a-vis free to air.

Senator CONROY—Yes. So it is more of a funding issue than a technology issue.

Mr Knowles—Certainly.

Senator CONROY—Why does the ABC, with Radio National's *Perspective* Internet site use Real Player as a delivery platform for *Perspective* replays? Why does it not also offer the widely available Windows Media Player, which is found on other parts of the ABC web site? I am happy for you to take that on notice, as it is a little specific.

Mr Knowles—I will take that on notice, Senator. I understood that in fact we were offering both.

Senator CONROY—Offering both in all: that is your understanding?

Mr Knowles—I am not aware that we are offering only one.

Senator CONROY—Okay. You can check that—and, hopefully, you are right.

Senator SCHACHT—If you could just tell me how I can get it to work, without my accidentally cancelling something off the site, I would be very keen to know, as well.

Mr Knowles—Ask Mr Gates!

Senator Kemp—We could see if we can arrange special lessons for you, Senator.

Senator SCHACHT—You would join me—you would be as hopeless as I would.

Senator Kemp—I probably would join you, too. I might join you on that one.

Senator CONROY—If you do discover that you are only offering Real Player in this particular instance, can you also let us know, firstly, why, and if it is a commercial arrangement could you let us know what the commercial arrangements are?

Mr Knowles—We do pay licence fees for both of those products in the same way as anybody else does.

Senator CONROY—You mentioned the triennial funding issue. You are negotiating that, I presume, in the coming months.

Mr Balding—No, we are putting together our triennial funding submission strategy at the moment. The schedule is for that to go to our board as a draft submission in September and the final submission in October, and for that submission to be submitted to the government prior to the end of this calendar year.

Senator CONROY—So you are in the early stages. Given the changing technology and the sorts of issues we have talked about, could you give us a snapshot of the issues, and the arguments, where you think you are going to need increased funding to keep pace with the technological development that is happening around you?

Mr Balding—We are still putting that together. There is a whole broad range of areas that we feel we need—

Senator CONROY—Can you just quickly give us a list of what those broad areas are?

Mr Balding—I think it is in content. It is in the delivery of content, in respect of our multichannel and our main channel; there are a number of areas that we believe we will be concentrating most on. There are infrastructure issues that we need to also balance, but what we will be looking to do is ensure that we are delivering the appropriate levels and quality of content to our Australian audiences.

Senator CONROY—Given those developments and the increased cost of the technological changes, do you think you are receiving adequate funding to meet the charter? The charter did not just say, ‘Right, give everyone TV.’ It talks about access and services and those sorts of things.

Mr Balding—We will be taking that argument up in our triennial funding submission, but I do not think you will find many people who will argue the fact—the ABC is definitely not overfunded.

Senator CONROY—You would not want to put a number out there?

Mr Balding—We cannot at the moment because when I do put a number out I want to have some very strong and sustainable arguments behind the numbers. I do not want to just put an ambit claim through the board to government. It needs to have a proper business case.

Senator SCHACHT—Particularly with Mr Kroger sitting there with an axe. I do not blame you.

Senator Kemp—Senator Schacht, I think Mr Balding’s comment shows what an open body it is. Mr Balding is commenting about the government funding of the ABC quite happily.

Senator SCHACHT—He has done it very diplomatically. I wish him well with some recalcitrant board members.

Senator Kemp—But it makes the point, doesn’t it, that this is an organisation which is open about its views?

Senator CONROY—Just give us a commitment that the Victorian faction of the Liberals are not going to defund it because it has a left-wing bias.

Senator SCHACHT—Because you have got the Treasurer—

Senator CONROY—The Treasurer, Kroger, Alston, you: all accusing it of being left wing.

Senator Kemp—Senator Schacht has accused the ABC of left-wing bias. Your mate Mr Hawke has accused it of left-wing bias. So there is a political consensus across the board, isn't there, that there is an issue there?

Senator SCHACHT—Just defending my former colleague the former Prime Minister of Australia, Mr Hawke's complaint was about a particular issue—the Gulf War—with the ABC, which was publicly debated.

Senator Kemp—And what did he think on the Gulf War?

Senator SCHACHT—He disagreed with the way the ABC covered it, which was part of the public debate.

Senator Kemp—Did he think there was a bias?

Senator SCHACHT—He did not get up and say generically, 'The place is biased.'

Senator Kemp—Did he think there was a bias?

Senator SCHACHT—Goodness me!

Senator Kemp—Why are you ducking the issue?

Senator SCHACHT—You exaggerate.

Senator Kemp—No, I do not exaggerate.

Senator SCHACHT—You exaggerate and give a different emphasis to try and defend your own position.

Senator Kemp—I am not trying to defend my own position. There is a robust debate on this issue—

Senator CONROY—According to you it is consensus, it is not a debate.

Senator Kemp—in which people will have a particular view on it.

Senator CONROY—I am just pleased to see Senator Kemp has joined in kicking the ABC.

Senator Kemp—The ABC will have a view, Mr Kroger will have a view, Senator Alston will have a view. There is a robust debate. Mr Hawke will have a view and you have expressed your views on it.

Senator CONROY—Do you think it is a coincidence that all the Victorian Liberals have got this same conspiracy theory?

Senator Kemp—We do not have a conspiracy theory. I know you come from a factional Labor Party that is obsessed with factional issues, but we do not have factions in the Liberal Party. Unlike the Labor Party we are one big happy team.

Senator CONROY—One big happy bunch of campers.

Senator Kemp—Seeing you have raised this issue, I was appalled at the way the New South Wales Labor Party on the weekend shafted Mr Crean. I thought that was a dreadful thing, what happened to your leader. Now I hope you are providing Mr Crean with all the support he needs on those issues.

Senator SCHACHT—Some people think it is pretty dreadful the way your brother shafted Ian Macphee in Goldstein, too—

Senator Kemp—Some people might have felt that, but a lot did not.

Senator SCHACHT—or that Mr Costello shafted Mr Shipton in Higgins.

Senator Kemp—Oh, Senator. Have your questions really run out of pace at this early hour in the day?

Senator SCHACHT—You make ludicrous points about factions—

Senator Kemp—Who raised factions?

Senator SCHACHT—and then you get away without hearing any comments back.

Senator Kemp—Excuse me, who raised the issue of factions?

Senator SCHACHT—You did.

Senator Kemp—Oh, did I?

Senator SCHACHT—You did.

Senator Kemp—Oh, did I? I think the transcript will note that that did not come from me; that came from Senator Conroy. I said that if Senator Conroy wants to debate factions, we are happy to do that.

Senator SCHACHT—You are just a Victorian Liberal so you can have the boot into the ABC.

Senator Kemp—Rubbish, absolute rubbish!

Senator CONROY—No, they just think they are all left wing.

Senator Kemp—I will seek your views on this, too, one day. I am not sure that your views will be consistent with Senator Schacht's previously stated views.

Senator CONROY—In answer to question 111 from the last round of estimates, the Senate was advised that the TV arts programming in prime time had been reduced from around 73 hours in the first six months of 2000-01 to around 56 hours in the first six months of 2001-02. Can the ABC advise as to whether any further cuts are planned to the local TV arts programming?

Ms Levy—There have been some changes in the TV arts programming, rather than cuts. The morning program *Coast to Coast*, which was initiated about 12 months ago, was 1½ hours of arts magazine coverage on Sunday mornings. It ceased from yesterday. We now move to a Sunday afternoon—

Senator SCHACHT—But not in time for estimates? The timing—it was not ending yesterday just for estimates?

Ms Levy—The timing is quite coincidental. Next Sunday we begin a hosted arts program which will run for three hours each Sunday afternoon, from two to five. That will be a hosted program which will include forums and panel discussions, the weekly book review, a diary of what is on around the country and some Australian documentary programs. In prime time we intend to have a range of arts programs scattered throughout the schedule. Rather than highlighting the arts content, we intend to scatter them and perhaps surprise viewers who might not otherwise define themselves as arts viewers to see things that they will hopefully enjoy.

Senator CONROY—Is it an all-Australian program?

Ms Levy—The *Sunday Afternoon* arts program?

Senator CONROY—The new one.

Ms Levy—No, it will be a combination of acquired opera performances, ballet performances and documentaries about architecture and design. Some will be from Australia but an enormous number of those are international. I think that is where we will bring international performing arts and commentary to the audience.

Senator CONROY—So it was 1½ hours on a Sunday morning, did you say?

Ms Levy—Yes.

Senator CONROY—Was that wholly Australian?

Ms Levy—Almost wholly Australian. There was some acquired content but a great deal of it was Australian magazine content.

Senator CONROY—Are you able to indicate what proportion of the new three-hour show will be Australian?

Ms Levy—It will certainly be at least an hour each week. So that there will be an hour of Australian content each week as a minimum. There may be more some weeks.

Senator CONROY—Without wanting to misrepresent you, is it possible to argue that we have gone from 1½ hours of local content to an hour's local content, albeit in a more diverse program, with international content over three hours?

Ms Levy—No, that is not correct because the *Sunday Afternoon* program is only one of our arts content programs. We will be running prime time arts programming as well. So there was the 1½ hours that was isolated on a Sunday morning. I think when we look across a full year we will probably find that we have very much the same percentage of content but scattered in a different manner across the schedule.

Senator SCHACHT—But is the Australian content overwhelmingly going to be panel discussion? Do you round up the usual suspects—

Senator CONROY—Piers Akerman is available.

Senator SCHACHT—to do a panel discussion on something which, apart from paying them, is reasonably cheap compared with importing a documentary on some cultural activity, such as the history of the Bolshoi Ballet, that someone has made in another country and for which we would buy the rights? Is there any money in the budget to make similar style documentaries about artistic activity in Australia? The National Gallery of Australia, for example, has always been a good one in estimates.

Ms Levy—Spread across the schedule there will be. We are at the moment looking at a documentary—

Senator Kemp—Got a run.

Senator CONROY—Do not say a word, Ms Levy.

Senator SCHACHT—Your cultural adviser, two down from your left, really ought to stick to Carlton, I think.

Senator CONROY—The look of horror said it all, but do not worry.

Ms Levy—There will be a range of Australian content across the schedule, some of which will be one-hour documentaries, expensive documentaries. We are doing one called *Outback Opera*; we are doing another one on the Federation Square construction. We are doing one on Utzon and the Sydney Opera House. We are doing another one on wilderness photographers in Tasmania. We have quite a range of—

Senator SCHACHT—That is in the budget.

Ms Levy—Yes. We have a range—

Senator SCHACHT—The budget for this *Sunday Afternoon* program is definite?

Ms Levy—It is not in the *Sunday Afternoon* program; it is in the budget across the whole year.

Senator SCHACHT—Is the budget to make those sorts of programs in the arts area the same as last year or has it gone up or down?

Ms Levy—We have changed the way we are reporting it, because the documentaries are costed in documentaries. Essentially the range of content that we will provide will be more diverse than we have been providing. We have been providing a great deal of magazine stories. We are now going to be providing a range of material, from 90-minute documentaries to one-hour documentaries, half-hour documentaries and the *Sunday Afternoon* arts program.

Senator CONROY—Does the ABC television division have adequate funding to allow it to meet its charter obligations?

Ms Levy—That is a very contentious question. The charter requires us to do a range of things. I suppose you could argue that on general things like ‘inform and entertain’ it is very hard to put an amount around the notion of ‘inform and entertain’.

Senator CONROY—In an answer to a recent ABC question on notice, the Senate was advised that the ABC is planning only two hours of in-house production of documentaries for the entire year. How many hours of documentary programming will be outsourced in the same period?

Ms Levy—The ABC has a number of documentary accords, one with Film Australia, one with the independent community, which is called the ‘Documentary accord’, through the FFC. We also have a range of documentary non-accords. We have about 34 hours a year that we are committed to through our various accord structures. We also make in-house documentaries, but the major supplier of documentaries for the ABC is hand in hand with the independent documentary community through the accords.

Senator CONROY—In answer to question 136 from the last round of estimates, the Senate was advised that the ABC does not plan to make any in-house science documentaries this year. Why not?

Ms Levy—We are making *Catalyst*, which is a series we run every Thursday night for half an hour, which is a science series. We are also beginning the process of creating some one-hour science specials which we have been discussing internationally with partners. The ABC’s funding situation makes it very difficult for us to be able to afford a magazine program and some high end documentaries without international partners. We currently have, I think, six science specials that we are close to confirming the production of.

Senator SCHACHT—What is the difference between *Catalyst* and the previous program, *Quantum*, in style, content and budget?

Ms Levy—It is difficult for me to say since I was not director of television at the time that *Quantum* was being made. I would like to think that the programs have their own unique voice, their own style.

Senator SCHACHT—What I am getting at is that there was a fair bit of controversy around the place when *Quantum* hit the fence. Is the program *Catalyst* going to have the same number of programs that *Quantum* had on air each year?

Ms Levy—I would have to take that on notice. I do not think I know how many programs *Quantum* did. *Catalyst* is on air for 40 weeks of the year in a prime time spot on Thursday night and is performing extremely strongly, telling quite an interesting and complex range of stories, nationally and internationally.

Senator SCHACHT—So you would say that, despite *Quantum* falling over and the controversy, you are now putting on air, in prime time, more hours of science, research and the broad gamut of innovation and all those things.

Ms Levy—I would want to check that it was more, but it would certainly be no less, I would think, because *Quantum* was a weekly program like *Catalyst*. But we also are doing and exploring some interesting documentary specials as well as *Catalyst*. They are well down the track to—

Senator SCHACHT—Are they going to be commissioned from within the ABC or among the documentaries that are put out?

Ms Levy—It is a combination.

Senator SCHACHT—So the science division or the science office or branch—

Ms Levy—Unit.

Senator SCHACHT—will be involved in those, or are they just gradually dwindling out of existence?

Ms Levy—No, no, no. The science unit is very, very busy. Not only do they make *Catalyst* every week; they have a big development slate of projects. All of the developments are being done through the science unit. Some of them are being financed through independent producers and through the financing mechanisms that they are able to access, and international finance, but nevertheless the science unit editorially is totally in control of the development of all of those projects. Stefan Moore is our new executive producer. I think we appointed Stefan in October or November last year. He is an outstanding executive producer. He was working with Film Australia and was the executive producer of *Bush Mechanics*, *Facing the Music*, *Cunnamulla* and various other documentaries. He is an esteemed documentary maker with a science background who has also worked for PBS in America and others. He is the new—

Senator SCHACHT—He was executive producer for *Cunnamulla*?

Ms Levy—He was executive producer for Film Australia on *Cunnamulla*, yes.

Senator SCHACHT—Cunnamulla is still recovering, I understand.

Ms Levy—That may be. Stefan has only been with us since, I think, the beginning of November.

Senator SCHACHT—The question I would like you to take on notice if necessary is this. I would like you to compare what your budget was when *Quantum* was on to what you are

doing now with *Catalyst*. I do not want to create an argument with you, the science community and fellow travellers that somehow or other there is less money being spent when most people in that area would argue for more, and I am not here to support the science unit per se getting more money than anyone else, but would you just take those questions on notice.

Ms Levy—I will. Thank you.

Senator CONROY—What processes are used by the ABC to assess whether the overall mix of programs the ABC produces effectively meet its charter obligations.

Mr Balding—There is a whole range of processes that we go through, and it is across each of the platform areas. Lucy Broad and Sandra Levy can comment on that. Basically, what we are looking to do is ensure that all those genres are adequately represented. We have recently introduced an enhanced governance process in respect of performance measurement where we have a whole range of indicators that we report on. Those indicators are referred through to the board for consideration. You can track what we are spending in the various program genre areas. If I could just point you back to the recent ANAO report, again, after 12 months of fairly extensive review by the ANAO, they could find no evidence that we failed to meet our charter of obligations.

Senator SCHACHT—It is a bit like measuring the length of a piece of string, isn't it?

Senator CONROY—Is there a process—I am just trying to understand—that determines the priority and weighting to be given to a drama or a comedy, for example, against other program types such as arts, science or education? How do you juggle those?

Ms Levy—The driver for all decision making is the schedule, the number of hours we have available to fill, the spread of obligatory charter requirements across the schedule, and finding an appropriate time slot for them and appropriate funding. There is an endless assessment of whether we are doing enough in science, whether we are doing enough in arts, whether something is occurring on the schedule, whether we are reaching a diverse range of audience by providing that program content. We have commissioning processes, scheduling processes, weekly evaluations of audience patterns and behaviour, weekly schedule meetings, weekly genre discussions with budget. There is an endless weekly ongoing evaluation of what we are doing and how we are achieving it.

Senator CONROY—Is that your responsibility at the end of the day?

Ms Levy—Yes.

Senator CONROY—Can you report on where the Ultimo building project is up to?

Mr Balding—The building is due to be handed over by the end of October of this year, and we will start progressively occupying that building through to about March. At this stage there is a three-month slippage in respect of the initial time frame. We were due to have it handed over by the end of July, but there was some slippage. However, it is still within budget.

Senator CONROY—It is within budget?

Mr Balding—It is within budget.

Senator CONROY—Can you confirm that the ABC has an office in New York?

Mr Balding—Yes, it does.

Senator CONROY—What is the address of the office?

Mr Balding—It is about to move.

Senator SCHACHT—From Park Avenue to Fifth Avenue, if I recall.

Mr Balding—No, the ABC has occupied an office in the Rockefeller Center for quite a number of years.

Senator CONROY—That is Park Avenue, isn't it?

Senator SCHACHT—I was not that far out.

Mr Balding—As at the end of this month, we will be moving down to Third Avenue. We will be sharing accommodation with the Canadian Broadcasting Corporation. On that floor, there are facilities that will be available to us. There is a small television studio. There is a radio studio. We will be moving down there, and it will be for less rent than we currently pay in the Rockefeller Center.

Senator CONROY—Do you have a news correspondent there?

Mr Balding—No, there is no news correspondent. All our correspondents are in Washington. We have an office manager situated in New York. It is a one-person office at this stage.

Senator CONROY—Do you have operational broadcast facilities in your existing premises?

Mr Balding—No. We needed to go outside and hire them externally. That is why it was attractive for us, when this opportunity came up, to move in with the Canadian Broadcasting Corporation, because they have facilities there that they can make available to us at fairly competitive rates.

Senator CONROY—Are there any staff associated with the upkeep of the premises paid for by the ABC, other than the one staffer that you mentioned?

Mr Balding—No. It would be covered in the rent. I can take that on notice. It would be covered in the rent payment. As I said, there is only one ABC staff person in that office.

Senator CONROY—Is it true that that office played no role in ABC reporting on the September 11 twin towers tragedy in New York?

Mr Balding—No, I believe that would not be true. Far from it, I think they played a significant role. I can get you details on that and the role they played.

Senator CONROY—Thank you. What is the annual cost of maintaining those premises at the moment, and what is the cost at the premises you are moving to?

Mr Balding—From memory—and I am going off memory, but I will confirm this for you—the annual rent was about US\$48,000, and we are moving to premises where it will be about US\$30,000.

Senator CONROY—And that includes an arrangement to coshare facilities, if I can use that phrase?

Mr Balding—Yes.

Senator CONROY—Will you be putting a correspondent in there, given that you will have a broadcast facility—moving someone from Washington?

Mr Balding—I am having talks with our news and current affairs director in relation to that. You may be aware that on Monday of next week we will be launching our *Business Breakfast* program. We will be filing reports from New York at the close of the market, so we do have a finance business journalist on the ground there. I believe that there are further opportunities to report out of New York, not only in respect of political and current affairs but also in respect of arts and other activities in New York.

Senator CONROY—Could you confirm this for me. I have heard a suggestion that, on the Queen's Birthday weekend coming up, your Sydney newsroom will be closed and you will be transferring all your staff to Melbourne for the weekend. Can anyone confirm if that is the case?

Mr Balding—I am not aware of that unless it is something to do with the power cut-over in respect of the new building works.

Mr Knowles—We have a situation coming up as part of the building works—I think it is that weekend—whereby we have to depower the whole site so we can join the two buildings together. Otherwise it is a bit exciting. So we will be shifting our programs interstate while we do that.

Senator SCHACHT—It wouldn't have anything to do with being a monarchist or something, would it?

Senator CONROY—So there will be some fairly substantial cost involved in moving all of your staff down to Melbourne.

Mr Knowles—We do not actually shift the staff. We just shift the programs, by and large.

Senator CONROY—None of your presenters will be going down to Melbourne?

Mr Knowles—Ms Broad can probably comment on that.

Ms Broad—We are negotiating with studios around the country—certainly not just Melbourne—and moving certain programs to different areas for that weekend.

Senator CONROY—If I can just clarify this, because I am relatively new to this area, when you say you are shifting programs, does that mean shifting staff?

Ms Broad—There will be some staff.

Senator CONROY—So there may be some staff going to Brisbane, Wagga or Melbourne?

Ms Broad—That is correct.

Senator CONROY—Could you take on notice that I would like you to find out what the eventual cost of that is. There is just one final question from me. Has anyone ever been reappointed to the board of the ABC?

Mr Balding—That is a question I would ask you to put to the minister.

Senator CONROY—Certainly.

Senator SCHACHT—The department should know.

Senator Kemp—This is a matter of—

Senator CONROY—I am just asking him. I do not know if it is common practice or—

Senator Kemp—The chair has. That immediately springs to mind, and I refer to it.

Senator CONROY—I am asking if it is common. Is it regular?

Senator Kemp—Bannon was on quite a number of times.

Senator SCHACHT—No, he was not. One term.

Senator Kemp—Was he?

Senator SCHACHT—Because, when his term was up, you mob were in government and you were not going to reappoint him. That was clear.

Senator CONROY—There was not a member of the Victorian Liberal Party in those days.

Senator Kemp—There are a lot of talented people around.

Senator CONROY—That is right. The Prime Minister has many friends. I think there was some activity behind you, Minister. I was wondering if an answer was to be provided.

Senator Kemp—I am happy to provide an answer, if anyone has got one.

CHAIR—We seem to be trawling through people's memories.

Senator Kemp—This may involve a little bit of research, Senator, so we will take it on notice.

Senator CONROY—Thank you.

Senator LUNDY—I would like to go to the issue of staff allocations. I note in the portfolio budget statements that the average staffing level number for the estimated actuals for last year and the forthcoming year are actually the same. I was wondering if you could tell me, within that average staffing level, which is a number, what sort of fluctuations have occurred, particularly with regard to contract and permanent employees.

Mr Palmer—A lot of the departures in the ABC are to do with sometimes the mix that is required by our output divisions, the skills, particularly contract people that may be brought on for a period of time to do a certain program and then are no longer required for that program, and then other people are brought on for other programs. So there is a whole host of reasons why people move in and out, in addition to what you would call the normal attrition—that is, someone resigning for the sake of doing something else in the normal course of events that you would expect.

Senator LUNDY—In the areas that would usually have permanent staff—could I use ABC Radio as an example—have there been any changes or policies that the ABC has implemented to reduce the number of permanent staff in ABC Radio to, say, a more short-term contract style of employment?

Mr Palmer—From a human resource perspective I am not aware of any policy to specifically reduce, as a strategy, the number of permanent staff. Again, I rely on the answer I gave you before which also applies to radio, more so to television, where people do leave of their own accord—attrition—or, indeed, there is some contractual reason: they are brought on to do a specific program, sometimes their skills are attracted to do some other program or, indeed, we say goodbye to them because that is the end of their project. But I am not aware of any deliberate or implied strategy that we reduce the permanent or ongoing staff in favour, implicitly, of greater casuals; I am not conscious of anything like that.

Senator LUNDY—All right. Can you tell me if you have a specific policy on limiting the number of times that a given employee, a contractor, can be on a renewed contract?

Mr Palmer—A fixed-term contract?

Senator LUNDY—Yes.

Mr Palmer—The employment agreement that we have, which is a certified agreement of the federal industrial commission, does have a provision that we can use fixed-term employment, either by date or by task, and that the ABC can roll that contract over if it can assert or prove that the second or ongoing—or, indeed, third ongoing—contract is still of a fixed-term nature. It is a discipline on us that in the event that we cannot do that, then the person generally would be considered to be ongoing. That is not an automatic presumption but it is a discipline that was negotiated within the agreement that is coming up for renegotiation now. That is made known as best possible to line managers: that they need to be very careful when they want to renew or roll over a fixed-term contract that, the longer they do that, the ability to rely on that diminishes progressively. That is just a basic industrial law tenet, that the more rollovers you have you rely less and less on having the ability to call it a fixed term. And at one point in time if the job is the same, the task is the same, then you can generally expect that it converts itself into ongoing employment.

Senator LUNDY—What advice do you give those line managers about how many times, say, a three-months fixed term contract could actually be renewed legitimately under the certified agreement?

Mr Palmer—I decline to give a number for rollovers, because it depends on the circumstances. Hypothetically, if you have someone on a fixed term that is rolled over into another fixed term and that job is exactly the same—in the same department, for the same pay and doing the same job—one would have some difficulty. If they did it a third time, my advice generally would be that their chances of sustaining a fixed term would be quite negligible; indeed, they may be privately advised that they have, in fact, an ongoing employee. However, at the other end of the spectrum is the person who goes for a job that is described as X, and then goes to another fixed-term position, Y, which might be in a different department and a different job. A lot of people do that: they do a particular program and their skills might be attractive, or they go into another program in another area. One would then say that the rollover number will be higher, maybe two or three times higher. But ultimately there is a limit, depending on the circumstances, on the number of rollovers. My general view would be that if you were moving from a second to a third, or from a third to a fourth, rollover, the chances of success are dramatically reduced. My advice generally would be to caution them that they would probably not have a fixed-term contract in that respect.

Senator LUNDY—If that actually occurred—and I appreciate the point that you make that all these decisions are not in your hands and that you are providing advice to human resource managers—what is the recourse for contractors who find themselves being renewed for, say, a third or fourth time in the course of their employment and who, as you say, fit the circumstances of doing the same job? What can they do about it?

Mr Palmer—Off the top of my head, there are three options that they can pursue. They can pick it up with their HR manager, expressing concern that they do believe they are ongoing. We would then do a private assessment of that and advise the line manager either that they are not or else that they are, and allow the online manager to make that decision. To digress for a moment, I am very keen that HR does not of itself take those decisions on. It is a line management call, on advice from HR. Sometimes that is fixed up, simply because the line manager was not aware of it. The second option is that they can take it up with their union and the union can represent them, and broadly the same process is followed. Or, thirdly, if it is a case where their employment has actually expired or has been terminated, they have recourse

to the federal Industrial Relations Commission if indeed they have a negative response from the corporation. Their rights are set out by the Workplace Relations Act.

Senator LUNDY—Where do those rights leave them as contractors, as opposed to employees?

Mr Palmer—At the end of the day, ‘contractor’ is a very broad term. A contractor can be an employee. Everyone in the corporation is a contractor of some description, under a contract of employment. If you are talking about someone who registers themselves as a company that provides a contract for service—that is, they are XYZ Pty Ltd—then their rights are severely limited, if that is a bona fide company, because it is not an employment relationship; it is a commercial relationship. That is a person who sets themselves up according to their own advice in that way and whom the corporation feels comfortable to engage. I might say that the corporation tries not to encourage that sort of engagement, particularly with its presenters. Certainly we do not accept it in the senior executive ranks, for reasons that I will not go into unless you ask me to.

Senator LUNDY—Well, I will not ask you just yet, anyway. I will see how we go. Going back to ABC Radio and the issue of not filling positions but allowing them to proceed with a series of three-month contracts—

Mr Palmer—There is no specific period, Senator. I do not get the significance of three months.

Senator LUNDY—I am using that as an example.

Mr Palmer—It could be one-month, or it could be three years.

Senator LUNDY—And all of that is obviously permissible under the certified agreement?

Mr Palmer—Yes, it is.

Senator LUNDY—Perhaps you could take on notice what the differing proportion has been over the last 12 months with regard to permanent staff and contract staff in ABC radio.

Mr Palmer—Can I seek a bit of clarification on contract staff? Are you talking about—

Senator LUNDY—People on those fixed-term contracts.

Mr Palmer—Ongoing versus fixed term—that is what you are after.

Senator LUNDY—Yes, thank you. What stage is the renegotiation of the certified agreement at?

Mr Palmer—Are you after the main one? There are four that are currently due.

Senator LUNDY—If you could give me a quick background on all of them, that would be terrific.

Mr Palmer—The senior executives certified agreement expired last December. We have made an offer to the association of management, APESMA—an organisation which represents senior executives. We have had one or two brief discussions, but we have had no response from the association as to that. I am about to seek further responses from the association.

With respect to the actors’ certified agreement, we have an uncertified interim arrangement which has been going for two years. It expires in December. We are in the process of preparing for a fuller agreement that will be certified. That commences, hopefully, in January

next year. We are currently preparing that and we will open negotiations with the actors equity area: the Media, Entertainment and Arts Alliance.

We have an ABC retail certified agreement, which applies to the shop staff in our retail outlets. That is due to expire in July of this year. We are virtually finalising our preparations there and we will open discussions with staff. That is currently a 170LK agreement. That is an agreement with staff, not the union. The CPSU covers that, but the union will be invited to participate, as it was last time.

The main employment agreement, which covers about 4000 of the ABC staff, expires in early October. We are obligated to commence negotiations formally in August, two months before that expiration. We are in the process now of getting views, comments and areas of improvement from all the line divisions in the corporation. We will come to a consolidated view very soon and we will start negotiations, we believe, on time in accordance with the agreement.

Senator LUNDY—Does the ABC intend to apply an unofficial wage freeze to those negotiations?

Mr Palmer—Senator, the corporation has not yet finalised its wage policy and what it is prepared to offer or not offer. I would respectfully ask to not progress that because it will compromise the corporation's negotiating position. In particular, we have not finalised what our wage offer will be because it will be predicated on the sorts of reforms that we will be asking staff to make in the context of that.

Senator LUNDY—I guess my question is exploring whether you have predetermined certain conditions on those negotiations or whether, in fact, you are negotiating in good faith the prospect of wage increases.

Mr Palmer—Yes, the corporation certainly has a view that a wage increase will come out of the certified agreement. I do not think there has been any talk of—and perhaps this is what you were asking—a wage freeze similar to the one that Qantas was proposing. The discussions with the corporation had not covered a wage freeze, and by a wage freeze I mean no increase at all. The corporation comprehends that there will be some increase; we just have not worked out the quantum yet. That is totally driven by the number of reforms that we propose, and the cost of those reforms to both the staff and the corporation will have to be assessed and a balance and mix determined. Then what happens in negotiations is an entirely different ball game. You can go in with one set of expectations and not necessarily emerge at the end of the day with the same expectations intact.

Senator LUNDY—Are there any areas of the ABC where there is an intention to reduce the number of staff or cut back in any way?

Mr Palmer—There is nothing on the table as yet. If the wage demand is high, and the only way to fund that given our current funding will be to reduce jobs, then that is something that cannot be ruled out. But it is not at this point a favoured position to take. We would like to keep as many staff as we can that are necessary to produce the programs and the services that we provide at the moment.

Senator LUNDY—I did not actually ask the question in the context of the previous questions, but thanks for your answer. Can I ask it to you again as a sort of programming and organisational decision to reduce the numbers of staff, not necessarily related to any agreement negotiations.

Mr Palmer—There is always the mix and flow of staff coming and going, as I indicated in the first answer, but I am not aware of any strategy or plan to cut back staff as a result of industrial negotiations.

CHAIR—At this point we will have a morning tea break.

Proceedings suspended from 11.01 a.m. to 11.21 a.m.

CHAIR—The committee will resume. I call Senator Lundy.

Senator LUNDY—I now want to move to the issue of not so much what people are getting paid but how they are getting paid. Perhaps you could give me some background as to the implementation of your pay software.

Mr Palmer—The payroll, SAP, for human resources? Is that what you are after?

Senator LUNDY—Yes, the payroll.

Mr Palmer—There is no secret that the corporation is having—it might even be an understatement—considerable difficulty in getting the SAP payroll to work as it is supposed to work. The ABC went live with a new payroll on 27 August last year. That was with SAP Australia. They subcontract to a service provider called Allegiance Systems. Allegiance Systems provides the software—that is, SAP—running on their machines. The ABC inputs to that payroll, the payroll is run and it comes back in the form of pay credits for its staff. The corporation has experienced considerable difficulty in the configuration and performance of the software, to a point where it was causing some anxiety to our own financial records, but they have now been corrected.

There is another issue, with the pay slip. It is a very small pay slip. Notwithstanding that the pay slip is not critical to the payroll, because we are prioritising the problems and attempting to fix them with Allegiance Systems, I have deemed that the pay slip is just as important because it runs to the integrity of the system. People need to understand what they are getting paid and whether it is accurate and they need to have some faith in that system. That faith and integrity is under some stress, I must say, in getting it right. It is fundamentally right in the vast majority of occasions.

The ABC has no problem at all in confirming that staff have a right to be paid accurately and on time. That is our goal, and it has never been contrary to that. The payroll has some significant problems. We are working our way through, in a methodical way, with SAP and Allegiance Systems to redress what they call the ICARES, which are logged issues of software noncompliance, nonperformance, bugs or what have you. There was a mounting problem with those ICAREs being resolved in a satisfactory way, but we are working through it. It is taking some time. We have been attempting to keep staff informed of the problems and hopefully provide some comfort to them that we are aggressively managing it with the outsource service provider.

Senator LUNDY—Is it true that some people were paid something like over \$100,000 by accident?

Mr Palmer—I do not think that is the case. I think that is an urban myth. There are a number of checks that are made before pay credits are made to the Reserve Bank, and there have been some large sums that have been caught before the credit has occurred. The problem has been found and the pay has been correct. I must say, to put it into perspective—and I think this is important—there are something like 6,400 pay credits made each fortnight, some people have more than one bank account—and we are talking about actors and a whole range

of people—and the problem was about 800 incorrect pays. That is down to about 200 now, and some of those incorrect pays are caught before the credit occurs. Regrettably, some get through to the credit and result in actual overpayments and underpayments, which are corrected as soon as that has been established and they are identified. But \$100,000 to a person in the form of a pay credit—no, I think that is a bit of a myth.

Senator LUNDY—So did you stop it before it went out?

Mr Palmer—There is an average that we look at as far as pays are concerned, and when a pay exceeds the average it is immediately checked. Someone getting, to quote your example, \$100,000 would have immediately come to light as an anomaly and would have been caught. So I do not know if the \$100,000 is correct, but there certainly have been some large figures which have been caught before the credit has been made to the bank account.

Senator LUNDY—Have some people not actually been paid and left short for the fortnight as a result of these system failures?

Mr Palmer—I believe there have been one or two—a handful—where the pay has not gone through as well as it should have. Once that has been caught, it has been fixed up within 24 hours to 48 hours at the outside.

Senator LUNDY—Given all these problems, you have a specific system in place to help people if their pays do not come through?

Mr Palmer—Yes. I might add, to put it into perspective, that the previous payroll that we had for a number of years had similar problems. No payroll is free of errors.

Senator LUNDY—How long had you had the previous one for?

Mr Palmer—Ten to 15 years.

Senator LUNDY—So you purchased this new one to make it right?

Mr Palmer—Yes.

Senator LUNDY—Well, it is not really a fair comparison, is it, to say that because you had problems before it is okay to have problems with this one?

Mr Palmer—I am not implying that it is okay to have any problems. What I am saying, to put it into perspective, is that no system is perfect. This system is performing to some extent abnormally and not to the contracted requirements, and we are fixing that. But, as a bottom line, this system is much more rigid in its corrections and highlights those, whereas the previous system would have taken days and months to have it fixed up simply because the payroll software configuration was not as vigorous or rigid in saying what was right and what was wrong.

Senator LUNDY—So the benefit now is not that it is doing it any better; it just tells you when it is doing it wrongly.

Mr Palmer—To a large extent, yes. That is precisely it—absolutely.

Senator LUNDY—There is a bit of warped logic there. How much did you pay for it and over what period of time have you purchased the licence for this system, although I am not sure if that is how it works?

Mr Palmer—I might check with my colleague Mr Pendleton, but I think \$590,000 a year is the service fee to Allegiance, to run the payroll, and it is for a three-year contract, which started last year when it went live.

Senator LUNDY—What about the cost of it overall or is that the only cost you incur?

Mr Palmer—No, that is the licence fee to operate the out-service provider. There are costs, which I will have to take on notice, to do with the ABC's internal support in rectifying the problems I highlighted earlier in the overtime spent on correcting those problems and in the project team that has been assisting SAP and Allegiance Systems in configuring it, which started in October 2000 and went through to August last year.

Senator LUNDY—Could you detail those costs incurred by the ABC—for both the preparation for the transition to the new software and the support team you have been required to fund—over and above what you expected when you entered into this contract because of the problems. Can you tell me the overall value of the contract with SAP and Allegiance?

Mr Palmer—As I said, about \$590,000 per annum for three years.

Senator LUNDY—I see. Could you take that on notice and provide the total. What penalty clauses are within the contract that allow the ABC to redeem costs it has incurred in rectifying the problems?

Mr Palmer—I could not tell you offhand. There are some penalty clauses, but one has to be very cautious in exercising those. The last thing we want is an organisation that is providing our payroll to go under because of the ABC's legal action it may believe it can take. It does not serve—in a process where we are getting some results, albeit considerably more slowly than we were expecting—to get into litigation with a company that is trying to assist us.

Senator LUNDY—Are you telling me that you are not applying penalties that are provided for in the contract because you think that might make it go slower?

Mr Palmer—No, we are saying that we want to have Allegiances's mind and thoughts focused on fixing the problems.

Senator LUNDY—That is what they are contracted to do.

Mr Palmer—That is correct.

Senator LUNDY—So why aren't you applying the penalties that are contained in the contract if they are deserving?

Mr Palmer—I am not sure that we have reached the stage where they are, as you put it, deserving.

Senator LUNDY—You have just outlined a consummate failure on quite significant aspects of their contract.

Mr Palmer—No. Senator, what I said is that there are some considerable problems which are being resolved and are being fixed at a slower rate than we were expecting. It is not a case where there has been a total contractual failure by Allegiance Systems to provide a service. That is not the case.

Senator LUNDY—Hang on. Let me ask it this way: did you change your payroll system to remove problems from your payroll that you conceded were there before? Isn't that why you upgrade payroll to a new system—so that you can have a flawless system, so that it is improved?

Mr Palmer—Not quite. Yes, we were looking at improvements. It is just that the previous Star TIAC system was coming to the end of its useful shelf life. It was running on machines that are getting old and, like all bits of software and technology, there is a time to move on. The software has potential to provide far more advanced management reporting and options than the previous system could ever have contemplated, so it was a process to move forward and get a better system. We believe, ultimately, when the system is performing to its contracted arrangements—and we have confidence that it will eventually get there—then we will have a very good system. But we do not quite have that yet, and it requires a very methodical and persistent management to get it through. I believe that is what we are doing.

Senator LUNDY—Have you set a deadline for the problems to be rectified before you start applying the contractual penalties?

Mr Palmer—Not so much a deadline as a date, as in 1 June or 1 July. What I have said is that I was very unhappy with the way that Allegiance was performing with its resolution to our problems. I asked SAP to intervene with Allegiance—because Allegiance is contracted to SAP, not the ABC; there is no legal contractual arrangement between the ABC and Allegiance—

Senator LUNDY—Does that put you at a disadvantage in resolving these issues?

Mr Palmer—It does in some respects, yes. For example, we had no access. That has changed now, I might add, and I will come to that in a moment. We had no access to when our people could put in an ICARE about a particular issue.

CHAIR—Just as a general issue, I would prefer people not have mobile phones switched on.

Senator LUNDY—It was my fault.

CHAIR—Please proceed.

Senator LUNDY—It was my mobile. I am sorry about that interruption. Please continue.

Mr Palmer—We have these ICAREs, which I mentioned before, which we were submitting to Allegiance. We had no way of assessing whether they had actually been received, other than someone on the phone saying, ‘Yes, we have.’ We had no way of checking its progress. These are configurable problems and issues that we identify in the performance of the payroll. There was no way that our people could track these. We were simply barred from the system.

As it subsequently turned out, Allegiance had no way of tracking it. After SAP, at my insistence got in there and worked out what management processes Allegiance had, they now have developed a web based interface, where our people can transparently see the progress and resolution and the prioritisation of a certain ICARE issue. That has only come to bear in the last month, I would suspect. So we have gone from late August to the end of March-April in a system that was not giving us access. We were finding some intense displeasure with Allegiance because we could not get that in.

We approached SAP and said that the performance was not adequate. I am being a bit euphemistic in that respect. They were not the words that we were using, but it was getting the point through, and there was a range of other issues. We had some internal issues with our own training, which we have been improving. So it is not entirely an external service provider. They had some internal problems as well, which we have rectified, in training staff

and becoming familiar with a completely new system. So we have moved to identify those issues.

We now have access to the ICAREs and their progress. To get to your point, the contract did not give us any leverage to say to Allegiance, ‘We need to see these ICAREs and where they are progressing.’ Because of the rigour that SAP provided, Allegiance have now come back with a far better management plan—one that I was privately critical of with them, as to how they were managing it. It proved that they did not, in their own right, have a good ICARE transparency system. It was not a matter of deliberately not letting us into the system; they did not have a clear system to let us into in the first place. That has now changed and they do have, as a result of pressure from SAP, to provide—amongst a number of other things—some tools that we can access. We have a far higher level of confidence today than we had literally weeks ago in the way they are fixing and prioritising the problems that we have with configuration.

Senator LUNDY—I have two more brief questions. Did you have to pay SAP more to get them to intervene?

Mr Palmer—No. They have categorised the types of issues we present to them into three groups, and we did not even have those groups. One is configuration, which is performing to contract. We have asserted, and there has been no argument back, that that is at no cost. That is part of the contract. So any issue where we say ‘It is a configuration problem not performing to the contracted arrangements’ is taken on board. They fix it; they prioritise it. That is at no cost other than the part of the contract.

Then comes the next part, the development, which is anything we come across and ask for that is out of contract. The employment agreement, for example, might have new awards that have to be written that were not part of the contract comprehension in the first place. That will cost us, rightfully so, to reconfigure the machine on that one. Then there is the middle group, where we ask them to fix things that may not be particularly clear in the contract. We will negotiate whether or not that is something that we need to look at.

Senator LUNDY—Finally, does the system recognise staff accrued days off—ADOs?

Mr Palmer—Under the employment agreement, the ADOs—they are not so much called those any more—are reconfigured slightly differently. But to the best of my knowledge yes, they do.

Senator LUNDY—Could you take that on notice?

Mr Palmer—As to whether they—

Senator LUNDY—As to whether the system calculates them automatically. If they do, that is great, but, if not, could you respond to the question on this basis: why would you have spent so much money on a new system that does not do everything that you require it to do? But you have said it does, so we will see how we go.

Mr Palmer—That is one of the reasons it has cost us a lot of money in relative terms: the base SAP system is customised and reconfigured for the ABC and its own employment conditions. So I would be very surprised if it does not accumulate the ADOs. If it does not, it could very well be because of a configuration problem. In other words, it is in the contract to do it, but the software has a bug that prevents it from doing it.

Senator LUNDY—Thank you.

Senator CONROY—I wanted to talk about the Athens Olympics radio coverage. I understand that Channel 7 won both the TV and the radio coverage. Obviously, being a TV station, they have on-sold the radio rights. At this stage it appears they have sold it to radio 2GB. Is that correct?

Ms Broad—Yes.

Senator CONROY—Given that they only broadcast in Sydney, obviously, is there any way that the rest of Australia will be able to get your traditional excellent radio coverage at this point?

Ms Broad—We would like to think so. We have had some preliminary discussions with 2GB, and we have expressed, obviously, our disappointment at not being successful in that bidding process. We have been interested to know how they would propose to mount the sort of coverage that we have been able to mount in the past. We are in the process of taking those negotiations to the next stage and seeing if there is a way that we can mount—

Senator CONROY—When Channel 7 were on-selling it, was the tender for national coverage?

Ms Broad—I do not have the terms in front of me for what the IOC require. I am sorry, but I cannot comment on that.

Senator CONROY—It seems bizarre. You are now in negotiations with 2GB, presumably to cover the non-Sydney metropolitan and the little bit of New South Wales that they cover?

Ms Broad—Yes. We are looking at providing joint coverage. Obviously it would have to meet our editorial guidelines, and it also is going to have to be at a reasonable cost—although it is hard, to some degree, to know what those costs will be. The rate cards are not yet out for Athens, and it is going to be very expensive to mount coverage, but clearly we were not in a position to pay anything near the fee that 2GB was prepared to pay, and we are not looking to pay anything like that now, with them having outlaid so much money.

Senator CONROY—Do you think it is reasonable for 2GB to hoard and try to charge an exorbitant amount of money to the ABC so that all Australians can listen to the next Olympics?

Senator Kemp—My view is that I like sport and I like to listen to sport, so you and I have personal biases in this.

Senator CONROY—I am prepared to put that on the record.

Senator Kemp—But in answer to the specifics, if anyone wants to give me—

Senator CONROY—I am asking the government; I am not actually asking—

Senator Kemp—Unlike you, I do not normally venture into areas that I have not received a clear briefing on. Let me just make the observation that I am one that likes to listen to sport.

Senator CONROY—We have heard the facts. The facts are that 2GB have snaffled the radio coverage. That is about as big a brief as there is on it. What does the government think about 2GB not passing on the coverage to the rest of Australia?

Senator Kemp—I do not know that I could add too much more than what has been said. This is really a matter for the ABC and, hopefully, they can get a contract.

Senator CONROY—It is actually not, Minister.

Senator Kemp—I do not want to intrude into ABC management decisions. After all, we have already had an extensive debate on it.

Senator CONROY—This is about government policy to protect Australians, so that you do not get a repetition of Channel 9 buying the best 16 matches, and then using that leverage to try to recoup their money from SBS so that the rest of Australia can see—

Senator Kemp—The ABC have already provided an answer to that. I will look closely at the issue, and if Senator Alston wants to make any further observations I will get that to you.

Senator CONROY—So you are not prepared to give a government guarantee that all Australians will be able to get the ABC's traditionally excellent coverage of the Olympics?

Senator Kemp—I will give you a formal response to that, but it is something that I have not turned my mind to. Like you, I am one that likes as much sport as possible.

Senator CONROY—The government does have anti-siphoning regulations. I thought the Olympics were actually on it, but obviously you have not noticed. Are you able to get Senator Alston's office to issue a statement?

Senator Kemp—Anti-siphoning only covers the TV area, which you would know. You are speaking of radio now.

CHAIR—Pay TV.

Senator Kemp—You are talking about radio.

Senator CONROY—Yes. Perhaps you might want to expand the anti-siphoning.

Senator Kemp—Is that the Labor Party policy?

Senator CONROY—No. I am asking you what you are going to do to guarantee Australians—

Senator Kemp—You have asked me—

Senator CONROY—There is a debate. I appreciate that this is not your policy area; I do appreciate that. There is a debate about anti-siphoning at the moment.

Senator Kemp—I said that I will show your comments to Senator Alston, who is the minister; if Senator Alston wishes to respond to you I will provide you with the answer.

Senator CONROY—Thank you.

Senator Kemp—You know my view is always to assist you in any way I can.

Senator CONROY—Has the ABC made a formal request to the government to undertake full multichannelling without the content restrictions that currently apply?

Mr Balding—Senator, it has made a submission in respect of, first of all, the government's datacasting review—I think it was back in January of this year—and we also raised it in our submission to the broadcasting services amendment media ownership bill.

Senator CONROY—How much extra funding would you need if you were to full multichannel?

Mr Balding—Senator, I do not have those sorts of figures with me at the moment. But the submission we put to government was the lifting of the genre restrictions in respect of those multichannels. It depends on what genre you are able to put on the channel in respect of what it would cost.

Senator CONROY—Can you give me a ballpark figure? I have no idea—\$200 million, \$100 million, \$50 million, \$20 million, \$30 million, \$10 million?

Mr Balding—No. Again it depends on the content—whether it is high level drama, whether it is sport.

Ms Levy—We have been currently looking at some analysis of the sort of figures that would be required for additional funding should we pursue some multi channel options, but most of our figures are predicated on the current rules being relaxed somewhat, because at the moment drama is excluded and national news is excluded. There are quite number of exclusions that would make a composite channel rather difficult to fund, so we would probably have those figures in the next few weeks.

Senator CONROY—Mr Balding your name has been mentioned extensively in the media over the CEOs position. I was just wondering if you want to take the opportunity to clarify whether you are a candidate or not, given that everyone else keeps saying you are. I thought I would give you an opportunity to set the record straight.

Mr Balding—Senator, yes, my candidature has gone forward.

Senator CONROY—Thank you very much. I thought we might just clear that up so that people would stop saying 10 different things such as you are a favoured candidate of one faction against another faction of the board, so thank you for that. And I did want to ask the minister a question about the timing.

Senator Kemp—Fire away, Senator.

Senator CONROY—Minister, are you satisfied or dissatisfied like Mr Kroger about the length of time it is taking to appoint—I think Senator Alston has even made comments about the amount of time it has taken to fill the position.

Senator Kemp—As a matter of general comment, it is probably better to appoint the appropriate person earlier rather than later. An organisation without its CEO clearly can occasion problems, as a matter of general principle. It has taken a considerable period of time and hopefully there will be an announcement soon.

Senator CONROY—So you are joining the criticism of Senator Alston and Mr Kroger?

Senator Kemp—I think that as a matter of principle, Senator, you would rather have an appointment earlier rather than later. But clearly for reasons of which I am not fully briefed on that has not been possible. But I am sure the ABC is moving at full speed to make an appointment.

Senator CONROY—Do you welcome Mr McDonald's press statement last week where he refused to be bullied to speed up the process and that it was being done appropriately? Do you support Mr McDonald on that?

Senator Kemp—Mr McDonald is in charge of that day to day running of the ABC. I am not in charge of it.

Senator CONROY—Actually he is not. That is the point we were trying to delineate.

Senator Kemp—Senator, in the end it is a matter for the board. They are aware, as I said a minute ago—

Senator CONROY—So you do not support Senator Alston's comments saying it is taking too long; it is a matter for the board?

Senator Kemp—I have just said that it is better to make these appointments, I would have thought as a matter of principle, earlier rather than later. Clearly it has taken quite a considerable period of time and that is leading to some concern. Hopefully there will be an announcement soon.

Senator CONROY—So you think it is appropriate for people to criticise the board—for the minister, for board members, for yourself.

Senator Kemp—We have been through this, Senator—

Senator CONROY—I am talking about whether you should criticise the board.

Senator Kemp—Senator, you have asked me a specific question about the appointment of a managing director. I have indicated that it has taken a considerable amount of time, and I am sure that the ABC are as aware as everybody else it is better to have an appointment earlier rather than later.

Senator CONROY—So you share the minister's concerns.

Senator Kemp—I have made my comments clear, Senator.

Senator LUNDY—It was discussed at the committee, and I think it is worth while making the point, that the ABC made a request to the committee that they come on at a certain time in the course of the estimates hearings. I want to note formally on the record that this committee obviously have a very full agenda for the estimates period and query the ABC for setting a board meeting on the date corresponding with the beginning of the budget estimates period, and I flag this issue with the ABC and suggest that they do not schedule their regular board meetings on days which correspond with the budget estimates. We know that these dates have been notified for quite a long period of time, certainly a number of months, and I would want to indicate to the ABC now that the committee are of a mind not to be as cooperative as they have been on this occasion in allowing them to go first in this estimates period.

Senator Kemp—I might make an observation. Ideally, Senator—and as a senator I am well aware of this—it is a big help if organisations can be available at the appropriate time. But, on the other hand, I am equally well aware that sometimes that is not possible and sometimes Senate committees have got to make adjustments. In the end it is a delicate balancing act. I do not know if the committee has expressed a view on that. I am looking at the chairman—he can nod or shake his head. I would encourage the ABC to be as cooperative as possible in coming to Senate committees, and I am sure they are. On the other hand, I do recognise that sometimes it is not practical and therefore it makes sense for the Senate committee to be a bit flexible.

Mr Balding—Can I respond to that also to make note on the public record that, first of all, the ABC has always cooperated in making its officers available to attend Senate estimates committee hearings. When I wrote to the committee there was never any intention that the executives would not be available for this Senate estimates committee hearing. There was only a possibility that I might not have been available, and that was when I did request the date to be changed, or consideration to be given. But there was never any intention that the ABC would not be cooperating and would not be coming to this Senate estimates committee.

In answer to the comments, I have been advised that, as far as all the forward dates are concerned, there are no further clashes with ABC board meetings and Senate estimates committee hearings. But I would also say in respect of the ABC that we were previously in another group and when the board meetings were set there was no clash. We were moved, I

believe, from group B to group A, and that is when that caused a clash. So when the board meetings were set, having regard to the previous itinerary and scheduled meetings for this committee, there was no clash; the clash came about when we were actually moved. But, to reiterate, the ABC has always cooperated and will continue to cooperate in coming to these committee hearings.

Senator LUNDY—Thank you.

CHAIR—We thank you, Mr Balding. We do accept that the ABC is very cooperative. The committee did feel that estimates should be understood to have a priority, and I am sure you understand the importance of being here for them. I appreciate your explanation. With that, we have finished with the ABC, so I thank the officers from the ABC for appearing.

[11.55 a.m.]

Telstra

CHAIR—I welcome the officers from Telstra. Senator Mackay is going to lead off the questions.

Senator MACKAY—On the *Sunday* program yesterday Senator Boswell made some statements with regard to Telstra and proposed T3 privatisation. He said, inter alia:

I would think we—

I presume he meant the government, or the National Party; perhaps you could clarify—

put in place a process to actually have an inquiry and to put up performance standards and we will have an objective evaluation of that.

He was referring to an inquiry prior to T3 proceeding. Is the government intending to have this inquiry?

Senator Kemp—We are a consultative government. I think it is well known that we listen to people. Senator Ron Boswell has a view and we will listen to him. But, unless anyone can correct me, the government has not indicated what constitutes the issue of adequate services, and the process by which this will be determined is yet to be decided.

Senator MACKAY—So there is no formal position on the government's part as to whether there will be Besley mark 2, Dr Stretton?

Dr Stretton—That is correct.

Senator Kemp—Yes.

Senator MACKAY—There were some comments by the Treasurer, Mr Costello, last year where he said in relation to this matter:

I think we put in place a process to actually have an inquiry and to put performance standards and we'll have an objective evaluation of that.

That was 29 October 2001. Has the government departed from that position?

Senator Kemp—As I indicated to you, Senator, in my first response, there are a range of options which the government could consider and people will be putting various views to us, but a process has not yet been determined.

Senator MACKAY—Okay. On the news this morning a government spokesperson indicated that it was not government policy to institute a Besley mark 2 situation prior to T3 proceeding.

Senator Kemp—There are a variety of options; that is the point I am making. There are options which the government could consider on this. The advice I have is that the government has not determined the particular option as yet. I think that is consistent with answers to one, two and three of your questions.

Senator MACKAY—That is fair enough. How will the government determine whether services in the regions are up to scratch? What options are before the government?

Senator Kemp—As I said, the process is yet to be determined. I do not know whether I can add too much more to it. The options are around and people are debating those, and in the end the government will make its decision and there will be an announcement at the time.

Senator MACKAY—So there is no decision in relation to Senator Boswell's view at this point from the government.

Senator Kemp—No. That is the point I make.

Senator MACKAY—That is fair enough. Senator Boswell also indicated yesterday that he would like it written into legislation that regional Australia would be guaranteed the latest technology if T3 were to proceed. I am curious as to how it might happen and how you would actually have a legislative mechanism to ensure that. Has Telstra thought about that?

Senator Kemp—As I said, Senator Boswell is putting a view and he is a very respected senator. The government has not determined its position. Mr Stanhope, have you any views that you might like to put forward?

Mr Stanhope—We really have not been talking about guarantees of technology. We have not had any discussion with Senator Boswell about that. Our position has always been that there is a mechanism by which service can be guaranteed to regional Australia. It can be through a legislative process. We believe that can be the basis of a full privatisation. The mechanism is there for the parliament to put those sorts of things in place, but we have had no direct discussion or consultation.

Senator MACKAY—Have there been any discussions at all in relation to how such a mechanism may be put into place with anybody?

Mr Stanhope—No. The legislative mechanics are purely up to the government, and we will do what is required of us.

Senator MACKAY—Okay; but there have been no queries to Telstra as to how you would actually guarantee updated technology in legislation?

Mr Stanhope—No, Senator.

Senator MACKAY—I will come back to this matter, Chair.

Senator LUNDY—Chair, I would like to raise a few issues of process. Quite consistently on this committee I have raised the issue of the time it takes for questions on notice to be returned to the committee, and once again we have had a situation where we have placed on notice questions at the last round of additional supplementary estimates and the committee has notified the witnesses of the time frame and deadline by which those answers were due. And once again we have had a late flurry of outstanding questions being provided through the committee. Chair, I know that it is at times the fault of the minister, as the questions get delivered to the minister's office; and so I ask that my observations be duly noted for the legislative committee report and my complaint noted. Could I ask Telstra, and subsequently the minister, to take on notice when in fact Telstra provided answers to questions on notice to

the minister's office and whether it was within that deadline? And I ask a question on notice to the minister as to how long those questions remained in his office.

Senator Kemp—Senator, I will draw your questions to Senator Alston's notice and I have no doubt that he will want to respond in due course.

Senator LUNDY—Thank you. And Telstra?

Mr Stanhope—Certainly, Senator, we try to submit the answers to questions as quickly as we can. I know that last time—and I was not here last time—there were an extraordinary number of questions on notice and some of them were quite detailed. It does take some time to get that level of detail, but we intend to and try to cooperate to get the answers to the questions back as quickly as we can. We will continue to do that. We understand the time frames and we will endeavour to meet those in the future.

Senator Kemp—I think there is an issue in another area that I am involved in; not directly this area—

Senator LUNDY—Sorry, but can you speak up, please?

Senator Kemp—It is very unusual for people to want me to speak up.

CHAIR—Could we have a bit less aside conversation, so that we can hear the minister's words in full?

Senator MACKAY—Actually, the sound is quite low.

Senator Kemp—I think it is a bit low. It is fairly rare that I am asked to speak up, I have to say. How are we going?

CHAIR—It can come up a bit more, if you like.

Senator Kemp—That sounds better. The point I was making is that, in an area that I am more familiar with, a very great number of questions were put on notice, and I think the committee has to recognise that, whereas we will always try to cooperate, if people want many hundreds of questions answered, it is going to take some time. My view would be that certainly at our end we have to make sure that the processes are correct but, equally, my judgment has been over the years that some preliminary sorting could be done by senators before they put very large numbers of questions on notice. I think that would assist in dealing with the problem that Senator Lundy has raised.

CHAIR—It has been said before that some questions need a lot of time to be spent in researching the answers, and that of course means that it is difficult to get through them all when there are a lot of questions on notice.

Senator Kemp—I think that it is a matter of judgment—not that we often do this—but there are times when you just say that you cannot devote the resources to it. There are limited resources in the end and in the end people have to make a judgment whether they can be responded to. The general principle is, yes, we try to assist. We try to get them there. But, Senator Lundy, if I could just make a request: before huge numbers of questions are put on notice, if the senators could do some preliminary sorting that would be a help.

Senator LUNDY—Let me also make the comment that I think, particularly at the last round of additional supplementary estimates, there was an issue relating to time. Time was restricted because of the unavailability of the minister, which condensed the opportunities we had as members of the committee to ask the minister questions. That led to a significant

number of questions going on notice. I just wanted to make that point, Chair, because it is part of the complex story of delays of questions.

Senator Kemp—Indeed, Senator, and you have drawn our attention to another aspect. Senator Alston, who can hardly wait to get a copy of the transcript of this, I am sure will read that.

Senator LUNDY—I am sure he will.

Senator MACKAY—Let me go back to the issue of T3 and the Besley recommendations. There have been a number of comments from government frontbenchers that services in regional Australia are now up to scratch. Is Telstra of that view?

Mr Stanhope—We are of the view that many of the Besley recommendations have been concluded or are well underway. They are very well advanced—and I will ask Mr Paterson to speak about those in a minute. Service standards are improving in regional Australia; prices are falling; the Internet Assistance Program is in place; CDMA coverage is improving; we have Telstra Country Wide in place, that has greater contact with regional Australia and customers; there are about 215 Telstra agencies or agents out there, again, making greater access for customers in regional Australia. There are 30 Telstra country shops and, as you will have noted last week, we announced three initiatives to also help regional Australian customers. They were: the Iridium Satellite offering, the long-range cordless phone, and some high-speed Internet access through a satellite ISDN mix of technologies. Going specifically to Besley, perhaps Mr Paterson could comment.

Senator MACKAY—Before we go to Mr Paterson—sorry, Mr Stanhope—is it generally Telstra's view that they are up to scratch? We will go to the empirical data in a minute.

Mr Stanhope—‘Up to scratch’ is interesting terminology. We think there is still room for improvement. There is always room for improvement in our service levels, both in metropolitan and regional Australia. What I was outlining was a considerable improvement in Telstra's service in regional Australia—and for that matter, in metropolitan Australia—over the last five years or so and an accelerating rate of improvement over the last couple of years, of which Besley recommendations are a part. Are we perfect—no, not yet. Are there things to be done—yes, there are. There are some fault areas, some ‘tails’ as we call them where we need to focus some capital expenditure—and we will. Are we perfect—no. If you mean ‘up to scratch’ being perfect, no, we are not. But we will continue to improve.

Senator MACKAY—Just before I come to Mr Paterson, in terms of the room for improvement you have identified faults. What specifically do you mean in that respect?

Mr Stanhope—What I mean is there are certainly pockets around Australia where we need to concentrate on improving some of the plant—some of the cable and so on. It is our intention to do that—we have started to do that. We recognise there are specific pockets where fault levels are too high, and we have a capital program expanding next year to address rural fault areas. And when we get that done over a period of time, we will certainly see even more improvement in regional Australia.

Senator MACKAY—So when you say there is room for improvement you are basically talking about the issue of faults. I will get to that in a second, but are there any other areas?

Mr Stanhope—That is primarily the areas. Our service activation performance, the time required of us to put on new services and so on, has come down and down through ACA requirements and so on. By and large, we are meeting those commitments very well. The

main area, as I said, is that there are some fault areas where there are far too many faults—we measured this on a fault per 100 services type metric—that we need to improve. They are small pockets, and we know we need to do that. Primarily, that is the area.

Senator MACKAY—We will come to that in detail later on. I was wondering if you had asked Mr Paterson to operate further on Besley?

Mr Stanhope—Yes. Perhaps Mr Paterson could give an update of where we are with the 17 or 18 Besley recommendations.

Mr Paterson—I will focus on a couple of key areas in terms of Besley implementation. One of them is mobile coverage. The government has now granted a contract to provide mobile coverage in towns of over 500 people and in fact Telstra was successful in winning that tender. The government has a request for tender in the market for provision of mobile coverage for towns of less than 500 people and for some highways.

Senator MACKAY—Mr Paterson, I have some quite specific questions. It might assist if I asked my questions and then you could respond specifically, because I have a number of questions in relation to this one. I am just trying to be a bit helpful here.

Mr Paterson—Certainly.

Senator MACKAY—Let us take the mobiles for towns over 500 program: what is happening with that? Is that you, Mr Paterson?

Mr Stanhope—We have Paul Granville here from the Country Wide group, so he should be able to answer that more directly.

Mr Granville—There were 132 towns covered under that particular Besley initiative. On 5 April there was an announcement that Telstra won that contract. Since that date, Telstra has been involved in the ongoing work of planning the network—

Senator MACKAY—Your mobile phone is ringing. This is the proof of the pudding.

Mr Granville—After that announcement there is a large amount of work required in network planning, site selection and going through the normal processes, community consultation and working with local government authorities, in terms of placing the towers and so forth. The current schedule is for that work to be completed by December 2003.

Senator MACKAY—I am sorry, could you say that again? I really am having a problem hearing you, so could you say that last bit again. Is that your mobile ringing again?

Mr Granville—I thought I had turned that off.

Senator MURPHY—Another town on the line?

Senator MACKAY—That is two disgruntled customers—you had better watch out, Mr Stanhope. At least you can get mobile phone coverage in this building, unlike many places in regional Australia.

Senator Kemp—Mr Chairman, you might like to remind people to turn off their mobiles.

CHAIR—We did say that earlier. We would really like people to have their mobile phones turned off.

Senator Kemp—Some are just flouting the authority of this committee.

CHAIR—It might be seen as an advertisement.

Senator MACKAY—We are only teasing you. Go on.

Mr Granville—Since the announcement of Telstra winning the contract, which was on 5 April, we have commenced the work required to roll out those base stations. There is a whole sequence of events—the detailed planning of the sites. Generally what happens is that there are a couple of possible sites where you can site the towers. Our engineers look at the implications of those sites and the trade-offs of coverage. There is consultation with communities and local government authorities as to those sitings. Then—

Senator MACKAY—So this is the 132 towns?

Mr Granville—That is right.

Senator MACKAY—Which are they? Do you have a list of them?

Mr Granville—I do not have the list with me.

Senator MACKAY—Why not? The 132 towns are covered by the ‘mobiles for towns’ program.

Mr Granville—That is correct, yes.

Senator MACKAY—How were they determined?

Mr Granville—They were determined by the government as part of their tender.

Senator MACKAY—By the government. Do you have a list there?

Mr Granville—I do not, no.

Senator MACKAY—Does anybody have a list?

Mr Stanhope—We can provide that list, but not today.

Senator MACKAY—So we have a program of 132 towns, but we do not know what they are and they are determined by the government. Please continue, Mr Granville.

Mr Granville—That is, I guess, the end of the story. The work is now under way, from our point of view, of responding to that tender and installing the base stations in accordance with the tender.

Senator MACKAY—What is the quantum in relation to this program?

Mr Granville—The dollar quantum?

Senator MACKAY—Yes.

Mr Granville—I do not have that either.

Mr Stanhope—It is a \$30 million program.

Senator MACKAY—Over how many years?

Mr Granville—Completion is by December 2003.

Senator MACKAY—What is the breakdown?

Mr Stanhope—Sorry?

Senator MACKAY—What is the breakdown financially?

Mr Stanhope—Most of it is in the next financial year, in the next six months.

Senator MACKAY—What is the appropriation year by year?

Mr Stanhope—I cannot tell you the split of the \$30 million by year, but most of it is in the next fiscal year.

Senator MACKAY—Can you get us that information plus which towns we are talking about.

Mr Stanhope—Yes.

Senator MACKAY—When you say it was determined by the government, did Telstra just get a list from the government?

Mr Granville—There was a tender issued by the government, which we responded to, along with other carriers. We were successful in winning that particular tender.

Senator MACKAY—But you say the 132 towns were determined by the government.

Mr Granville—That is correct.

Senator MACKAY—How did Telstra come to know about the 132 towns?

Mr Granville—In terms of the tender being issued—the tender documentation.

Senator MACKAY—Who evaluated the tender?

Mr Granville—That would be a question for the government.

Senator MACKAY—All right, who evaluated the tender?

Dr Stretton—The department did.

Senator MACKAY—And the department provided advice to the government? Outline the process for me.

Senator Kemp—We are just getting an officer to the table.

Senator MACKAY—Thank you, Minister.

Mr Cheah—The tender I think we are talking about is the one for towns over 500.

Senator MACKAY—Correct.

Mr Cheah—That was one of the TSI initiatives. Effectively the process was that we tried to identify all the towns which had population centres of over 500 and did not have mobile coverage. That involved looking at Australian Bureau of Statistics definitions of what was a town. It then involved engaging with the carriers to find out whether or not those towns did in fact have coverage or not. Then the minister put out a press release last year which had attached to it a list of what the towns were. There ended up being 132 towns on that list.

Senator MACKAY—Do those 132 towns represent all the towns in regional Australia with 500 or more people.

Mr Cheah—Populations of 500 or more according to ABS definitions, yes.

Senator MACKAY—Who do not have mobile coverage. So every population centre is covered in the 132?

Mr Cheah—I think the eventual decision involved the last four, which were all remote indigenous communities—all the other towns would get coverage, yes.

Senator MACKAY—Do you have a list of the 132 towns?

Mr Cheah—They were attached to the press release the minister put out last year. We can certainly provide that list to you. That is not a problem at all. We will arrange to have that provided to the committee shortly.

Senator MACKAY—So, in terms of the variables that were used, there were ABS statistics on population. Is that correct?

Mr Cheah—And the ABS definitions of population, yes, to decide which were the towns of over 500. That was the process.

Senator MACKAY—How will this work, when it is finalised? Will you have mobile phone coverage in the town, outside the town, within five kilometres of the town?

Mr Cheah—It is to the town as it is defined and to the town locality as it is defined according to those ABS definitions, minus any blackspots which would normally occur as a result. In any mobile phone coverage, you will always get patches where, because of a little dip or whatever, they will not get coverage. But the idea is that the town—

Senator MURPHY—The line of sight—

Mr Cheah—No, it is often a bit more than the line of sight. You tend to do a bit better than the line of sight.

Senator MACKAY—So, spatially, how do you determine that? Say you have got a town with 500 people. Do the ABS determine spatial boundaries?

Mr Cheah—Pretty much. Yes, they do. There are locality boundaries. And when all of the carriers were requested to put in tenders, it was on the basis of, 'Here are the localities and the boundaries. You carriers put in a tender to how you would actually provide those areas with 100 per cent coverage. If you cannot provide 100 per cent coverage, please tell us any particularly defined areas where you cannot,' and they have to put up a case justifying that. There were a few cases, I think, in relation to the Telstra tender where they said, 'Here are some clearly defined areas where that was not going to happen.' But generally they could provide coverage to 100 per cent of the localities. In fact, in many cases, they went beyond the actual boundaries of the town because with CDMA coverage you often do a lot better than just getting coverage in a town. So we will end up by doing better.

The way we lock that in is we obviously have a contract with Telstra for the roll-out. That will get locked in by license conditions, so the actual coverage will be subject to a licence condition. So that means that, if Telstra does not provide the coverage in the area, a lot of people can go and complain to the ACA and the normal ACA licence condition enforcement mechanisms will apply.

Senator MACKAY—Let us take an apocryphal town of 500. Generally, the guarantee is within the spatial boundaries of that town as determined by the ABS? Is that generally the case?

Mr Cheah—That is correct. In broad terms, yes.

Senator MACKAY—Let us say you drive 20 kilometres outside the town. What happens then?

Mr Cheah—It depends. If the ABS definition of the town's boundaries was 20 kilometres outside, then the coverage would, in theory, go to 20 kilometres outside.

Senator MACKAY—What is the general ABS definition of a 'town'? Is it 20 kilometres?

Mr Cheah—No. The boundaries vary quite a bit. I forget the exact term, but it is something like an urban locality. We can provide you with advice on the way the ABS defines a 'town'.

Senator MURPHY—So it does not depend on the capacity of the tower? That can be regulated, can it?

Mr Cheah—Sorry?

Senator MURPHY—I thought a mobile tower had a radius coverage.

Mr Granville—With CDMA technology, in particular, the reach would be far beyond the boundaries of a small town of 500. So there would be geographic features such as mountains and hills. But, generally, you would be looking at least 50 to 60 kilometres in general terms which would cover far beyond the town area and well into surrounding areas. There would be areas—patches within buildings and that sort of thing—where there could be limited coverage.

Senator MURPHY—I understand that. John, I thought I understood you to say something about towns with populations of less than 500.

Mr Stanhope—There is a tender out for towns with populations of greater than 350 and less than 500. That has not yet been awarded. But there is about \$20 million available to service those towns. We have gone through the tender process, but it has not yet been awarded.

Senator MURPHY—So the population has to be greater than 350.

Mr Stanhope—Mr Cheah may be able to elaborate, but it is my understanding that it is greater than 350 and less than 500.

Mr Cheah—The government actually put aside \$88 million all together for improving mobile coverage in regional Australia—\$37 million of that was for the towns of 500 and over. So it was pretty much guaranteed that all towns over 500 would get that coverage. Then for the towns under 500 it is starting to get quite marginal in terms of providing additional terrestrial cover, and we need to look for a range of different strategies for doing that.

The government set up a \$50.5 million program under the TSI as well to improve coverage by a range of different methods. Those methods include: providing coverage now to towns over 350, and we are doing a tender process to look at how that might be done; providing mobile satellite handset coverage, so we are providing people with subsidies for mobile satellites; and also improving spot coverage on for more remote highways. As you know, the government did another tender, a bit over a year ago, which Vodafone won and which ended up by providing GSM coverage along most of the major national highways. So I suppose the story on mobile coverage is that although it sounds like there are a lot of tenders, and there have been, it has been almost progressively working a way through how we can extend mobile phone coverage into more and more marginal areas, and the process that has been largely adopted has in fact been tenders.

Senator MACKAY—Following on from Senator Murphy's question, what is the appropriation for that second stage, the 350 to 500? I did not quite catch that—was it \$30 million?

Mr Cheah—It is an element of a \$50.5 million program for improving mobile coverage. The first program I talked about was the towns of over 500. That was quite a separately identified element and that was \$37½ million. Then there is the \$50.5 million program, which was to improve mobile coverage to more remote areas, towns of under 500. As I said, that together is one bucket of money. The minister put out a press release which explained how he thought that was going to be divided up, though the government still has got flexibility as to

exactly where that goes. For example, if the tender for the towns over 350 comes in at less or starts to come up with results that look very strange, the government has got the freedom if it wishes to move the money around between different other ways of providing improved mobile phone coverage.

Senator MACKAY—What is the government's time line for that second stage?

Mr Cheah—A tender has been out for a while now on the towns of over 350. The government has not yet made a decision on the tender and of course it would be inappropriate to talk about the tender processes at the moment.

Senator MURPHY—How many towns did you find between 350 and 500?

Mr Cheah—I think there were 55 small towns under that one.

Senator MURPHY—Fifty-five.

Mr Cheah—That was 55.

Senator Murphy—So you are spending \$30 million for the 500 plus?

Mr Cheah—The original was a \$37 million tender. I think there were some savings from that and the tender results came in at less than \$37 million. I have not got the precise numbers with me.

Senator MACKAY—What was the saving? Where has that been rolled over to?

Mr Cheah—I will have to take that one on notice, Senator. When the department comes back later on this evening I will come back with an answer on that.

Senator MURPHY—So you have got \$37 million, with some savings, to actually get coverage for 132 towns. And you have identified 55 towns and have still got about \$50 million left?

Mr Cheah—Yes, that is right.

Senator MURPHY—So it is going to cost you somewhere in the order of less than \$37 million to do the remaining 55?

Mr Cheah—Yes, but the cost per town could very well be higher, as you might expect, as you get into areas with more and more marginal coverage. The allowance was for more than that, but the actual precise numbers will once again depend on the results of the tender and the results of any contractual negotiations with the preferred tenderer.

Senator MURPHY—But it still should be less than \$37 million?

Mr Cheah—I think yes. The allowance was for less than that—it was just over \$20 million, I think.

Senator MURPHY—It was less than half—

Mr Cheah—I think \$20.4 million was what we were allowed. There is a separate press release on that issue which I do have a copy of in front of me.

Senator MURPHY—That makes your expenditure in those areas less than \$60 million out of, what, an \$80 million or \$88 million program?

Mr Cheah—\$88 million: there are two programs which collectively add up to \$88 million.

Senator MURPHY—So you have got \$28 million.

Mr Cheah—The government did put out a press release explaining how they thought the \$50.5 million program was going to be divided up, and it did in fact include—and I will check the numbers again when we come back—a \$3 million program to subsidise mobile satellite handsets and another tender to do spot coverage on highways. That pretty much made up the amount. I am sorry, the other component of it was \$7 million which was provided to Western Australia to provide effectively infill coverage across all the south-western part of Western Australia as well. That was on the basis of a 50 per cent contribution by the Western Australian government—actually I think it went one-third, one-third, one-third. It was one-third by Telstra, one-third by the Western Australian government and one-third by the Commonwealth to provide coverage across the south-west part of Western Australia. In fact, the entire Western Australian component of the \$50.5 million program went on that.

Senator MURPHY—Is it possible to get a breakdown of that?

Mr Cheah—Yes, certainly; we will have that ready by the time we come back.

Senator MACKAY—Was Western Australia the only state where a ‘joint venture’ was determined?

Mr Cheah—All states were offered the option of whether or not they wanted it. In fact, when the government originally announced the \$50.5 million program, it basically had some notional state based allocations at the time. The idea was that other states would follow Western Australia’s lead and would provide matching contributions. As it turned out, Western Australia was the only state which, at the end of the day, followed through with the matching contributions. The idea was that if the state governments provided a matching contribution like Western Australia, they would have a stronger say in where and how the money might get spent, what the priorities might be, and we would work very closely with the state in the way that worked out. As I said, as it turned out most of the other states did not do that.

We did, in fact, go through a public process to ask all stakeholders what they thought the priorities were. As I said before, there are a range of different ways you could spend money on improving mobile coverage in regional Australia: you could focus on towns, you could focus on infill coverage, you could focus on highways, you could focus on satellite handsets. And just how to get the best bang for the buck, so to speak, was in fact canvassed through a public process.

Senator MURPHY—And canvassed with all the states?

Mr Cheah—It was canvassed with all the states as well—they were certainly asked for their opinions and views on that.

Senator MURPHY—Were they written to?

Mr Cheah—They were written to and they were also offered the option of providing the matching contributions.

Senator MURPHY—Is it possible to get a copy of the correspondence that was sent to the states?

Mr Cheah—I would have to check in terms of confidentiality, but possibly we could. We can certainly provide a copy of our discussion paper we put out at the time.

Senator MACKAY—I want to move on to the mobile phones on highways program, if you have finished, Senator Murphy.

Senator MURPHY—Yes.

Senator HARRADINE—Could I just ask—

Senator MACKAY—Sure.

CHAIR—Senator Calvert just has a question.

Senator CALVERT—Just before you get off that issue, Telstra are also involved in projects under Networking the Nation, aren't they?

Mr Cheah—Yes, they are.

Senator CALVERT—Providing services. And currently they are in the process of providing CDMA networks in the Huon channel area of Tasmania and Flinders Island.

Senator MURPHY—And the central plateau.

Senator CALVERT—Yes. For Senator Murphy's and my benefit, could you give us an estimated completion date of those projects? I do not expect you to have it there, but perhaps you could provide the committee with estimated completion dates for the Huon channel areas, Flinders Island areas and the central highlands?

Dr Stretton—I am sorry, I do not think that is really a question for Telstra.

Mr Granville—We will have to take that on notice.

Senator CALVERT—Thank you.

Senator MACKAY—Does Senator Harradine want the call now?

Senator HARRADINE—No.

Senator MACKAY—The mobile phones on highways program: is anybody able to give me a briefing on that?

Mr Stanhope—Again, there is a highway program or tender that was issued and Telstra did not win that particular tender.

Senator MACKAY—Vodafone.

Mr Stanhope—There is another improved highway tender out and we are tendering for that. But, again, it is one of those that is not yet awarded. We cannot comment on the one we lost.

Senator MACKAY—I understand.

Mr Stanhope—Maybe that is a question for the department.

Mr Cheah—I suggest that is the way, Senator: if you would prefer to do it that way it would probably be better to ask us those questions when the department is on this evening.

Senator MACKAY—But this is it: there are so many synergies here it is impossible to confine all your questions to the department, then go to Telstra et cetera. I just think it would be easier if we were able to get the questions answered as they emerge.

Senator Kemp—It has ever been thus, Senator. I can understand the frustration. I was six years in your shoes over there and I was always told by the minister at the table, 'This is another estimates committee and you have got to go and ask your questions there.'

Senator MACKAY—No, it is the same estimates committee.

Senator Kemp—There is always that problem. We will try to be flexible. There was a question asked recently by you about the ABS as to what standards it uses to determine tariffs.

Senator MACKAY—No, this is a question to the department.

Senator Kemp—I know that.

Senator MACKAY—I am not trying to be difficult; it is just easier to do it that way.

Senator Kemp—I was responding to the generality of your question.

Senator MACKAY—I know; I understand.

Senator Kemp—It is difficult but it is appropriate that we see. The reason we do it that way is we try to have the appropriate advisers here when issues arise. We cannot have them here all the time. That would not make sense.

Senator MACKAY—Where they are not that is totally okay.

Dr Stretton—My understanding is that, depending on the level of detail you want in answer to your question, the appropriate people who know all the detail are not here at the moment. They are down for the department some time tonight or tomorrow. If you think it is a very general question, I am sure Mr Cheah will—

Senator MACKAY—We can hold it until the department appears.

Dr Stretton—Okay, fine.

Senator MACKAY—Speaking generally, I am having a bit of difficulty determining what the definition of a highway is. Given that Telstra actually tendered, they might have some idea. Are these all highways? Are they national highways?

Mr Cheah—With the tender that led to the Vodafone winning that contract, it was in fact for national highways. We simply identified them from the well-defined list of major national highways. We looked for those highways which had in fact coverage gaps in them and had large amounts of traffic on them. We tried to get a continuous coverage for as much as we could because one of the identified needs at the time was to get continuous coverage. There is a bit of a difference between the tender which led to Vodafone winning, which was for national highways and getting continuous coverage, and the latest tender, which has been more about trying to get spot coverage. One of the issues which came out of our consultation process with stakeholders—which I have discussed before and which is: how do you improve coverage?—is that some people are saying that what they are actually after is almost spot coverage and that a little island in the middle of a long highway would actually be quite useful, even for the coverage just to come in, as well as trying to improve coverage along some of the state highways.

Senator MURPHY—I have a question about CountryWide. How many people work in the CountryWide service area?

Mr Granville—CountryWide was set up for the purpose of improving our contact with customers in regional areas, understanding their needs and responding to them. It was set up on a model of a very low number of staffing and at present that is something of the order of 450 people in CountryWide itself. We achieve all our objectives through other parts of Telstra. For example, all our front of house work is done for us by the Telstra retail group and our service needs are met by our infrastructure services group, so we utilise staff in those areas and we have internal relationships and standards that we agree to. So in terms of staff numbers CountryWide itself is quite small.

Senator MURPHY—It is interesting that you seem to have spent a lot of money on advertising.

Mr Granville—Our advertising budget is actually quite modest and very targeted to the customers' needs.

Senator MACKAY—I'll bet it is.

Senator MURPHY—As a matter of interest, how much is it?

Mr Granville—I would have to take that on notice.

Senator MURPHY—Yes, thank you.

Mr Granville—There is overall Telstra marketing and national—

Senator MURPHY—I am talking about the CountryWide ads in particular.

Mr Granville—Yes, in regional newspapers and so on.

Senator MURPHY—How has the 450 in that process helped in delivering better outcomes to rural and regional Australia?

Mr Granville—The key part of that 450 was the setting-up of 28 regional offices in various regional centres around Australia. The key role of each of those area managers is to actually be on the road visiting customers, visiting stakeholders, explaining first of all the services that people do not realise are there. We have regular public meetings and forums. Our staff will arrive in a town and advertise that a meeting will be at a mechanics institute or whatever for that day. We have displays of products, people can come in with their problems and we can explain requirements. We are explaining our products at all the major agricultural shows and other events in regional Australia.

The other thing is that through that process we get a great deal of feedback on the needs, and that was demonstrated by some of the launches last week. We are constantly told by farmers that if only they could communicate while they are spending hours in a tractor, for example, they could get business done. So we came up with the marketing of a long range cordless phone, which can cover a large property, for example. There are many examples where we have focused the product development or pricing initiatives to meet the actual needs of customers in those areas. We also have an advisory board drawn from prominent people from around Australia, most of whom are involved in various agricultural and other regional industries. So we get feedback from them and advice on our policy and the direction we are going regularly, every six weeks, from the advisory board meetings.

Senator MURPHY—Does that process also deal with people who ring up and say, 'This is a problem with the service that we have got'?

Mr Granville—A key thrust we have, and an actual measured result we are looking for, is that people in communities generally know they can come to the Country Wide office to solve their problems. We have staff there whose whole role is that in the percentage of cases where the Telstra process for some reason has not worked, they pick up that small number, make sure the process does work and take up their issues.

Senator MURPHY—How long has it been in operation?

Mr Granville—The launch was in June 2000, so we are coming up to our second birthday.

Senator MURPHY—You would keep records of the number of complaints about services that you have received?

Mr Granville—Telstra has a database which tracks complaints generally across the board. A lot of our stuff would be supplementary to that informally, but every formal complaint

would actually be in that database. Every day we are dealing with small issues, just making things work as well.

Senator MURPHY—Would you be able to provide a breakdown of the number of complaints that have been received by the Country Wide service?

Mr Granville—I am not sure; I would have to look at that. It may be clear which way they came into the company.

Senator MURPHY—So they just go into a pool?

Mr Granville—Yes.

Senator MURPHY—How does the Country Wide group, if it does get complaints, then address back to the customer, for instance, that the matter has been fixed?

Mr Granville—First of all, for any formal complaint there is quite a formal process of tracking it and getting back to the customer to say that it has been resolved. If it is an informal one, a smaller issue, then I guess it is just the culture of our staff to follow things through to completion.

Senator MURPHY—So you would have some sort of record at least?

Mr Granville—Of the ones that end up as formal complaints there certainly is a record of all those.

Senator MURPHY—Could you provide the number of those that you have received nationally?

Mr Granville—Yes, we can see what—

Senator MURPHY—Can you also give some sort of breakdown as to what those complaints were about?

Mr Granville—The general issue?

Senator MURPHY—Yes.

Mr Granville—Certainly.

Senator MACKAY—Can I get an update on the untimed calls program?

Mr Granville—Yes. There are a number of aspects to that tender. One is the replacement of all the older digital radio concentrator systems throughout regional Australia, utilising a couple of different technologies. I will just get the detail on the right sheet here.

Senator MACKAY—I will just forecast that I am going to be asking you what stage it is up to, how much money is involved and how much longer is the program running for.

Mr Granville—On the replacement of the digital radio concentrator systems, the aim is to complete that by December 2003. That is well under way at the moment, with quite a large number of systems either complete or being replaced. The second main area there is the provision of two-way satellite. That is being done in a phased manner, of mail-outs to customers in different areas, and it is a one-off offer of installation of a two-way satellite. That is also well progressed, we are getting a good response from that and we are moving in a program to allow efficient installation around the country.

Senator MACKAY—I am aware of what you are talking about. To which areas has the mail-out occurred?

Mr Granville—I have not got the detailed list of those areas.

Senator MACKAY—Is it all areas that have this difficulty?

Mr Granville—Basically we divided up the whole of the tender area, which is about 80 per cent of the Australian landmass, and came up with a mixture of sending teams to different parts of Australia. Given that there is a lot of travel, it was going to take some time, so we are working in different parts of the country on a phased mail-out, getting the responses and then sending the teams out to install the processors.

Senator MACKAY—Is the offer open to 80 per cent of the landmass?

Mr Granville—The offer is to all customers living within the extended zone area part of the tender.

Senator MACKAY—And have they all been mailed?

Mr Granville—No, it is an ongoing process that will take some time to complete, given the area.

Senator MACKAY—I understand. I am just trying to get a fix on who you have direct mailed to and who is pending.

Mr Granville—I am trying to find the right page here.

Senator MACKAY—Take your time.

Mr Granville—I just cannot find the page that tells us where we are up to in the roll-out.

Senator MACKAY—Do you have an indication there of who you have mailed to, which extended zones you have mailed to so far?

Mr Granville—We can provide a full list.

Senator MACKAY—How many households, ballpark, are we talking about?

Mr Granville—I do have the numbers here but somehow I have lost the right page. I am sorry about the delay. At 5 February, which the data I have relate to, we had mailed out to 8,785 customers. Of those, we had about a 30 per cent take-up of the offer. We had actually connected 1,200, so the others were in the pipeline to be delivered.

Senator MACKAY—So 8,785 so far. How many customers are there in the extended zone areas around Australia, broadly?

Mr Granville—A bit over 20,000.

Senator MACKAY—Do you have an indication of when the full mail-out to the 20,000 will be complete?

Mr Granville—I am sorry, I have not got the completion date here.

Senator MACKAY—Could you take that on notice for us, or perhaps get back to me on that?

Mr Granville—Yes.

Senator MACKAY—The 8,785 customers that have been direct mailed so far with the offer, where are they, broadly?

Mr Granville—That is the same question in terms of where we have mailed out to.

Senator MACKAY—Yes, but are they all in the one state or are they in different states?

Mr Granville—No, it is a mixture. We are working around the country in a number of different areas, so it would be scattered all round the country.

Senator MACKAY—How did you determine the priorities for the initial 9,000-odd?

Mr Granville—There are a number of issues. Weather is actually very important because in a large part of northern Australia you would get bogged to the axles trying to visit a lot of those places. It was doing the northern part of Australia during the dry season and then managing the staff in other areas to make sure we were rolling out all round the country.

Senator MACKAY—So the initial 9,000-odd are in northern Australia primarily.

Mr Granville—No, there is a mixture, but there would be a focus on, for example, northern Queensland and areas like that.

Senator MACKAY—Okay. Maybe you could get me that information.

Mr Granville—We will give you the full schedule, if you like.

Senator MACKAY—That would be great. You are saying that so far you are getting about a 30 per cent take-up.

Mr Granville—That is correct.

Senator MACKAY—How long does the program run for? When does the take-up offer cease?

Mr Granville—For the two-way satellite? In terms of the free installation, it is a one-off offer whereby we mail out and get the responses. Where we have trouble contacting people we extend the time that is required. People may be absent for periods like that. That is actually a one-off process.

Senator MACKAY—When is the one-off finished?

Mr Granville—I guess that is the same question I have to give you the answer to—

Senator MACKAY—It depends on the mail-out, is what you are saying?

Mr Granville—Yes.

Senator MACKAY—It is hard for me to ask the question because I do not know when your final mail-out schedule is.

Mr Granville—Yes. It would be a December 2003 completion of the whole roll-out.

Senator MACKAY—Does the offer extend to December 2003?

Mr Granville—No. Basically, because of the costs in rolling it out and the logistics of it, we decided on the process of doing a mail-out to a given area, sending the staff in to do all the installations and then moving to the next area.

Senator MACKAY—So in terms of particular geographical areas, there is a staggered cessation period; is that right?

Mr Granville—That is correct. We would have a number of areas that we would mail to, and then we would get the orders and send out the teams whilst we were mailing to the next area, and then the teams would move on to the next set of areas, and so on until the area was completely covered.

Senator MACKAY—So it is not really a brief offer period, if it runs through to December 2003.

Mr Granville—For each particular area, there is a six-week window from the time we send the mail-out to when we look for responses. As I have mentioned, in particular cases we extend it, where we have had trouble contacting the customer.

Senator MACKAY—In terms of marketing, you have your direct mail program that you were talking about, which is staggered. What other marketing are you undertaking?

Mr Granville—When the offer is announced along the lines that I mentioned earlier, our area general managers do visits to communities and also do local radio appearances where they talk about these issues. We have regular columns in local newspapers: it is a paid advertorial in which our local area manager describes things happening in the area as well. So it is a mixture of different media that we use to get out to the community the message about that and other things that we are doing.

Senator MACKAY—I would like the information on who has been mailed to fairly soon, if that is okay, rather than taking it on notice.

Mr Granville—Certainly.

Senator MACKAY—I presume that is just a case of getting a piece of paper.

Mr Granville—Yes. It would be quite simple to provide.

Senator MACKAY—Thank you. What are the costs and charges to consumers within this program, for both the equipment and subscription costs to the service?

Mr Granville—Basically we are offering free installation for those. But we then go into a number of different plans, depending on the data rate provided. For example, the first plan is a low speed introductory one which offers 33.3 kilobit down and up to 33 kilobit on the uplink, which is charged at \$16.95 per month, with a limit of 150 megabytes per month. Beyond that, it is 26.4 cents per megabyte. You are looking for an 18-month contract for customers, which means that it costs them about \$305 for that 18-month period. There is an intermediate 64 kilobits; and also there is a 64 kilobits, 400 kilobits down, high range product. Customers can move between the different plans as their needs change.

Senator MACKAY—Okay. No doubt Senator Lundy will be taking that up with you. What is happening with the National Communications Fund, which was also part of the Besley inquiry recommendations and was in the government's regional statement?

Mr Cheah—I think that is another question for the department later on.

Senator MACKAY—On the regional mobile phone program, other than the areas that we have traversed, is there anything further you wish to add?

Mr Stanhope—No, Senator. I think that is another departmental question.

Senator MACKAY—Okay. With the Besley report information on the infrastructure investment program Access Renewal, what is happening with that program?

Mr Granville—Senator, as my colleague Mr Stanhope mentioned earlier, we have an ongoing program addressing areas with pockets of high fault rates. Next year it is continuing at a higher rate than in previous years, particularly focused on rural areas where we see the greatest number of those pockets of higher fault rates.

Senator MACKAY—That is not quite as much information as I want. One of the recommendations was to establish an infrastructure investment program that Mr Stanhope has

alluded to a little earlier and that looked at, inter alia, new connections and fault rates, et cetera. How is that going?

Mr Stanhope—There is actually a project team, Senator, on rural service levels within the company, and that has established some areas of focus right from now but, in particular, a capital program allocation for next year. It includes things like replacing poor access plant in some of those high fault areas, customer access network rehabilitation, fixing some of our interexchange network issues in isolated towns, some land and building upgrades in the rural service levels and some upgrades of pair gain systems or replacement thereof.

Senator MACKAY—So what is happening where?

Mr Stanhope—I do not have that level of detail with me but there are probably about 3,000 or so customers in various places in Australia that we believe have fault rates that are too high. That is where the target will be.

Senator MACKAY—How did you determine the fault rate is too high?

Mr Stanhope—As I said before, we measure the faults per 100 services—SIOs, as we call them: services in operation—and recurring faults, if a customer is actually experiencing a fault too frequently—all those sorts of statistics that are available to us. Do you want to add anything, Mr Rix?

Senator MACKAY—I am just interested in what benchmarking you used, what criteria. What precisely did you use in terms of, say, recurring faults, number of faults et cetera?

Mr Rix—All of the things that Mr Stanhope spoke on are taken into consideration when using that as an overall benchmark. There is no one determining factor with regard to where we invest for rehabilitation. We look at all of those and then make a judgment based on all the inputs that we can get. So it is services in operation and repeat faults over a designated period of time. These are very important factors in making that determination.

Senator MACKAY—So you have determined 3,000 customers—

Mr Stanhope—I said there were about 3,000 customers, we believe, who are experiencing fault levels that are too high.

Mr Granville—Perhaps I could illuminate a bit more as I have been involved in the process.

Senator MACKAY—Please do.

Mr Granville—Over the last six months or so we have developed a new method of analysing. We are focusing on a number of areas, one of which is trouble reports, which are reports by customers on any issue at all. That gives you a wider view of where people are having difficulties. We are able to analyse right down to a very small part of the network, at a much finer level of granularity than we were previously able to. We are generating lists of these with measurements of fault rates and trouble reports and the number of times we are sending people out to repair faults, and it is all there available. We are then sending it out to a number of local teams around regional Australia. They get together with these lists and we have representatives from our service people, our network planners and our customer service people who will then go through and determine, based on the local knowledge, the highest priority, and send those out to be worked upon using the capital we have allocated. We are hoping that in this way we will have a better focused approach, using the local knowledge of the people who are out there living the issues every day.

Senator MACKAY—This is customer initiated, is it, where the customer has complained?

Mr Granville—That is one of the main inputs. We have dug into our records and pulled out a whole year's information. We have drilled right down to very small parts of the network so that we can actually focus on the part of the network that is causing problems. Previously we had the data available only at a higher level and it meant that the money could not be as focused on the customer issues as it could have been.

Senator MACKAY—Could you provide the committee with that information—the areas that you have targeted?

Mr Granville—The process is just starting now so we have got our lists. We are just setting up the processes and the teams are about to start meeting, so we actually have not identified those places for next year yet.

Senator MACKAY—You have just indicated that you have been able to make a vertical slice—

Mr Granville—We have got the drill down, yes. The drill down of data is a huge database.

Senator MACKAY—Yes, I know.

Mr Granville—We can give you an indication. It covers the whole network, whether there have been faults there or not.

Senator MACKAY—What I am after, I suppose, is what your priority areas are. Have you got to the point of determining that?

Mr Granville—We have got general indications.

Senator MACKAY—That will do. Is that information available?

Mr Granville—Yes. We can tell you that.

CHAIR—We will break at this point. The minister is very anxious to get off to lunch.

Proceedings suspended from 1.00 p.m. to 2.04 p.m.

Senator CALVERT—There has been a lot of speculation recently about what the impact would be on the shareholder value of Telstra if it were structurally separated. Lindsay Tanner mooted that in a discussion paper. What do you think the estimated dollar impact on shareholders would be if in fact that happened? I do declare an interest as a Telstra shareholder.

Mr Stanhope—I declare the same interest. We have not done any in-house, in-depth studies about the shareholder value effect, but I will refer you to a CS First Boston analysis that was recently published, which suggests that \$1 would come off the share price if Telstra were structurally separated. Of course, with 12.8 billion shares, you quickly reach a conclusion that around \$13 billion of shareholder value could be destroyed by such a structural separation. That is an independent assessment. As I say, Telstra has not modelled it, as such.

Senator CALVERT—Has Telstra carried out an analysis of the actual costs that would be incurred by the company if it physically had to do it? That \$13 billion is an estimated cost.

Mr Stanhope—We have not made any calculations. We do know that it would cost us to separate the company. We would have to do system changes of quite large proportion. It would cost hundreds and millions, because just to isolate the systems alone costs a lot of

money and then there is unravelling of processes, separating the mobile network from the fixed network, and so on. It would be a quite significant cost.

Senator CALVERT—Is there any way it could be done without actually incurring a dollar per share loss?

Mr Stanhope—No, I do not think so. No matter what way you look at separation, there would be costs incurred and, in our view, inefficiencies introduced to the operation of the company. The company is very much a fully integrated company, because the network itself is quite an integrated configuration. To try and unravel that would take quite a lot of time to figure out, to start with. That in itself would involve costs and then the flow-on costs of organising systems and process change would be, as I say, quite significant.

Senator CALVERT—But the discussion paper that the ALP put out which Lindsay Tanner wrote talked about privatisation and separation taking part in other public enterprises, such as the rail and electricity sectors. Do you think it is fair to compare that with telecommunications?

Mr Stanhope—I do not. The complexity of a telecommunications network is far greater than that of an electricity grid or an electricity distribution retail model. Without question, it is far more complex. As I was trying to indicate before, it is such an integrated network that to unravel data, mobile and all those sorts of network complexities is almost impossible, in our view.

Senator CALVERT—Getting back to the original question, are you aware of any major jurisdiction in which structural separation of a major telecommunications company that has taken place and has proved successful?

Mr Stanhope—No. We have looked around the world where this has been first mooted, and we do not see any separation along the lines being suggested actually being implemented. We certainly know that BT, for example, did have a look at it and decided not to proceed. In fact, telcos worldwide tend to envy Telstra's position in that it is a very efficient, fully integrated company. In the US there is a trend in the other direction, towards trying to get back together local networks and long distance networks. Those operators are out buying mobile phone companies and so on because they, too, see the advantages of a totally integrated business as a telecommunications provider or information service provider. These days it goes beyond what we thought of as telecommunications. It is really information service provision.

Senator CALVERT—What was the situation with the UK regulator as far as structural separation goes?

Mr Stanhope—Mr Paterson can help with this answer, being from the regulatory group. There were some regulatory issues.

Mr Paterson—Yes. There is no mandate for structural separation in the UK. The UK has a system of accounting separation but not structural separation, so BT's consideration of the issue was off their own bat. Ultimately, they decided not to proceed down that path.

Senator CALVERT—Is it true to say that a House of Commons Culture, Media and Sports Committee has looked at that issue?

Mr Paterson—I believe so; yes.

Senator CALVERT—But Oftel rejected the call.

Mr Paterson—Yes.

Senator CALVERT—I have a lot of other questions about the discussion paper the ALP put out. Perhaps I could put those on notice, because they are quite complicated questions and it might be better to get written answers to them. I do not want to take up any more time. The major question has been answered, and that is the impact on shares if structural separation were to happen. Certainly, \$1 a share is quite significant, and I think the mums and dads of Australia would be horrified if they knew that was what the ALP wanted to do.

Senator Kemp—Senator, you may be interested that Senator Richard Alston has made some observations on this issue, which I might like to share briefly with you.

Senator CALVERT—I would be very interested to hear that, minister.

Senator Kemp—The first comment of Senator Alston is that, ‘Tanner’s own paper exposes the lunacy of Labor’s Telstra position.’ Among other things, he says, ‘While Labor claims it is opposed to any further sale of Telstra—

Senator MACKAY—Point of order, Mr Chairman, on language.

Senator Kemp—This is important, Senator. I would beg a little silence.

CHAIR—Senator Mackay’s objection is ruled out of order. Senator Calvert has raised the general issue, and the minister is—

Senator MACKAY—Fair enough.

Senator Kemp—Senator, you always know that my aim in life is to help these committees, and if I can add a bit to what senators want, I try to assist.

Senator CALVERT—Through you, Chair, if I may, Mr Stanhope has made the Telstra position clear. Seeing that the minister is not here, I would like to know whether the Hon. Rod Kemp can inform me of the minister’s views on this.

Senator MACKAY—I just wondered whether the nature of the language could be moderated.

Senator Kemp—In that case I will certainly put your views to Senator Alston so that he—

Senator MACKAY—Are you just reading out Richard’s brief, are you?

Senator Kemp—That is what I said. I actually said, Senator, that I have some information from Senator Alston—

CHAIR—It was a press release.

Senator MACKAY—So he has a statement out in anticipation of these estimates questions. What prescience!

Senator Kemp—Well, it is amazing what you can have; I have been very well briefed on all your questions. Before I was interrupted, I was quoting Senator Alston:

While Labor claims it is opposed to any further sale of Telstra, Mr Tanner’s proposal would effectively privatise the bulk of Telstra, selling off its high growth businesses while saddling taxpayers with its least profitable infrastructure.

Because Mr Crean’s union masters won’t allow Labor to sell the rest of Telstra, Mr Tanner is forced to opt for a range of structural separation and asset stripping proposals, but then concludes they are all fraught with difficulties and have been considered and rejected around the world.

Mr Tanner even does a ‘Stephen Conroy’ on page 25 of his paper, stating that:

‘If full structural separation of Telstra is pursued, the Government would need to continue to obtain reasonable dividends from the operations of its telecommunications company, or—

And he stresses this—

find equivalent revenue or savings elsewhere.’

Then Senator Alston asks the question:

What taxes are Labor going to increase and what programs are Labor going to cut to pay for the half-baked proposals that Mr Tanner himself admits are unworkable?

I hope that assists you, Senator, in your considerations.

Senator CALVERT—There are a lot of unanswered questions about that particular paper, I understand. For instance, if Telstra were to sell its network to the government at a price above its tax depreciated value it would incur an effective tax penalty. I guess Mr Stanhope would not have any idea as to the estimated cost to the private shareholders of that tax penalty.

Mr Stanhope—As I said, we have not gone into any detailed modelling of this, but obviously there will be tax implications. What the tax value is on our base assets will need to be looked at, whether there is capital gains tax to be paid on that—all those sorts of ramifications. There will be some tax ramifications, but we have not gone to the trouble at this point to make that sort of assessment.

Senator CALVERT—That paper said that it would be necessary to restructure Telstra’s existing debt of approximately \$13 billion. I do not know whether that would have to happen or not, but I guess it is one of the things you would have to look at.

Mr Stanhope—One of the issues of course will be: if you split the company up, how do you distribute the debt? There is a \$13 billion debt. How would it affect the credit rating of Telstra, for example? Telstra is rated today as AA minus because of the business performance as it is today. All those sorts of implications need to be thought through.

Senator CALVERT—All these major transaction costs would obviously take a bit of work to sort out. I have some questions here, I will put them on notice and, hopefully, you can give the committee some answers on those.

Mr Stanhope—Certainly.

Senator Kemp—I wonder if Senator Mackay can draw our attention to which particular options in Tanner’s paper she favours.

Senator MACKAY—It is a discussion paper. We believe in discussion in the Labor Party—

Senator Kemp—I just wonder whether there are any particular options which appeal to you, Senator.

Senator MACKAY—Not like the Liberal Party; not like Nick Minchin and what happened with him with the Prime Minister—not the greatest indication of individualism I have ever seen.

Senator Kemp—I am happy to debate that as well, if you like. Seeing as we are discussing Telstra, I wondered if you had any views on the Tanner paper that you could share with the committee and help guide its deliberations.

Senator CALVERT—Option C, perhaps?

Senator MACKAY—I think it is a very good paper. How about that?

Senator Kemp—Any options that you like particularly?

Senator MACKAY—I just think it is generally all-round spiffing.

Senator Kemp—Senator, I do not think you are giving a detailed response. I am a bit distressed by that.

CHAIR—We will put Senator Calvert's questions on notice. Mr Stanhope wanted to table a document in response to a question asked this morning.

Mr Stanhope—Senator Mackay, during the lunch adjournment we have been able to get a list of the extended zone roll-out schedule, including the mail-out dates, the install start and end dates and so on. I table those documents. That will save us a question on notice.

Senator MACKAY—Thank you.

CHAIR—That document is tabled with the agreement of the committee.

Senator LUNDY—I would like to ask some follow-up questions about the issue of Telstra's use of pair gain technology. In doing so I would like in the first instance to refer to answers to questions on notice from the last round of additional supplementary estimates. In answer to question No. 184 you said that around nine per cent of Telstra's PSTN services are connected to a pair gain system. I was wanting Telstra to give me an idea of how many actual connections that represented—how many numbers of customers that represented.

Mr Granville—In round terms there is somewhere around 11 million lines, rather than customers. Some customers have more than one line. Nine per cent of around 11 million would give you an approximate answer; it would actually be quite close to the actual number. While I have been talking I have found some figures I was looking for. In total we are talking about 1.2 million lines, as opposed to customers.

Senator LUNDY—And can you give me an approximation of how many customers would be affected, looking at the average of how many customers have two lines?

Mr Granville—This is again in round terms. If you took approximately 80 per cent of that you would be down to the number of customers.

Senator LUNDY—Could you say that again?

Mr Granville—In round terms again, it is something of the order of 80 per cent. So one million lines would represent around 800,000 customers.

Senator LUNDY—So about a million people are potentially directly affected by a pair gain connection?

Mr Granville—Connected by pair gain.

Senator LUNDY—I refer to the answer you provided to question 186. You then go on to talk about 84 per cent of customers being connected to exchanges that are ADSL enabled. Is that 84 per cent of that total 11 million lines that you spoke about?

Mr Granville—That is correct.

Senator LUNDY—I will come back to that. Out of that one million or so people, can you tell me the different types of pair gain technology Telstra actually uses? I know there are many different types, but could you give a general description of the different types you have used in your network?

Mr Granville—The most common one would be the so-called RIM technology, which is a large pair gain which is in effect an outposted exchange. The total lines on RIM—I am just trying to add up a few numbers—are about 854,000. The RIM in most cases improves the dial-up data rate for the customer because it brings the exchange closer to the customer, so the copper lengths are very short. It also provides ISDN. It has been a mainstay of development for a number of years, which is why the numbers are larger.

Senator LUNDY—Perhaps I will just pursue that for a few minutes. The RIM configuration is remote integrated multiplexer?

Mr Granville—That is correct.

Senator LUNDY—That is a type of pair gain?

Mr Granville—Yes, it is.

Senator LUNDY—You say that it takes the exchange closer to customers. Can you describe that? Can you say whether that is actually a fibre linked to a sort of neighbourhood hub? I am looking for a general description of how that RIM network configuration works.

Mr Granville—Basically we have a telephone exchange, which traditionally has copper cable connecting customers. Some years ago the price of copper was increasing and technology became available to in effect take a small part of the exchange and extend it, usually by optical fibre but in some remote areas it can be a radio system that extends it. It then is usually mounted on a footpath, in a big green box. It can be mounted inside a building, for example a shopping centre or a small hut. That then in effect takes the exchange equipment and outposts it at that point. That means that, instead of copper runs of five, 10 or 15 kilometres, there is only the copper run into that integrated box equipment. As I mentioned earlier, it is able also to provide ISDN, so various cards can be put in it to provide different services. Generally, most would have optical fibre connection back to the exchange.

Senator LUNDY—What is the size of that optical fibre connection?

Mr Granville—The data rate?

Senator LUNDY—Yes.

Mr Granville—It is normally 34 megabyte per second connection, which is sized for the number of customers that are capable of being supported by the RIM.

Senator LUNDY—So the RIM could have any number of customers on it?

Mr Granville—It is up to a maximum of 480.

Senator LUNDY—And you would make the fibre going to that RIM commensurate with the number of customers on it?

Mr Granville—Basically you only need the one fibre, because that data rate would easily be supportable by one fibre.

Senator LUNDY—For those customers on a RIM, what capability do they have to access Telstra's ADSL service?

Mr Granville—At this point in time they are not able to access ADSL because of the fact that there is often no copper to that area directly from the exchange.

Senator LUNDY—In terms of the use of RIM, what are the kinds of areas where this type of network has actually been rolled out in?

Mr Granville—Generally it is where the copper is reaching capacity and the development requirement is some distance from the exchange, generally more than a few kilometres from the exchange. So typically you have new housing estates; it could be an industrial area, it could be a shopping centre or development of that nature. But most commonly it would be whatever development was causing growth some distance from the existing exchange.

Senator LUNDY—So using a RIM saves Telstra from having to build a new exchange?

Mr Granville—It was the equivalent of building the exchange at the time we deployed it. It was a more economic solution, but it also provided extra services. Because the copper lengths are much shorter, it meant that we were able to provide higher dial-up, and ISDN, to a greater number of customers.

Senator LUNDY—But not ADSL?

Mr Granville—At the time they were originally deployed we did not have an ADSL product. In fact, it probably was not on the drawing board because it was around 10 years ago when we started to use them.

Senator LUNDY—Are you still using the RIM configuration in new installations?

Mr Granville—We are at the moment. It is being phased out over the next short period. We hope later this year to have a new generation of equipment available, which is basically the same equipment we are using for ADSL provision. So it is a new technology introduction.

Senator LUNDY—But at the moment you are still putting in place RIM type networks?

Mr Granville—That is correct. It is basically the only infrastructure we have for those sorts of developments.

Senator LUNDY—When you advertise Telstra's new ADSL service, do you notify consumers and customers on those ads that some 854,000 of them are unlikely to be able to access that service because they are on a RIM network?

Mr Granville—There is wording to the effect that certain network configurations mean that not all customers can access the service.

Senator LUNDY—Not on the television ads there is not.

Mr Granville—I would have to defer to—

Senator LUNDY—Can I ask the question this way: why doesn't Telstra provide customers with the knowledge that many of them, certainly some one million of them, are actually unable to physically access the ADSL service you are advertising at the moment? Why has Telstra decided to take what I can only describe as a rather deceptive approach?

Mr Paterson—In terms of the information we have put out on our web site on ADSL, we make it clear that there are circumstances where ADSL will not be available.

Senator LUNDY—Excuse me, but I am actually asking specifically about the television ads that are widely promoting the ADSL service.

Mr Paterson—I am sorry, I do not know the details of those ads.

Senator LUNDY—Can anyone tell me why Telstra has made a decision not to make those exclusions on the provision of this service available on the television ads?

Mr Stanhope—They are generic ads. It is not until a customer applies that we know whether or not we can provide the service. It depends where they are in Australia. That is why

the ads are of a general nature. At the front of house we would not know necessarily whether that customer is able to be provided with an ADSL service or not. We recognise that perhaps we are not giving the customer sufficient information. We are looking at our own internal processes as to whether we can get information to the front of house that today is not available with the front of house. That requires some system modifications and so on, but we are in the early days of actually putting that sort of thing in place.

Senator LUNDY—I would like to come to those questions about how you actually get information about your own network and provide that to customers, but this question is very much, as you say, not even at front of house point. It is Telstra's public face to consumers in this country and you have a million or so out there who cannot access this service, yet your ads say, 'Please apply.' You need to understand that I hear about these complaints. I am asking you now: why don't you just put some sort of condition on those television ads so consumers can beware and not have their expectations raised beyond what Telstra is able to actually provide?

Mr Paterson—I have some more information from my colleague on the ads. I am informed that the ads are for broadband without mentioning any specific technology. Broadband can be provided certainly through ADSL and also through cable modem and satellite technology, so there is a range of technologies that it can apply to any particular customer, and the ads are in terms of general broadband availability.

Senator LUNDY—Do they mention ADSL?

Mr Paterson—I believe not.

Senator LUNDY—You do not believe they mention ADSL?

Mr Paterson—That is my advice.

Senator LUNDY—Okay. We will leave it at that. I think the point is well made that there is plenty that Telstra could do to not raise the expectations of its customer base unreasonably, given we now know that there are some one million customers out there who cannot access what is obviously a very desirable service.

Mr Granville, can you continue about the different types of pair gain. We have talked about RIM, which affects outer metropolitan areas, new housing estates and so forth. When customers take up an account with Telstra and use a Telstra service, does Telstra in any way advise them of the type of network that they are on or the network configuration with a view to advising them on what sort of Internet connection speeds they can actually achieve?

Mr Granville—That is not done at this stage.

Senator LUNDY—Is Telstra thinking about informing its customers in that helpful way?

Mr Paterson—We certainly are investigating that issue and thinking what information is useful to put out there, and have a number of initiatives in train in that regard. One of the initiatives is to put on our web site information on the different data arrangements and technologies that are available and the implications of those. When customers ring up for a second line and indicate that they are going to use it either for Internet dial-up service or maybe planning to use it for ADSL in the future, we will be providing some information on that and will in fact refer them to the net web site. If they are not on the Internet, we will post out the details of that. In some cases as well when customers ring up for a second line we actively inquire whether they are interested in ADSL or interested in ISDN. For example, if they are interested in ADSL it may be that they do not need a second line because they can do

ADSL over their existing line, and in those cases we would again provide information. The information on ADSL would be along the lines that we cannot guarantee that a service is available now or in the future, one of the reasons being pair gains but other reasons as well, including the distance of the customer from the exchange, so the length of copper, and whether the customer's local exchange has been ADSL enabled.

Senator LUNDY—Yes, I was going to come to some questions about that. Before I do, can we go back to the different types of pair gain. What other types are there, Mr Granville?

Mr Granville—In general terms, we talk about large pair gain, which include RIMs and other devices that are similar smaller versions used in rural areas.

Senator LUNDY—What are they called?

Mr Granville—There is one called SCADS, and please do not ask me what it stands for because I cannot remember.

Senator LUNDY—Could you take it on notice?

Mr Granville—Yes.

Senator LUNDY—I am interested in a general description of how that technology or configuration actually works and certainly how it affects the customers connected by that configuration.

Mr Granville—The SCADS is a smaller device that was introduced to service rural and remote areas, and suitable for smaller groups of customers generally much further away from the exchange. It actually offered a big improvement to the services that we could offer to customers, because it also supports ISDN and brings the exchange point closer to the customer. So you find that, even in remote parts of the Northern Territory, for example, it is serving small communities.

Senator LUNDY—Can you tell me what impacts SCADS has on Internet connection speed through a dial-up connection?

Mr Granville—In absolute terms, it would be around 26 kilobits per second.

Senator LUNDY—Is that a maximum?

Mr Granville—Yes, because basically, the way the technology is configured, it is unable to get 28.8. In general terms, because of where they are located, it would offer for most customers an increase from other methods of provision, because generally they are quite remote customers in rural areas. There are a number of other large pair gain systems of older technologies. There are three or four different types that we have operating in smaller numbers.

Senator LUNDY—What are they called?

Mr Granville—In the jargon, one is called the DCS20, which we introduced, again, for small remote communities some years ago. It is similar to the SCADS in what it can support.

Senator LUNDY—And does that have a similar impact on Internet connection speed?

Mr Granville—That is correct, yes. We have another one called RCM, which is a remote custom multiplexer, which is an older technology—very similar again. Most of these are similar in what they can support in terms of dial-up data rates. They are the main ones in the large category and they make up, altogether, about 7.6 per cent of the total customer lines.

Senator LUNDY—Right. So out of those 11 million services, you provide about seven point—

Mr Granville—About 800,000 lines out of the one million.

Senator LUNDY—800,000.

Mr Granville—Yes.

Senator LUNDY—So that includes the RIM.

Mr Granville—The RIM is the largest one.

Senator LUNDY—Right.

Mr Granville—We have medium pair gain, of which there are around 95,000 lines. They are generally transparent in terms of the impact on dial-up data rate, because they are like a little switch that switches the copper straight through. Unfortunately that means, however, that you cannot associate exchange equipment with a particular customer. So they are unable to support ISDN or ADSL.

Senator LUNDY—Right.

Mr Granville—However, in terms of dial-up data rate, they have no impact.

Senator LUNDY—Right. So you can still get in the high 40s.

Mr Granville—It would depend on the length of the copper. So you would get the equivalent to what you would get if it was not there.

Senator LUNDY—What was that one called?

Mr Granville—There are a number of medium pair gain systems.

Senator LUNDY—Medium?

Mr Granville—Yes; because the number of customers is in the intermediate range—generally 16 customers, 15 or 16 lines.

Senator LUNDY—On each pair gain?

Mr Granville—That is correct.

Senator LUNDY—Where are they typically used?

Mr Granville—Commonly in rural networks.

Senator LUNDY—In rural networks. What about in the suburbs?

Mr Granville—That particular range of technology would be very rarely used in urban areas.

Senator LUNDY—So people on medium pair gain could arguably still get reasonable Internet connections speeds but are unable to get ADSL or ISDN?

Mr Granville—That is correct. Generally, they would be beyond the cable distance of ADSL in any event, because they are generally in long rural cable lengths.

Senator LUNDY—The next one?

Mr Granville—The last one is a small pair gain, which is in the range of two to eight lines. There are around 120,000-odd lines on small pair gain.

Senator LUNDY—And what is the impact of those on Internet connection speed?

Mr Granville—There are a number of different types. One is called the rural access multiplexer—or RAM—which generally limits it to 28.8 kilobits per second dial-up.

Senator LUNDY—Maximum?

Mr Granville—Yes. In the latest ones, all customers can get 28.8. There is a four digital pair gain system, which can be down around the 9.6 kilobits per second.

Senator LUNDY—9.6? Is that for all customers connected by that one?

Mr Granville—That is correct.

Senator LUNDY—And what was that one called?

Mr Granville—The four digital pair gain system—‘four’ meaning four lines. Not quite finally, there is a two channel digital pair gain system, which is close to 28, at around the 26 kilobits.

Senator LUNDY—And is that the one that is off one proper pair and turns it into two?

Mr Granville—All of those small pair gain work off one copper pair. There are different technologies to get different numbers of lines to connect to them.

Senator LUNDY—And with that last one, again, was it a maximum speed of 28.8?

Mr Granville—A bit under; it would be about 26—24 to 26.

Senator LUNDY—Okay. We have discussed a few strategies already about advertising. What is Telstra prepared to do for these customers in the circumstance where they may have had an adequate service but, because Telstra is installing more lines, say, to their neighbour or down the street, they find themselves having a loss of Internet connection speed because of something that Telstra is doing to the network to service people completely unrelated to them? I have had a number of Telstra customers complain about this specifically and I would like to know if you have a remedy for those customers who have effectively had a diminution in the quality of service.

Mr Granville—We are certainly looking at our processes surrounding the planning rules and deployment. A lot of it gets down to the forecasting—the ability to forecast and the accuracy of that to be able to, for example, reserve some copper lines to install the pair gain on free copper lines. Whilst we do that wherever we can, in some cases it has not been possible. So I would have to say that at the moment we are reviewing our planning processes and rules and the implications of those, to try to remove the sorts of incidences that you have mentioned, because we are well aware of them. Again, we handle those inquiries not every day, but regularly.

Mr Stirzaker—Perhaps I can just add to Mr Granville’s answer, because I am responsible for all the front-of-house call centres and I assume that you are going to ask some questions about that shortly.

Senator LUNDY—Absolutely.

Mr Stirzaker—Maybe I can pre-empt some of them. It depends on the nature of the service, but here are some of the things that we are doing—because our interest is selling more Big Pond, ADSL, ISDN, whatever. A tool is being developed at the moment to enable our front-of-house people to be able to prequalify the line and understand the nature of the condition of the line at front of house, because at the moment we are unable to see that. So we

actually take orders in good faith—and I will come to broadband in a minute—and rely upon the provisioning processes to then do the best that they possibly can.

Senator LUNDY—So your technical staff actually need to go out and have a look before you can give a customer an answer? Is that what you are saying?

Mr Stirzaker—No. There are some technical staff in what we refer to internally as ‘back of house’ who are able to undertake testing and look at the plans and all of that sort of thing, to determine exactly what is there. What we want to do is bring that capability up to front of house. The broadband is a good example, particularly ADSL, but all of broadband—when it first started, the predominant application process for customers was through the Internet. Therefore, the maturity and/or development of front-of-house systems just was not there. That is how customers did that. Therefore, the advice and warnings to customers, about the nature of the network and the advice that it may not be available, were handled through that process. As the demand and the knowledge about broadband grew—again, we are keen to sell as much as possible—a lot of the selling activity then moved into front of house. It became quite obvious relatively quickly that we were a bit blind in terms of the visibility of the impediments within the network. So again, there is this prequalification capability that we want to get to our front-of-house people.

We are also working with our colleagues in TCW and infrastructure services to get the processes and business rules lined up so that we can minimise the implication on customers of non-availability—maximise spare capacity wherever possible—and minimise the effect of speed. Quite often, we will simply aim to sell either ISDN Home or ADSL wherever possible when customers ring in and inquire about, say, a second line. So they are the sorts of things that are a work of progress—probably a few months away yet—and quite frankly, allow us to sell more, which I think has a corresponding benefit back to customers in terms of how our processes will work.

Senator LUNDY—The complaints that I have received from many Telstra customers include what they certainly perceive as not only an unwillingness by Telstra to talk about pair gains but direct obfuscation about the presence of pair gains—that is, every other opportunity is explored with the customer before the issue of pair gains is raised. Is that still Telstra’s policy?

Mr Stirzaker—I will defer in a minute to Mr Granville. I just reiterate that at the time an order is placed, say, for a second line there is no additional service at all. We will not know right now how that line will be provisioned. So it then flows through to the provisioning processes that have been used for years and years since pair gain has been around—20 or 30 years actually. I am sure you are aware that when the order is placed the people who actually provide the service in the field and through the designing processes will use whatever appropriate means possible to connect that service as quickly as possible, always.

Senator LUNDY—That was not actually my question. Is it still your policy not to be up-front with customers about the presence or otherwise of a pair gain, when they complain to you about slow Internet connection speeds?

Mr Stirzaker—In terms of placing orders, we do not know. So the answer is yes.

Senator LUNDY—No, I am not talking about placing orders; I am talking about complaints.

Mr Stirzaker—Like?

Senator LUNDY—‘I have got a slow Internet connection speed and I can’t explain it. Can you help me?’

Mr Rix—Could I come back to that? I will get that checked. I think that, as Darian Stirzaker has alluded to, we are changing our policy, obviously, to suit the needs of the customer as we move these new products forward. The Internet Assistance Program that has been put in place would possibly be the area at the moment in which that information would be gathered, where customers come in to Telstra—

Senator LUNDY—Sorry to interrupt. Could I go back a step? I have just heard that the back of house at Telstra can ascertain whether or not a pair gain is present. Is that the case?

Mr Stirzaker—When providing a service.

Senator LUNDY—When providing a service?

Mr Stirzaker—In providing the service, if there is no infrastructure there, they may make a decision to use a pair gain system as part of that provision.

Senator LUNDY—Yes. But if someone were to ring up with a complaint about slow Internet connection speeds and gave you their phone number, would you be able to ascertain through your back-of-house services whether or not that person was on a pair gain?

Mr Stirzaker—Yes.

Mr Granville—It would show exactly how the service is provided.

Senator LUNDY—So you have got that on record?

Mr Granville—That is correct.

Senator LUNDY—You have? This is a really important point because the next stage of the question is: how willing are you to share that information with customers? What I am hearing is that you are quite unwilling to share that information and that customers are quite often set on a path of checking with their ISP, getting a tech in to look at their computer and their modem—all of which I know can affect Internet connection speeds; but if it is a difference between 48 kilobits per second and 26, chances are they are on a pair gain. Yet I think even on your own internal brief you had it listed as No. 3 or No. 5 of issues to tout up to customers as the potential cause. My question is: is it still your policy to make pair gains the last reason issued, or are you now going to be more up-front with customers about the presence and use of a pair gain as being the cause of their slow Internet connection speeds? I do have some questions about the Internet Assistance Program which I would like to come to.

Mr Rix—That is all right. I used the Internet Assistance Program. In the example that you are using, the majority of people now would go through that group with a working service.

Senator LUNDY—But that does not tell them whether or not they have got a pair gain. The IAP self-help site does not tell people if they have got a pair gain. It tells them if they have got more than 19.2 kilobits per second or less. That is it. It did not even have any information about pair gain, the last time I looked. Perhaps you could tell me now if it has information about pair gain on it?

Mr Rix—The Internet Assistance Program is where we have established that back-of-house function for areas where people have a working service. If I understand the question, it is: do we then tell customers when they ring in that they are on a pair gain system, at that time? And will we be doing that in the future if we are not?

Senator LUNDY—Yes.

Mr Rix—I am just having that checked to see what the script now says. If I could just take that on notice for now, I will come back to you with an answer.

Senator LUNDY—If you could. It is less of a question about the site, which I would like to go into more detail on, and more of a question of your policy and what you provide in your internal briefs to your front-of-house people when they contact you with complaints. I want to restate the fact that very clearly what I am hearing is that when people do try to find out information about this it is made incredibly difficult by Telstra. For what it is worth, there at least looks like there is room for very considerable improvement in just that straight-up provision of information to customers, let alone in the issue of actually resolving their complaint. Perhaps if I could just move to that point—

Senator MACKAY—Do people know about the pair gain or not?

Mr Rix—No. In the provision of service it is our policy to provide the service; certainly not the technology.

Senator MACKAY—How do people know? If people suspect they are on a pair gain and they ring up Telstra, does Telstra tell them?

Mr Rix—I am getting that checked out from a scripting perspective now and I have taken that on notice.

Senator MACKAY—No, but this is just in terms of phones generally, irrespective of any—

Mr Rix—No. Certainly, Telstra does not provide information around the type of technology.

Senator MACKAY—Why not? Why do people not have a right to know whether they are on a pair gain system or not?

Mr Rix—It has been Telstra's policy certainly to provide that service and to provide a working service. How we provide the service—

Senator MACKAY—Is what? Your business, is it?

Mr Rix—In the past and in the future we may need to—and we always do—look at improving our experience with the customer in making sure that we do that. How we do it—

Senator MACKAY—If I rang up and said, 'Am I on a pair gain system?' would you tell me?

Senator Kemp—Mr Chairman, I think if a question is being asked the individual at the table should have the chance to respond to it fully without being talked over.

Senator MACKAY—Admonition accepted. Go ahead.

CHAIR—That is a reasonable point. When it is answered, it is answered.

Senator MACKAY—If you could get to an answer that would also be handy. Thank you.

Mr Rix—Following on from Senator Lundy's question—and we are having that checked now and have taken it on notice—with regard to somebody ringing in and asking, 'Am I on a pair gain system?' and whether we give that information at the first point, I am having that checked out and am taking it on notice.

Senator MACKAY—Why would you not provide that information? Why would people not have the right to know whether they are on a pair gain system or not, just in terms of basic telephony? Is that not a consumer rights issue?

Mr Stanhope—I do not know that it is a consumer rights issue as such. As I alluded to when this line of questioning began, we are looking at all of the processes of providing services. Ideally you would like to be able to tell a customer at the front of house, because what is happening today at the front of house is that the customer asks for a particular service and we say, ‘Yes, we can provide it.’ We do not know today how that is going to be provided until it gets to the back of the house. The service is provided. The back of the house does not know what the customer has said and so on. Our end to end process of providing services to the customer needs to be improved. We note that. We understand that. We recognise that you have had complaints about that. We have, too. We have got to do something about it. That is what we are looking at. Ideally you would like to say to a customer at the front of the house, ‘What is it you are after? Are you after a high-speed Internet service, a dial-up or whatever? Where do you live? This is the only way we can provide it, and speeds will be reduced.’ That is the ideal customer relationship. Until we actually get all of our customer relationship management, or CRM, in train, it is difficult to do right now. But that is where we want to go.

Senator MACKAY—I know. I am not asking Senator Lundy’s questions. I am asking, as a customer whose phone is potentially on a pair gain, why would you not tell the customer if they ring up—

Mr Stanhope—And ask that question?

Senator MACKAY—Yes. Why wouldn’t you?

Mr Stanhope—I am not sure—and we are just trying to find that out—whether we do or do not. Personally, I think that is a reasonable question and it should be answered. Whether we script that way or not, we need to actually get the facts for you.

Senator MACKAY—It ought not be taken on notice, I think. I think that it should be answered today if we can get the answer.

Mr Stanhope—That is what I was trying to do.

Mr Rix—We will be answering it today.

Senator LUNDY—Just for the record, having asked a similar question at the additional supplementary estimates in February, too, Telstra did provide the advice to this committee that, in fact, it was their policy not to disclose that information. But I cannot remember if I worded it quite so succinctly, as it was a response to a specific request about the presence of pair gain. So it might be worth while having a look at that as well.

Mr Stirzaker—Just before you go on, probably I can handle one part of it. Coming back to my original answer, at the moment we will not, at the point of providing additional service, be able to say whether they are or are not on a pair gain system. That is something that we are working to fix. There will be situations where someone is unable to get, say, ADSL service—the thing that you are very specifically focused on—and they are unable to get it because of the existence of a pair gain system, because they go through this behind-the-scenes qualification process. I am quite confident that we actually do tell them that.

Senator LUNDY—Right.

Mr Stirzaker—But has it been normal? No.

Senator LUNDY—If someone does find out that they are on a pair gain and they specifically do not want one because of the impact on their Internet connection speed, or indeed because they are particularly keen on the ADSL service, for whatever reason, is it possible for Telstra to accede to that request and install a type of connection that would allow them to bypass, for want of a better word, a pair gain?

Mr Stirzaker—There are really two parts to the answer. The first one is that, as I was saying before, that is exactly the sort of business rule change that we are looking to institute and build in across the entire end-to-end process. That is being worked on—it is work in progress—across all parts of the company. If it is specifically for ADSL, we currently need to do that, but Mr Granville might be able to help you with some changes to the RIM technology at some stage in the future, which will help militate against that. For customers looking for normal narrow band speed, there are actually a number of pair gain systems—and again Mr Granville might be able to assist me—which actually provide very good throughput speed. We have to develop the front of house processes to be able to inform customers a lot better than we obviously are, because of the rapid take-up. Our broadband sales have grown very significantly and we want to keep growing them as hard as we possibly can. I will just keep saying that there are things that we actually want to do at front of house to fix this so that we can actually sell more, including ISDN as well.

Senator LUNDY—That still does not answer my question. If people request a copper pair that enables both ADSL and, say, ISDN—that is, they want a straight copper pair—

Mr Stirzaker—And they are on an existing pair gain system?

Senator LUNDY—Yes.

Mr Stirzaker—That is what I was just saying.

Senator LUNDY—Yes.

Mr Stirzaker—The business rules are being worked at the moment to try to adjust. If they want ADSL, and if there is an issue with the supply of ISDN Home, for example, we are working across the company at the moment to adjust the business rules of provisioning to try to find a way, as you say, around that.

Senator LUNDY—Right. So at the moment the answer is no.

Mr Stirzaker—The answer is no.

Senator LUNDY—That is what I wanted to clarify. But you are working on it?

Mr Stirzaker—Yes.

Senator LUNDY—Okay. With respect to the IAP—your Internet assistance program—I have got here a press release from the minister announcing a \$50 million Internet assistance program. It is cited as:

... a joint initiative with Telstra to ensure Internet users across the country can achieve data speeds equivalent to at least 19.2 kilobits per second.

Can you tell me what is Telstra's contribution to this \$50 million Internet assistance program, given that it is a joint initiative?

Mr Stanhope—Mr Granville, do you have that information? We have with us our broadband expert, Omar Khalifa.

Mr Khalifa—As far as I can tell you—the details are coming out by the end of June as to how it will all work—the preview seems to be that the fund will comprise \$10 million in cash, \$20 million in bandwidth and approximately another \$15 million or so—I think that it is \$15 million or \$20 million—in matching contributions. I am sorry, this is the matching fund. Is that not what we are talking about?

Senator LUNDY—You are talking about the broadband fund?

Mr Khalifa—I am. I am sorry. I volunteered myself to answer the wrong question.

Senator LUNDY—I was going to say that that is a very interesting configuration for trying to achieve 19.2 kilobits.

Mr Khalifa—My apologies. I was thinking about the fund for the broadband.

Senator LUNDY—I know Senator Conroy and I do have questions for that later, so keep the information close. But I am actually asking about the Internet assistance program.

Mr Khalifa—For the IAP.

Mr Granville—The split was a \$12 million government contribution—

Senator LUNDY—Sorry, how much?

Mr Granville—It was \$12 million, and \$38 million from the Telstra side. The \$12 million from the government was supporting the online help service—the front of the process.

Senator LUNDY—So the web page?

Mr Granville—The web page development and the help desk up front; the Telstra commitment is the processes beyond then and work required to achieve the aims.

Senator LUNDY—Okay. And who developed the web page? I am just looking at it. For the benefit of the committee, it is at www.iapselfhelp.com. This is the web site that has been funded by taxpayers.

Mr Granville—From my recollection, we actually had a contractor involved.

Senator LUNDY—Who was the contractor?

Mr Granville—Sorry, I do not know. I cannot really recall that.

Senator LUNDY—Can you take it on notice, and the value of the contract?

Mr Granville—Yes.

Senator LUNDY—Thank you. So this web site is funded by the government and it has a help desk facility. What information is provided to Telstra from this web site, from this front end?

Mr Granville—We can see the number of hits on the web site and the results of the testing. But really, it is there as a self-help thing for customers to see whether they are eligible for the program or not so they can then proceed to the next stage.

Senator LUNDY—Right. So this web site tells you whether or not you have achieved a 19.2 kilobits per second connectivity speed.

Mr Granville—That is correct.

Senator LUNDY—Internet connection speed. If you achieve it, it just says ‘congratulations’, see you later.

Mr Granville—Yes. The program is set up to bring the minimum equivalent throughput to 19.2, which was why it is done that way.

Senator LUNDY—Right. So only if you are getting less than 19.2 kilobits per second will you go to the next stage.

Mr Granville—That is correct.

Senator LUNDY—You can tell that I get more than 19.2 because I have never seen that part of the web site. What is the next stage for customers who are not achieving 19.2 kilobits?

Mr Granville—There is a lot of information about the appropriate set-up for modems and strings. Actually, the help desk function is to talk people through that, because it can be quite complex.

Senator LUNDY—Is there anything on this web site about pair gains?

Mr Granville—I do not believe so.

Senator LUNDY—No? Why not?

Mr Granville—I guess that it is a complex situation where there can be a large range of contributing factors.

Senator LUNDY—Just hold it right there, because we have just heard from you earlier that there were specific types of pair gain which could, in fact, take Internet connectivity speeds—connection speeds—right down to the non-double figures, for example, to 9.6.

Mr Granville—There are two aims to that.

Senator LUNDY—This is a really important point, because here you have a government taxpayer funded front end of a web site designed specifically to help people with low Internet connection speeds and yet none of the information contained on what is quite an extensive site in the first instance is about the presence or otherwise, or impact, of pair gain. Why is that the case?

Mr Granville—At the front, once people are into the process and we are trying to get them up to that 19.2, I do not know whether my colleagues have the information, but I do not believe that we actually hold back any information. But there are two aims, really. One is to maximise what people can get once they are in the system, and that is why we go through all the modem set-up information, just to maximise what they have got.

Senator LUNDY—Does that not give the implication that the reason is the modem?

Mr Granville—Often it can be a combination of a number of things.

Senator LUNDY—But it could be a combination of a pair gain, too.

Mr Granville—That is correct. So that is where we go through this staged process, first of all, to maximise the capability of what equipment the customer has in the first place and then to take action. If it is a pair gain, for example, not able to make 19.2, we go to the next stage of the process. I guess we want to do two things. We want to get them above 19.2 but, seeing we are helping them, we want to actually maximise what we do get once they are in the program. So it is necessary to go through modem set-ups and other software issues that could be there.

Senator LUNDY—It does not make sense to me that you do not mention the pair gain. I will read it out:

The Internet Assistance Program Self Help Website will allow you to test your connection to the Internet against the Program's benchmark of 19.2kbps.

If your current Internet access achieves an effective data speed of 19.2kbps or less this website will also provide the following helpful tips that may improve your access:

- Configure your modem with the correct Initialisation String
- Unplug other equipment connected to your telephone line
- Turn off Call Waiting
- House wiring and extension leads
- Electric fence interference
- More detailed technical information
- Download our handy Modem Help Pack

Why is the presence of a pair gain not mentioned in those dot points, up front?

Mr Granville—I was not involved with the writing of it. I cannot see any reason why it would not be there.

Senator LUNDY—Who do I best direct my questions to about the accuracy and the detail of the content on this web site? Is it a contract to Telstra or to the government?

Mr Granville—There was a team. I think the government was involved. Telstra was involved in terms of specifying, and the contractor was involved in setting it up to actually work, but the information was put together by Telstra and the government.

Senator LUNDY—I think it is a further example of Telstra hiding information about pair gain, not being up front. That is giving Telstra the benefit of the doubt.

Mr Paterson—Perhaps some statistics are useful here in terms of the assistance given through the IAP. On our recording, very close to 98 per cent of customers' concerns are met by the various things you have listed—that is, things that in the end do not relate to Telstra's network but relate to modem, ISP, other equipment on the system, et cetera. So the vast majority of customers can be met in that way, leaving network issues for just a few customers out of that process.

Senator LUNDY—All right. I think I have made my point with respect to the site. Let us go to the issue of what happens if you spend a heap of money getting a tech in to look at all those issues you suggest—get your modem checked out, perhaps change ISPs or whatever to resolve the problem—and you happen to be on a pair gain. What is Telstra prepared to do for those customers on a pair gain or on a network configuration that means they get less than 19.2?

Mr Granville—The next stage of the process is the use of modem compression techniques. We have investigated, chosen and purchased a licence for usage for Telstra use on BigPond. We have also made it available to other ISPs. It enables compression of files on the fly to give the equivalent of the 19.2 throughput.

Senator LUNDY—So it is specifically 19.2 throughput?

Mr Granville—It roughly doubles the effectiveness so that any pair gain system that gets at least 9.6 will get up to the 19.2 equivalent throughput.

Senator LUNDY—Is that why the 19.2 kilobits per second benchmark was identified by the government—because it matched what you were technically able to achieve?

Mr Granville—No, we actually came up with the modem technology. We were hoping to get a higher compression ratio. That was following the decision on the 19.2, which in fact gets back to the Besley report on what were thought to be minimum acceptable standards for basic email and web surfing. So we started with Besley and went on from there.

Senator LUNDY—I do not think we should get too carried away about how great an Internet connection speed it is anyway; 19.2 is not very impressive. But it is better than 9.6. There is a bit of a chicken and egg thing here. Which came first? Was it the identification of 19.2 as an appropriate minimum speed in relation to the performance of, say, the World Wide Web and email, or did Telstra identify that through this new technology you have licensed you could achieve that if you were to apply the appropriate resources and then that was subsequently reflected in Besley and the government's public statements and policy?

Mr Granville—Besley came up with the 19.2 and then we were looking for ways to achieve it. We knew that the technology was available and we believed we could get sufficient performance from that technology to reach 19.2. Then we went out to try to test how well we could get it and we ended up with the software we have got. So really, we were trying to achieve the Besley objective through the whole program.

Senator LUNDY—And in terms of people who find that they have less than 19.2, can you outline what their subsequent experience with Telstra is, once you know that they have a problem?

Mr Granville—Passing through the—

Senator LUNDY—Do you send a technician out to see them? Do you send them on a modem education course? What is your action after you find they have got a bad connection?

Mr Granville—We have gone through that whole process. Many are fixed by setting up the modem in those early stages. We can offer the modem accelerator and they are able to test whether they pass the threshold test after then.

Senator LUNDY—But you do not actually remove the pair gain?

Mr Granville—No.

Senator LUNDY—It is not part of the solution at all?

Mr Granville—No.

Senator LUNDY—Is Telstra looking at replacing pair gains that have this restrictive effect on dial-up Internet connections?

Mr Granville—Pair gain systems have been used for many, many years. There are technologies we have used which have now been completely removed. In a large telecommunications network investments are very high and new technologies take some years to introduce. We are always out there looking for the next technology and rolling over. It is not the sort of thing that is able to be changed quickly.

We are looking at improving the dial-up rates of some of the technologies in use through some retrofitting, whether that is possible. We are looking at new generation. We have the new generation replacement for the RIM coming along, for example. It is a continuous process of looking ahead—at how we can meet the changing world and do it in an achievable way.

Senator LUNDY—Given that more people use their phone lines for Internet connection, you could probably take a reasonable punt that most second line requests these days relate to

an Internet connection or people wanting to have a data line. What strategies does Telstra have, if any, to start looking at their existing network and upgrading it to optimise those Internet connection speeds? The point to make is that for most people a broadband Internet connection may well be out of reach financially, so the best they can hope for is a reasonable dial-up connection.

Mr Granville—You mentioned people ordering second lines for Internet. In fact, if you look at the cost of a second line, the cost of an ISP and the cost of local calls, you see that they are virtually the same price or even more than an ADSL connection. We would contend that ADSL becomes more and more cost-effective for a greater proportion of Internet users.

Senator LUNDY—But they cannot get it if they have got a pair gain. If you have got a pair gain, you are still paying an ISP, phone line rental and dial-up charges. Not only can you not get a broadband speed; you get half what you should be able to get on that dial-up connection. So you are almost at a double disadvantage, wouldn't you agree?

Mr Granville—I did mention earlier the processes we are looking at—the rules for deployment of pair gain, the rules for the point at which we use a pair gain,—to try to use free copper to establish it and the ability to look for free copper where it actually might exist because of changes over time. We are looking at a whole range of angles to try to improve upon the outcomes for the customer, recognising the points that you make.

Senator LUNDY—The issue of cost and affordability is obviously at the forefront of many people's minds. You mentioned that there is almost similarity between the dial-up connection costs and your ADSL product. How do ISDN and the satellite broadband services rate on affordability, quality of service and bandwidth size?

Mr Granville—With the ISDN Home product, in January there were changes made. It is now the same cost to convert from a single service to ISDN as it is to get a second line connected. It is \$190 for connection to ISDN Home and a monthly charge of \$37.40, which is equivalent to the rental of two lines. So we have virtually made it equivalent in price. Once you have the ISDN you can use a 56-kilobit modem which operates very close to its achievable rate because it is digital from the home or you can pay a 30c an hour fee to work at 64 kilobits or use two together for a 128-kilobit connection.

Senator LUNDY—What does that cost on using them together?

Mr Granville—That would be two times 30c, so 60c an hour extra. Basically on affordability, it has been brought into the same level of a second line. It offers a lot more.

Senator LUNDY—What about satellite? How does that compare?

Mr Granville—We have two products—the one-way satellite and the two-way satellite. The one-way satellite uses dial up terrestrially and downloads information which is suitable for web surfing. There are a number of packages. Again, it starts at around \$44 a month, which gives you 64 kilobits operation, 250 megabytes per month, and goes up to a maximum of around \$77, which basically gives you three gigabytes download and 400 kilobits download. Then there is the two-way satellite, which actually has connection both ways. Again, there are a range of products varying from 64 kilobits each way, which is \$120 a month with 300 megabytes, up to 128 kilobits up and 412 down. There are a couple of variants depending on the download limits, but it is around \$240 a month or that sort of figure.

Senator LUNDY—And that is the service that is subsidised in the extended zones?

Mr Granville—That is correct.

Senator LUNDY—What do you charge ISP retailers for ISDN?

Mr Granville—I do not have those figures.

Senator LUNDY—All right. I think I can come back to the rest of my questions later when we talk more broadly about ADSL and your other broadband services.

Senator MACKAY—Just before we move on, is there an answer for the question about the pair gain. If somebody rings up and asks if they are on a pair gain, will Telstra tell them? Do you have an answer for that yet?

Mr Rix—Probably, Senator. If somebody was to ring up our back of house alluding to the fact that Darian mentioned before, at the first point of contact or at the front of house we do not necessarily have that information available. If they do ring up and they have less than 19.2 as a speed and they are on a pair gain, we will let them know and we do tell them proactively that they are on a pair gain system through the Internet assistance program.

Senator MACKAY—What if you are a punter with a phone and you ring up and you say, 'I want to know if I'm on a pair gain system'? Will you get told?

Mr Rix—I am actually getting that checked out as well, but there is no reason why we would not tell people that they are on a pair gain system. It is not something at the moment that we are hiding. It is something that we do not have available at the first point at the front of house and it does need to be a back of house process for us to identify that. That was why I attempted before to use the Internet assistance program as an example of the back of house.

Senator MACKAY—Are there any circumstances where somebody on a pair gain is actually disadvantaged in terms of equality of service? This is a person with a phone.

Mr Rix—Not that I am aware of, but Mr Granville may want to answer that.

Mr Granville—We actually have a number of programs under way to ensure that that is not the case.

Senator MACKAY—Are there any circumstances where there is a diminution of service because somebody is on a pair gain?

Mr Granville—If the pair gain is working the way it should be, and that is what I was talking about—

Senator MACKAY—No, that is not what I am asking. There is this thing called 6/16; is that right?

Mr Granville—Yes, 6/16.

Senator MACKAY—You have 16 people and six lines; is that right?

Mr Granville—That is correct, yes.

Senator MACKAY—If all those six lines are in use, what happens to the other people?

Mr Granville—They would not be able to make a call. We monitor the level—

Senator MACKAY—That is right. So you have 16 people accessing six lines. If six of those people ring up and use those six lines, then 10 people cannot use the phone. Is that correct?

Mr Granville—That would be correct.

Senator MACKAY—Wouldn't you regard that as a diminution of service?

Senator LUNDY—Is it covered by the customer service guarantee?

Mr Granville—The whole communications networks are designed on a statistical basis. There is a percentage chance that any call will not get through.

Senator MACKAY—But this is an actual situation where you have 6/16. You have six people using six lines with 10 people being unable to use their phones. They are unable to actually ring out. Don't you think that is something people should be advised of?

Mr Granville—The design we go to gets back to the standard telephone service definition, which requires availability 99 per cent of the time over a long-term average. What we do is monitor the level of traffic and relieve that situation if it got to the point where the percentage chance of that—

Senator MACKAY—Wouldn't you like to know if you were on a 6/16? Wouldn't you like to know that as a consumer if there was an emergency in your house? Wouldn't the Boulding family might have liked to have known if they were on a pair gain system?

Senator CONROY—I would like to know.

Senator MACKAY—If you were on a 6/16, wouldn't you like to know that there are some points where you might not be able to ring out?

Senator LUNDY—Can I ask this: for those families which are identified as being at risk, are they allowed to be, as far as your network configuration policies go, on a 6/16 configuration?

Mr Rix—With regard to the service inquiry, it was identified that customers that were on pair gain systems were not informed, as you have pointed out today. For priority customers in the future we need to make sure there is an awareness program put in place for those customers and that if they are on any system—that is, a pair gain system—they will need to be informed that they are on a pair gain system for a priority customer service.

Senator MACKAY—We have a million people on a pair gain system—on some form of pair gain—haven't we, or so we heard earlier? There are a million people on some form of pair gain.

Mr Rix—That is correct.

Senator MACKAY—So are you going to tell all these people?

Senator CONROY—False and misleading advertising.

Mr Rix—Are we specifically talking there about the priority customers?

Senator LUNDY—So it is your plan to notify priority customers who are on a pair gain?

Mr Rix—That is correct.

Senator LUNDY—Why don't you get them off a pair gain if they are priority customers?

Mr Rix—At this stage if somebody is on a pair gain system—by the way, I think Paul has touched on this—the majority of the pair gain systems work very well. It is proven over probably 10 to 20 years that they are an adequate way of providing telecommunications. In going forward, it certainly was the advice given by both the ACA inquiry and the PWC inquiry that for priority customers we need to make sure that they are informed.

Senator MACKAY—Were the Boulding family on a pair gain?

Mr Rix—The Boulding family were on a pair gain system.

Senator MACKAY—The Boulding family were on a pair gain system. Don't you think they would have liked to have known they were on a pair gain system?

Senator LUNDY—I would like to know why the outcome of those reports is just to advise of the presence of a pair gain rather than to get priority families off a pair gain and on to a more reliable service.

Mr Rix—If there is a more reliable service as such, if we believe that the service is not a reliable service, it would be our intention to put them on a service that was reliable.

Senator LUNDY—But I guess it comes back to this 16/6 network configuration example. Just by sheer luck six people could be on those phone lines and the priority customer could be one of the 10 who could not get a line out. Surely in those scenarios you would get the priority customer off that configuration even if it meant providing them with a subsidised satellite connection or something different that meant that they were never going to be faced with the short-odds scenario of not being able to access a line.

Mr Rix—Certainly, at the moment any customer who is registered as a priority customer with Telstra comes into a dedicated area within Telstra. We have up to 40 staff 24 hours a day seven days a week. Each of those is treated on an individual basis. If we believed at any time that any of them were at any risk, we would change the configuration. We would provide them with means for interim phones, diversions. We would look at their total package of telecommunication needs within their house. All of those points would be looked at on an individual case basis.

Senator MACKAY—How do you get to be a priority customer?

Mr Rix—With regard to the priority service, there is an eligibility criteria. At the moment, in relation to that eligibility, we are working with the department of health, with the AMA, with the College of General Practitioners and with a number of medical bodies to establish criteria. At the moment Telstra is taking all customers on good faith.

Senator MACKAY—So at the moment there is no such thing as a priority customer until such time as you determine these variables?

Mr Rix—Telstra certainly does not see itself as part of the medical fraternity, but we do see ourselves working in closely with them to help us establish what may be deemed as a life threatening medical situation.

Senator MACKAY—How do you determine them?

Mr Stanhope—There are priority customers.

Senator MACKAY—That is a relief.

Mr Stanhope—We are not waiting for—

Senator MACKAY—How many are there and how do you determine them?

Mr Rix—At the moment, it is all on good faith and via the customer.

Senator MACKAY—Such as ringing up—you become a priority customer.

Mr Stirzaker—If I can just jump in, a couple of weeks ago, we instituted changes as a part of the communication process for priority customers, scripting at front of house for both our provisioning processes and our port processes where we ask them the questions. We are not a

medical provider, as Anthony has quite correctly said, but we do ask customers if they believe they are subject to a life threatening medical condition.

Senator MACKAY—Do you ring them up?

Mr Stirzaker—As they call in.

Senator MACKAY—They ring you up and they say, ‘Look, I’ve had problem with my phone’, and then you go through this process that you are outlining.

Mr Stirzaker—Both provisioning and repair.

Senator MACKAY—How many people are currently priority customers?

Mr Rix—At the moment, tagged and in the system, it is in excess of 9,000.

Senator MACKAY—This is based on self-selection? These are people who do not know, for example, that they are on a pair gain: they just know they have got a problem with their phone?

Mr Stirzaker—They may not be on a pair gain, yes.

Senator MACKAY—But they do not know, do they, whether they are or not?

Mr Stirzaker—If they become a priority customer—

Senator MACKAY—Shall we tell a million people to ring up Telstra, find out whether they are on a pair gain system and see if there is a potential problem with their phone? That’s a bit silly, isn’t it?

Mr Stirzaker—Well, not every pair gain system means that there is a problem with their phone.

Senator MACKAY—I know that, but the 6/16 we were talking about earlier is definitely a problem, isn’t it?

Mr Granville—It shouldn’t be if it is relieved properly.

Senator MACKAY—What, if you get more than six people on a line?

Mr Granville—I was mentioning the statistics earlier, and the probability of that is very low.

Senator MACKAY—It does not matter where the problem is. People want to know if they are on a 6/16. I do not see why this is a problem. Anyway, this is not my line of questioning; this is Senator Lundy’s line of questioning.

Senator LUNDY—Can I just go back to one issue about the tragic accident and issues relating to Sam Boulding. Can you tell me if the Boulding family are still on pair gain, given that two of the three faults identified in the PWC report were related to pair gain issues?

Mr Rix—The Boulding family’s main service is no longer on a pair gain system.

Senator LUNDY—We have got a few more questions about that, so we will come back to that. I will defer to my colleague, Senator Conroy.

Senator CONROY—Can Telstra provide current details on which service its current broadband customers are using in regard to cable, ADSL, satellite, et cetera, with both the total numbers and percentage breakdowns?

Mr Stanhope—I can give you the breakdown of our broadband customers. BigPond ADSL, 53,275 customers; cable modem broadband customers, 69,250; satellite broadband

customers, 6,413; BigPond Direct, 20,500. So there is a total of nearly 150,000 customers on broadband.

Senator CONROY—I am happy for you to take this on notice, but can you give us a comparative cost to consumers of using broadband through those various delivery mechanisms.

Mr Stanhope—We can certainly do that.

Senator CONROY—I am happy for you to take it on notice.

Mr Khalifa—It is quite an extensive price range, as you know. It is a starting point on ADSL of \$59.95 and for cable it is \$54.95 for preselected customers. It is all on the web site and we have all the prices for that.

Mr Stanhope—There is a series of plans.

Senator CONROY—Apologies if Senator Lundy and Senator Mackay have dealt with this, but do you think that the furore that is developing over pair gain is impeding the confidence in the take-up of broadband?

Mr Khalifa—No.

Senator CONROY—Do you think it has the potential to?

Mr Khalifa—Certainly, as a retail provider of broadband services we would like to provide broadband to as many Australians as possible. We understand we may have to use various technologies to reach all of them. It is trying to get the equitable solution for all concerned that is really paramount in what we are trying to do. We do not price differentially between customers in urban areas and in rural areas. We are trying to make sure that everybody has reasonable access to broadband at the best rate possible and with the best technology available. We understand that it might take some time to get all that done. As we roll out more exchanges and find more technologies, we will answer those challenges. We do have satellite, which is a solution that we all recognise is a bit more of an expensive solution. That is why we want to continue to work on bringing the price down.

Senator CONROY—You do not think that the issues around pair gain starting to get more public notoriety are going to impact on people's confidence?

Mr Khalifa—I have to say that of all the issues that we get as to blocks to people taking on broadband or radio cell services, pair gain has not become one of the biggest ones that we have. We are still in the growth phase; it is in the rolling out phase. But there are issues of getting people to understand what broadband is all about. We are still in the fairly early stage of take-up overall in the population.

Senator CONROY—Excluding the \$50 million broadband stimulus package announced in February, what is Telstra doing to enhance the capacity of its network to deliver broadband services? What else is happening?

Mr Stirzaker—With broadband overall?

Senator CONROY—Yes.

Mr Khalifa—The roll-out of the exchange, as you heard about, is the major point—us moving it out to more places. Certainly, we are trying to ensure that we have got services available in all of our exchanges of ports. As we go to each exchange we are also putting in available ports, so over 150,000 ports are now available. We are at the stage of just trying to

make sure the awareness is up and people understand what they can get out of broadband. I think the initial information back from our customers is that they are taking up this message. The growth rate we have seen recently tells us that it has been very effective and people understand what it is about.

Senator CONROY—Of the \$50 million in the broadband stimulus package, how much has been used to improve infrastructure as opposed to spending on content and advertising?

Mr Khalifa—I can use the same answer I gave before. You were out of the room; I gave the right answer to the wrong question. None of us are really going after infrastructure specifically, although we are providing money for people to be able to get broadband services if they need it in order to develop their capabilities. It is really targeting the applications phase and the contents phase. We would like to get more creativity so that we provide more reasons for people to see the value of broadband.

Senator CONROY—So it is really just advertising, raising the awareness?

Mr Khalifa—It is raising the awareness but through the development of applications. It is not just window dressing. This is really trying to find those opportunities out in the marketplace where people can see how to answer the needs of customers.

Senator CONROY—Nothing on actual infrastructure?

Mr Khalifa—This is nothing on actual infrastructure. Correct me if I am wrong, anyone, but I think all the money that was spent, the closest it gets is actually providing those broadband services to those people wanting to develop it.

Senator CONROY—Thanks. In the Besley report, Telstra was reported as stating that ADSL services would be available to around 81 per cent of the population by 2002. Have ADSL availability levels reached that stage yet?

Mr Khalifa—The best numbers I have been shown look like we have reached that. I think the range was between 75 and 85 per cent of the numbers that I am seeing today. That is, of course, excluding satellite. Satellite certainly can fill in, but again we all have to see that it has its own inherent issues as far as pricing, but it certainly makes it available to just about anyone, literally, in Australia.

Senator CONROY—Telstra's ADSL services have an interesting history in terms of service performance. To what extent are problems in the copper access network responsible for the problems with Telstra's ADSL service?

Mr Khalifa—I am not sure if you are aware that at the end of last week we actually became a world first in announcing a customer service level guarantee for our ADSL customers, where we are putting our money where our mouths are in saying that we will provide a minimum of 99 per cent availability for ADSL customers, and if we fail to meet the 99 per cent we will in fact begin crediting them on their bill. We believe that this is our indication to customers of not only the faith we have in the network but also the fact that we have faith in the fact that we want to develop a network that all customers will feel comfortable about. The fact is that if they do not receive that level of service we will automatically credit them. This is something that happens whether or not they are even using the service. So if the network goes down when they are not even using it and it exceeds that 99 per cent threshold, we are automatically crediting them. This is a very positive move on our part to try to ensure that people have the confidence, and if we fail to meet what we believe is a reasonable standard of service we should then credit them for that service.

Senator LUNDY—How much have you budgeted for that initiative?

Mr Khalifa—There is not a specific number budgeted; there is certainly a range of dollars that have been discussed, depending on the performance, but we obviously have high and low expectations of what that might be.

Senator LUNDY—Can you give us a ballpark figure?

Mr Khalifa—It is commercial-in-confidence.

Senator LUNDY—It is really just an acknowledgment of a service that is not doing too well, isn't it?

Mr Khalifa—No, it is actually acknowledgment that we really care about our customers, that we are actually doing something that nobody else in the world is willing to do, that we are stepping up to the mark and saying that we actually think that if we do not provide this then Telstra should take a hit on it. It provides us also the impetus that is linked directly to our customers and service levels.

Senator CONROY—Coming back to my question, I asked you about the problems that you had previously experienced. You told me about your new service guarantee, and I thank you for that information, but I asked you about the problems that you were having. Was the copper access network partially responsible for those problems? That was actually what I was trying to get to, appreciating your filling me in on your latest announcement.

Mr Khalifa—I think they were somewhat related. Certainly most of the issues in the network have had to do with the elements put in for the ADSL network. So the elements we have talked about are all to do with the fairly complex nature of the authentication capabilities and so forth that are put into the network in order to provide the ADSL services across all of our regions where we have it. So I would say that it is not specifically the copper network at all; in fact, it is the ADSL service we see as within the bounds of a copper network, and it really talks about the infrastructure that supports it specifically.

Mr Stanhope—Senator Lundy, to perhaps answer your question, if I understood it correctly: in this fiscal year that we are in, 2001-02, we will probably spend around \$100 million on broadband ADSL preparation on the network.

Senator LUNDY—That was not my question. I was asking what you had budgeted in terms of how much money you are going to have to pay back customers for not providing them a service that they had purchased.

Mr Stanhope—The rebate, okay.

Senator LUNDY—But thanks anyway.

Senator CONROY—In reference to your—and I think you just mentioned it a moment ago—customer service level guarantee, why aren't the failings of the copper access network included in that guarantee?

Mr Khalifa—Certainly with the service level guarantee for ADSL customers we are recognising the part of the network that is specific to them, and that would be different from any other elements. There are already other guarantees that we offer on other parts of the network, including the CAN. But we have to draw the bounds somewhere of any network, otherwise it can go right down to someone's computer and whether it is working properly, as we talked about before, and then the line to the street and then from there to the exchange. The ADSL network really starts at the exchange, and that is where the service level guarantee

kicks in. All of the network elements specific to the ADSL are from there. We believe the coverage is otherwise covered in other ways.

Senator CONROY—Can you provide us any current data on broadband availability in Australia on both an aggregate and a regional basis?

Mr Khalifa—The number of customers on an aggregate basis I think we have already provided you as approximately 150,000.

Senator CONROY—Regional?

Mr Khalifa—I am not sure if I have the number specifically by region. I would have to take it on advice as to whether or not this is commercial-in-confidence information for Telstra.

Mr Stanhope—That 150,000 is about two per cent of households.

Senator LUNDY—How many customers are able to access broadband? Could you break that down to those with ADSL? Satellite, theoretically, is able to be accessed by anyone if they can afford it, so I will exclude that from the question. Are there any restrictions on the accessibility of ISDN services through your copper network?

Mr Granville—For ISDN there is a feed directly from the exchange. We also have an extender technology. The two together take us up to around 98 to 99 per cent of our customers being able to be reached, except for the pair gain blockage issue. So in terms of the cable distance, the pair gain issue costs us a lot lower impact for ISDN because most of the large pair gain supports ISDN. But in terms of copper, with the extender technology it is very persuasive.

Senator LUNDY—So can you tell me what percentage of Telstra customers are able to access ADSL by state and territory, as a percentage and as numbers, and by postcode or any other suitable measurement that you might have in your back of house database.

Mr Khalifa—I might need to see whether or not that is commercial-in-confidence as well as what information we can tell you about what the availability is as we grow the network.

Senator LUNDY—I know you are able to give me the aggregated figures because I got them back on questions on notice last time around. It is a combination of what exchanges are ADSL enabled and then the percentages of customers who are prevented from accessing it by their distance from the exchange.

Senator CONROY—If you give us the availability that would probably go most of the way to keeping us happy.

Mr Granville—There would be an element of estimation in that because, without doing a full service qualification, the cable details can impact. It would have to be an estimate in terms of the copper reach.

Senator CONROY—To clarify: we do not necessarily need, if it is commercial-in-confidence, the actual number you have got but just the number that are potentially able to access.

Mr Stanhope—Availability.

Senator CONROY—Availability. That would be fine if the other issue is commercial-in-confidence.

Mr Khalifa—We will certainly try to give you what we can. We also have our wholesale partners, as you know, who are coming on the network, who also may or may not feel that sort

of information should be available to others who are not on our network, since we have network competitors. Can we just come back to you on whether or not that is a reasonable undertaking?

Senator CONROY—Yes. Can you provide any current data on the comparative cost of broadband within Australia on a regional basis?

Mr Khalifa—The comparative costs of broadband just generally? Certainly the ADSL network, wherever it is available, is at the same price. Again, what Telstra has done from a retail side is to take on a pricing structure that says that we will always price it equally to anywhere it is offered. That, of course, sets us apart from some of our competitors who have only concentrated on what might be considered lucrative parts of the network and price it perhaps aggressively in one area but might not be able to offer it everywhere. I guess my answer is that it is available at the same price anywhere that it is available.

Senator CONROY—I am just concerned that there seems to be information—and I am wondering if you would concede this—that Australia's broadband uptake has fallen below the OECD average and that broadband costs are estimated to be around 30 per cent higher in Australia than in the UK and the US. I appreciate they are different markets, and those sorts of things, but that sounds like we are failing on both fronts, or maybe, combined, they are the reason.

Mr Khalifa—We have researched this extensively, as you might imagine. We do not believe we are falling behind. Even in pricing, we have done our homework and looked at pricing here, nationally, and internationally. For the most part, we can compete with the best of them. You would have to pick out different price points, and every market has different prices where it actually starts to concentrate on. Some countries also provide large subsidies through government in order to provide that ability to get people's prices down. I should remark that the news from Canada and the US recently has been that people are raising their prices. In fact, some of those countries are now following what we were standing out to be different from, and that is they are following a tier-pricing regime quite like ours.

I believe what is happening everywhere is that people are recognising that the volume based pricing scenarios that we are using here are in fact the only way to now manage broadband networks. We will see in fact quite a balancing of pricing across the world as people begin to ensure that their businesses are sustainable in the broadband market.

Mr Stirzaker—I have to speak from a sales perspective—I cannot help myself. In recent times with the different style of educational advertising we have been doing, plus the things we have been doing at front of house, our sales have in fact been accelerating quite a deal. I am not going to tell you what it is. The amount of interest in broadband is increasing quite significantly and I have just a simple message: we want to sell a lot more of it.

Senator LUNDY—At the world congress on IT I distinctly remember Ziggy Switkowski saying that Australians did not really want broadband. Is that still Telstra's view?

Mr Stirzaker—I will just say what I said a minute ago: we are finding a significant uptake in the sales of broadband. We have been expanding our sales capability, and the thing that we really worked on to understand is how you communicate to a customer what it actually is. I have put a lot of effort into simplifying those messages and customers have been responding. The recent price changes that were made have also helped. It is evident by the amount of activity we are seeing at front of house.

Mr Stanhope—Senator Lundy, I think Ziggy went on to say that it was not just a high speed access medium that attracted people, and that it is applications and content that will drive broadband take-up, and hence the announcement at the congress of the fund initiatives. I am just trying to put it into context.

Senator LUNDY—Thank you.

Senator CONROY—Does Telstra have a view as to whether meter charging or per megabyte charging for broadband is impeding broadband take-up.

Mr Khalifa—This alludes back to the question you asked before. Rogers in Canada, Cox, AT&T, Comsat, Time Warner and Charter are now going through a tiered process in pricing in the US and Canada. We may have been early in doing that and coming to the conclusion that the others are coming to as well. They are making the same notes that we were, that a small fraction of their users were using an inordinate amount of the data on the network, and that supporting the few users by the many was throwing out their ability to service those markets in a sustainable fashion. We believe we understood that was happening here. We may have even mentioned at a Senate estimates hearing last time that this is in fact what we were seeing—five per cent of our users using 50 per cent of data, and that is an unsustainable proposition.

Senator CONROY—From that answer I guess you have no plans to offer an unmetered broadband service.

Mr Khalifa—I also note that Optus changed just last week.

Senator LUNDY—Aren't you glad?

Mr Khalifa—If they were sustainable wouldn't they have stayed with it? They were certainly bringing people across. They were advertising early on that they were completely unmetered and now they have completely reversed course. Once they understood the same mathematics that was obvious to us they changed. I am not sure we are glad; we certainly thought that that was the rational proposition. That they have come to the same conclusion does not surprise us.

Senator LUNDY—I have one final question on ADSL and exchanges. Is there a finite limit to the number of ADSL services that are given exchange support?

Mr Khalifa—I will leave it to some of my network colleagues to tell me otherwise. I believe it is probably not that there are abilities to add more and more ports. There may be some physical limitations that force you around that, and there may be some additional capacity that might have to be deployed. I would say in general that I believe the answer is that there should not be but I will leave it to my colleagues to say otherwise.

Senator LUNDY—I also asked the question in relation to connections back to the exchange through the pillar or any other interim piece of infrastructure.

Mr Granville—Certainly, in the copper network, there are situations which can limit the distance. I am not sure; I would have to defer to our research labs people in terms of the ultimate fill of a cable you can have with ADSL. There may be a limit when you get up to very high—

Senator LUNDY—Perhaps if I explain to you the scenario that has been described, you can take it on notice. There is a bundle of copper pairs from, say, a pillar to an exchange, and there is a maximum ratio or proportion of which those copper pairs can actually carry ADSL because of some electromagnetic thing—excuse my technical terminology!—and that actually

puts another constraint on the proportion of customers that could access ADSL through that exchange, even in the most optimum circumstances; that is, all within a 3.5-kilometre radius—all straight copper, et cetera.

Mr Granville—I should imagine there would be a limit, but as for whether it is 50 per cent or 80 per cent or whatever, we would need to talk to our research labs people. The other thing is that ADSL is just a step on the way. It is very likely that in a number of years it will be inadequate. We will move to another technology—another form of pair gain—which moves the ADSL equipment closer to the customer, such as SHDSL. So it is part of the point of the whole constant evolution.

Senator LUNDY—Could you get the answer to that? Thank you.

Senator CONROY—How are you progressing with the government's direction that Telstra take immediate action to improve its services to priority customers in light of the death of Sam Boulding?

Mr Rix—On 14 March, a cross-company working party was formed from all relevant parts of the organisation. That working party consisted of 57 people. It was from every relevant part of the organisation and was broken up into four segments. The first segment was policy; the second was customer awareness programs; the third was process and systems; and the fourth was infrastructure and technology. These four segments covered all of the recommendations of both the PricewaterhouseCoopers and the ACA reports. From that time, those people were dedicated full time and will continue until licence conditions are met.

I will briefly go through the focus of each of those four groups. Under the policy, it will be the development and implementation of the policy for priority assistance customers for individual customers. An agreed set of eligibility criteria will be established for each of those priority customers. We will revise our standard marketing plan to meet the new licence conditions. Telstra policies will be revised to include the obligation for priority customer services during mass service disruptions. So we will not be seeking exemptions during a mass service disruption for priority customers. We will work with those in that situation to still meet the time frames under the licenced conditions. Those time frames will be within 24 hours for a new service connection and for a fault in an urban area and a minor rural area, and within 48 hours for all other areas of the country—predominantly, remote areas. If we cannot meet the full restoration of those services or that new connection in those time frames, we will provide an interim service within those time frames.

Moving on to the customer awareness program, a communications strategy to achieve the customer awareness program is being developed and will be fully rolled out as an education program by 31 July. We have already commenced some of that with the setting up of the priority customer service group, both in the front-of-house sales and in the fault and restoration area of the business. I alluded before to the fact that we have approximately 40 people, 24 hours a day, seven days a week, in that particular priority group. In all of our front-of-house scripting now, we let people know that this particular service exists within Telstra. That is in the scripting right now. All of those customers, as mentioned before, are taken in good faith.

Under the process and systems component, we are looking at the registration identification of priority customers—how we do that, how we capture that information in systems and how we can pass that between systems.

Mr Stirzaker—The licence condition was quite clear as to the extent of our communications requirements. The customers will certainly find that we go beyond the licence conditions. In fact, we communicate more than is being requested of us.

Mr Rix—The other issue with respect to communications was much clearer communications around the use of emergency service access; in particular, the use of the service 112 for mobile coverage.

Moving back to the process and systems, there is the delivery of priority service to priority customers. So processes have to be in place, with procedures in place, to make it possible to deliver those time frames as laid out under the licence condition. There will be a lot of work going on inside the organisation to meet those time frames.

With respect to service reliability for priority customers, we will check the reliability of the service for each of those customers. We will review their fault history. We will check the technical specifications of that particular cable—I have spoken about this earlier today—to make sure that there is a reliable service for each of those priority customers.

With respect to the management of the priority customers during MSDs and LSDs, those processes are being developed and put in place. That management in those situations will often be through the use of an interim fix initially, until we can get a permanent fix. With respect to other things like credit management for priority customers, policies and processes are being put in place, along with the improvement and integration of our systems.

With respect to infrastructure and technology, the rural customer access network and CAN rehabilitation programs, we will look at the areas and that will become one of the factors based on priority customers—where they are located and where we spend our money with regard to rehabilitation. I mentioned before the pair gain system performance improvement—looking at the reliability of pair gains for the use of priority customers.

For these tasks, we will meet the guidelines and deadlines as set by the licence condition. Each of these will be reviewed on an ongoing basis by the ACA and will be reported back to the government department on our progress in going forward. The draft document for the licence condition is now in place and we are working with the government to implement that by 31 July.

Senator CONROY—Does Telstra concede that the Boulding case, where the Boulding family phone was basically out of order for most of the 12 days preceding his death, shows that Telstra still has some fundamental problems in providing adequate services to regional Australians, or do you think the measures you are taking now can solve them?

Mr Rix—The Boulding case demonstrated at the time there were three individual faults, from 26 January through to 6 February. On three occasions we attended a fault, until 7 February. It certainly showed there were some network issues there. I think the reports by both PricewaterhouseCoopers and the ACA identified that there were issues that we had to look at, and there were areas of our business that we had to improve. I believe that the reports adequately covered these, we accepted those reports, and it is our endeavour to implement all those recommendations.

Senator CONROY—You mentioned measurements; what measurements does Telstra have in place to monitor any improvement of regional services in view of the government's policy not to sell Telstra before regional services improve? And that is other than Ron Boswell making the announcement that everything is hunky-dory now.

Mr Rix—I would be happy to talk about the current measurements that are in place. I think it has been recognised that over the last five or six years there has been continual improvement in regional Australia. The December results for new service connections and faults both demonstrate that.

Perhaps I could quote some of the December results as published by the ACA. In minor rural Australia, we met 96 per cent of all our new service connections, under the CSG guidelines; in minor rural without infrastructure, we met 97 per cent; and in remote we met 98 per cent of all new service connections. On the fault side of the business, in urban areas we met 89 per cent in December; in rural Australia it was 94 per cent, which was a three per cent improvement; and in remote areas it was up to 94 per cent—which, year on year, is the way that we measure those, and from the December quarter of the previous year, there was a 12 per cent increase. It is difficult to look quarter by quarter, but it is significant that the two main categories in which people rely on Telstra are for a connection of a service and for a restoration of a service, and the guidelines are laid down by the ACA. I think that those numbers are reflective of the improvements that we have had in place. I am not sure whether you wanted further measures beyond that.

Senator CONROY—No. That is okay. How does Telstra react to the statement by regional MP Sophie Panopoulos, whose electorate includes the Boulding family, that Telstra's priorities 'do not include providing acceptable infrastructure and services to families in my electorate'?

Mr Rix—I am not in a position here to comment on the comment that has been made within that particular electorate; but I do believe that on the individual case with the service inquiry there were areas across Telstra that we will look at improving, but I did not believe that the Kergunyah exchange was anything different from those in most of our other regional parts of Australia.

Mr Stanhope—And I would refer to my answer this morning, where we recognise that there are still some areas for improvement—and it is not just in that electorate; it is in other electorates as well—and we are committed to improving that service and we are making an investment to do so.

Proceedings suspended from 4.02 p.m. to 4.20 p.m.

Senator LUNDY—I wanted to follow up a question with respect to the Boulding case. I want to clarify whether or not the Bouldings' phone line was on the 6/16 pair gain configuration.

Mr Rix—No, it was not.

Senator LUNDY—I am just looking now at the executive summary of the PWC report. The three faults identified are described as 'pair gain system reset required', 'fault on cable' and 'pair gain system failure (exchange unit)'. I was wondering whether you could describe for the committee what you mean by 'pair gain system reset required' and whether that is something that has to happen on a regular basis. Secondly, in relation to 'pair gain system failure (exchange unit)', given that we have had some quite technical detail about pair gains, could you describe the nature of that fault in more detail.

Mr Rix—I will ask Paul Granville to describe that from a technical aspect. I am more than happy to talk about the nature of the fault as I know it, but from a technical aspect it might be better if Paul explains it.

Mr Granville—To explain the term, we are talking about a two-channel pair gain system. There is a piece of equipment in the exchange, which is the exchange unit, which communicates with the remote unit. The fault in the exchange unit would be referring to a problem in the exchange end equipment of the two-channel pair gain.

Senator LUNDY—Thank you.

Mr Rix—In regard to the fault, it is not common that the pair gain system in the exchange would fall over. We were not certain why that happened in that case, and we did a thorough investigation. There were lightning strikes in the area at the time, and perhaps that had an impact. There was a restart for one of those faults. That was for the first fault. The second fault was down in the pair gain unit itself and was also related to the repeater, I think, from my knowledge, within the pair gain unit. And at the same time there were some cable issues in which the continuity of the copper network was not up to the standard. So there was work done both in the pair gain unit and across the copper network during the repair of the second fault. Unfortunately, a third fault recurred, and they went out and restored that on the 7th.

Senator LUNDY—Going back to the 6/16 configuration, where does that fit into your earlier descriptions of the different types of pair gain?

Mr Granville—Medium. It is based on the number of customers, and it can support 16, which is an intermediate number. So it is termed a medium pair gain—medium sized.

Senator MACKAY—So when people are talking about customers who are on pair gain, what proportion are on, say, 6/16?

Mr Granville—I would have to check whether I have got that exact detail. One of the points I was going to make earlier with that particular type of pair gain is that the usage is monitored so that trends in usage can be detected and the system relieved in time to avoid any problems. With that sort of ratio of usage, very commonly the customer would not be aware at all in terms of the fact that they were sharing the line. The usage is calculated mathematically in terms of—

Senator MACKAY—I understand that, but in the days of the Internet, especially in the regions, a lot of people go on the Internet at night.

Mr Granville—Which is why we are monitoring the usage.

Senator MACKAY—So are you monitoring, say, every single 6/16?

Mr Granville—Yes, that data is available.

Senator MACKAY—Individually?

Mr Granville—For each system, the data is available for us to go through and monitor in terms of the usage.

Senator MACKAY—How many?

Mr Granville—We have about 4,600 systems, with around 54,000 services working on them.

Senator MACKAY—So you have 4,000—

Mr Granville—About 4,600.

Senator MACKAY—You have 4,600 lines.

Mr Granville—There are 4,600 systems, with around 54,000. So you can see the average usage there is a bit over 10 or 11 customers, on average, out of the 16.

Senator MACKAY—That is true, but there would be high levels of traffic, presumably. There would be peaks and troughs, if you like.

Mr Granville—There would be peaks and troughs, yes.

Senator MACKAY—Say there is a 6/16. What you are talking about is that, in terms of the 4,000 and 54,000, that is a 6/16, is it?

Mr Granville—Yes.

Senator MACKAY—What about the other million or the other 950,000 customers who are on pair gain? What sort of pair gains are they on?

Mr Granville—There were the ones that we went through earlier.

Senator MACKAY—You gave us acronyms. I did not understand it. That is probably my fault, but what does it actually mean in terms of sharing lines?

Mr Granville—They all use different techniques and different methods. Some have dedicated channels; others have a sharing technique, which is a matter of ensuring that there is a sufficient number—that the loading is not excessive.

Senator MACKAY—Of the million, how many share lines are there?

Mr Granville—The 6/16 is one of the biggest groups.

Senator MACKAY—One of the biggest groups?

Mr Granville—One of the larger ones, yes.

Senator MACKAY—What proportion of the million are 6/16? You are saying it is one of the biggest groups.

Mr Granville—That is 54,000 out of that million.

Senator MACKAY—So it is one of the biggest groups?

Mr Granville—Of ones that share capacity.

Senator MACKAY—What proportion of the million share?

Mr Granville—I would have to sit down and go through the totals I have and check.

Senator MACKAY—Can you ballpark it now for us?

Mr Granville—There is some detail about the RIMs that work in different ways. There are different generations of RIM.

Senator MACKAY—Just ballpark it. How many people are sharing lines in Australia?

Mr Granville—With the medium pair gain type ones, we are talking about a bit under 80,000 lines. That is the main group.

Senator MACKAY—Of the million customers who are on a pair gain, how many are sharing a line?

Mr Granville—To get the full detail, I would need to check some technical detail on some of the types.

Senator MACKAY—Is it more than half?

Mr Granville—No, it would be less—far less. The bulk are with RIMs. I would really have to check that for you and come back to you with that.

Senator MACKAY—Okay. There are other sorts of pair gain, and you could perhaps illuminate for me what they are, but are the bulk of the 6/16 in the regions?

Mr Granville—They are commonly used in rural networks.

Senator LUNDY—Out of the 6/16, how many are in rural and regional areas?

Mr Granville—Again, I would have to check that, but it would be the large majority of them, if not all.

Senator MACKAY—So we have a 6/16 configuration. What other sorts of pair gains are there in terms of the six, in simple language that I can understand?

Mr Granville—There is one two-channel one, which basically uses one pair of wires to provide two services.

Senator MACKAY—That is one-two.

Mr Granville—Yes.

Senator MACKAY—What proportion are one-two?

Mr Granville—We have about 30,000 services on those.

Senator MACKAY—We have one-two. What is the next category?

Mr Granville—There is a four-channel, which provides four services.

Senator MACKAY—So that is one-four.

Mr Granville—The first one is called a two-channel digital pair gain.

Senator MACKAY—Yes, whatever.

Mr Granville—It is a dedicated channel for each line. It is not sharing.

Senator LUNDY—That halves the connection speed?

Senator MACKAY—That halves the capacity. We will forget that; I am actually on about phones here.

Mr Granville—It doubles the capacity.

Senator MACKAY—In relation to this 6/16, my understanding is that one of those lines—the five—is actually used to power it up. My understanding is that it is actually 5x16.

Mr Granville—I am not sure of that. I would have to check.

Senator MACKAY—So you have got one to two?

Mr Granville—No, the first one is a different approach. It is taking the copper line and providing two voice services, so it is two dedicated voice services so there is no sharing at all.

Senator MACKAY—Okay. Let's get to sharing. What is the next sort?

Mr Granville—The next one is similar to that first one but it is four channels.

Senator LUNDY—How many were on that one?

Mr Granville—About 32,000 services in operation.

Senator MACKAY—So you have got one to four as a proportion?

Senator LUNDY—Are they dedicated channels?

Mr Granville—Yes.

Senator MACKAY—So what other sorts have you got?

Mr Granville—The one I mentioned earlier, the RAM, which is a rural access multiplexer.

Senator MACKAY—What is that in terms of sharing?

Mr Granville—That is basically eight customers sharing a pair of wires. It actually uses similar technology to ADSL to multiplex.

Senator LUNDY—How many are on that one?

Mr Granville—We have got a total of about 58,000 services.

Senator MACKAY—What is the next category?

Mr Granville—Then we are into the ones we were talking about earlier, the medium pair gains such as the 6/16.

Senator MACKAY—Are there any other configurations other than 6/16 in that medium?

Mr Granville—Yes, we have got 6/15 and—

Senator LUNDY—How many are on that one?

Mr Granville—Around 17,800. There is a different form of 6/16—it is about another 4½ thousand that we should add into that 54,000 I mentioned earlier. It is a slightly different version.

Senator MACKAY—The majority, if not all, of those 54,000 are in regional Australia?

Mr Granville—That is correct.

Senator MACKAY—And they do not know they are on pair gain systems? They do not know they are on a 6/16 or whatever?

Mr Granville—No. In general terms, there is no way to know because that particular technology switches through the copper so that the dial-up data rates, for example, are unaffected by its operation.

Senator MACKAY—I am not interested in that; that is Senator Lundy's area. I am registered in the phones. Let's say I am in regional Australia. You have got the 6/16 configuration and there are six people—or, as I understand it, five people—on the line, all on the Internet, say, or all using the phone line for whatever purpose. When I pick up the phone, what do I get? What does it tell me?

Mr Granville—You would be unable to get dial tone. That is why we are monitoring.

Senator MACKAY—It is a dial tone?

Mr Granville—You would not get a dial tone.

Senator MACKAY—You would not get a dial tone?

Mr Granville—No.

Senator MACKAY—What would you get?

Mr Granville—Busy. And that is the reason why we are monitoring the levels of traffic.

Senator MACKAY—What would you get? Nothing? A blank?

Mr Stanhope—A busy tone.

Mr Granville—I will have to check but I think that would be the case.

Senator MACKAY—Do you get: ‘Sorry the line is congested. Please try again later’?

Mr Granville—No, it would be unable to have that sort of message injected at the pair gain system.

Senator MACKAY—So it would just be a straight engaged signal?

Mr Granville—Yes. I would have to check the exact customer indication.

Senator MACKAY—So when people in regional Australia pick up the phone and the phone line is engaged, potentially they could be on a pair gain?

Mr Granville—We are monitoring the traffic on those systems to ensure we do not get that.

Senator LUNDY—Going back to the 17,800 that you said were on a 6/15 configuration—was that it?

Mr Granville—Yes.

Senator LUNDY—Is that a shared system in the same way that the 6/16 is?

Mr Granville—Yes. Those last ones I mentioned are shared ones. I should mention that this is a common technique used throughout telephone networks. The lines out of an exchange are shared; the lines between exchanges, the lines to other countries, are all a shared resource. Take the extreme example: we cannot provide 10 million lines out of Australia to every other country.

Senator LUNDY—But I put to you that that made sense when everyone was making short phone calls, remembering that a lot of these people are faced with STD charges if they are in rural and regional Australia. That is a very different situation to the Internet, where people go online for long periods of time. So you are applying a network statistical optimisation technique for times past.

Mr Granville—That is why we are monitoring the usage—

Senator MACKAY—You are monitoring it but—

Mr Granville—and when we need to we replace—

Senator LUNDY—How do you justify applying those same statistical techniques in the age of the Internet, when people go online for long periods of time, potentially excluding the sort of customers Senator Mackay is talking about for really long periods of time?

Senator Kemp—Mr Chairman, could I just make a point. I am sure this was not Senator Lundy’ intention but an objective observer may feel there is a bit of an attempt to hector the witnesses here. Senator Lundy can ask her question, but when the question has been asked I am very keen that the officers at the table get the chance to reply. If we could wait till the reply is given before there is the next question, I think that would help the deliberations of the committee.

CHAIR—It is very important not only for the officers but also for Hansard and the general decorum of the committee.

Mr Granville—Basically, an increase in Internet usage would show up in the usage patterns and the availability which is monitored. It then would, at a considerable point, trigger

action to relieve it and it would be necessary to install some other pair gain or copper or whatever was decided was the outcome. So the whole network management process seeks to avoid a situation where the service is not at an acceptable level.

Senator MACKAY—Yes, but you have circumstances where this is real time and it is happening now. I understand what you are doing. I guess, to answer the minister, what we are asking is: why on earth? How can you say that services in regional Australia are up to scratch when you have an archaic pair gain network system, where people are actually in danger and do not know?

Mr Granville—But pair gain—

Senator MACKAY—You cannot say that services are up to scratch in those circumstances.

Mr Granville—Inherently—

Senator LUNDY—Whilst there are pair gains, you cannot say that services will be up to scratch in rural and regional Australia. Isn't that the bottom line?

Senator Kemp—Senator Lundy, the witness was about to answer the point that was made by Senator Mackay and then you chose to talk over him. I wonder whether we could now deal with the matter that was raised by Senator Mackay and then, Senator Lundy, you may ask your question. I do want to get some order into this so that we can have the evidence properly laid out.

CHAIR—I must endorse the minister's comments. Witnesses must be given an opportunity to answer the questions for the record. Please proceed.

Senator MACKAY—You would be very interested in these answers, Mr Chair, wouldn't you?

CHAIR—Absolutely.

Mr Granville—In many ways pair gain systems offer us the opportunity to provide a better service than copper systems do, because there are a large number of reports and alarms available which can actually predict problems before they occur. We have a centralised centre that monitors pair gain systems, looks at the alarms coming from them and allows them to proactively send staff to the field. To say that these systems are inherently an inferior level of voice service, I would argue, is not in fact correct.

Senator MACKAY—With your indulgence, Minister, I would like to talk about monitoring. You have a monitoring system. Does it report in aggregate or does it report individually?

Mr Granville—On individual systems.

Senator MACKAY—When?

Mr Granville—Each one has a different form of management system, but it can detect some problem in its operation or the operation of the bearer it is on. For example, if the bearer is starting to have problems for some reason, if it were a straight copper service, unless you went out there and specifically tested the copper service, you would not know until you had a customer complaint.

Senator MACKAY—That is right.

Mr Granville—We do that proactive testing for copper as well. With the pair gain, if it is detecting a deterioration, for example, in the copper performance, it can send a message to the centre. Someone in the centre can see that something is happening and send someone to do something about it before the problem is seen by the customer. So in that manner it can provide a better voice service than a straight copper service.

Senator MACKAY—But that is not necessarily the case. With respect, I just do not see how you can assert that. Going back to the 6/16—which we have now discovered is also 6/15, 1/4, 1/2 et cetera—how can you assert that it is a better service when you have 16 customers to access six phone lines?

Mr Granville—On average, as we see from the figures, there are fewer than 16 for a start. As I mentioned earlier, we can monitor the occasions on which there are not any free circuits available; in other words, you can see the performance as seen by the customer.

Senator MACKAY—I understand. Let us say right now, somewhere in regional Australia, that there is a 6/16. There are, I think, five or six customers. What happens? They are all online now; it is a 6/16. They are all on the phone. What is happening now?

Mr Granville—On that system?

Senator MACKAY—Yes.

Mr Granville—In terms of what the customer would see?

Senator MACKAY—Right now. Somewhere in regional Australia there is a 6/16 with six people on the phone. What happens?

Mr Granville—First of all, they may not be.

Senator MACKAY—No, but let's say they are.

Mr Granville—Because most of them would not get to that point.

Senator MACKAY—No, but let's say they are. What happens?

Mr Granville—To the customer?

Senator MACKAY—You said you have a monitoring system. Right now, real time, how do six people—

Mr Stanhope—It would show high congestion levels, I guess.

Senator MACKAY—On that one 6/16?

Mr Stanhope—That is correct. To go to Senator Lundy's point, the lines will be held up a lot longer if they are on the Internet or whatever. What that will tell us is that that pair gain system will need to be replaced earlier than perhaps would otherwise be the case.

Senator MACKAY—I see.

Mr Stanhope—So we monitor the performance—

Senator MACKAY—So it is not a matter of saying, 'Oh my goodness, we've got six people on a phone line of 16; let's send a technician in to sort it out now'?

Mr Granville—It is a statistical analysis.

Senator MACKAY—Correct: it is a statistical analysis. So let us not dress it up. And I appreciate that, but I don't think we should dress it up as anything else but that.

Mr Granville—Our whole network is based on the same principles, as I mentioned.

Senator MACKAY—I know.

Mr Granville—I might add that every communications network in the world is based on the same principles.

Senator MACKAY—Maybe so.

Senator LUNDY—If a customer is denied service in the way that Senator Mackay has described, does that mean that customer is eligible for a consumer service guarantee rebate?

Mr Granville—As I mentioned earlier, there is a standard telephone service definition of availability. If the availability dropped below, that could be a possibility.

Senator LUNDY—So the inability to access that service would have to drop below a certain percentage before they became eligible.

Mr Granville—I might defer to my regulatory colleague, who is more aware of those matters.

Mr Paterson—The customer service guarantees refer to service provision—how quickly we put on a service that has been ordered—and fault rectification. There is, of course, recompense—

Senator LUNDY—So you are telling me that a customer denied service in the way that Senator Mackay described is not eligible for a consumer service guarantee rebate for failure to get that service?

Mr Paterson—That is right. It is not part of the customer service guarantee. It comes in under the USO.

Senator LUNDY—So it does not help anyone affected by pair gain.

Senator MACKAY—Also, they do not know that they are actually—

Senator LUNDY—They do not know whether that is the cause. Can we follow up a few issues there. The 854,000 people connected through a remote integrated multiplex type of pair gain: would you describe that as a shared system?

Mr Granville—Yes, it is equivalent to an exchange and it is shared in the same way that an exchange is shared. So it is equivalent to a small exchange outpost. A normal telephone exchange has shared lines connecting it back, in the same way that a RIM would have shared lines connecting back as well. Some early forms of the RIM actually had dedicated lines.

Senator LUNDY—Can you tell me whether anyone connected via a RIM would ever find themselves in a position of not being able to get dial tone because of congestion on that particular RIM?

Mr Granville—I would say it would be extremely unlikely because of the large number of circuits.

Senator LUNDY—Can you tell me whether people connecting to the Internet via a RIM would experience a degradation of their Internet connection speed and perhaps a slower speed the more people who are actually connected through that RIM at any one point in time?

Mr Granville—No, every customer connected to a RIM has a full 64-kilobit per second channel, the same as in the rest of our network. In fact, the dial-up data rates would be very good because the copper lengths are very short. So the actual usage does not impact on the dial-up data speed.

Senator LUNDY—So on that RIM, everyone could be connected to the Internet and they would all have optimised Internet connectivity speeds—that is, they would all get their 48 kilobits per second, or 52?

Mr Granville—The usage does not affect the dial-up rate.

Senator LUNDY—Are you sure about that?

Mr Granville—Again, it would eventually get back to the numbers of customers. We can provide quite large numbers of circuits off a RIM. It is a similar situation: we monitor the usage. Generally, the capacity is such that it would not be impacted. Other forms of RIM, earlier versions, actually have dedicated channels.

Senator LUNDY—Would they have a reduced Internet connection speed through those dedicated channels or are they all the full—

Mr Granville—There are a couple of different types of those.

Senator LUNDY—Could you provide details for the committee about the technical capabilities of different types of RIM and the extent to which each type is used?

Mr Granville—Okay.

Senator LUNDY—I know the answer to this question but I think it is worthwhile asking it, just to clarify the matter: it does not matter whether or not you are on a pair gain; if you get dial tone, you pay for a full line service—you pay for that dial tone and there is no differentiation on rent, is there?

Mr Granville—Well, we are providing a basic access service, which has certain definitions in terms of what it provides; and all of our methods of provision meet that level of performance that a basic access service is composed of.

Senator LUNDY—You do not differentiate between the different types of line?

Mr Granville—No. The only exception is in remote areas and in areas where there is some high cost infrastructure required—which is all set out in our standard form of agreement.

Senator LUNDY—I want to ask a couple of questions about the Launceston broadband project. What status does that project currently have?

Mr Stanhope—The project is winding down, but we are in the middle of a survey that will be finished in June in respect of customer reactions and all sorts of other questions in the survey, to get a conclusion about the various elements of the project.

Senator LUNDY—Will that mean that there is an ongoing broadband service in Launceston?

Mr Stanhope—There is a broadband equipped infrastructure there, so yes.

Senator LUNDY—What role will Telstra be playing in providing ongoing services through that broadband network?

Mr Stanhope—Unless somebody at the table can correct me, I think it will be a normal commercial service.

Senator LUNDY—What sort of charging or pricing regime will you put upon that particular broadband service?

Mr Stanhope—We will charge the normal commercial rates, but I am informed that there are still a couple of years to go in the Launceston project. It will take on a new complexion, but there are still a couple of years to go.

Senator LUNDY—Two years to go. What type of services are currently being provided?

Mr Stanhope—I cannot answer that question. Unless someone at the table can, I will have to take that on notice, Senator.

Senator LUNDY—You say that it is going to change the flavour or the ‘complexion’ of it; what do you mean by that?

Mr Stanhope—That is why we are doing the survey: to see if we can change people’s behaviours by finding out some of the issues that customers have. Some of the things that have emerged from it are, for example, that it is not so much a pricing issue as an applications and content issue. I have mentioned some of these things before. It is not so much about speed of access as about what is on the servers. It is those sorts of things that we will continue to trial, and we will modify the trial along those lines. It is about what we can actually do in terms of applications and content to try to increase take-up. It gets back to my point before about the IT congress. Some of the information we had was fed back from the trial, and it is more about applications and content.

Senator LUNDY—This trial was used by your CEO as evidence for the lack of interest in broadband, but isn’t it true that there was no significant effort or investment put into marketing the trial in Launceston?

Mr Stanhope—We would certainly argue against that. We think that there were quite a number of various marketing aspects around the trials. We had over 500 inquiries and we think it was well publicised. We used various sorts of groups, and between \$30 million and \$50 million was put into the project, some of which was used in marketing the trial. So I would not agree with the premise that we did not market it well.

Senator LUNDY—That is certainly the feedback that I get from people who were involved in observing the implementation of the project. They expressed a lot of disappointment in the fact that it did not seem to be marketed well, and I want to see if you were prepared to give an assurance today that in the future you will actually dedicate resources and funding to marketing that project with the appropriate level of profile, to at least give the project a chance of success.

Mr Stanhope—Yes, we will, but I am happy to provide to you all the avenues of marketing that we used during the trial, and they are quite substantial.

Mr Rix—I could touch on some of those now. Telstra embarked on two different press advertising campaigns as well as a two-week radio campaign on radio 7LA. We received editorial coverage in the *Tasmanian Parent* magazine, with a circulation of 22,000 people, and that went predominantly to Tasmanian schools. We had strong support from the local media, with more than 20 positive media reports for the project to date. Telstra conducted a webcast on radio Triple J. Apart from utilising media outlets for promotional opportunities, we also relied on other mechanisms, such as mail drops and project newsletters to all metropolitan Launceston households. We have launched the ADSL multimedia kiosk. We did a mail drop to local businesses. We now have 16 multimedia information kiosks in operation throughout Launceston. We set up a stall at the Launceston innovation expo as part of their open day, in conjunction with the national innovation festival.

Senator LUNDY—The only other question I have, which I would like you to take on notice, is to provide me with details and a description of Telstra's relationship with the company Teledesic.

Mr Stanhope—Certainly.

Senator CONROY—I refer to the continuing decline in capital expenditure by Telstra, with half-year capex falling from \$1.97 billion to \$1.662 billion, a decline of \$317 million. How can Telstra improve regional phone services and fix up customer access network and phone services, as in the case of the Boulding family, when it continues to slash its capital expenditure budget?

Mr Stanhope—Our capex management process has improved quite considerably. We are buying better, and our capex spend is far better targeted.

Senator CONROY—\$300 million?

Mr Stanhope—I beg your pardon?

Senator CONROY—Are you trying to say you have saved \$300 million by management?

Mr Stanhope—Yes, through both material buy efficiencies and labour efficiencies. Also, we are able to spend less than in prior years because, if you look back over time, in 1997-98 the expenditure was \$4 billion, in 1998-99 it was \$4½ billion, in 1999-2000 it was \$4.9 billion, and in 2000-01 it was \$4.1 billion. That has been applied to improving the infrastructure of the company, both network and systems. During that period of time we built the CDMA network, and expanded the coverage, both depth and breadth, of the GSM network, which is now at levels that do not need the same amount of spend. So it is a cycle of where we have been in our infrastructure upgrade, in our new development of infrastructure, such as the mobile network that I mentioned. It is also somewhat related to the cycle in our system replacement. Capex spend tends to be a cyclical thing, anyway. In 1994-95 we spent \$3 billion. Again, it is a cyclical thing, as well as better capital management.

Senator CONROY—Are reports that Telstra's capex this financial year will fall as low as \$3.5 billion correct?

Mr Stanhope—No.

Senator CONROY—Do you have any idea what it will be?

Mr Stanhope—We have publicly stated that we expect our capital expenditure this year to be around \$3.5 billion.

Senator CONROY—I just asked you if it was going to fall as low as \$3.5 billion—

Mr Stanhope—Sorry, I thought you said \$2.5 billion. My apologies. It is \$3.5 billion. I did not hear you properly.

Senator CONROY—So you are continuing to reduce your capex?

Mr Stanhope—Yes, we are, for all those reasons that I have mentioned. We are still meeting customer demand. We are still improving service, as has been demonstrated today through Mr Rix pointing out the—

Senator MACKAY—The pair gain system.

Mr Stanhope—Well, the pair gain systems are being replaced. Slowly, pair gain systems are being replaced—

Senator MACKAY—You are cutting capex at the same time.

Mr Stanhope—where our monitoring system suggests they need to be. We are spending capex on development and we are meeting our mandatory—

Senator CONROY—When would you have to phase out all pair gains?

Mr Stanhope—When will we?

Senator CONROY—When would you hope to?

Mr Stanhope—I cannot tell you that, because it will be dependent on—

Senator CONROY—Because the impression I got from your last statement was that it is a statistical question—that, where needed, you will phase them out: where your formula tells you that you might need to phase them out, you will phase them out. That is not the same as phasing them all out.

Mr Stanhope—I cannot answer the question when I do not know that it has been statistically calculated.

Mr Granville—The point is that there are many different types of pair gain systems. The latest one we are implementing is ADSL. It is in effect a pair gain system. Sooner or later it will reach its end of life, it will cause problems, it will interfere with other products, and we will start getting rid of it. It is a constant cycle of renewal and change of the equipment we are using and phasing out of other equipment. It is not the sort of thing that anyone can do overnight. It is the sort of thing that is carefully managed as we go forward.

Mr Rix—Also, we have already mentioned RIMs. RIMs provide a far more reliable service in a lot of parts of Australia where we are building. Basically, RIMs being a telephone exchange, they will then have shorter copper feeds because of that, and it will be a far more reliable service than we could provide with longer copper feeds out of a telephone exchange. We certainly would have no plans for phasing those out.

Senator CONROY—Given that the ACA's most recent annual telecommunications report has had CSG related fault levels increasing by 13 per cent, do you concede that it has serious problems if there is network that requires adequate capital expenditure, not reducing capital expenditure? Faults are going up, new services are being provided, and your capex is going down.

Mr Rix—The 13 per cent that you quoted was actually the result of a change in the way in which the measure was done—some time last year. It does not capture all the faults; it captures all the CSG faults. That was the difference. I need to correct that. It was a change in the way in which we collect fault data. If you collected the fault data and you measured year on year the same type of number, it would actually show a decline in the fault rate overall, not an increase in the fault rate.

Senator CONROY—I guess we will need to wait for next year's figures, when we have apples and apples.

Mr Rix—Sure.

Senator CONROY—Can Telstra comment on its current media ownership ambitions?

Mr Stanhope—I can only repeat what the CEO has said numerous times now: that we do not have anything active going with respect to purchase of any media properties. We look at media from time to time in terms of what is going on in the context of what is happening with

media in a legislative framework and all sorts of other frameworks to make sure that we still have the capability to get content. But we have no aspirations at this time to acquire media property.

Senator BRANDIS—Gentlemen—are you in the middle of questioning?

Senator MACKAY—That is an outrageous interruption.

Senator CONROY—Are you next on? What can I say? I am sorry, I am not quite sure I caught the end of your answer.

Mr Stanhope—Let me—

Senator CONROY—You do not have any great desire to be Australia's second Alan Bond for Kerry Packer?

Mr Stanhope—No. And, to truncate my prior answer, I think the CEO has made it quite clear that we are not actively pursuing media property.

Senator CONROY—Do you have a view on the current media ownership law debate—the cross-media ownership law debate?

Mr Stanhope—No, it is a matter for government. That is what I said before. We just maintain a watching brief and see if whatever evolves has any impact on our ability to gain content.

Senator CONROY—So you are not interested in newspapers or radio?

Mr Stanhope—No.

Senator CONROY—When is Telstra planning to digitise the Foxtel cable network?

Mr Stanhope—When it is a commercially viable proposition. Do you want to add anything, Mr Paterson?

Mr Paterson—Yes. We are interested in having some assurance around the access arrangements for the HFC network on a digitised basis. At the moment, we do not have immediate plans for digitising it until there is some assurance around those access arrangements.

Senator CONROY—What sort of assurances do you need?

Mr Paterson—The terms and conditions under which others would access the network.

Senator CONROY—Are they subject to commercial negotiations at the moment or is that a regulatory issue?

Mr Paterson—Not for digital, because digital is not in place. For the analog HFC network, it is a regulatory issue. There is an arbitration before the ACCC.

Senator CONROY—How long has that been going on?

Mr Paterson—Two years.

Senator CONROY—We had Mr Fels here last week. You might have seen some of his comments. He was pondering how it has taken four years since the parliament passed legislation to try and deliver access for other customers to your network in this area. Hopefully, we will have a resolution soon.

Mr Paterson—Indeed, and one of the things the ACCC has recently released is a paper on how to improve their case management performance to move things through more quickly. We ourselves—

Senator CONROY—It is their fault?

Mr Paterson—Yes, indeed.

Senator CONROY—Okay. Mr Fels will be back next week. Does Telstra plan to allow digital free-to-air channels and other non-Foxtel services to be received through the Foxtel standard digital set-top box?

Mr Paterson—That is really a matter for Foxtel rather than Telstra.

Senator CONROY—You would be 50 per cent owner of that, would you?

Mr Paterson—Yes, we are.

Senator CONROY—You have no influence over these issues?

Mr Paterson—As a party around the table, yes, we would have an influence.

Senator CONROY—What is your view on allowing digital free-to-air channels and non-Foxtel services to be received through the Foxtel standard digital set-top box?

Mr Paterson—Let me answer it this way. Quite frankly, I am not sure. I do not know what our view is. I know that Foxtel is investigating the scope to provide a range of services through the set-top box at the moment, which would suggest to me that there is an interest in providing a range of services.

Senator CONROY—If other free-to-air do not get access, do you think that will create a natural monopoly, or even an unnatural monopoly, in the provision of these services if the set-top box is not available?

Mr Paterson—I do not believe so. Free-to-air have—

Senator CONROY—Do you want people to have four or five set-top boxes on the top?

Mr Paterson—Free-to-air, of course, have their own broadcasting medium.

Senator CONROY—We are talking about digital here. What structures does Telstra have in place for its carriage service competitors to access the non-price components of Telstra's network such as fault rectification on a non-discriminatory basis?

Mr Paterson—Telstra takes great care in our processes and in our performance to ensure that our wholesale customers—who are, as well, our competitors—get the same performance as the retail arms of Telstra in terms of service provision and fault repair. In fact, we like to say that parts of Telstra that actually deal with that are colour-blind as to where the service comes from. They all go into a funnel and are all treated essentially the same.

Senator CONROY—You are the funnel, aren't you?

Mr Paterson—Yes, it comes into Telstra, and they are not differentiated at all, so the people actually providing the services—doing the work to provide the services or repair the faults—do not know if it is a service going out through the Telstra retail arm or a service going out through our wholesale arm and through another retailer.

Senator CONROY—What internal transfer pricing structures does Telstra have in place between the wholesale and retail areas of Telstra?

Mr Paterson—At present we have an arrangement whereby the retail arms of Telstra face two kinds of costs. They face the costs that they directly incur themselves and they face network costs that are essentially related to the volume of service. So in that sense those costs that are related to the volume of service, and hence to a degree within the retail arm's control, are transferred through to Telstra Retail.

Senator CONROY—Some commentators allege that Telstra's internal transfer pricing mechanisms are insufficient to enable agencies such as the ACCC to determine the price that Telstra charges itself for access to its network. Is this true and, if not, can you provide some reasons as to why it is not true?

Mr Paterson—It is not true in that the ACCC, after working on the issue for two years, requires Telstra to provide a set of regulatory accounts which essentially divide our business into three parts—the network part of the business, the retail channels and the wholesale channels—and to look at essentially the revenues and costs for those three elements.

Senator CONROY—So they already have virtual separation?

Mr Paterson—Indeed they have, yes. They have accounting separation in that set of accounts they get on a six-monthly basis.

Senator CONROY—Are they publicly available or are they just between you and the regulator?

Mr Paterson—At the moment they are just to the regulator. The regulator has the discretion to publish those and, to this point, has not chosen to do so.

Senator CONROY—And the regulator is satisfied that the accounting procedures were a true virtual separation?

Mr Paterson—I certainly believe so. The regulator was the one who designed that particular system after a long period of industry consultation. My presumption is that they are satisfied it provides the information they need.

Senator CONROY—I refer to the \$150 million low income package announced by Telstra on 23 April to coincide with the announcement of the government's revised Telstra scheme. Can you confirm that the \$150 million was just a re-badging of existing expenditure?

Mr Paterson—Not at all. It is not a re-badging. It is a completely different program. Under the current—

Senator CONROY—Is it new dollars, though? Is it dollars that were not previously committed to something else?

Mr Paterson—It is dollars that were spent in a different way.

Senator CONROY—Yes, it was not extra expenditure on what you already had in place. Put aside the re-badging phrase, if you are uncomfortable with that. What I am looking to find out is whether or not it was dollars extra to previous expenditure.

Mr Paterson—No. It is essentially money spent in a different way, in what we think is a far more effective way, to meet the needs that are being targeted.

Senator CONROY—What were the names of the programs and expenditures that were less efficient, that were not funded? I will not use the word 'cut' because I do not want to get into a pejorative debate, but where did the money come from?

Mr Paterson—Essentially, it was the requirements in the price control determination around the price increases incurred by our bottom 50 per cent of customers by spend and our bottom 10 per cent of customers by spend and our need to rebate those customers to ensure they met the particular tight caps for that customer set. The difficulty with that as a welfare measure was that, in fact, being in the bottom 50 per cent of customers by spend was in no way a good indication of low income or need. In fact, there are many people who have holiday houses who would not spend much on the phone but who would get a rebate under that sort of system. So the new arrangements the government has announced far better target low income constituents.

Senator CONROY—Will the HomeLine Classic—relatively lower line rental/higher call price option—be available to all customers?

Mr Paterson—My understanding is that it is, but I think I should take that on notice and confirm that that is the case.

Senator CONROY—How will Telstra ensure that all its customers are aware of its existence as per any government licensing condition?

Mr Paterson—It is part of our marketing plan that will be in that licence condition and it is in our interest to promote those services commercially.

Senator CONROY—Would you include it prominently on the actual Telstra bills? Nowadays when you open a bill, there are about 10 different bits of information in there and you toss them away and just keep the bit that shows how much you owe.

Mr Paterson—I do not know how that will appear in the bill at this stage.

Mr Stirzaker—I think it would be wise to take that on notice because the whole bill format is in the process of being revamped and revised. It would be a good opportunity to share how that will look as we go forward.

Senator CONROY—Sure.

Mr Paterson—I might point out that, as part of the licence condition, a low income measures advisory committee will be established, comprising a number of—

Senator CONROY—Tim Costello is not on it? He is on most of them.

Mr Paterson—No, he is not. It comprises bodies like ACOSS, the Smith Family and the Salvation Army, who will provide a comment as to the effectiveness of those new services in order to protect low-income people from price increases.

Senator CONROY—What will be the relatively lower line rental price of HomeLine Classic and what will be the higher local call cost?

Mr Stirzaker—I cannot remember the information off the top of my head. I am happy to take it on notice.

Senator CONROY—I am surprised. It is one of your new promotional packages.

Mr Stirzaker—We have not quite started promoting it yet.

Senator CONROY—If you want to say, ‘We haven’t announced it yet,’ I can understand that. I am surprised that it is not available.

Mr Stirzaker—I just do not remember the specific details. I am happy to provide you will all the promotional material.

Senator CONROY—If the line rental stays relatively the same but there is a higher call cost, won't that mean Telstra will still be getting more revenue from HomeLine Classic customers?

Mr Stirzaker—The whole construct of HomeLine Classic is to assist customers who do not necessarily utilise the phone all that often, by actually lowering line rental costs to whatever the level—

Senator CONROY—How much is it going down by? You don't have to give me the dollar amount. Is it going down by one per cent, 10 per cent, 30 per cent? You must have some indicative figure. You must have crunched the numbers.

Mr Stirzaker—I am happy to make a call and find out for you.

Senator CONROY—You can see the problem: if the line rental does not come down much, the higher costs—

Mr Stirzaker—No, it has come down, in comparison to the normal home line packages, sufficiently to make it worthwhile for those people in most need that it best suits, because they are making a decision between lower line rental and fewer calls but at a higher rate. I will certainly get that information for you.

Senator CONROY—Will you guarantee that the line rental under the HomeLine Classic will not exceed the current line rental cap plus CPI over the next three years?

Mr Paterson—Yes, that is the nature of the service. Let me qualify that answer.

Senator CONROY—You are guaranteeing it for three years?

Mr Paterson—Let me qualify that answer: we will put that service in place and have the low income measures advisory committee, the LIMAC, review any proposed changes. So any proposed changes would need to go before that committee, with them having scope to provide public comment on it.

Senator CONROY—Will they be getting people's phone bills and having a look to see whether they are better or worse off? Will they actually get down to the nitty-gritty and come back to you and say, 'Fifty per cent of the people we've looked at are actually worse off'?

Mr Paterson—We will work very closely with that committee to provide them with the information they need to make their assessment of those particular services.

Senator CONROY—You will provide billing details, albeit not individuals' names?

Mr Paterson—If that committee suggests that is the information they need to make their judgment—

Senator CONROY—Do you think they could make that judgment without anybody's phone bills?

Mr Paterson—I think what they would need is information on typical customers or typical low income customers and their usage patterns.

Senator CONROY—I am trying to avoid the 'average' and 'typical' type of information. I am trying to get down to actually looking at some real people's real outcomes. I guess that is for us to put to them. But if they ask for it, it is available?

Mr Paterson—We will give them every cooperation in giving them the information they need to make their assessment.

Senator CONROY—Okay. So that is three years. You are relaxed about three years, the CPI?

Mr Paterson—Let me make sure I am not misleading the committee here. We will put it in place now and if we propose to change that over the three-year period then that change would go before the committee.

Senator CONROY—Do they have veto right on it?

Mr Paterson—No, they do not. What they have is scope to comment publicly about the particular changes.

Senator CONROY—I guess if you are not prepared to guarantee three years you are certainly not prepared to give us a guarantee for 10 years, are you?

Mr Paterson—No. For a start, the price cap runs for three years.

Senator CONROY—I was offering you the opportunity to be more generous. What guarantee is there that the HomeLine Classic will continue after Senator Boswell is successful in privatising Telstra?

Senator Kemp—Senator, I think you could ask a question in a way that is more straightforward. I have got Mr Tanner's paper and I can get into that if you want me to.

Senator CONROY—I would love you to try—we could use a laugh at this time of night, Senator Kemp.

Senator Kemp—I do not really want to get into Mr Tanner's paper but, as I have told you on many occasions, I am slow to anger but, once provoked, who knows.

Senator CONROY—So if Telstra are privatised?

Mr Paterson—Let me say, in answer your question, that those particular regulatory arrangements will remain in place independent of ownership of Telstra.

Senator CONROY—Aren't Telstra privately committed to, as they describe it, 'rebalancing' and higher line rentals?

Mr Paterson—Telstra is committed to rebalancing, to moving line rentals to cost, and at the same time having the opportunity to reduce call prices as that cross-subsidy is worked out.

Senator CONROY—It is always nice to have a straight income stream that is just based on the number of customers rather than the vagaries of use, isn't it?

Mr Paterson—It makes more sense to us commercially to attempt to structure our prices around costs, and that is what rebalancing is about, essentially.

Senator CONROY—Does Telstra support the government's new price control arrangements?

Mr Paterson—Indeed we do, yes. We will of course step in and implement them as required.

Senator CONROY—Can you give us, on behalf of Telstra, a guarantee that no low income Australian will be worse off under these arrangements which allow for increased line rental costs but no guaranteed reduction in local call costs as a discrete subcap?

Mr Paterson—I do not think it is possible to give that guarantee. The arrangements are that the low income measures assessment committee will look at what is there and provide

their view on the efficacy of those arrangements for protecting low income customers. And that will be the basis of the particular—

Senator CONROY—That is why I wanted to get away from this issue about averages, on balance and rebalancing, and get down to real Australians and real outcomes. Minister, are you happy that Telstra will not give a guarantee that no-one is going to be worse off?

Senator Kemp—Senator, we have had similar debates, haven't we, in other portfolios. I will seek some advice, but my understanding is there is a process in place, which Mr Paterson has referred to, that should produce the desired outcomes.

Senator CONROY—As a regulator, you are in a position to regulate this. Are you prepared to regulate a guarantee that no-one will be worse off under this change?

Senator Kemp—Let me seek some advice and I will get back to you.

Senator CONROY—Have any estimates been done on the net effect on Telstra's profits under the proposed new price control arrangements over the next three financial years? This outcome should be cost neutral, shouldn't it?

Mr Paterson—I am not aware; I have not seen any estimates of that.

Senator CONROY—You cannot be serious! You made a change like this and no-one has worked out whether your guys are going to be better off or not?

Mr Paterson—We believe on balance it is advantageous to the company as we move our line rentals towards cost in particular.

Senator CONROY—How much extra money are you going to make out of these low income earners to achieve that result?

Mr Paterson—From the low income customers or the low income element of the price control arrangements, there will in fact be no additional money, and that program—

Senator CONROY—How can you say that, if you cannot give me a guarantee that no low income earner is going to be worse off? You are just averaging again, aren't you? You are saying that a few are going to be better off, but there could be a few who are worse off, but that, net, it should be okay.

Mr Paterson—The cost of that low income element will be similar under the new arrangements to that under the current arrangements.

Senator CONROY—Similar.

Mr Stanhope—Getting back to your previous point about whether Telstra will be better or worse off under the price control regime, whilst we have always been compliant, there are also market constraints and competitive constraints on what you can price. Over the last couple of price control regimes, our prices have fallen below that required by the price control regime. So there are competitive pressures around price, in any event. Since competition has been in place, we have taken prices further down than required by that regime.

Senator CONROY—Some would argue that they were generous targets that were not hard to meet. There is no point in going into all of that argument. But to argue that we have actually not broken the price cap is not—

Mr Stanhope—We cannot break the price cap. I am pointing out that competition works, and the price regime is somewhat irrelevant to that.

Senator CONROY—So you do not see the view that there is not as much competition as you seem to think—otherwise they would not be knocking on your door just about every day.

Mr Stanhope—There is plenty of competition.

Senator CONROY—You have got what—85 per cent of the market?

Mr Stanhope—We have about 70 per cent of the market.

Senator CONROY—That finishes my questions. Senator Mackay, do you have any Telstra questions?

Senator MACKAY—Mr Stanhope, some time ago we were talking about faults and the Besley recommendation. You indicated that about 3,000 customers had been targeted.

Mr Stanhope—Yes. I said that about 3,000 customers are probably suffering higher fault levels than we are certainly happy with. No doubt, they are not happy either.

Senator MACKAY—That is 3,000 customers out of what figure, for those who have reported faults; not the aggregate customer numbers: that would be a silly question. There are 3,000 people who are being targeted in terms of major faults or repeating faults, out of how many who have reported faults?

Mr Stanhope—I do not know that I can tell you the number of reported faults per year. Perhaps Mr Rix can help me out. Part of what I said this morning was that we actually have a targeted capital program to take out what we call ‘tails’ in the network. They are pockets of high fault incidence. That is what I went through this morning. By the way, seeing that we have had such a focus on pair gain systems here today, I did mention this morning that, as part of that targeting of improving service to customers, we are spending \$35 million next year to remove what we call the inappropriate use of pair gain systems. Inappropriate use means that they are causing some high fault incidence. We have targeted that through the project that is looking at rural service improvement, and \$35 million of our \$188 million is actually targeted right on pair gains systems.

Senator MACKAY—Okay; but how many customers will that impact?

Mr Stanhope—That will at least impact those 3,000 customers.

Senator MACKAY—That is my point. That is 3,000 out of a million, in terms of pair gain. I am being a bit facetious but we have got some figures, courtesy of Mr Granville, in relation to the use of pair gains. I understand that and I appreciate that.

Mr Stanhope—Let us understand, Senator, that pair gain systems are part of telecommunications networks worldwide.

Senator MACKAY—Maybe so.

Mr Stanhope—We believe we have got appropriate monitoring mechanisms in place, and the whole network is actually managed to some congestion levels and some standards, so that customers get the same sort of service wherever they are. Where that level of service deteriorates and it is because of a pair gain system, we go along, through this monitoring process, and replace them. This \$35 million that we are spending next year is part of that program.

Senator MACKAY—I understand. But the monitoring system as described to the committee was statistically based. It was not a real-time monitoring system.

Mr Stanhope—It is real-time.

Senator MACKAY—No, it is statistically based, over X period of time.

Mr Granville—Senator, could I explain that there are a couple of different aspects to that. There are sets of alarms that indicate an abnormal condition, which is real-time monitoring and which allows us to dispatch staff proactively. There is another form of monitoring for the types of pair gain that are sharing circuits and which gives a statistical output. So there are two separate things. The alarm, the abnormal condition, is real-time monitoring that is able to be monitored at the central centre. So there are two separate concepts there.

Senator MACKAY—What do you do if there is an overload on one of the 6/16s?

Mr Granville—To get a real picture, you need to gather the information over a period of time.

Senator MACKAY—That is my point. I agree with that; I understand that.

Mr Rix—With some of the services our alarms are able to do things immediately, and that would be to remotely fix, reconfigure or reset a unit. So we can remotely do that, as we can do in a telephone exchange. We mentioned before that a RIM, as an example, is really a small telephone exchange. We have places within Telstra that are remote from that telephone exchange and which we are able to reconfigure. So where we have proactively seen an alarm that is perhaps not service-affecting at that time, we are able to proactively go in and fix that service by reconfiguring it prior to a customer reporting that fault.

The second way is that if we do see that the alarm will potentially have an impact on customer service, and we are not able to reconfigure that remotely, we can send a field person out. So even though, in some of these cases, a customer has not rung and notified us of a fault, by the use of the pair gain systems, and by the monitoring of the alarms, we are able to proactively go out and fix any degradation that could be observed in the network.

Senator MACKAY—I understand all of that and I am not suggesting by any stretch of the imagination that the motivation is not sound; I am just saying that with a problem of this magnitude it is extremely difficult to monitor and fix every single one, even with Mr Stanhope's \$35 million, when you have only got a potential catchment in terms of faults of 3,000 customers. I understand all the explanations.

Mr Rix—That is where the analysis comes in of the ones over a period of time that had service-affecting issues. The pair gain systems themselves, as Mr Granville talked about, we are looking at phasing out, to bring in new forms of technology. For those 3,000 customers that are sitting on pair gain systems, we will have a dedicated program going forward to replace those.

Senator MACKAY—Mr Stanhope is not talking about a 3,000-odd pair gain; he is saying he has got 3,000 targeted, some of which may be pair gains. Is that correct?

Mr Rix—Let me clarify that: some of those will definitely be on pair gain.

Senator MACKAY—That is right. So you have got 3,000 targeted; what proportion of the aggregate pool is 3,000—of people who have actually complained to Telstra about faults? I do not see why we could not ballpark it now. You must know, broadly, how many faults you get reported per annum, surely?

Mr Rix—We do. Our cable access network faults per annum are approximately 1.2 million. We obviously have other types of faults that come in, but that is for the cable access network faults.

Senator MACKAY—They are customer initiated—is that right?

Mr Rix—Generally, yes.

Senator MACKAY—What about the technician advised faults: how many are there of those, where the technician actually reports there is a fault that needs fixing?

Mr Rix—We would not find that a technician would report that a fault needed fixing. A technician may report that additional work needs to be done—

Senator MACKAY—Or there is a potential problem on line Y?

Mr Rix—Exactly right. I think we have talked about those here before—the CNI process—and there are different categories of those. But it is Telstra policy to have a working service before we would leave any of those customer inquiries or faults. Then there may be ongoing maintenance work that is required.

Senator MACKAY—So you have two categories here: you have got customer initiated faults and then you have got where the technician indicates there is a potential problem down the line. You have indicated there are about 1.2 million of the former. How many of the latter are there? The CNIs: how many of those?

Mr Rix—We have approximately 100,000 CNIs. Last year we completed 104,000 CNIs, and we have in the database at the moment approximately 100,000. I might give you a breakdown of those. They are in five categories. Category 1 is the potentially service affecting or a genuine safety concern. At the moment there are 678 of those, or one per cent. Category 2 is service complaints or a report of damage, so there has actually been damage done to the network or it is a service complaint. Again, one per cent, roughly 1,644. The third category is the safety—

Senator MACKAY—We have actually got this information, so I do not want to waste anybody's time here, but thanks for that. Can I come back to the ones that are customer initiated. There are 1.2 million customer initiated. Have Telstra done any work in breaking down the nature of those complaints? Presumably they range from the trivial to the serious.

Mr Rix—Yes, we do. Generally they are not complaints as much as they certainly are fault reports. The reporting of them is broken down after we have completed putting them into clearance codes. Those clearance codes form the basis of our rehabilitation program going forward—that is, some of them we will find in the cable access network, in pits, in joints, in cable outages or cuts, in damages et cetera. Those fault codes have formed the basis of some of the decisions we have made around the 3,000 customers.

Senator MACKAY—I do not have that breakdown. Do you have that breakdown of the 1.2 million?

Mr Rix—Of all the 1.2 million faults we repaired last year, would we have the codes?

Senator MACKAY—Yes, the categorisation—do you have that breakdown?

Mr Rix—Yes.

Senator MACKAY—Can I have that?

Mr Rix—I will take that on notice. I do not see any reason why you could not have that. I am just not sure what format it is in.

Senator MACKAY—You have just advised the criteria that you used to progress a fault being rectified. Can you just advise me how many of those 1.2 million fit into each category?

Mr Rix—Yes, I can certainly do that. It would be a lot of data but we would be more than happy to do that.

Senator MACKAY—I do not want to create a lot of work. Can you ballpark it now? How many are regarded as serious? How do you determine that?

Mr Rix—We look at every customer notification of a fault as serious, but they are broken down into things like: that particular fault was a no tone fault or a noisy fault, the service was working but I wanted an upgrade of my lead-in because it was a bit crackly or I had an old lead cable et cetera.

Senator MACKAY—I understand. That is why I am trying to get some picture of how many are of that nature and how many are, ‘My phone isn’t working.’

Mr Rix—I would have to take that on notice. I could not give you a ballpark because I just do not have that information here today.

Senator MACKAY—It would be good for you to provide on notice, out of the 1.2 million, a regional versus metro breakdown. We would also be interested in getting the categories that Telstra uses, which you were talking about, and the criteria of progression in terms of rectifying the fault and how many there are per category. This ranges from ‘my phone is not working’ to ‘my phone is a bit crackly’ to ‘I cannot get on my computer’, which is not insignificant but is a lot less serious than not being able to ring your doctor or whatever. Do you really need to take that on notice because you do not have that information?

Mr Rix—Yes. We certainly would have to get that.

Senator MACKAY—So how do we get from the 1.2 million to 3,000?

Mr Stanhope—It is 3,000 customers. That was 1.2 million—

Senator MACKAY—Complaints?

Mr Stanhope—faults.

Senator MACKAY—Or complaints about faults.

Mr Stanhope—I think the 3,000 customers means around 40,000 faults. So it is a fairly low percentage of the 1.2 million. Nevertheless, too many faults per customer. That is my point.

Senator MACKAY—I understand.

Mr Stanhope—That is why they are being targeted.

Senator MACKAY—So why was the number 3,000 picked?

Mr Stanhope—There were some criteria that I mentioned this morning, such as how many—

Senator MACKAY—Yes. We have been through that. Why not 5,000—

Mr Stanhope—repetitive faults. That is how they work.

Senator MACKAY—Why not 5,000 or 10,000?

Mr Stanhope—How frequent? Are they repetitive faults? How many times over a period—a month, six months? So all those sorts of things. Those criteria were applied to: where should we target it?

Senator MACKAY—You have not really given me the criteria that you used, other than fairly broad generalisations which you indicated now. So do you have a piece of paper that explains what criteria you used to pick the 3,000?

Mr Stanhope—Not with me, but let me take it on notice.

Senator MACKAY—Presumably there was a distillation process. Is that your assertion? So you go from X number of faults, or 1.2 million faults as you described it. That is distilled down to 3,000 people which equals 45,000 faults.

Mr Stanhope—40,000, yes.

Senator MACKAY—40,000, I am sorry. Let's not make it any worse than it is. What I am after is: why 3,000? Was it simply a distillation process? How do you get to 3,000?

Mr Stanhope—Using the criteria, they are in the worst area. That is how we got to 3,000.

Senator MACKAY—So it is not an arbitrary figure that was picked and then you said, 'We've got enough money for 3,000 so let's pick 3,000'?

Mr Stanhope—No. We decided that by using these criteria, which I will send to you, these are the areas and the customers that need some rectification of the network or their phone or whatever it might be to give them the level of service that they should have.

Senator MACKAY—And you do not have those criteria with you?

Mr Stanhope—I do not. It was part of the work of the project team on rural service levels that I mentioned before. It is part of their work, and I do not have that body of work with me. As I said, I am happy to take the provision of that on notice.

Senator MACKAY—The access renewal program that we are talking about now, will this program end at June 2002?

Mr Rix—The access renewal program, from my recollection, will be ongoing. It fits part of our overall capital investment in our network. I think for a period of time we called it an access renewal program, as it was specifically targeted, but that will form the basis of ongoing capital investment in the network.

Senator MACKAY—In relation to Besley, they have indicated \$70 million per annum over three years until 2001-02. What is the appropriation beyond 2001-02?

Mr Stanhope—Our actual customer access network spend this year will be around \$1.1 billion, and \$881 million of that will be for the customer access network and \$285 million for wideband. We made a commitment some time ago to spend an additional \$350 million in rural CAN, and I think that is what you might be referring to. Of that, \$131 million has been spent, and there is a further \$6 million for this financial year, \$123 million in 2002-03, and \$91 million in 2003-04. So this was a very focused extra spend on the rural customer access network.

Senator MACKAY—Your colleague was just indicating that it has a life beyond 2001-02, though.

Mr Rix—I indicated that the program of investment in the network has a life beyond 2001-02.

Senator MACKAY—That was not my question.

Mr Granville—Perhaps I can clear up the confusion. We have used internally a number of different names in terms of the expenditure we have put into rehabilitating the copper access

network. Access renewal was a term used at one point in time. That particular program using those methods was transformed into a different method that we have learnt from our experience on how to target the dollars; and the major thrust is under the expenditure that Mr Stanhope has described, targeting the tails of performance in rural areas. That is really where we have got to, in terms of the prioritisation of money for rehabilitation of the access network.

Senator MACKAY—In terms of that targeting that we were talking about, does that spend exist beyond 2001-02?

Mr Granville—In the next financial year of 2002-03, we are actually increasing the expenditure in those areas.

Senator MACKAY—Will the access renewal program exist?

Mr Granville—As I mentioned, that name is no longer used. The major expenditure will be in the rural network improvement area. It is similar work, but now focused in rural areas.

Senator MACKAY—What is the appropriation for that?

Mr Granville—It has a number of components. We have mentioned the \$35 million for pair gain work. We are looking at another \$88 million to be spent in copper network rehabilitation or replacement, where necessary; about \$56 million on various exchanges in small communities to improve reliability; and about \$8 million on power equipment to exchanges in regional areas.

Senator MACKAY—What financial years are we talking about?

Mr Granville—Next financial year. The \$56 million is to upgrade links into small communities, and the \$8 million is to upgrade or replace the power equipment that powers exchanges, where that needs replacement, and also airconditioning and that sort of thing.

Senator MACKAY—To return to the Boulding issue, which Senator Conroy traversed in his contribution: in Senator Alston's release of 14 March, he indicated that the government will impose a licence condition of Telstra and that the licence condition would require Telstra to report back to the government in one month on how it would upgrade systems. Can you let me know what has happened with that?

Mr Rix—Yes. I went through what we were doing, before.

Senator MACKAY—Sorry about that.

Mr Rix—That is okay. On 14 March we put in place a cross-company working party, which had in total 57 people from all relevant areas. We looked at putting that working party into four segmented work streams to cover all the recommendations of the ACA and PricewaterhouseCoopers, and to look at meeting the licence condition requirements.

That work has been going on, but in the meantime we have taken interim steps to do with setting up a customer priority group, which has been put in place. In doing that, we take all customers that perhaps would fall into that category at the first point of contact and manage them 24 hours a day, seven days a week. That is for both new service connections and fault restoration. We provide interim services where we cannot meet the 24-hour and 48-hour timeframes from the licence conditions. We are engaging in moving forward. The four categories are policy, customer awareness, process and systems, and infrastructure and technology. The work that is going on is quite comprehensive. There are over 200 line items of work in progress. If you would like me to go into detail, I would be more than happy to do that.

Senator MACKAY—Have you got a piece of paper you can give us?

Mr Rix—I have not, but I certainly have some notes that I would be more than happy to share with you.

Senator MACKAY—Go ahead.

Mr Rix—Under the policy, there is the development and implementation of priority assistance for individual customers. There is an agreed set of eligibility criteria, and I mentioned before that we are working with the different departments on that. There is revision of our standard marketing plan to meet the new licence conditions. There is the revision of all our internal policies and procedures to capture information with regard to customers that qualify for the priority customer scheme. There is the revision of policies, including our obligations to these customers under mass service and local service disruptions. As well as that, we are looking at putting in place customer awareness programs. Right now, we have scripts in place at the first point of contact so that we will let people know about the priority customer team and the priority customer awareness program that we have.

We are also looking at the relevant policies for 112 and 000. As well, we are looking at identifying the reliability of processes and systems, sharing across the company, managing the credit management component for priority customers, and improving the integration of the systems. One of the key findings was that information was available within one system in the organisation about a particular customer, but it was not shared with the other system. That work will be ongoing, probably over a 12- to 18-month period, as we introduce new systems into the organisation to replace the legacy systems.

It does not mean that we will not capture that information now at the first point. We introduced a week or so ago a system whereby customers that are tagged now go onto what is called CLI. So as they ring in to our front-of-house numbers, they will be directly inputted straight through to the priority customer teams. They will not go through another part of Telstra. They will be picked up so that we can action them more quickly. Those new services are fast-tracked immediately through our standard processes in our work management centres—

Senator MACKAY—So these people who rang up from a week ago onwards?

Mr Rix—That is just that they are going straight to the group. Prior to that they were coming in to front-of-house and we were transferring through to that group.

Mr Stirzaker—If someone from prior rang now, they would be picked up and routed through.

Senator MACKAY—I am just concerned that you have potentially got two classes of customer.

Mr Rix—No, not at all.

Senator MACKAY—Why not?

Mr Rix—We have got people who are ringing in right now to our 132203 number, as an example of our fault number for residential customers. We would talk to them with regard to their issue and let them know about the priority customer program that we have. If they said they had a life-threatening medical condition, we would transfer that call immediately to the priority team and, in good faith, we would fast-track that to meet the licence condition.

Senator MACKAY—This is as of a week ago?

Mr Rix—No, that is as of 14 March.

Senator MACKAY—Should people who perhaps complained prior to that ring up again and say, ‘I actually do have a life-threatening situation’?

Mr Rix—If anybody rings in and says, ‘I do have a life-threatening situation,’ we will tag them. So they will go through to these teams and they will be tagged in our systems. I was talking about people who were tagged; they would just go straight through by way of the technology.

Senator MACKAY—Okay, I understand.

Mr Rix—The other group has focused very much on infrastructure and technology, which is the rural customer access network rehabilitation and obviously the pair gain performance improvement for priority customers. So the attention there has been very much on the reliability of a priority customer’s network and service. One of the other licence conditions, which has now been tightened, will be two or more faults over a three-month period. That, in itself, will instruct us to go out and provide another level of service or reliability for that customer.

Mr Stirzaker—There is an overarching governance group which is across-company. Mr Stanhope, Mr Rix and I are members of that. We meet once a week and review all progress in terms of all the changes that Anthony has been talking about, performance in terms of meeting those commitments, and review any other requirements that people may have in order to move things along.

Mr Rix—There will be bi-monthly, from my recollection, reports going to the ACA regarding the progress of all actions within the working party and hence how we are going in meeting our licence condition.

Senator MACKAY—Are those reports that go to the ACA public or do they just go to the ACA?

Mr Rix—I would have to take that on notice. I do not know the answer to that.

Senator MACKAY—Why wouldn’t they be public? Is there any reason why they would not be public, Minister?

Senator Kemp—I might ask Mr Stanhope.

Mr Stanhope—I think it is the ACA performing its task of monitoring our licence compliance. I do not think that is generally made public. But we will check whether they intend to do so, or you might ask them.

Senator Kemp—They will be here, Senator. You can pose that question then.

Senator MACKAY—I just wondered whether, given the circumstances, there was a plan from the government.

Senator Kemp—You can ask them, and then we will reflect on what is said.

Mr Rix—One final comment would be that we are moving towards an education awareness program for all customers, not just the ones that will be talking to Telstra. Quite clearly, once we have established criteria through the appropriate medical bodies, we will then move towards making that part of our standard education awareness program of a service that we provide.

Senator MACKAY—Is there an appropriation for that? How much money are you planning on spending?

Mr Stirzaker—Approximately, for the communication, it would be in excess of \$2 million. We have already booked space in the likes of *White Pages* et cetera as one part of that communication.

Senator MACKAY—With regard to the ACA report, one of the things indicated on page 16, in relation to fault information provided to technicians, was as follows:

Fault escalation level details are not received nor are any details of past faults on the service including clearance codes.

One technician interviewed commented that this lack of access to fault history severely hampered diagnosis of the fault to be repaired.

Has that particular aspect been addressed?

Mr Rix—No, but it will be. It is certainly being addressed in the development of our Future Edge system. We have a system that we commissioned last year which has been sponsored by the organisation and funds have been granted. That particular component will be addressed in the Future Edge system.

Senator MACKAY—In terms of immediate action that Telstra has taken, the issue of providing details or history to technicians has not been picked up at this point?

Mr Rix—No, not in a system, but because of what we deem to be the interim process that we have put in place, in which customers are going through to the priority team, that priority team is going out and getting a fast track for all of these. We are responding within the timeframes under the licence condition and we are reporting, on a daily basis, on how many of those we are meeting. It is pleasing to say that last week we had over 500 and we met 100 per cent of them. So if, for the relevance of that bit of information, it became part of the way in which we do business going forward and it needed to be in a system, yes, we are moving towards upgrading our systems. At the moment we are responding, as I mentioned before, in good faith to each of them and giving them information over the phone about that customer, the history of that customer, the circumstances as to why they are calling and their life-threatening condition.

Senator MACKAY—In terms of that part of the ACA report, why was that standard procedure within Telstra? How did this circumstance arise where fault escalation level details were not received, nor past faults in the service including clearance codes?

Mr Rix—I think just over years with the amount of systems that we have had in place in different parts of the organisation, where we have started to include different bits of function, different bits of analysis, as that has come along some of the systems that were put in place were not able to cope with adding to bits of information that were relevant. It was identified, and accepted, that it was a weakness. We are addressing those as part of the recommendations.

Senator MACKAY—It is pretty axiomatic, though, isn't it? Presumably technicians are hampered if they do not have fault escalation details or details of past faults on the service? I understand that it was identified in fairly tragic circumstances, but I cannot understand why this was not put in place before.

Mr Rix—Let me clarify as well that there was some specific information that they did not have that was identified. They do have customer information around the actual cable details,

obviously the address and the exchange. They do have forms of history—how many faults have been there before. What they did not have was the actual clearance codes from previous faults. Yes, certainly in hindsight that would have been relevant information in that particular case.

Senator MACKAY—Why was it relevant information in that case?

Mr Rix—It would have been relevant information in that case to know that there was a medical condition. Even though it was in some systems within Telstra—which was in our front of house perhaps billing system—that Mrs Boulding was blind, it was not in our service systems at that time. And that did not come through until 6 February into that particular system. That component of it is specifically what I am talking about. It would have been relevant to have that in the system when we first went out on 28 January.

Senator MACKAY—Just apprise me of this again: what are you doing in relation to ensuring that the clearance codes are available?

Mr Rix—The clearance codes on each of them are available; they just do not pop up automatically.

Senator MACKAY—Has that been rectified?

Mr Rix—That is being rectified as part of the recommendations.

Mr Stirzaker—It is being rectified.

Senator MACKAY—It is being rectified?

Mr Rix—It is being rectified.

Senator Kemp—Mr Chairman, I have just noticed that it is approaching six. I wonder if we could discuss a couple of housekeeping points. I assume that you will be calling Telstra after dinner as well?

CHAIR—We were to conclude that at six.

Senator MACKAY—No way.

CHAIR—It says up to 6 p.m. on my schedule.

Senator MACKAY—I am sorry, we are not finished with Telstra.

CHAIR—All right. That is your choice; you can use the time as you choose.

Senator MACKAY—If it assists, Chair, after the break we might be able to give an indication of how much longer we will need Telstra.

Senator Kemp—That would be a help. Senator, you are entitled to divide the time up as you want. All we are trying to do is to see if we can get an ordered process. If you want Telstra to continue on into the evening, that is a bit of good luck for Telstra but bad luck for a few others who are waiting around. If we could get some clear guidance on that it would be a help.

Senator MACKAY—We will try and do that.

Senator Kemp—Mr Chairman, Senator Conroy raised some questions on the low income package and I said I would seek advice. I am now happy to read some advice into the record. The first point I would make is that ACOSS and other welfare groups have heralded the low income package, I understand. Many of the protections are self-selecting, in that any customer can take advantage of them if they suit their needs—for example, the HomeLine Classic

lower line rentals. One cannot guarantee someone will take up the options. The other point I would make is that while line rentals can go up—CPI, for example, plus four per cent—the basket of call prices must go down—CPI minus, I am advised, 4.5 per cent. I hope that adds some perspective to the comments that were made by Senator Conroy.

CHAIR—Thank you for the information, Minister.

Senator Kemp—As I said, I am always happy to help.

CHAIR—You have a reputation for it.

Senator Kemp—I do have a reputation.

Senator MACKAY—You certainly have a reputation; that is true!

Senator Kemp—Thank you, Senator. I have got that on the record. I am delighted with that.

CHAIR—You are one of the most helpful ministers in the government. We will adjourn for one hour.

Proceedings suspended from 6.01 p.m. to 7.06 p.m.

CHAIR—The committee will resume. Senator Mackay has questions.

Senator MACKAY—I want to talk about the 000 emergency number briefly. I have one other issue and then I am finished. Following the New South Wales storms on 16 February that resulted in an overload of calls to the 000 emergency centre, what has Telstra done to ensure that all calls to 000 are handled without delays?

Mr Stirzaker—We review all those instances and we were switching traffic down into Windsor in Melbourne and/or adjusting the use of our flexible resources to bring more resource to bear. But certainly when that storm came through it was extremely sudden and severe. The other thing that happened during that storm was that a lot of customers were ringing in for access to the normal external emergency services groups, and 000 was not the number to be ringing. We actually then put in place some communications through the media to remind people of that, and very quickly after the storm started we put some recorded voice announcements on 000.

Senator MACKAY—In respect of that, there was an article in the Hobart *Mercury* on Monday, 18 February, which had the Corporate Affairs Manager in Tasmania, Bruce Free, stating—and it is similar to what you said:

We put a recorded voice announcement on telling people to expect a delay and not to hang up, but we will need in future to look at doing that earlier when natural disasters such as storms occur.

This is in relation to a New Norfolk call for fire brigade assistance, which was consequential to the situation in New South Wales. Do you think that a recorded message such as this is an appropriate message for people to be getting when they are ringing in an emergency situation?

Mr Stirzaker—The short answer is no, but the traffic increased at a volume—I think it went up fourfold; almost exponentially. The recorded voice announcement was quite specific to people who were ringing in, looking for a specific emergency service—as distinct from ambulance, fire brigade or police—to let them know not to do it. That therefore brought down the peak of the traffic quite quickly, because we took that volume of calls out.

Senator MACKAY—In relation to the same incident—that is, fire brigade assistance to a damaged house in Terry Circle in New Norfolk estimated to have suffered around \$60,000 worth of damage—Mr Free also stated:

We had to call staff back to deal with the number of calls but it would have made no difference if there was a local 000 emergency service.

We are talking about a local situation in Tasmania which was affected by a situation in New South Wales. In relation to the family in New Norfolk who lost their house in a fire because they could not get through to the national 000 emergency centre, doesn't that really demonstrate the inability of a centralised emergency centre to deal with life-threatening situations?

Mr Stirzaker—We are running a national network. In fact, the benefit of a national network is to actually load the traffic across to other parts of the network that are available. The particular situation that happened was of such a severe increase in volume that we were switching traffic back across all parts of the network. I would suggest that if we had other 000 answering services we could bring more resources to bear more quickly, but you would still be nationally networking to make sure you were using every available person to actually help militate against the sorts of situations we are talking about. Let us say there was a 000 service in Tasmania. There would be no guarantee that it would not have been overloaded along with everything else for that period of time.

Senator MACKAY—But at least you had the capacity to bring staff in on a local basis, did you not?

Mr Stirzaker—Yes; but no more differently than we would be able to bring people in on the other larger centres, which is what we did. It was just an unprecedented volume that hit us very quickly.

Senator MACKAY—The local fire brigade chief in New Norfolk, Mr Dale Britten, stated that Telstra would have to investigate the circumstances surrounding the delay. That was his explanation. My understanding is that Telstra ruled out an investigation, on the basis of the circumstance that I have outlined in the comments from Mr Free. Do you regard that as an acceptable procedure?

Mr Stirzaker—I have not gone back through all the details as they may be at the moment, but just the sheer volume of what happened on that particular occasion and the steps we took—because the volumes came down very quickly—may have led to that conclusion.

Senator MACKAY—But we have a situation where a family's house burnt down because of the situation in New South Wales. Surely that merits some local investigation by Telstra.

Mr Stirzaker—We would have looked at the volumes that occurred in a particular situation for that very short period of time. It is incredibly unfortunate that the house burnt down—and very disappointing, obviously.

Senator MACKAY—'Obviously' is right.

Mr Stirzaker—We look at all the circumstances, particularly around 000, very closely. In looking at all the traffic volumes, what happened and how we switched traffic, we go through a very disciplined process anyway; and then we came out with a communication to mitigate against that sort of thing happening again as much as possible.

Senator MACKAY—So you think it is acceptable that local Telstra management has said that it will not investigate these circumstances because there was this extraordinary New South Wales situation?

Mr Stirzaker—In terms of investigation over and above what we would normally do in normal practice, particularly with 000. I just do not have the specific level of detail to be able to give you that sort of assessment, but I am happy to look at it.

Senator MACKAY—It might be a good idea. In terms of local situations where you have problems with the 000 number, then at least to provide the community with some reassurance Telstra could have done a bit of an investigation and advised the locals. The only reason the fire did not spread was because the neighbours were on hand. In other circumstances that might not have been the case.

Mr Stirzaker—I am happy to go back. For the purposes of trying to reduce questions on notice, I want to go back to a question I was asked before to do with Homeline Classic and my memory lapse of not remembering the pricing. There is a very simple explanation. There actually has been no pricing released, which is why I could not remember it. On the basis that we are currently working under the current pricing regime, which actually finishes at the end of this financial year, any pricing to do with Homeline Classic as an offering will only take effect some time into the new financial year, and in fact it has not been confirmed back through the corporate Telstra pricing environment anyway. So there is actually nothing that I can tell you. Hopefully that will reduce the questions.

Senator MACKAY—Thanks for that. In relation to NDC, about 2,000 jobs have been lost over the past five years from NDC. How many jobs does Telstra anticipate going in the short- to medium-term from NDC, Network Design and Construction?

Mr Stanhope—Up to June about 1,600 jobs will have gone. That is from 1 July, over a 12-month period. About 500 more will occur in the period July to December. As we have said before, it is based on the slowdown in the industry. As you know, NDC provides construction services both to Telstra and external telcos, our competitors and other carriers. Over a period, therefore, of 18 months the staff reduction will be about 2,100.

Senator MACKAY—Did you say 12 months?

Mr Stanhope—Over 18 months—that is, from July last year to December this year.

Senator MACKAY—So what is the projection in terms of further job losses in NDC?

Mr Stanhope—Beyond that?

Senator MACKAY—Yes.

Mr Stanhope—Beyond that there have been no decisions made. Again it will be dependent on the industry and the business needs and how much work it wins externally, and it is trying to do just that. It is also, as a business, looking at offshore opportunities. It will depend on how much business it wins; but there are no precise numbers beyond December at this point.

Senator MACKAY—With regard to the prospective carryover you have indicated of job losses in NDC, you contend that it is related to a fall in the level of activity in the network sector. Do you see that level of activity continuing to fall?

Mr Stanhope—It appears so. What seems to be happening is that there is a fair bit of network capacity in Australia—and globally, for that matter—so the need to construct a lot of capacity in the future is low. Also, technology advances see us not having to plough in as

many cables anymore, because electronics able to be put on at each end and along the way also create more capacity. So we do not see an immediate upturn in that business. As I said, however, there are countries around Asia in particular where they do not have that extent of capacity, and they are looking for opportunities for work, with our blessing.

Senator MACKAY—Why is Telstra not asking NDC workers to look at faults in the network?

Mr Stanhope—I think we have had this conversation before. With respect to the sorts of faults that are CNI faults, they really are overskilled people. In fact, they are not skilled to actually perform that sort of work. The faults we have been talking about—the one million faults—are also largely faults that NDC staff are not equipped or skilled to handle. The NDC staff are design and construction staff of fairly large constructions like standing-up telephone exchanges, mobile base stations and towers, and large cables. Those sorts of skills are what are in NDC.

Senator MACKAY—They do not have requisite skills to fix these faults; is that what you are saying?

Mr Stanhope—They are the wrong set of skills. Even if we retrained them to do that, another part of our work force would then be affected.

Senator MACKAY—Would then be affected?

Mr Stanhope—Yes. The service operations group, where those skills reside, does that sort of work.

Senator MACKAY—How many jobs have been lost in NDC since it became a separate entity?

Mr Stanhope—If you take the forecast as well, we are looking at moving from about 6,500 down to 3,500. It is nearly 3,000 jobs when we get to December—so almost half its size.

Senator MACKAY—In relation to the other component you were talking about, what is going to happen to the technician jobs this year—the ones who are actually responsible? What is the projected number of technicians?

Mr Stanhope—This year, 2001-02?

Senator MACKAY—Yes. You were saying that the NDC workers do not have the requisite skills. In terms of the people who you contend do have the skills to fix the network, what is the establishment, to use an outdated term, and what is it projected to be, ASL?

Mr Stanhope—Current service ops staff number about 10,000. Some of those are on activation and some of those are on fault repair. Then there are line staff and technician staff.

Mr Rix—That is correct. Then there is also the exchange staff, staff in planning and design et cetera. I would probably need to take the question on notice, because I would not know the projections going forward for next year of numbers of operational staff required.

Mr Stanhope—In fact, we have not completed our planning for 2002-03 for the company's staffing levels. Really, it is a slightly premature question. Why do we know NDC? NDC has been going down a restructuring path for some time and the 500 between July and December has been a number known for quite some time. The people have been advised. Our plan for 2002-03, as I say, is not yet complete. We are still working it up across the business. It does not go to the board till the end of this month. So we are still working through staffing and so

on—although I should point out, of course, that the plan is financially based and that the headcount is a consequence of our financial targets.

Senator MACKAY—I understand that. Could you take that on notice in respect of both of those issues?

Mr Stanhope—Yes. We will be able to advise, when the plan is completed.

Senator MACKAY—We will put in a more detailed question on notice on it anyway.

Mr Stanhope—Certainly.

Senator LUNDY—I think it is in our best interests if we move on to Australia Post. In the interests of time, I will put any further questions I have on notice.

CHAIR—Thank you very much, Senator Lundy. I thank Telstra for appearing today. We now welcome Australia Post.

[7.24 p.m.]

Australia Post

Senator MACKAY—I refer to question on notice No. 229 regarding WTO negotiations. In response to that question on notice to me, Australia Post spoke in general terms of various proposals from other WTO member nations. Can you give me any specific information on what these proposals mean, in response to your answer to question 229?

Mr McCloskey—I am afraid I do not have that sort of information on those individual proposals. As I understand it, they are proposals that have been tabled as part of the World Trade Organisation round of negotiations. I know that the Department of Communications, Information Technology and the Arts is putting together a governmental response in terms of these particular issues. At the end of the day, it is really a policy matter for the department.

Senator MACKAY—Are there any papers kicking around in relation to the WTO issue, that Australia Post is aware of?

Mr McCloskey—I know that our international people are aware of the particular proposals that are on the table and they are preparing, certainly, a submission to the department on what, from Post's perspective, we feel the Australian government position on these issues should be. But I also know that the department is part of a wider consultation process. It is consulting with all areas of industry that may have an interest in this particular field.

Senator MACKAY—So Post is not aware of any papers produced by the department in relation to this?

Mr McCloskey—I am not personally aware.

Senator MACKAY—Is anybody else aware?

Mr McCloskey—I cannot speak for our international people. I know that they are following this issue. But as far as I understand—

Senator MACKAY—Is the department aware of any discussion papers?

Mr McCloskey—I think the department may have put out a discussion paper, but I am not—

Senator MACKAY—So you have seen it?

Mr McCloskey—No, I have not seen it; but I know that whatever has been put out our international people have seen and are working on.

Senator MACKAY—So is anybody aware of a discussion paper that the department has produced?

Dr Stretton—I understand that the department did circulate a paper for comment, yes.

Senator MACKAY—So have you seen it?

Dr Stretton—I have not personally, because I do not actually work in that area, but I could—

Senator MACKAY—Has anybody at the table seen it? Actually I have a number of questions that are internationally oriented. Would we have the right officers here?

Mr McCloskey—On the WTO issue? I am afraid we do not.

Senator MACKAY—I think that we might have to do this tomorrow. We do not have the right officers for my questions.

Mr McCloskey—Can we take them on notice?

CHAIR—Take them on notice. Really, that is the better way to do it.

Senator LUNDY—It is quite reasonable that Senator Mackay is giving Post notice. If it is possible for you to turn up tomorrow, I think that is a reasonable request.

CHAIR—I think Australia Post has come here from Melbourne.

Mr McCloskey—We have.

CHAIR—It is an interstate agency. So we try to deal with them as scheduled, because they have made other arrangements. One appreciates—

Senator MACKAY—It is pretty difficult, because I have put a number of questions on notice in relation to this issue, and the officers are not here. I am not quite sure how we handle it.

Mr McCloskey—By way of explanation, I do not think that we had any advance warning that there was a particular interest in this issue.

Senator MACKAY—I had asked questions on notice that I have put on—

Mr McCloskey—Yes; there was a question on notice that came out of the discussion at the last hearing, and certainly we sought to answer that and I think that we did that. But as I understand it, this is ultimately a government policy issue that the department is working through. Australia Post would be one, and only one, of a number of industry players that would be making their views known in relation to the particular proposals, and it would be the department that would be elaborating a policy position on behalf of the government. This is an intergovernmental issue; it is not something that Australia Post plays in directly.

Senator MACKAY—But your international people are working on this issue, are they not?

Mr McCloskey—They are making a submission to the department. They will not be the only body to make or to have made a submission; I am sure that there are a number of interested industry and other people who will have made such submissions.

CHAIR—I seek the guidance of the minister, but I think that if it is a matter of policy, then it is probably an issue that the officers cannot deal with. These are international matters to do with the World Trade Organisation, are they?

Senator MACKAY—Kind of; but it does go to the workings of Australia Post in terms of what they are doing with the department. That is the difficulty.

Dr Stretton—Obviously we can answer some of these questions. The people, though, would come up under outcome 2.1. So they are not here at the moment, because they were not—

CHAIR—When will they be here?

Senator MACKAY—Tomorrow, I presume.

Dr Stretton—We could have someone here in about 10 to 15 minutes, if you are willing to go on to something else and come back.

Senator MACKAY—Okay. We will try that.

CHAIR—Happy with that?

Senator MACKAY—We will see how we go.

CHAIR—In a general way, the point has to be made that all the heads of programs should be here for these estimates, because these are the main estimates, and who knows what questions any senator may decide to ask?

Senator MACKAY—That is right. The chair is correct. This is budget estimates. You can ask virtually anything in the budget estimates. It is important. We will just see how we go, though, but I agree with the chair.

CHAIR—Thank you.

Senator MACKAY—Can Australia Post advise whether they have undertaken any analysis of the likely developments for the postal sector in Australia and specifically for Australia Post's operations arising from the current WTO GATT negotiations?

Mr McCloskey—As I think I indicated, our international people certainly will be making a submission to the department in that area. I imagine that part of the background to that submission would have been an analysis of the various proposals that have been put on the table as part of that round of negotiations.

Senator MACKAY—But you yourself are not specifically aware of what they might be?

Mr McCloskey—Of what the particular proposals might be?

Senator MACKAY—Of the work that Australia Post has done in relation to this round of WTO GATT.

Mr McCloskey—No, I am not personally aware.

Senator MACKAY—Is Australia Post aware of proposals drafted by the European Commission for the consideration of the European Union and prepared as part of the WTO GATT negotiations?

Mr McCloskey—I am certainly aware that among the proposals that have been tabled as part of the WTO round of negotiations are some proposals from the European Union.

Senator MACKAY—So you are aware of them?

Mr McCloskey—Yes; that they exist, certainly. That was in the answer to the question on notice that you referred to earlier, No. 229.

Senator MACKAY—The *Sydney Morning Herald* on 17 April highlighted the proposals. Have you seen that article from the *Sydney Morning Herald*?

Mr McCloskey—No, I have not.

Senator MACKAY—This is pretty difficult, I would have to say. Do you have a copy of the paper that has been drafted by the European Commission?

Mr McCloskey—I do not.

Senator MACKAY—No.

Mr McCloskey—I am sure that our international people who are working on this have got all of that information.

Senator MACKAY—That is not much use to me, to be honest.

CHAIR—The questions could be put on notice, though, and dealt with that way.

Senator MACKAY—It is not optimal, though, is it? Can somebody have a stab at giving me a briefing about these proposals and the likely impact that they will have on Australia and Australia Post? No?

Mr McCloskey—As I said, that is something that our international people have been working on as part of this submission that they have been invited to make to the department.

Senator MACKAY—I know that. So nobody here can apprise me of that, even?

Mr McCloskey—Not at this stage.

CHAIR—Are we going into proposals or set policies?

Senator MACKAY—No; with respect, basically what I am after is the work that the international people have done—and whether they could apprise us of the proposals drafted by the European Commission for the EU and how that may impact on Australia. There are some obvious synergies and consequences.

Mr McCloskey—I have no doubt, but I am not across the detail. What our international people are doing is part of a contribution to the formulation of government policy, and I think that in that context—

Senator MACKAY—Yes; but my question is not about government policy. My question is: what implications do the proposals that have been drafted by the European Commission for the EU have for Australia Post? That is not a government policy issue.

CHAIR—If the witness is unable to answer it, all we can do is put the question on notice, and that gives them time to prepare answers.

Senator MACKAY—I am just wondering whether we can get a briefing from Australia Post on this matter.

CHAIR—Of course the committee can do that.

Senator MACKAY—All right.

CHAIR—No problem at all.

Mr McCloskey—We would be happy to organise that.

Senator MACKAY—That way we can have the appropriate officers there, and they can take us through it. How about that as a solution? Based on that, I will ask Senator Lundy to ask some very interesting questions on Australia Post for a couple of minutes.

Senator LUNDY—I would love to take that opportunity. I would particularly like to ask about my favourite subject, which is information technology. I hope you have some officers here who can help me with that. In particular, I refer to the use of Australia Post points of presence in Australia Post outlets and the use of those points of presence by other service providers. What other service providers access those points of presence and on what terms?

Mr McCloskey—Senator, we have an online network through our retail outlets that covers both our corporate outlets and the bulk of our licensed outlets that runs to just short, I think, of 3,000 outlets across Australia. We use that online facility for a number of things. We use it primarily for our billpay service and also for our giroPost banking service. In terms of our billpay service, we have about 450 principals whose bills can be paid online across the counter in Australia Post outlets. In terms of the giroPost banking service, there are currently 75 financial institutions whose customers can access their accounts through that system.

Senator LUNDY—What are the terms and conditions that apply to both the financial institution and, I guess, utilities, for want of a broader description.

Mr McCloskey—They are commercial terms and conditions that would be negotiated between Australia Post and the principal or utility concerned.

Senator LUNDY—Do the rural transaction centres access your Internet points of presence in any way?

Mr McCloskey—There are a number of licensed post offices that have taken on the role in some communities of rural transaction centres. In addition to that, there was a particular program that the government put in place last year which was to extend this online EPOS facility to about 100 licensed post offices that were not eligible under the Australia Post conditions to have online services. The number of transactions that were being conducted at those offices was insufficient to support Australia Post installing the online system to those particular offices. The rural transaction centre program last year funded the extension of that online facility to about 100 licensed offices in small communities or smallish communities that did not themselves have an existing financial institution.

Senator LUNDY—Just go back a little bit. I do not know very much about the rural transaction centres, but can you describe the service that that program funded and the physical service in those facilities? By physical service, I mean: is there a computer set-up? Can people access the online services through a computer set-up within those licensed Australia Post outlets? How does it actually work?

Mr McCloskey—It is quite a separate exercise to the Australia Post outlet. It just happens that a licensed outlet of Australia Post, where it is a full rural transaction centre, and through the process of that licensee independently applying through the program and having the support of their local community, acts in that way. So it is quite separate from Australia Post. Australia Post has no input into the form that that particular rural transaction centre might take.

Senator LUNDY—So that was for the additional 100.

Mr McCloskey—No, I am sorry, Senator, if I misled you there. The additional 100 was merely the funding for the installation of an online facility into those outlets. That online facility would then enable the local community to access online the services provided by Australia Post—that is, the bill payment services and the giroPost banking services.

Senator LUNDY—Are there any other services that you are aware of, and understanding that you are not the one providing that service?

Mr McCloskey—Any other services provided as part of the rural transaction centre program?

Senator LUNDY—Yes, those additional 100 places.

Mr McCloskey—In the 100 additional post offices, the services there are purely to give online access to Australia Post services. As far as I am aware, it does not go beyond that.

Senator MACKAY—I am advised that there was a letter sent to the CPEU in relation to a minute's silence for Mr Alec Campbell, the recently departed Anzac and Gallipoli veteran, indicating that Australia Post workers would not be able to observe a minute's silence in relation to his passing. Are you aware of these circumstances?

Mr McCloskey—Yes, I am.

Senator MACKAY—Why was that done?

Mr McCloskey—Notwithstanding the existence of that letter, the facts are actually quite the contrary. The only advice that staff received was advice to encourage them to observe a minute's silence as a mark of respect for the late departed Alec Campbell. The letter to which you refer was in fact an unauthorised letter and was from an employee to a union official. It was a mistake, and I think we acknowledge that it was a serious mistake. But the important thing to remember is that staff were encouraged, in fact, to observe a minute's silence, and our understanding is that the minute's silence was widely observed across the organisation; indeed, it was observed in all of our facilities in your own state of Tasmania.

Senator MACKAY—Okay, it was a mistake; that is fair enough. As I understand it, there was also a call in relation to September 11 for postal workers to observe a minute's silence there as well. That was also rejected. Is that correct?

Mr McCloskey—I am not aware of that call, Senator. I would have to take that on notice.

Senator MACKAY—Is anybody else aware of it? No? I am advised that there was a request put in. I am just trying to get the officials to confirm it.

Mr McCloskey—Do you have any information as to when that might have happened?

Senator MACKAY—I have been advised that the union asked for a minute's silence for September 11 and it was rejected. If you can take that on notice, that is fine.

Mr McCloskey—This is around the time or shortly after September 11?

Senator MACKAY—At the time there was, I think, a worldwide minute of silence with regard to September 11; do you remember?

Mr McCloskey—I do not recall it, Senator, but certainly we will take that question on notice.

Senator MACKAY—Can you provide the committee with an update of the franchise post shops proposal?

Mr McCloskey—Certainly, Senator. By way of background, a strategic review was undertaken a couple of years ago of Post's retail channels, and that review forecast a challenging future for their financial performance overall. As part of a range of initiatives that have been developed to address that scenario, a new model was developed for operating some post shops as franchise businesses. The model is designed for larger and mainly, but not

exclusively, metropolitan locations. It is designed to provide for high levels of product and service consistency and to deliver commercial viability to Australia Post and also attractive commercial returns to franchisees.

We had a pilot program of four franchised outlets over a two-year period. This program was assessed independently on behalf of Australia Post by Ernst and Young, and they confirmed that it was a sound business model. On that basis, Post is currently in discussions with both the Post Office Agents Association Ltd—POAAL—and the CPEU about moving forward to implement the franchise model initially in the Sydney metropolitan area and probably from early 2003 in a limited way.

Senator MACKAY—What has been the nature of your discussions with the POAAL?

Mr McCloskey—They are ongoing discussions.

Senator MACKAY—What is their attitude towards this proposal?

Mr McCloskey—They are negative towards the proposal. But Australia Post has provided them with assurances that this proposal will not in any way impact on the licensed post office network. It is quite separate from that and it operates quite differently and it would have no impact on the market value of existing licences.

Senator MACKAY—Are these assurances in writing?

Mr McCloskey—They certainly are.

Senator MACKAY—You can provide me with copies of those?

Mr McCloskey—I will certainly provide you with whatever is available on that.

Senator MACKAY—In relation to the assurances?

Mr McCloskey—Yes.

Senator MACKAY—This is a major change. I am curious why Australia Post has not produced a summary of this proposal for internal or external comment.

Mr McCloskey—I am not sure I understand the question. We are in discussions with both the Post Office Agents Association and also with the CEPU. Those discussions have been under way for quite some time and I have no doubt that the way the franchised Post Shops are designed to work has been part of those discussions.

Senator MACKAY—The POAAL has written to me and indicated that it has been attempting to get details of the proposed new scheme in relation to the 3,000 licensees and the protection of the 3,000 licensees. They have indicated to me that Australia Post had provided some dot points to them, but as they were marked by Australia Post as commercial-in-confidence they cannot pass that information on to their members. What is your response to that? I must indicate on their behalf that they have come to senators as a last resort.

Mr McCloskey—I am not aware of what, in that context, they have precisely been provided in writing. I just do know that these discussions have been going on. I also know that, as part of the general communication with licensees through licensee bulletins, licensees have been kept informed of this proposal.

Senator MACKAY—They are alleging that all they got were dot points which were marked commercial-in-confidence by Post. Therefore they were unable to pass that on to their members. Is that right or not?

Mr McCloskey—I would need to check that. I do not know exactly what they were provided with.

Senator MACKAY—Does anybody here know? This is not particularly satisfactory.

CHAIR—I think if we have not got answers specifically they should be put on notice. That gives the organisation an opportunity to research the answer and provide the information you want. That is how we usually run it.

Senator MACKAY—I know, but this is a major initiative, and a small business organisation with 3,000 members has written to us.

CHAIR—I understand what you are saying.

Mr McCloskey—But, as I think I said earlier, it is important to bear in mind that the introduction of a franchise model is quite separate from the existing licensed post office segment of our retail network and would have no impact upon how that segment operates.

Senator MACKAY—I understand that; it is not me you have to convince in this instance. They are the ones who have come to us to say that they have had insufficient information. The dot points they got were marked commercial-in-confidence. Therefore they were unable, because of the nature of it, to pass it on to their members who are seeking further information. That is the difficulty—and I think correctly so—from the organisation's perspective. As an absolute final resort they have come to the political end of the operation so that we might ask these questions here, which you are not able to respond to. That is all right, but this makes life a bit difficult.

Senator Kemp—Senator, we would always want to help you.

Senator MACKAY—This is really not about me; this is about 3,000 small businesses.

Senator Kemp—That adds further to it. We will see if there is any further information that we can provide to you.

Senator MACKAY—I am wondering, Chair, whether the briefing that we talked about could encompass this initiative as well?

Mr McCloskey—There would be no problem in our providing that.

CHAIR—The licensed post offices versus the franchises is an important issue; I agree. It does affect a lot of small business people. If you are happy to give us a briefing concurrently—

Mr McCloskey—We would be very happy to provide that briefing.

Senator MACKAY—Fair enough. We will do that. It is a bit hard to know what to ask.

Senator Kemp—I think you have done very well, Senator.

Senator MACKAY—So far we have organised two briefings on both of the issues that I have raised.

Senator Kemp—I think you have done so well you now deserve a break and can go home.

Senator MACKAY—I will go off and gird my loins for my briefing with Australia Post on international incidents and the franchising situation. But they are the two key issues I had, which Australia Post has not been able to answer.

Senator Kemp—Don't be unkind, Senator. We are happy to help you.

Senator MACKAY—I am not being unkind. We do not have the appropriate officers here, that is all.

Senator Kemp—We are happy to help you.

CHAIR—I think that is a fair comment. The relevant officers ought to be here. These are the major estimates of the year and senators are entitled to ask questions of the head of every program. The organisations must provide the relevant officers to answer the senators' questions. That is something you should bear in mind.

Mr McCloskey—We certainly would endeavour to do that. If I could make a comment, perhaps in instances like that if we had some advance indication of areas of particular interest to senators we could ensure that we had people here who were—

Senator MACKAY—Estimates just does not work like that. Basically, as the chair says, an agency should be prepared to answer any question in respect of any area of its operations. That is the nature of budget estimates.

Senator Kemp—You have got to have a bit of perspective on this.

Senator MACKAY—I agree with you, but these are not small issues.

Senator Kemp—I have been in your shoes for six years. Where there are matters of real concern I always tried to indicate that there would be certain people that I would want to have at the committee to answer those questions. It is just not practical to cover every option—that is why we take questions on notice. But we hear your point, Senator: they are valid questions and you are entitled to answers. If you had perhaps flagged them to us we would have been able to make sure the relevant people were here.

Senator MACKAY—In general, Minister, I take your point. But neither of these issues is insignificant. That is the point I am making. The chair has been extremely cooperative and we will have a briefing.

Senator Kemp—He is a great chair.

Senator MACKAY—He is a great chair—and it will be Hansarded, too, I am assured.

Senator TCHEN—I second that.

Senator Kemp—There were such uncharacteristically kind comments by the minister before dinner tonight that I thought we should give some praise to the chair.

Senator MACKAY—You have got to remember what I have been used to.

Senator Kemp—Really? Senator Alston is even more cooperative than myself?

Senator MACKAY—No, not Senator Alston. Never mind.

CHAIR—On the question of officers, obviously, there are programs which come up every time and which you might expect to be questioned on. I suppose the international negotiations of Australia Post are a bit more obscure and I think we would try to let you know ahead of time if those officers or officers of a similar program are required in future.

Mr McCloskey—Thank you. I think that would be very helpful.

Senator MACKAY—In the meantime we will get our briefing.

Senator LUNDY—I will place any questions I have on notice.

CHAIR—Thank you, Senator Lundy. Where does that leave us?

Senator MACKAY—That leaves me with nothing for Post other than a reassurance from you, which I absolutely take in good faith, that we will have a briefing that will be Hansarded on both of those issues.

CHAIR—We will certainly arrange that.

Senator MACKAY—Thank you, Chair. That is all for Post.

CHAIR—That concludes the questioning; I thank Australia Post for appearing. I call the Special Broadcasting Service.

[7.57 p.m.]

Special Broadcasting Service

CHAIR—It gives me great pleasure to welcome SBS to the table: Mr Milan, Ms Eisenberg and Mr Torpy.

Mr Milan—Thank you.

CHAIR—I know you are under special ministerial sponsorship this evening!

Senator MACKAY—How is SBS progressing with its high definition television requirement commencing in 2003?

Mr Milan—High definition for us is something that we are prepared for in terms of broadcast. We actually now have the capacity to play out and indeed actually do broadcast in high definition from time to time. You may be aware that we chose, and were able to negotiate a position with government, to take a lower standard of high definition. So we are 576 progressive, as opposed to 1080 interlaced—1080i—which takes a smaller amount of spectrum. But as yet we have no production facility for high definition and we are not scheduled to do that within our current funding. But I would stress that we are a low budget operation, as you would be aware, and we have not sought those sorts of funds.

Senator MACKAY—How much money has SBS invested in preparation for high definition TV in addition to the money it would have spent for standard definition only?

Mr Milan—It would not be much in our case, but I will take that question on notice and we will get back to you.

Senator MACKAY—Has SBS done an estimate in relation to how much it will require to spend on high definition only expenses in order to meet that 2003 deadline? Have you ballparked it or worked out how much?

Mr Milan—In terms of cost, we can meet it at the moment. The definition for us was different from the ABC and the three commercial channels because we are not obliged to actually produce 20 hours of high definition ourselves; we are allowed to up convert existing material because it was recognised that SBS is not a major producer in its own right. By far the majority of our programming, in addition to regular news bulletins, comes from overseas. Therefore we are not under the same piece of legislation that is covering the ABC and the commercial channels. So we do not need any additional funding to actually meet the 20 hours of up conversion.

Senator MACKAY—Okay. That is a relief on your part, I would have thought.

Mr Milan—Yes, it is.

Senator MACKAY—How are plans proceeding for the launch of SBS's multichannels?

Mr Milan—We will be launching an experimental channel in mid-June. Our minister has kindly agreed to come to SBS to be available for that launch. That channel is scheduled to be on air until we reach January 2003 when the requirement to broadcast in high definition may mean we have to review whether we can continue to actually supply the service. Also, we are not budgeted for it, so we are doing it on an experimental basis really to demonstrate to parliament—obviously to government but also to parliament as a whole—what is achievable to hopefully encourage you to give us some more money and support multichannelling.

Senator MACKAY—How will you go in relation to the funds allocation for adequate multichannelling?

Mr Milan—We are not going very well at the moment, but we have put several submissions to government. Thus far, we have not been successful but we are ever hopeful and we will be submitting again and obviously putting up that the experimental service is actually part of demonstrating to the minister what can be achieved.

Senator MACKAY—So currently there is a shortfall, shall we say?

Mr Milan—Yes.

Senator MACKAY—Any idea on the quantum?

Mr Milan—At this stage, no. We have put several submissions in already—we have made submissions from a couple of million dollars through to about \$11½ million, I think. But this current submission we are still for finalising in the light of our current budget process, which goes to the board later this week.

Senator MACKAY—I appreciate that. Thanks for that. Do genre specific multichannelling provisions restrict the diversity and quality of programming that SBS can offer in multichannelling?

Mr Milan—A little, but in our case it is not so much an issue as it might be for the ABC because, of course, a lot of what we would want to do is in a language other than English and, by and large, that is allowed within the current legislation.

Senator MACKAY—What is the standard of SBS transmission to rural and regional areas at present? Does somebody want to apprise me of that?

Mr Milan—Sorry, I did not catch that.

Senator MACKAY—I am sorry. The acoustics are really bad in this room; we have been having problems all day. What is the standard of SBS transmission to rural and regional areas at present?

Mr Milan—Analog. We have no digital service outside of the major metropolitan centres at the moment. But our analog service was extended under the last budget, and that roll-out is complete. So every town, I think, with a population above 5,000—is that correct?

Mr Torpy—We are currently broadcasting to all locations in excess of 10,000.

Senator MACKAY—Right.

Mr Torpy—And funding in this budget will enable us to go down another level, to 5,000 to 10,000.

Senator MACKAY—Five to 10,000?

Mr Torpy—Yes.

Mr Milan—Effectively, we are very close now to the coverage of the ABC, so we would be well into the high 90s.

Senator MACKAY—Excellent. Beyond the appropriation in this budget, is there a requirement for further funding, do you think, or are you pretty much there?

Mr Milan—I think for analog transmission we are pretty much there now. Clearly, if and when the government decides to roll digital services out to rural areas, there will be additional funding required then.

Senator MACKAY—You have not disaggregated metro versus regional, have you, in terms of quantum?

Mr Milan—No. My own sense of that is that, as an organisation, before we felt we would be lobbying for it in a substantial way we would want to see the uptake of set-top boxes and other digital appliances in the metropolitan centres get to a level where it could be justified.

Senator MACKAY—See that it is in a critical mass?

Mr Milan—Yes.

Senator MACKAY—Can SBS outline television arrangements for the broadcasting of the World Cup soccer commencing soon?

Mr Milan—Sorry?

Senator MACKAY—Can you outline television arrangements for the broadcasting of the World Cup soccer commencing soon?

Mr Milan—Yes. We have secured the rights for the remaining 48 games. As you would be aware, Channel 9 had the right to choose what some would see as the eyes out of the tournament, but fortunately the tournament is so broad and so vast that, in reality, we are still left with a substantial amount of soccer. So we have secured those rights. Indeed, with the exception of where there are two matches played at once, we will be broadcasting those matches live.

Senator Kemp—Senator Mackay, it may be helpful for you to know that the government has committed to fund SBS to replicate its analog TV coverage in digital. I think that perhaps may be of assistance to you.

Senator MACKAY—Thank you.

Senator LUNDY—Just going further on the World Cup, are you in a position to say how much it cost SBS for the rights to the World Cup, other than the 16 games that Nine have got?

Mr Milan—It is commercial-in-confidence, so I can only give those figures in camera. I would be prepared to do so in camera, but for obvious reasons it is commercial-in-confidence.

Senator LUNDY—I am not of the mind to pursue that specifically.

Senator Kemp—That is very sensible.

Senator LUNDY—What is the matter—

Senator Kemp—Sorry for saying that, Senator.

Senator LUNDY—That is all right. You can just have your little editorial going on in the background, Minister. Just do not interrupt me, all right?

Senator Kemp—It is not a highly provocative comment on my part. You are sensitive tonight.

Senator MACKAY—I just looked at you both glaring at each other while I was reading this newspaper article.

Senator LUNDY—I missed your last comment, Mr Milan, about how many of the games you have got that you will be able to show live. Is it your intention to try to show all of them live?

Mr Milan—Our intention is to show all of the games live. The only time we will not show a game live is where there are two simultaneously. Obviously we will show the other game after that.

Senator LUNDY—How will you decide which one you show? Will you toss a coin? Will you look at who is playing maybe?

Mr Milan—We obviously make editorial judgments on who is playing and the size of the population from that particular ethnic group within Australia—or, indeed, how well the team is performing. Those decisions have been taken by our programmers.

Senator LUNDY—In terms of the whole issue of Nine having picked up 16 and you picking up the rest, can you comment on the position it left SBS in, in terms of both your capacity to negotiate on commercial terms and the view of SBS about the legitimacy or perhaps appropriateness of splitting up the coverage in that way and whether that causes problems in how you promote the event, given you are screening the vast majority of it and so forth?

Mr Milan—I think there are two answers. First there is the academic. The academic answer would be that of course it was messy. We actually have alerted the department to what we see as a loophole in the antisiphoning legislation, where someone is able to go and buy part of a major tournament and then argue that the rest is still available to free-to-air. It goes through a negotiation process and you are competing against pay television and all of the other things. So we think the legislation is flawed to that extent. I have to say that it still ended up, in my view, being a triumph for antisiphoning and antihoarding, because I am sure if that legislative framework was not in place we would not have the World Cup rights that we were able to secure and most Australians would be denied the opportunity to see the majority of the tournament on free-to-air television.

In terms of what it did to the economics, again academically it was a major disadvantage not having all of the rights. Because it became so delayed and it gained so much public exposure, the event itself has got much bigger and you would be aware of the very favourable press coverage SBS has secured by being seen to be the white knight to ride in—

Senator LUNDY—Doing the right thing.

Mr Milan—Doing the right thing by the community. The reality is that it has enabled us to raise more sponsorship dollars for this tournament than we did for the last tournament, when we had all the rights. So it has actually worked out very well for the organisation, but I would say in principle we would be much happier if the legislation were tightened a little to disallow this splitting of events that happened in the case of this tournament.

Senator LUNDY—In terms of what you would describe as strengthening of the antisiphoning legislation, do you think that would be an appropriate change to those laws, that in fact you could not split up major events?

Mr Milan—Absolutely.

Senator LUNDY—Given your description of how it has panned out for SBS, can I assume that you are not going to be losing financially through this deal?

Mr Milan—We aim—

Senator LUNDY—Or perhaps not quite.

Mr Milan—The terminology is wrong for us, Senator. We aim to give a social dividend rather than a financial dividend back to the community. Put it this way: anything is a cost. The total revenue will not cover the total cost of the tournament. However, the gap is well within what we would consider a reasonable cost for programming. I think that is probably the best way I can answer the question.

Senator LUNDY—That is an interesting observation. What about radio coverage of the World Cup games for which you have the rights. What happens with that?

Mr Milan—We actually have the rights for languages other than English, so we do not have the English language rights.

Senator LUNDY—Who does, just out of interest?

Mr Milan—We did not seek the English language rights. We have only one hour of English language programming a day, so we would not be able to give comprehensive coverage. It is much more important to us to have adequate in-language coverage. We did not seek the rights so I cannot answer the question.

Senator LUNDY—What about Internet streaming of the games?

Mr Milan—We have an arrangement through our site, the World Game site, which has now become, I am delighted to say, one of the most popular sports sites in Australia.

Senator LUNDY—I thought it was doing well.

Mr Milan—We have an arrangement with Sportel, which holds the head contract. It has the rights, as I understand it, to the World Cup. We rebadge it here in Australia as part of the SBS service and will be giving very comprehensive coverage on the Net, too.

Senator LUNDY—You had better give everyone who is listening to this committee hearing the benefit of knowing what that web site is. Do you know the address?

Mr Milan—It is sbs.com.

Senator LUNDY—Just sbs.com?

Mr Milan—Yes. Once you get to sbs.com.au then you can punch through to any of the other sites. For the soccer fans in the room it is www.theworldgame.com.au.

Senator LUNDY—I will have a look. Thank you. Obviously the World Cup will take your ratings through the roof, I am sure, but how are your ratings going generally?

Mr Milan—I am delighted to say that the organisation is continuing to go from strength to strength. We had our best year ever last year, where we put on a full rating point across the year. This year we are running slightly ahead of last year, which was an all-time record. So the ratings have been going quite well for us. I would add, though, that we do not judge ourselves simply on ratings. Obviously SBS by definition is a smorgasbord. We have a lot of communities to serve. So we tend to judge ourselves more by our cumulative audience. Indeed, more Australians are now watching SBS than ever before in terms of numbers. We think that by all the reasonable benchmarks the organisation is going very well at the moment.

Senator LUNDY—And what about your web site? How is that going in visitor numbers and its relationship with your broadcast shows?

Mr Milan—Bearing in mind that we had very little other than a home page three years ago, we are now in a situation that our sports site is constantly in the top three. Our world news site is gaining audience all of the time. Our *Movie Show* site is very popular. I think we are No. 6 in media organisations. I am not absolutely sure. Given the relative size of our organisation, I think it has been, again, a success story.

Senator LUNDY—I am pleased to hear it.

Senator MACKAY—I have just a couple of questions while Senator Lundy is having a look at where to go next. There was some fairly unflattering stuff in the *Sydney Morning Herald* on 27 February. If I quote from the article, it was alleged that staff were ruled by ‘a culture of fear and intimidation’ with respect to pressure on staff signing short-term contracts for ongoing jobs. Can you apprise me of what has happened since that article appeared?

Mr Milan—First of all, I totally and completely refute that there is a culture of fear and loathing at SBS.

Senator MACKAY—Intimidation, not loathing.

Mr Milan—Yes, intimidation. I think if anyone took the trouble to visit SBS and walk about the corridors, they would see a lot of happy, smiling faces. That is not to say that there are not one or two employees in any large organisation who have a grievance with the organisation. However, we actually met with the staff groups that were relevant, and, indeed, with the unions. We have worked through the direct issues that were affecting the group, I think probably reasonably successfully. We are at the moment, though, in the midst of an EBA bargaining period, and there has been a limited amount of industrial action surrounding that. Prior to coming here this morning I had a meeting at the airport with the general secretary of both the unions involved. At this stage I am still confident that we can resolve any outstanding issues.

Senator MACKAY—So you are currently in the negotiation phase of the next EBA?

Mr Milan—Yes.

Senator MACKAY—With respect to this issue which goes to the particular arrangement of short-term contracts or AWAs, is there any official policy at SBS to keep staff on short-term contracts?

Mr Milan—No. In terms of a philosophical position, firstly the normal means of employment in areas other than creative is continuous. In relation to most of our staff in finance, human resources and areas in the support services, there is very little use of contracts in those areas. The areas where we do have a high number of contract employees are obviously in the programming and creative side of the organisation. Indeed, there are some tensions around that. My view is ultimately that, if you look at the programming side of the business, the audience should be in a position to make the decision, if you like, on who is employed. Programs are either popular or they are not. Like any other creative organisation, we need a degree of flexibility in that area.

Senator MACKAY—But there is an EBA that covers this. This report, for example, says that up to half of the long-term SBS television and news staff are believed to be on contracts that run for three to six months.

Mr Milan—I am not sure if that is correct, but I would take it under notice. If you would like the exact percentages, I can give you that. Certainly, there are a number of new staff on contract but most of those people are on contract by choice because they are prepared to trade some conditions for higher levels of remuneration. You would find that most of the contract employees within our new room are very happy with the contracts they are on. In other words, it is their choice to be employed in such a manner.

Senator MACKAY—The contract staff you are referring to—are they on AWAs, Australian workplace agreements?

Mr Milan—Yes, they would be, I think.

Senator MACKAY—If they are on individual contracts, that would be it.

Mr Milan—Yes.

Senator MACKAY—What you are saying is that the individual AWAs provide for substantially higher remuneration with the trading in of conditions that are actually part of the EBA.

Mr Milan—Yes. To give you an extreme example, you would not expect Mary Kostakidis to be on the same terms of condition as a junior journalist. Then we have degrees of seniority. As we have upgraded our investment in news and current affairs over the last three or four years, we have brought in some senior people—some of them from the ABC and some of them from the commercial channels. Many of them prefer to be employed on a contract basis. That has been done, by and large, with the union's cooperation.

Senator MACKAY—You might want to take this on notice, but what proportion of SBS staff are on AWAs and what proportion are on the EBA full time? Could you break that down by division, function or whatever the appropriate nomenclature is? What is the current advertising policy adhered to by SBS?

Mr Milan—Advertising policy?

Senator MACKAY—Yes.

Mr Milan—Can you be a bit more specific, Senator?

Senator MACKAY—What is your attitude towards advertising currently? That is as specific as I can be.

Mr Milan—Okay. Parliament allows us to take five minutes of advertising per hour, but only in natural breaks in programs and not interrupting the flow of the program. We choose at the moment to interpret, that in that we only put ads between programs. That is our current interpretation. We are actually quite selective about what we will accept. For instance, we tend not to take what is known in the industry as hot retail—that is, normally the owner of a store spruiking at you. Most of our advertising is what would be described in the industry as corporate. We do research from time to time on how people view the advertising on SBS. We have just completed such a study. Generally speaking, the viewers consider the advertising to be better quality ads than they see on commercial television. In reality, they are the same ads but there are fewer of them and it is only the top end of the ads. So their perception of quality and acceptability is pretty high. Generally speaking, people are happy with the level of advertising on SBS.

Senator MACKAY—I am advised that there was an article in the *Australian* on 4 April by Errol Simper who speculated that SBS will be increasing its mix level and style of advertising to generate additional revenue. Can you comment on that?

Mr Milan—There are no plans to do that at the moment.

Senator MACKAY—Are you aware of this *Australian* article of 4 April?

Mr Milan—Yes, and I spoke to Errol about it and I think I am quoted in it.

Senator MACKAY—So it was erroneous or the contention was erroneous.

Mr Milan—No, the thrust of the article was that we were actually conducting research into advertising. Indeed, that was absolutely true. We have actually conducted research into advertising two or three times in the history of the organisation to just simply get a bellwether of how the audience perceives it.

Senator MACKAY—That was the extent of it?

Mr Milan—That was the extent of it.

Senator MACKAY—And there are no plans to change or interrupt standard SBS programming formats or anything at this point?

Mr Milan—Our view is that for any major change we would have to go back to parliament to endorse that change, and we have no plans to do that.

Senator MACKAY—Of course you would. Do you think you are receiving adequate funding to meet your charter currently?

Mr Milan—That is a kind of ‘when did you stop beating your wife’ question.

Senator MACKAY—We do not say that anymore.

Mr Milan—The honest answer to that is yes but we would always like more. The charter is actually almost limitless in its dimension. You could argue that there are never enough funds, but certainly we believe that the success of the organisation at the moment and the increasing audience share would indicate that we are certainly getting enough funding to actually please at least some of the people.

Senator MACKAY—Have you undertaken any modelling in relation to what an optimum funding situation might be?

Mr Milan—No, we have not.

Senator MACKAY—So basically you want more but you are happy with what you have got. Is that a fair summation? Presumably if you wanted more you ought to be able to substantiate it.

Mr Milan—Yes. For instance, when you talk about academic modelling, given the political realities of actually coming to government the way we have to approach funding bids, I do not think it would help us very much. We are modelling, for instance, on something specific like multichannelling. In answer to a previous question I gave some information about it and we are doing that work at the moment. So we model on a project basis rather than modelling what is an optimum for the organisation.

Senator MACKAY—All right. That is fine. Thank you, Chair.

Senator LUNDY—Just for the sake of completeness, with respect to SBS broadcasting the World Cup, what percentage of Australia's population can you currently reach with your broadcasts?

Mr Milan—For television, probably about 96 per cent or 97 per cent, or something in that order. So it would be high 90s.

Senator LUNDY—In terms of the extension program provided for in the budget of SBS television to population areas with 5,000 and 10,000 people, I note in the portfolio budget statements that money is spread across the next four years. How do you determine which centres get your attention first?

Mr Milan—It is normally practicality in terms of which ones, bearing in mind that they are quite remote communities. Some of them are simply easier to get to. There is easier site access. A means basis is the wrong term. It is really done on a practical basis rather than any other arbitrary form of selection. It is a matter of which ones can we get to first—where are there transmission facilities already established that we can hook into? Is there a master already available in the area?

Senator LUNDY—So you go for the ones that you can do most easily or most quickly first?

Mr Milan—Yes, and we take advice from our external supplier. You would be aware that SBS has a supply contract with NTL and so they make those sorts of decisions in conjunction with us. My colleague has just pointed out to me that we are still awaiting ABA assessment on those markets in terms of frequency availability and what frequency is best for us, and then the minister will have to sign those off. We are a stage behind where you are at, but that is actually the process we will go through once that is done.

Senator LUNDY—What is the timing for the minister signing off on those plans, if you like?

Mr Milan—You might put that question to the ABA, because as you go to the ABA first they allocate the frequencies and then the minister signs it off.

Senator LUNDY—\$0.3 million of \$1 million has been allocated for the next financial year. That is not very much. Can I take that as an insight into not that much happening with that program over the next 12 months or so?

Mr Milan—Actually, I can give you a fuller answer to the last question. We have been told that the ABA expects to have completed the assessment stage by the end of this month.

Senator LUNDY—Right.

Mr Milan—I think the funding is really more an indication of the fact that it is quite a limited program rather than the fact that it is actually a slow roll out of the program. I think that we are already up to fairly comprehensive coverage of the country now, with all the communities with 10,000 or more actually already receiving a signal. I do not think it is a lack of vitality on behalf of government in funding the project. Practically, we are cutting right to the end of the process and getting almost to saturation.

Senator LUNDY—That explanation does not really account for why there is 0.3 this coming financial year, then 1.4, then 2 and then 2. The way I read this, some of those remote communities will have to wait until 2005-06?

Mr Milan—I think that is actually correct, Senator, but I do not think it is a funding issue. I think it is simply practical—about trying to get an appropriate transmission facility within that community. If I am wrong, I will get back to you. The program is not anticipated to be completed by 2004, but once the frequencies are allocated we do not just give the contract to NTL. There has to be an appropriate tendering process. So it will be an external contractual basically that will win the bid. I think this is actually the company's estimation of how long it will take and when we will need the money—not the government saying to us, 'You can't have the money until then.' This is us going back to government. To be fair, recognising how popular it is to those remote communities to have services, the government has been very enthusiastic to put pressure on the company to deliver as quickly as possible. We have had to try and restrain government to say that there are practical problems in terms of getting a transmitter site in the—

Senator LUNDY—You should have ballparked how much money you needed!

Senator Kemp—Thank you for the question, Senator Lundy. This may be going over ground you have covered, but my advice is that all the SBS extensions of 5,000-plus markers will be completed by the end of March 2004.

Senator LUNDY—All I can say is that I am sure those communities are looking very much forward to receiving your service. I have a final couple of questions about the decision of the government to allow SBS to borrow funds from the private sector. I do not know how unusual that is for SBS.

Mr Milan—They did not allow. We are borrowing the money from government.

Senator LUNDY—You are borrowing money from government?

Mr Milan—About \$24 million, and it is going to be lent to us. The government will be funding the long-term—

Senator LUNDY—I see. The budget allows for that loan to be paid off and then you borrow the money from government.

Mr Milan—Yes.

Senator LUNDY—Is that because the government does not want you borrowing money from the private sector?

Mr Milan—Correct.

Senator LUNDY—And do they give you a better rate?

Mr Milan—We have had a fairly robust discussion about that.

Senator LUNDY—Really? Would you like to provide us with any insight?

Mr Milan—I think it would be fair to say that we have actually reached what we think is a reasonable rate from the government.

Senator MACKAY—What is the interest rate?

Mr Torpy—The interest rate will be the government long-term 10-year bond rate on 1 July.

Senator LUNDY—Which is what these days?

Mr Torpy—Currently about 6.3 per cent.

Senator Kemp—Of course, I would have to point out to Senator Lundy that interest rates are exceedingly low compared with earlier periods.

Senator LUNDY—They are on the way up.

Senator Kemp—I remember often responding to questions in the Senate and I mentioned the long-term housing rate was at one stage 17 per cent and going north.

Senator LUNDY—Is it a fixed interest loan?

Mr Torpy—Yes, it is.

Senator LUNDY—Good work. Timed well.

Senator Kemp—This is terrific, Senator Lundy. Thank you for these questions.

Senator MACKAY—Fixed interest is very important at the moment.

Senator Kemp—Very well briefed, Senator Lundy.

Senator LUNDY—I have two more questions but I am happy to defer to Senator Tchen. You can come back to me.

CHAIR—Senator Harradine has been waiting for a while for ABA.

Senator Kemp—You are burning at the moment, Senator Lundy, so I suggest you keep going.

Senator LUNDY—I just want to know whether Lynton Crosby is a frequent letter writer to SBS.

Mr Milan—The name does ring a bell.

Senator LUNDY—The minister knows exactly who he is, so you had better ask him.

Senator Kemp—I know who Lynton Crosby is. He is a very good friend of mine.

Senator LUNDY—You can take that one on notice and let us know.

Mr Milan—What was the question?

Senator LUNDY—Whether Lynton Crosby is a frequent letter writer to the SBS.

Senator Kemp—He said yes.

Mr Milan—I have got recognition of the name, but whether it is frequently or not we will check. We will take it on notice.

Senator LUNDY—Do you get a lot of complaints from Liberal people about bias against them?

Mr Milan—No, we do not.

CHAIR—As there are no further questions, we thank SBS for appearing today.

[8.33 p.m.]

Australian Broadcasting Authority

CHAIR—I welcome the officers from the Australian Broadcasting Authority here tonight.

Senator HARRADINE—I understand Professor Flint is not here.

CHAIR—Professor Flint left earlier because of the delay in the group appearing.

Senator HARRADINE—I simply wanted to acknowledge the work that the ABA puts into responding to questions on notice. I put a number of questions on notice at the last additional estimates committee meeting. I just would like to record my appreciation, and no doubt that of the whole of the committee, for the good work that is done in answering those questions. I would like that to be conveyed to the minister on his return.

Those additional estimates were actually on 18 February. I want to refer to that date, because the government at that time expressed concern about email messages ‘that are clearly inappropriate or unwanted, in particular those containing illegal, offensive or deceptive content, or those that incorporate personal information selected or used in breach of the recent extensions of the Privacy Act to business’ and said that ‘This material is often of a pornographic nature.’ The government in its statement said that it wished to take action to see that spamming does not get out of hand. Is the ABA concerned about the increasing volume of emails, considering that this material is often linked to sites containing inappropriate material? What action has been taken since that announcement in February to prevent spamming?

Ms Wright—We understand that principal carriage of the work that is being done in that area is by the National Office for the Information Economy. We have representation in that group, as do a number of other government and industry bodies. So we are working with them—providing information that comes to hand for us, particularly through our hotline, so that they can be coming up with a solution in that area. We have noticed an increase, as you have mentioned, in those types of emails. Complaints involving those emails are sent to our hotline. Where a specific URL is mentioned we have investigated that material and taken the appropriate action, given where it may be hosted and the level of the material involved.

We have recently reregistered the Internet Industry Association codes of practice. As you may be aware, there is an obligation that both Internet service providers and Internet content hosts deal with the issue of spam through their code of practice and it places an obligation on ISPs in particular to be providing information to their subscribers on how to deal with spam.

We also provide information to consumers on the types of ways of dealing with spam, advising them to, for example, safeguard their email addresses and not to open emails from people that they do not know—that type of information. We have that available on our web site and we are currently updating our brochures in the light of recent research projects, to provide more information to consumers.

Senator HARRADINE—You mentioned the IIA codes of practice. How many ISPs are signed up to the code of practice?

Mr Fraser—The IIA represents, we understand, somewhere in the vicinity of about 150 ISPs. However, the registered code under the act applies to all ISPs, including those who are not members of the IIA.

Senator HARRADINE—Is it internally policed? How does that—

Ms Wright—The Internet Industry Association has recently launched an initiative called ‘Look for the ladybird’. They are inviting all ISPs who are actively complying with the code to acknowledge that by adopting the ladybird symbol on their web site. They are also looking to have a click-through arrangement, if you like, from the ladybird to the IIA site and to our complaints hotline. They anticipate then monitoring those that actively say that they comply to establish that that in fact is the case. We think that it would be a matter of some moment to carry the ladybird symbol and then to be deregistered. We understand that that is the way that

they are focusing attention on code-compliant ISPs. This was launched I think a month or two ago as their latest initiative so that they can be very up front, if you like, about their members, who I think take pride in their compliance with the code. When people are looking to choose an ISP, it will probably weigh very strongly with those with families to choose a family friendly ISP—one with the ‘Look for the ladybird’ sign.

Senator HARRADINE—When families choose an ISP, and one of the reasons for their choice is just that, can they be confident though? Does, for example, the ABA do any random monitoring?

Ms Wright—The ladybird is still new. Certainly we would be interested. We investigate anything where it comes to our attention that there may be a lack of compliance. However, having said that, we are not aware of any particular emphasis among consumers to be complaining about that aspect of service that they get from ISPs to us. We are aware that, in choosing an ISP, for example, would-be consumers may often contact organisations like NetAlert to ask for their advice. Our understanding is that those with that particular interest tend to be seeking the information at the time of choosing an ISP and informing themselves in that way.

Senator HARRADINE—You mentioned NetAlert. Is it not a fact that it has been noticeable for its absence up until about six months ago? What has NetAlert been doing?

Ms Page—Under the scheme, NetAlert has got two functions: it has a statutory role as a designated body under the online content scheme where it must be consulted in relation to industry codes—and it has done that—and it also has a charter to promote safer Internet experience and research new access management technologies. In relation to that latter function, it has done a range of things. It has established a web site to provide information for Australians who wish to manage their own and their children’s Internet experience; it has established a help line to provide advisory services accessible via email and via a toll-free telephone number; it has established a community education campaign in support of the help line; it has completed an industry liaison project to inform ISPs and ICHs of their obligations under the scheme; it has engaged CSIRO jointly with the ABA to undertake research into Internet content filtering software, and a report has been produced as a result of that; and it has been consulted, as I said earlier, in relation to the development of the Internet industry codes of practice.

Senator HARRADINE—That sounds very good on paper. Just to take the last bit first, one of the objects and powers of NetAlert at page 15 of its report for the period 2000-01 is initiating research and development into filtering and adult verification technologies for ISPs, ICHs and their clients. How do you interpret those words ‘initiating research and development’? What activities actually have been undertaken by NetAlert to this end?

Ms Page—I do not believe that it means that NetAlert must necessarily undertake the research itself; I think that it has the ability to facilitate research, which it has done jointly with the ABA by commissioning work by CSIRO in relation to filter technologies.

Senator HARRADINE—But that was merely looking at the effectiveness or otherwise of current technology. Could I just interpolate here? I remember very clearly why it was proposed and I remember where the money came from.

Ms Page—I think it is fair to say that the report went further than simply an assessment of technologies. It did draw conclusions about how filtering software can be used in combination

to achieve better results. So it has provided a base level of information on filtering technologies in Australia, and one that can be reviewed and built upon.

Senator HARRADINE—But people could have been forgiven for assuming that those words meant that there would be a full-scale attempt to develop a filtering system for the purposes of empowering, if you like, parents and their families to search the net safely and so on.

Ms Page—The Netaalert board has interpreted that particular part of its objects and powers in the way that I described, which arguably is one interpretation of the requirements.

Senator HARRADINE—I am asking the ABA. Before I do, how many ISP representatives or how many ISP members are on the Netaalert board?

Ms Page—I will have to take that on notice.

Senator HARRADINE—Obviously the ABA has an interest in seeing that filters are developed, but are you saying that the ABA does not have an interest in gingering that along in some way, particularly utilising the wide expertise of the ABA itself?

Ms Page—The ABA has not identified the lack of filter technology as an obstacle in relation to the provision of filters to families and users of the Internet.

Ms Wright—It would be fair to say, however, that the ABA is very interested in this area and we are working closely with the European Commission through its Safer Internet Action Plan, which has an emphasis on filters, filter development, hotlines and community education.

Earlier this year, 17 groups that are working in that area and have funding from the European Commission, which I believe is an average of \$1.7 million Australian equivalent each, presented their findings on work they are doing in that area, doing work with consumers on what they want from filters, doing a benchmarking study so that there can be international measurement, and developing, if you like, the next generation of filters. We have been working closely with and following up with some of those companies to find out what we can about when those products will be released, what advantages they offer over current filters and how they have been trialled in relation to consumer demands. We had meetings with some of those stakeholders as recently as a fortnight ago. It is an area that we are very actively interested in keeping abreast of. We do see that the major work in this area is being done out of Europe. We would say that, probably for cultural reasons, the United States is not placing the same emphasis on that type of work as the European Union is through the European Commission.

Senator HARRADINE—What thought has been given to having filters freely available at least at minimum cost to persons, to families?

Ms Wright—It is an area again that we are actively looking at and considering in the context of the additions to the code. We are aware that some ISPs do offer filters free. We struck a balance in the re-registration of the code, if you like, by accepting changes to the code that ISPs would not do anything other than pass on the costs of providing that technology. One of the things that weighed heavily with us in striking that balance was the fact, as I said, that this coming generation of filter products has quite high development costs and our concern that filters will be available to Australians that are also the most up-to-date ones. Sometimes a cost would be incurred to have that latest technology, but we are concerned that between the major ISPs, if you like, in Australia and with the range of filters that are offered, some of which would be free but some of which may be the type of filters that will be

coming out of the work done by the European Commission, there may be costs initially until their research development costs have been considered.

Senator HARRADINE—What are the time lines? Can you anticipate when the new generation of filters will be available?

Ms Wright—In about 18 months.

Senator HARRADINE—I understand that NetAlert is about to launch a further education campaign. Is that correct?

Ms Page—We are not aware that there is a new campaign, but it is likely to be a continuation of existing activities.

Senator HARRADINE—I understand that there is going to be an upgrading in response to some questions that had been raised with them. No doubt I will have to contact NetAlert. I turn to the question of complaints and take-down notices. In response to the questions that I asked on 18 February, a response was given as to the number of complaints. There were 1,012 complaints about Internet content received by the ABA. Presumably they do not include the ones received by NetAlert?

Ms Wright—Our understanding is that the NetAlert phone line ranges more broadly than we do in giving advice to consumers. Where they are contacted by somebody who has a complaint about content, they advise them how to formally lodge a complaint with the ABA. So they would come through to us.

Senator HARRADINE—Yes, I see. Just anecdotally, when people say, ‘Why don’t you contact the ABA, why don’t you contact the toll free line?’ there seems to be a need for expanded information and education. Do you have any assessment of the effectiveness of your campaigns in that area? Are people aware?

Ms Wright—Yes. When we launched our community education initiative in December, we noticed in January a sharp increase in complaints to the hotline. It appeared that it was very much in the front of people’s minds, especially over that school holiday period, and we launched our campaign with particular emphasis on children and also through our brochures which publicised the Cybersmart children’s site. We found that, as I said, the complaints increased. We also found that, when we released in April the report on filters that we had commissioned jointly with NetAlert through CSIRO, immediately following that launch we had about 18,000 downloads of that report from our web site. We were not surprised by that. Our research had shown that I think over half of those surveyed were particularly interested in getting information about filters. So in addition to having the report on our web site and the general tips about filters, we are putting out specific brochures on choosing a filter and also brochures on helpful tips to parents as their families are about to go online. We find that whenever we launch an initiative the number of complaints or the downloads from our Internet site increase, and we monitor those.

Senator HARRADINE—You will be publishing a list of complaints after 30 June?

Ms Wright—Yes, we contribute to the six-monthly reports that are tabled in parliament.

Senator HARRADINE—They will hit the deck some time in August, no doubt?

Ms Wright—I presume so.

Senator TCHEN—I did have a question which I have asked at the last two estimates. Before that, I think Senator Newman asked this question. This is about the expansion of the

ABC News Radio service to areas outside the metropolitan area. When I asked the ABA, they told me that this is an ABC matter. The ABC says that the ABA will not give them the frequency. Can you throw some light on this?

Mr Tanner—The ABA's role in relation to planning for national services is basically that we are the spectrum planner. The government, if you like, commissions it—or the minister gives the ABA directions under section 31 of the Broadcasting Services Act about the number of services to be made available for national broadcasting. If the government and the ABC are in agreement that a particular network should be extended to a particular place, then what would occur is that the ABA would be directed under section 31 to increase the number of channels available for national services in that area.

The ABA's role is really limited to finding the spectrum, if that is possible, on request. Fred Gengaroli, our director of engineering, may have something extra to add on News Radio. But that is the general situation in terms of our role. We would expect a direction from the government, from the minister of the day, if there is a wish to increase the number of national radio services in any area. We would, of course, liaise with the minister if there were any local problem in terms of spectrum capacity.

Senator TCHEN—When the ABA allocates frequencies, is there a cost attached to that?

Mr Tanner—The ABA does not charge the government for the planning of channels for national services, although there is a transmitter licence tax levied under the Radio Communications Act for national broadcasting transmitters.

Senator TCHEN—Is the ABC liable to pay that fee?

Mr Tanner—Those are paid. I am not sure off the top of my head whether they are paid by the ABC. But they are certainly paid. Yes, they are.

Senator TCHEN—Can you tell the committee what the approximate quantum of the fee is?

Mr Tanner—I would have to take that question on notice as well as the—

Senator TCHEN—In terms of magnitude, is that a few hundred dollars, a few thousand dollars or a few million dollars?

Mr Tanner—The information that I have here is that it is \$26 a year for each transmitter. Even allowing for the several thousand transmitters that would constitute the national network, it is not a vast sum of money.

Senator TCHEN—Basically, if the ABC made application to the ABA to allocate frequency—

Mr Tanner—If the minister would direct the ABA to reserve frequencies the ABA would do that. The ABA would not respond to a request from the ABC. We would turn to the minister and look for guidance as to whether or not there was a wish to change the section 31 reservation for that area.

Senator TCHEN—I suppose the initiative would have to come from the ABC and then it would submit a case to the minister and the minister would direct the ABA to reserve the particular frequency; is that right?

Mr Tanner—I think that is a workable strategy, yes.

Senator TCHEN—I am sorry I missed the opportunity to ask the ABC these questions, but no doubt at the next estimates I will ask them that. This morning Senator Schacht gave up too early and took me by surprise.

Senator HARRADINE—Briefly, there is to be a review undertaken of the operation of schedule 5 of the act before the end of this year. Would the review cover the complaints system and an assessment of the effectiveness of the whole system, including that of NetAlert, for example?

Ms Page—The government is yet to announce the details of the review, but it is likely to be a broad-ranging review of schedule 5 and associated aspects of the scheme.

Senator HARRADINE—It is to be conducted before January 2003?

Ms Page—That is correct.

Senator HARRADINE—Does it have to be completed by then?

Ms Page—The usual phrase with these reviews is that the minister, I think, must ‘cause to be conducted’.

Mr Tanner—Yes.

Senator HARRADINE—So there has been no announcement yet?

Ms Page—I think an announcement is likely in the immediate future.

Senator HARRADINE—There is no need for an announcement; it has to happen. Therefore, it is useless my asking you who will constitute the inquiry?

Ms Page—I feel I cannot indicate in advance of any government announcement.

Senator LUNDY—The minister released a report in August last year about antisiphoning. I was wondering what the status of the report was now, given recent developments about cherry picking of soccer rights and so forth.

Mr Tanner—Are you referring to the ABA’s report to the minister?

Senator LUNDY—Yes.

Mr Tanner—I understand those are still under consideration.

Ms Page—The minister has extended the operation of the list for a further 12 months while the government considers the recommendations proposed by the ABA.

Senator LUNDY—Can you run through those recommendations?

Ms Page—They are quite extensive recommendations. I could take that on notice, if you like.

Senator LUNDY—I have a couple of specific questions as they relate to current issues. One, of course, is the issue of cherry picking the World Cup soccer games and then leaving the rest. Does the report address that issue? I guess the context is that we heard earlier from SBS that it was very strongly of the view that you should not be able to cherry pick parts of sporting events in the way that occurred with the World Cup soccer.

Ms Page—The report is on the operation of the antisiphoning regime rather than the antihoarding regime. To that extent, no, I do not believe it addresses those issues.

Mr Atkinson-MacEwen—No, Susan is correct; it does not address those issues.

Senator LUNDY—Does it look at sporting events that should in fact be added to the antisiphoning list?

Ms Page—The report made some recommendations of sports that the government may wish to consider to add to the list and it made recommendations on sports that the government may wish to delete from the list.

Senator LUNDY—Can you tell me what ones you thought should be added and what ones you thought should be deleted?

Ms Page—The ABA recommended the addition of three events—Socceroos matches against other national teams, the FINA World Swimming Championships long course and the Pan Pacific Swimming Championships. It recommended the removal from the current antisiphoning list of the following events—AFL State of Origin matches, international Rugby League matches involving the senior Australian representative team and a non-representative team, the Hong Kong rugby tournament, test cricket matches involving the senior Australian representative team played outside Australia and the UK, one-day cricket matches involving the senior Australian representative team played outside Australia and the UK, doubles matches and single preliminary rounds and quarter finals of the French Open tennis tournament, the Australian men's hard court tennis championship, the Australian women's hard court tennis championship and semifinals of the Australian National Basketball League play-offs.

Senator LUNDY—Without wanting you to read the report into *Hansard*, can you outline generally the criteria that you used to justify your recommendation to remove those sports from the antisiphoning list?

Ms Page—The ABA may be better placed to answer that, I think.

Mr Atkinson-MacEwen—We will take that one on notice.

Ms Page—My understanding is that it related to sports that had been shown regularly by free-to-air broadcasters over recent times.

Senator LUNDY—Could I ask the ABA?

Mr Tanner—I am afraid we would have to take that on notice, as I have not got the report here.

Senator LUNDY—I am sorry?

Mr Tanner—I do not have the report. I will have to take that question on notice. I do not recall the particular reasons.

Senator LUNDY—I am sorry, I cannot hear you.

Mr Tanner—I will have to take the question on notice. I do not recall the particular reasons of the ABA in that report.

Senator Kemp—I think it would be easier if you just read the report. The report has been made and the report states the reason. I do not think we need to take it on notice. We could provide a copy of the report for Senator Lundy so Senator Lundy can read it. It seems to me a sensible way.

CHAIR—A very sensible suggestion, Senator.

Senator Kemp—I always seek to be helpful—it is my second name.

Senator LUNDY—What would we do without you, Senator Kemp?

Senator Kemp—I do not know.

Senator LUNDY—We would be at a complete loss. Can you tell me if there has been any consideration by the ABA of including the Super 12 Rugby in the antisiphoning list?

Ms Page—My understanding is that the ABA did not recommend that the Super 12 Rugby competition be added to the list.

Senator LUNDY—Can the ABA remember why?

Senator Kemp—I think I can assist you here, Senator. Following an extensive investigation into events on the antisiphoning list last year, the Australian Broadcasting Authority declined to recommend the listing of the Rugby Super 12, citing two main reasons.

Senator LUNDY—Can you speak slowly and clearly, please.

Senator Kemp—I thought I was speaking slowly and clearly, Senator. There are two main reasons.

CHAIR—Pretend you are a Queenslander.

Senator LUNDY—There are a lot of people who want to know this.

Senator Kemp—The first point is that the competition was specifically developed for pay TV in 1995 and the second point is that there has been no consistent free-to-air coverage of the event over the past five years—a key criterion for inclusion on the list. Is that slow enough?

Senator LUNDY—I think so.

Senator Kemp—Thank you.

Senator LUNDY—Thank you, Minister. Given that consideration of the recommendations of this report have been deferred for 12 months—

Ms Page—No, the government has extended the operation of the list which was due to expire in December 2004 for a further 12 months until it considers the recommendations of the review.

Senator LUNDY—What opportunity is there if it has been extended to December 2005?

Ms Page—Yes, the rights on the list at the moment expire. The prohibitions on the acquisition of rights expires in December 2004. That prohibition has been extended for a further 12 months.

Senator LUNDY—So the only hope for the Super 12 Rugby to get on would be if those two criteria were met. First, it would have to get on free-to-air TV a lot—correct me if I am wrong, Minister—and then it probably still would not satisfy the first criterion anyway, would it?

Senator Kemp—The first criterion was simply that it was developed specifically for pay TV, which apparently was the reason it was developed. There was no consistent free-to-air coverage of the event over the last five years.

Ms Page—And the rights are held—

Senator LUNDY—But isn't that because the free-to-air cannot get access to it? It is not because it just kind of did not happen because it was not popular enough, was it?

Mr Tanner—These things are not written in stone. I think the point is that the antisiphoning list was originally conceived to prevent the progressive migration of popular

sports from free-to-air to pay TV. We are dealing here with a situation where a sport has been developed for and by pay TV. So, yes, it is a new situation. The ABA in its report has simply applied the old criteria. One is not bound by them, but it does seem to be moving antisiphoning into a new area which is sort of getting away from the rationale of antisiphoning in a sense.

Senator LUNDY—The public policy issue here that has been represented by the antisiphoning list is that quality sports content in demand has the opportunity to be shown on free-to-air first. I agree. I think this is quite a new and unique circumstance but one in which no doubt at some point the ABA will be forced to ask the question: is there scope to revisit the antisiphoning list with a view to looking at content that is incredibly popular on pay TV and looking at provisions by which it is made available on free-to-air because it is so compelling in its cultural importance?

Mr Tanner—I think the short answer is that there is a ministerial power under the antisiphoning regime which can be exercised in whatever direction we think fit. The ABA's recommendation, I think, comes from a recollection of the original purpose of the scheme, which was to facilitate free-to-air access to sports that have traditionally been televised on free-to-air television.

Ms Page—I think the other issue is that the list cannot exist retrospectively. The only way in which the list can apply is really after the current rights have been relinquished. The rights are currently owned by pay TV interests. While ever they are, listing on the antisiphoning list would have no effect.

Senator LUNDY—But isn't this the point that this report is out of date and there actually needs to be a new way of thinking about content and recollection of what the public policy goal was?

Ms Page—The public policy goal, as Mr Tanner has said, was to stop programming on free-to-air television migrating to pay TV. It was not to create disincentives for pay television operators to create their own content.

Senator LUNDY—But the reason it was designed to prevent that migration was to preserve the accessibility to that important cultural content or whatever you want to call it. That was the motivation for it, so I guess I am going a step further back.

Ms Page—I think the explanatory memorandum of the relevant amendment at the time spoke about sport which had been traditionally available on free-to-air television. To that extent, this is a sport which was not envisaged by the legislation or the provisions of the legislation.

Senator LUNDY—Because of the state of funding of the various public broadcasters and the financial pressures that we hear about all the time from free-to-air commercial stations, what if the only producers of compelling news content end up being pay TV and none of that ever sees the light of day in a free-to-air capacity? What are you going to do about that?

Senator Kemp—I think that is a very substantial extension. We mentioned the Super 12 competition. I do not think it follows—because the Super 12 competition was, as I understand, created, funded and developed by pay TV—that this means that all the sports which you and I traditionally enjoy on free-to-air become less relevant. To me it shows—and I claim no great expertise—that the pay TV people have been rather creative. As was mentioned, they now own the rights. The rights are still held by pay TV. The purpose of antisiphoning, as pointed out by Mr Tanner, was to stop migration of these sports from free-

to-air to pay TV. You are now bringing in a new concept. You want to migrate sports from pay TV to free-to-air.

Senator LUNDY—I am just wondering if you are thinking about it. I want to know if the government is thinking about it. I want to know if the ABA is doing any work on it.

Senator Kemp—We are happy to discuss what we are doing. Has the Labor Party got a view on it? What is your view?

Senator LUNDY—You are here to answer questions.

Senator Kemp—You want to have a discussion. You are grappling with the public policy issues. I am saying that we are grappling with them. I just wondered whether you had a view. Sorry for being impertinent and asking you whether you had a view on an issue that you are showing great interest in.

Senator LUNDY—Is this issue something that the government is considering?

Senator Kemp—Senator, I think we have been through this at some length. If there are any other points you would like to make, we would welcome them. If you want to share the Labor Party position on this, I think that would be interesting.

Senator LUNDY—Do you have Foxtel?

Senator Kemp—Do I have Foxtel?

Senator LUNDY—Yes.

Senator Kemp—I am not sure whether it is any of your business, Senator.

Senator LUNDY—I just wanted to know if you watched the game on Saturday.

Senator Kemp—I do not think it is any of your business what I have.

Senator LUNDY—Because lots of people did not.

Senator Kemp—When I feel I want to share with you what my TV viewing habits are, I will.

Senator LUNDY—I think it just shows how out of date this whole report is and the fact that it is now not going to change until 2005.

Senator Kemp—Okay. You have told us that as far as the Labor Party is concerned the report is out of date. What is your view? What do you think should happen?

Senator LUNDY—We will just have to see if the Brumbies do as well next year, won't we?

Senator Kemp—I am more worried about Carlton at the moment.

Senator LUNDY—I thought that you did not want anyone to mention that.

Senator Kemp—That is turning my mind to the sports front. That is what I regard as the number one issue in sport—Aussie Rules at the moment; the performance of Carlton.

Senator LUNDY—Just on that, what role does the ABA have in the issue of the application of the antisiphoning list to the screening of AFL matches and this whole furor about them not being screened in certain areas on certain nights, like in the ACT on Friday nights? Do you have any involvement in any of that stuff?

Mr Tanner—The antisiphoning rules are relatively simple law compared to the complexity of what is on in which state and in which territory. The effect of putting something on the

antisiphoning list is merely to give free-to-air television the opportunity to bid for it. It does not compel them to bid for it; and if they do bid for it, it does not compel them to show it at a particular time. But the antisiphoning list is backed up by conditions on licences, and that is where the ABA comes in. If the ABA becomes aware of a breach of a condition, then it has a range of investigatory powers and enforcement sanctions. The ABA does not, to my knowledge, become extensively involved in breaches of the antisiphoning condition. I think that its major role to date has actually been as a fact-gathering agency on behalf of the government—that is, it makes inquiries into the state of affairs with the rights for various sports and with the pros and cons of listing or delisting various sports, which the ABA attempts to do in a fairly disinterested way so that the government has a source of disinterested expert advice rather than the advice that I am sure it gets in spades from pay and from free-to-air.

Senator LUNDY—Just on that point of compulsion, if those rights are purchased by a free-to-air to a sport or sporting event that is on the antisiphoning list, does the ABA have a view about the need for compulsion to show that at a nominated time, or indeed to show all of the content that is, in fact, purchased?

Mr Tanner—To my knowledge, the only views on the subject expressed by the ABA in recent times are those in the report that we have been discussing. In general, the ABA only forms a view on issues of policy when it is asked.

Senator LUNDY—I know that I have some homework to do in reading that report, Mr Tanner, but can you recall what that report suggested, advised or recommended as far as compelling free-to-air to actually broadcast all of the event that they purchase?

Mr Tanner—I do not recall. I would have to take that on notice. But if you are looking at the report, I think that is where the answers are.

Senator LUNDY—Is that an issue that the government considers important, Senator Kemp?

CHAIR—The minister is not at the table.

Senator LUNDY—If you do not mind joining us?

Senator Kemp—I was somewhat otherwise engaged. Perhaps you might like to repeat the question for me.

Senator LUNDY—What is the government's view on the issue of compelling free-to-air who do purchase the rights to a given event to actually show it? I guess the secondary part of that question is the issue of whether they should actually show it live or at a time that was really part of the conditions of the acquiring of those rights.

Senator Kemp—My first thought is that to force someone to show an event which they may well make a loss on would be an interesting issue. Perhaps I might seek even more professional advice.

Ms Page—There is nothing in the regulatory framework which forces people or licensees to acquire sports and then to show them. That must be a commercial judgment. To the extent to which licensees do acquire sports, there are some provisions in relation to the antihoarding part of the regulatory framework which require that they must either show what they have acquired live or pass it on to the national broadcasters at a nominal cost. The issue with that regime has always been that the national broadcasters have been reluctant to interrupt their

own programming schedule, because they have their own programming priorities. So it has limited practical effect in the instances where it has been tested to date.

Senator LUNDY—So, for example, where Nine is showing the AFL matches at 11.30, there is nothing in those provisions that do anything about that? They have acquired the rights; they do not want to interrupt their broadcasting; there is nothing compelling them within the regulations to show it live?

Ms Page—No, there is nothing to compel them to show the AFL live, no.

Senator LUNDY—When do the antihoarding requirements come into play?

Ms Page—The antihoarding requirements only apply, I think, to one sport at present, which is World Cup Soccer 2002 and 2006.

Senator LUNDY—Right. So even if Channel 9 were to show all the AFL matches at absurd hours like 1 a.m. or 3 a.m. or something like that, there is nothing in any of the rules, antihoarding or antisiphoning, or whatever, that could make them show it at a more reasonable time?

Ms Page—No.

Senator LUNDY—Given that there is nothing to compel national broadcasters to show—Minister, sorry, I am talking to you—

Senator Kemp—It is all right. I can do 101 things at once.

Senator LUNDY—You can do two things at once: you can listen to me and talk.

Senator Kemp—I know it is going to be such a probing question, too.

Senator LUNDY—I know. I know they keep you stumped for hours. I am trying to get an idea from the government. This issue about the free-to-air acquiring rights and then showing those matches—in this case AFL—if Carlton was playing and the only time Channel 9 were willing to show it was at 2 a.m., do you think that is reasonable or do you think that the government should actually do something about changing those rules?

Senator Kemp—I am not sure that I think it is appropriate to show Carlton at all these days, actually.

Senator LUNDY—Perhaps I used a bad example. I was trying to—

Senator Kemp—I get pleasure out of watching my team win, not watching my team lose. I think that would be a good time to show Carlton at the moment, actually—at 2 a.m.—because I would be asleep in bed.

Senator LUNDY—It will not protect you from the pain.

Senator Kemp—That is right.

Ms Page—At the time that the ABA reported on how an antihoarding regime worked, my recollection was that there were, in fact, a limited number of sports that they recommended could be listed for consideration in that regime, and that was because in relation to national sports such as AFL there are a range of scheduling considerations across the country which at times make it quite difficult to have a blanket rule on live coverage. They include things like zonal interest, or interest in regions, in particular sports. That is the case with AFL. It is also the case with NRL. Then there are blackouts where games are generally not shown against the gate. Then there are time delay issues with some of the other states. So having a consistent regime that obligates people to show sports at particular times, particularly in multiround

competitions where it is not clear to broadcasters what the forthcoming matches may involve, is particularly difficult.

Senator LUNDY—So it is in the too-hard basket for now.

Ms Page—There is always a balance in the regulation of sporting rights between placing obligations on broadcasters and creating disincentives which are so significant that the rights might not be acquired in the first place.

Senator LUNDY—I shall continue to watch with interest and I have a report to read. I look forward to receiving a copy of that.

Senator Kemp—You have a report to read. If you want to share with us any of your views on the antisiphoning rules, we will look forward to that.

Senator LUNDY—Excellent.

Senator Kemp—That policy area would be under your portfolio at the moment. So we look forward to it.

Senator LUNDY—I would now like to turn to the issue of the adequacy of regional TV news and the inquiry. When do you expect to release the report?

Mr Tanner—The current indicative date would be for a release some time in the course of June, but I cannot be more specific than that.

Senator LUNDY—In February you did indicate that you expected it to be released in May.

Ms Wright—Yes. I think we could comment that, while we had a call for submissions and a closing date, we have received submissions from industry players as recently as two weeks ago. In order to take that information into consideration, there has been a need for delay.

Senator LUNDY—Are you in a position to advise the committee what recommendations the ABA will be making in the report?

Mr Tanner—No.

Senator LUNDY—I thought I might slip that one through. Never mind. We will wait for that one as well. Has the ABA yet formed a view as to whether the current regulatory arrangements require regional television broadcasters to provide adequate television news coverage, or is this something that is subject to a recommendation in the report?

Mr Tanner—I am not in a position to comment on anything going to the terms of reference of the report.

Senator LUNDY—And you consider that obviously to be a part of it?

Mr Tanner—I guess just a general remark about the issue of May grading into June is that an absolutely key thing the ABA is doing here is endeavouring to find out what is actually occurring and do some benchmarking, to gather a lot of information. It has only had that information as a result of the public and the general investigations and surveying it has done. I guess how it addresses the terms of reference and what, if any, action it believes is appropriate can only really follow the analysis of that action. I think it is that process of consideration and analysis which is causing the slipperiness in the final reporting date.

Senator CALVERT—My question relates to a very popular station in Tasmania in Radio National. If I did not ask the question tonight, my colleague former Senator Newman would be very upset. If and when is Radio National going to become state-wide in Tasmania?

Mr Tanner—I think I have to refer you to an answer I have already given. The ABA's role in planning the extension of national services is restricted to finding the number of channels that it is directed by the minister to find in areas under the legislation. I am not privy to any particular information, unless Mr Gengaroli is, about extensions of Radio National in Tasmania at this stage. As I say, our role would be restricted to responding to a ministerial notification to increase the number of radio frequencies available in particular areas for national radio.

Senator CALVERT—We are certainly not overburdened with radio stations in Tasmania. It is such a tremendously well accepted program within the metropolitan area of Hobart and surrounds. I think those Tasmanians who have not had the opportunity to listen to it would appreciate it. I had better take the matter up with the minister, I presume.

Mr Gengaroli—As Mr Tanner said, we would respond to a requirement from the minister. If you like, we will take that on notice and see if there is such a request from the minister.

Senator CALVERT—I do not think it is the parliamentary network part they are interested in. It is the other part.

Mr Tanner—Is that News Radio or Radio National?

CHAIR—Radio National. They do have a progressive roll out that seems to cover more and more of Australia. I am surprised they are not covering more of Tasmania.

Senator LUNDY—When does the ABA plan to release its new standard for Australian content on television?

Ms Wright—Progress on that to date is midyear. We are looking to release options for the new standard to receive feedback on those with a view to formulating the standard later this year.

Senator LUNDY—When you say 'midyear', do you mean by the end of June or the end of July?

Ms Wright—I think you would set your goalposts there and we would be anticipating between them.

Senator LUNDY—I want you to tell me.

Senator Kemp—Midyearish. I do not think we need to get pinned down on that.

Senator LUNDY—You were saying that the government will respond to it later in the year?

Ms Wright—No. I am saying that, given the information process we have followed—the call for submissions and the work we have done—we are drafting options for change. We will then be seeking feedback through the public process—from industry, from viewers, et cetera—on those options before we move to draft the standard.

Senator LUNDY—How will that process be facilitated? Will you do it through public hearings, in a similar way to the regional TV news inquiry?

Ms Wright—No. We would anticipate it will be in the form of meetings and written submissions to us. The ABA is always happy to meet with its stakeholders to receive feedback on the options, but also we would be asking for submissions in writing responding to that so we can analyse those and weigh the various options.

Senator LUNDY—Would those submissions be made public? I am sorry, I am not so familiar with your process.

Ms Wright—Yes. We place our submissions on our web site.

Senator LUNDY—Are you able to give me a fairly broad outline of the types of issues that are going to be covered in that report?

Ms Wright—Yes. The types of issues we anticipate would be covered would be the points requirement for adult drama, the provision of quality Australian C drama programs for child audience, the impact and level of the documentary quota, the increased flexibility in the application of quotas, and the treatment of Australian official coproductions.

Senator LUNDY—And once you have your consultation process, what is the time frame then for the drafting of the code?

Ms Wright—It is a little hard to comment at this stage as we are not completely sure of the volume of submissions or how much agreement there might be in the options we put forward. We would be in a better place to ascertain that when we have published our options paper.

Senator LUNDY—So it could be mid next year? It could be later than that?

Ms Wright—Our understanding at the moment is that we are looking to draft that standard this year.

Senator LUNDY—If the broadcasting services amendment bill passes, does that increase the ABA's responsibilities as far as policing the provisions of that bill?

Mr Tanner—You are referring to the media ownership bill?

Senator LUNDY—Yes.

Mr Tanner—There are broadly three areas of responsibility. There is the consideration of undertakings; there is the enforcement of the conditions on licences and the control where an exemption is lost. There is the family of conditions and supporting regulation around the regional local news quota. That is my recollection of the major areas countenanced in the bill. You are inviting me to speculate on whether there might be an increased role for the ABA if that goes into law?

Senator LUNDY—I guess I am asking the question in the context of the decline in your agency funding and whether or not the prospect of that bill passing places you under even greater financial pressure than the agency funding part.

Mr Tanner—We may have touched on this in discussion last week as well. I guess my comments on the bill would be that the consideration of undertakings role comes with an ABA power to recoup costs. It is hard to see that that is going to impact too adversely on our effectiveness even if we were rushed off our feet by an unexpectedly large number of requests for exemptions.

The ABA could at any stage be required under this proposed scheme to conduct significant or even major inquiries into whether or not people were in breach of the undertakings that they have given. I think I suggested last week that that could be fairly resource intensive. However, it was hard to see how it was so very different from the current situation where the ABA may at short notice be required to look at whether or not there is a breach of the cross-media rules, which raises quite similar issues about fact of law. There are some potential extra tasks for the ABA in administering the local conditions side. I do not see that as an enormous impost on the agency, from what I have seen of the bill. Those would be my spontaneous comments on that.

Senator LUNDY—Thank you. I think you are right. I know we certainly traversed that in some depth last week so I will not pursue it again. I just want to go to the issue that was raised earlier by Senator Harradine about the implementation of the new code for Internet web sites. You will have to excuse me if I double up on some areas raised by Senator Harradine.

CHAIR—We only have an hour left and we still have the ACA to do.

Senator Kemp—I think it would be a pity to traverse the same areas.

Senator LUNDY—I will leave it up to you to point that out and then I can check the *Hansard* later, because I would not trust you, anyway. In terms of the implementation of that new code of practice, is that currently in force? Is that already in operation?

Ms Wright—I am not sure if I understand. You are asking what action the ABA is taking in relation to the new code?

Senator LUNDY—Yes. What is the status of the new code and what is your formal relationship with it?

Ms Wright—Two of the codes were re-registered, and a modified code, a second code for ISPs, was registered recently. In the area of change which relates to the filters and addition or deletion of filters on the list, we have already followed up with the filter supplier that has been added to the list. We are aware of how they are intending to comply with requirements and we will then subsequently be following up with those already on the list and reminding them, since the code has been re-registered, of their obligations and inviting them to speak with us should they have any problems.

Senator LUNDY—What is the feedback you are getting from the industry about the effectiveness of the previous code that has led to this latest code?

Ms Wright—Certainly, where the code has impacted on our complaints hotline, we have had 100 per cent cooperation from ISPs and from industry in that area. It is fair to say that with a number of ISPs in this country some of them are more aware of their obligations than others. Certainly those with the biggest number of subscribers are the most aware; while we have regular dealings and discussion with them, we have also met over the past several months with several smaller ISPs and non-IIA members to ensure that they are code compliant and talk through issues where we might have concerns. Then they have come back to us with a list of undertakings to ensure that they are code compliant.

Senator LUNDY—Have you set any benchmarks with regard to the ladybird code—the ratings system?

Ms Wright—No, that is something that is in the hands of IIA. They have set particular standards, but we are pleased to note that where anybody displaying the ladybird imprimatur is not complying with any aspect of the registered codes they would either immediately move to do so or risk losing that imprimatur.

Senator LUNDY—So you do not have a role in implementing that system?

Ms Wright—Not in implementing it in that way. But IIA is aware that complaints about code compliance could well come to us, and we meet regularly with them and talk through these issues. We are aware that a complaint in relation to compliance could come directly to IIA, the ISP or ourselves, so we ensure that we keep talking so that we are all fully informed.

Senator LUNDY—To whom do I direct questions about NetAlert? I think it is under the department, is it not?

Ms Page—Yes.

Senator LUNDY—That is all I have for the ABA.

CHAIR—I thank the ABA for appearing and call the ACA.

[9.49 p.m.]

Australian Communications Authority

CHAIR—I welcome the officers from the ACA. Senator Lundy?

Senator LUNDY—What is the ACA's position in regard to the new ARPANSA electromagnetic radiation standard?

Mr Shaw—You would be aware that ARPANSA agreed to the recent EMR standard in early May, and I formally got a letter from the CEO around the end of the first week of May recommending that standard to the ACA. You would be aware that under the acts that we administer it is a matter for the ACA to separately decide what particular EMR standard we pick up as part of our standards-making powers, and very shortly we will be undertaking public consultation on whether we should replace the standard that we already have, which is the interim standard made some 18 months ago by Standards Australia, with the ARPANSA standard.

Senator LUNDY—Does the ACA concede that the new standard represents a relaxation of permitted EMR levels under the existing standard?

Mr Shaw—There are some changes. I will just ask Mr Grant Symons to come to the table, if I may, and he can answer that question for you in detail.

Mr Symons—The standard covers a wide section of the spectrum. It does not exactly parallel the previous standard. In some places it does represent a relaxation relative to the previous standard. In other areas it represents a tightening or it covers some aspects of the emissions that were not fully covered under the previous standard.

Senator LUNDY—Is it true that most telecommunications EMR equipment falls well under the existing standard? If this is true, why is there a need for a reduction in this standard? Wouldn't it be better to play it safe and maintain the highest standards?

Mr Symons—If you are referring to mobile base stations, Senator, it is true that a wide selection of measurements that have been conducted by ARPANSA indicate that the levels of emissions are very far below the limits of either standard. When it comes to talking about reductions, the fundamental limit in the two standards in terms of the exposure is identical. What has changed is the derivation of the parameters that is actually measured.

Senator LUNDY—Straight over my head. You had better explain to me what 'derivation of parameters' means?

Mr Symons—The fundamental exposure unit in terms of the amount of radiation that enters your body, if you will, is not something that is easily measured directly, so there is another physical quantity, which is a derived quantity, and that is the one that is measured. Between the advent of the old Australian standard—the interim Australian standard—and the new ARPANSA standard, the science that relates the fundamental parameter to the derived parameter has been refined, and that refinement has shown that the original derivation was overly conservative. It was inaccurate.

Senator LUNDY—It was inaccurate or overly conservative?

Mr Symons—Both.

Senator LUNDY—Inaccurate because it was overly conservative.

Mr Symons—Yes.

Senator LUNDY—Isn't it a fair comment to say—and I can only say and suggest this in general terms—that what is considered a conservative or otherwise measurement is subject to a wide range of views within that respected scientific community assessing those standards, and the point at which something becomes dangerous is always subject to debate—morbidity indexes and indices and all sorts of measures?

Mr Symons—It is true, Senator, that there is a range of views on these matters. I might suggest that these sorts of questions are probably more properly the domain of ARPANSA, since it has developed the standard. I would observe that the new standard has been based on material derived from the World Health Organization and considered to be best international practice.

Senator LUNDY—When does the ACA or the government intend to gazette the standard?

Mr Shaw—The ARPANSA standard?

Senator LUNDY—Yes.

Mr Shaw—That would be a matter for the minister who looks after that nuclear energy organisation.

Senator Kemp—Minister McGauran.

Senator LUNDY—It is not Minister McGauran any more, is it?

Senator Kemp—I think you will find that Minister McGauran is the Minister for Science.

Senator LUNDY—Excuse me. I have not been paying attention.

Senator Kemp—I am reporting you to Minister McGauran!

Senator LUNDY—I should be paying far more attention. Can you take it on notice? Can you give me an idea about whether we expect this to be presented sooner or later?

Mr Shaw—It has nothing to do with our organisation or our portfolios.

Senator LUNDY—Do you know whether it will be a disallowable instrument?

Mr Shaw—I do not know the answer to that. It has nothing to do with our portfolio.

Senator LUNDY—Minister, can you take both of those questions on notice, please?

Senator Kemp—It is the wrong portfolio.

Senator LUNDY—It makes my job so much easier if you could just refer it to the minister responsible.

Senator Kemp—You know that I work hard to assist you in any way I can.

Senator LUNDY—I know you do. That is why I know you will not mind doing this.

Senator Kemp—I will not formally take it on notice, but I will make inquiries about whether we can assist you.

Senator LUNDY—That would be most helpful.

Senator Kemp—I do not want you coming back saying—

Senator LUNDY—That ‘you did not answer the question’? I go through them in detail and I take notes of everything that you said you would answer and then you do not.

Senator Kemp—I am always helpful, Senator; you know that.

Senator LUNDY—I look forward to hearing from you in that regard. That would be very helpful. In the 2000-01 telecommunications service report there were no data which provided a breakdown of Telstra’s 13.2 per cent increase in its number of customer service guarantee related faults in metropolitan, regional and rural areas. Whilst the fault rectification standard was provided on that basis, the actual number of faults was not. In future reports, will it be possible to get the number of consumer service guarantee faults data broken down into the metropolitan, regional and remote areas so we can actually compare the service standards between metropolitan and rural and regional areas?

Mr Shaw—I am not sure that we collect that information, but Dr Kelleher might know the answer to that question.

Dr Kelleher—I am just trying to recall the actual terms of the data request, which I think went to Telstra today. I cannot actually remember whether or not we have requested that particular breakdown, although it is a breakdown that we have requested in a lot of data categories. So it may well be there, but I will have to check that.

Mr Shaw—Certainly we can follow it up and see if we can get it reported in our next report, as you have suggested.

Senator LUNDY—Thank you. In terms of that increase, do you keep a trend chart on the consumer service guarantee faults over the years?

Mr Shaw—Yes. In our quarterly reports on performance we effectively provide some information on faults and connections over time and how the percentages have changed nationally as opposed to the categories you mentioned before—remote and urban.

Senator LUNDY—How do you go about collecting that data in terms of the universal service obligation where I guess the role to do that is contested as in the extended service signs? Does that change in any way how you collect that information, or do the laws require a different arrangement for you to get that information from the contracted service providers? In that case it is Telstra anyway, but what about the change of circumstance?

Mr Shaw—The two regimes are effectively independent. We have a performance monitoring regime, which is based on customer service guarantee standards. We expect the major suppliers of standard services relating to the customer service guarantee to report to us. That stands by itself, if you like. The fact that there might be other obligations such as through the universal service arrangement is logical.

Senator LUNDY—I do not know if you were listening earlier when we were questioning Telstra about its use of pair gain technology?

Mr Shaw—I did hear some of it via that wonderful medium of broadcasting services.

Senator LUNDY—Excellent. The question I have relates to the issue that Senator Mackay raised in that in some circumstances on the 6/16 network configuration—that is the type of pair gain—there are times when Telstra customers would be prevented from accessing their legislated universal service. It raises the question that not only would the customer service guarantee not apply but that in fact those people, by virtue of Telstra’s technology choices, are not even getting what is legislated as far as service provision goes. Is the ACA familiar with that part of the evidence?

Mr Shaw—We did hear some of those comments. I was not able to listen to all of it. Perhaps I could provide some information and then turn to Mr Horsley, who might like to make some comments too. As we understand the way networks are constructed, they are all based on probability, so you never get a single line dedicated to any person. There are always a number of lines that service a group of people. It is a statistical probability as to how many people will make calls at any one time which dimensions the network. In fact, I cannot see that the use of pair gain systems in any way takes away from or means that Telstra would not be meeting its universal service obligation relating to service. It is providing a connection. It is providing a service. Just like every network, there is a statistical probability that sometimes when you lift the phone you might not be able to get dial tone.

Senator LUNDY—I think that is probably a fair assessment when the network is used primarily for voice. It probably is still used primarily for voice, but even Telstra will tell you that the proportion of customers who use the network for data services is increasing at quite a frightening rate. That of course changes the usage patterns on the network. To what degree do you as the enforcer of those laws take into account changing usage patterns, particularly when considering the relevance of a statistical probability based network? This is a really serious question, because those usage patterns have changed to the extent that many of the services provided, like ADSL, ISDN and others across those networks, are actually always the type of services that would absolutely mess up any statistical probability system on the original network. To what degree are you taking into account those changing usage patterns in your determination of the validity or otherwise of a statistical probability method of calculating the worthiness of a given network?

Mr Shaw—I will ask my colleagues to comment here in a moment as well, but I guess the legal basis on which the universal service obligation is based is a service for voice.

Senator LUNDY—That is right.

Mr Shaw—There is only one legal standard that relates to that, which is the absolute minimum rate that would support a voice service.

Senator LUNDY—Which is what? I think it is 2.4 kilobits under the legislation.

Mr Shaw—In a legal sense, that is all that Telstra is required to provide. I have not heard anyone raise with me a concern about the lack of dial tone, for example.

Senator MACKAY—You were not listening to the estimates then, were you?

Mr Shaw—It has not been raised with me, I am saying.

Senator MACKAY—We can go through it again, but it is a bit tedious.

Senator Kemp—I do not think that is necessary, Senator. He can read the *Hansard*.

Senator LUNDY—This is a really serious issue.

Senator MACKAY—Yes, I suggest you read the *Hansard*.

Mr Shaw—My statement is true. It has not been raised with me. I might have heard—

Senator LUNDY—Let us put to you the hypothetical.

Mr Shaw—One of my colleagues, Mr Symons, might be able to comment on the extent to which, through his technical discussions with the carriers, this particular issue has arisen.

Mr Symons—It has not been raised with me either, I have to say. I was not aware that this was an issue.

Senator LUNDY—Okay. I will put to you the hypothetical scenario that obviously can occur and may well have occurred. Because of the changed usage patterns on, say, a 6/16 pair gain network configuration, a proportion of those customers could in fact pick up their phone and get no dial tone for extensive periods of time through no fault of their own and with no knowledge of why that was occurring. If you did receive a complaint of that nature and investigated and found that to be the case—found that it was because six people on that particular pair gain happened to be complete Net heads and wanted to surf the whole time, tying up those lines—what could you or would you do about it?

Mr Shaw—There are in fact probably very few things that we could actually do in a legal sense, but there are plenty of things we can do in a persuasion sense. The legal question comes down to when is a service being provided and what percentage of availability is absolutely necessary before you can call it a service that meets, for example, the universal service obligation. There would be a legal issue that we would have to deal with there. Arguably, a service where you did not get dial tone on a fairly significant number of times when you have picked it up would not be deemed a service fit for purpose and therefore there would be a legal avenue that we could follow. Precisely what that would be would be something that we would need to consider. But, as Mr Symons and I have indicated before, this issue has not been raised with us by anyone—certainly not with me directly, and not to Mr Symons. Dr Kelleher has informed me that it has not been raised with her either. So if there are people out there who genuinely have a concern and are not getting dial tone, they are not putting their hand up very often.

Senator MACKAY—They do not know that they are on a pair gain system.

Senator LUNDY—They do not know what the explanation is for the problem, for a start. I have heard from people who have contacted me that they are usually told that it is because of every reason other than because there is the pair gain if there is a fault with the line. Either way, who is the contact person within the ACA for people with complaints about the use of pair gains and unavailability of what is their universal service right?

Mr Shaw—Mr John Haydon would be the person to contact.

Senator LUNDY—What is his contact number?

Dr Kelleher—It is (03) 9963 6920.

Senator LUNDY—Excellent. Thank you. Just going back to the issue of CSG faults data, Telstra did not provide adequate data for its CSG appointment keeping record and there was no regional breakdown of Telstra's appointment keeping record. Will that data be provided in future reports?

Mr Shaw—That is the section 105 report on annual performance monitoring. Is that where that comes from?

Senator LUNDY—I think so.

Dr Kelleher—That information has been requested of Telstra this time round.

Senator LUNDY—Right. So it will be provided?

Dr Kelleher—We expect we will get it, yes.

Senator LUNDY—So the answer to that is yes. Thank you. Is the ACA developing standards for text messaging?

Mr Shaw—Not that I am aware of. Mr Symons is shaking his head, too.

Senator LUNDY—Despite the ACA's media release advising consumers not to use SMS for emergencies, does the ACA concede that there may be no alternative for some people with disabilities and that therefore developing some SMS standards may not be such a bad idea?

Mr Shaw—I understand that the way SMS works on at least the current networks is a store and forward basis, so there is no guarantee of delivery. Just because of the inherent nature of the technology, it might not be sensible to have a standard, but I will ask Mr Symons if he would like to elaborate on that.

Mr Symons—Yes, that is correct. The current second generation digital technology is such that it cannot guarantee timely delivery or, in some instances, delivery at all of the message. The forthcoming third generation technology, however, works on a different principle, and there will be provision in that such that it would be feasible to have guaranteed delivery.

Mr Shaw—Perhaps we could look at the need for a standard in relation to third generation type networks.

Senator LUNDY—But if a public policy view was taken that SMS messages could be really important for the health and safety of people with disabilities, would that not be enough of a reason to at least begin discussions with the companies with a view to their improving technology so that there was not this uncertainty about the period of time the messages were stored? Or are you just not going to bother?

Mr Shaw—Everything is possible. It is only in very recent years that we have seen the uptake of SMS in Australia to the extent that we have. Like all things, it costs money to implement changes and there would be a question as to whether the benefits were greater than the costs, which is something that we would need to consider.

Senator LUNDY—Sorry, what was that last bit?

Mr Shaw—Everything, presumably, is technically possible. It is a question of the benefits versus the costs. We have not considered what the costs of mandating, for example, a standard that might impose 100 per cent delivery requirements within 10 minutes—

Senator LUNDY—Do you think it might be worth asking the question?

Mr Shaw—Every question is perhaps worth asking. I am not sure whether this one is, though.

Senator LUNDY—Obviously, there is a group of people out there that thinks it might well be worth asking because it could be of some assistance to them—people with disabilities.

Mr Shaw—I think it is the third generation networks, as Mr Symons indicated, where there will be some potential for having a quality of service guarantee for those people who really will rely on these types of services. Third generation might provide that avenue for them.

Senator LUNDY—Is there a service standard on the provision of voice mail messages provided across the mobile telephone network?

Mr Symons—No, I believe there is not.

Senator LUNDY—Do you get complaints about people who get messages late?

Mr Symons—I have had no complaints. I am not aware that the ACA has received any communications on that matter.

Senator LUNDY—I have. If people complain to me about the poor service standards, I would be astounded if you have not received any queries at least about how frustrating that is.

A number of the examples have cited traumatic experiences as the result of not getting a message through at the time that it was left—that there had been a delay in the network.

Mr Symons—Excuse me, Senator. I may have misunderstood the question. You are referring to the notification messages that a voice mail has been received and stored away?

Senator LUNDY—Yes. Is that different from what I said?

Mr Symons—No. I just did not understand.

Senator LUNDY—So you have?

Mr Symons—That is delivered by the same technology that short messages are delivered under and so the same limitations apply.

Senator LUNDY—So the same answer about your decision not to pursue an investigation into a standard on the efficiency by which those messages are delivered stands? You tell me.

Mr Symons—I do not know if it helps, but the thing about the short message service is that it was an afterthought to the technology. The digital technology was developed in the first instance to handle voice traffic and then it occurred that there was a niche there of unused capacity that could be used for something else. The problem is that it is not always available; it is only there some of the time. It is that uncertain channel that is used to carry these messages.

Senator LUNDY—I am just trying to get my head around this. The technology choice prevents both SMS and message bank notification messages getting there at the time at which they are sent?

Mr Symons—Yes, because the capability was not deliberately designed into it from the beginning. It had not been thought of. It was—

Senator LUNDY—Can you tell me whether consumers are advised of this when they purchase that service or use those services?

Mr Symons—Not that I am aware of.

Senator LUNDY—I know the answer. The answer is no. I put it to you that in fact they should be. What is the ACA going to do about that, given that you could very well be facing some serious circumstances if people are not aware of those delays?

Mr Shaw—That is exactly why we put out our press release several months ago advising consumers that they should not rely on SMS for things like emergency calls.

Senator LUNDY—Did you make the point that it was about message notification as well?

Mr Shaw—We were mainly concerned there about people who might seek to try to use it in emergency situations. We were targeting that particular area.

Senator LUNDY—So you have never put out a public statement highlighting the fact that message notification could also be subject to delays?

Mr Shaw—Not that I am aware of. From what you were saying—and I am sure every user of an SMS service would know—they are quite variable in their performance. You can sometimes wait for 24 hours.

Senator LUNDY—This is my point. I do not use SMS very often so I was not actually aware of that.

Mr Shaw—Sometimes it is instant; sometimes there is quite a delay. Anyone who has used it for any period of time would be well aware of that factor, I would have thought.

Senator LUNDY—I am not. I am quite confused about the delay in the notification of the receipt of messages, which I have relied on. But up until now I have not been aware formally of the possibility of quite extensive delays for message notification when you use Telstra's message bank service.

Mr Shaw—I suspect that different carriers have different levels of service depending on the capacity of the network which is being used. As Mr Symons indicated, in part it is a question of capacity. Some carriers might offer far better service than others. If people are having some difficulty and particularly rely on that service they should seek advice from alternative suppliers to see if they can get a better service elsewhere.

Senator LUNDY—I do not think I can go too much further than this. But is it within the ACA's power to take an initiative to further inform consumers about these issues and make it a requirement that Telstra and other carriers notify their customers about these delays of both the SMS and the message notification?

Mr Shaw—We can certainly look at doing some of that work. I am not sure how far we can go. I would not, for example, like to use formal powers to require the carriers to do some of those things, but commonsense would prevail.

Senator LUNDY—Most of it is just consumer awareness.

Mr Shaw—Certainly we can make sure that we pick up those issues in our consumer campaigns as well.

Senator LUNDY—That is all I have.

CHAIR—Thank you, Senator Lundy. I thank the witnesses for appearing. Our plan is to adjourn this hearing at this point and we will resume at 9 o'clock in the morning with the department.

Committee adjourned at 10.20 p.m.