COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATION, INFORMATION TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

Consideration of Budget Estimates

TUESDAY, 28 MAY 2002

CANBERRA

SENATE

ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

Tuesday, 28 May 2002

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

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

Committee met at 9.07 a.m.

COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS PORTFOLIO

Consideration resumed from 27 May.

In Attendance

Senator Kemp, Minister for the Arts and Sport

Arts and Sports Division (DCITA)
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 (DCITA)
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 (DCITA)
  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, A/General Manager, Sport Development
  Mr Brent Espeland, General Manager, Business Operations
National Science and Technology Centre (DCITA)
  Dr Annie Ghisalberti, Director
Telecommunications
Telecommunications Division (DCITA)
  Mr Chris Cheah, Chief General Manager, Telecommunications
  Dr Beverly Hart, Principal Adviser, Telecommunications and IT Development Branch
  Mr Col Lyons, General Manager, Competition and Consumer Branch
  Mr Brenton Thomas, General Manager, Enterprise and Radiocommunications Branch
  Mr Simon Bryant, General Manager, Regional Communications Policy Branch
  Mr Philip Allnut, General Manager, Telecommunications Service Inquiry Implementation Task Force
  Mr James Barr, General Manager, Networking the Nation Branch
  Mr Michael Sutton, General Manager, IT Industry Development Branch
  Mr William Scott, Manager, International Strategy Section, International Branch
Agency: Australian Communications Authority (ACA)
  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 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

Agency: 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

Agency: 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

Agency: 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, A/g 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
Broadcasting and Intellectual Property Division (DCITA)
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

Agency: SBS

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

Agency: 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

Agency: 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 (DCITA)

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—We resume these estimates hearings and I welcome the minister and the portfolio officers. Senator Lundy has questions.

Senator LUNDY—Thank you, Chair. My understanding is that we are dealing with outcome 2.1 of the department. Referring to the portfolio budget statements, in the budget there were a number of changes to the programs listed in table 2.1.2 on page 47, under 'Administered annual appropriations'. The list is of the programs that are funded through the department. As a starting point, I want you to go through all of those programs and explain to me their status and what has changed since last year. In particular, the budget papers in most cases do not show—certainly not for the programs that have already started—whether there has been any change in the outyears expenditure for each of those programs.

Mr Cheah—The first item on the list is the Regional Telecommunications Infrastructure Fund, which was the first $250 million from the Telstra 1 sale. The changes that have occurred to the RTIF have been due to some reprofiling of movement of funds between the years—$2.981 million in the NTN general fund, the Telstra social bonus 2, mobile phones on highways program, $12.245 million—

Senator LUNDY—Can you slow down a bit? Go back to the RTIF.

Mr Cheah—That is the RTIF. These are all components within—

Senator LUNDY—So this is within the RTIF?

Mr Cheah—These are all within the RTIF.

Senator LUNDY—Can you repeat the figure for Networking the Nation?

Mr Cheah—$2.981 million; that is the NTN general fund.

Senator LUNDY—Where is that figure in the budget papers?

Mr Cheah—It is all part of the RTIF; it is one of the components of the RTIF. You were asking for an explanation of how things have changed.

Senator LUNDY—So within the RTIF, Networking the Nation has—

Mr Cheah—Networking the Nation has several components. It has the Regional Telecommunications Infrastructure Fund, which was the original $250 million. It has the Internet Assistance Fund, which I think originally was $36 million. It has the Local Government Fund. Some of them are Telstra social bonus 2 initiatives. Building Additional Rural Networks is $70 million, and the Local Government Fund is $45 million.

Senator LUNDY—This is all under this first line in the appropriations?

Mr Cheah—No, the first component is the $250 million, which was the RTIF.

Senator LUNDY—And the other figures that you are mentioning are under the social bonus?

Mr Cheah—Exactly.

Dr Stretton—Senator, could you repeat that last bit?

Senator LUNDY—What I am trying to do here is relate those individual programs and their appropriations, both this year and going into the outyears, back to these line items in the budget papers. If you can show me a table that demonstrates how the different programs you are discussing are shown in the budget papers in detail, we could probably make this process a lot simpler and quicker. If the information is not in the PBS, I would like to go through, very slowly and very clearly, exactly what programs are being funded under what line item, for both this coming year and into the outyears.

Mr Cheah—It would probably be easier if we tried to give you a table, which we could probably mock up fairly quickly, even in the next few minutes, to show you what the main components were of each of the funds.

Senator LUNDY—Would it have been a good idea to put some of that information in the portfolio budget statements?

Mr Cheah—I don't think that is the way the PBS has been constructed.

Dr Stretton—My understanding of the way in which the PBS is constructed is that it is given to us by DOFA and we follow the guidelines. I understand what you are saying and, as I say, we can put together that sort of table very quickly for you and try to come back later today.

Senator LUNDY—Yes. The next question relates to not just what is currently there but what has actually changed. I note in the budget that there have been reappropriations from some programs into others, where there has been underspend; and so I want to clarify what has occurred and where.

Dr Stretton—Those measures are clearly spelt out.

Senator LUNDY—I appreciate that. But I do not have the information on which this is based. This what I am trying to get now.

Mr Cheah—Senator, it might be easier and in a way helpful for you if I make the comment that these are, generally speaking, rephasings—unless there have been any specific savings proposals or issues that have come up. If we just go through those savings measures, that might be more helpful; and then you can—

Senator LUNDY—It is actually the information that sits underneath that that I want, to start with. I want to know it for each of the programs. Are you in the process of producing that table?

Mr Cheah—I presume that we are.

Senator LUNDY—So it shows each of the programs and how they relate to the line items in the budget, but also the outyears expenditure and not just the budget estimates for the next financial year.

Dr Stretton—There are some there which are much simpler. Why don't we do those while we are waiting?

Ms Page—The national transmission network residual funding pool was an amount of money which was set aside after the sale of the national transmission network, to fund CSOs associated with transmission, such as access by various community broadcasting organisations to the national transmission network. Also, an amount of money was kept aside until residual aspects of the sale were finalised. So the fund has been reducing over time to the level necessary, if you like, to continue just to pay out those CSOs over time. For instance, some money was paid out of the fund during the year to SBS, as a new transmission facility for them at Artarmon came on, and that reduced the fund. But those reductions are in line with what was anticipated at the time of the sale.

Senator LUNDY—So they match what was originally identified as the outyears budgeting for that particular item?

Ms Page—There have been no significant savings over what was originally provided for under that provision. There were funds anticipated to be transferred to other organisations progressively, and that has been happening.

Dr Stretton—The next one is simply a parameter adjustment. There is no change there.

Senator LUNDY—Is this the compensation to the international organisation?

Dr Stretton—To the SITA.

Senator LUNDY—What is the Service Internationale de Telecommunications Aeronautiques? Is that an international peak body?

Dr Stretton—It is an international cooperative organisation with its registered office in Brussels, which provides an extensive range of telecommunications information processing services at the world's largest private telecommunications network. Its key clients are the air transport industry and government. This is a payment made to attract them to establish their Asia-Pacific headquarters in Australia, and it compensates the organisation for the payment of taxes and duties while they are headquartered in Australia.

Senator LUNDY—Could you take it on notice to provide a full briefing on that organisation: what it does, and the history of this compensation arrangement, rather than go through it now?

Dr Stretton—Not a problem.

Senator LUNDY—I confess that I know very little about it or how it came to be.

Dr Stretton—That is fine.

Senator LUNDY—I know that Senator Kemp would want me to get a briefing before I spent an hour asking questions.

Senator Kemp—Absolutely, Senator. We will make sure that you get the full kit and caboodle.

Senator LUNDY—Excellent.

Dr Stretton—Shall we keep going down the line?

Senator LUNDY—Yes, please.

Ms Page—ABC-SBS digital interference scheme: in the last budget, 2001-02, the government appropriated $10 million as the contribution which the government would make to the costs incurred by the ABC and SBS in managing digital interference. There is a scheme which is being administered by FACTS, the commercial television peak body, to manage interference which is caused to people's VCRs from the introduction of digital television in particular areas. The government committed to funding 20 per cent of the costs of the scheme as ABC's and SBS's contribution to the scheme. The government provided $10 million essentially for the full period of digital conversion.

What happens is that the broadcasters bill us retrospectively for their costs; in other words, an amount of money is appropriated to the department, which we then pass on to the ABC and SBS, following receipts from them. It is proving a difficult fund to administer in that we are having some difficulty each year in estimating exactly how much will be required, because it depends very much on the level of interference in particular areas and also on the success in managing it. The sum of $600,000 is what was estimated to be spent in the previous year and there is a budget estimate of $1.2 million for the following year. That is simply the drawing down progressively of that sum of $10 million which was appropriated initially last year.

Senator LUNDY—In terms of the outyears when that was originally announced, what were the scheduled amounts?

Ms Page—I do not believe that there were scheduled amounts for the outyears because of the difficulty at that time—which is a difficulty we still have—in determining exactly what the phasing of that money will be. But we have $10 million which has been allocated which is drawn against, and will be for the life of digital conversion.

Mr Cheah—With respect to a TSI response and the measures set out in the PBS, the only significant change is the addition of the telecommunications action plan for remote indigenous communities, which is on page 45 of the PBS. That was the addition of a new $8.3 million program. When the government set up the TSI, it also commissioned a study into the needs of remote indigenous communities. It was a $400,000 study conducted by the department. The results of that study were released at the same time as the budget. The government also announced at that time an $8.3 million program for targeting the needs of indigenous communities. The other change which is noted on page 45 of the PBS is a corresponding reduction of $8.3 million from the program for funding towns of over 500, to give them mobile phone coverage. Yesterday Senator Mackay asked me a question on that and I would like to run through how the funding of the $37.7 million program for the towns of over 500 actually worked, and what the numbers actually were, because I think that helps to put things into perspective.

Senator LUNDY—Senator Mackay is going to be here at 10 o'clock. I know she would be very interested to hear that information. If you do not mind, we might come back to that issue. I think it is a really important issue and I know she wants to follow it up. I also have some specific questions about the indigenous program that you just mentioned. Depending on how you would like to proceed, I am happy to go into that in more detail now or we can keep going through the other line items and continue with that broad overview. That might be the best way to proceed, and then I will come back to some more detail on the action plan for remote indigenous communities, because I have a whole series of questions on that.

Mr Cheah—That is fine. Our one other change on the TSI was the reprioritisation of funding for the online technical assistance program, as listed on page 46. There was $1 million for each of those two years. In the PBS it states:

Surplus funds have been due to lower than expected demand under the Online Technical Assistance Programme.

Senator LUNDY—In terms of that adjustment, what funds are still being spent on that particular program?

Mr Cheah—There will still be $2 million in 2002-03 and another $4 million in 2003-04.

Senator LUNDY—Sorry, $2 million?

Mr Cheah—Sorry, there is $3 million in each financial year. If you would not mind, Mr Thomas can actually give you the details of that. I think it is actually $3 million and $3 million. Sorry about that, Senator.

Mr Thomas—The expenditures in 2002-03 will now be $2.8 million—$400,000 of which is running costs for the department. In 2003-04, it is again going to be $2.8 million, with $400,000 for running costs.

Senator LUNDY—Just on that, what sorts of things did the online technical assistance program fund?

Mr Thomas—This is the Internet Assistance Program. It started off with a different name and is actually the Internet Assistance Program, which I think was discussed in some detail with Telstra yesterday. Essentially it is the program that provides the equivalent of 19.2 kilobits per second.

Senator LUNDY—What did it do before it did that? Given that this budget announcement for the online technical assistance program was originally made last year, did it have funds allocated last year?

Mr Thomas—It did have funds allocated last year, Senator.

Senator LUNDY—What did it say that it was going to do last year?

Mr Thomas—It is essentially the program to which the government has contributed $12 million and Telstra has contributed up to $38 million. The purpose of the program is to provide assistance to users to allow them to access the Internet, to browse and surf the Internet. The target of the program is actually to allow users to achieve the equivalent of 19.2 kilobytes—

Senator LUNDY—I know it is now. I am just trying to get my head around it. When was this program, the online technical assistance program, first announced by the government?

Mr Thomas—The announcement would have been made around the middle of last year, I think. It would have been in last year's budget figures.

Senator LUNDY—In last year's budget papers, what did it say it was going to do?

Mr Thomas—I do not have that information here. I will see if someone has the previous budget statement, but essentially the objectives of the program have not changed at all. It remains the objective of the program to provide assistance to people to achieve the 19.2 kilobytes—

Senator LUNDY—Yes, but I want to know how and what it proposed back when it was first announced, because then I will have a look at how it has actually changed.

Mr Thomas—I understand that we are getting the previous statement.

Senator LUNDY—Last year's PBS—good. And there was originally $12 million in that budget allocation?

Mr Thomas—Yes, $12 million was allocated from the government.

Senator LUNDY—How was that spread across the outyears at the time?

Mr Thomas—It was allocated on the basis of $4.4 million in total in 2001-02, $3.8 million in 2002-03 and $3.8 million in 2003-04.

Senator LUNDY—$4.4 million, $3.8 million, $3.8 million, $3.8 million?

Mr Thomas—Yes.

Senator LUNDY—When did the minister announce the Internet Assistance Program?

Mr Cheah—At the time of the telecommunications service inquiry response. We can get you the date of the press release.

Senator LUNDY—When was that?

Mr Cheah—It was in May last year.

Senator LUNDY—Was it called the Internet Assistance Program in May last year?

Mr Cheah—I think it was.

Senator LUNDY—So it appeared in the budget papers as the online technical assistance program but it was announced by the minister as the Internet Assistance Program?

Mr Cheah—I will have to check that detail, but I think that is correct.

Senator LUNDY—Have you got the press release or any information about that announcement of the IAP in May?

Mr Cheah—It is available through the department's web site.

Mr Thomas—We will get you a copy of that.

Mr Cheah—We can get you a copy as well. I have brought with me the press releases for the past six months, but I do not have them going back until May last year.

Senator LUNDY—Out of the $12 million originally allocated, in terms of taking $2 million away, how is that proposed to affect the outyears' expenditure?

Mr Thomas—It is $1 million off 2002-03 and $1 million off 2003-04.

Senator LUNDY—Have you found that information from last year's budget?

Mr Thomas—It is coming, apparently. Would you like to come back to this issue?

Senator LUNDY—No. I would like to hear an explanation about what was originally budgeted as a $12 million program. I am not quite sure how it morphed into the IAP or what did change. So perhaps you could provide an explanation as to what did change and then the justification for taking $2 million out of that program.

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Mr Thomas—The objectives of the program have not changed from the original objectives that I outlined before in terms of the program providing the equivalent of 19.2 kilobytes a second.

Senator LUNDY—The original online technical assistance program was not carrier specific, was it? It did not say, 'This is to help Telstra'?

Mr Thomas—Yes, it did. It has always been a joint initiative with Telstra.

Senator LUNDY—Even when there was $12 million in it, Telstra was matching that?

Mr Thomas—The proposal is that Telstra would provide up to $38 million.

Senator LUNDY—Was that the original agreement?

Mr Thomas—My understanding is that it was.

Mr Cheah—Yes, that is right, and it was covered in the minister's press release at the time. It was a $50 million program of which the Commonwealth contribution was $12 million and then Telstra was to provide up to $38 million.

Senator LUNDY—So now that it is $2 million less, it is not a $50 million program any longer, is it?

Mr Thomas—That is correct. The reductions have been made on the basis that there has been lower than expected demand for the use of the service.

Senator LUNDY—How long has the IAP self-help site been up and running?

Mr Thomas—It has been operating since about the middle of last year. It started off initially in rural and regional areas and, since the beginning of March, it has been available to all metropolitan users. The number of users in that period of time has been approximately 50,000, which is considerably below what was the originally anticipated usage.

Senator LUNDY—Has it been promoted?

Mr Thomas—There has been advertising for the program. The advertising has been relatively successful, I think, but still it remains below what was originally anticipated in terms of usage. The anticipated usage figures were actually identified in the Besley inquiry. I think it was 649,000 users over the life of the program.

Mr Cheah—Rather than say 'this is the anticipated usage', I think it is fair to say that that program was dimensioned on the basis that, if everybody who potentially might take it up— based on the TSI numbers—were to take it up, that is the kind of demand which we could get. As you might expect in real life, we probably ended up with fewer people actually making use of the service than was originally catered for in terms of the maximum. That is effectively what has happened. We recognise the reality, I think.

Senator LUNDY—So it is a $48 million program now as opposed to a $50 million program?

Mr Thomas—To be precise, Senator, the contribution from the Commonwealth is $2 million less $10 million. The contribution from Telstra is up to $38 million.

Senator LUNDY—'Is up to', so what are they putting in? If you have dropped your contribution by $2 million, have they dropped theirs?

Mr Thomas—They have not made any statement about this as yet. We are yet to have detailed negotiations with them about what might happen to the program as a result of this reduction in Commonwealth expenditure.

Senator LUNDY—So how much have Telstra put in so far?

Mr Thomas—As of December this year—and I probably do not have the very latest figures—I think they have funded approximately $2 million.

Senator LUNDY—$2 million.

Mr Thomas—It may be more than that now.

Senator LUNDY—It would be good if you could find out the updated figures.

Mr Thomas—Yes, Senator.

Senator LUNDY—So out of a $50 million program announced by the minister in last year's budget, which has been rebadged—or if not rebadged then certainly reannounced around the time of the World Congress on IT, as I recall—there has been a $2 million contribution from Telstra, and the government has reduced its $12 million commitment by $2 million. Are you aware whether the minister has taken the time to adjust the public record as to the expenditure on that fund?

Dr Stretton—In the budget statement it makes it clear that the government is reducing its expenditure by $2 million.

Senator LUNDY—Right, but the minister is obviously happy to let it stand that there is a $50 million IAP fund out there. That is what his latest press release on this issue says.

Senator Kemp—Senator Alston, I am advised, has not made that comment since the budget.

Senator LUNDY—I would hope so, because he would be telling a lie if he did.

Senator Kemp—Yes, that would be quite correct, but that is in contradistinction to the comment that you just made. You said that Senator Alston was quite happy to let that stand. Then we pointed out to you that there was an announcement in the budget, and then I pointed out to you that Senator Alston had not made a comment since the budget along the lines that you suggested.

Senator LUNDY—Since the budget.

Senator Kemp—So your assertion was wrong.

Senator LUNDY—We have gone the full circle then, haven't we?

Senator Kemp—No. You have actually got it wrong; your assertion was wrong.

Senator LUNDY—But he has not been proactive about acknowledging that it is now less.

Senator Kemp—What could be more proactive than it being in the budget? The budget is a most public document. If you came in here, Senator, you would have seen that we had press everywhere reading every word. There could be nothing more public than the document.

Senator LUNDY—You wish!

Senator Kemp—I think you are somewhat unkind to Senator Alston, who is an extremely up-front and competent minister.

Senator LUNDY—Indeed.

Senator Kemp—And I hope he reads this in the *Hansard*.

CHAIR—Absolutely. One of the best.

Senator LUNDY—What agreement is in place with Telstra to contribute to this fund? They have already contributed $2 million; the agreement is they could contribute up to $38 million. Are you going to get any more money from Telstra?

Mr Thomas—In answer to the first part of your question, there is a deed of agreement between the department and Telstra in place. The deed specifies that Telstra will provide up to $38 million.

Senator LUNDY—So they could provide $3 million under that deed and not be breaching any agreement? It does not specify a minimum, does it?

Mr Thomas—No, it does not. But I think, in the negotiations on this entire issue, it was always perceived that Telstra would make a significant contribution to the program and that their contribution would be based in part upon the demand for the program.

Senator LUNDY—Is that a condition of the deed, that that contribution would relate to the demand for the program?

Mr Thomas—There is reference within the deed to the scope of the program. What we are proposing to do now is begin discussions with Telstra as to what has been, I would say, an unanticipated outcome in terms of demand, as to how we might reconfigure and restructure the program to make sure that it is achieving the original financial objectives.

Senator LUNDY—Did you initiate those discussions or did Telstra?

Mr Thomas—The renegotiation aspect?

Senator LUNDY—Yes.

Mr Thomas—We did not consult with Telstra about this prior to the budget because of budget confidentiality. We have talked to Telstra about this issue since.

Senator LUNDY—They saw it and then they came knocking on your door and said, 'What are you doing?'

Mr Thomas—We actually contacted them.

Senator LUNDY—You contacted them after this became public. I can see where that is going. In terms of the actual demand—and please correct me if I am wrong—the program is based around the identification now of people who cannot achieve a speed of 19.2 kilobits per second. At what point did that, specifically the 19.2, become the primary focus of the online technical assistance program? Is that what came out of the TSI specifically? That is my understanding.

Mr Cheah—I do not think that the 19.2 number as such was specifically mentioned in the TSI. What the TSI did do was canvass a whole range of different speeds between 14.4 and 28.8 and did quite a bit of analysis on it. It did not make a specific recommendation about 19.2, though. And it did talk about the different levels of functionality that you could get at the different speeds. I certainly know the inquiry canvassed that. I cannot exactly recall whether the report specifically did that, but certainly there was a view that you could have a useable web and email at 19.2.

Senator LUNDY—Was that your conclusion or was that something contained in the TSI report?

Mr Cheah—As I said, the TSI report canvassed a range of different speeds and functionalities and whatever—

Senator LUNDY—I am just trying to pin down who actually decided that 19.2 was the appropriate speed at which to throw, originally, $12 million worth of taxpayers' money.

Mr Cheah—That was in part of one of the design parameters for the program.

Senator LUNDY—So it was made by you guys?

Mr Cheah—And the minister, yes. It was a policy decision made by us and the minister.

Mr Thomas—I think it is fair to say, though, that there was some discussion with Telstra during the process about the cost of going for higher speeds, and there may be some words within the TSI report about the high cost of going for higher speeds.

Senator LUNDY—So it was decided in full consultation with Telstra?

Mr Cheah—We ended up negotiating a deed with them, obviously in terms of designing a workable program. It was announced, I think, as a joint program with Telstra. So obviously there was going to be a—

Senator LUNDY—A big part of the decision making.

Mr Cheah—There was going to be negotiation with Telstra to see what we could get, and what the best value funding was going to be. Certainly, the TSI made the observation that to try to do something like, for example, 33.6K was going to cost $4.5 billion.

Senator LUNDY—We know why now, don't we? With all those pair gains in their network, they were never going to be able to achieve that. We heard from Telstra yesterday that 19.2 kilobits was something that they considered achievable. Is that the department's conclusion as well?

Mr Cheah—The 19.2 equivalent throughput, yes. That is the basis upon which we have entered into the deed. If that were not achievable, we would be expecting to exercise our rights under the deed.

Senator LUNDY—Does the fact that you have pulled $2 million out of that program mean that 19.2 is being achieved more than you thought it was, or is it a question of not being able to identify those people who need the financial support to achieve it? It comes back to the justification for pulling the $2 million out: does that mean there are so many people out there who are happy with less than 19.2?

Mr Cheah—It is a bit unclear. As I said, at the beginning of the program, there were estimates made by Telstra about the number of customers who might be affected by this. They were verified, in a sense, by the TSI and potentially might be subject to lower Internet speeds. We dimensioned the program on the basis that, if 100 per cent of those people took it up, these were the kinds of costs we might be facing. As I said before, not surprisingly, I do not think, we have not had a 100 per cent take-up, and in fact the level of demand for higher line speeds has been quite a bit less than that. I do not think that is at all surprising.

Senator LUNDY—Going to the issue of demand and the promotion of the program, have you used the site, Mr Thomas?

Mr Thomas—Yes, I have looked at the site.

Senator LUNDY—Did the department create that web site?

Mr Thomas—No. I think, as indicated by Telstra yesterday, they used a contractor to draft that site.

Senator LUNDY—Was the contractor working to you or to Telstra?

Mr Thomas—They were working to Telstra, but the department looked at the site before it went live.

Senator LUNDY—Do you think it is an effective site, in your subjective views about what constitutes an intuitive web site?

Mr Thomas—Yes. I think it is a very useful site. Apparently, the users are staying with the site and not dropping out of it very quickly. It seems to be relatively useable. The other aspect is that Telstra is constantly looking at trying to improve the site and make it more user friendly. They are doing that on an ongoing basis.

Senator LUNDY—How much did that site cost to produce? Do you know?

Mr Thomas—I don't have the figure here with me, Senator.

Mr Cheah—That is a question you might want to put to Telstra.

Mr Thomas—That is primarily a question for Telstra.

Senator LUNDY—I think I forgot, yesterday. That is one of their contributions to it, is it not—the in-kind? Or did they then give you a bill?

Mr Thomas—No. We would have paid for that out of the original government funding.

Senator LUNDY—So Telstra get to build it and manage it but you get to pay for it?

Mr Thomas—Yes. They send us invoices, and there is a series of milestones that they are required to meet.

Senator LUNDY—Have all those milestones been met?

Mr Thomas—So far, yes, they have.

Senator LUNDY—Looking at the site, it is pretty text intensive. I do not think I have spotted a graphic on it yet. As part of the budget that you provide to Telstra for managing this, can you describe to me what you have spent on promoting the site and the purpose of the site to consumers in the target areas—that is, those consumers at the outer regions of the network who are most likely to have the very low Internet connection speeds?

Mr Thomas—I do not have the figures here on the exact advertising expenditure, but I know there has been an extensive campaign in rural areas, and I think it has run into the area of hundreds of thousands of dollars of expenditure. In most cases, that expenditure has been trying to use local press—and it has received quite a bit of good local press, particularly in rural areas—and also trying to use radio programs in rural areas to provide information that it is actually there.

Senator LUNDY—What sort of monitoring role does the department have over the promotion of the site, given that you are spending the money on it?

Mr Thomas—Before the program is agreed, Telstra consults with us about their advertising program. They also take the information on this to the Internet Assistance Program Advisory Panel, which has a look at the package of promotional activities as well.

Senator LUNDY—So Telstra is acting like an arm of the department, really, doing all of this stuff?

Mr Thomas—Effectively they are managing—

Senator LUNDY—A government program.

Mr Thomas—Aspects of a government program. And they are coming to us basically to show that they have achieved the milestones we set, they come to the IAP Advisory Panel to

show that it is actually working efficiently and they report to us on a quarterly basis through that process.

Senator LUNDY—The more people that take up this offer, the more it is going to cost Telstra, isn't it?

Mr Thomas—That is correct. Greater usage is likely to increase the overall costs.

Mr Cheah—I have a slightly different view on that. I think that some aspects of the program effectively have fixed costs in them—for example, doing the advertising initially and then building the web site and the test facility so that people can dial in to see what their interconnection speed actually is and whether it is above or below 19.2. A number of those aspects of the program are actually fixed and presumably will not vary too much with the actual numbers of take-up. In a sense, those are some of the aspects of the program which the Commonwealth has actually funded. The variable aspects, I suppose, come in in that, if it turns out that there are a lot of people who really have problems with their lines—they have done everything they need to do to fix things up from their end and it turns out there is a problem with the line—yes, that is the variable side, and that is where there is some scope for Telstra's costs to vary and to rise. In a sense, that is one of the reasons why the program was split up the way it was between the $12 million and the $38 million. We are in a sense funding quite a bit of the fixed costs in terms of the actual program set up. And it is partly because we also wanted to control the public front end parts as well. One aspect of that public front end is a requirement which is written into the deed that it is all done in a competitively neutral fashion, for example.

Senator LUNDY—What do you mean by 'competitively neutral fashion'?

Mr Cheah—While Telstra is conducting the program on our behalf, they have to do it in a way which does not favour themselves or their own products. For example, one of the things on the Web—

Senator LUNDY—Hang on, slow down, please. It does not favour them or their products? Are you doing a similar program for other carriers?

Mr Cheah—No.

Senator LUNDY—Why not?

Mr Cheah—Because—

Senator LUNDY—It favours Telstra, doesn't it?

Mr Cheah—No, the program is saying that, if you are going to have dial-up Internet over the ordinary phone line and the problem with the ordinary phone line is the data speed, this is a program to help remedy those kinds of problems. Presumably customers are making choices for other carriers, and then they will make those choices. One of the things, for example, on the web site is basically saying that, if you are very interested in getting a good, high-speed data connection, you might want to consider getting a satellite service or one of the other dedicated data products that are around. The web site, for example, is not supposed to favour Telstra's products for that sort of thing, for example. It is supposed to make sure that consumers are aware that there are a range of providers out there who are providing high-speed data products, including satellite products. It is an example of trying to behave in a competitively neutral fashion.

Senator LUNDY—How do you know that Telstra does not favour solving the problems of those people who use that system and find they have a problem to their own customers?

Mr Cheah—I am sorry, I do not understand.

Senator LUNDY—If I used a different service provider—

Mr Cheah—An ISP, for example.

Senator LUNDY—Yes, a non-Telstra ISP, and I went into the IAP self-help site and found that I was getting less than 19.2, and that initiated a process by which my problem would need to be fixed, how do you know—what checks and balances do you have in place—that Telstra will not favour someone else who has BigPond as their ISP over me who has some other ISP? Is there any way you know that?

Mr Thomas—That was one of the key purposes in establishing the IAP Advisory Panel. One of their requirements is to examine the process and ensure that it is competitively neutral. The panel has some independent community people on it to ensure—

Senator LUNDY—Has it got other carriers on it?

Mr Thomas—No, it does not have other carriers. It has ISOC on it, though, for example.

Mr Cheah—It is the Internet Society, and the Internet Society would regard itself as partially representing ISPs.

Mr Thomas—Just to list the organisations that are involved, there is the National Farmers Federation, the Regional Women's Advisory Council of New South Wales, the Internet Society of Australia, the Community Teleservices Association of Australia—the WA section—the ACA, the department and Telstra.

Senator LUNDY—Can you tell me what the actual process is once you are a user and you are found to have less than 19.2 kilobits? I have not actually broken through that part of the web site, because it all stops when you achieve 19.2 and it says, 'Congratulations'. It does not even tell you what speed you are achieving, which I think is a real weakness in the web site. What happens next for those consumers?

Mr Thomas—I think the Telstra officers set it out yesterday. There is an examination of a number of different options as to how you might improve your line speed. It goes into issues such as modem configuration—

Senator LUNDY—But that information is on the web site, so presumably that is there to offer up in advance. Do people then have to go through all of those steps even if they have less than 19.2?

Mr Thomas—That is the first part of it, and if that is not successful it essentially goes to the back of house operation, which Telstra were talking about, which then is an assessment of possible technical problems, including quality of lines and all those sorts of things.

Senator LUNDY—Or whether there is a pair gain.

Mr Thomas—They would look at that as well.

Senator LUNDY—We were trying to get an answer from them on that yesterday. The site recommends looking at modem configuration, ISP, a couple of—

Mr Thomas—Call waiting, electric fences, all those sorts of things.

Senator LUNDY—I read them out yesterday. Is the person—the consumer—reimbursed for the costs of investigating all of those elements or is that something they have to do themselves?

Mr Thomas—In terms of the cost of the call?

Senator LUNDY—No, in terms of getting a techie out to look at their fence or look at their modem. Those sorts of things are generally beyond the capability of the average Internet user, I would imagine, because they are quite technical issues.

Mr Thomas—If Telstra finds a fault through the back of house service, they will provide—

Senator LUNDY—No, this is before Telstra even look at back of house. The site says, 'Check your electric fence.' I will call it up so I can actually refer to it.

Mr Thomas—The individual would, in the first instance, be required to undertake those steps.

Senator LUNDY—Would what?

Mr Thomas—The individual would undertake those steps. The advice that they would take would be of assistance to them in terms of looking at their modems and their configurations and all those sorts of things.

Senator LUNDY—How do they do that?

Mr Thomas—They would follow the advice on the site.

Senator LUNDY—So when the advice on the site says, 'Check your modem configuration,' it is up to that consumer to do that, and therefore procure whatever techie advice they need to help them do that. So there is no actual assistance for them to find out about modem speed, electric fences—

Mr Thomas—There is a test on the site for modem speed.

Senator LUNDY—Sure, but it talks about modem configuration. I will call the site up so I am not just guessing. It says, 'Configure your modem with the correct initialisation string.' How do you do that? It is a serious question, because that is what people are told to do before they can go to the next step. It says, 'Unplug other equipment connected to your telephone line.' I could do that. It says, 'Turn off "call waiting".' How do you do that?

Mr Thomas—I have never had to do it myself, but the advice would be—there would be assistance through the program, I am sure, through the dial-in advisory centre, as to how you might do these things.

Senator LUNDY—And house wiring and extension leads. I would think that that would be something that you should probably get an electrician to look at. You are not recommending that people fiddle around with their wiring, are you?

Mr Thomas—No, but my understanding of that aspect is that, if you run several appliances in a string, it may affect the quality of the speed that you actually get. I do not think it is suggesting that you would go in and start splicing wires or anything like that. It is more to do with how you actually configure your electrical appliances.

Senator LUNDY—This says:

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...

There is a link through on 'Initialisation string' and there is a section on frequently asked questions. Then there is a whole page on 'Speed up your modem' and a permission saying 'If

you do not wish to be contacted for providing feedback or market research please check here.' Did Telstra use this to sell other stuff?

Mr Thomas—No. The site is meant to—

Senator LUNDY—What does 'market research' mean?

Mr Thomas—I'm sorry.

Senator LUNDY—There is actually a check box here.

Mr Cheah—The market research box is almost certainly so that we can get some feedback on the program, how useful the site was and some of the issues you were talking about.

Senator LUNDY—So it is for you?

Mr Cheah—For us and for Telstra. Part of Telstra is running the program so that they can ring customers up to find out what people found useful.

Senator LUNDY—And sell them something—do a bit of third line forcing on the way.

Mr Cheah—If there was any evidence of that happening, we would act on it very quickly, because in our deed of funding with Telstra it is quite clear that they are not allowed to use it to leverage those kinds of commercial advantages. It is also probable, given the way the regional ISP community works, that if that sort of behaviour was in any way widespread we would have heard something about it by now.

Mr Thomas—There is also the requirement, as I mentioned, to report to the IAP Advisory Panel on a quarterly basis about all of these issues.

Senator LUNDY—Then it says:

Tip: To help maximise your modem connection you must complete all the steps.

It goes through 'Modem set up', 'Which modem should I use?' and 'iMac Tools'.

Mr Cheah—By the way, that is another point that is probably worth making. Although the program is obviously designed to try to get people on up to 19.2 or a minimum equivalent, it is actually also designed—and I think Telstra mentioned this yesterday—to try to help all users enhance their Internet speeds and Internet experience. So that business about optimising modems is even for people who are already over 19.2—tips you can use to get a better experience.

Senator LUNDY—Then you press the 'continue' button, follow the instructions below, enter your area code, enter the first four digits of your telephone number and the last four digits. Is collecting people's phone numbers or parts of people's phone numbers essential to test the speed? I would not have thought so.

Mr Cheah—I think it is probably designed to get a picture of which region they might happen to be in and which area they might happen to be in. Some of the exchange areas—they can identify them from number ranges—are areas where, for example, people cannot get ISDN coverage. Telstra has some idea from the number ranges what kind of exchange they are dealing with. And I think the exchanges themselves have certain characteristics which may affect the Internet speeds as well.

Senator LUNDY—So they can create a map of where the low speeds are, effectively.

Mr Thomas—That is a question you would have to ask Telstra.

Senator LUNDY—I am asking you, because this is your web site.

Mr Thomas—They can create a map. In fact, they have shown us the types of calls they have had from various areas and the types of speeds which have been achieved in various areas. They have shown the advisory panel. They have made it open to all the people on the panel.

Senator LUNDY—I would really like to see a copy of that map, so I formally request that it be provided to the committee.

Mr Thomas—It is more of a chart than a map. It details different locations and the sorts of speeds.

Senator LUNDY—That would be terrific. I wonder what would happen from Parliament House.

Mr Thomas—I imagine the speed would be above 19.2.

Senator LUNDY—I would like to think so. 'Congratulations; you have passed the effective data speed test.' Excellent. I look forward to getting that chart about where the low speeds are. In terms of the quarterly reports provided to the IAP advisory group, is it possible for you to provide those reports to this committee?

Mr Thomas—Yes, I can look at doing that.

Mr Cheah—We will just check on that in terms of the deed.

Senator LUNDY—Public money is being spent.

Mr Thomas—I will check on that.

Senator LUNDY—Had I failed that test, reconfigured my modem, modified my initialisation string, checked my electric fence and my house wiring—all those variables—and my line speed was still less than 19.2, what would have happened?

Mr Thomas—It then moves to the back-of-house operation, which is where Telstra will do an examination of some of the technical aspects.

Senator LUNDY—Do Telstra come and visit me, as a consumer?

Mr Thomas—They would log it as a service problem and then undertake the response in the normal way.

Senator LUNDY—Does it get priority because it has come through this program or am I just put on Telstra's service list for that region?

Mr Thomas—I don't believe it receives priority, but it is clearly identified as a service fault. It would go through in the normal way to get someone to examine that. I think they do some remote testing on the type of problems it might be, and then provide a response to that.

Senator LUNDY—What if it was because I was on a pair gain which prevented me from accessing an Internet connection speed of higher than, say, 14.4 per second—and that that was the best I was ever going to get on that line? What would Telstra do for me?

Mr Thomas—That would be a question for Telstra, as to how they would respond to that particular service problem.

Senator LUNDY—Under the agreement for this fund, wouldn't they be required to provide me with a connection at no extra cost of above 19.2 per second and guarantee that speed?

Mr Thomas—They would be required to examine, firstly, why it was not achieving that 19.2 equivalent speed and then take steps to ensure that that was achieved.

Senator LUNDY—That was certainly the minister's commitment—that this was a minimum speed.

Mr Thomas—Yes.

Senator LUNDY—Is there a time limit on Telstra to rectify the Internet connection speed?

Mr Thomas—I think it would be the normal service fault type.

Senator LUNDY—Well, that is not good news, is it! So there is no compulsion on Telstra with any timeframe to rectify the problem anyway?

Mr Thomas—Yes, there is the compulsion in terms of their normal service fault rectifications—absolutely.

Senator LUNDY—I think that is about as far as I am going to get with that one.

CHAIR—Senator Schacht has some questions he would like to ask on a specific matter and we have the officers here.

Senator LUNDY—Sure. How long will that be?

Senator SCHACHT—Ten minutes.

Senator LUNDY—Okay. I just want to put it into context. What I have been doing is working through the line items in the PBS of the different allocations of money. We have just explored one particular change to one of the funds under those line items, so I will be coming back to that.

Senator SCHACHT—Okay. I appreciate the courtesy. I asked the department about the saga of what is called the Green Phone in the south-east of South Australia and the Western District of Victoria. I put a lot of questions on notice in the February hearing and got answers and I want to have some follow-up questions to the Networking the Nation section of the department that provided the funding for the Green Phone. It is what I can now only call a saga. These questions are to the department; the minister is not here, I note.

In February I asked about the KPMG review that the department had commissioned about the allocation of funds to the Green Phone concept. I cannot actually say which company because it is a very confused structure with respect to who actually applied for the money, who was going to end up spending it et cetera, but for the sake of brevity I will call it the Green Phone project. The department, I understand, commissioned KPMG to have a review of the funding et cetera. The answer I got said that that has now been completed. It said KPMG has conducted a review of the management of the grants to the Greater Green Triangle Regional Association and Green Phone Incorporated under the NTN—that is Networking the Nation—program for the NTN Board. It went on:

The report was recently presented to the Board.

The NTN Board will convey the outcome of their consideration of the report to the Minister.

Has the board completed its consideration of the review from KPMG?

Mr Barr—The point I should make clear about the KPMG review is that it was a review of the internal process of the NTN secretariat in assessing and monitoring the grant; it was not a broader review of the Green Phone experience, if you like. The direct answer to your question is yes.

Senator SCHACHT—It has completed its review?

Mr Barr—Yes.

Senator SCHACHT—And the report has now gone to the minister?

Mr Barr—The report has now gone to the minister.

Senator SCHACHT—Has the minister decided what he is going to do with the report or whether to accept any recommendations that may have come out of the report?

Mr Barr—The recommendations were directed to the NTN secretariat in the main, in terms of what we might do to finetune our processes from here on.

Senator SCHACHT—I asked in the question in February: will it be made public? The answer you gave then was:

The Minister will decide on the appropriateness of the release of the report.

Has the minister made up his mind whether it is appropriate to release this KPMG review?

Mr Cheah—I understand the minister has agreed that the report will be released. We are happy to make it available to the committee.

Senator SCHACHT—It will be released?

Mr Cheah—It will be released.

Senator SCHACHT—When will that be?

Mr Cheah—We can make it available to the committee.

Senator SCHACHT—It would have been nice to have got the review even 24 hours ago, if it was going to be released, so that I could have at least read it before I came to estimates to ask questions. If the department can give me a copy of the review now—is it 300 or 400 pages? Give me an idea of how many pages I am going to have to flick through.

Mr Barr—It is about 20.

Senator SCHACHT—Is there any chance of getting a copy this morning?

Mr Cheah—We can probably arrange to get you a copy this morning.

CHAIR—Sometime during the day I am sure you could, or it could be emailed to you.

Senator SCHACHT—Without wanting to delay the department, I would like to read it and reserve the right to come back for some further questions. I just want to say to the department and Dr Stretton that it would have been courteous to follow up this answer and say that the review would be available, rather than waiting for me to come here and ask for it, and then give it to the committee before we turned up. Other members of the committee might have wanted to read it and ask questions as well. Nevertheless, I will get it and I will read it; thank you very much. Just briefly, Mr Barr, you said that it might make suggestions of finetuning internal processes of the secretariat. Does that also include finetuning the processes of the board?

Mr Barr—The whole review was focused on the secretariat's processes.

Senator SCHACHT—Not on the board?

Mr Barr—No.

Senator SCHACHT—Did it make any comment about the fact that several members of parliament had lobbied hard for the money to be given to the Green Phone concept? It says in your answer to question 238 that they are Mr Hawker, member for Wannon, Mr Forrest, member for Mallee, Mr McArthur, member for Corangamite, Mr Secker, member for Barker, Mr Ronaldson, the now former member for Ballarat, and Senator Troeth, senator for Victoria. Does it make any comment about the fact that they may have put pressure on you and the board or the government to give this grant?

Mr Barr—The report makes no comment at all about that. I would just comment that it is very common for members to support proposals that are submitted for NTN consideration.

Senator SCHACHT—I will not ask any more about the report until I actually read it and have a chance to come back. Many of the answers you gave to the questions I asked in February said, 'You will have to wait until the liquidator prepares the report,' on the collapse of the Green Phone project.

Mr Barr—Yes.

Senator SCHACHT—Do you have any idea when the liquidator is going to publish the report?

Mr Barr—No, but we are aware from the relevant South Australian department, to whom the report is submitted, that the liquidator has until 18 June 2002 and the liquidator could ask for a one-month extension beyond that.

Senator SCHACHT—So no later than 18 July, we might say, at the absolute outside?

Mr Barr—That would seem to be the case.

Senator SCHACHT—In terms of the loss, the figure you give here is that $1.5 million had been given to what I call the Green Phone project which has now disappeared. Have you made any application to become a preferred creditor to get your money back?

Mr Barr—The Commonwealth is not in the same position as others who have provided money to the project.

Senator SCHACHT—So we are at the end of the queue rather than at the front?

Mr Barr—No. The point to understand is that one of the grant recipients was the Greater Green Triangle Association, which subcontracted to Green Phone. So it is the association which is the creditor in the process with the liquidator. We have a separate direct grant with Green Phone Incorporated. In that instance I have written to the liquidator explaining the Commonwealth's unique position in that the grant funds were directed to Green Phone for a purpose; that they should have been maintained in a separate account; and that any unexpended moneys in that account should be returned to the Commonwealth. Those moneys are not available for distribution to other creditors.

Senator SCHACHT—How much is that?

Mr Barr—I don't know what is unexpended, but the payment we made was about $145,000.

Senator SCHACHT—You hope that some of that is still sitting there frozen and you might get it back?

Mr Barr—Correct.

Senator SCHACHT—And that is actually in Green Phone, not in Greater Green Triangle?

Mr Barr—Correct.

Senator SCHACHT—But the Greater Green Triangle had $1½ million?

Mr Barr—$1.4 million.

Senator SCHACHT—And it looks like that is all gone?

Mr Barr—It looks like it is at risk.

Senator SCHACHT—If you are an optimist, you would say at risk; if you are a pessimist, you might say it has disappeared down the black hole. In some of the questions I asked and

some of the answers you have given—I am not going to go through them all—one of the things that has emerged in the south-east is that some of the money that you granted was to buy what are euphemistically called the black boxes from Marconi to establish the physical network. It appears from the answers given and the information available that although you gave the money for them to buy the black boxes from Marconi, Marconi had a separate arrangement whereby they have now got the black boxes back because they were not paid, it appears, for the black boxes.

That leads me to a suspicion—and I only say 'suspicion'—that the money you gave for the black boxes to Greater Green Triangle, Green Phone or whoever they were was not actually spent on the purpose for which you gave them the money. It must have been spent on something else, because otherwise Marconi would not have got the black boxes back, saying, 'We haven't been paid.' Does that generally appear to be the case—that you gave the money for purchasing a specific set of equipment and Marconi had the wit to have a contract that said, 'If we don't get paid and it is liquidated, we get the black boxes back'? This means they do not sustain a loss—or not too much of a loss. Is that what we are looking at?

Mr Barr—It is a little premature to conclude that without the benefit of the liquidator's report. The situation, as I understand it, with the transactions involving the Marconi equipment is that the liquidator has legal advice which has determined that Marconi's claim is fair.

Senator SCHACHT—Because Marconi had not been paid for the black boxes?

Mr Barr—Because Marconi had not been paid in full for the black boxes. So it appears that they have been paid some proportion but they have not been paid in full.

Senator SCHACHT—Are you telling me that Marconi not only have got all their black boxes back, which they can resell, maybe at a discount for being marginally second-hand, but also they have collected some cash? They have come out of the deal extremely well. They have got their black boxes back and they have got some part payment. Is that correct?

Mr Barr—I do not know the total situation until we get the liquidator's report, but on the basis that the liquidator has determined that they can have the equipment back, the premise of your comment seems to be valid, yes.

Senator SCHACHT—So even if Marconi had been paid 90 per cent of the cost of the black boxes, because they had that contract they had not got the lot. They kept the 90 per cent and got the black boxes back, and all the other creditors can go whistle Dixie because there are no assets left. If that is the case it shows the credulity of everyone about the management, does it not, Mr Barr? I may be overstating it. I am not an accountant but this is an extraordinary proposition, if it is true.

Dr Stretton—Surely, Senator Schacht, rather than think about possibilities, we are better off waiting for the liquidator's report and then analysing it, given the facts that we have.

Senator SCHACHT—Okay. If it is true that all the money you granted to Greater Green Triangle and Green Phone for the purchase of the black boxes was not actually spent on purchasing the black boxes, and that is why Marconi has a claim. Is there any sense of fraudulent conversion, that they defrauded you of the money you gave them for a specific purpose and it was spent on something else?

Dr Stretton—Until we get the report it is very difficult to decide where to go next. We appreciate your point that there are a range of scenarios here which are far from ideal, but until we get the report you can come up with many possible scenarios.

Mr Cheah—Presumably, Senator, if there is any sort of indication there is criminal conduct involved, the liquidator will draw that to everyone's attention at the time.

Senator SCHACHT—I hope you will draw it to the attention of the Commonwealth Director of Public Prosecutions.

Mr Cheah—It may very well be that if it is that kind of criminal activity it is a matter for state law. This is exactly Dr Stretton's point: there are a range of possibilities here and we do not know what the answers are until the liquidator's report is received.

Senator SCHACHT—We await the liquidator's report with great interest. I just hope what I have outlined is not correct, because if it is correct the Commonwealth has taken an absolute bath and we have done taxpayers' money cold, on the big argument that we will sell half of Telstra and pay off public debt, plus $1 billion for improving telecommunications. The only people who seem to have done any good out of this is Marconi—they have got cash in the hand and their black boxes back. Secondly, there will be some characters in the south-east somewhere who may have been paid good salaries for a while while they collapsed a company, and the south-east had not got one iota of an improvement in broadband Internet services.

Mr Barr, when this proposition came forward did anybody at the secretariat consider that this was coming in because of the claim that Telstra has not provided enough capacity to develop for the local community, small business and local government the broadband capacity for Internet operation at a sophisticated level? Those are all reasonable arguments in a regional community. But did anyone from your end suggest that maybe if Telstra were not going to do it, you could say to them, 'Look, instead of spending $1½ million trying to establish your own network, as you are putting all the local government bodies as the basis of your business into one group why don't you do that and then put it out to tender to Optus, AAPT or Telstra to get them all to bid. Here is a guaranteed minimum amount of business, which is all the local government bodies of the Greater Green Triangle, and whoever wins the bid will pay us to get the business rather than have us dropping a minimum of $1½ million to $2 million that has now gone into a black hole.' Did anyone at the secretariat think that might be a better way to advise them to go?

Mr Cheah—There are a couple of premises there which might be worth commenting on first. The first is that what this was really about was just trying to look at those broadband needs. In fact, the BARN program is partly also on about trying to stimulate new market models for service provision. So one of the things that is looked at is whether or not there are new and innovative ways that services could get provided.

Senator SCHACHT—But you gave them close to $2 million.

Mr Cheah—The other point to be made about this process is that it was actually a three-stage process. We started off with a $50,000 grant to help councils and communities in the Greater Green Triangle area identify their needs.

Senator SCHACHT—That was Networking the Nation?

Mr Cheah—Yes, and then another $150,000 grant to help develop business cases. It was almost on the basis of those two previous rounds of work that we ended up getting, probably wrongly, as it turns out in retrospect, confidence that they had the ability and expertise to carry this forward. Another component which does get examined in these projects is whether or not there has been testing of the market. I think there had been some testing of the market, and an examination of what would be some of the better solutions for solving the communications needs of the region. That was in fact part of what the earlier grants had

examined. So some of the things you are talking about had been the subject of previous grants.

Senator SCHACHT—The previous grants paid for the feasibility studies et cetera and those studies were done by people employed by the Greater Green Triangle Association?

Mr Barr—Yes.

Senator SCHACHT—But you got copies of them, of course?

Mr Barr—Yes.

Senator SCHACHT—And you thought, after you got the two of them to the total of $200,000, that the business case stood up; therefore you sent them another $1½ million?

Mr Barr—There was actually a stage involving the seeking of reactions from the marketplace and a formal expression of interest, but there was no response from the existing carriers.

Senator SCHACHT—Did any of those studies put the option of saying, 'All the local council bodies in the Greater Green Triangle area have agreed to put all their business into one body; that is worth several hundred thousand dollars of telecommunications business a year; why don't we just ask, in a competitive market, each telecommunications company that is out there'—and there are several—'what they would bid to get that business'?

Mr Barr—That was the answer I just gave. There was a formal expression of interest but there was actually no response.

Senator SCHACHT—That is in one of those studies—that when they went out to the marketplace to say, 'Here is a local government group; as a base, you'll get this,' there was still no response?

Mr Barr—No response from the carriers to the formal expression of interest.

Senator SCHACHT—There are so many documents and material floating around now that I cannot keep up with it all. Those studies of which you have copies, have they been released in the south-east by the Greater Green Triangle?

Mr Barr—I do not know.

Senator SCHACHT—You do not have them with you?

Mr Barr—No.

Senator SCHACHT—Can you table those market studies that you funded to a total of $200,000 in two different stages? I do not think they are commercial-in-confidence any more; the company has gone bankrupt.

Mr Barr—I guess they were initially, but maybe that is the case. I will double check that and then we can—

Senator SCHACHT—If you can get hold of them today, I would greatly appreciate it.

Mr Barr—Yes.

Senator SCHACHT—I will not, in this case, accept commercial-in-confidence; that would be an outrageous suggestion. The only confidence we have here is as to how much money the Commonwealth has lost. When you release them, I suggest that you make enough copies available so that the people of the south-east, the various interested groups down there, can read them. On this issue, I presume you have received a fair number of requests from individuals and organisations in the media in the south-east of South Australia and the

Western District of Victoria about what the Networking the Nation secretariat knew about this whole project?

Mr Barr—No, not particularly.

Senator SCHACHT—Have you been following the media in the south-east of South Australia on this issue?

Mr Barr—I have seen some of the media coverage, yes.

Senator SCHACHT—Would you say that there is a fair bit of interest in the local media about it?

Mr Barr—It is very hard to judge what would be a fair level of interest. It has appeared in—

Senator SCHACHT—Have you ever noticed a country or regional newspaper reprint holus-bolus great transcripts of Senate estimates, all questions put on notice and the answers given? Have you ever seen that done in any other area of the grants that you have given right across Australia?

Mr Barr—Not to my knowledge.

Senator SCHACHT—No, neither have I. Even I have been surprised.

Senator Kemp—I saw a long article by Alan Ramsay on Senate estimates.

Senator SCHACHT—Listen, we will be back to the National Gallery later this week.

Senator Kemp—On you, Senator.

Senator SCHACHT—Absolutely.

Senator Kemp—That is what I remember.

Senator SCHACHT—I know. And he failed to mention in the article, although I told him before he wrote it, that Comcare had found that the National Gallery of Australia had been breached under the occupational health and safety act over the way they sacked a person.

Senator Kemp—I am sure we can return to that, Senator. I just wanted to say that there has been some interest, from time to time, on questions that have been asked and answered.

Senator SCHACHT—Of course, and I am delighted Mr Ramsay has given it the publicity it deserves, but not necessarily about his sense of justice in the matter.

Senator Kemp—Okay.

Senator SCHACHT—Because of that, Mr Barr, I think it would be at least in your own interests, if not the community's interests, for you to make those documents available immediately—and I can see no reason why they cannot be tabled—for dissemination in the south-east. I think that is only fair. Every time I have been to the south-east, there is only one question that people at all levels of the community want to ask me: what has happened to our money and what has happened to Green Phone?

Mr Barr—The answers to those questions will have to await the liquidator's report.

Senator SCHACHT—Yes. People have been very patient, but I can assure you that, in the south-east, there is a fair bit of angst that a project that was obviously oversold to the community has collapsed with a loss of taxpayers' money. In the process when you were looking at this you went through the two stages of feasibility and spent $200,000 and then you provided the $1½ million to the Greater Green Triangle organisation.

Mr Barr—$1.4 million.

Senator SCHACHT—Nearly $1.5 million: $1.4 million—thank you for correcting me. At any stage before they called in the liquidator did you get any information, or pick up on the gossip around the place, or did anyone ring you before it was liquidated to say, 'Look, there is a real problem emerging with this project'?

Mr Barr—We first became aware of the cashflow problems of Green Phone in, I think, August 2001, when the committee of management sought a meeting here in Canberra.

Senator SCHACHT—They turned up and said, 'We have a cashflow problem,' and they asked you for more cash, to put it bluntly.

Mr Barr—They asked Networking the Nation whether the board could provide more cash, yes.

Senator SCHACHT—How much did they ask for?

Mr Barr—I think they asked for $1.5 million.

Senator SCHACHT—On top of the $1.4 million you had already given them?

Mr Barr—On top of the $1.4 million we had already given Greater Green Triangle. The point to understand, I guess, is that we never undertook to provide operating expenses for Green Phone. Our grant was for the black boxes, as we have called them.

Senator SCHACHT—When they turned up, up until that time you had had no information, no informal advice, comment or sense that this might be going off the rails?

Mr Barr—No.

Senator SCHACHT—Not even when they went through this long period of gestation, of having an interim board, an interim committee which took time, and all of that, and when it took a long time to even get to the stage of having a dedicated Green Phone board, charged with the management of the actual project, with proper directors?

Mr Barr—No. They had submitted their first progress report and the progress at that time was assessed to be adequate.

Senator SCHACHT—When was that?

Mr Barr—That would have been very early in 2001. Their second progress report would have been due at the end of June.

Senator SCHACHT—Did you get that?

Mr Barr—We did not get that.

Senator SCHACHT—When you did not get it, did that ring a bell? Did you make a phone call about why you did not get it?

Mr Barr—The grant recipient, of course, is the Greater Green Triangle, and our approach was to them. They explained that they had been having some trouble retrieving information from the Green Phone board. And it was not long after that, in August, that they approached us directly.

Senator SCHACHT—The Green Phone shares were to be held as a trust, with the local government bodies in South Australia having, I think, one share—

Mr Barr—One unit.

Senator SCHACHT—and the Victorian local government the one from Victoria.

Mr Barr—Yes.

Senator SCHACHT—But the Victorian local government organisations never took up their share—is that correct?

Mr Barr—That is correct.

Senator SCHACHT—Did you ever know that, that they were dragging their feet in coming to the party in taking up their share?

Mr Barr—We understood that there were requirements that had to be met under the Victorian local government legislation and that required the approval of the Victorian minister and the Victorian treasurer, and that those approvals had not been obtained before the entities—

Senator SCHACHT—When did you become aware that there was a delay in the Victorian approvals being granted to their local government body?

Mr Barr—I could not say.

Senator SCHACHT—Was there any warning or any suggestion that the approvals were not forthcoming because someone in Victoria—better than even us at the Commonwealth level—had sniffed out there was something wrong in the way this project was going and that they were not going to commit themselves by signing up and maybe therefore being liable for debt?

Mr Barr—No.

Senator SCHACHT—I now go back to a generic question about the management of Networking the Nation: what sort of monitoring do you do generally on projects that you fund? Seeing the government claims $1 billion has gone out on this project it is not an inconsiderable sum.

Mr Barr—Each deed that we have in place—

Senator SCHACHT—Was there ever a deed in place with this?

Mr Barr—Yes, of course.

Senator SCHACHT—With whom—the Greater Green Triangle?

Mr Barr—Yes, for the black boxes.

Senator SCHACHT—But the black boxes are actually now owned by Marconi, not by us. It is a great little deed. You had a deed that did not protect the Commonwealth. How could you sign a deed that let another company keep the black boxes, even if they got 90 per cent payment, if our money was used to buy them? It must be a pretty strange deed of protection. Can you explain that to me?

Mr Barr—It is a standard deed. The grant recipient is the Greater Green Triangle. Once we know the situation of Green Phone and what the Greater Green Triangle Association might recover as a creditor of Green Phone, then we can look at what the situation might be as between the Commonwealth and the Greater Green Triangle Association.

Senator SCHACHT—So there might be a breach of the deed by them?

Mr Barr—We will have to wait and see.

Senator SCHACHT—You will have to look at that and then take action if there is a breach—I hope, I trust, I beg, I pray.

Mr Barr—It will of course depend on the circumstances and what seems—

Senator SCHACHT—I have one more question then I will wait until I get the report during the day before coming back to the department. Since the collapse of Green Phone, or even moving towards August of last year when it collapsed, have Telstra or anybody else improved the capacity of broadband services, Internet connection et cetera, to the south-east of South Australia and the Western District of Victoria?

Mr Cheah—We would have to take that on notice.

Senator SCHACHT—I am told that—irony of ironies—Telstra has provided the increased capacity for its own reasons—commercial, I presume.

Mr Cheah—There are possibly several explanations for that, including the fact that maybe Green Phone acted as a bit of a trigger, through the threat of competition—

Senator SCHACHT—Threat of competition! Spare me.

Mr Cheah—There are also the contestability pilots in that area, so, again, at least the threat of competition exists. That has always been one of the arguments for introducing things like contestability. If you do not get real competition, at least the incumbent—

Senator SCHACHT—It is a good effort that you are putting on, but I have to say that, on that basis, we should be losing $1½ million from Networking the Nation in every region of Australia and then saying to Telstra, 'Look, we are going to lose $1½ million threatening to bring something in. Hopefully, you will step in and improve it anyway.' I think that is a pretty long string to a very long bow.

Mr Cheah—It is possibly an argument for trying to stimulate competition in some of those regional areas, though in this case—

Senator SCHACHT—We do not have to lose $1½ million to stimulate competition. Surely there must be a better way to do it than that.

Mr Cheah—Indeed, Senator.

Senator SCHACHT—Indeed, yes. I look forward to the report when it is tabled, I hope, in the next half hour or so and I can read it and come back for a couple more questions at the end. Thank you. Thank you, Mr Chairman, for your courtesy.

CHAIR—It is always a pleasure.

Proceedings suspended from 10.47 a.m. to 11.10 a.m.

Dr Stretton—Mr Chairman, before questioning resumes, perhaps I could formally table the report that Senator Schacht asked for previously.

CHAIR—Thank you very much, Dr Stretton. 'Networking the Nation: Review of grants provided to Greater Green Triangle Regional Association and Green Phone Inc. in South Australia' is tabled. It should now be available for reading by Senator Schacht and any other members of the committee who so desire.

Dr Stretton—Senator, perhaps I may suggest that we go to the grant to Australia Post and work our way down. My colleague Mr Thomas will talk to you about the grant to Australia Post.

Senator LUNDY—Yes, please.

Mr Thomas—The purpose of the funding for this grant is to increase inspection of mail into Australia to 100 per cent. This is part of the safeguards against entry of exotic pests and disease into Australia. The program has been rephased. The initial expenditure was $20 million for 2001-02. This has turned out to be $6 million and a $14 million reduction. An

amount of $8 million has been transferred to the expenditure for 2002-03 and $6 million to 2003-04.

Senator LUNDY—When you say 'rephased', it is really an underspend in the first year, and then you just push that money out across the outyears again?

Mr Thomas—That is correct. The initial amount of funding was dependent on Australia Post finding an appropriate building in Sydney to house the inspection. They have had considerable difficulty in doing that, and they are undertaking to do that as quickly as possible. So it was decided that, to allow that to occur in the next financial year, there would be rephasing of the grant program.

Senator LUNDY—Did I hear you correctly in that you said it currently has $21 million in this forthcoming—

Mr Thomas—Sorry; it has $20 million for 2001-02. The actual expenditure is now going to be $6 million, a reduction of $14 million. For 2002-03, it was $13.2 million; it is now $21.2 million.

Senator LUNDY—So it has just been lifted straight across into the next financial year.

Mr Thomas—That is right, into the next two financial years.

Senator LUNDY—Sorry; all I have is the next financial year. So what is the—

Mr Thomas—For 2003-04, $6 million of the—

Senator LUNDY—Is that over and above the $21 million?

Mr Thomas—The $21.2 million expenditure will now occur in 2002-03. So $8 million from the reduction this financial year has been transferred to 2002-03, and then $6 million from the saving from this financial year has been transferred to 2003-04.

Senator LUNDY—Thank you. Where does that fit in under the outcomes of this particular section?

Mr Thomas—I would imagine that it is part of the overall outcomes for the administered programs.

Dr Stretton—I do not quite understand. It is under outcome 2, and there is only one output under outcome 2. So I am not quite sure of your question; I apologise.

Senator LUNDY—It just seems to be quite different in character from most of the other programs in this section.

Dr Stretton—It clearly is. It was a program devised to deal with a specific problem, which is not something that we were anticipating. In a sense, it was a grant and we now have a deed with Australia Post—

Senator LUNDY—And because it is Australia Post, it is automatically under this.

Mr Thomas—That is it, yes.

Dr Stretton—so the money came to us. We then pay it to Australia Post, once the deed is signed.

Senator LUNDY—Thank you.

Mr Thomas—We have the involvement of the border agencies AQIS and Customs as part of the checking procedure, but the achievements are made against the expenditure.

Senator LUNDY—What about the Regional Equalisation Plan? I am sorry; is that all you wanted to tell me about the grant to Australia Post?

Mr Thomas—That is all.

Dr Stretton—Yes.

Ms Page—The Regional Equalisation Plan is a program that was introduced in the 2000-01 budget. It is a program that generally enables commercial television broadcasters to gain about 50 per cent of their digital conversion costs by way of a licence fee rebate. In relation to some of the very small licensees—the licensees who occupy what are known as solus markets, where there is only one licensee—the level of their rebate is so small that, if they had a rebate on their costs, it would be some years before they would have sufficient funds to fund their digital conversion costs. So, in those cases, the government had announced that it would provide grants to those licensees. That payment of $300,000 is the first of the grant payments out of the $260 million that has been made available under the Regional Equalisation Plan for the progressive digitisation of those solus licensees.

Senator SCHACHT—I thank the department. I now have the report and I have been through it quickly. There are a number of questions I want to ask and, with agreement, I will be back at 12.30. Could you please make sure that Mr Barr and officers are available at 12.30? Again, I thank the department for getting the report to me so quickly.

CHAIR—Okay then, 12.30.

Senator LUNDY—Has there been any 'rephasing', as you put it, for that plan?

Ms Page—The Regional Equalisation Plan has been reduced by a total of $1.3 million over each of the next four years, and that is because the overall costs of digitisation for some broadcasters have been reduced. The initial estimates were based on a classification of some of those broadcasters being regional broadcasters; they have since been classified by the ABA as 'remote'. Remote television broadcasters do not have the same level of digital conversion obligation on them as regional ones, and so savings have been able to be made in terms of the level of licence fee rebate that those licensees would be likely to claim.

Senator LUNDY—If I had not asked you that question, where could I have found described the information about the $1.3 million reduction for that program?

Ms Page—It is a savings measure. I can take it on notice for you, but it will be elsewhere in the PBS here, I think.

Dr Stretton—Because it is a reduction in revenue rather than a reduction in outlays, it is not here as a measure under outlays. But we will find out where it is and come back to you.

Senator LUNDY—Thank you. I know that Senator Conroy has questions about television blackspots, commercial radio blackspots and the Telecommunications Action Plan for Remote Indigenous Communities, and I might leave them for him to pursue. He also has more questions about the TSI response.

Dr Stretton—Shall we do the ICT Centre of Excellence? That is on the next line.

Senator LUNDY—Yes, I have a lot of questions on that. I just want to tick off some others. We have not talked about the international organisations contributions, the $5 million. Can you give me a brief description of what that allocation is for? It is pretty self-explanatory, I think.

Dr Stretton—Yes.

Senator LUNDY—Maybe you could take on notice to provide the details.

Dr Stretton—I am sure Mr Cheah can tell you—or can anyone else?

Ms Page—We will take it on notice.

Dr Stretton—The international organisations contribution: who is that for?

Mr Cheah—That is for the ITU, International Telecommunications Union, and the Asia Pacific Telecommunity. Australia makes contributions to both those organisations. It is largely funded out-costs that are recovered then from carriers—at least the ITU contributions are.

Senator LUNDY—So the carriers pay for it and then they get the money off you.

Mr Cheah—We pay the money and we cost-recover from the carriers.

Senator LUNDY—So we are back to where we started with the Telstra Social Bonus and the RTIF funds.

Mr Cheah—Senator, there are three sorts of programs that have several subcomponents to them—we were hoping to have a table ready for you, but it is still being worked on at the moment—and they are the Telstra Social Bonus 2 moneys, the Regional Telecommunications Infrastructure Fund and the Telecommunications Service Inquiry response. I think it would be preferable if perhaps we could deal with those three items collectively at the end. As the other items are individual programs, I think it would be easier for everyone to understand.

Senator LUNDY—That is fine by me. Let us go to the ITC Centre of Excellence. Just to clarify: does this come under output 2.1? I am still trying to get my head around how you separate IT and telecommunications within the department. Perhaps you could tell me how that works.

Dr Hart—Page 21 of the PBS explains that the functions that are directly related to industry policies for the ICT sector are being returned to the department, and that includes the Centre of Excellence. That output is reflected on page 49. The figure that you have on the table at page 47 is the appropriated funds for 2002-03. That is the full appropriated administered funding for that program, which has been transferred as originally appropriated.

Senator LUNDY—Just to talk more generally about that reorganisation, where do programs like BITS, the industry development associated with IT outsourcing and the ICT Framework for the Future Committee, now fit in with the different outcomes in the department?

Dr Hart—The programs have always stayed with the department. There was a range of functions that were administered by NOIE, including the Centre of Excellence, which really had to do with the innovation base for the industry and the policy. That was once in the department, it went for a while to NOIE, and it is now returning to the department. The department will now have all of those functions consolidated, which I guess will allow increased support through that consolidation.

Senator LUNDY—Could you perhaps start from the top and describe how all of those IT industry development components of your work now within the department fit together? As you go through them, would you identify which ones have come from NOIE in the restructuring?

Dr Hart—With the range of programs that you have often raised in estimates before—such as the BITS program, Intelligent Island, the ANP, the Testit program, the Launceston broadband project—they have always been in the department and they will remain with the department. As I said, there was a range of policy functions that largely had to do with the innovation base—including matters such as taxation and venture capital support; and industry analysis issues, such as the sectoral aspects of the industry, measures to support the growth of the industry and factors that impact on its international competitiveness—that were with

NOIE. They are now returning to the department. I guess the Centre of Excellence is the cornerstone of that support for the ICT industry, and that too is coming back to the department. The Framework for the Future, which you mentioned, is also being supported by the department, and the return of those policy functions enables us to focus on that. But I should say that there is obviously going to be an ongoing need for cooperation with NOIE, and NOIE will be working with the department both on the Framework for the Future and the Broadband Advisory Group process.

Senator LUNDY—So it has really been a consolidation of all of those areas of innovation policy and IT industry development coming back from NOIE into the department, and I presume that includes the policy in it driving all the initiatives.

Dr Hart—That is the case, yes.

Senator LUNDY—And that is all under outcome 2 in output—

Dr Hart—That appears on page 49, 'Support for the development of the ICT sector'.

Senator LUNDY—What about Government Online?

Dr Hart—That function is moving in the other direction. I am sorry; when you say 'Government Online', do you mean information access?

Senator LUNDY—No, not specifically.

Dr Hart—Government Online will remain a core NOIE function.

Senator LUNDY—From recollection, some aspects of Government Online were in the department. There was a capabilities database for the IT industry?

Dr Hart—No; I think that has always been with NOIE as well.

Senator LUNDY—Please flag it with me if I start heading in a direction where it is NOIE. NOIE is after the department this round and so, if I cross over the ground, I will have an opportunity to pursue it later with NOIE. What was the logic or thinking behind the change in organisational structure between NOIE and the department? I do not know whether this is a policy question—it probably is—but I am trying to get an insight into why the government decided to change the arrangements with NOIE and build up the role of the department in these areas.

Dr Hart—I think it was very much the rationale that the CEO of NOIE went through at the last estimates. On the one hand, it enables the sort of concentration on ICT industry development in the department because they are all in the one place. It eliminates, I guess, any possible confusion there was about whose responsibility it was. The other side of that coin is that it really enables NOIE to focus on its core role of addressing the strategic drivers of the information economy and encouraging the take up of new services and the applications.

Senator LUNDY—When you say 'strategic drivers' of the new economy, my interpretation has always been that a key element of that was ICT industry development. But now that has all been pulled back into the department.

Dr Hart—With those issues that relate to the development of the industry per se, there will be a lot of matters to do with, for example, linkages between the industry and other service areas—health, for example—which, on the applications and service delivery side, will remain with NOIE.

Senator LUNDY—So it is a far more practical interpretation of what a key driver is rather than sort of an economic interpretation of what a key driver of the growth of the information economy is.

Dr Hart—I just think it is that NOIE takes the broader and longer term view about all aspects of communications, and the ICT sector is just one of them that impacts on the information economy. Those issues that go to the development of the industry per se are in the department.

Senator LUNDY—I have to say that I am still having trouble following the logic. If NOIE is supposed to be about the long-term future of the information economy in Australia, then the ICT Framework for the Future Committee implies that it is about forward thinking, as does the ICT Centre of Excellence. I think it is just a semantic issue here, but it is important because NOIE has always been presented to the community as being the forward-thinking group. But now I am seeing really crucial programs that are about being forward thinking and strengthening our economy and growing the ICT sector actually in the department.

Dr Hart—But the programs, with the exception of Centre of Excellence, always were in the department. You might want to take it up with NOIE later, but at the last estimates I think Mr Rimmer gave a good articulation of the rationale for NOIE's functions. The Framework for the Future exercise is symbolic, if you like, because there are a number of processes going on under that. There is a mapping exercise that the department is responsible for, which is about where the current industry is at. There is a forecasting exercise that is looking forward about where the industry needs to be and what are the things that are going to drive it looking into the future. NOIE will be looking after that aspect of the framework exercise, actually managing the foresighting activity. That is a good example of the kind of relationship that we have between the department and NOIE.

Senator LUNDY—Obviously I want to go through all of those in more detail. So perhaps we should start with the ICT Centre of Excellence, given that it is on the list of appropriations. Having been aware that the original allocation was some $8.8 million, one of my concerns about that particular program is that, with the portfolio budget statement saying $7.3 million, the remaining $1.5 million is within resourcing in the department.

Dr Hart—That is correct.

Senator LUNDY—Can you show me where that figure would be found?

Dr Hart—The figure, as such, does not actually appear in the PBS. It has always appeared in all the public documentation about the Centre of Excellence. It is simply part of the departmental running costs.

Senator LUNDY—What proportion of the outyears' allocations for the ICT Centre of Excellence will be spent by the department?

Dr Hart—Approximately $3.6 million over the life of the five-year cycle of the centre.

Senator LUNDY—Can you give me the breakdowns for each year? Perhaps just give me a couple.

Dr Hart—I can give you the amount; I cannot give you the percentages for each year. In 2001-02, it was 1.5; in 2002-03 again it is 1.5, as you said. It drops as we move forward because that is the way that grants administration usually works. In the remaining outyears it is 0.7, 0.5 and 0.5.

Senator LUNDY—Can you remind me of what the budgeted outyears' expenditure is on the ICT Centre of Excellence?

Dr Hart—Including the ARC contribution, in 2002-03 it is at 16.1; it is 23.3 in 2003-04; it is 34.9 in 2004-05; and it is 47.5 in the final year. Overall, that gives you the full 129.5. The total of the running costs over that period is $4.7 million which, as I say, is 3.6 averaging out.

Senator LUNDY—What do you spend $1.5 million on in this forthcoming year? I know it is higher than the normal proportion of administrative costs to the ratio of a particular grants program, and so can you justify what is quite a significant amount?

Dr Hart—It is really all of those things that go to setting up a significant project like this. I mean, 1.5 last year reflected the selection process, the need to have overseas advisers and so forth. This year it reflects the putting together of the grant and establishing the monitoring and accountability arrangements. Those things diminish. As the program gets up and running, it becomes purely much more of a simple monitoring operation.

Senator LUNDY—Did you fully expend the $1.5 million in this current financial year?

Dr Hart—The function is coming to the department for the next financial year. I cannot give you any details of the breakdown for the last financial year.

Senator LUNDY—But that will become available in your annual report, I presume?

Dr Hart—I would imagine so, but you might like to take that question up with NOIE.

Senator LUNDY—And that is because NOIE have handled it to date?

Dr Hart—They have handled the selection process, yes.

Senator LUNDY—So they spent the $1.5 million?

Ms Page—Senator Lundy, you asked earlier about the location of the advice in the PBS on the changes to the Regional Equalisation Plan rebates. That appears on page 113, because they are rebates against revenue that would otherwise have been collected by the ABA.

Senator LUNDY—Thank you. I am sure I would never have found it. With the selection process for the Centre of Excellence, I cannot remember seeing too much about the original criteria. Do you have a copy of the criteria that were used to assess the applicants for the Centre of Excellence?

Dr Hart—They are probably on the web site, but that would be a question best addressed to NOIE since they have handled—

Senator LUNDY—So all questions about the process to date—

Dr Hart—The actual selection process to date, yes.

Senator LUNDY—That is easy; I can wait for NOIE. Can you tell me whether or not it is the government's intention for the successful applicant—we now know it is the national bid—to be a self-sustaining Centre of Excellence by the time government funding has completed its course?

Dr Hart—Again, I think that question is probably best addressed to NOIE.

Senator LUNDY—I would not have thought so. It is the department that is allocating the money, and the money stops in, what, four years?

Dr Hart—Yes.

Senator LUNDY—So oughtn't you be in a position to know whether or not you are going to be required to continually fund the Centre of Excellence?

Dr Hart—Certainly your premise is the one we are proceeding on—that that is certainly the case.

Senator LUNDY—That it will be self-sustaining?

Dr Hart—As I understand it, yes.

Senator LUNDY—Has the department had any involvement in the selection process, or is it literally that once the decision has been made you pick up the program?

Dr Hart—No, the department was consulted through the process. It was set up as a joint exercise. But, as a matter of practice, the major responsibility for the selection process has been with NOIE, just as the major responsibility for its ongoing operation will be with the department.

Senator LUNDY—So you are in a position then to answer some questions about the selection process?

Dr Hart—No, they would be better addressed to NOIE.

Senator LUNDY—But you were involved?

Dr Stretton—They are responsible; I think questions on that should go to NOIE. We can be here when those questions are asked—

Senator LUNDY—Sure.

Dr Stretton—but I think it is best that they are asked while NOIE are here, if that is okay.

Senator LUNDY—I want to ask you the nature of your involvement during that process.

Dr Hart—There has been a high-level involvement. The secretary was kept informed of progress with the exercise throughout its life. We were given briefings on progress with the selection process and so forth. I just think it is better that matters of detail are addressed to NOIE. The department will be closely involved as we move forward with the deed, putting the deed together. Obviously we will have an interest in administering that deed, and so we will be closely involved in the negotiation of it.

Senator LUNDY—Obviously the selection process with the ICT Centre of Excellence would have involved a lot of discussion with not only the successful bidder but also the other bidders. How is the transfer of the corporate knowledge of that process going to occur between NOIE and the department to make sure that people's expectations are, in fact, the same?

What I am concerned about is that, because all of those dealings were primarily with NOIE between the bidder and, indeed, the other participants, this transfer of responsibility will effectively be used at some point in the future as justification for a shift in both the stated and desired outcomes of the program, either on behalf of the government or, indeed, it could work against the government on behalf of the successful bidder. So how are you going to make sure that there is absolute consistency in the expectations that were agreed with during the selection process and flow that into the actual implementation?

Dr Hart—One of the practical means for that is that the people will be transferring with the function.

Senator LUNDY—They will be moving across?

Dr Hart—Yes.

Senator LUNDY—So people involved in the selection—

Dr Hart—Yes. As I say, the department has been fully consulted through the process. We have not had that hands-on, day-to-day involvement with it, but the people who have had that hands-on involvement are transferring with the function, and there will be ongoing consultation with the NOIE executive, as there is on a whole range of issues. I think it is perhaps a matter of misunderstanding the relationship between the department and NOIE. It is

rather like I was saying about the F3 exercise: they are very much exercises which are coordinated on a day-to-day basis.

Senator LUNDY—What will be the nature of your consultation with the bidder now? How will you set that up as far as officers are concerned within the department?

Dr Hart—As soon as the deed has been negotiated—is that what you mean?

Senator LUNDY—Yes.

Dr Hart—The officers who have had carriage of this all the way through will be involved in negotiations with the winning bid.

Senator LUNDY—And once that deed has been signed, what sort of overseeing arrangements will be in place from the department?

Dr Hart—Just in the same way that we would oversee any of the programs that we administer—there will be the same core group of people who monitor the progress on it and ensure that milestones are met, and make the payments accordingly.

Senator LUNDY—In terms of the level of accountability of those processes, will you be producing reports on whether or not milestones will be met? For example, what would be the accountability mechanism to ensure that the bidder has achieved their key performance indicators as they move into their project, and what is the parliamentary accountability mechanism to ensure that that occurs?

Dr Hart—There will be reporting, as there is with all the other programs that we have normally reported to the parliament on, based around the compliance with the deed, and we have not thought this through yet, but I imagine it would be an annual report.

Senator LUNDY—An annual report?

Dr Hart—I would imagine so.

Senator LUNDY—And what about quarterly reports to the department?

Dr Hart—We are sort of getting ahead of ourselves. I think it really depends on the way that the deed is structured.

Senator LUNDY—And how will citizens know that their taxpayers' money is being spent wisely? Will they have to rely on, as you say, these reports being made publicly available? Is that the only mechanism?

Dr Hart—I do not think there will be anything unusual about this program. It will be as transparent as all the other programs are. One thing I should have mentioned is that, in addition to the department, the other body that is involved with this is the ARC, and because it is co-funded through the department and the ARC, there will be compliance with all the ARC requirements as well.

Senator LUNDY—Just remind me how much the ARC is putting in.

Dr Hart—$62.5 million.

Senator LUNDY—And how is that spread across the outyears?

Dr Hart—Those were the figures that I gave you before.

Senator LUNDY—Right, so the ARC component was built into those?

Dr Hart—It was built into that, yes. I do not have the breakdown year by year but I can provide that.

Senator LUNDY—If you could, thank you. And what involvement does the ARC have then in overseeing this project?

Dr Hart—It will be co-administered and we will be developing the funding deed with the ARC as the third party in the arrangement.

Senator LUNDY—So they would be a signatory to that deed as well?

Dr Hart—Yes, they would.

Senator LUNDY—How many members of the ARC are also on the selection panel?

Dr Hart—I am not sure, Senator. That is another question that is perhaps best asked of NOIE.

Senator LUNDY—Was anyone from the department on the selection panel?

Dr Hart—No.

Senator LUNDY—Can you tell me who was on the selection panel.

Dr Hart—I do not have the names with me. I can remember some of them but again I think to get the complete list it would be better to ask NOIE that question.

Senator LUNDY—In terms of the objectives about the ICT Centre of Excellence, there has been quite a bit of reporting in the media and public statements about what it is hoped to achieve. Are you in a position to articulate the primary goals of this policy?

Dr Hart—I think there is an article in today's paper in which the minister is setting out quite a number of goals for the projects, including really being a cornerstone, as I said before, of the innovation base for R&D in the country. It will employ a significant number of people over its life and really will provide a centre which Australia has never had before for that kind of ICT-R&D activity.

Senator LUNDY—To what degree is the ability to commercialise research and development a key objective of the centre?

Dr Hart—It is.

Senator LUNDY—And to what degree are the R&D programs within the centre actually geared up to effectively commercialise what they are producing?

Dr Hart—That would have been a factor that was taken into account during the selection process. I do not have the selection criteria. As I said, that would be one of the things to take up with NOIE, but I imagine that would be one of the factors that was looked at very closely and I would imagine was reflected in the selection criteria.

Senator LUNDY—And as far as your measures go of the success or otherwise, will you be looking at the number of businesses created or start-ups created out of a commercialisation process as one of the key performance indicators?

Dr Hart—I would imagine that is something that might be looked at in drawing up the grant deed, and what the milestones might be.

Senator LUNDY—But surely that would have been a part of the bid. That would have been articulated as part of that.

Dr Hart—I am in some difficulty, Senator, because I was not privy to the bids, for obvious reasons.

Senator LUNDY—Yes. I guess this was the point I made before about what expectations have been created up to this point through the selection process handled by NOIE and with

what degree of effectiveness they are actually handed over to the department now. Obviously, the deed of agreement is a key document in articulating those goals, and one way certainly that I think it would help bring some clarity is to make sure that that deed of agreement articulating those key performance indicators is in fact made public. Do you know whether or not it will be made public?

Dr Hart—The deed?

Dr Stretton—It would not be normal, I don't think, Senator, no.

Dr Hart—No.

Dr Stretton—But it seems to me that, as you say, and as my colleague said previously, the same people in NOIE who were working on this are moving into the department, so there is that issue, and then in the deed you would expect that it does spell out very clearly the objectives, and I would imagine that we would be working closely with NOIE in developing the deed; in addition with the successful candidate. So while I understand conceptually the problem, I think we have covered the bases as best one could possibly do.

Senator LUNDY—I will take your advice and come back to this when NOIE is also at the table.

Dr Stretton—Yes, that is fine. I think these questions are best left for NOIE, as there is a lot of repetition.

Dr Hart—It is perhaps worth saying that there have been strong commercial-in-confidence and strong confidentiality arrangements around the bids and that is reflected in the information that we have to date about the detail.

Senator LUNDY—I guess that is part of my question, too: now that the bidder has been decided and you do have a winning consortium, I am looking for as much information as possible so we can have some idea of what kind of accountability mechanisms will be available. We know what the key performance indicators are, so next year I can say, 'Have they achieved them?' and not go through this exercise of trying to work out—

Dr Hart—Absolutely. We will have them by then.

Senator LUNDY—All right. Can I go now to the ICT Framework for the Future Steering Committee. The Framework for the Future Committee was announced at the World Congress of IT?

Dr Hart—Yes.

Senator LUNDY—I understand that there have been some changes in the constitution of the membership of that committee, including the passing of one of the esteemed contributors to our IT industry, Norm McCann. Can you outline for me the changes that have taken place to the membership of that committee, not just as a result of Mr McCann's passing, but also additional members that have been appointed.

Dr Hart—I think the new members, since the original list, are: Dr Terry Cutler, Chris Howells of Redfern Photonics, and Daniel Petre. They are the three people who have been added to the list since the original one. I think that is right.

Senator LUNDY—Who were the original members before those?

Dr Hart—I do not think Tony Benson was on the original list. The full list is: Roger Allen, Tony Benson, Ian Chessell, Ric Clark, Terry Cutler, Dr Geoff Garrett, John Gwyther, Chris Howells, Peter Kazacos, Paul Lazarou—

Senator LUNDY—Sorry, who were those last two?

Dr Hart—Peter Kazacos and Paul Lazarou. The other members were: Linda Nicholls, Daniel Petre, Professor John Rosenberg and Brian Wilson.

Senator LUNDY—When the committee was first announced there were some reflections publicly and otherwise by organisations that entrepreneurs and small SME managers and directors of SMEs were not strongly represented. Which of those appointees does the department think represent that particular sector of the Australian ICT industry?

Dr Hart—Tony Benson has been a long-time advocate of SME interests. He has written reports in the past about the SME sector and he is certainly a strong advocate for that sector on the committee.

Senator LUNDY—Does he work in an SME?

Dr Hart—He is currently the Chairman of Software Engineering Australia. But, yes, he has a number of companies himself. Peter Kazacos is a managing director and founder of Kaz Computing Services.

Senator LUNDY—Any others?

Dr Hart—They are the main ones. There is also Chris Howells of Redfern Photonics. Of course, the industry association members represent the full range of interests as well. John Gwyther from the AIIA is on the committee.

Senator LUNDY—Well known for their advocacy of SMEs—not! Are you sure that is a full list?

Dr Hart—I am pretty sure, Senator.

Senator LUNDY—Can you check that for me?

Dr Hart—Certainly.

Senator LUNDY—Not now, but in the course of the day. How many people are on it—13? Who is the chair?

Dr Hart—The minister.

Senator LUNDY—The minister is the chair—14. Who is the deputy chair?

Dr Stretton—There should be 15, including the minister, so you must have missed one.

Dr Hart—Fifteen, including the minister, yes.

Senator LUNDY—I have missed one then.

Dr Hart—Did you get John Gwyther the first time, Senator?

Senator LUNDY—Yes, I got John Gwyther.

Dr Hart—I can certainly give you a copy of this list. It is on the web site, but I can give you a copy.

Senator LUNDY—Okay. Have they met?

Dr Hart—Yes, they have had one meeting and there is another meeting on 12 June.

Senator LUNDY—Are they meeting monthly?

Dr Hart—There are about five planned between now and the end of the year.

Senator LUNDY—It is due to finish up at the end of the year, is it not?

Dr Hart—It is.

Senator LUNDY—What are you hoping to achieve?

Dr Hart—There will be a report to government at the end of the year on the strategies which all the members—and that includes the government members, the industry members, the R&D representatives—feel are necessary to underpin the development of the industry as it moves forward over the next five to six years.

Senator LUNDY—Is that the scope—five to six years?

Dr Hart—Five to 10 years, sorry.

Senator LUNDY—Five to 10 years. Earlier this year I think Peter Slipper made the announcement at an outsourcing conference about negotiations with industry—that work on the industry development aspects of IT outsourcing were not going to be continued in the form of the draft SPIDA agreement, but that that issue would be rolled into the considerations of the ICT Framework for the Future Committee. Can you tell me what happened to the draft SPIDA agreement and what is happening with that issue now?

Dr Hart—It is moving forward in parallel with the F3 process. It is currently being reviewed. It was always anticipated, when the draft SPIDA program was put out, that it would be further developed in consultation with all stakeholders and with further industry consultation. That has been happening and the process is moving forward. Another commitment which we need to ensure we go through before there are any further announcements on the program is a commitment to further consultation with the states and territories. We hope to be doing that in the near future, too.

Senator LUNDY—Following the release of the independent Humphry review into IT outsourcing last year, the government gave a very strong commitment—and a commitment that was widely welcomed, certainly by Australian SMEs—that they would look specifically at reducing barriers to SME involvement in government contracts. The government at the time very clearly said that the process of consulting on the SPIDA agreement related directly to removing those barriers. Given the SPIDA agreement has not been seen on your web site since late last year, what is happening with regard to this government's commitment of, I think, March or February last year, that they would move very quickly to remove those barriers to participation by SMEs?

Dr Hart—Again, the SME inhibitors response is another side of the SPIDA development program. That is being moved forward at the same time. The commitment was to develop an action plan and that was to form a new industry-government working party on these matters. A commitment to develop that action plan was made at the time of the release of the IT development framework back in April and, as you say, it was part of the government's response. We have been working through the responses that we got to the action plan and have identified the full range of inhibitors and we are currently developing a package of measures to directly address those inhibitors.

Senator LUNDY—In other words, industry have not seen anything from the government?

Dr Hart—No, we have been closely consulting with industry on the SME inhibitors action plan. At the same time, we have been consulting on the SPIDA program.

Senator LUNDY—How long does it take to consult? Last time I saw the SPIDA draft agreement, it was being promoted that that consultation had actually occurred, and what happened was that the bigger companies were unhappy with the outcome so the whole lot was dumped. I want to know how you can possibly say that it is moving forward, that you are still consulting, when in fact that process was, for all intents and purposes, wrapped up in the draft SPIDA agreement of last year.

Dr Hart—No. If you look at the press release, it makes it clear that they were guidelines that were released for further consultation and to take comments at any time. The department has been working with the industry on both the SPIDA arrangements and the SME arrangements as part of that ongoing consultation process.

Senator LUNDY—How have you been consulting with Australian SMEs wanting to get government contracts?

Dr Hart—Through individual representations which come up to the minister in the normal way, but primarily through the industry associations.

Senator LUNDY—Through the AIIA?

Dr Hart—Yes.

Senator LUNDY—And who else?

Dr Hart—AEEMA.

Senator LUNDY—How many forums have you had with each of those organisations?

Dr Hart—Perhaps a number of formal things that you have called forums, but a great number of informal discussions.

Senator LUNDY—So you meet and talk with the industry associations?

Dr Hart—Yes.

Senator LUNDY—Can you tell me how many times you have met with members of those organisations in a formal consultative forum?

Dr Hart—I can certainly think of a round-table we had with all of the AEEMA representatives. I am trying to recall whether we have had similar formal arrangements with the AIIA. I think we have. Mr Sutton was just reminding me that we have had a number of working groups working together and, as I said, taking the thing forward; there is a commitment to a joint government working group.

Senator LUNDY—Is there a joint working group in place at the moment?

Dr Hart—Yes, there is.

Senator LUNDY—Who are the members of the joint working group?

Dr Hart—The department representatives and members of the AIIA.

Senator LUNDY—It is just the AIIA? I understand that there are a lot of small businesses out there that are feeling betrayed. They accepted the government's commitment to act on this issue of barriers to business participating in the government contracts and they have seen very little activity for many months now. I am wondering why they are not being consulted directly and formally, and if something has been happening with the AIIA then those small companies are not hearing about it.

Dr Hart—The working group that I mentioned before was a commitment. We have not formally constituted the formal working group to take the work forward, and we will be ensuring that there is adequate representation from all sectors as we do that.

Senator LUNDY—That says it all, doesn't it? When was the commitment given to create that working party?

Dr Hart—It was a commitment in the action plan.

Senator LUNDY—And when was that made?

Dr Hart—In late 2001.

Senator LUNDY—After a series of consultations and the draft SPIDA agreement. It is now May, and nothing has been done. Is it your intention to do anything about this issue in the department or is this just an exercise in brushing off those annoying small businesses that you obviously are not keen to consult with?

Dr Hart—There was a major commitment in undertaking the inhibitors review and it will be a major commitment to address those inhibitors as soon as we are in a position to release details, which should be in the near future.

Senator LUNDY—How can you release details if you do not have a working party working on the issues?

Dr Hart—That will be announced as part of the arrangements as soon as they are determined.

Senator LUNDY—What decisions still have to be made before you do anything about this?

Dr Hart—One of the things I mentioned was that there is a commitment, which has been made by the commitment through the Online Council mechanism, to consult with the states, so that is one of the outstanding commitments which we hope to address very soon.

Senator LUNDY—And what else?

Dr Hart—That is probably the major remaining process to go through.

Senator LUNDY—When are you going to engage in direct consultation with the people affected by this problem—that is, the Australian small to medium size enterprises in the ICT sector?

Dr Hart—As you know, Senator, this has been a process in which there has been, because it has been running for some time, full opportunity for representation. The department did receive a number of submissions and the program as it goes forward and the arrangements as they go forward will reflect that.

Senator LUNDY—There is a big difference between sitting there and waiting for these businesses to come and lobby you—most of which do not have the resources to take that initiative themselves because they are too busy running their businesses—and the ability for those businesses to rely on the advocacy of their industry organisation, which I think speaks for itself in that nothing has been done to date.

Dr Hart—But there have been direct representations.

Senator LUNDY—Initiated by you or initiated by those businesses?

Dr Hart—It was open to all parties to contribute to the debate, and that has actually happened and is ongoing.

Senator LUNDY—But you are not going out there in any organised way to seek the views of SMEs, apart from that original consultation you conducted last year which resulted in the SPIDA agreement, which you have now scrapped.

Dr Hart—I think it is worth emphasising that there are very strong links between the SPIDA program and the SME inhibitors program and the two things are moving forward with a view to addressing the needs of both the multinationals and the small business community. That balance is a very important part of the whole exercise.

Senator LUNDY—Was the original draft of the SPIDA agreement scrapped at the behest of the multinationals?

Dr Hart—I am not able to say that, Senator.

Senator LUNDY—Why was it scrapped? Why is it no longer on the web site? Why is it no longer touted as a basis for discussion, debate, submission, review?

Dr Hart—The press release and the web site made it clear that it was a consultation document which was a draft and, as I say, we have simply been considering the process of consulting.

Senator LUNDY—But why is it no longer on the web site?

Dr Hart—I did not know it was not on the web site.

Senator LUNDY—I have not been able to find it. Is it still the basis of consultation?

Dr Hart—It is still the basis of consultation, yes.

Senator LUNDY—Can you provide me with the latest version?

Dr Hart—Certainly.

Senator LUNDY—Thank you. Is it the government's intention to still have an agreement of that nature governing the involvement of SMEs in those large government contracts? Have you abandoned that concept now?

Dr Hart—No, it is certainly the intention of the government, as I understand it, to have in place industry development arrangements. The final form of those I would expect to be released when we have been through the remaining processes that I mentioned.

Senator LUNDY—In terms of consultation you mentioned having many informal meetings with the AIIA. Have any of those informal meetings involved representations from multinational companies?

Dr Hart—Representations have taken a number of forms, including through the AIIA, including directly.

Senator LUNDY—So you have had a number of conversations with the very large IT companies.

Dr Hart—Submissions and conversations, yes.

Senator LUNDY—Over what period of time?

Dr Hart—Some of this pre-dates me but over the whole period that the program has been under review.

Senator LUNDY—You say it is moving and you have used phrases like 'moving in parallel'. When can local IT SMEs expect something concrete from this government which gives form to this government's commitment that they will remove barriers?

Dr Hart—In terms of that I cannot give you an absolute date. I think the commitment was reiterated in the government's election announcements that it was moving forward with an SME support package. I have outlined to you that there are a few remaining processes to go through, but I would expect it to be quite soon.

Senator LUNDY—Can they expect it this year?

Dr Hart—I would imagine so, yes.

Senator LUNDY—Prior to the release of that SME support package, will SMEs be sought out and consulted with by the department?

Dr Hart—They already have and there will be working groups established as part of that arrangement, to ensure it moves forward as a collaborative process.

Senator LUNDY—Just going back to where we started with this, what role does the ICT Framework for the Future Committee have in overseeing this process, given this issue was publicly announced to have been an issue that would be dealt with by the ICT Framework for the Future Committee?

Dr Hart—The actual details of the IT industry support arrangements are moving forward in parallel, as I said, with the framework process, but the needs of the sector and the relative contributions of the various sectors are obviously part of the whole enterprise that the Framework for the Future is about.

Senator LUNDY—So will the Framework for the Future Committee be advised of these developments with an SME support package? Will they be asked for their opinion? Will the entrepreneurs and small business people on that committee have an opportunity to express a view or have a say, or will it be presented to them as a fait accompli?

Dr Hart—They get an opportunity to raise any issue whatsoever that relates to the development of the sector.

Senator LUNDY—Have you given them a briefing on these issues?

Dr Hart—Not specifically. They have not asked for one.

Senator LUNDY—They are not going to if they are not aware that the work is going on.

Dr Hart—I think the focus of the committee is very much on the innovation framework and the long-term drivers.

Senator LUNDY—I thought NOIE was doing the long-term drivers.

Dr Hart—The innovation support structures for the ICT industry are the focus of the F3 exercise. We have advised them that we are developing and finalising the industry development arrangements in parallel.

Senator LUNDY—So you do not think that the ability for Australian ICT SMEs to access government contracts is a key part of opportunities for innovation?

Dr Hart—It may well be an issue that is raised through the committee. The terms of reference are broad and any issue can be raised through the exercise.

Senator LUNDY—But it is not the department's intention to brief the committee specifically on these issues.

Dr Hart—Not specifically, because there has been quite a long developmental process which most of the members would be aware of.

Senator LUNDY—But how does that explain the public announcement earlier this year that this issue would in fact be referred to the ICT Framework for the Future?

Dr Hart—I do not remember that particular announcement.

Senator LUNDY—I think it was Peter Slipper as parliamentary secretary to the minister for finance creating a justification for dumping SPIDA and saying, 'Don't worry about it, this committee is going to be picking up this work.'

Dr Hart—To my knowledge there has never been any such reference.

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Senator LUNDY—I guess what I am getting at is the ICT SMEs might not get any satisfaction out of this committee after all, in looking after their interests.

Dr Hart—I do not think you can deduce that at all. As I said, the terms of reference are very broad and there are a number of members on the steering committee who do strongly represent—and have already represented—those interests. We will be looking at the contributions—

Senator LUNDY—Excuse me, if they are not asked what their view is on industry development opportunities associated with IT outsourcing because you have done too much work and you do not think it is a key element of what their agenda should be, then it is not going to happen.

Dr Hart—But it is built into the framework exercise because it is looking at all the factors which contribute to the productiveness of the sector, so it is almost a given. As I say, those interests are strongly represented and have already been represented through the meetings we have had to date.

Senator LUNDY—I do not think we can go any further than that. We just seem to be going in circles now.

Dr Hart—Can I just take the opportunity to correct something I said previously?

Senator LUNDY—Yes.

Dr Hart—That relates to the future Centre of Excellence funding, which is that the government has in fact announced that, subject to satisfactory performance, there is an expectation that there would be ongoing funding for the centre beyond the five years that has been allocated currently. If you have some follow-up questions—

Senator LUNDY—Again, I will pursue that with NOIE. You would be privy to the bid that won?

Dr Hart—No, not the details.

Senator LUNDY—The question can wait for NOIE then. So it is not a $130 million ICT Centre of Excellence—it could be a lot more.

Dr Hart—Let us hope so.

Senator LUNDY—Sorry?

Dr Hart—Possibly.

Senator LUNDY—We will find out just how much money they are looking for. You mentioned before other work that the ICT Framework for the Future Committee is doing involves a mapping and forecasting exercise.

Dr Hart—Yes.

Senator LUNDY—Could you go into some more detail about what that involves and what you are hoping to achieve.

Dr Hart—Yes. The mapping exercise is really trying to—as the name suggests—map out exactly where the industry is now, to look at what are the key components of it, look at regional groupings and also look at such things as linkages with other key industries and really try to get a snapshot picture of the industry now. The forecasting exercise is looking ahead and basically saying what are the things we think are going to drive the industry over that five- to 10-year framework and where we want to be and how we get there. It is not a

sequential process because the two processes go on in parallel, but one is aimed at getting a picture of where the industry in Australia is now and the other is about where we want to be.

Senator LUNDY—Aren't there lots of reports that have done that?

Dr Hart—They would be building on some of the reports that have been done before, that is true.

Senator LUNDY—In terms of forecasting, have there not been a number of reports which say it is a good idea to actually grow our ICT sector?

Dr Hart—There have been a number of forecasting studies and one of the things that we will be doing is reviewing the forecasting studies which have been done to see exactly how we want to take that forward and what form of forecasting exercise we want to undertake.

Senator LUNDY—Is that not the role of the policy units within departments—to work out all those things and then the action arising from that is that the government actually makes policies?

Dr Hart—We are doing it but in consultation with all the key players. An important aspect of this whole process is that it is actually a shared view of what that future is going to be. That will be a major output from the process, if we actually can get sign-on via the industry and via the research communities and there is agreement about how we move forward. If it is simply a government driven process, I think it might well founder.

Senator LUNDY—I am just questioning why, six years into government, there is almost like a whole series of programs in train—formally in NOIE, certainly in the department; aspects of it managed by the industry department—and then, all of a sudden, the government requires a year to consult, which you would presume they would be doing anyway, to re-establish the commitment to our ICT industry's future. The minister is not here; I would like to pursue that from a government policy perspective. But I am forced to draw the conclusion that the government did not know the direction in which it was going and that this is some kind of elaborate taking-stock exercise—with all the virtuous aspects of consulting, sure, but a 12-month period in which crucial time is being lost and would not have been had the government had a strong and clear idea about the direction of, and certainly the correlating issue of the relative high importance of, the ICT sector's contribution to our economy.

Dr Hart—The announcements about the framework exercise made it clear that it was building on to the innovation base that had already been put in place, including some of the things that we have talked about today like the Centre of Excellence, and was building on to those building blocks and drawing linkages between them.

Senator LUNDY—I would expect that that is how the government would pitch it, but, as I said, I do not really expect you to reflect on my reflections on the government. The minister is not here, so I am unable to engage him in a discussion on these matters. What are the products that you are hoping this committee will produce? Will they be published reports? Will they be fully publicly available?

Dr Hart—There will be a report to government at the end of the year.

Senator LUNDY—Will that be made publicly available upon the committee signing off on it—not upon the minister choosing to release it?

Dr Hart—That will be something for the government to consider, I would imagine.

Senator LUNDY—So we do not know.

Dr Hart—The actual form of the report and what happens to it is not something that we have talked to the minister about at this point.

Senator LUNDY—Is that up to the committee to decide?

Dr Hart—The steering committee will probably have views about the final form of the report. I should mention that the steering committee's members are involved in the practical working arrangements that I have talked about of the mapping working group and the foresighting exercise. It is not just being driven by the department. There are members of the steering committee who are actively participating in that process, so they will have full ownership and be part of the report writing process.

Senator LUNDY—The department is providing the secretariat support for the committee, obviously?

Dr Hart—Yes.

Senator LUNDY—Does that mean that it will be that secretariat charged with the core report writing duties?

Dr Hart—Yes, but, as I say, actual inputs to the report are coming from some of the members too.

Senator LUNDY—What is the cost of this initiative? Obviously, some of it would have already been subsumed in this current year's budget, but is there an identified amount that you can put against this initiative, albeit potentially across two financial years?

Dr Hart—Not at this point.

Senator LUNDY—You are just handling it within departmental—

Dr Hart—Resources have been deployed and redeployed within the department to ensure that we are able to deliver within the tight timeframe, but I cannot put an actual dollar figure on it at this point.

Senator LUNDY—What is the remuneration provided to the participants?

Dr Hart—There is none.

Senator LUNDY—It is all voluntary?

Dr Hart—It is, yes.

Senator LUNDY—Any expenses?

Dr Hart—No.

Senator LUNDY—How do you meet? Do you hook up or do people converge on a given city?

Dr Hart—We physically converge and we also hook up.

Senator LUNDY—And the participants have agreed to do that voluntarily?

Dr Hart—Yes, they have.

Senator LUNDY—Or at their own expense?

Dr Hart—Yes. We move it around so that we maximise where people are. We move it between the cities and try and work out where the critical mass is.

Senator LUNDY—Can you provide the committee with the original letter of invitation to the members of the ICT Framework for the Future Committee.

Dr Hart—I think so, yes.

Senator LUNDY—Thank you. You mentioned mapping and forecasting. Are there any other issues that you are in a position to nominate as being what this ICT Framework for the Future Committee will be looking at whilst they are constituted?

Dr Hart—I think I have mentioned some of them in passing already. It really is looking at all of the different elements which contribute to the health of the sector. I think already it is emerging that linkages with other industries is going to be a major thing.

Senator LUNDY—And what about the ICT Centre of Excellence? What relationship will there be between this committee and the centre?

Dr Hart—In the general sense of looking at the role of R&D support and some of the things you have touched on today, commercialisation of R&D—all of those are issues which will be grist to the mill of the committee.

Senator LUNDY—What about issues that are a little more esoteric, relating to entrepreneurial cultures and the ability of individuals to turn R&D into businesses?

Dr Hart—That is a theme that has already emerged in some of the discussions. That has a number of aspects to it. As you say, it may be a cultural thing. There may be actual impediments, things that go to the curriculum, and other issues. Yes, I would imagine that that will be a strong strand in the committee's deliberations.

Senator LUNDY—Obviously the BITS program and the R&D Start program impact upon these issues of capability. Given that the R&D Start program is in such strife at the moment, what involvement will this committee have or what capacity will this committee have to advise the government on how to resolve these issues and ensure that the problems with R&D Start are addressed and that R&D Start continues to be a positive force in the opportunities for companies?

Dr Hart—Issues to do with that particular issue obviously are not for this portfolio.

Senator LUNDY—No, I know, but they would be directly related to what everyone on this committee is concerned about. Are you going to stop them from making recommendations—

Dr Hart—Not at all.

Senator LUNDY—or involving themselves in the development of R&D?

Dr Hart—No. Again, there are all of the factors which go to support start-ups, including drawing on the experience that the department has had with administering the BITS program and so forth. The steering committee members can raise any issue they like, basically.

Senator LUNDY—What I am trying to get clear is that the department at no point will say to this committee, 'You can't recommend something on that. You can't spend time reporting on that because it's in the industry portfolio, it's not in our department.' There is no such restriction?

Dr Hart—The terms of reference, as I said, are extremely broad and they would allow a platform for almost any representation.

Senator LUNDY—Does that include taxation?

Dr Hart—Yes.

Senator LUNDY—Does it include employee share options programs?

Dr Hart—None of these things are specific, but all of those things—the taxation base, the funding, the incentive structures—are comprehended by the terms of reference.

Senator LUNDY—I think too, particularly with the employee share options programs, the government has already announced decisions not to be pursuing that. Will the government be preventing this committee in any way from recommending or reporting on issues where clearly a policy decision has been made not to pursue a certain issue?

Dr Hart—I can only repeat what I said: there is an opportunity for steering committee members to raise almost anything.

Senator LUNDY—They will not be censored? They will not be told to fit the policy mould that the coalition is prepared to give them?

Dr Hart—There are some rather strong individuals.

Senator LUNDY—Yes, but you control the report writing exercise. I am sure you appreciate the importance of establishing a number of these issues, because the worst-case scenario, of course, is that the credibility of this committee is undermined by allegations that the department is suppressing some of their issues of major concern.

Dr Hart—A major output of the whole process is that it is a shared view of how to take the industry forward. The whole process is about just that—ensuring that all the parties feel that they have a share in the outcome. That objective would not be achieved if there was any censoring.

Senator LUNDY—No, it certainly would not. I will defer to my colleague Senator Schacht, but we will certainly come back to this issue, and others, at a later point today. Thank you.

CHAIR—We are now going back to the issue of the grants provided to the Greater Green Triangle Regional Association and Green Phone Inc. in South Australia.

Senator SCHACHT—Thank you—and Victoria.

CHAIR—And western Victoria. We will be breaking for lunch at one o'clock.

Senator SCHACHT—Thank you. I am more than confident I will be finished by that time, unless I get another bombshell dropped on me.

CHAIR—Senator Schacht, even then we will finish at one o'clock!

Senator SCHACHT—Yes, for the bombshell. First of all, thank you, Dr Stretton and the department, for this report. As I say, I think it would have been a bit easier for everybody if we had this beforehand; nevertheless, I have been through it. I have a comment to make to Mr Barr and the department. I think the recommendations and comments here are more than just a bit of finetuning. A number of the comments made in the report have actually predicted some of the questions I was asking—and others have been asking in the south-east of South Australia and the Western District of Victoria—about this. The first comment is: they make 10 recommendations. Have the NTN board and the department accepted all of the recommendations?

Mr Barr—Yes.

Senator SCHACHT—Fine. So they have been written into a form now which becomes a standard arrangement on a number of process issues that they identify in here, partly with the wisdom of hindsight; I concede that?

Mr Barr—Yes.

Senator SCHACHT—In particular, on the release of funds, they make a very strong comment—I think that is the way to put it—that by paying up-front the $1.4 million to the

Greater Green Triangle you lost your ability to have any leverage thereafter. Are there any other examples for the NTN before this recommendation came in where you have made similar up-front large payments before the project started, or is it at the beginning of the project rather than on a performance basis that you get it coming through on a timely basis?

Mr Barr—There were special circumstances which applied to justify the up-front payment in the case of this deed and this grant. I think the report does acknowledge those special circumstances. The common practice for other deeds is that payments are linked to the achievement of milestones. The proportion of a grant that might be paid up front would also vary a little, but it is not common for 100 per cent of the payment to be made up front.

Senator SCHACHT—Well, we hope we know that for the future. I note here on page 9 of the report some independent financial and technical advice which I asked for earlier today. You said you had two preliminary reports—feasibility studies—for which you paid $50,000 and $150,000 to the Greater Green Triangle. Have you been able to make a decision on whether they can be released?

Mr Barr—I think that is still being explored in the department as we speak, but we should be able to provide you with a copy. Those are separate, of course, from the—

Senator SCHACHT—Yes, I know. I want to draw your attention to page 9 where it says, under the subheading 'Independent Financial and Technical Advice':

The first was a financial assessment undertaken by the accountancy firm, Pricewaterhouse Coopers (PwC). They rated the GGTRA's projects as 'high risk' and suggested it did not meet the financial eligibility requirements. The second, a technical assessment by DSTC ...

What is that?

Mr Barr—It is an outfit associated with the Queensland University.

Senator SCHACHT—An outside body?

Mr Barr—Yes.

Senator SCHACHT—Right. It continues:

also expressed reservations, particularly in respect of—

and this is the point I, and others, have been raising—

the GGTRA's ability to 'run' a network and the way the Marconi contract placed all the risk with GGTRA.

There were two reports. When did those reports become available to you—these two documents?

Mr Barr—These two reports would have been provided to the NTN secretariat and to the NTN board ahead of the decisions that were taken.

Senator SCHACHT—The $50,000 and the $150,000 which you paid—did you get these reports before those came in?

Mr Barr—No, after those.

Senator SCHACHT—But then you got these?

Mr Barr—In the assessment stage. We get the outside experts to offer comments on high-risk or complex proposals.

Senator SCHACHT—So that I am not accused of quoting selectively, the comment does go on to say that elsewhere high-risk projects have usually turned out to be sound, so that on the balance of judgment you could say, 'Well, actuarially we are doing pretty well, so fair

enough.' But to get two of them, even at that stage, when they came to ask for the up-front $1.4 million, did not ring a bell—that it was high risk; they wanted all the money up front to pay for the black boxes? 'We don't know what their cash flow is. We don't know where they're getting the other funding from.' A bell did not sort of ring quietly?

Mr Barr—The input from PricewaterhouseCoopers and the input from DSTC are two elements of the total assessment process. We also seek and obtain advice from state advisory committees, and the secretariat itself provides assessments and judgments against the selection criteria.

Senator SCHACHT—When you received the DSTC report, did it ring a bell when they said that the Marconi contract placed all the risk with the Greater Green Triangle; therefore, all the risk was with the Commonwealth contribution of $1.4 million? Even a non-accountant like me would have thought, 'Just hang on a moment here. Someone has written a contract that says they can't lose.' Early today we reached—hopefully not—the incredible position that Marconi have the black boxes back and have kept all the part-payment that they received.

Mr Barr—It was a judgment that was made on the balance of the risks.

Senator SCHACHT—When this went to the board from the staff, the secretariat, did the board raise any of these questions, or did you recommend that all these issues balanced out; that it should proceed?

Mr Barr—The discussion within the board is, I think, confidential.

Senator SCHACHT—In the circumstances, with the collapse of this project and the loss of money, it is not unreasonable, Dr Stretton, for me to ask this. The secretariat now has a report that says some processes will have to change; some of it is wisdom in hindsight, I concede. Does it also say that the board itself, in its diligence in taking this on board, has to take some processes as well, or have they already put these into place, irrespective of this report? I know they treat the board and the secretariat as one and the same thing, but it is the board in the end that ticks off the recommendation.

Mr Barr—The report specifically states on page 1 that it does not investigate the decision making process of the NTN board. What it does do is—

Senator SCHACHT—So the board is separate from the processes of the secretariat?

Mr Barr—Yes.

Senator SCHACHT—The minister is not here. I have to say, Dr Stretton, that is something that in process is a bit odd—that the secretariat can make a recommendation either way, good, bad or ugly, and the board can say, 'Well, we'll ignore that,' and that never comes under review, other than the public debate that we are now having.

Dr Stretton—Senator—I understand the point that you are making, obviously—my understanding is that the fact that these two extra reports were called for was done because the secretariat realised that this was a high-risk process.

Senator SCHACHT—Is that the case, Mr Barr?

Mr Barr—Yes.

Senator SCHACHT—So normally you would not have got these two extra reports on many of the other projects you were looking at.

Mr Barr—It is a judgment we exercise as to whether the risk and/or complexity of the project warrants us seeking the external advice.

Dr Stretton—In a sense the secretariat is saying, 'We understand. We accept that this is a high-risk project. At the same time we accept that the outcomes, if they can be achieved, are important, and we've tested the market and it seems as if this is the best way, perhaps even the only way, to get the outcome we want.' It comes down to how you manage that risk, and we accept that and, in hindsight, we accept that we could have done it better, and even that we should have done it better. But we did appreciate that these were high-risk projects. We got this extra advice. As it says, in a number of other cases we had the extra advice on a project which said it was high risk but we went ahead and it worked out. In this case, obviously, an error was made.

Mr Cheah—One of the issues with these BARN projects, particularly the new market models, is that, almost by definition, a new market model project is going to be high risk because you are experimenting in a sense with a new market model, a new way of doing things. I think the idea behind the program was almost to ask the question: why in Australia do we not have regional carriers or regional providers, whereas in North America they seem to have them? There seem to be different market models applying in other countries. Of course, whenever you have one of these new market models, it is inherently going to be high risk. Without breaching the board's confidentiality, I think it is fair to say that the board was aware that these things were high risk and we used to have some vigorous discussions about them.

Senator SCHACHT—Recommendations 2 and 3 overwhelmingly deal with future risk and the strengthening of the independent financial assessment, technical assessment. That is recommendation 2. Obviously, that has to be done and you have accepted that. Again, recommendation 3 is about the formal project which was prepared et cetera. All of that is fine and I think that, hopefully in the future, we will not run into another one like this.

I want to turn to page 11, which deals more with the green project itself—the funding deeds with the Greater Green Triangle and Green Phone Incorporated and the grant deeds et cetera. I did raise a guess earlier this morning about what the deed arrangements were that you signed with Marconi—and now it is clear that they have signed a contract that had no risk to them. They either got the black boxes back or they got the cash and paid for them; or they now may have got the best of all—the black boxes back plus some of the cash and they can keep it. They raise here the matter of these deeds and they point out on page 11 that, with respect to the deed—and I quote:

Arguably, it was too late to change this situation—

that is, the deed—

and we understand NTN's decision not to terminate the Deed (since GGTRA was technically in breach) was centred on the desire to see such an innovative project have ample opportunity to succeed.

When did you become aware that Greater Green Triangle was in breach of the deed that you had signed with them? You signed on 22 September 2000, did you not, and in October?

Mr Barr—The 22 September deed is the one between the association and—

Senator SCHACHT—Green Phone?

Mr Barr—Yes.

Senator SCHACHT—Your deed is when?

Mr Barr—Earlier in September; I think 1 September.

Senator SCHACHT—Yes, 1 September, but it is September?

Mr Barr—Yes.

Senator SCHACHT—When did you first become aware that they were technically in breach of the deed?

Mr Barr—I would have to take that on notice.

Senator SCHACHT—Take that on notice. If that was within a couple of months, that should have been the first time the bells started to ring.

Mr Barr—I think that is more of a technical breach, though, as it is described in that previous paragraph that it had always been GGTRA's intention to assign the implementation of the project to the third party, being Green Phone.

Senator SCHACHT—But why wasn't that put in the deed in the beginning? Why did you sign a deed that did not cater for that already, rather than now saying it is a technical breach? What you are saying is that the technical breach is that they had to assign it over to Green Phone.

Mr Barr—The technical breach is that they did not get prior written approval to do it. They applied after the event.

Senator SCHACHT—Yes. Well, that is my point. I do not know what is a technical breach. In the end, if it had all gone very well, we would not have been worried about asking the question. But I have to say that, with respect to it being a technical breach, if it turns out to be an escape hole for someone to get away with Commonwealth funds, namely Marconi, then I might be, in one form or another, a bit agitated.

Mr Barr—No. I think you are reading a little too much into that. The project was always conceived with the idea that a third party entity would have to implement and be the regional telecommunications entity. It could not have been the association being the regional telecommunications entity.

Senator SCHACHT—It is not a major point overall having regard to the things we are dealing with here, but they make the point in the first paragraph that there was not sufficient variation—that you have just taken a boiler plate standard deed across a lot of projects and there is not enough variation considered. You obviously accept that recommendation.

Mr Barr—Absolutely.

Senator SCHACHT—This comment appears a bit further down:

Notwithstanding this, we believe NTN could have managed the situation more proactively.

That is about the deed. The department accepts that comment as accurate? Dr Stretton, as acting head of the department, do you accept that?

Dr Stretton—Yes.

Senator SCHACHT—Yes, you accept that. Do you believe that these recommendations that you have accepted overall will make the NTN secretariat, because of all the other recommendations that are in place, more proactive?

Mr Cheah—Yes, Senator. The general thrust of the consultant's report, for what it is worth, I think, is that we effectively should have almost a better risk management framework for these deeds. We actually have over 700 deeds that we are now currently managing. It is a lot of deeds.

Senator SCHACHT—Sorry, you cannot make that an excuse.

Mr Cheah—No.

Senator SCHACHT—That is the very nature of the project, Networking the Nation. I make the broader comment that maybe we are frittering away the money across 700 individual projects rather than putting it in a 'big bang' project, but that is what the government's policy is. You have to live with it.

Mr Cheah—Sure, and given that we have a very large number of projects to manage, what the consultants were recommending in effect was that we have a better risk prioritisation framework for those and that we have ways of homing in on those projects which have the high risk so that we can devote the resources that are required to managing them more proactively.

Senator SCHACHT—Yes.

Mr Cheah—And that is exactly what we are doing, so it is true that we could have managed better, but I think it is more in that context of—

Senator SCHACHT—Do you think it is fair criticism or comment when, in that same paragraph, they go on to say:

Further, NTN should have reconfirmed that GGTRA clearly understood its accountabilities and responsibilities to the Commonwealth and the potential impact of entering into the Deed of Assignment with GPI.

Do you accept that as a reasonable comment?

Mr Barr—I think that is a very critical part of the whole thing and that certainly henceforth, where a back-to-back arrangement is in prospect, we will make it crystal clear to the grant recipient that it is they who have the reporting responsibilities and the accountability responsibilities. They cannot delegate those to that other party.

Senator SCHACHT—I notice, on the issue of staff, that later on in this report they comment that you might be a bit understaffed in handling all of these projects, so I am sure that you will convince Dr Stretton and the minister to get more staff for you in the future, despite the best efforts of DOFA to take it off you. You have my support for that.

Mr Barr—Thank you.

Senator SCHACHT—In the next paragraph it is stated—and this is the whole argument:

GGTRA clearly did not have sufficient control over GPI, a fact that was evidenced by file copies of GGTRA committee meeting minutes and related correspondence. We understand that this was in part due to the inadequacies of the Deed of Assignment drafted by GGTRA with GPI.

Is there a way in which you can insist from now on, under deeds, that you will get copies of minutes between similar entities that are getting funding? If you do not, you really are leaving yourself exposed.

Mr Barr—The point I made in responding to your previous question is probably the more important one, in that we do need to ensure that the grant recipient understands their—

Senator SCHACHT—Yes, but if you have a structure where a regional council body or a tourism body, or whatever it is called, has this structure—they promote the project, then establish in effect a subsidiary or a separate entity like Green Phone—under your deed you should get a copy of the minutes dealing with the issues of your project. That may well have rung the alarm bell earlier that some things were not—

Mr Barr—In this instance the problem was that GGTRA could not get timely information itself.

Senator SCHACHT—Yes, they could not get it. When you said, 'But you're not supplying it under the deed,' you could then have said, 'Well, if you can't get it there's something wrong—even if you can't get it, let alone the department.' What I am trying to get at here is that it is an alarm bell, if the minutes of a meeting or the management decisions that are relevant are not available to you in any organisation; sooner or later—and hopefully sooner—someone twigs all is not well in the state of Denmark.

Dr Stretton—I agree with the logic of what you are saying and I would have thought that we would be certainly pushing for that, Senator.

Senator SCHACHT—Thank you. The last point in the next paragraph about advising them to seek independent legal advice I think is well taken. Of course, you have accepted recommendation 4. Again, on page 12, a comment is made in the second paragraph which I think has been well exposed already:

The 'complication' of the back-to-back monitoring between GGTRA and GPI was a barrier to the effective ongoing monitoring of the Greenphone grants.

So you know what not to have next time.

Mr Barr—Yes, indeed.

Senator SCHACHT—That is recommendation 5. It makes other observations, and this is an important one about the deed of agreement:

There was no 'audit' clause in the Deed of Agreement between NTN and GGTRA.

You have accepted recommendation 6, that that has been a weakness in the deed?

Mr Barr—Certainly, it is a weakness. It is a little bit unusual that it should have slipped through in that way because the standard deed that we use for grants greater than $100,000 has an audit specification in it.

Senator SCHACHT—You don't care to speculate how this slipped through?

Mr Barr—I do not care to speculate.

Senator SCHACHT—The word processor deleted a paragraph, or some smarty at the other end deleted it? I do not think they were that good at conspiracy. Anyway, we understand that. Over to page 13—risk management. There is the fact that you mentioned this morning—and they mention it—that they missed the financial reporting deadlines. If they had not gone into liquidation, how long would you have given them to meet the backlog of reporting deadlines? They went into liquidation before the June report turned up, didn't they?

Mr Barr—Yes. The end June report was followed pretty closely by the August meeting.

Senator SCHACHT—Yes, but June, July, August is still 2½ months.

Mr Barr—Well, probably 1½ months.

Senator SCHACHT—What I am getting at is: what would be the normal time you would give somebody, if they go past the deadline for quarterly reporting from now on, before you say, 'Well, that's the deadline. We might give you two weeks and then after that the sledgehammer comes'?

Mr Barr—There is no 'normal'. We have to have regard for all of the circumstances.

Senator SCHACHT—The problem in having regard for all the circumstances is if someone takes your goodwill and uses it to get around points. This is where, in one of these areas of being proactive, they have to be told to report directly on time; otherwise you are going to be in strife. You are dealing with lots of small organisations who obviously do not

have the resources and the time to handle all of this. If you get someone in there who is not up to scratch or is trying to shave the edge and think, 'Oh well, I get another three months at this'—

Mr Barr—Under a lot of deeds, what would happen, of course, is that you would have milestones and there is an incentive on the grantee to come forward and report. If they do not report on time, they do not get their money.

Senator SCHACHT—That would be the best one.

Mr Barr—That goes back to some of the recommendations we discussed before which we have accepted. We will be obviously ensuring that happens in future.

Senator SCHACHT—We cannot disagree with the comment made towards the bottom of page 13 before recommendation 7. I will quote it in full so as not to be selective:

It is therefore possible, but not conclusive, that had NTN monitored the relative riskiness of the GGTRA grants, and the lack of information being provided in relation to GPI, the direct grant with GPI in June 2001 may not have gone ahead. This statement is made, of course, with the benefit of hindsight and we appreciate that these indicators may not have been obvious to a reasonable person dealing with in excess of 30 other grant projects.

This is an issue about staff, I would think, Dr Stretton, as well.

Dr Stretton—Yes.

Senator SCHACHT—But you don't disagree with the comment? The department accepts the recommendation but you accept as well that the comment that leads to it is reasonable, balanced, is made in hindsight but really does say that if a few other warning bells had gone off, you may not have sent the $1.4 million?

Mr Barr—No, it is not saying that. What it is saying is that—

Senator SCHACHT—Sorry, not the $1.4 million; the direct grant with the GPI, how much was that worth?

Mr Barr—It was nine hundred and something thousand, from memory.

Senator SCHACHT—Nine hundred thousand dollars?

Mr Barr—Yes.

Senator SCHACHT—How much of that has disappeared? The lot?

Mr Barr—No. As I explained this morning, that is where we made the payment of $145,000.

Senator SCHACHT—And the rest hasn't been paid?

Mr Barr—Correct.

Senator SCHACHT—It is still in our hot little hands.

Mr Barr—Correct.

Senator SCHACHT—Thank you. I want to go now to page 19. I want to get this clear for everybody who reads this document. What was approved was $2.3 million for the following projects overall: $1.4 million was paid to Greater Green Triangle?

Mr Barr—Yes, black boxes.

Senator SCHACHT—The $180,000 to establish the Green Triangle regional portal was paid?

Mr Barr—No, not all of that has been paid.

Senator SCHACHT—How much of that was paid?

Mr Barr—If you drop down to the next lot of dot points—

Senator SCHACHT—The portal was $99,000.

Mr Barr—Yes.

Senator SCHACHT—Eighty-one thousand dollars was paid and lost, was not made up or recovered.

Mr Barr—No, not paid and lost. That is an entirely separate project.

Senator SCHACHT—As far as you are aware, that is still working. The project is still being monitored and going according to plan?

Mr Barr—The portal is there and operating but I think the association has decided not to go any further with it, so we will not be making any more payment.

Senator SCHACHT—But can you say whether the $99,000 achieved the objectives or is that now dead money as well?

Mr Barr—No. There is a portal there.

Senator SCHACHT—Do you think we got value for the $99,000 paid? Is that going to be assessed?

Mr Barr—Yes. That will be assessed.

Senator SCHACHT—That will be assessed but it hasn't been yet?

Mr Barr—No.

Senator SCHACHT—To tell whether we got value for the money, okay. The next one is the $730,000 to establish six public access facilities combined in the deed signed on 16 October 2000. All of that was paid?

Mr Barr—No, I do not think all of that has been paid as yet. I will need to take that on notice to let you know exactly where we are at.

Senator SCHACHT—Has that project come to an end or is it still going?

Mr Barr—No, those public access facilities will still be operating.

Senator SCHACHT—Still operating, but you do not know whether they meet the criteria or whether they are effective as part of the program that you were going to fund to the total of $730,000.

Mr Barr—I can say that they are still operating, so they are contributing to the outcomes of the program.

Senator SCHACHT—Okay, but you did not pay all the $730,000?

Mr Barr—I do not know, I apologise.

Senator SCHACHT—There is going to be a review done as to whether whatever amount you did pay has been effectively spent?

Mr Barr—There will be a review done of the whole program, yes.

Senator SCHACHT—Yes, of course. Is that review under way yet?

Mr Barr—Parts of it have been undertaken, but it is an ongoing evaluation. I would think that, in the course of the next six to 12 months, there will be a lot more concrete results that we could report.

Senator SCHACHT—Okay, you can report. I go down to the $140,000 for the establishment of the Mount Gambier Multimedia Centre. That has all been paid?

Mr Barr—I will need to take that on notice as well.

Senator SCHACHT—That project is still under way and has not collapsed because of the collapse of Green Phone or Greater Green Triangle doing something else?

Mr Barr—Not to my knowledge. I believe it is still operating as a multimedia centre, but I shall confirm that for you.

Senator SCHACHT—I want to sum up here, Mr Chairman. $1.6 million was retained by Greater Green Triangle for other public Internet facilities and further regional portal development.

Mr Barr—No, it is the residual of that.

Senator SCHACHT—How much is the residual?

Mr Barr—The $671,000.

Senator SCHACHT—Have you monitored now that that has all been met within—

Mr Barr—That $671,000 is related to the $730,000, I believe, but I will probably need to express this project by project more fully.

Senator SCHACHT—When you do it, I want you to find out whether any of those projects spun off out of Green Phone or were connected with Green Phone and, although they are still going, did the collapse of Green Phone have an effect on these other projects.

Mr Barr—Yes, understood. I think that there was one instance where the Mount Gambier centre shared the physical location of Green Phone. It is still operating as a multimedia centre, despite the demise of Green Phone.

Senator SCHACHT—Lastly, on funding, you approved $930,000 to end the board-approved funding, of which $145,000 was paid in advance directly to GPI for the purpose of pilot delivery of data et cetera in the Wattle Range Shire of South Australia. Did that $145,000 get paid?

Mr Barr—Yes, the $145,000 has been paid.

Senator SCHACHT—Do we know whether that project is still running or has it fallen over?

Mr Barr—It has obviously fallen over.

Senator SCHACHT—It has fallen over as well?

Mr Barr—Yes.

Senator SCHACHT—So that is $1.4 million plus $145,000 that has disappeared as well. That fell over.

Mr Barr—As I was explaining this morning, that should be in a separate account and unexpended funds from that should be—

Senator SCHACHT—But the project—

Mr Barr—The project has fallen over.

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Senator SCHACHT—So that is another loss of taxpayers' money.

Mr Barr—No, it is not a loss.

Senator SCHACHT—One point that I ask you to take on board overall: this report was done by KPMG. Can I suggest to the department that they be asked to go through and review—even though they are still in progress—the other projects that have received direct and indirect funding out of the Green Phone fiasco, so that there is confidence in the lower south-east of South Australia in these other projects—whether they are good or bad, where they are standing—and that people can see what is happening to them. I think that would be a very useful project, otherwise this thing is still bubbling away down there with sometimes unnecessary gossip and innuendo. I think that is happening because all these other bits and pieces are getting mixed up with the Green Phone project. So to Mr Barr and to the board I would recommend that to have a report like this sorting it all out is good public process. Thank you, Mr Chairman, for your indulgence.

CHAIR—Thank you, Senator Schacht.

Proceedings suspended from 1.06 p.m. to 2.03 p.m.

CHAIR—We have received a letter from the Secretary to the Department of Communications, Information Technology and the Arts, Ms Helen Williams, AO, who advises us that she is not here because she is overseas with the minister. She officially advises us that Dr Alan Stretton, who is the Acting Executive Director of the Arts and Sport Division, will be here in her place for the estimates.

Senator SCHACHT—That is a bit late, isn't it?

CHAIR—It is a late letter, but Australia Post is not as quick as it used to be, I suppose.

Senator SCHACHT—So Alston deliberately went overseas to miss estimates?

CHAIR—It was a very—

Senator SCHACHT—By gee.

CHAIR—It was a very Machiavellian plan.

Senator SCHACHT—Gawd, he's sneaky.

CHAIR—That is simply for the record. We will now proceed.

Senator SCHACHT—And he took the head of the department.

CHAIR—It is an APEC meeting on communications and IT.

Senator SCHACHT—Whereabouts?

CHAIR—In Beijing, as it happens.

Senator SCHACHT—Just in Beijing, as it happens, yes. An APEC meeting on communications.

CHAIR—Yes.

Senator SCHACHT—They hold them about once every three weeks.

CHAIR—I cannot comment on that. However, we now have Dr Stretton here, so you might like to proceed.

Senator SCHACHT—My first question is this: how did you miss out on the trip overseas, Dr Stretton?

Dr Stretton—I think I am going on Saturday. A different trip, of course.

Senator SCHACHT—Congratulations. I want to turn to the questions on Networking the Nation—other than Green Phone. Just for the record, for people who occasionally read *Hansard*, Dr Stretton and Mr Barr in particular, the cost of the government policy on Networking the Nation since it first started in 1996-97 will be, when it runs out in two or three years, $460 million or thereabouts?

Mr Barr—It is $420 million.

Senator SCHACHT—There has been no indication from the government that, after that period, there will be any extension or increased funding to continue the program beyond the $420 million? I am not asking you to make policy; I am just asking whether there has been any statement from the government on the record or comment from the government that they may extend Networking the Nation.

Mr Cheah—Not about existing elements of the program, no. The government obviously, last year, announced a whole range of new measures in its response to the telecommunications service inquiry.

Senator SCHACHT—But that is—

Mr Cheah—That is different.

Senator SCHACHT—That leads me to ask this. You have sort of prejudged the question I was going to ask. That leads me into the question. How do you determine the difference between funding for Networking the Nation to improve telecommunications and those other announcements that the government made at the last election to improve telecommunications that have been identified, particularly in regional Australia, under those programs? And, just to get the lingo right, what were they called and what did they badge them under in the election campaign last year—those other extra announcements on funding?

Mr Cheah—They were part of the government's response to the telecommunications service inquiry.

Senator SCHACHT—They were the government response, but they did not give them a sexier name than that?

Mr Cheah—I do not think so.

Senator SCHACHT—How much were they worth in total? In the policy speech where they announced them, how much did they say they would be worth?

Mr Cheah—I do not have the policy speech with me, but I think it is of the order of $160 million.

Senator SCHACHT—Over how many years?

Mr Cheah—Of which not all was new money. I think it was about $140 million or so of new money.

Senator SCHACHT—And over what period? Three years?

Mr Cheah—I think three years.

Senator SCHACHT—Just so I can get my mind clear, if you were—I will not say the greater green triangle; I hope we never hear of them again for a while—a local government organisation, an economic development board of the local government association in central New South Wales—how do you determine whether to apply for Networking the Nation funding and the response to the—what do you call it?

Mr Cheah—The telecommunication service inquiry, the TSI.

Senator SCHACHT—If someone rang up and said, 'I'm from the Western Plains New South Wales Economic Development Authority,' how would they get advice about whether an application should go to Networking the Nation or to the fund from the TSI?

Mr Cheah—On its New Connections web site, the department has a description of all of the different regional programs and has information about how those programs are operating. But it is probably worth going through some of the different elements, because each of the elements works in a different way. The original RTIF, which is one component of the Networking the Nation fund—the original $250 million that came from the Telstra 1 proceeds—

Senator SCHACHT—That is not in the $420 million.

Mr Cheah—That is part of the $421 million. That was the first component of it. That was intended to be a community and regional organisation driven grants program. It was deliberately designed as a bottom up grants program and would have been the main vehicle for the kinds of organisations you are talking about. Then, with the Telstra 2 social bonus funds, there were a range of additional elements added in under the NTN umbrella. They included the local government fund—there was $45 million specifically targeted towards local governments to help them improve their own internal communications and online capabilities. There was $70 million for what is called 'building additional rural networks', or BARN, of which $10 million was given to each state and $10 million between the territories. The BARN program was the one that Greenphone came in under. It had to involve infrastructure and it had a flavour of new market models about it. But certainly, if you had a local government authority that wanted to do something with telecommunications and had some ideas about how they might be able to progress that in their area, BARN would have been a very obvious way of doing that.

Senator SCHACHT—But BARN is part of Networking the Nation.

Mr Cheah—BARN is also under the Networking the Nation umbrella. Basically, one of the ways of looking at this—

Senator SCHACHT—I know you are describing it, but when I look down the list here in the annual report of the Networking the Nation funding a lot of those could also get a badge under the other programs that you have just described, I would have thought. If you had a CEO with a bit of wit who took a bit of advice, he would know how to dress it up, wouldn't he?

Mr Cheah—If it came to an infrastructure project run by a local government, there probably were a couple of avenues you could have come in under, yes. But for a lot of other community based programs the answer would have been no. Let us say you were intending to run a community access point, a telecentre or something like that, you would not have come in under BARN; it would not really have fitted under the guidelines. You would have come in under the NTN general fund.

Senator SCHACHT—The NTN?

Mr Cheah—Yes, RTIF, the original $250 million.

Mr Barr—Too many acronyms!

Senator SCHACHT—So, all in all, over the last period, since the first sale of Telstra in 1996-97, we have $420 million and another $160. You have $580 million of—

Mr Cheah—There are a few other programs as well. There is $150 million for the untimed local calls in the extended zones in that tender. There was the $25 million for mobile coverage along highways, which is a contract Vodaphone won for national highways.

Senator SCHACHT—That is up to about $700 million. Do you crack the billion?

Mr Cheah—Yes.

Senator SCHACHT—We do get the billion in one form or another.

Mr Cheah—Yes.

Mr Barr—Yes.

Senator SCHACHT—So when I said that before as a bit of a stab in the dark I was not that far off.

Mr Barr—That is dead accurate.

Mr Cheah—That is actually right. Probably the best way of understanding the difference between NTN and all the rest is that NTN has under its umbrella all of the programs which involve people putting in applications and getting grants to individual organisations. They are all done under the NTN umbrella, and the independent NTN board makes the decisions on who gets the grants.

Senator SCHACHT—And, to put it around the other way, the other funds are driven by the government and the department on allocating the funds to do a specific—

Mr Cheah—Had some other process involved—a very top down process, a tender or some other way of allocating the funds.

Senator SCHACHT—Is it possible to split that funding out? So $420 million is bottom up, applying for grants, and the other—it might be close to $600 million or $550 million—is government, by tender or by direction to spend the money to do this, and then you go and get someone to do it? Have I got that about right?

Mr Cheah—That is about right, I think. That is not a bad way of characterising it.

Senator SCHACHT—Pardon?

Mr Cheah—That is not an unreasonable way of characterising it.

Senator SCHACHT—I am going to use more of the annual report from last year, which of course is now 10 months out of date, about Networking the Nation. I will use my state of South Australia. I am not opposed to the projects, but at times you cannot but help look down and wonder. The first two in the annual report—do you have the annual report there?

Mr Barr—We are trying to get a copy.

Senator SCHACHT—Would you turn to page 145 and 146. There is a long list there, by state, of the various programs. It is very well set out. Even senators like me can follow this, not like the usually Treasury documents that are deliberately obtuse. If you look at South Australia, which I want to use as an example, if you were reading this as someone with some interest in but no real knowledge of these programs, it is very hard to find a rhyme or a reason for why the Coorong Microwave Communication Project of the Coorong District Council got $892,000 and then immediately above it the Barossa regional telecommuncications initiative got $85,000. When you go down the list, you see some that are a few tens of thousands of dollars and then you see others that are several hundreds of thousands of dollars. I suppose the biggest one here is the regional internet access project by SALGA, SARDA and PLAIN Central Services. I do not know if 'PLAIN' is an acronym, but it is $1.5 million. If asked the

department or the government whether it is possible to rematch these around, to say that, at the end of expending $420 million, these different sized projects have not actually delivered episodic bits and pieces but totally improved the telecommunications system in Australia, how would you explain what this $420 million did, or in another five years is somebody going to say, 'Where did that all go?'

Mr Barr—The beginnings of the response are the evaluation framework that we are establishing, which will look at the expenditures of all of the dollars that have come through the NTN process. Some work has been undertaken already, and the beginnings of those results are now available. But we are intending to do a considerable amount more in the next six to 12 months to report on the outcomes actually achieved from the various grants. To date, of course, there have been a lot of projects approved, but it takes a little while for them to ramp up to implement and achieve their objectives. It is probably timely now to undertake that evaluation more fully.

Senator SCHACHT—I accept that evaluation, but one of these on the South Australian list is that, because it is grant driven from the bottom up, if you are a better organisation and you have a bit more get up and go amongst your staff or you have a bit better resource base already so that you can put some time into preparing a grant and looking around and so on, you are going to do better than if you are not in one of those organisations. When I look through the list I am just trying to see whether, right across South Australia—non-metropolitan—one way or the other, at the end of the time, we will be able to say, 'Was there some equity in the Networking the Nation funding in all its forms?' and that that meant that non-metropolitan areas, at the end of the day, had seen a general improvement in communications? Or are we still going to say, 'Oh, bad luck, some areas did not get the grant, didn't bother or did not do it well enough. There are still a few black holes.' And they will still be suffering a lower level of communications services. That is what I am trying to work out through this list. I cannot see a rhyme or reason to show that at the end of the time you are going to get equity. You will never get complete equity, but you can get reasonably equity.

Mr Barr—There are two points. Clearly the grants that are approved have to be influenced by the applications that are received.

Senator SCHACHT—I understand that.

Mr Barr—In terms of generating applications, we are reasonably proactive, but the state advisory committees or groups are especially active on the ground in their jurisdictions as well. A lot of what we are trying to do is to complement the state telecommunications development policies and programs as well.

Mr Cheah—If I could just add to that, some of the grants are given effectively to state governments and state government agencies who are going to do things on a state-wide basis as well.

Senator SCHACHT—But not here. Where are they? Things like health departments and so on?

Mr Barr—Yes.

Mr Cheah—Exactly. They do things on a state-wide basis. Another general point is that some of the applications fall into different categories. For example, telecentres would be a grouping; mobile phone towers and mobile phone extensions would be another grouping. When we put together our evaluation strategy, what we will be doing is, obviously, grouping all the grants under those categories to see what outcomes we got. Inevitably, though, within a

category, you are going to get a case where you are going to get spot improvements in coverage. For telecentres, that is almost by definition.

Senator SCHACHT—There are interests in South Australia. There are quite a few telecentre grants. I see Kimba telecentre got $100,000. Why not Booleroo centre? Why not Iron Knob and surrounding towns? How do you judge it so that people in Kimba get $100,000 for a telecentre—to develop that? That is driven by the grant. They have got it; other towns are missing out.

Mr Cheah—With all applications that come in, the first thing that happens is that they get run past the state advisory committees. The state advisory committees are partly appointed by the state government and have a number of other organisations on them as well. They provide advice on which applications they think are worthy. They also look to see how the applications fit in with the broader state government development strategies for telecommunications. In a sense, that is partly where the rhyme and the reason comes in. In a sense, as you said earlier on, to some extent a grants driven program has to be driven from the bottom up. But if it turned out that a lot of money was just going to one part of a state or was just going on one particular set of activities, we would be fairly confident that the state advisory committee would have a view and would help swing the balance back. That, of course, is the secretariat's own assessments of things. Finally, there is the board as well, which provide their own assessment.

Senator SCHACHT—What have you done internally about the following issue, not that it is necessary to put it in the annual report? Another separation that I am always a bit suspicious about is those where you give a grant for a consultant's report to be done or a feasibility study to be done—$30,000, $40,000, $70,000. We have had two this morning that we talked about. Then that is it. The local government body, the local community or whatever get their report and then nothing else happens. There is a nice report, but it just dies. For example—and I have no knowledge as to whether this is good, bad or ugly—the Barossa region telecommunications initiative, the first one listed, shows a total of $85,000 to the Barossa Region Economic Development Authority, which I know personally is a pretty proactive authority. The Barossa Valley is one of those areas in South Australia that is a small jewel in the crown, or a large jewel in the crown, in its development, for obvious reasons. Mr Barr, if you know any background, can you tell me that. I presume that was not hardware, for that amount of money. I presume it was some sort of plan or advice as to what they should do, what they could do, what their assets were and how they could be better used. Do we then get an outcome that, although you did not provide the money, elsewhere they worked out a way to use that report to improve the telecommunications for what is obviously the Barossa regional area?

Mr Barr—I apologise, I do not know that particular project.

Senator SCHACHT—Do you see the point I am getting at?

Mr Barr—I do see the point you are getting at, and perhaps the other comment I could make, approaching it from another way, is that the NTN board often invites the applicant to go through the feasibilty study first to prove that their bigger objective is in fact viable or that the way they are intending to get to that objective is the best way of achieving their end. Often the feasibility study is designed to prove or plot out the process of getting there. Commonly, too, the development board is very keen to get that proof, to take them on to the next stage of seeking further funding to implement the project proper.

Senator SCHACHT—Do you keep a tab on it? That is a very good process. You say it is better to spend $50,000 than waste $500,000 by not having the proper work. I understand that.

It is a very good process. But in the end, if you do not watch out, you could easily have this situation. Let me put it another way. How many have you funded where in the end the feasibility has said that it will not work—for the bigger project that it might have been leading to?

Mr Barr—I would have to take that on notice. It will not be a large number. The feasibility study probably spells out how to achieve it. That might show a different route to get to your end point than was originally proposed, but it will have all been beneficial work.

Senator SCHACHT—When I look at the next project on the list, which is the 'Coorong Microwave Communication Project, which is $892,000, that clearly involves buying hardware and putting it up on a microwave tower or whatever. I know the Coorong area, so I can understand why you need microwave to improve communications. I presume it is telecommunications by microwave, is it?

Mr Barr—Yes, I think it is something of a regional telecommunications operation in partnership with Agile Communications, an Adelaide based telco.

Senator SCHACHT—Unlike Green Phone, I have had no complaints. I presume this has worked.

Mr Cheah—This is one of our more successful ones.

Mr Barr—To date, anyway.

Senator SCHACHT—I have actually picked a good one for you to talk about.

Mr Barr—Thank you indeed.

Senator SCHACHT—No hardware lasts for ever. At some stage in the future there has to be further upgrading, updating or just replacement from wear and tear. They cannot come back to you, because the Networking the Nation program is finished.

Mr Barr—Yes.

Senator SCHACHT—Is it in the program that they then have to be commercial enough or to get the money off someone else to keep the upgrade—

Mr Barr—The hope would be that they were commercial enough, and the business case that they would have submitted as part of their application would have demonstrated that as a real possibility under certain assumptions of market penetration and those sorts of things being realised.

Mr Cheah—One of the key NTN selection criteria for a project is sustainability. You have to demonstrate a case for sustainability in the long run, given that we only ever provide a capital injection.

Senator SCHACHT—So they do a joint venture with a commercial operator to put this in.

Mr Barr—No, the application would have been submitted by Coorong, and then they would have gone to tender to find the commercial part and who was willing to become involved.

Senator SCHACHT—I wish that had happened with Green Phone. Coorong is not exactly one of the most highly populated areas of South Australia, although it is one of our best natural features, you could say, of world heritage standard. What was the local group that came together? Was it led by the council?

Mr Barr—Yes, I think one of the factors that brought it together was the councils aggregating their use of telecommunications services.

Senator SCHACHT—That gave them the base.

Mr Barr—That gave them a critical mass to work with.

Senator SCHACHT—Now I want to turn to the telecentres.

Mr Barr—Yes.

Senator SCHACHT—Kimba, $100,000. Was this some sort of feasibility study or preparation, or was it actually delivering an outcome and there is now a telecentre operating in Kimba?

Mr Barr—I do not know that one.

Senator SCHACHT—But that is what the nature of the telecentre funding is for?

Mr Barr—It would be a mix of the capital equipment necessary to start the operation and perhaps some operating expenditures in the first year or 18 months or so, with the intention again that revenue generating opportunities would be pursued so that it became self-sustainable in the medium term.

Senator SCHACHT—I have not gone across all the pages, but there are other telecentre fundings in various forms.

Mr Barr—Yes.

Senator SCHACHT—Are commercial operators going to country towns and saying, 'We can actually get a cheaper telecentre because you can now apply the Networking the Nation to kickstart it.' Is that happening?

Mr Barr—No. These have got to be community based organisations that bring forward the application. Indeed, one or our other selection criteria is one of competitive neutrality. We would not want a telecentre starting up in unfair competition with a private body based on the Commonwealth subsidy.

Senator SCHACHT—The community like this one at Kimba—I do not know whether it got going or not—

Mr Barr—I would be pretty certain that that sort of money means a telecentre is there.

Senator SCHACHT—So there would be a local organisation—it might get an incorporated association.

Mr Barr—A not-for-profit body.

Senator SCHACHT—A not-for-profit body would run it.

Mr Barr—Yes.

Senator SCHACHT—Are they able then to go and do a deal with a commercial operator to sell services, or does that get you outside the competitive neutrality.

Mr Barr—It would probably depend on the exact circumstances that we were talking about. What we are trying to do is address a need that has been stated by the community and by that community group. The application would have come forward with support from the wider community that they saw this telecentre as meeting a high priority need.

Senator SCHACHT—But that is an employment need, not a communications need.

Mr Barr—No, a communications need. Yes, perhaps the argument could be extended to broader economic and social—

Senator SCHACHT—I am just trying to work this out. When they applied, was there something special as to why the community needed a telecentre for where people answered the phone?

Mr Barr—The telecentre would be providing the PC and Internet access.

Senator SCHACHT—I see, I am sorry.

Mr Barr—The community arrives at that centre and has access to the Internet.

Senator SCHACHT—I am sorry, I was misunderstanding. I was thinking more of the commercial operator like a telecentre you ring up—where a big bank has a telecentre and people answer the phone.

Mr Barr—No, this is a cybercafe. That might be more—

Senator SCHACHT—Yes, I understand. With the one in Kimba, I can see now why the money would be spent to buy some hardware.

Mr Barr—And, as I say, the local government may have provided the building, but it needed a number of PCs. It could include some training. It almost certainly would have included some training for the community and some operations costs.

Senator SCHACHT—I now go to some of the big items in South Australia. On page 146, you have the Regional Internet Service with $1.1 million in total, which is the South Australian Local Government Association, the Regional Development Association and PLAIN, the Public Library Automated Information Network. When I go a bit further down, there is an interregional Internet access project, with SALGA, SARDA and PLAIN again, with $1.5 million. All in all, it is $2.6 million. It is quite big amounts of money.

Mr Barr—Yes.

Senator SCHACHT—In relation to what you are providing there, could it be said that you are actually subsidising local government in what they should be doing anyway?

Mr Barr—Those grants were made before I became responsible for the program, so I am not entirely familiar with them, but there is, as Mr Cheah was saying, a local government fund, and the idea of that fund is to provide direct funding to local government so that their services—

Senator SCHACHT—But that is not in Networking the Nation.

Mr Barr—Yes, it is.

Senator SCHACHT—There are a couple of other connections, but in that one you put in $2.6 million. Would there have been any contribution from local government at all to make it work—added on either in cash or in kind?

Mr Barr—Certainly that could have been the case, especially in kind.

Mr Cheah—When people put in applications, one of the things which we are looking for as well is a contribution from the community either in whole or in kind. The other point about some of those grants, if I am not mistaken, is that they are also about promoting public Internet access points. That was a bit of a priority early on in the piece, to actually try to get more public Internet access points out there. While it is true, one might argue, that in some ways this might be the responsibility of councils, I think some of the regional councils were generally looking for assistance and a bit of a kick-start to make that happen. So their objectives fitted in quite nicely with the objectives of the program. Public Internet access

points were regarded as being a way of helping build demand and build familiarity with the Internet and a lot of those other things the program was trying to do.

Senator SCHACHT—As things evolve, particularly Telstra's commercial interest in the other carriers, they improve the capacity of the network to provide, even to remote and regional areas, high quality broadband Internet services. So you do not have to wait four hours for half a line to come up on your screen, which unfortunately some people have now. You get quick access, good quality data—the whole lot. That will only ever be delivered equitably across Australia if a major carrier, under a community service obligation arrangement, is directed or chooses to spend that evenly across Australia. You cannot get a guarantee that the individual grant arrangements from Networking the Nation will automatically deliver the same equitable access to high quality broadband and associated services from the grant level. It is going to require a carrier or carriers to do that, to put the hardware in.

Mr Cheah—I suppose part of the logic behind the whole NTN approach was that, given that these things actually cost money and need resources, the communities themselves would help prioritise what their real needs were. While it is true, for example, what you are talking about with broadband, some communities have opted for mobile coverage. They have often put in an application to get a new mobile phone tower and they have regarded that as being almost more important than getting the improved data rate access. Often what the communities have been willing to do is actually put in some of their own money. There was a requirement under NTN that there be a $10,000 community contribution to help make that viable—looking for a significant contribution from carriers—and that seemed to be fairly successful.

Senator SCHACHT—There have been some announcements in the last couple of years that Telstra, in particular, are spending money to improve rural and regional communications capacity services. They always issue a big press release, and Ziggy jumps up and down and says how nice we are. They have run into a couple of hundred million, haven't they?

Mr Cheah—On some of the various tenders that have been around yes, they certainly have tenders. I think it is worth maybe stepping back one step. Solving or attacking some of the issues to do with improving regional communications is quite complex. You are in a rapidly technologically changing environment. There is a whole range of new technologies and services that people are after. There are costs involved. I suppose the NTN program is one of those strategies for improving communications. We have several strategies or several planks in place, which range from opening the market up and trying to get the market to work all the way through to individual consumer grants programs. We also have tenders and other things, which together are all different strategies for tackling different parts of the problem.

Senator SCHACHT—Do any of these programs—not just in South Australia—across the Networking the Nation, on Internet access broadband services, involve the users in the town, the region, the shire or the council area getting a subsidy on the cost of connecting and the cost of paying for the line service that Telstra charges? The biggest complaint in many areas is that the Telstra charges, even though there are certain obligations, are still too high for a lot of people, even in small business, to afford some of the broadband services.

Mr Cheah—The design of the NTN program was deliberately pitched at the community level, so you had to have a community group. It was not directed at individual subsidies. There is one exception to that and that is with the mobile phone satellite subsidy scheme. The Western Australian government got some money to run a mobile phone satellite subsidy scheme. In fact, the Western Australian model has helped form our more general model,

which we are now implementing nationwide, to offer subsidies for mobile satellite handsets as part of the TSI response. That is about the only exception. That said, some of the charges have fallen as a result to some of the other projects. The Coorong is a very good example of that. As I understand it—and Mr Bryant can correct me if I am wrong—the Coorong actually gives people in the Coorong area the equivalent of local calls pretty much back to Adelaide.

Senator SCHACHT—Until Telstra cuts the cables on them.

Mr Cheah—Some of the projects have, by the way they have operated in practice, led to some of those kinds of benefits in terms of reduced charges.

Mr Bryant—Senator, as I understand it, the main aim of the Coorong project was to reduce the cost of calls around the region, initially between local councils but with an intention to provide more broadly cheaper calls for the communities over the network. The aim was also to provide fixed cheaper calls—or cheaper than STD calls—back to Adelaide. So that was a key focus of that particular project.

Senator SCHACHT—For them to get back to Adelaide they have to use a Telstra network?

Mr Bryant—Yes.

Senator SCHACHT—So they did a deal with Telstra to negotiate access. Was that because Telstra gave them a cheaper price in bulk or in wholesale that meant that they could get it or because they had provided a more sophisticated technical outcome, which meant they could, with the same capacity, provide more calls and therefore a cheaper per unit rate?

Mr Bryant—My understanding is that the model that Agile uses is a microwave network, IP based, with a microwave link back to Adelaide, which then terminates the calls via the Telstra exchange back in Adelaide.

Senator SCHACHT—They put the microwave network under their own infrastructure back to Adelaide?

Mr Bryant—That is my understanding.

Mr Cheah—But there is also an element of demand aggregation, which you were getting at before, Senator.

Senator SCHACHT—I did not understand. Knowing where the Coorong is, I thought that by the time they got to Tailem Bend or Murray Bridge, they were going back into the Telstra network. So they do not go back into the Telstra network until it gets back to Adelaide?

Mr Bryant—That is my understanding.

Senator SCHACHT—No wonder they got a cheaper rate. So it is cheaper; they have actually duplicated Telstra's structure to get the calls back to Adelaide. If they got a cheaper outcome for themselves, I am not criticising it. Did you get any comment from Telstra about that?

Mr Bryant—Not specifically about the project that I have heard about, but I think the point that Mr Cheah made earlier in the day is that, as these different models roll out—and we think there are a few in Victoria as well that are moderately successful—there is certainly pressure on Telstra to improve its services to those regional communities in competition. We see that as a good outcome.

Mr Cheah—A lot of the state governments would be quite supportive of that approach as well. In Victoria, they have the Vic 1 network.

Senator SCHACHT—But what it leads me to, Mr Cheah, is this fundamental question. In a sense we are spending $420 million—and this is not a bureaucratic but a policy matter—to duplicate a network that already exists, that Telstra already has between Adelaide and Coorong, to get cheaper rates. There is Telstra, still 51 per cent owned by the government, providing infrastructure but we are still using taxpayers' money in another pot to duplicate a network that is still majority public owned. As I say, it is a philosophical policy issue. If this is repeated across the board, we are going to have duplication, and in microwave links I know it may well be very suitable. And there are many other examples, now that you have explained it to me. For $800,000, Telstra could be saying, 'Well, why do we worry about the bush? If all these councils are going to do this, they can take the community service obligation and we'll bail out.' Has that issue been raised?

Mr Bryant—It has not seemed to have been Telstra's reaction to this point. I think its reaction is generally in the other direction that—

Senator SCHACHT—It wants to blow up the tower.

Mr Bryant—'Let's see what we need to do to get a better price to these communities,' I guess.

Mr Cheah—You have pointed to a fundamental philosophical issue and it does work its way through some of this stuff. Another strategy you can adopt is to try to lean on Telstra to improve the services in a particular area.

Senator SCHACHT—That is easy. You just ask your minister to send a direction. He has ministerial control. This is another fundamental issue that Senator Alston and I—and Senator Alston and the Labor Party—have a difference of opinion about. He will not give that ministerial direction. You could give a direction. You could say, 'If the Coorong plus this private company with an expenditure of $800,000 can provide cheaper calls, how much would it cost you to do it when you already have the network?' That is a matter of changing the call phone structure within Telstra, is it not? They do not have to lay new cable or put up new telephone exchanges; they just have to put an extra black box in the telephone exchange to adjust the call zone areas which they charge on STD rates.

Senator Kemp—It is very pleasant being here to listen to your views on a whole range of issues, and it is not that we would want to discourage you—this is your swan song, and you should play it as you like—but if you would like to ask the odd question it would give the impression that we are actually in an estimates hearing.

Senator SCHACHT—Minister, we were doing fine without you. I got a lot more information before you turned up.

Senator Kemp—In that case I will go.

Senator SCHACHT—I would have to say that it would be better if you did go, because the officers are doing very well.

Senator Kemp—Thank you for your advice. I may take that.

Senator SCHACHT—I will ask you this. What I was leading to is—

CHAIR—It is a long prologue, but there is a question.

Senator SCHACHT—I have asked the question. The officers cannot answer it because it is policy. Minister, I ask you whether there has been a consideration in the government that, through these grants for Networking the Nation, such as the Coorong project, which is an excellent local initiative, the government is funding the undercutting of cheaper phone calls against its own infrastructure that it owns through Telstra?

Senator Kemp—We are pleased to get a question.

Senator SCHACHT—And you cannot answer it anyway.

Senator Kemp—What I am going to do is draw your question to the attention of the relevant minister, Senator Alston, and see whether he would like to reply.

Senator SCHACHT—You are better off not being here. You had better go off, Kempie.

Senator Kemp—Don't tempt me, Senator.

Senator SCHACHT—We are much better off without you here.

Senator Kemp—I was not being unkind to you; I just thought that it was not unreasonable that—we like to sit here and listen to your views on the world, and I think that is all very nice, but perhaps if you include the odd question, as I said, it would—

Senator SCHACHT—I did ask a series of questions about what the nature of that project was. It came out that I misunderstood. I presumed it was totally locally based and then they connected into Telstra. I did not understand that they had built a microwave network back to Adelaide. I can see why they now can get cheaper phone calls. Telstra would not sell them the capacity if they had to bring it back to Adelaide themselves. In view of the success of the Coorong microwave project, which Mr Cheah and Mr Barr have acknowledged, has that been used by the secretariat or the board to encourage other communities to put together a similar project?

Mr Cheah—One of the things that we, as the deparment, have done, in consultation with the states, is put together a booklet—a new market models toolkit—under the 'New Connections' program. Mr Bryant coordinates that, and I will ask him to talk a bit more about that.

Mr Bryant—The online council, as you are aware, Senator, is the—

Senator SCHACHT—I am aware of nothing.

Mr Bryant—Sorry, it is the ministerial council of ministers responsible at the state and federal level for IT&T matters. One of the processes there is a regional communications working group, which meets regularly to work through regional communications issues. One of the projects that has been initiated and implemented through that group has been a New Connections toolkit, which is essentially a document providing advice to regional communities about the kinds of new market models that we have been talking about— hopefully, practical advice on the issues that people need to watch out for and the planning and process issues that need to be taken into account.

Senator SCHACHT—But has the word spread amongst the organisations at a community level around Australia that this is a possible successful project, reducing cost? For example, say we are talking about the Riverland region in South Australia, which is almost the same distance as the Coorong from Adelaide. Is it a feasible project that they could get a grant of a million dollars and put a microwave system in in conjunction with a commercial operator to connect back directly to Adelaide and avoid using Telstra's network?

Mr Bryant—Indeed. My understanding, in talking to Mr Simon Hackett, who is the principal of Agile Communications, is that he sees it as a model that could work in a number of regions, in South Australia and beyond, I think.

Senator SCHACHT—But it would not work if Agile had to do it totally themselves. They have to get some kick in from a public enterprise to make this cost work to their advantage against Telstra.

Mr Bryant—I could not answer that definitively. It may well be that, in the case of the Coorong project, it was an untried greenfields project that Agile could not get the kind of investment dollars into because it was a high risk project. If it has been proven, the metrics may change. I do not know.

Mr Barr—Obviously it would also depend on the size of the market and whether the model extends comfortably to larger or smaller markets.

Senator SCHACHT—If it is the Coorong council area, stretching from Tailem Bend almost down to Kingston, along the Coorong and inland a bit from the sea, there would be lucky to be a couple of thousand people outside Tailem Bend, including Meningie. That is a sparse area. It could be that it is because of the sparsity of the population that it works, whereas with the Riverland, a more heavily populated area, Telstra could probably work out a way to beat them by volume, reducing their costs anyway.

Mr Bryant—Quite possibly. One of the things that Agile maintain is that the actual architecture of the network is more efficient than the Telstra network—just the technology itself—and that their costs are lower as a result. Indeed, that is one of the objectives of the BARN project—to test those premises.

Mr Cheah—And there is a range of different market models out there. At one extreme, you probably have Agile and Coorong doing this microwave in extremely sparsely populated areas, and you go all the way through to something like TransACT here in Canberra, which is actually commercially rolling out a network with a completely different model in competition with Telstra. There is a lot of interest in regional areas about how they can do things to improve their own communications. There are a lot of people looking at a whole lot of different approaches. That is one of the reasons for pulling together that new market models toolkit—to say, 'Here are the models which we know are on the table now in Australia. Here are some of the advantages and disadvantages of each. Here are some of the new market models we are aware of that have been overseas in foreign markets. Here is a menu of things you might want to have a look at in terms of trying things out.'

Senator SCHACHT—Mr Cheah, before lunch you mentioned the Green Phone fiasco. If Telstra has come back into the market and offered a better service and lower prices after the Green Phone fiasco, so it is not a complete waste of money, I take the point. If Telstra stepped back into the Coorong area and said, 'We have got the capacity. We will put a few extra black boxes in the exchanges and give you a lower price,' and then that put the Coorong system out of operation because they undercut, et cetera, you would then say, 'At least we got the lower price, which is what the community really wanted, so the investment of $800,000 was worth it.'

Mr Cheah—I think the first question would be whether Telstra was engaging in predatory behaviour, actually.

Senator SCHACHT—That brings me to my second question. Suppose Telstra did that, in taking on Telstra through the ACCC—you can go and use the ACCC itself to help fund small business, a full group. But if that is not the case, the only way for the Coorong to get remedy would be to go to the ACCC, the telecommunications section, which deals with issues of predatory pricing, structural separation and all those other things to ensure there is fair play in the marketplace.

Mr Barr—I think there is one point to recognise. Telstra cannot just act in the Coorong. If it is putting in a new pricing arrangement, it has to do it nationally as well. Otherwise, it would clearly be predatory pricing.

Senator SCHACHT—Fully predatory. So they are a bit trapped: until they drop the prices everywhere, all of them fall over. It gets back to the more philosophical question that Senator Kemp was not keen for me to ask, which was whether we would have been better off spending $420 million and guarantee everybody get a microwave connection or cheaper rates, or use it to reduce the call rate system across Australia. Could you please draw my attention to what page in the PBS there are forward estimates for the budget for 2002-03 for Networking the Nation for expenditure?

Mr Barr—It is page 47.

Senator SCHACHT—Of the PBS?

Mr Barr—Of the PBS.

Senator SCHACHT—Thank you for being so kind. You have the budget estimate for 2002-03, which is $162 million, if I read that correctly. Then underneath, if someone would just take me through this, on page 47, there is an administered annual appropriation, which does cover Networking the Nation, of $162 million. Is that correct?

Mr Barr—No, that is considerably broader than the funds that are available under Networking the Nation.

Senator SCHACHT—Which ones in administered annual appropriations are for Networking the Nation?

Mr Cheah—It is the second line, the Telstra social bonus.

Senator SCHACHT—That is Networking the Nation?

Mr Cheah—That includes some Networking the Nation and some other programs.

Senator SCHACHT—There is no other table in the PBS that separates out Networking the Nation funding? It is all on page 47, the way it is structured? Is that correct?

Mr Barr—Yes, that is correct. Senator Lundy asked this morning for—

Mr Cheah—A more detailed breakdown of the different components that sit behind two of those. The Telstra social bonus 2 line has got—

Senator SCHACHT—That is taken on notice, yes.

Mr Cheah—And the telecommunications service inquiry response line. We will be coming back to Senator Lundy later on this afternoon on those, giving her a breakdown of what the different components are.

Senator SCHACHT—So that is $118 million estimated for the budget this year for Networking the Nation? Would that be right—those two put together?

Mr Cheah—No, I would have to actually put together the different components.

Senator SCHACHT—Which other lines possibly—

Mr Cheah—The two line items are the Telstra social bonus 2 line item, which is—

Senator SCHACHT—And the TSI response.

Mr Cheah—There is $65 million there, and then there is the TSI response, which is $53 million. It is a subset of those two. No, it is a subset of Telstra social bonus 2. There are no TSI ones. I would point out that TSI was more—we will be giving Senator Lundy a breakdown of those.

Mr Barr—I think a quick back-of-the-envelope calculation from some of the figures I had suggests that it is about $120 million in the coming year.

Senator SCHACHT—For Networking the Nation?

Mr Barr—For all of the programs that the Networking the Nation board—

Senator SCHACHT—That the secretariat is responsible for?

Mr Barr—Yes.

Senator SCHACHT—When that is spent, how much does that leave of the $420 million still to go?

Mr Barr—I beg your pardon?

Senator SCHACHT—When that is spent, how much of the total budget of $420 million over x number of years, as we discussed earlier, is still left to go for the remaining year or so?

Mr Barr—Not very much at all. Probably about $30 million, which will largely be confined to the 'building additional regional networks' program. The Networking the Nation board met only last week and approved a considerable number of additional grants at that meeting. Those approvals have largely exhausted all of the available funds except for BARN.

Senator SCHACHT—So during this year the work of assessing the applications is going to run down quite substantially?

Mr Barr—Yes, it will.

Senator SCHACHT—Your chances of getting extra staff, Mr Barr, have just disappeared, I am afraid.

Mr Barr—But the monitoring of the huge number of stock of grants is still there with us.

Senator SCHACHT—The special accounts that come under the next section: they are all the government driven programs we discussed earlier, Mr Cheah, about calling for tenders, wanting things built et cetera ?

Mr Cheah—That is correct, except for the first one, the RTIF one. That is the holder for the NTN moneys.

Mr Barr—That $73.7 million in there is included in the $120 million that I mentioned.

Senator SCHACHT—Oh, I see! So the $73 million is already in the $120 million?

Mr Barr—Yes.

Senator SCHACHT—It does not give a note about that, does it? It is not double counting here?

Mr Barr—No, it is not double counting.

Mr Cheah—The $73 million is the money that is already there. The $57 million is the amounts that have been appropriated.

Senator SCHACHT—When you add up those columns, $162 million, of which $120 million is Networking the Nation—

Mr Barr—No. Of that $162 million, about $46 million is Networking the Nation; and then you add the $74 million in the next line and that gives you the $120 million.

Senator SCHACHT—Because the Telstra social bonus and the TSI have got things other than Networking the Nation?

Mr Barr—Correct.

Mr Cheah—The RTIF was effectively the T1 money, so that is in that account there. The Telstra social bonus 2 moneys, or most of them, are there under that line item which talks

about the Telstra social bonus 2—the $65.756 million. I have just done the additions here. The amount managed by NTN is $57.1 million. So of the $65.7 million on that second line item, under appropriations, $57.1 million are moneys that are to be managed by NTN. So the $57 million from that, plus the $73 million under the RTIF, is how you get to Mr Barr's $120 million—actually, no, that must be—

Senator SCHACHT—That is how I got confused: none of the TSI is in Networking the Nation?

Mr Cheah—That is correct. I am sorry, I might have misled you a bit before because I was referring to the need to come back to Senator Lundy.

Senator SCHACHT—The universal service levy: it is estimated that last year it was $70 million and it is now going to go down to $58 million in the budget. I would have thought there is more demand for the universal service levy. Why is it going down rather than up? I know that is a good figure for Finance.

Mr Bryant—It is going down for two reasons. Firstly, the total subsidy for the universal service is forward estimated by the ACA for the next three years and that total amount will fall from $240 million in the current year to $234.1 million next year. In addition, this amount of money is really the net amount that will be received by Telstra from the rest of the industry who have eligible revenue, so there is a variation as well from year to year in how much eligible revenue the rest of the industry has got compared with Telstra.

Senator SCHACHT—Is the demand for the universal service levy or the obligation going down because general communications are improving?

Mr Bryant—No. The way it works in terms of estimating is that the ACA estimates universal service costs—in other words, the cost of servicing unprofitable areas.

Senator SCHACHT—And are they getting cheaper costs provided by the carriers who provide the universal service obligation?

Mr Bryant—No. In terms of costs, the ACA works out costs on a theoretical model of most efficient costs.

Senator SCHACHT—And overwhelmingly it is Telstra who would get the money—

Mr Bryant—Yes, about 80 per cent.

Senator SCHACHT—And they say to Telstra, 'This is the independent, transparent cost of what you should be paid to provide that service'? It is not what Telstra tells us they should be paid?

Mr Bryant—Indeed not. There is quite a discrepancy.

Senator SCHACHT—Telstra were here yesterday, and if you had asked them they would have complained that it is very unfair on them. But then they would say that, wouldn't they! I have never noticed that they wanted to give up the network in the bush to someone else. They always draw the line at that; they know what an advantage it is. Thank you.

Senator LUNDY—I would like to revisit a couple of issues in relation to the strategic industry development arrangement, SPIDA. It is an issue that relates directly to the opportunities of SMEs to access government contracts, so I can appreciate that it is an issue about those barriers quite specifically rather than a broad brush question.

I recall seeing an advertisement seeking expressions of interest for the provision of information technology equipment and support services. It was an advertisement by Austrade requesting expressions of interest in relation to the provision of that technology equipment.

Something like four or five days were provided to the ICT community to respond to that EOI. The expression of interest was advertised on Thursday, 11 April. The respondent briefings were organised for Tuesday, 16 April, which allowed, effectively, two working days for companies to decide whether or not they were in a position to respond. The response closing time was Friday, 19 April—some three working days later—with an evaluation then occurring on 23 April and the short list being prepared on 24 April. The issue that has been raised directly with me is that those short time frames seriously impede the capacity of an SME to garner their resources, or to reallocate their resources, to respond in such a fast way. Is this an issue that has been raised with you specifically by SMEs, and is it an issue that will be addressed in your work which is in train to remove those barriers to SMEs?

Dr Hart—Certainly the whole issue of SMEs' ability to complete the tenders is, yes, one of the issues that was raised in the inhibitors review. Time frames, I would imagine, are potential impediments. There was a great emphasis, I think it is true to say, on access to information. I suppose what you are saying is, in a sense, that there is an information aspect about that as well.

Senator LUNDY—What it says to me, and I think to the sector, is that they only want the incumbent to get the job. If there is a current existing technology provider, the whole tender process of calling for expressions of interest is very much token. It is not a genuinely competitive exercise at all. I can only second-guess the motivation of the agency involved; in this case it was Austrade. I understand this is not a unique situation. Do you provide advice to agencies at the moment about what they can do to lower those barriers to SMEs participating in their work?

Mr Sutton—Under the purchasing framework that is in place it is the responsibility of individual agencies, as you would be aware, to decide on specific procurement practices. I am not aware of the specifics of the particular case you are referring to. The only occasion on which agencies are expected to consult with us in relation to procurement of IT products and services is for major projects defined as those over $5 million. In that case, there are defined procedures under the outsourcing framework that was announced in April last year. The short answer to your question is that we do not provide a general advisory service for government agencies.

Senator LUNDY—The next obvious question is: will you provide advice once you have completed your investigations and working party deliberations into the barriers confronting SMEs that we spoke about earlier?

Mr Sutton—In the consultations about the SME inhibitors last year, issues of SME understanding of agency strategies and procurement requirements—requirements for purchasing—and the converse, which is agency understanding of SME capabilities, were raised as very significant issues. We would certainly anticipate that increasing mutual understanding of SMEs and agencies will be a core part of any future package of measures to facilitate SMEs getting more government work.

Senator LUNDY—Would you be concerned about this type of practice? You have acknowledged that it is a barrier.

Mr Sutton—It is very difficult to comment on that particular case without knowing the circumstances. I could conceive of a situation where it might have been for a very specific type of service. Without knowing what sort of pre-EOI arrangements Austrade had put in place I would not like to comment on the specifics of that case. As Dr Hart indicated, SME capacity to bid for projects like that, given their much smaller resource base and hence a

possibly reduced ability to marshal the net required resources quickly as compared to larger players, was raised as a significant issue with us.

Senator LUNDY—You said that there is a requirement to consult with you if the project is worth over $5 million. Given that the SPIDA agreement is not in place—it is not formalised—what is the nature of your involvement and do you stipulate any requirements on those agencies or the large companies that are engaging in contracts valued at over $5 million?

Mr Sutton—In the new outsourcing framework which was announced by Senator Alston in April last year, the key requirement for all contracts is that suppliers must be endorsed under the arrangements administered by DOFA. We look after the ID aspects of that program. That applies to all contracts. In addition, above $5 million, agencies include in their RFTs a requirement for the bidder to specify the level of SME content, the level of Australian value add—AVA—and the level of SME content of AVA, or SMEAVA, as we have termed it.

Senator LUNDY—It is a wonderful acronym. Do you still have reporting mechanisms that are publicly available, assessing those arrangements in the same way as you provide what I consider a completely inadequate public report on the industry development aspects of the larger clustered contracts under the initiative?

Mr Sutton—Consistent with the devolved approach reflected in the Humphry report, where implementation of the outsourcing initiative was clearly placed with agency heads, the reporting requirements for any major contracts rest with the agencies who have let the contracts and who are the actual people signing the contracts with the suppliers.

Senator LUNDY—So it is whatever is in their contract?

Mr Sutton—Indeed. That governs the reporting requirements, yes.

Senator LUNDY—So the reporting requirements rest within the agencies and, presumably, in the contract.

Mr Sutton—That is correct, yes.

Senator LUNDY—Are you aware of what reporting requirements are in there, and do those contracts include some way in which you are involved in collating the information about how much SMEAVA has been achieved?

Mr Sutton—We do not have a single framework for that, because it is individual contracts under the new system. I might have to take that question on notice and let you know what arrangements are in place for the individual—

Senator LUNDY—I do not know how many contracts of more than $5 million have been signed since, but you are not receiving quarterly reports from those agencies?

Mr Sutton—No, we are not. The requirement for suppliers to give us reports was a feature of the OASITO regime—we got annual reports from all the companies—but it is not part of the new arrangements.

Senator LUNDY—Is it true that the draft SPIDA agreement would have made that part of your role?

Mr Sutton—What it would have meant is that regarding the ID outcomes from contracts for any major project there would not have been specific reports coming to us, but the outcomes would have formed part of the annual review, annual report, of their overall industry development activities, which would come to the department under the SPIDA approach.

Senator LUNDY—So, if SPIDA had been put in place, there would have been some, at least, all-encompassing assessment of how much SMEAVA was actually achieved?

Mr Sutton—I think yes, that is correct.

Senator LUNDY—That was certainly my understanding, that it did provide a central role for the department in providing an accountability mechanism or an insight into whether the conditions of the contracts were actually met in that regard.

Mr Sutton—Yes. The intention behind SPIDAs, as compared with the OASITO approach, was to get away from the out of scope initiatives which were a feature of the OASITO approach and which caused a lot of concern in the industry, and to come back to a more strategic approach, to looking at overall achievement of ID objectives.

Senator LUNDY—So at the moment, for contracts of $5 million plus, you have no clue. You know that that is in the contract, but you do not know whether it is being adhered to or achieved.

Mr Sutton—The mechanism for monitoring that is through the agency contracts.

Senator LUNDY—That is what I said.

Mr Sutton—Thank you.

Senator LUNDY—Can you just remind me: SPIDA, the acronym—I can think of strategic industry development arrangement: what was the 'P' for?

Mr Sutton—Partnership.

Senator LUNDY—Strategic partnership for industry development arrangement.

Mr Sutton—Yes, or agreements.

Senator LUNDY—Agreements?

Mr Sutton—Yes.

Senator LUNDY—Or arrangements?

Mr Sutton—Agreements.

Senator LUNDY—Does SPIDA have a future?

Dr Hart—This morning I was describing the process that we have been going through, and the remaining elements of that process that we have to go through, before there is an outcome. I was indicating that I thought there would be an outcome fairly soon.

Senator LUNDY—Do you think it will be a further draft of SPIDA; or do you think it will be a different framework?

Dr Hart—There is little I could add to what I was saying this morning. It will depend on the further consultations that we have to go through, and there will certainly be some ID arrangements put in place.

Senator LUNDY—Will you have a role in reporting on those?

Dr Hart—The final form will depend on the final shape of the whole package.

Senator LUNDY—So there may or may not be reporting required.

Dr Hart—Reporting of some kind, I would envisage.

Senator LUNDY—How are those reports that you are getting on a quarterly basis from the existing contracts? What are they showing? Are they showing that industry development outcomes are being achieved?

Mr Sutton—This is the five OASITO contracts?

Senator LUNDY—Yes.

Mr Sutton—As you are aware, we issued an annual report on the first year's achievements for the five contracts in January last year. We have a similar report in preparation for the period until 30 June last year. Unfortunately, the completion of that is being delayed by a need to confirm some statistics in relation to one of the contracts.

Senator LUNDY—When was that report due out?

Mr Sutton—There has been no specific deadline given for the issuing of those reports.

Senator LUNDY—When was it released the year before?

Mr Sutton—In approximately January-February last year.

Senator LUNDY—It was late then, wasn't it, because you had had delays from group 5?

Mr Sutton—Yes: there were delays. That is right. Last year, there was a problem with one of the contractors failing to lodge a report in a required time frame.

Senator LUNDY—From memory, you had anticipated that that report would be available around October-November. Is that a fair recollection? I just remember going through it at the time and then it was delayed until after Christmas.

Mr Sutton—I cannot recall but that is probably not too wide of the mark.

Senator LUNDY—Say November. That gives you a bit more room to move. The point is not lost that it is now May, nearly June in fact, and that report is effectively six months overdue. Can you just go through, very specifically, the reasons for its lateness?

Mr Sutton—The issues have related to one of the contractors, which is IPEX, and, if you recall, all the information in that report last year was audited to a particular standard so that we could say with confidence what the outcomes were. The issue with the group 8 report this year was that, originally, it was not audited to the standard to be consistent with the other reports. We had some discussions with IPEX about ensuring consistency of approach. Following those consultations, there was further auditing work commissioned. IPEX have been very cooperative with that and it is now very close to finalisation.

Senator LUNDY—When will we see it?

Mr Sutton—It is fairly close to finalisation. There are still some final approvals processes to be gone through.

Senator LUNDY—Given it is very close, can you give me some insight into whether or not the vendors have achieved their industry development commitments?

Mr Sutton—Without having the details in front of me, all I could say is that the overall outcomes are not inconsistent with the outcomes that were presented in last year's report for the three contractors.

Senator LUNDY—What did that say? That was very good obfuscation, Mr Sutton.

Mr Sutton—Overall, the achievements against the contracted requirements, for the three contracts at that stage, was a very significant over-achievement overall. The figures for this year are consistent with that trend overall.

Senator LUNDY—All I can say is that it is an absolute disgrace that it is over six months overdue, and I look very much forward to having a look at that report. I presume it will be made publicly available and posted on the web site.

Mr Sutton—It certainly will.

Senator LUNDY—Then I can ask questions about it next time. I will look forward to that. I have a question on group 8. It is an intriguing one for those who do not follow this issue as closely as I do. The whole issue of SMEAVA, SME and Australian value add relates to maximising involvement of Australian companies. IPEX kind of fit that category in the first instance, so is there a different way that you apply your checks and balances for Australian value add involvement, given that the prime contractor is actually Australian in the case of IPEX and group 8? How does it work?

Mr Sutton—We administer the ID schedules of the contracts in the same way, regardless of the origins of the company.

Senator LUNDY—So it would affect their calculations.

Mr Sutton—That is exactly right—

Senator LUNDY—But not the way you approach it.

Mr Sutton—That is exactly right. So obviously the fact that it is an Australian company would have had a significant impact on their original levels of SME content, AVA et cetera.

Senator LUNDY—Thanks for that. One of the reasons I remain so interested in the involvement of Australian companies in government contracts is because I think there is a huge opportunity to help them grow. I would like to ask some questions about the coalition's attitude to Australia as a consumer as opposed to a producer of IT goods and services. In particular, I noted with interest in the budget papers that Treasury has persisted with their advocacy of the singular importance of being a good consumer and a good user of information and communication technologies—in my view, at the expense of promoting strategies to help grow our ICT industry. I have some questions about the trade deficit in information and communication technology. I do not know if there are officers available to help me out with those. Perhaps I could kick off by asking the minister whether or not he shares the view of Treasury, which is that it is far more important to be a consumer and user of technology, at the expense of investment in growing that particular sector in Australia.

Senator Kemp—I am not sure that is the correct way to categorise the Treasury view. Would you like to quote the source on the Treasury position?

Senator LUNDY—I would. I have to say, Senator Kemp, this is a conversation I have engaged in with Minister Alston on a number of occasions.

Senator Kemp—Why would you bother then to raise it with me? I am only here on his behalf. I have a view, as someone who is acting on behalf of Senator Alston, in that I tend to support the position that Senator Alston has put before the committee. If you want me to change Senator Alston's view, what I would do is speak to him and tell him your views.

Senator LUNDY—It is really just the degree to which you can actually engage on this issue.

Senator Kemp—Senator, I am happy to provide you with a government policy but if you and I want to have a chat about it we should not waste the time of the committee.

Senator LUNDY—Treasury has made a number of references to it in Budget Paper No. 1, including identifying factors relating to the terms of trade. For example, it describes in favourable terms—and I quote:

A contribution to Australia's strengthening terms of trade is a significant fall in the prices of Australia's imports, especially for information and communication technology (ICT) goods.

I guess that is the start of a series—

Senator Kemp—That is not what you said, Senator.

Senator LUNDY—No, I know, but listen to me—

Senator Kemp—That is not what you said.

Senator LUNDY—It is the start of a series of observations that identify the importation of ICT and the falling prices of those commodities as being the opportunity to turn around the trade deficit, with very little attention being paid at all to what opportunity exists to actually grow our capacity to export ICT to start to address those terms of trade.

Senator Kemp—You made a statement as to what you said the Treasury's views were, and it did strike me that it was perhaps a very short summary which did not fully reflect the Treasury position. You have not sustained that in the two quotations you have made. You have gone on to a different issue. I do not mind going on to a different issue but we will undoubtedly develop our own local industry and we will undoubtedly also depend in certain key areas on goods which are imported. I am not sure, having made that fairly bland statement, what your problem is with that, Senator.

Senator LUNDY—The Treasury documents go on to say:

Effectively, ICT is now a commodity. It is characterised by relatively homogenous product—the integrated circuit and memory chips—with hardware manufacturers behaving like price takers.

Senator Kemp—What is your argument against that? Are you opposed to that?

Senator LUNDY—I would like to test some of these Treasury assertions against the government's overall view about the relative importance of ICT.

Senator Kemp—That is a Treasury paper—a paper which is put out at budget time, Senator. Essentially, what you have said to me is that there is trade in a commodity which they are saying involves the IT industry. If you are telling me that, I do not know whether that is a profound insight. I always thought it was the case.

Senator LUNDY—With regard to the terms of trade issue, Minister, do you think it is an appropriate approach to at least balance the promotion of technology as a generator of productivity with an appropriate focus on growth in the ICT sector and enhancing our capacity to export?

Senator Kemp—It is an odd way to frame a question. What do you understand by the term 'the terms of trade'? You can understand what that means?

Senator LUNDY—Don't be smart. There is a trade deficit in ICT that we have known since 1997 has been blowing out.

Senator Kemp—That is not the terms of trade.

Senator LUNDY—The terms of trade for ICT. There is a deficit. What are you going to do about it?

Senator Kemp—I do not think you understand the nature of what the terms of trade are.

Senator LUNDY—You can be a pedant all you like. What are you going to do about the trade deficit in ICT, which has gone from $6 billion and is heading very quickly towards $46 billion? This government has done absolutely nothing to try and stem that exponential growth in the trade deficit in ICT.

Senator Kemp—Have you quite finished, Senator? I can see you want a bit of a barney. I am going to now reply, now that you have made your comment. Is the proposition you are

putting to us that in every commodity area in which we have a deficit the government should move to deal with that?

Senator LUNDY—No, I actually think there is a special place for information and communication technology.

Senator Kemp—I am glad you have clarified the view that it is okay in a range of commodities to have a deficit but you are unhappy with this if it occurs in the IT area. Is that right?

Senator LUNDY—That is my view--that ICT deserves specific attention, partly because of its capacity to be a really important enabling technology and secondly because it is so rapidly growing to a point where it is out of control. I am also of the view—

Senator Kemp—What do you mean that it is out of control? What is out of control?

Senator LUNDY—I am of the view that Australia has a huge nascent capacity to improve their exports in this area with the right policy settings. What I am asking you is whether or not you are of a mind or of a policy to in fact strategically target a reduction in that trade deficit in ICT, partly through industry growth strategies, which is what we are talking about here. This is what this part of the department is all about. But also in actually challenging what is clearly a Treasury view that it does not matter what we export, that it is okay to have this growing trade deficit in ICT.

Senator Kemp—You continue to characterise the Treasury view in this way. I think the Treasury view is slightly more sophisticated than the way that you have expressed it, but, having said that, Senator, the government has made it clear that, in collaboration with industry, we will develop a framework for the future of the Australian ICT industry.

Senator LUNDY—A 12-month committee.

Senator Kemp—The focus of the framework will be on innovations, a key driver of long-term industry growth and a major determinant of global competitiveness. That is the government position. I am not aware that the Labor Party had a position when it went to the last election on this, did it?

Senator LUNDY—You are the government minister; just answer the questions.

Senator Kemp—I am just querying. You are showing such enormous passion and interest in this. It did occur to me to wonder whether you had actually put out a policy at the last election which gave expression to this. I am not sure that you did; please correct me if I am wrong. That is what I thought.

Senator LUNDY—I am not going to respond to your pathetic goading. Just answer the questions. Do you care about the ICT trade deficit or not?

Senator Kemp—I am not here to waste time with you while you vent your spleen on people. You have taken up an inordinate amount of time of this committee with an incredibly dreary series of questions. We have been extremely courteous to you, as we always are. It goes on for hours and hours.

Senator LUNDY—That is your job. It is called accountability.

Senator Kemp—We have highly paid public servants here to listen to this tedium which you continue on with.

Senator LUNDY—Did I hit a nerve, Minister?

Senator Kemp—And we are happy to do that. But at the end of the day, when you decide to get a little bit personal and a little bit cheeky, people respond. If you want to go back to your dreary questions, please go back to them. You have now tried to tackle the government on its IT development policy. I naturally wondered whether there was a policy that the Labor Party had put out at the last election on this. I take it from your silence that there was not.

Senator LUNDY—You are here to answer questions. You are in the government.

Senator Kemp—It goes, frankly, to the sincerity of—

Senator LUNDY—I do not want to even engage—

Senator Kemp—It goes to the issue of—

Senator LUNDY—Chair?

Senator Kemp—I am going to respond.

CHAIR—The minister is entitled to make a point.

Senator LUNDY—He has made it four times. He is wasting time.

Senator Kemp—What I want to know is how fair dinkum Senator Lundy is. If Senator Lundy wants to come in here and attack the government, that is fair enough: Senator Lundy is perfectly entitled to do that. We do not object to that. But we want to know what the sincerity of this is, whether Senator Lundy, in the development of her own policy strategies, had actually put out anything of substance on this issue.

Senator LUNDY—Obviously you did not bother reading it, so there is no point in responding. I want to know what the government's approach is to these matters.

CHAIR—I think the minister has answered the question. He has just answered it.

Senator LUNDY—He is refusing to answer it.

CHAIR—No, he has answered and told you what the government's plans and initiatives are, and that is an answer to the question.

Senator Kemp—I have got a press release here from Senator Richard Alston which says:

Senator Lundy wrong, wrong and wrong again.

Senator LUNDY—That is what he says on every press release I put out.

Senator Kemp—He says:

Twice in less than 24 hours Labor's Senator Lundy has revealed her abject inability to correctly read the Budget papers.

Do you want me to go through that one? Alternatively, Senator, I can read you a press statement from Senator Alston which says, under the heading 'Strong federal commitment to ICT':

The federal budget reaffirms the government's commitment to Australia's ICT industry for a number of commitments to ongoing financing of current initiatives as well as initiatives across a range of portfolios.

And there is a whole range of initiatives. Would you like me to incorporate that in *Hansard*?

Senator LUNDY—I have actually read through them and made my own assessment, which is not particularly favourable, as you well know—and for good reason, as you well know.

Senator Kemp—Senator, I can assure you that, when I pass that onto Senator Alston, he will be absolutely mortified, but still, we will have to come to that.

Senator LUNDY—As I suspected, if Senator Alston had been here, he probably would have been able to engage in the issues more effectively.

Senator Kemp—It happens to be Senator Alston's portfolio.

Senator LUNDY—I know.

Senator Kemp—It does happen to be Senator Alston's portfolio.

Senator LUNDY—I am at a disadvantage because the minister responsible is not here. The one time I do actually embark upon policy questions I hit the brick wall that is Rod Kemp. That is fine; I am prepared to move on. You are the one who starts responding personally and really I am just going to ignore it.

Senator Kemp—In that case we will check the *Hansard*, Senator. I think it was you who started off very aggressively.

Senator LUNDY—What I would like to do is move on. You do it every single time.

CHAIR—I think perhaps we might have our afternoon tea break and come back at 4 p.m.

Proceedings suspended from 3.42 p.m. to 3.58 p.m.

CHAIR—Senator Lundy has questions.

Senator LUNDY—Senator Kemp, I know you have a strong knowledge of and interest in taxation matters, and I am hoping you could inform the committee of the federal government's attitude towards the need for employee share options programs, particularly in relation to the crucial ICT sector.

Senator Kemp—I think you would have to raise the share options issue with the appropriate minister, Senator. I am not here to discuss those—unless there is any particular briefing here.

Senator LUNDY—I know that Senator Alston has expressed the view publicly that he thinks they might be a good idea for the ICT sector, at least.

Senator Kemp—I have just been informed—and this is the advantage of having such talented officers at the table—that these matters may well be dealt with under NOIE, and so I think we may wait until then. If you would like to get on to NOIE now, we can call them.

Senator LUNDY—I am happy to defer the issue until we hear from NOIE, provided that is the appropriate place to deal with the matter. Do they handle ESOPs?

Senator Kemp—If there is an appropriate place where some of these matters may be canvassed, it is with NOIE. Someone may tell NOIE that this may occur, and they can see whether they can provide you with any information. I am always helpful, Senator.

Senator LUNDY—I should be more acknowledging of your assistance, Senator Kemp.

CHAIR—You should, really.

Senator Kemp—Exactly.

CHAIR—A very cooperative minister. I think that means we should move on to a different topic.

Senator LUNDY—Let us move on to the Broadband Advisory Group. Before turning to that area, could I ask how we are going with the table that was being produced earlier today, which broke down the RTIF and social bonus money?

Dr Stretton—I think Mr Cheah is ready to talk you through some of those issues whenever you are ready.

Senator LUNDY—Okay. We might go through the Broadband Advisory Group matters first. On 27 February the minister announced the formation of the Broadband Advisory Group. The media release provided at the time stated:

The Minister .... will shortly invite a number of key high-level stakeholders from the ICT industry, the business community, major service providers and key users such as the health, education and the community sectors, to serve on the Group.

Can you outline for the committee the membership of the Broadband Advisory Group?

Mr Cheah—I should say at the outset that the Broadband Advisory Group secretariat support is being done out of NOIE. The department is part of the exercise but we are providing some support to NOIE. NOIE is actually running the secretariat function.

Senator LUNDY—I have just finished hearing all the elaborate reasons why the department is doing everything now, and suddenly NOIE is doing something. Why is that?

Mr Cheah—The view which we take on broadband is that NOIE is certainly doing a lot of work on the demand side of broadband. The department has obviously got an interest in a lot of the supply side issues, on the communications network and that kind of thing. So, in a sense, there is a bit of a natural straddling of the issues across both agencies. I think the decision was taken that this was one issue where NOIE was going to take the lead role in terms of running the secretariat.

Senator LUNDY—What involvement do you have?

Mr Cheah—As I said, we contribute in terms of providing advice and helping write papers and that kind of thing, when it comes to supply side issues.

Senator LUNDY—And NOIE does demand side issues?

Mr Cheah—NOIE does demand side issues and more generally pulls together the secretariat function. I am sure the officers from NOIE will be quite happy to explain their functions when they appear later today.

Senator LUNDY—So can you answer questions about the Broadband Advisory Group?

Mr Cheah—I have the press releases here. I am sure the actual membership of the group was in a media release. I will have to check through my papers.

Senator LUNDY—I wanted to step up a level higher and ask about the motivation for the establishment of this group. It came about at the same time as the ICT Framework for the Future Committee was announced. Despite what the minister has described it as, it is still not clear what this particular group will be doing. I am trying to get an idea of what their agenda will be. If you can help me, that will be terrific.

Mr Cheah—That is probably a question in terms of the overall way the agenda is going to be structured and the group will be run after that, and that question is probably properly directed towards NOIE. That said, our broad understanding is that the group is going to be looking at some of the drivers and impediments to the take-up of broadband and providing advice to the government on possible strategies by which those drivers and impediments might be addressed.

Senator LUNDY—Did the department have a role in the selection of the participants?

Mr Cheah—I think we were asked for our ideas on that, yes.

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Senator LUNDY—Did you have a view?

Mr Cheah—I suppose at the time, as I said, we would have been providing some ideas and some suggestions of possible names, and we would have discussed at the time what some of the possibilities were, but I think the minister would have taken his advice from a number of different sources.

Senator LUNDY—I take it that you are not able to tell me who the members are.

Mr Cheah—I am still looking through my papers, Senator. I also have an officer looking to see whether we can dig that out straightaway. We can certainly make sure that the officers from NOIE are ready to answer that question. If I do not have it here with me, I am sure the officers from NOIE will be only too happy to answer that question later this evening.

Senator LUNDY—Does the Broadband Advisory Group have any relationship with the other programs relating to broadband like the Advanced Networks Program and projects within the National Communications Fund?

Mr Cheah—The Broadband Advisory Group is genuinely an advisory group, so it is not involved in administering any programs. When they are looking at giving advice on strategies, presumably they will be taking into account any pre-existing government programs and/or initiatives that happen to be around, and also, for that matter, any private sector initiatives that are around, including, for example, the $50 million program Telstra was talking about yesterday which is being funded by Telstra.

Senator LUNDY—I did not get back to them on that. Do you have the details about that $50 million Telstra are putting in, or is that a question for NOIE?

Mr Cheah—I think it is a question for NOIE—or, more importantly, a question for Telstra. My understanding is that you discussed it with Telstra yesterday.

Senator LUNDY—They ran through the allocations briefly, but we never went back to it so I am hoping that NOIE, if they are listening, can get those details so I can ask them about it later.

Mr Cheah—We will certainly make sure that our colleagues in NOIE know what to bring.

Senator LUNDY—How long does the Broadband Advisory Group go for? Does it have a finite time in the same way that the framework for the future committee does?

Mr Cheah—My understanding is that it is the end of the year.

Senator LUNDY—Is their job to produce a report?

Mr Cheah—My understanding is that they are not supposed to produce a report as such. I think the minister is taking soundings at the moment on a range of policy issues. It may be that they will produce a paper or a report or something; I do not think they have decided exactly what the final output from the group will be.

Senator LUNDY—I am probably better off saving the rest of my questions for NOIE.

Mr Cheah—If it is about the operation of the group itself, I would suggest that would be appropriate.

Senator LUNDY—Narrowing it down, could I have a look at that table you have been able to prepare, please?

Mr Cheah—I think we have ended up by going through most of the line items on page 47. The major two that we mentioned that were complex—and our work on the table has confirmed that they are quite complex—were the Telstra social bonus 2 line item and the

Telecommunications Service Inquiry response line item. Those were the two complex ones which have a number of different subelements to them. What I was going to do was work our way through those.

Senator LUNDY—Could I have a look at what you are working from so I can follow it as you read it?

Mr Cheah—This has a range of different sorts of issues on it.

Senator LUNDY—I thought you were preparing a table for me.

Dr Stretton—Unfortunately, it turns out to be much more complex than we initially thought.

Senator LUNDY—All the more reason for you to give me what you have.

Dr Stretton—I am sorry. I am not prepared to do that. We could take it on notice, if you want. We will try to produce a much simpler table than even what we have here. We are happy to talk through the issues as we started to do. Unfortunately, it is not a simple matter, but we are happy to try and answer all your questions now. We think we have enough information to do that. If we do not have that, we will certainly supply it later.

Senator LUNDY—Okay. Can I just say that you are the ones who created the expectation that a table would be created and circulated.

Dr Stretton—I accept that. It was my lack of knowledge of the area.

Senator LUNDY—If you cannot do it, that is fine. We will just have to work through it. I am not reflecting on the officers, Minister. They did create the expectation.

Senator Kemp—I think we should try to be slightly more gracious, Senator. The officers tried to assist you when they went into the issue. They discovered it was more complex. They have been very forthcoming with their information. They will supply you with the information. I think from my own point of view, and from the point of view of the committee, we welcome that approach by officers. They should be treated appropriately and perhaps not criticised.

CHAIR—I think that is a reasonable comment, Minister.

Senator Kemp—Thank you.

Senator LUNDY—Well, I do not, but I do not want to dwell on it. I am perfectly happy with the officer's explanation.

Senator Kemp—I am just urging you to be slightly more gracious, Senator.

Dr Stretton—The matter is a little more complex than we thought.

CHAIR—People are prepared to discuss the issues and provide you with more information later.

Senator LUNDY—Now I know I am not going to get anything in writing. You will have to work through it very clearly for me.

Senator Kemp—Oh, what charm.

Mr Cheah—The budget estimate for the Telstra social bonus 2 line item in 2002-03 is currently in the PBS as $65,7566,00. The components of that are the local government fund at $13 million; the 'building additional rural networks project at $22,891,000; and 'Building IT Strengths' at $26,090,000. The last includes both the advanced networks program and the incubator components.

Senator LUNDY—Can you give me the breakdown of both ANP and the incubators?

Mr Cheah—The ANP component was $8,750,000 and the incubator component was $17, 340,000.

Senator LUNDY—Okay. The next one was expanded mobile phone coverage. That was the program which was designed to give extra mobile coverage in each of Western Australia, South Australia and Tasmania. It was a $3 million program originally. That expanded mobile phone coverage program has $835,000.

Mr Cheah—The Launceston broadband project was $2,940,00. Those should add up to $65,756,000, which is what is in the PBS under the Telstra social bonus 2 line item.

Senator LUNDY—Do you have those figures across the out years, for example, for 2003-04?

Mr Cheah—No. Those moneys have not been appropriated in the out years.

Senator LUNDY—Is there a Telstra social bonus figure for 2003-04?

Mr Cheah—In terms of residuals, there probably is a residual. We could probably calculate that, but it is not a matter that is covered in the PBS, as I said before.

Senator LUNDY—I know, but I would have thought that, because a number of those programs—BITS, for example—are over a four-year period.

Mr Cheah—In terms of the payments which you expected under the deeds?

Senator LUNDY—Yes. There would still be another payment to be made and another allocation in next year's budget specifically to BITS—to the incubators within that Telstra social bonus. That figure would sit under a 2003-04 column.

Mr Cheah—Yes. To the extent that it is possible to do that, we would have to take that on notice. That would not be usual, as I said, for moneys that have not been appropriated as yet. In any case, they can only ever be estimates because the exact payments under deeds depend on whether people meet their milestones and so on.

Senator LUNDY—Sure, but I know that when those programs were first announced there were figures spread across the out years. Total funding was announced and then there was an estimate on how that money would be spent across the out years. I know we can go back and find those figures in earlier PBSs and budget papers. I was hoping you would save me the trouble but, if you are not, I want to try to reconcile what was planned to be spent on each of these programs when they were first announced by the government against not only what this year's appropriations are but what the estimates are for the out years?

Mr Cheah—We will take that on notice, and we will see what we can do for you.

Senator LUNDY—Thank you. Can we go to TSI now?

Mr Cheah—Sure.

Senator LUNDY—Was there anything else under the Telstra social bonus?

Mr Cheah—With the question you asked before—and this is the work we have been doing so that is why your question about the out years might have thrown me—I thought you were after that with the comparison of 2001-02, the previous year, and those components. I am quite happy to run through the amounts which are attributable to those program elements in the previous year.

Senator LUNDY—That would be great.

Mr Cheah—The only reservation I would make would be that the budget estimates for 2002-03 are, in fact, the appropriations looking forward, because they are an estimate of what next year's budget will look like. The estimated actuals are still estimated expenditures in this current financial year, which has not closed yet. They obviously will not end up by absolutely reflecting the original appropriations.

Senator LUNDY—You are getting me the figures from last year's budget papers as opposed to—

Mr Cheah—Last year's budget papers with any adjustments for how things have actually occurred.

Senator LUNDY—That is great.

Dr Stretton—This may be saying the same thing, but if you have table 2.1.2 in front of you, the estimated actual for 2001-02 is the estimated actual level of expenditure. It is not the appropriation from last year; it is the actual level of expenditure at the end of the year.

Senator LUNDY—Right. Is this a good time to ask the question about how much they differ from what was identified in the budget papers last year? Do you know what I mean?

Dr Stretton—I know what you mean, and I am sinking further into my seat! They vary, as Mr Cheah will show you. He will go through and talk about some of the reasons why there have been those changes from year to year. When we go through that, you will see some of the reasons why they change, both in terms of the budget—the estimate—at the beginning of the year, then the actual expenditure and then going forward. There is a whole range of reasons why there is some fluidity for the expenditure from year to year. In a sense, we make the budget estimate. The estimate for 2002-03, for example, is our best guess at this stage of what we will spend next year. A whole range of factors can influence what we actually spend. Let us go through the differences between—

Senator LUNDY—Yes. You are giving me the estimated actuals for this current financial year, as opposed to what was in the budget paper last year.

Dr Stretton—That is exactly right.

Senator LUNDY—Maybe you could highlight any dramatic variations, and we will leave it at that. That is probably the most efficient way of doing it.

Dr Stretton—That would be very useful. Thanks.

Mr Cheah—Probably the most dramatic overall number—and it might be the only number that would actually interest you—was in last year's numbers and was $105 million, which looks a lot bigger than $65 million. But last year was the last year in which we were still appropriating money for the last component of the original $250 million for NTN Round 1. That was $47, 859,000. Sorry; that was the first line item. I have got that wrong. One major difference has been Intelligent Island, which was the third major component of BITS and had a $20,000,000 line item last year and has zero this year. That is because the money has been put into a trust account with the Tasmanian government. Mr Sutton has talked to you about that on several occasions before. The other big change was in BITS, and that was simply a reflection of the fact that, under both ANP and Incubators, a lot of the payments happened to be in the earlier parts of the deeds. That amount has gone from $43,040,000 last year down to $26 million this year. I mentioned another number before, the $26 million. If you would like the breakdown between Incubators and ANP last year, I am happy to do that, as well.

Senator LUNDY—Yes, please.

Mr Cheah—Incubators was $21.150 million and ANP was $21.890 million last year. Those two programs between them more or less account for the $40 million difference. As I said, there are a number of other, more minor changes, but those are the ones in terms of the top line figures.

Senator LUNDY—Okay. What about the 2001-02 figures for local government, BARN and Launceston?

Mr Cheah—Local government was $21,510,000 and BARN—building additional rural networks—was $17,203,000. Expanded mobile phone coverage, the three-state program, was $584,000. Launceston broadband was $2,920,000. And that is it. Together, they should come to $105,257,000.

Senator LUNDY—Intelligent Island doesn't have any this year, does it, because it has gone off to a trust?

Mr Cheah—That is correct, Senator. If you want to ask any more detailed questions about Intelligent Island, I would have to ask Mr Sutton or Dr Hart to come to the table.

Senator LUNDY—No, not at this stage. At previous estimates I remember querying that the department was in negotiation with the National Farmers Federation about an underspend in one of their programs, I think allocated through an NTN program. Can you tell me what happened to that $20 million?

Mr Cheah—In broad terms I could, but I might ask Mr Barr to join me again, to talk about the details. That would have been the Farmwide program.

Senator LUNDY—That is right. Just while Mr Barr is getting ready, can you tell me where the actual Networking the Nation fund fits in to all of this?

Mr Cheah—We had an interesting discussion with Senator Schacht that was partly about this very issue, before.

Senator LUNDY—I am really sorry that I missed it.

Mr Cheah—Networking the Nation is, in a sense, an umbrella program that involves a number of different elements that have been drawn from other components. The biggest component was the original $250 million RTIF program, the Regional Telecommunications Infrastructure Fund that is actually mentioned there. That is the very first line item under 'Annual administrative appropriations'. You will see that that was $47 million last year and zero this year, because the last appropriation has occurred. There is still some money in the account, though. It is under 'Special accounts', and that reflects the money still in the account, effectively, from that component.

Senator LUNDY—I will go to page 47. This is the RTIF account?

Mr Cheah—Yes, RTIF. That is the first component—that was part of the $250 million. Then there were four other major components, which were almost all Telstra social bonus 2 components. They were the local government fund, which was $45 million, and we have discussed that already. There was the BARN money—building additional rural networks— which was $70 million. There was the fund for remote islands, which was originally $20 million.

Senator LUNDY—Remote islands?

Mr Cheah—Remote islands. That is a special account.

Senator LUNDY—I see—no, it is not.

Mr Cheah—It is a special account underneath the RTIF.

Senator LUNDY—So are the residual NTN programs being funded through that special account?

Mr Cheah—No. The special accounts that I have mentioned for RTIF have the remote islands built into them. When I was talking about the complexity before, this is what I was getting at.

Senator LUNDY—I am happy to be patient and let you tell me where the NTN money is.

Mr Cheah—We have gone through the major components already. Another component of NTN had also been the Internet access fund, which was $36 million originally.

Senator LUNDY—Are you now just going through the programs that were within NTN?

Mr Cheah—Which are currently administered by the NTN board. As I said before, some of them are original Regional Telecommunication Infrastructure Fund programs. Others are under the heading of 'Telstra Social Bonus 2'. The resource allocations in that table are not neatly configurable against NTN because we have to break down some of the components to repackage them.

Senator LUNDY—Go back a couple of steps: there is $47 million which was the residual RTIF money that is now in a special account—is that right?

Mr Cheah—I think that is correct.

Senator LUNDY—The special account here for RTIF shows $73 million.

Mr Cheah—Yes.

Senator LUNDY—Are the NTN programs paid for within that line item—for want of a better term?

Mr Cheah—The answer is yes, and there are some other components of NTN, which were the ones I have mentioned before under the Telstra social bonus 2. It is a combination of effectively annual—

Senator LUNDY—Sorry, with the local government, the BARN?

Mr Cheah—The local government, BARN and all those other ones I was talking about before. Those components of NTN came under the annual administered appropriation as part of the $65 million number.

Senator LUNDY—Fine.

Mr Cheah—So some components are being paid for out of the RTIF money; other components are coming out of the Telstra social bonus 2 annual administered appropriation.

Senator LUNDY—Can we now go to the things that are paid under the NTN program that presumably come out of that $73 million?

Mr Cheah—Yes. There is $43 million, which is the original RTIF. There is $203,000 left over from the Internet Assistance Fund. There is $2 million which is Internet Assistance Fund money which is there to pay for the Internet Assistance Program, which Mr Thomas was talking about this morning, for next year. And then there is $11,162,000 left over for the remote islands fund. Together they add up to $73,786,000.

Senator LUNDY—Remote islands: how much was that?

Mr Cheah—$11,162,000 still in the account. A lot of that money has already been committed, but there is that money still sitting in the account.

Senator LUNDY—I am sorry, how much is IAP—$2 million?

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Mr Cheah—Yes, $2 million for the Internet Assistance Program, and $203,000 for rural Internet assistance.

Senator LUNDY—I am sorry, there is $2 million and $203,000?

Mr Cheah—Yes. It is $2 million for the IAP. Out of the Internet Assistance Fund, $2 million is earmarked to pay for our commitments under the deed for next year. That leaves a residual of $203,000 in the Internet Assistance Fund which currently has not been paid out. I cannot tell you whether that is fully committed yet or not.

Senator LUNDY—What else was within that residual NTN money?

Mr Cheah—Do you want me to go through the list of numbers again, just to make sure you have got them all?

Senator LUNDY—Hang on, just give me a second. Okay.

Mr Cheah—There was $43 million left over from the original RTIF. There was $203,000 for the rural Internet assistance, that from the Internet Assistance Fund; $2 million on the IAP; $11.162 million on telecommunications for remote islands communities. There is one other item which is in that RTIF fund which is not actually administered by NTN—confusingly again—and that is $16.625 million, which is what is due to be paid out to Vodafone under the mobile phones on highways contract.

Senator LUNDY—Right. Just going back: the IAP, the remote island and the rural Internet assistance program does not come to $73 million, which is the appropriation.

Mr Cheah—But if we add in the $16 million I was just talking about—

Senator LUNDY—So you add another $16 million.

Mr Cheah—It was 43 plus 16 plus 2 plus 11.

Senator LUNDY—I see.

Mr Cheah—The $16 million is the balancing factor there. I am sorry about that, but I did not want to talk about the Vodafone money until we had gone through all of the NTN ones because it is confusing enough as it is.

Senator LUNDY—What was it: 16 and what?

Mr Cheah—$16.625 million.

Senator LUNDY—To Vodafone.

Mr Cheah—It is an estimate, once again, of the payments which we would be making out under the contract we have with Vodafone if it meets all the milestones.

Senator LUNDY—I am sorry I was not here when Senator Schacht was asking questions. The $43 million residual: that is ongoing funding of approved grants?

Mr Cheah—Pretty much, yes.

Senator LUNDY—Are there any unallocated funds within that $43 million?

Mr Cheah—The board just had its last meeting, and maybe I will let Mr Barr answer that question.

Mr Barr—Yes, the NTN board met last week. There would be a small amount of funds unallocated, but the vast majority is now subject to decisions of the NTN board.

Senator LUNDY—Okay. That was very helpful. I have just made a table, so I still think you could have done it.

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Dr Stretton—You are probably right, and it would have taken more time. It took us all that time to get to the stage where we could answer those questions.

Senator LUNDY—So I have got the easy end of it?

Mr Cheah—You have got the easy bit.

Senator Kemp—The major trouble is, Senator Lundy, that we do not have the expertise which you are able to bring to these matters.

Senator LUNDY—Flattery will get you absolutely nowhere!

Senator CONROY—You should try to help Denis Napthine.

Senator Kemp—Are you trying to help Simon Crean?

Senator CONROY—Always.

Senator Kemp—I don't know if you were.

Senator CONROY—You and your mates certainly have not been helping Denis Napthine, have you?

Senator Kemp—I don't think you were trying to help Simon. He got shafted by Neville Wran at the New South Wales conference, Senator. I didn't hear your voice coming out.

Senator CONROY—It's Louise Asher you're close to, isn't it?

Senator Kemp—Is it Greg Sword you're close to? Are you still close to Greg?

Senator CONROY—'Kemp backs Asher' should be the headline on AAP shortly.

Senator LUNDY—I have to say that was very helpful. Mr Barr, can we go to that Farmwide $20 million, please?

Mr Barr—The Internet Access Fund was set up originally to stimulate Internet services delivery in regional and rural Australia, with a goal of at least equivalent to untimed local call costs. What happened is that in April 2001 Telstra actually entered the market with a commercial product that delivered exactly that, so the purpose of the Farmwide grant was, if you like, overtaken by the commercial developments. So from our point of view there was no need to continue with that grant.

Senator LUNDY—I think last time we covered this issue in estimates you were in negotiations with the NFF to get the money back. Did that happen?

Mr Barr—There have not been negotiations in the time that I have been in this position, but the deed itself does expire on 30 June this year.

Senator LUNDY—Has the Farmers Federation still got that $20 million?

Mr Barr—No, I do not think it was handed over.

Senator LUNDY—It was not handed over?

Mr Barr—No—in other words, as a deed with progress payments, but the full amount of the deed was not paid over.

Senator LUNDY—So the $20 million in question was for a program for which there was no demonstrable need; the payments, of $20 million, were not made?

Mr Barr—That is right.

Mr Cheah—Senator, I think that is a slightly unfair characterisation. When the $36 million program was set up, it was in the days when not everybody in Australia had local call dial-up access to the Internet. What happened was Farmwide put in an application which said, 'We

have an idea for how we can make sure we get untimed access to the Internet,' and they had a model for doing it. While Farmwide was still in the process of working their way through phase 1 of the deed, the market environment changed radically and Telstra started providing an anywhere within Australia local call dial-up service for $25 a month. The view that the board took, and the view which we took, was that it was going to be very difficult to see how that project was going to be able to advance to stage 2 of the deed, which required demonstration of a business case and a whole range of other things. When the grant was originally made and the deed was originally drawn up, there was a need and it was very much in keeping with the idea of the program when it started up. But, as seems to be the case in this industry, market conditions and technological conditions moved on and changed the environment.

Senator LUNDY—Thank you for that explanation. I was not trying to imply that they were ill-motivated in applying for and receiving those funds, but I was aware that the circumstances had changed. What happened to that money, in budget terms, when it was not spent on that? Was it specifically reallocated? Was it identified as a saving? Did it go back into the NTN pool? What happened to it?

Mr Cheah—Some of it was identified as savings, and I think it actually happened in last year's PBS, that some money was pulled back last year. Some of the money has been redirected towards the Internet Assistance Program. In 2001-02, $4 million from the Internet Assistance Fund was put towards the Internet Assistance Program.

Senator LUNDY—Can you show me where that is in the portfolio budget statement?

Mr Cheah—It will be sitting under one of those other line items. It is part of the RTO special account number under 2001-02. It is an element of the $41,490,000. The very first item under 'Special accounts' talks about the Regional Telecommunications Infrastructure Fund. Of the $41,490,000, $4 million is rural Internet Assistance Fund money. That number, as I said to you before, goes down to $2million in 2002-03.

Senator LUNDY—I think I am following that. What about the other 16?

Mr Cheah—I do not have the actual figures for how that changed last year because that was really a question from last year's statements.

Senator LUNDY—Can you take that on notice.

Mr Cheah—That would be the fairest way of doing it.

Senator LUNDY—That is the best way to deal with it today. From memory, the original BITS allocation was some $158 million. I have AMP; I have the incubators. What was the other element of BITS?

Mr Cheah—I will ask Mr Sutton to talk through that.

Mr Sutton—The $158 million was $78 million for the incubators, $40 million for Advanced Networks Program and $40 million for Intelligent Island.

Senator LUNDY—That is right. Intelligent Island, as we said, is fully expended—it has gone to a trust.

Mr Sutton—Yes.

Senator LUNDY—I would like to ask some questions about BITS. In terms of the performance of the incubators, are you in a position to provide an update? I have noted with interest the resounding reflections of the minister on some of the successes of the incubators.

Can you give me an overview as to how they are performing; how many graduates there are; how many incubatees there are in the different incubators?

Mr Sutton—We released the first annual report for the program covering the 2000-01 year in February this year showing that, in the period until 30 July last year, 68 incubatees had been accepted from 1,401 applications. The latest figures that are available, which are to end December, indicate that the cumulative number of incubatees is now 105, an increase of 37 since July last year.

Senator LUNDY—I note with interest the fact that Xylogy has graduated from the item 3 incubator. How many other companies have graduated. Are there any?

Mr Sutton—A significant number of graduates are starting to come through. From the annual report, 68 companies were accepted for incubation and four companies have graduated as of July last year.

Senator LUNDY—Excellent.

Mr Sutton—There have been more since then, but offhand I cannot put my finger on the number.

Senator LUNDY—Has the department drawn any conclusions, comparing the different models of incubators that you have funded, about more successful models or models that are proving more robust and more capable of achieving the outcomes? It would not be fair to reflect on them individually. I am trying to get an idea of the ongoing assessment the department is making of their performance relative to each other.

Mr Sutton—You are quite right. As you may recall, the program guidelines flagged, and we did fund, a diverse range of incubator models, reflecting, in part, differences in the Sydney market compared to the Perth market, for example. The most general lesson that we would take out of it is that it is the models where there is the combination of the high-level management business advisory services and the seed capital. In many ways it is a confirmation of what we thought would happen, based on studies of overseas incubators. That certainly seems to have been borne out. As you say, there are quite a diverse range of approaches, so it is hard to make too many generalisations. Clearly the program has revealed that there is a definite niche and need for that model of high-level combination of seed capital plus advisory services for that sort of incubation activity.

Senator LUNDY—From what I have observed in the few incubators I have visited, it seems to have created quite a dynamic environment with, as you say, varying degrees of success—obviously quite significant success in some cases. In terms of the duration of this project, I know that the allocation was a one-off and that a number of the incubators have a sustainable future built into their model, but some have not. At what point will the government have to decide whether or not they are going to provide ongoing funding for some of the existing incubators—or, indeed, give birth to a new round of establishing incubators of this type?

Mr Sutton—As you say, the BITS incubator program was a one-off program with funding only going to 2003-04. There are no plans to extend the program. Sustainability after the end of Commonwealth funding was a key selection criterion for the incubators. All of them are reporting to us and are obviously entering a crucial phase in their lifecycle, if you like. It is certainly still the intention on our part and our hope that all of them will survive after Commonwealth funding ceases at the end of 2003-04.

Senator LUNDY—What is the relationship, if any, envisaged between the BITS incubators and the ICT Centre of Excellence, given that the ICT Centre of Excellence will be

doing the R&D and the BITS incubators could potentially provide an appropriate environment for that R&D to be commercialised?

Mr Sutton—There are no specific linkages between the BITS incubators and the winning consortium, as far as I am aware. I imagine that one of the things we would be hoping to see, as NICTA gets established, is that it will be developing linkages with a whole range of organisations involved in the innovation system. Certainly, we would see incubators as having a potentially valuable role, but that would be a matter for negotiation between NICTA and our individual incubators. We would certainly be willing to play a facilitating role for any discussions.

Senator LUNDY—Thank you. I might pursue those questions a little later with NOIE about how they see those relationships developing.

I would like to turn to one of the success stories of the incubators, which is Xylogy from item 3. I note the minister's press release promoting the success of this particular company. There is an article in today's *Financial Review* which quotes Ron Nissen, the chief executive of Xylogy. He is reflecting on the R&D Start program managed by this department. It is an example of another government program that is potentially doing damage to your baby. You have helped create a company that is a success. I will read the article:

Ron Nissen is chief executive officer of Xylogy which is developing an IT management tool. The company had hoped to receive a two-year Start grant of between $1 and $1.5 million before the program was suspended a month ago.

Xylogy has now been forced to slow down its development effort in order to cash in on the more advanced parts of the product. This increases market risk, but trying to raise capital is not an attractive prospect.

Xylogy's valuation had dropped by one-third since the suspension of Start, which required companies to match government funds dollar for dollar with either private equity or revenue.

'Companies like us either have to raise more money or slow down our development plan. Both affect valuations,' Mr Nissen said.

I raise that because it shows how much work you can do with one area of government, but if the other arm of government that has policies in this area is not playing the same tune and working in the same direction, it may result in something not being as successful as you otherwise would have liked. I was hoping the minister would be at the table to reflect on that comment. It is a question of the left hand talking to the right hand in the government and making sure that, when these incubatees graduate, there are other meaningful and effective government programs that can help them in their next phase of growth. I do not know whether Dr Stretton is prepared to make a comment, but in the absence of the minister, I would understand if he wanted to let it go through to the keeper. If you have any observations or comments on how it relates to your program, they would be welcome. You will let it go—that is fine. It is an issue I will be able to pursue directly with the appropriate department next week, and I shall do that.

Senator CONROY—I want to talk about targeting telecommunications needs for indigenous communities. Regarding the $8.3 million cut, which is described at page 45 of the PBS as a cut to better targeting of telecommunications needs of indigenous communities, can you clarify that the $8.3 million comes out of the general TSI mobile phone coverage measure?

Mr Cheah—Yes, it does.

Senator CONROY—Can you clarify that the former $8.3 million commitment related specifically to indigenous Australians?

Mr Cheah—Sorry, Senator; I do not understand your question.

Senator CONROY—The $8.3 million was previously targeted specifically.

Mr Cheah—The government originally said that they were going to provide coverage to 132 communities—towns of over 500. When we got tenders in, we chose Telstra as the preferred tenderer for that process. Telstra's original tender came in at $5.5 million less than the original $37 million. I think it was about $32.5 million. Of the 132 towns—we had asked them to give a town by town breakdown—it turned out that the four most expensive towns on that list together came in at $8.3 million, and they were all remote indigenous communities. In a sense, the answer is yes, but I do not know whether it can honestly be said that it was specifically targeted at those towns. Certainly the $8.3 million which has been identified for the telecommunications action plan for remote indigenous communities is an offset, in a sense, from the remote towns—

Senator CONROY—So you covered it, and those towns were indigenous, therefore you do not need that money over here. Is that what you mean when you say it is offset?

Mr Cheah—The concept was more that we would get essentially a better bang for the buck in meeting the genuine real needs of indigenous communities by going down the Telecommunications Action Plan route rather than funding for mobile phone towers in remote communities when there may not be a huge demand for them.

Senator CONROY—Does that mean that TSI money for mobile phone coverage in 2002-03 is now only $3.7 million rather than the $12 million that was stated in last year's budget, so when you put this year's projection in it said $12 million? Does that mean the figure is now only $3.7 million?

Mr Cheah—I am not following where you are at the moment in the PBS.

Senator CONROY—I am presuming that in last year's budget there was a figure of $12 million for this year. You have the existing year and then you had two out years. The first of the out years would be this year, so there would have been a figure.

Mr Cheah—The way it is described on page 47 of the PBS at the moment it has got all the Telecommunication Service Inquiry initiatives under one heading. It is about the sixth line item under 'Administered annual appropriations'. There is a number of $15.455 million last year, going up to $53,262,000 this year. So in terms of the actual budget numbers, in a sense at that level that does not change.

Senator CONROY—Just to clarify that we are both talking about the same thing, which is always helpful: I am looking at last year's PBS and on page 22, table 1.2, it says: appropriations estimate, $12 million. That is on the first line.

Mr Cheah—Yes.

Senator CONROY—You have got 2001-02 budget, and then appropriations estimate 2002-03, and there is a figure of $12 million. What I am asking about is: if you take the $8 million that you have identified as a cut, there is only $3.7 million left.

Mr Bryant—I think your question is answered on page 45 of this year's PBS, where it does indeed indicate that the saving, under 'Better targeting of the telecommunications needs of indigenous communities', is reduced by $8.3 million in 2002-03.

Senator CONROY—From the $12 million, minus $8.3 million, which means that there is only $3.7 million—

Mr Cheah—The other key part of the table on page 45 is showing stuff going to the out years. It is actually showing it is $2.3 million in 2002-03; $3.8 million in 2003-04; and $2.2 million in 2004-05.

Senator CONROY—I am sorry, I did not quite hear you, Mr Cheah.

Mr Cheah—You are quite right, sorry. The saving is actually $8.3 million in 2002-03.

Senator CONROY—So the total amount left after you take the savings out is $3.7 million?

Mr Cheah—Correct.

Senator CONROY—Are there areas that will now miss out on mobile phone coverage because of this?

Mr Cheah—It will only be those four communities which were identified as being the four most expensive communities on the original list of 136 towns—136 towns originally; down to 132.

Senator CONROY—Welcome back, Senator Kemp.

Senator Kemp—Always pleased to see you, Senator.

Senator CONROY—That Napthine bloke is keeping you on your toes, isn't he? Did you know he is all over AAP? Most of the stories today are on Napthine.

Senator Kemp—I am surprised about the lack of support you are giving to Simon Crean on his proposal to change the 60-40 rule. There has been a great silence.

Senator CONROY—Hold the front pages! How are we going at the table? How are those four areas going to be covered? Can you take me through that again for the four indigenous communities?

Mr Cheah—The Telecommunications Action Plan for Remote Indigenous Communities is going to have a number of activities which will pick up those towns as well, but will go much more broadly than just to those towns.

Senator CONROY—So are they going to get a mobile phone coverage? That is what this funding was originally for, wasn't it?

Mr Cheah—They are not going to get an actual tower; however, it will still be possible for people in those communities, for example, to get mobile coverage through mobile satellite handsets.

Senator CONROY—If they shout loudly.

Mr Cheah—I will ask Mr Bryant to describe the actual elements of the program, which will give you a better feel for how things will work in practice.

Senator CONROY—Just before you do, what are the towns?

Mr Cheah—The four very remote towns which did not get covered were remote indigenous communities: Galiwinku, Maningrida, Milingimbi and Port Keats.

Senator CONROY—Sorry, Mr Bryant; I interrupted you there.

Mr Bryant—I guess the start of the story is the TSI, which found that remote indigenous communities have very poor levels of service generally, pay phone deficiencies, and ineffectiveness of the USO in meeting their communications needs. As part of its response to

the TSI, the government initiated a scoping study to assess what those needs are and the most effective ways of addressing those needs. In addition, there was a process of working with Telstra to rectify the most immediate and pressing problem under the USO, which was the actual delivery of pay phones in a number of communities. The net result of that has been the completion of a scoping study and the development of an action plan to address those needs as identified by the scoping study, through consultation and whatever.

Obviously in this year's budget we have got the $8.3 million to roll out an action plan over three years, which will do a number of things. Aside from, and possibly in addition to, providing mobile coverage, it will be looking at providing more affordable basic telephone services. It will look at supporting Internet access, development of an online content forum by those indigenous communities, and better information flows to and from those communities about their needs. One of the problems that we have found in the scoping study is that the level of information and understanding not just of the needs of those communities but also of some very basic demographic data on those communities is pretty bad and needs to be addressed before we can get to resolving even the most basic of their telecommunications needs. Mr Chairman, I do actually have copies of the action plan, which I am happy to table.

Senator CONROY—That would be very useful, thank you.

CHAIR—Is it the wish of the committee that the *Telecommunications Action Plan for Remote Indigenous Communities: Report on the Strategic Study for Improving Telecommunications in Remote Indigenous Communities* be tabled? There being no objection, it is so ordered.

Senator CONROY—When will they actually be connected, in whichever sense?

Mr Bryant—It is a complicated process and a difficult challenge, in lots of ways.

Senator CONROY—Especially if you do not build a mobile tower.

Mr Bryant—Let me give you a statistic which demonstrates the difficulty of the problem: we have 97 per cent of Australians connected to fixed telephone services under the USO. The best estimates we can get are five to 10 per cent of remote indigenous people connected under the USO. There is an enormous number of significant barriers, not just on the supply side, but certainly on the demand side as well. The key one is affordability. The TSI suggested that one way to go might be to cash out the USO and provide some supporting funds to those communities to solve their own telecommunications problems. The government has rejected that option, believing that the USO is a basic right that they should keep. Clearly, we now have some additional funds to enhance the USO, look at some of those other barriers to access and, through a range of strategies, try to address them.

To answer your question directly, we have already undertaken a significant degree of consultation. We issued an information paper last year, which we sent to 400 key stakeholders, including a lot of indigenous organisations. We did a round of consultation and met with well over 100 community organisations. Between now and towards the end of this year, the process will be to try to scope out how these programs should be put in place. One of the problems we have is that there has been significant resource put into those communities already, through Networking the Nation and other programs. Our best guess—and this is an attachment to the report that you have in front of you—is that there is approximately $35 million being provided through 60-odd NTN projects that are providing various benefits to those communities. What we need to do now is try to identify where the gaps are and work through the best strategies of addressing those gaps.

Senator CONROY—So it could be up to three years before they are connected?

Mr Bryant—No. We have $1.5 million in administered funds that will be spent in 2002-03. Significant amounts of that will be for supporting basic fixed telephone services. In our scoping study, the overriding feedback from stakeholders and the communities themselves was that they wanted telephone services. Clearly, one of the barriers to that—there are a number of barriers—is affordability. So we need to work through strategies to provide more affordable access. On the fixed telephone service side of things, the USO works fine in terms of supply, but if you do not have the money to pay for the connection—$190—obviously, you are not going to be connected. They are the kinds of barriers we have to overcome.

Senator CONROY—You mentioned that a report was commissioned. I presume that this is the response to it. Is a copy of the original report available?

Mr Bryant—That is the report. There is a scoping study there and the second part of that document is an action plan, which is essentially a framework for action. It is not a detailed set of programs. There is a degree of consultation and work we have to do to scope out the detail of those programs, bearing in mind the complexities I am talking about.

Senator CONROY—I move to the Commercial Radio Blackspots Program. How will the allocation of funding be determined for this program? What will the criteria be for getting regional and remote radio coverage from this program?

Ms Page—The guidelines for the program have yet to be determined, but an announcement on that should be made in the next few weeks.

Senator CONROY—The next few weeks?

Ms Page—Yes, I would imagine so.

Senator CONROY—Do you know which communities are expected to receive funding from the program?

Ms Page—The government has indicated that it has identified around 142 blackspot areas—

Senator CONROY—Is that list available?

Ms Page—The government has not made a public announcement of those areas to date.

Senator CONROY—Is it possible to get a copy of the 142 areas? Is it a secret? I am sure the people who live in the areas have noticed.

Ms Page—There is some work to do yet in terms of finalising the areas that will be covered in terms of spectrum availability. I could take that question on notice.

Senator CONROY—What about television blackspots? Is that still you, Ms Page?

Ms Page—Yes.

Senator CONROY—Which TV blackspot areas does the government hope to fix as a result of the appropriation?

Ms Page—There are currently two television blackspots programs. There is an existing television blackspots program, which is halfway through its course at the moment. It aims to fix between 200 and 250 blackspots. The government announced another program: the alternative technical solutions blackspots program.

Senator CONROY—That is the one I am mainly interested in.

Ms Page—That essentially is designed as a spillover program for those communities which applied under the first program and were deemed eligible for blackspots treatment but where a technical solution was unable to be provided because of scarce spectrum or because

an analog solution is not viable. To date, around 34 areas have been identified for possible treatment. That number is likely to come down, because as spectrum is found under the first program the number of communities likely to need treatment under the second program falls. On the other hand, there could well be some who we thought, in the first program, may have got spectrum but will fall into the second. So there is a job to do in finalising—

Senator CONROY—Is there a list of the 34 areas available?

Ms Page—Not at this stage, because we are still trying to finalise—

Senator CONROY—I appreciate you are trying to refine it down. Do you know when it would be possible to get a list of the 34 or reduced number?

Ms Page—There is a task going on within the ABA at the moment to finalise spectrum for, I think, 24 remaining areas for the first blackspots program. When the spectrum planning is completed, the dividing line between the two programs should be clearer.

Senator CONROY—If they had TV rights now they could possibly be watching us and they could give us a ring and let us know they were in the area, but, short of that happening, is there any chance of getting the list soon?

Ms Page—There will be a list probably in the next few weeks.

Senator CONROY—I want to talk about administered expenses in the PBS, outcome 2— so you might be free. I wonder if you could account for the decline in administered expenses in 2002-03. It is on page 40 of Appropriation Bill (No. 1) 2003-02 and/or on page 70 of Budget Paper No. 4, Agency resourcing. Could I find out which programs account for the bulk of the decline. The figure is $254,757, down from $163,629.

Senator Kemp—Have you got a copy of that?

Senator CONROY—We have one coming. It is page 70.

Dr Stretton—Senator, with all due respect, I think we have gone through that in answering questions from Senator Lundy previously.

Senator CONROY—Just very briefly: which programs account for the bulk of the decline? You could probably carry it off in 10 seconds.

Senator Kemp—You have been trumped, Senator.

Senator CONROY—I have, by Senator Lundy, and I am prepared to confess that that has happened.

Senator Kemp—It is normally regarded as very bad form to trump the deputy opposition leader in the Senate, Senator Lundy.

Senator CONROY—It is—and, believe me, there will be ramifications, Senator Kemp.

Senator Kemp—Senator Lundy, this is not a career advancing move.

Senator CONROY—There will be ramifications.

Senator LUNDY—The more fine a point you put on it, Senator Kemp, the more he will make me pay for this.

Senator CONROY—She may not get a question for the rest of this parliamentary term.

Senator Kemp—That is right. This is a very bad error, this one!

CHAIR—I used to look after Senator Kemp's questions, though.

Senator CONROY—Yes, you did, didn't you—it was embarrassing sometimes, wasn't it?

Dr Stretton—Senator, probably the easiest way is if you go to the portfolio budget statement 2002-03.

Senator CONROY—Which page?

Dr Stretton—Page 47. There is a breakdown there which is not exactly the same as the one that you referred to but it will give you the answer in terms of the major changes.

Senator CONROY—Okay, great. Thanks for that.

Senator Kemp—This would have never happened in the old days!

Senator CONROY—Digital TV: what is the current estimated number of digital set top boxes and television sets in Australia? Three or four?

Ms Page—It has exceeded the number of Christmas cards we send people. I think it is now 25,000, or something of that order.

Senator CONROY—Yee-hah! How is the department progressing with the implementation of the high definition television requirement in 2003? Are there any changes planned to the requirement?

Ms Page—There is a legislative requirement on broadcasters to fulfil a quota of 20 hours a week of HD television from 1 January 2003, and that commitment stands.

Senator CONROY—The ABC currently qualify, I believe—I have heard a rumour.

Ms Page—The ABC and SBS have the ability to up-convert existing material; they do not have to produce the 20 hours of so-called 'native' HDTV.

Senator CONROY—I thought Senator Kemp might be worried there: all that left-wing propaganda going out on HDTV as well. So none of the commercial TVs are at the stage of complying with the legislation? They could do it early.

Ms Page—As I understand it, they are broadcasting some material in HD, but the quota requirement does not cut in until 1 January.

Senator CONROY—Are any of them close to the 20 hours?

Ms Page—I do not know how many hours they are currently broadcasting in HD, but I would not imagine that they would come close to the 20 hours until 1 January.

Senator CONROY—Would you be able to find that out? Could you take it on notice and let us know?

Ms Page—Yes, we can take that on notice.

Senator CONROY—It is not a state secret or commercial-in-confidence?

Ms Page—No, I do not believe so.

Senator CONROY—There are no plans that you are aware of to change this requirement?

Ms Page—There is a legislative obligation and at this stage that legislation obligation exists.

Senator CONROY—The department are not working on any recommendations at the moment on considering a change? There is a fair bit of static.

Ms Page—There are lobbying efforts and speculation from broadcasters from time to time, as there were even before the passage of requirements in parliament. I imagine that will continue. There was an election commitment as well to make some minor adjustments in relation to the way in which the quota was counted, and the government has certainly been

considering implementation of those changes. That includes things like averaging: the ability to average the quota out over a 12-month period rather than 20 hours per week.

Senator CONROY—That would mean, if the government did that, that they could do it all on the last day—in the last 24 hours.

Ms Page—The reason the broadcasters have put forward is that there are occasions, such as the Olympic Games, where there could be extended periods of time where they are required to broadcast, where the original material is not in HD and they would not be able to fulfil their weekly quota. However, they might be able to do it if they had the ability to average the quota out over a 12-month period.

Senator CONROY—Do you think averaging out over 12 months is perhaps a little broad? I accept the argument that for maybe one or two weeks they cannot do it all, but allowing them to average over a year does seem fairly generous. It would easily lead to a situation where they could just not do it for 10 months.

Ms Page—The government obviously has to consider the way in which that would be done to ensure that people who have invested in HD equipment will have some guarantee that they will get regular HD programming.

Senator CONROY—So there are no plans to temporarily suspend the HDTV requirement, given that we appear to be the only country in the world that is mandating high definition?

Ms Page—As I indicated, there is speculation from time to time.

Senator CONROY—Has the department undertaken any recent studies into the possibility of multichannelling by commercial networks?

Ms Page—Again, that is another area of persistent speculation.

Senator CONROY—I was just asking whether those of you in the department have done any work or any studies on it recently?

Ms Page—We provide advice regularly in terms of the status of various types of digital programming and technology use in a variety of overseas countries.

Senator CONROY—What is the government's current position regarding the future sale of Telstra?

Senator Kemp—The government has indicated that it will not proceed with the further sale of Telstra until it is fully satisfied that arrangements are in place to deliver adequate telecommunication services to all Australians, including, of course, maintaining improvements in existing services.

Senator CONROY—But it is in this coming year's budget.

Senator Kemp—That is the position that we have. That is the stated position.

Senator CONROY—So the position is that you intend to go ahead with the sale in this coming financial year?

Senator Kemp—The position is exactly as I have said, and it has been said by many of my colleagues. Most of them are more senior than I. and they have used that precise formulation.

Senator CONROY—But you accept that it is in the forward estimates for next year?

Senator Kemp—The budget papers are there. I think that has been explained elsewhere, but this is the government's position.

Senator CONROY—The government's position is that it is in the forward estimates for next year.

Senator Kemp—I have stated what our position is on the sale of Telstra and I will not be varying from that.

Senator CONROY—I am not sure the two positions are contradictory. I am not trying to draw you on something. I have long ago given up hope of getting a question answered from you.

Senator Kemp—Even with you, Senator, experience probably counts for something. You have probably noted that I am fairly careful at sticking to a line, Senator.

Senator CONROY—You haven't got the world's widest pad, I know.

Senator Kemp—On the calculation of the forward estimates, of course, that is a question you would want to put to the department of finance.

Senator CONROY—What do you believe would be the effects on the budget and forward estimates if the Telstra sale did not proceed as projected in the forward estimates?

Senator Kemp—You would have to put that to the department of finance, to be quite frank. I do not have figures here.

Senator CONROY—It was the department of communications that contributed the figures to the department of finance, I presume.

Senator Kemp—If there is anyone here who would like to make a comment on that—

Senator CONROY—So despite your attempt to deflect it off to the department of finance, the department of finance does produce these figures in consultation with the department of communications. Would that be correct, Dr Stretton?

Senator Kemp—I have said that if we have any figures, you know me, I am always—

Senator CONROY—I am asking Dr Stretton if he provided the figures to Finance.

Senator Kemp—Hold on! You are getting overexcited again.

Senator CONROY—I am not. I am just pondering.

Senator Kemp—I think this is better, because I know you—

Senator CONROY—We know the Treasurer made an offer. I just want to see if—

Senator Kemp—I know how much you love being in estimates committees, and I think that I would just take some time.

Senator CONROY—I could leave you here to your own devices.

Dr Stretton—The minister's answer is correct.

Senator CONROY—So the minister's answer is correct. Which part of the minister's answer? I am not actually sure—

Senator Kemp—It is pretty good to get that sort of tick off by the department, I can tell you. It does not always happen, you know.

Senator CONROY—Did the department of communications supply the figures to the department of finance? Are the department of finance's PBS figures based on information supplied by the department? Or did they just make them up without talking to you?

Dr Stretton—They are the department of finance's figures, I understand.

Senator CONROY—After consultation with you? Or did they just pluck them out of the air?

Mr Cheah—The way I understand it—I do not have DOFA's portfolio budget statements in front of me—is that there are assumptions in there and they have made it clear what their assumptions are. I think they have assumed, for example, there is $5.50 a share to Telstra and they have multiplied that by the number of shares still owned by the Commonwealth, and that is the way they have come up with their estimates.

Senator CONROY—So you had nothing to do with the calculations?

Mr Cheah—No, I do not think we did.

Senator CONROY—No note across to them?

Senator Kemp—I know this is slightly frustrating for you, but we actually provide a vehicle for you to pose this question, and that is called the department of finance.

Dr Stretton—You have to talk to the department of finance.

Senator CONROY—No. I am asking whether your department contributed to the finance calculations. I do not ask them whether you have contributed; I am asking you whether you have contributed.

Senator Kemp—We are seeking information on that. Perhaps you might like to move on, and we can come back to it.

Senator CONROY—I am hoping you are just going to answer my question rather than sit there silently. I assumed you were chatting about it.

Mr Cheah—Our understanding of the way this process works is that, when numbers are put in the DOFA's budget statements, it is not usual that we actually go into the processes by which those numbers were arrived at, including consultations between departments.

Senator CONROY—I am having trouble hearing from the seven conversations that are taking place here beside me.

Senator Kemp—Mr Chairman, could you exercise some authority to allow Senator Conroy to ask his questions?

CHAIR—It is always difficult. We have to work within the—

Senator CONROY—It is just a very quiet voice and I was just struggling to hear. I was going to say that your look of surprise indicated that you are not known for a quiet voice, but the acoustics are not very good in this room. So sorry; you were just explaining the process.

Mr Cheah—I was explaining my understanding of the process, which is that it is not normal to talk about how the numbers in the overall budget were arrived at, including consultations between departments.

Senator CONROY—All I am asking is: was there consultation? Did they consult you about these figures? Did you have discussions with the department of finance about these figures? It is not advice to government. It does not fall under that flat blanket prohibition. But, even then, normally people do say, 'Yes, we did prepare something for the government, but no, we cannot tell you.' Your position is that you cannot tell me anything!

Senator Kemp—Senator, we do not need any hints from you. We are just trying to find out how we can answer this question.

Senator CONROY—I do not mind how you answer it.

Senator Kemp—You know me, I always happy to share information.

Senator CONROY—You are always happy to help.

Dr Stretton—The figures that you are talking about are department of finance figures, and I think questions about how they were derived should be addressed to the department of finance.

Senator CONROY—I cannot accept that as an answer, frankly. It is not in the spirit and certainly not within the letter of the Senate estimate process, Dr Stretton. I am asking whether you and your department were consulted. I am not asking what you told them—that is my next question if you say yes. At that stage, you can say, 'No, I cannot tell you.' At this point in time, it is not acceptable to say, 'I refuse to tell you whether or not we consulted with the department of finance about departmental figures.' It is not an acceptable situation to put the Senate in. Our job is to ask questions about the figures.

CHAIR—The minister may have a view about this in terms of whether or not it falls within the guidelines.

Senator Kemp—We always listen carefully to you. If you have ruled that that is not acceptable, of course we would listen carefully to that. If a department is not able to provide further financial information—

Senator CONROY—It is not 'able'; it is 'refusing to', Minister.

CHAIR—The departmental head or acting head feels that it would be inappropriate to do so without further guidance.

Senator CONROY—That is not what he said. If he said that, I would have an argument with him.

CHAIR—In effect, that is what he is saying.

Senator CONROY—Please do not put words in his mouth. If he wants to say that, he will say that.

CHAIR—He is obviously not prepared to provide the answer, and that means that he feels that—

Senator CONROY—Then I would like it on the record that that is what he says. I am happy for him to say, 'I refuse to provide the answer.' I do not want you to put words in his mouth.

CHAIR—Let him use his own words, but that is the sense of what he is saying and that has to be respected. In the terms of the guidelines, departmental officials cannot be compelled to provide information they do not feel is appropriate.

Senator Kemp—The information that I have is that the figures are calculated by the department of finance. If there is anything I can add to it, I will. I will seek some further advice, but that is the information I have.

Senator CONROY—My question is straightforward. Did the department of communications—

Senator Kemp—These are figures which are prepared by the department of finance.

Senator CONROY—Were there any consultations on the figures with the department of communications? You cannot actually say no. It is an issue of public money. I am entitled to ask how you spend your time. If I want to ask—

Senator Kemp—Because I do not want to stall the process—you were going so well for about 90 seconds there—

Senator CONROY—Don't you think the question is going anywhere?

Senator Kemp—Why don't I see whether I am able to provide you with further information.

Senator CONROY—Thank you. That would be fine if you could take some advice and come back to us. What will be the criteria to determine whether regional services have improved in terms of the government's commitment?

Senator Kemp—This puts me in a somewhat frustrated position, because we went through all these questions with Telstra yesterday.

Senator CONROY—Now I am asking the department. Telstra do not answer these questions. I am sorry, but the department is involved—

Senator Kemp—We do not mind going through one particular area. But if you were not here yesterday to listen to it, there is the transcript—

Senator CONROY—These are questions to the department.

Senator Kemp—The department were here yesterday.

Senator MACKAY—They cannot give a response—

Senator Kemp—Senator Mackay, I do not need you to pop in and give your opinion!

Senator MACKAY—Sorry, I am going to.

Senator Kemp—If you are going to go down this route, you should very carefully read the transcript of yesterday's hearing.

Senator CONROY—But I have six questions. Let's get on with it!

Senator Kemp—These have been dealt with. We discussed that there will be a process and that we have not determined how that process will work out. These matters were canvassed quite extensively yesterday.

Senator CONROY—They were not canvassed with the department.

Dr Stretton—The minister answered these questions yesterday.

Senator MACKAY—Another way to put it is this: does the department have anything further to add to what Telstra said yesterday?

Senator Kemp—The question that Senator Conroy raised was a question we discussed at some length in yesterday's hearings. Frankly, if you cannot coordinate your approaches sufficiently, that is not our problem; that is your problem. I do not think we need to go over information that we put on the table yesterday. I do not think that is reasonable. Senator Mackay was here.

Senator MACKAY—So was Senator Conroy.

Senator CONROY—For a fair bit of the Telstra conversation.

Senator Kemp—I wish you had listened then. I have a brilliant idea for you: grab the transcript of yesterday's hearings over dinner, have a good read of them and then determine whether there is any other information which you are able to seek. But these were canvassed yesterday.

Senator CONROY—Will the criteria to determine whether regional services have improved be determined independently of government, Dr Stretton? Is that part of the commitment? Will it be Senator Boswell making an announcement that services have now improved, or will it be an inquiry, a committee, a board, yourselves?

Senator Kemp—Let me assist you, Senator. What we have said is that the government has indicated that what constitutes adequate services for these purposes has not yet been decided.

Senator CONROY—Dr Stretton could not say that?

Senator Kemp—It will be considered and decided at a future time, in the context of any future consideration.

Senator CONROY—Thank you. That is actually an informative answer; I appreciate it.

Senator Kemp—That is exactly what I said yesterday.

Senator MACKAY—Perhaps I could ask a question slightly differently. Yesterday, Telstra alluded to a series of benchmarks that it was establishing in response to the Besley report. We have got those on notice, as Senator Conroy and I both know very well. Another way to approach it is this: what is the department's role in terms of oversighting that benchmarking, and what is their role in analysing the success in terms of reaching the benchmarks?

Senator CONROY—Should we ask the department of finance, perhaps?

Senator MACKAY—Telstra talked about benchmarking—they are establishing benchmarks—so I presume the department has some oversight in relation to that.

Mr Cheah—To the extent that they are Telstra benchmarks, those are matters for Telstra. To the extent that we have a quality of service monitoring regime which is administered by the Australian Communications Authority, the Australian Communications Authority is responsible for administering that.

Senator MACKAY—This is a series of benchmarks, which is not to do with the ACA, that Telstra has established in response to Besley.

Mr Cheah—Besley, or Boulding?

Senator MACKAY—Besley.

Senator Kemp—Senator, my understanding is that there was a question in question time today on this issue. Is that correct? Were you informed that one of your colleagues may have asked a question?

Senator MACKAY—I saw question time. So what?

Dr Kemp—So what? I do not think we need to go relentlessly over the same issue.

Senator MACKAY—Did they ask what the department's role is in terms of benchmarking?

Senator Kemp—What you should also read is the transcript of the answer that was given to the question in question time. We are happy to conduct Senate estimates in a sensible fashion, but we are not going to relentlessly go over issues on which there was plenty of chance yesterday, with Telstra here, for people to ask all these questions. There was no limit placed on it. Now you have come back with a few further thoughts, but we seem to be going over precisely the same questions as we covered yesterday. I do not think that is acceptable.

Senator MACKAY—My question is different.

CHAIR—It is also a question of policy.

Senator Kemp—I do not know whether you listened to what the answers were yesterday, Senator Mackay. It is only reasonable that if you give comprehensive answers—

Senator MACKAY—Hang on!

Senator Kemp—We gave very comprehensive answers yesterday.

Senator MACKAY—I understand your point. Yesterday we talked about Telstra benchmarking. What we are really after in terms of regional services is what integration there is between the department and Telstra in the monitoring of those benchmarks. That is different.

Senator CONROY—Dr Stretton? It is a different question. What is your role?

Senator MACKAY—Of course it is different, Minister.

Dr Stretton—Just give me two minutes.

Senator MACKAY—I think it is a reasonable question.

Senator Kemp—I think it is unreasonable, when we had the relevant people here yesterday—

Senator CONROY—I am sorry—that would be the department next to you; right?

Senator Kemp—The department were here yesterday. We covered this Telstra issue. I know it is now turning the Labor Party mind because of the very odd paper that Mr Tanner put out—which no-one seems to sign on to, by the way, including you, Senator Conroy.

Senator CONROY—You do not actually get to go to cabinet, do you?

Senator Kemp—No, I don't, Senator. I do not go to cabinet.

Senator CONROY—I have here a Credit Suisse First Boston report on the government's proposals that it was considering in cabinet.

Senator Kemp—I do not go to cabinet, Senator.

Senator CONROY—Good grief! Were you unaware that the government wrote these things?

CHAIR—That is a point, perhaps, that it is a matter for a cabinet decision as to what procedures the government will follow.

Senator CONROY—Are you unaware of your own government's activities?

CHAIR—That becomes a policy issue.

Senator Kemp—Can I ask you this question: which option in the Tanner paper, Senator Conroy, do you support?

Senator MACKAY—Maybe you should table that, Senator.

CHAIR—Senators, let us have some order!

Senator KEMP—I find it extraordinary that I cannot get an answer out of you as to what option in the Tanner paper you support. I find that extraordinary.

CHAIR—I really do think we need to bring this meeting to order. I just want to remind you that—

Senator CONROY—You might want to remind them that it is Senate estimates and they are supposed to answer questions.

CHAIR—in the opening statement which I made yesterday setting out the rules, one of the rules and one of the agreed procedures is that I also remind officers that they will not be asked to express a personal opinion on matters of policy, and should be given reasonable opportunity to refer questions asked of them to superior officers or a minister. Obviously it would seem that Dr Stretton is having some difficulty with these questions, and it is reasonable for him to refer them on or seek ministerial advice. I suggest we move on from these issues.

Senator CONROY—I am sorry; you may be a mind-reader, but the silence from Dr Stretton, which has been why he has been conferring, is actually just silence. I appreciate that you have tried to lead the witness, Senator Eggleston, but I am actually waiting for Dr Stretton's lips to move.

CHAIR—I am simply reminding him of those options and that Dr Stretton can avail himself of them within the rules of the Senate.

Senator Kemp—That is a very unfair reflection on the chair—one of our very best chairmen.

Senator MACKAY—That does not say whether Dr Stretton wants to say anything.

Dr Stretton—Sorry. Part of the problem is that obviously I have been in here and I have not heard what happened in question time today, which you obviously have had the advantage of.

Senator CONROY—I haven't, either.

Dr Stretton—Well, someone has.

Senator MACKAY—Anyway, don't worry about it.

Senator Kemp—Can't you coordinate with your own people?

Dr Stretton—The situation is that the government has indicated, as we have said before, that what constitutes adequate services for this purpose has yet to be decided. The focus at the moment is on the Besley recommendations in terms of what is necessary to improve the quality of services in regional Australia, and the government is focusing on achieving those recommendations.

Senator Kemp—That was said yesterday.

Senator MACKAY—Yes. All right. I got it.

Dr Stretton—I understand that today in question time—which I did not know about until a minute ago—a government spokesman said that objective benchmarking will be established sometime in the future but that the question of when they would be announced is a matter for the government's choosing.

Senator Conroy—Thank you.

Senator MACKAY—That is fair enough.

CHAIR—I think that is a fair enough answer, and so I think we should move on.

Senator CONROY—In each forward estimate year, what is the share price that has been used when estimating proceeds from the future sale of Telstra in the budget? I think Mr Cheah has actually already indicated something on that, and so I am really looking to confirm what he said.

Mr Cheah—I indicated what my understanding was from what had appeared in the DOFA papers.

Senator CONROY—Could you take us through it again?

Mr Cheah—My understanding was that the calculation was $5.50 times the number of shares. As I said, I have not got the DOFA papers in front of me.

Senator Kemp—I think these are questions that you can very constructively pursue with DOFA, Senator.

Senator CONROY—In each forward estimate year what is the amount allocated for the cost of selling Telstra?

Senator Kemp—I think that probably again is the Finance portfolio.

Dr Stretton—They are the portfolio responsible for selling Telstra, if it happens.

Senator CONROY—Fine. That one I am happy to say I accept.

Senator Kemp—We are happy that you are happy, Senator. We like that.

Senator CONROY—Can the government guarantee that no low income Australian will be worse off under the proposed new Telstra price controls which allow for an increase in line rental costs?

Senator Kemp—We had this yesterday.

Senator CONROY—I am giving you another chance, Minister.

Senator Kemp—I am not going to add.

Senator CONROY—I think there are a lot of Australians out there who are going to be affected by this, and I am giving you another chance because I am a generous guy.

Senator Kemp—Mr Chairman, you know I am slow to anger, and I am well known for my mild temper. I said I would get Senator Conroy an answer. Senator Conroy then left the room—he must have had some factional problem to deal with.

Senator MACKAY—He now understands that.

Senator Kemp—I then gave an answer.

Senator MACKAY—Yes, you did.

Senator Kemp—Thank you, Sue.

CHAIR—Which is on the record.

Senator Kemp—Could someone inform Senator Conroy what is going on here?

Senator MACKAY—He just was not here. That is fair enough. I just told him; he now knows. That is fair enough. We are all human.

Senator Kemp—To err is human, as you were going to say.

Senator MACKAY—I was. To forgive is divine.

Senator Kemp—But never forget their names!

Senator CONROY—Why did the government choose not to institute a local call reduction subcap in the new price control arrangements?

Senator MACKAY—We definitely did not ask that one yesterday.

Senator Kemp—You definitely did, did you?

Senator MACKAY—We did not.

Dr Stretton—Senator, could you repeat that question for Mr Cheah?

Senator CONROY—I was asking why the government chose not to institute a local call reduction subcap in the new price control arrangements. You have got a basket of goodies, so I was just looking to get an explanation of why there is not a local call reduction subcap.

Mr Cheah—I think the government decided to restructure the caps to allow for rebalancing of prices and to make it quite clear what was going on. Effectively we have a much simpler price caps regime now which allows for line rental prices to gradually increase over time, but that is more than offset by a basket of call prices which must reduce by effectively more than the line rental increases.

Senator CONROY—That is what I am saying: you have got a basket of prices. I am just looking to understand—

Mr Cheah—For services—that is correct.

Senator CONROY—Wouldn't it be an absolute certainty that if there was a reduction in local call costs that would offset the increase in line rentals? If that cap was there, you would not have had to worry, you would not have needed your working group.

Mr Cheah—I am sorry, could you please repeat the question—I got distracted.

Senator CONROY—With that subcap in place on local calls, there would have been no question, people would have been better off. You could still have had a basket, but what if that one item within the basket was capped.

Mr Cheah—If you staying that we continue to push one particular set of prices down and did not let any other prices rise then, almost by definition, I think that must be true.

Senator CONROY—There is a basket; there are other prices that went up. All I am saying is that this is the one that people in this category use the most—local calls.

Mr Cheah—It depends. If it is a subcap within a broader cap, then presumably other prices would not have come down by as much. I cannot see that that is in fact the case. You are assuming that the people who are heavy users of local calls would be better off at the expense of people who are making long distance calls.

Senator CONROY—What we are talking about is a particular subset of the community that this applies to.

Mr Cheah—If you are saying that people who make lots of local calls—

Senator CONROY—Maybe I just don't get around enough but I do not know a lot of people on social welfare and pensions and all those sorts of things who make ISD calls a lot—they might make a couple. But in terms of a majority of their expenditure, a fall in ISD or STD is not going to be as meaningful to them as, say, a guarantee on the local calls. And that is part of the basket. So I am really just trying to get an understanding of what it was that kept the item that they use the most outside of the cap—its own separate cap.

Mr Cheah—There is one minor correction I should make. There is still a 22c cap on local calls—they cannot rise above 22c. So while we do not have a subcap which continues to force local calls down, it is not actually correct to say that people are going to be made any worse off.

Senator CONROY—Well, they are worse off because the line rentals are going up, so let's make it clear. There is a balance here between—

Mr Cheah—But I thought your question was about local calls.

Senator CONROY—But you are saying it is going to be cheaper because this part of the arrangement is going to fall because ISD calls are going down—yeah! But line rentals are going up.

Mr Cheah—That is a different issue from the local calls one, but, yes, okay. So, effectively, what you are saying is that because line rentals are going up and the rates for time charges are going down, some people might be worse off?

Senator CONROY—They might be if they do not make a lot of ISD calls.

Senator MACKAY—That is right. It is in the basket—that is what Stephen is saying.

Senator CONROY—If their nightly entertainment is not to pick up the phone and call England, Argentina or the US, it is possible they could be worse off.

Dr Stretton—But then there are measures specifically there to protect the low income groups. There is a balance of measures that are part of the new arrangements.

Senator CONROY—I am just trying to get an understanding of why the balance has fallen in the way that it has. That is the only thing I am trying to get to.

Mr Cheah—I think one of your assumptions, though, is that people who are on low incomes and low bills do not make a lot of long-distance calls. I do not know whether that is true, actually.

Senator CONROY—Maybe I do not get around enough.

CHAIR—Let us hear the answer. You said that you do not think that is true?

Mr Cheah—That is correct. The other very important part of the package was, in fact, to make sure there were a range of other measures in place which particular disadvantaged groups could take actually advantage of. They were particularly targeted at the needs of particular groups, such as the unemployed, which is one you referred to, Senator Conroy.

Senator Kemp—I think ACOSS welcomed the low income package. And ACOSS, as you know, has not always been a vigorous supporter of government measures.

Senator CONROY—Not the last time I checked.

Senator MACKAY—From memory, they liked the GST at one point. It was a while ago though.

Senator CONROY—They batted for you in the only one that really mattered.

Senator Kemp—Now don't mention roll-back! You have dropped that. I told you that would happen.

Senator CONROY—I want to talk about accounting separation.

Senator Kemp—I have a feeling we discussed that too yesterday, Senator.

Senator MACKAY—No, we did not.

Senator CONROY—I am not on the committee, but I do want to raise an issue, given that Senator Calvert, I think, asked a couple of questions yesterday.

Senator CALVERT—About what?

Senator MACKAY—He only asked two. Oh, no, you asked a Tasmanian one as well.

Senator CALVERT—About the cost.

Senator CONROY—Yes, the costs. The committee may have to consider recalling Telstra because, unfortunately, I think they may have seriously misled the committee. I think the

committee is entitled to follow up some questions, given that Senator Calvert asked a few questions and got a few answers. I cannot do it myself because I am not on the committee, but I would suggest to the members of the committee that, given the evidence and the furore that has erupted around their evidence, it might be worth while for the committee to call Telstra back, because I think they have seriously misled the Senate and the Australian public in their answers to Senator Calvert's questions. I think that is a very serious matter.

CHAIR—That is an assertion.

Senator Kemp—I think it is an assertion, Senator, and you are well known—

Senator CONROY—All I am saying is I am putting to you to consider it when you have a private meeting.

Senator Kemp—Far be it for me to intrude into the private meetings of this committee—

Senator CONROY—It has never stopped you before.

Senator Kemp—Senator, I am a great respecter of procedure; I think everyone would agree with that. I think Telstra is aware of the issue that you are going to raise. My advice is that it considers the evidence it gave to this committee is accurate. That is the advice I have received. I do not think you should get yourself into a lather over this, Senator.

Senator CONROY—They will be perfectly entitled to appear before the committee again and make the case, Senator Kemp. But we appreciate your view.

Senator Kemp—The trouble with you, Senator, is there is a hard and fast agreement on how these committees are conducted—

Senator CONROY—Oh, no, not when we are misled.

Senator Kemp—and committees do not go back and forward. You take your chance, you get your evidence. Telstra have indicated the evidence they gave is accurate.

Senator CONROY—Just so that you understand how the Senate processes work, I know you have been promoted to your new, heady portfolio, Senator Kemp, but recently on the last February economics estimates we were given some evidence by some departmental officials in the sequences you are describing, and serious questions arose out of that evidence, about whether it was accurate or not. The committee convened and felt that it was important to call them back, even though the sequence had passed. It was unanimously agreed that the officers be called back to the table the next day, even though we had passed them by on the list process you are describing. There was not any great drama about it, because it was an important point of public policy and there was a question mark over the evidence that we had been given—which turned out to be, can I say, incorrect, and the record was corrected.

Senator MACKAY—Can I call a point of order here, Chairman, as a full member of the committee? I am not totally aware of what Senator Conroy is referring to, and I wonder whether for the information of committee members he could perhaps give us a run-down of what he is referring to in terms of 'potential misleading'.

CHAIR—I do think that all Senator Conroy has done is make assertions, thus far.

Senator MACKAY—That is why I called the point of order.

Senator Kemp—Senator Mackay, I think that you should check this with Senator Conroy at dinner.

Senator MACKAY—Hang on! I have called a point of order. This is important.

CHAIR—Were he to provide information to a private meeting of this committee, the committee could consider it. I might say that we could hold a private meeting at some subsequent point, but I do not think there is any point in Senator Conroy proceeding to occupy the time of the estimates at this stage with this information.

Senator MACKAY—I think it is important that this gets on the record, Senator Conroy. I am serious, Chairman. On the point of order, Senator Conroy has made an allegation, and I think it important that he be allowed to advise the committee of what the allegation is predicated on, that is all.

CHAIR—He has made a statement.

Senator MACKAY—I do not know what it is predicated on, and I would like him to expand on it, that is all.

Senator Kemp—Incidentally, I do not think it is normal that senators on the committee ask questions to other senators on the committee. I myself have been spoken to before on this issue.

Senator MACKAY—Stop trying to obfuscate.

Senator Kemp—This is very unusual.

CHAIR—On the point of order, Senator Conroy has put a suggestion that consideration be given to recalling Telstra, but I think you would have to put information before a private meeting of the committee where the committee could consider it and then make a decision about that.

Senator Kemp—Absolutely.

Senator MACKAY—On the point of order then, can I suggest that when we break at six o'clock we have a private meeting and then, when we reconvene at seven o'clock, we can advise the committee of the nature of the assertion and of what the committee's view is.

CHAIR—I am quite happy to hold a private meeting, but I suggest that we do it at seven o'clock, after the dinner break, because people have made arrangements for this hour. We will resume the public hearing after that.

<div align="center">

Proceedings suspended from 5.58 p.m. to 7.11 p.m.

</div>

CHAIR—This hearing is resumed. We have just had a private meeting of the committee and it has been resolved that Telstra will not be recalled. The government senators believe that the questions that were put to Telstra yesterday were on the basis of a Credit Suisse First Boston report on a worst case scenario if Telstra was restructured. Telstra has written a letter to Mr Lindsay Tanner about the matter. We will table documents, including the Credit Suisse First Boston report, the letter to Mr Lindsay Tanner from Mr John Short of Telstra and also an article from the *Australian* last Friday where Mr Tanner was quoted as advocating restructuring of Telstra.

Senator CONROY—Can I firstly express my disappointment at the gagging of the committee by the government members. Information has been put to the committee by officers at the table which has clearly misled not only the Senate but the Australian people as to the question that Senator Calvert asked. It was specifically a question about Labor's policies, and the Telstra official, Mr Stanhope, misled this committee quite seriously and misled the Australian public. Can I firstly say that I have a copy of Mr Short's letter. I am unsure as to why Mr Stanhope was unable to respond on his own behalf. Mr Short was not at the table, though he was in the room. Mr Short is not the person who gave us this information.

I find it quite extraordinary that Mr Stanhope shows such contempt for the Senate that he will not even answer the issues himself. He has referred it to his general corporate and government affairs national general manager. They indicate quite clearly in their response and they acknowledge that the report that they were quoting from was in fact a report that was commissioned by Credit Suisse First Boston into the government's own proposals. For Mr Stanhope to mislead the Australian public in the way he has, to try to pretend that this was an analysis of Labor's policies, is frankly quite outrageous. While I am not surprised that the government members want to try to cover this up, the damning evidence is in fact contained in Mr Short's reply, where he says that Mr Stanhope stated:

"I will refer you to a CS First Boston analysis that was recently published, which suggests that $1 will come off the share price if Telstra were structurally separated."

And if you look at the date of the report that he is referring to, it was prior to the release of Labor's policy. So I find it quite outrageous that Telstra officials come in here and mislead us in such a blatant way. Let me just for the record indicate what CS First Boston actually says about the proposal that it actually considered. I am happy to table the CS First Boston report, but some highlights are:

However regulatory risk has clearly increased following the Government announcement requiring accounting separation of wholesale and retail and curtailing rights of review of ACCC arbitrations.

…   …   …

There is no detail available yet on how the accounting separation will work—we understand the Government has not discussed it with Telstra. It may be that the Government itself has not yet worked through exactly what is involved. We believe the maxim "the devil is in the details" will definitely apply here.

It also says:

However, a more negative scenario would be if the Government effectively required Telstra to "ring-fence" the network and retail operations, to ensure that they dealt with by each other on an arm's length basis ...

Further on it also says:

Until we know exactly what the Government has in mind, it is difficult to quantify ...

So, clearly, this is a report into the government's policy. For Mr Stanhope to misrepresent that as an analysis of Labor's policy document when it was prepared prior to the release of Labor's document is frankly outrageous, and Mr Stanhope should have to come back to the table and answer for this. But, as always, the government are not interested in having the truth on the table in this issue. They are going to perpetrate that in combination with Mr Short's letter, which is a further attempt to mislead the Australian public by specifically not addressing the issue of when this report was produced, for whom and in relation to what. So Mr Short and Mr Stanhope both stand condemned for trying to mislead the public. Thank you very much.

Senator CALVERT—I think if Senator Conroy and the committee were to read the question I asked, they will see that what Mr Stanhope said was absolutely correct. I said there had been a lot of speculation recently and I referred to the press releases you were given where Labor's communications spokesman, Mr Tanner, released an options paper and all that was there. That was the reason the question was asked. I just asked Mr Stanhope: in his opinion, what would be the impact on the shareholder value of Telstra if it were structurally separated? Then I mentioned the fact that Mr Tanner had raised these issues and they were raised publicly in the media. Mr Stanhope went on and admitted that Telstra had not done any work itself but did have a report, which you have a copy of. If you look at that report you will

see that the worst case scenario, which I presume is what Mr Tanner was referring to, would impact as much as $1. I think Telstra has been very open. The letter—

Senator CONROY—It is actually referring to the government.

Senator CALVERT—I did not interrupt you when you were speaking. The letter that Mr Short has sent to Mr Tanner reiterates the position of Telstra. I asked Telstra whether it had carried out any analysis and it admitted again that it had not done any calculations. All of its answers were based on this report. As you know, the witnesses said that they do not know what the government has in mind and of course the government has not said anything. It is pretty obvious that Telstra was open and have been more open today by providing the information to back up the answer to the questions. Mr Chairman, I do not think there is any need, as I said earlier, to bring Telstra back. I think what Mr Stanhope did was to answer my questions fully, frankly, openly and correctly.

CHAIR—Thank you, Senator. Do you want to table any of these documents?

Senator CALVERT—Yes, I would like to table, first of all, the letter from Mr John Short, the National General Manager, Corporate and Government Affairs, to Mr Tanner. I think it is important that that goes on the record. I also table the Telstra Corporation's report from CS First Boston which raises the issues. To make the picture more clear, I would like to also table the two press releases which were the basis of the question I asked.

CHAIR—Thank you. I think that completes this matter. We will proceed with the estimates.

Senator CONROY—In a press release dated 24 April responding to the Productivity Commission's report into telecommunications competition regulation, the minister announced that the government would be:

- encouraging a more transparent regulatory market by requiring accounting separation of Telstra's wholesale and retail operations.

Can the minister or department explain what 'accounting separation' will mean here?

Dr Stretton—As you would appreciate, establishing a more transparent framework would help to ensure more equitable treatment among industry players, which is one of the issues that the Productivity Commission was aiming at. I understand that discussions are currently under way with Telstra and other industry stakeholders about the nature and the extent of these proposals. The final form and detail of the transparency framework is a matter for government and has not been decided as yet.

Senator CONROY—So the government have not promulgated an explanation of what they mean by accounting separation?

Dr Stretton—Not at this stage. They are currently discussing it with the major industry players.

Senator CONROY—Do you know when it is likely to arrive?

Dr Stretton—Not at the moment, no.

Senator CONROY—Minister, do you have any idea when the government are going to announce what they mean by accounting separation?

Senator Kemp—I am advised it is being worked on as a high priority.

Senator CONROY—Minister, do you think that the accounting separation issue should mean that Telstra will be required to deal with competitors on equal terms for access to its

network, or do you think it falls into the category of just strengthening the existing ACCC regulatory framework?

Senator Kemp—I have sought detailed advice on this. This is part of the government's considerations and it is yet to be determined.

Senator CONROY—I just have some questions to put on notice and I am finished.

Senator Kemp—We are always sorry to see you go, Senator.

Senator CONROY—I know that. Fortunately, Senator Lundy is intending to take up from here.

Senator MACKAY—Senator Lundy has got a lot of questions for NOIE.

Senator Kemp—It would be a great shock to us if Senator Lundy did not have a lot of questions.

Senator MACKAY—She would not be doing her job if she did not.

Senator Kemp—There is a sort of a quality issue as distinct from a quantity issue here, you know.

Senator LUNDY—Don't you start, just because you do not understand a word of it!

Senator MACKAY—Just because you are tired and cranky.

Senator LUNDY—You can go for a walk; we don't need you here.

Senator MACKAY—Go and have a little nap; you look like you need one.

Senator Kemp—I think you are getting a bit overtired.

Senator LUNDY—You make Richard look good.

Senator Kemp—Richard Alston is very good.

Senator CONROY—He is a Collingwood fan—he has got to be good!

Senator Kemp—Seeing his senior adviser is here I will say that again: he is very good.

Senator CONROY—He does have some redeeming features: he is a Collingwood fan!

Senator Kemp—It has been a long period between drinks. Anyway, Senator Lundy, why don't we start on your first 100 questions.

Senator MACKAY—Why don't you answer the first 100, then we could have a break.

Senator LUNDY—That would be helpful.

Senator Kemp—I don't think it matters if you answer them or not because Senator Lundy will ask them again.

Senator LUNDY—I want to revisit a couple of issues about my very detailed forensic on this PBS. This relates to the fact that the Online Technical Assistance Program in these documents is called the Online Technical Assistance Program. I think we worked out that that was in fact the Internet Assistance Program under another name. Is that correct?

Mr Cheah—That is correct.

Senator LUNDY—Given that it was called the Internet Assistance Program as early as May last year, why wasn't it identified as such in the portfolio budget statements?

Mr Cheah—I think when the previous portfolio budget statements were being put together that was the name which was given for it then. When it got announced, it got announced as the Internet Assistance Program because I think that was regarded as being a bit more

descriptive and user friendly. However, when the portfolio budget statements were being put together and the programs were being designed it was called the Online Technical Assistance Program, because in a sense that is arguably what it does.

Senator LUNDY—So was it an oversight or was it a deliberate attempt to hide the fact that you are actually cutting a program that the minister put out a press release on only a couple of months ago?

Mr Cheah—I do not think there is any particular conspiracy there. It is just the way the statements were put together. The continuation of it in this year's portfolio budget statements is really a continuation of the previous description.

Senator LUNDY—So when are you actually going to start calling it what the press releases call it as far as the budget papers go? Next year?

Mr Cheah—I would have to take technical advice on the way in which PBSs get put together and the ability to rename things. I am advised it is basically there just to link it back to the original program, otherwise people might be confused when they look at the PBSs and line them up as to how things actually track through.

Senator LUNDY—You can be guaranteed of that. Once we actually went through it I thought it quite unusual that the program was effectively renamed the IAP. That money is clearly coming from what was rebadged as the Internet Assistance Program this time last year, yet the PBS refers to it under its old name. That was a little unusual.

I am happy to move on now to questions for NOIE. Is the department going to stay for the NOIE questions?

CHAIR—This is a question that Dr Stretton asked me before, so we might like to clarify now what you require.

Senator LUNDY—The question I was asked was whether I required department people who covered broadcasting or intellectual property. My answer to that was no. But because of the cross-over difficulties we had earlier with regard to NOIE I thought it would be useful if the department IT and industry development people should be here.

Dr Stretton—The IT people should be there.

Mr Cheah—I will be prepared to stay for the questions on broadband.

Dr Stretton—If you think that is necessary.

Senator LUNDY—That is right—the broadband advisory group.

Dr Stretton—They are the two groups of people you would like to stay?

Senator LUNDY—As usual, I am not in the best position to say who should stay or not. What I can say is that I do not have any questions about broadcasting or intellectual property.

Senator Kemp—Tell us the issues you want to raise and we will see if the people can stay. We are only trying to help you, Senator. I know it is late and I know it has been a tedious two days, but we are only trying to help. You have got all the questions there, you have worked out all these questions, so you just tell us your themes and we will see if we can get the people here.

Senator LUNDY—I have told you who I do not need.

CHAIR—Senator Lundy has said who she does not need, so those people, one presumes, are free to go. Would you agree with that?

Senator Kemp—Senator Lundy has got the questions. She presumably has prepared the questions. She know what she is going to ask. Surely we can get some better guidance on the people that she needs.

CHAIR—It would be helpful if we could get some clear information about who was needed and who was not, I agree.

Senator Kemp—We have got lots of public servants here. If some can go home, I think as a matter of courtesy they should go home.

[7.31 p.m.]

National Office for the Information Economy

Senator Kemp—We have about 12 people waiting to answer Senator Lundy's probing questions.

CHAIR—I welcome Dr Badger back to the forum of estimates. Senator Lundy, would you like to proceed?

Senator LUNDY—Thank you, Chair. I would like to kick off with the issue that I did ask departmental officers about earlier, which is the decision of the government to split NOIE up and remove aspects of industry development, including the ICT Centre of Excellence, over to the department. What I am looking for in the first instance is NOIE's perspective on that transfer of responsibilities to the department. If we can start there, then I will come back to what you have actually picked up as part of the exercise as well.

Dr Badger—We discussed this at the February estimates, as you will recall, and I do not really have much to add to what Mr Rimmer said at the time. NOIE, when it was established in 1997, did not have responsibility for industry development policies directly related to the support of the Australian ICT industry sector. During its time, in 1998, 1999, when those responsibilities were brought into the Communications portfolio and it became Communications and IT, those responsibilities were in the department. Certainly when NOIE was created as an executive agency, as a stand-alone body, a range of functions which were related to IT industry development, particularly those that came out of the Backing Australia's Ability exercise, related to innovation.

For a range of reasons, some of those functions went from the department into NOIE at that time. But, equally so, a greater proportion of the responsibilities for ICT industry development, particularly on the program management side, stayed within the department. There are a number of practical reasons why the move took place at that time. For example, I was deputy CEO of NOIE but also in charge of the part of the department dealing with IT industry development and there was a range of people, particularly in the executive, who had worked on both the applications side and the ICT industry development side. So at that time it was a pragmatic decision, as much as anything, to move a series of things to do with the innovation base out of Backing Australia's Ability into NOIE then. Primarily among those was the IT Centre of Excellence.

When it was established at that time, after the government made its announcement, it was formally set up as a jointly managed or overseen—is that the right word?—project with the group formally reporting to both the CEO of NOIE and to the secretary of the department. The day-to-day management responsibilities rested with part of NOIE. But once the selection process was over, the judgment was that it would be best associated with the rest of the industry development programs and moved back to the department. For very similar reasons, there were particularly some policy issues that were very closely related to the Backing Australia's Ability implementation and, as they reached a later stage of development, it was

decided that that was the appropriate time to move them back. At the same time, in moving those back to the department, it brings them all together in the one place. But on the NOIE side of things, as Mr Rimmer pointed out, it allows us to focus on what has always been our core business, which is the longer-term derivers of the information economy and the application side of things, which is, if you like, the history of where NOIE came from.

Senator LUNDY—In terms of that reorganisation, is that an acknowledgment that the way it was before was not really optimising your use of resources, both people and organisationally?

Dr Badger—Which? You mean the change just recently—the ones that occurred essentially after the last election?

Senator LUNDY—Yes.

Dr Badger—I do not think so. I think there were pragmatic reasons for doing it that the government decided on before. When the executive agency was established, there were good reasons for keeping that group of activities together rather than split them up at that time and try to actually, if you like, divide up people because of the joint responsibilities. Over time it has become more practical to do what has been done now.

Senator LUNDY—Does NOIE still have a board?

Dr Badger—A board?

Senator LUNDY—An advisory board?

Dr Badger—No, NOIE has not had a board directly related to NOIE since 1998.

Senator LUNDY—Right. And you do not have an advisory committee or anything associated with NOIE?

Dr Badger—No.

Senator LUNDY—In terms of the process leading up to the announcement of the successful bidder for the ICT Centre of Excellence, the department was very quick to point out early that, in fact, questions relating to that process up to the point of that announcement were relayed back to NOIE and not the department.

Dr Badger—I am sure I would have said the same thing in their position.

Senator LUNDY—Given it is a point of fact, I wanted to ask some questions about that selection process. The first question I have is: who was on the selection panel?

Dr Badger—The selection panel, as you may remember, was originally chaired by Mr Norman McCann, who unfortunately passed away during the process in about February. The chairmanship of the panel was then taken over by Neville Stevens. The other members of the panel when the selection process came to its head and its decision was made were Professor Vicki Sara, who is the CEO of the Australian Research Council; Dr Chris Nicol, Manager of Bell Laboratories Research, Lucent Technologies; Dr Mike Sargent of Sargent and Associates—somebody who has been associated with academia in the ACT and also with Actew et cetera; Dr James Fox, Managing Director of Vision Systems; and Rod Badger.

Senator LUNDY—Which is you.

Dr Badger—Which is me.

Senator LUNDY—In terms of the actual process, can you take me through what the general steps were for that selection committee as well as what the key criteria were for the selection process?

Dr Badger—Mr Besgrove was in charge of the secretariat, or oversaw the secretariat process, and I will let him deal with that.

Mr Besgrove—The process began a bit over 12 months ago, I suppose, with the release of a discussion paper, a series of consultations around the country and the formation of the selection panel itself. The process was oversighted by a probity auditor, who was present at all of the meetings of the panel. The panel, I think, met on a total of about seven times during the course of its work. It published a set of guidelines, which included the selection criteria. There were, in fact, eight selection criteria. I can provide you with a copy of the guidelines, if you wish, of the eight.

Senator LUNDY—Yes, please.

Mr Besgrove—I think I may have that with me. Just bear with me for a second.

Senator LUNDY—Thank you. We will just get that formally acknowledged.

CHAIR—Do you wish to table this?

Mr Besgrove—Yes.

CHAIR—We will make copies for everybody.

Mr Besgrove—Thank you.

Senator LUNDY—Thank you. You can keep going.

Mr Besgrove—There were basically eight selection criteria, which are listed from page 11 through to about page 25 of the selection documentation. They included achieving the vision for the centre, as enumerated in the various government announcements; the organisational arrangements; management and staffing; the research plan; the approach to education; the approach to commercialisation; the development of networks and linkages; and the financial plan. The panel determined that all of those selection criteria would have equal weighting except for the first one, which was achieving the vision for the centre, and that would in fact have three times the weighting of the other criteria. So when the panel actually came to make judgments about the relative merits of the different applications, it placed more weighting on the first criterion than on the others. But each applicant was assessed against each of the criteria.

Senator LUNDY—Were all of the criteria compulsory?

Mr Besgrove—Yes. The applicants basically had to come up to standard against all of the criteria.

Senator LUNDY—You are satisfied, obviously, that the winning applicant did satisfy all of those criteria?

Mr Besgrove—I personally am certainly satisfied but, more to the point, the panel, including the international advisers who assisted the panel, were satisfied that the winning bid was the superior bid of the three, and the ministers have agreed with that recommendation.

Senator LUNDY—And the panel was satisfied that they conformed to all of those identified criteria?

Mr Besgrove—That is correct.

Senator LUNDY—You mentioned an international advisory panel?

Mr Besgrove—Yes. The centre of excellence selection panel was assisted in its deliberations by four international experts who were engaged for part of the process and who also took part in the interviews, which took place in Canberra.

Senator LUNDY—Who were they?

Mr Besgrove—One was Professor Richard Newton from the University of California at Berkeley. A second was Professor Raj Reddy from Carnegie Mellon University in Pittsburg in the United States. A third was Professor Steve Beaumont, who works in one of the research centres associated with the ALBA Centre in Scotland. A fourth was Professor Jorg Siekmann, who operates the German Centre for Artificial Intelligence at the University of Saarbrucken.

Senator LUNDY—You mentioned before that a probity auditor had been engaged.

Mr Besgrove—That is correct.

Senator LUNDY—Was that by the selection panel?

Mr Besgrove—They were engaged by NOIE as part of the selection process and were in fact involved from the beginning and attended the first selection panel meeting and all selection panel meetings thereafter.

Senator LUNDY—Has the probity auditor prepared a report for you?

Mr Besgrove—Yes, he has.

Senator LUNDY—Did they find any problems with the probity of the process?

Mr Besgrove—No, they did not.

Senator LUNDY—So you have a clean bill of health?

Mr Besgrove—Yes, we do.

Senator LUNDY—That is very good news. I had an interesting time contemplating the budget papers, which showed that $1.5 million is due to be spent on the process from here on in. How much money did NOIE spend on the process to date, to get the ICT Centre of Excellence up and running?

Mr Besgrove—I would have to take that question on notice. The centre has $1.5 million in running cost appropriations for the current financial year. I do not know the total spend for this year, so I will take that on notice and give you an accurate answer.

Senator LUNDY—Yes. It also has $1.5 million in the budget for running costs for next year as well.

Mr Besgrove—That is correct.

Senator LUNDY—How can you account for that $1.5 million for this current financial year?

Mr Besgrove—It is a combination of a number of elements. Again, a breakdown would be probably best provided to you separately. The major components include the cost of the panel itself, the cost of the probity adviser, the cost of the financial advisers, and the cost of employing the international experts for the period that they were part of the process, as well as the salary and other expenses of the centre of excellence selection panel secretariat—which has numbered up to five people within the national office during the course of this exercise. The numbers have varied slightly, but if you put all of that together they are the major components of the $1.5 million. But at this moment in time I am not sure if we have spent all of that or a bit less or a bit more. So I will take the precise answer on notice.

Senator LUNDY—You mentioned financial advisers. They are obviously in addition to these other advisers. Did they work to the selection panel?

Mr Besgrove—Again, they were employed by NOIE to work in collaboration with, and in an advisory capacity to, the panel. Ernst and Young provided the financial advice.

Senator LUNDY—When you provide that breakdown, can you make sure you give me the detail of who was contracted, for what amount and for what period of time?

Mr Besgrove—Yes.

Senator LUNDY—Who was engaged for the probity work?

Mr Besgrove—KPMG.

Senator LUNDY—Can I get a copy of the document that was tabled, please? Is it envisaged that, over the period of time that the ICT Centre of Excellence has been funded, it will become self-sustaining?

Mr Besgrove—No, it is not. If you will just bear with me I will see if I can find the specific reference. At page 6 of the guidelines, under the heading 'Finance', which is halfway down the page, the document states:

It is the government's intention that the centre be established as an ongoing research institute. The government has announced the provision of $129.5 million for the establishment and operation of the centre in the period until June 2006. Subject to normal budgetary conventions and an acceptable level of performance from the centre, the government expects to continue to provide ongoing financial support for the centre in the medium to long-term.

So there is an expectation of ongoing funding, but the government has made no decision about what level that funding would be.

Senator LUNDY—So it has got funding identified in the budget until 2005-06. What would be the appropriate time to assess further funding?

Mr Besgrove—It has been our expectation that a review of progress would take place in either year 3 or year 4. But I should emphasise that the government has only just announced the outcome of the selection process. We have only just begun negotiating the funding deed, and in fact the first meeting with the applicant about the funding deed took place yesterday, and the second meeting takes place tomorrow. I think there are some aspects of that that I simply will not be able to answer today.

Senator LUNDY—How much flexibility is there, in that process of negotiating the funding deed, between that process and their actual winning submission?

Mr Besgrove—I believe the government's expectation is that the funding deed will reflect closely the things that they committed to in the application.

Senator LUNDY—So you do not expect there to be significant variation between what was in their bid documents and what is in their deed?

Mr Besgrove—That is certainly not my expectation, no.

Senator LUNDY—What opportunities for public scrutiny for accountability purposes are there for that process? I understand there are commercial-in-confidence issues in relation to, I presume, the bid documents. If there is not, I would love to see them. How can you assure me of that accountability, that what is in the bid will actually be in the deed?

Mr Besgrove—It is fair to say that we would certainly see an integral part of the funding agreement being the clear identification of performance indicators for the centre of excellence, which we would then make public. I think it would be the government's expectation that the centre would report against those criteria as part of its normal annual reporting process. Under the terms of the ARC Act, under which part of this funding is

provided, the centre will have to report, I think, twice a year. It is our expectation that it will be reporting to both portfolios twice a year.

Senator LUNDY—What will the status of those reports be? Will they be made publicly available?

Dr Badger—Part of the process that we are engaged in now, in talking to the winning bid and arranging the conditions under which the grant is given, the details of the deed will include references to what documentation will be made public. At this stage we are trying to come to an arrangement that allows the maximum amount of material to be made public about the operation of the centre. The government has made it clear that it has a set of criteria that the centre is to meet. It sees this as a very major undertaking. The criteria that we expect the centre to meet are clear in general terms, and the government would want to respond in a way that had the information available to the public. Certainly, that is the process we are going through. There are other government programs—for example, the CRC program—and although this is a larger activity, the CRC program has a well-established process of provisions and reports to government and which part of that is made public. We would be using that as a form of guidance. All of the discussion that has taken place so far that we have been involved in has been about setting a process in place where the activities of the centre remain as accountable to the public as possible.

Senator LUNDY—I am pleased to hear it. I know you would appreciate that in a different context the issue of advice that the government can provide to private companies, or in this case consortia, about the level of scrutiny that will be required under parliamentary procedures is something that we have delved into at some length previously. I am very keen to establish up front that in fact it is not the government's intention to allow within this deed or contract any scope for the consortium to prevent appropriate information coming into the public sphere. I am certainly reassured by what you have said, but I do want to put a fine point on it because of the problems we have had previously.

Dr Badger—I understand the point you are making. Certainly, it will be clear what we are asking for and what is available by the time, for example, there is another Senate estimates process et cetera. The very nature of the centre and the way the funding is provided, involving two portfolios and through the ARC, which has certain statutory independence, add to the guarantees of accountability, if you like. Also, there are other players involved who will be seeking different sorts of accountabilities—for example, the ACT and New South Wales governments. It is quite likely that, in addition to the Commonwealth's requirements, there will be other pressures in the system for public accountability about the activities of the centre.

Senator LUNDY—I am just looking at some of the selection criteria now. I note there is a specific section on evaluation and review that requires each proposal to detail how and against what criteria management will monitor the centre's performance throughout its first five years and conduct periodic reviews of its effectiveness. It goes on to say that applicants should detail key performance indicators that will be used to monitor the centre's efficiency and effectiveness. Without wanting to pre-empt too much, are those key performance indicators and the measures and how the consortium measures up against them going to be made public, specifically?

Dr Badger—This comes back to one of those questions that Mr Besgrove referred to as the things that will become clear as we develop the deed. If you look at the overall criteria that the government has established for the centre, the performance indicators must relate to those, otherwise it will be quite obvious that there is a problem. I would expect that the public

scrutiny of the process and the people asking questions about what the performance indicators are—and the fact that there will be at least a deal of public reporting on them—will ensure that the process is open enough for people to make judgments about whether the performance indicators that we are asking to be met are in fact ones that measure up against the overall criteria for the establishment of the centre.

Senator LUNDY—I do not think I can go any further with that particular point. It is reassuring to hear that it is your intention to make it as open as possible. I think that is a very important principle. I turn to another selection criterion, the geographic location issue. The ACT is very happy about its role in the bid that won. I want to ask about the point expressed in here that the objectives of the ICT Centre of Excellence would be best achieved by having a majority of the centre's activities in one location. How does the winning bid stack up against that suggestion in that criterion?

Mr Besgrove—I think it is fair to say that we had expressed some inclination towards a single geographic location, but not because of any preference for that per se. Certainly, the government was very keen to see the achievement of critical mass. In assessing each of the applications, the panel, and in particular the international panellists, had a very strong view that, where a proposal involved several locations, each of those locations had to satisfy the critical mass issue. It is the panel's view that the national ICT Australia bid does satisfy that. Perhaps not instantly, but over the five years, each of the locations builds up to several hundred researchers and staff. It is the unambiguous view of the panel and the international researchers that that does constitute critical mass for the purposes of what we are trying to achieve.

Senator LUNDY—I think I have read most of the newspaper reports about this but perhaps not all. Can you enlighten me as to the proposals within the winning bid about the geographic location of the actual centres of excellence that it proposes, because I know about New South Wales and ACT?

Mr Besgrove—The NICTA proposal involves basically a Sydney node and an ACT node. The ACT node will be contiguous with but separate from the Australian National University. The Sydney node will be in two locations but with a common director. One will be at the Australian Technology Park and the second will be at the University of New South Wales. It is the NICTA group's intention—and one which the government has accepted—that the headquarters of the entire operation will be at the Australian Technology Park. In the first year or so, much of the research activity will be taking place at or close to ANU and the University of New South Wales, but the group will build up the capability at the Australian Technology Park quite rapidly. At the end of five years it is proposed that there be in the order of 660 researchers and students at the three locations.

Senator LUNDY—Do they know what the spread will be? How many will there be in each?

Mr Besgrove—I think it is fair to say that that will evolve to some extent.

Senator LUNDY—I have seen lots of very enthusiastic headlines.

Mr Besgrove—Yes. We are confident that they will be able to scale up quite quickly. Whether they can scale up as quickly as they have suggested remains to be seen. But they do have very well developed plans as to how they will populate their research teams and how they will go about recruiting, both within Australia and, more importantly, overseas.

Dr Badger—This is one thing that people probably have lost in the excitement of the final outcome, but the international advisers found a lot of pluses in each of the bids. That caused

them to form quite positive views about Australia's ability to undertake this exercise in general. Certainly, the international advisers were very impressed, as Mr Besgrove says, with the claims that the winning bid had for expansion and the practicality of them, if you like— although, at this stage of course, nobody wanted them to set in concrete just what they were going to do. There was a lot of emphasis placed on the importance of getting the right people to run the centre over time and on the importance of a key research leader to actually mould the research program. In terms of a practical outcome, certainly the process delivered to us an outcome which everybody thought was quite practical in terms of the build-up.

Senator LUNDY—I am trying to resist the temptation to work through all of the selection criteria and ask how the winning bid measures up to them, and so I will move to more general comments about what the government is hoping to achieve out of this initiative. Further on that issue of numbers of people, a lot of emphasis has been put on that, certainly in the media reporting of the outcome. I am concerned that if in three years those numbers have not been achieved, to what degree in the government's eyes is that a key performance indicator against which it will be measured? I do not want to go so far as to say actual numbers of people. This is not actually a measure of whether or not they might be achieving a broad set of outcomes, but I know it is important in political terms in how people see jobs and job creation; and the number of researchers is a very tangible measurement of whether or not something is succeeding. I guess I am asking you to reflect on how much weight the government is actually going to place on those kinds of issues. That might be something for the department, given that you will have carriage of monitoring the ongoing operation of it. I seek perhaps a comment from Dr Hart.

Dr Hart—Will that become a performance objective; is that the question?

Senator LUNDY—Yes: the number of people employed as researchers as a measure?

Dr Hart—As I understand it, that is one of the objectives. There are broader ones. Building up a skilled work force is certainly one of the objectives. The other ones are to do with slightly less tangible things, but things that have a tangible output, like generating ideas through R&D and developing ideas into projects and products, and commercialisation issues. Certainly, building up the work force is one of the objectives, but not the only one.

Mr Besgrove—There are a couple of things that I should add. In developing a funding deed of the sort which we are going to be negotiating, it would be normal for NOIE or the department to have a series of milestones against which payments are made. While you will want to have some flexibility about just how those milestones are actually achieved, it is clear that there are a couple of things that do stand out as early indicators. The first is that NICTA is committed to finding a world-class CEO. Professor Brian Anderson will act as interim CEO while they operate that search process. One of the early indicators will be the calibre of the person that they actually employ as the permanent CEO. The second, which goes more to the heart of the question you are asking, is the manner in which they scale-up the research teams.

One of the attractions of the NICTA proposal is that they will actually be able to staff some of the research projects very quickly through a process of secondment from the University of New South Wales and the ANU. Those secondments will mostly be temporary, while they run a parallel process of recruiting. Some of the secondees are likely to stay; others will come from other parts of Australia. But NICTA also has the very well thought-through process of international recruitment. It is the combination of those things that I think will provide the answer to your question. Part of the reason why NICTA was selected was that the panel had quite a bit of confidence that the NICTA group had thought these issues through very clearly,

had a very well developed plan about how they would go about it, and were adopting a credible and plausible approach to the scale-up over time.

Senator LUNDY—For the record, you are using the acronym for the consortium of NICTA. Could you spell out what that is?

Mr Besgrove—It is National ICT Australia, I believe.

Senator LUNDY—I thought it was important to make that clear. And it was called the National bid, wasn't it?

Mr Besgrove—That was the shorthand for it, yes.

Senator LUNDY—Just on that point, you talk about secondment from the universities. What proportion of researchers will be seconded, in the early stages?

Mr Besgrove—You need to define what you mean by 'early stages'.

Senator LUNDY—The first six months. I do not know. I am trying to get an idea. If the numbers are going to be built up from researchers that are already doing research in the universities in Australia, at what point do we grow critical mass by getting new researchers in, adding to those already in our universities?

Mr Besgrove—We should probably take that one on notice. My recollection is that in the first six months they will all be secondees from existing teams and that within the second year they will be recruiting substantial numbers. But it is probably best if I take that on notice and give you a fuller answer.

Dr Badger—The general point to be made is that, in the deliberations of the panel, the panel was very concerned to see that each of the bids could demonstrate that, in addition to leveraging off from the resources of the consortium members, there was a well-thought-out plan to establish the centre of excellence as an institute with its own identity and its own way of going about doing things, so that it was seen as something that was developing prestige and presence in its own right. So the numbers that Mr Besgrove talks about were looked at in detail by the panel, but from the perspective of using, if you like, the base resources—and certainly the NICTA bid does this—to demonstrate that what we were getting was not just a bit of the ANU or a bit of the University of New South Wales but that it was coming together in a way that established a different and distinct institute in its own right.

Senator LUNDY—The risk when you are seconding such large numbers is that it just becomes a rebadged bit of the ANU and a rebadged bit of UNSW.

Dr Badger—That was certainly an issue of considerable concern to the panel—to ensure that that did not take place in the winning bid.

Senator LUNDY—And you are satisfied that that will not happen?

Dr Badger—That is right.

Senator LUNDY—As far as the ARC's involvement goes, it is obviously contributing a significant proportion of the funding. How does its accountability criteria and acquittal process for that money impact upon the centre?

Mr Besgrove—In essence, what we are doing is crafting a funding deed which reflects both the ARC's legislative requirements and the normal reporting requirements that a DECITA portfolio funding deed would encompass. We are going to have one funding deed, and so it needs to encapsulate both of those sets of criteria.

Senator LUNDY—You are obviously involved in the whole process, Mr Besgrove. What was your official role in relation to the whole ICT Centre of Excellence? You were in NOIE. The reason I ask is that I heard from the department that people were actually moving from NOIE to the department to form the core of the corporate knowledge. Are you one of those people?

Mr Besgrove—No, I am not. But of the team that reported to me, which was headed by a section head within NOIE and included four NOIE staff—so a total of five people—three people, including the section head, are moving across to the department. We do not believe there will be any significant loss of corporate memory in that process, and the people who are moving across are deeply involved in the process of negotiating the funding deed and have been involved in the selection process from the outset.

Senator LUNDY—Dr Badger, can I ask you the same question? You have two roles, anyway, don't you—one with the department and one with NOIE? Are you going to be part of the team that looks at the ongoing administration of this program?

Dr Badger—No. I am now fully part of NOIE. We are having a senior level group to provide advice in an ongoing fashion to the department, which will enable, if you like, the executive input that NOIE has had into this exercise to keep going. There are people in the department who are well versed in the nature of the research and the centre of excellence and have experience with the operation of deeds and their implementation. Certainly, there is a range of us who have put an awful lot of time and effort into this exercise over the past two or three years. We are all very confident that the processes in place will ensure that the expertise that has been developed will be transferred in a way that will make the exercise just as effective as any other way of doing it.

Senator LUNDY—I would like to be able to share your optimism. I am a bit surprised. Arguably—I do not know if this is right—you would be the most senior officers who would have been involved with the selection and implementation of that selection process to date. I would have thought at least one of you was going across to play a hands-on role.

Dr Badger—It is the practicality, in that Mr Besgrove has the division of which the centre of excellence was, I think, something like 10 per cent of the responsibilities, if you multiply that out across NOIE. As a priority project, it received the degree of attention from the executive and Mr Rimmer that was required during the selection process. The department will do exactly the same thing during the implementation phase.

Senator LUNDY—Particularly with regard to your role, Dr Badger, given that you were on the panel, and your insights about what the panel was trying to achieve in making its selection, will you be involved in the deed negotiations?

Dr Badger—I will certainly be consulted on the deed negotiations. The people in the department and the people in NOIE have worked together on any number of projects. We have been in the same place and we know how to cooperate. We have to do it across a range of things because of the roles of the two organisations. I see no reason why we would not continue to do that for this project.

Senator LUNDY—I turn to an issue that I think is absolutely critical. We know that as a country we are pretty good in the area of R&D. What we are not very good at is commercialising that and turning it into businesses and jobs.

Mr Besgrove—Yes.

Senator LUNDY—Do you disagree, Dr Badger? You are shaking your head.

Dr Badger—It is a very complex issue.

Senator LUNDY—It is a very complex issue—

Dr Badger—I do not like shorthand responses to a complex issue.

Senator LUNDY—and it is a generalisation. I am obviously doing a bit of preparatory work to ask a question about the degree to which the ICT Centre of Excellence and the National ICT Australia are focused on creating new businesses and real sustainable jobs through the R&D performed at the Centre of Excellence.

Dr Badger—As you are aware, there are criteria related to commercialisation. Each of the bids had a commercialisation strategy. From memory, the NICTA bid involved Allen and Buckeridge and Redfern Photonics on the venture capital side—very experienced people involved with commercialisation of research results—but there is a much broader strategy that they will implement. It was one that the panel was satisfied would enable the research that was being generated to be linked effectively into industry. I think it is a challenge; I am not denying that it is not a challenge. I believe that if you get a very good, strong research environment, you have a much better chance of the commercialisation taking place effectively in any case. That is certainly what we will get from the centre. Having said that, they have a very sound and effective strategy in place.

Mr Besgrove—I would just add that several of the university players also have a track record in commercialisation, which they bring to the table. Professor Brian Anderson's group, for example, has had some success in this area already.

Senator LUNDY—I ask the question on two fronts. One is that different universities have different commercialisation strategies within their organisations with, I think, different degrees of success. Very clearly, because of the pressure many institutions are under to in fact make more money for themselves, I think there is an inherent pressure on them to commercialise in their own interests and derive revenue from their commercialisation activities. In relation to the universities involved and their commercialisation strategies and intellectual property transfer issues, I am just wanting to make sure that the centre is not captured by those strategies in any way.

Mr Besgrove—One of the attractions of this proposal to the panel and to the government was that, while it has the significant involvement of some major universities, NICTA itself is quite clearly independent of those universities and independent of each of the consortium members. That was in fact one of the very strong attractions to this proposal. While the individual commercialisation practices of the member universities may or may not be stronger or weaker, it is the commercialisation strategy of NICTA itself which is important here.

Senator LUNDY—So they have their own intellectual property management proposals?

Mr Besgrove—Yes.

Senator LUNDY—I go back to a question I asked the department earlier, and they suggested I ask you. I refer to the relationship between the Centre of Excellence and the BITS incubators. Given that they are proving to be, or at least seeming to be, an effective vehicle by which to commercialise good ideas, I note with interest that the acting minister for information technology has released another press release today, celebrating the success of yet another BITS company that has managed to sign up a significant Defence contract—the company being Calytrix from the Perth based BITS incubator. Sorry, but I could not help but give them a bit of a plug because it is good to see. Is there any relationship there? Do you see an incubator model as having a role within the centre?

Mr Besgrove—There is no formal relationship that I am aware of between the NICTA group and any of the BITS incubators. However, one of the selection criteria has to do with networks and linkages. That encompasses a whole range of different things that we would expect the centre to develop over time. Dr Badger has mentioned the involvement of several groups, including Allen and Buckeridge, that have a strong track record in commercialisation. We would expect that NICTA will be developing relationships with a whole range of groups in the commercialisation and early stage funding phase. So it is certainly our expectation that the BITS incubators would form part of that, if you like, group of allies that relationships will be built with. The other thing that I would point out in relation to the NICTA bid is that they have a very strong focus on building links with SMEs and—

Senator LUNDY—You have no idea how pleased I am to hear that.

Mr Besgrove—Brand Hoff, whom you would know well as one of the directors of NICTA, is specifically charged with building relationships with SMEs, ensuring that there are growing research and other linkages with the SME community in Australia. I think that leads us to assume that there will be strong relationships with a whole range of incubators flowing out of that particular strategy.

Dr Badger—For example, to continue the relationship stuff, Allen and Buckeridge are of course part of the strategy and they are also involved in particular incubators.

Mr Besgrove—They have had some involvement with incubators. I believe they have also recently got some pre-seed funding as well.

Senator LUNDY—Indeed. I think they won the tender for the pre-seed fund, did they not?

Mr Besgrove—I think they were one of the winners.

Senator LUNDY—One of them. Okay. I get to ask the department about that next week. They are a classic example. They also have interests in at least two, I think, of the BITS incubators. I did just want to reflect on the welcome presence of an entrepreneur like Brand Hoff on the board, because I agree with you: I think that type of expertise is essential if that strategy to commercialise and grow real businesses out of these ideas is going to be able to be pursued effectively.

I am trying to get my head around how it will look. If the strategy is to commercialise the R&D, will the centre take on a flavour of an incubator—where the research is done and then the corporate vehicle, the company, is created around the intellectual property, product or whatever and then developed within the centre to a stage of being perhaps pre-seed fund ready—or will the centre actually provide that pre-seed phase of funding? Do you see what I mean?

Mr Besgrove—Yes.

Senator LUNDY—I am trying to work it out, looking at what I call the capital food chain in the growth of a start-up. Obviously, these centres start so early they are doing core research, but at what end point do they stop? How far do they reach into that pre-seed and VC kind of area of support for these new companies?

Mr Besgrove—It is fair to say that the NICTA consortium understands, I think very well, that it will be horses for courses and that in fact different research projects will have different paths to commercialisation. So they certainly envisage cases where you may simply licence the technology. There will be other cases where developing something in collaboration with a large company will provide you with an automatic commercialisation path. And there will still be other cases where setting up a spin-off company will be the appropriate thing to do.

I think one of the things that is attractive about their commercialisation approach is that it is quite sophisticated, it is multilayered and it has the presence of groups like Allen and Buckeridge. But Allen and Buckeridge do not have a monopoly on the ideas coming out. It is a difficult question to answer because their approach to commercialisation has a number of layers to it, depending upon what is appropriate for the given technology. It is a little difficult to be prescriptive in advance about what it will look like, but it will not be a single model, I do not believe.

Dr Badger—Certainly, it was true of each of the bids that the commercialisation strategies were very sophisticated. There was an understanding of a series of elements needed to commercialise research, depending on the nature of the research, the relationship between the researchers involved, the sort of researcher. One of the pleasing things from both the panel's perspective and the international adviser's perspective was just this: people had not taken an off-the-shelf approach to commercialisation. One of the things about being directly involved in this activity—apart from the fact that it got to be quite exhausting at times—was that the level of the bids and the sophistication of the discussions about them was of an extremely high level. It is one of the things that gives me great confidence that the process will give us a very good Centre of Excellence. It was quite an exciting endeavour.

Senator LUNDY—Thank you. You mentioned the pre-seed fund. As I understand it, the criteria of eligibility for investments from the pre-seed fund requires the research needs to emanate from a public institution. Will research and development emanating from the Centre of Excellence be eligible for investment by those pre-seed fund managers?

Mr Besgrove—I do not know the answer to that question. We would have to take that on notice. That is not something that we are expert in. It is a matter for another portfolio.

Senator LUNDY—It just occurred to me: because of the heavy involvement with the universities, technically they could fulfil the criteria for the pre-seed fund. I would think that that was not the intention of the pre-seed fund—to then fund the processes within the centre— but I do not know; maybe that is their intention. I will ask the department managing the pre-seed fund next week, but if you could get back to me on that, that would be appreciated. I will give you a hypothetical. In 2005-06, if for whatever reason this current government is still in power—and I shudder at the prospect—and there is a decision that there is insufficient funding, what protection is there to ensure that the Centre of Excellence does not pull up stumps and move offshore?

Dr Badger—I do not quite know how to answer that.

Senator LUNDY—I appreciate it is quite hypothetical. I just do not know what grounding it has, because it is a private consortium that happens to be a recipient of government money, isn't it? It could be footloose as an R&D centre.

Dr Badger—There is an issue there that I think we should ensure that we pick up in the deed. I am just trying to think of the nature of the things being covered on the deed to try to work out whether that is effectively picked up. I do not know; I just cannot remember. I cannot get my mind around just what—

Senator LUNDY—It might be worth looking at.

Dr Badger—Given everything that the government has said about the importance of the project and the fact that it was initiated by this government, it would seem a somewhat perverse activity to then do something which would not enable it to continue.

Senator LUNDY—No, I agree. I think it would be an appalling circumstance, but I would be interested to see what safeguards there were against that eventuality. That is probably just

about all I have on the Centre of Excellence. I will continue into questions that do relate to it, including the prospect of this government contemplating legislating for employee share option plans. I know there has been some media speculation about the inability of Senator Alston to in fact get this issue through cabinet. Senator Kemp, you are probably the most appropriate person.

Senator Kemp—You rarely call me appropriate, Senator; I am enormously flattered.

Senator LUNDY—It is a rare occasion.

Senator Kemp—It must be getting late in the evening, I think.

Senator LUNDY—It is.

Senator Kemp—I think I can add a little bit to this. First of all, I would caution you to not place too much credence on what you read in the press. Both you and I know—

Senator LUNDY—Especially when they reflect on cabinet decisions.

Senator Kemp—that some of these things may not give an entirely accurate position. You might be aware of an excellent policy that came out on the information industries for the 21st century. It is a top policy which we went to the election on and which—because you are committed to making sure that governments can deliver what they promise—you will undoubtedly be supporting.

Senator LUNDY—Indeed.

Senator Kemp—That is your hard and fast position?

Senator LUNDY—I am not speaking on behalf of the Labor Party.

Senator Kemp—No.

Senator LUNDY—But I am very interested to—

Senator Kemp—That may be an issue that we have to deal with tomorrow then.

Senator LUNDY—I think everyone knows how I feel about ESOPs.

Senator Kemp—I am interested that as some of your colleagues think—

Senator LUNDY—I have certainly made public statements in support of the prospect. What I am interested in is when this government is going to actually be in a position to do something about it.

Senator Kemp—This government—we have been elected and, of course, as you are aware—

Senator LUNDY—That is the first base.

Senator Kemp—There is this wonderful policy, which Senator Alston undoubtedly played a key role in drafting. Backing Australia's Ability states:

The Coalition will complete the examination of employee share ownership ... with the aim of enhancing the incentives for employees to encourage start-up business activity and to reward employee enterprise and performance.

It went on to say:

The Coalition's goal will be to put in place arrangements that are internationally competitive and which stimulate the creation of high-growth, innovative ICT industries.

And we are committed to that.

Senator LUNDY—Excellent. When is Treasury going to let you do it?

Senator Kemp—What an incredibly impertinent question!

Senator LUNDY—Tell me.

Senator Kemp—I just cannot believe that someone—Senator, this may come as a shock to you, but we actually make decisions. We are elected to be the government.

Senator LUNDY—I know.

Senator Kemp—We make decisions.

Senator LUNDY—That is why I am asking you when, in reasonable terms, you think this government will be in a position to put forward a legislative proposal to facilitate what you have just described.

Senator Kemp—We always answer those sorts of questions 'as soon as practicable' and say that what you will have to do is just wait and see. I know you are anxious for this to happen and, of course, this will mean that the government will be even keener to ensure that this occurs. But let me just make it clear: it is not Treasury which makes decisions on this. This is a government; we are elected to make decisions and we make them.

Senator LUNDY—So it is back to the waiting game.

Senator Kemp—We like to assist you and we love to keep you fully informed, but there are just some things which we would prefer to deal with without having you informed on a day by day basis. This is an important policy; we are committed to it and that is the advice I have received.

Senator LUNDY—Do you think that that will be its first incarnation—looking at the ICT or industries associated with start-ups? Do you think that is a good first step?

Senator Kemp—I do not know whether I would even want to speculate on that without having the senior minister to provide advice. Senator, one day you might be in my shoes and you may have a senior minister and you will be very wary about stepping on his or her toes.

Senator LUNDY—All I can say is that I really hope I have that experience one day.

Senator Kemp—I have to say that the way you guys are going at the moment it may be a long time.

Senator LUNDY—Perhaps you could pass on a question to the senior minister about whether it is his intention to pursue this matter for a solution specifically for those industry sectors involved in the start-up end. The issue here is that there are a large number of challenges associated with the broad based employee share options plans. There are significantly more surmountable challenges if it is narrowed down to how you manage employee share options programs for start-up companies and companies which seek to distribute equity before it is tradeable.

Senator Kemp—As you know, I have a reputation for being helpful. I will certainly pass that on to Senator Alston.

Senator LUNDY—Thank you, and I am very pleased to hear of the government's ongoing commitment to this issue.

Senator Kemp—Unfortunately, someone has just given me a press release of 5 November 2001 which actually seems to cast doubt on Labor's commitment to such an issue. Is the Labor Party—

Senator LUNDY—I am sure my name is not on it, Minister.

Senator Kemp—Oh, I regret to say it is.

ENVIRONMENT, COMMUNICATION, INFORMATION TECHNOLOGY AND THE ARTS

Senator LUNDY—What a tragedy!

Senator Kemp—It is titled 'Senator Lundy spins ESOPs fables'. It is a good press release.

Senator LUNDY—It is not my press release, is it?

Senator Kemp—No.

Senator LUNDY—No, it would not have been my press release.

Senator Kemp—No. Let me check. Oh yes, it is from Senator Richard Alston.

Senator LUNDY—Yes, funny about that.

Senator Kemp—It is dated 5 November. I must say that it is a top press release. Would you like me to include it in *Hansard*?

Senator LUNDY—No, I am certainly familiar with it.

Senator Kemp—It does suggest that there is a bit of doubt about the Labor Party's commitment to ESOPs. Can you assure us—

Senator LUNDY—I could not begin to guess where that was coming from.

Senator Kemp—Anyway, I take it from your question that the Labor Party supports these.

Senator LUNDY—You have heard my views, Senator Kemp.

Senator Kemp—But you are the senior shadow minister in the IT area.

Senator LUNDY—Indeed. You have heard my views.

Senator Kemp—It is nice to know there has been a U-turn, in that case.

Senator LUNDY—We will just look forward to this government doing something on it.

Senator Kemp—This is a very active government and we have a top minister running the portfolio.

Senator LUNDY—I hope it does not take as long as it did to move on this issue as it has on many others in relation to innovation policy and creating an environment for success for start-ups.

Senator Kemp—I do not want to get into an exchange with you. As you know, I am a consensus politician. I suggest you go on to your next question and don't try to provoke me.

Senator LUNDY—I want to move to the Broadband Advisory Group. I am just trying to shorten the process by seeing what is on the web site to date. In relation to the Broadband Advisory Group—or BAG, as I see its acronym is—can you tell me the membership of the group?

Dr Badger—I certainly can. The membership of the group is: Bronte Adams, Ros Hill, Tom Kennedy, George McLaughlin, Mike Miller, Rosemary Sinclair, Phil Singleton, Ziggy Switkowski, Jeffrey Tobias and Terry Walsh. Of course, the minister chairs the group, as he does with the F3 group.

Senator LUNDY—The minister chairs this one as well?

Dr Badger—Yes.

Senator LUNDY—Who is the deputy chair?

Dr Badger—There is not one.

Senator LUNDY—Has the group met?

Dr Badger—Yes.

Senator LUNDY—How many times?

Dr Badger—It had its first meeting on 29 April 2002. The next one is due on 21 June.

Senator LUNDY—Just to clarify, the Broadband Advisory Group has a finite time of existence, does it not?

Dr Badger—The group is intended to provide advice to the government by the end of the year. Before Christmas I think is the time scale.

Senator LUNDY—What form will that advice take? Will they be producing a report?

Mr Callioni—The minister, when he established this group, did not want to be prescriptive about either the group's inquiries, if you like, or the form that its work might take or indeed the outputs that it might produce. It is quite likely that there will be a report or maybe a series of reports, but it is too early at this stage to be pre-emptive about what the group might eventually end up doing under the minister's guidance.

Senator LUNDY—So the group will decide at some point what it is going to do?

Mr Callioni—The group has already decided on a work program for itself, but it has not reached the stage yet where it has made a firm conclusion, as you would understand after only one meeting. It has not reached a firm conclusion as to what advice it might give the minister and what form that advice might take.

Senator LUNDY—How much is it costing to provide the secretarial support, expenses and any remuneration, if there is any, to run this group?

Mr Callioni—There is no remuneration for the group. I should say that supporting this group is indeed one of NOIE's core activities. It is not an additional activity for us; it is part of our day-to-day business. If the senator wanted an indication of how much it may cost to support the group as a proportion of our funding, I can certainly take that on notice and provide such an estimate. But it is part of our normal everyday activities. It is just part of our core business.

Senator LUNDY—How was the membership of the group decided?

Mr Callioni—As you would understand, establishing a committee such as this is not an easy task. There are a number of factors to be considered. One of the factors to be considered, of course, is that on an issue as important and interesting as this there will be a very broad range of people who would want to participate in such a group. Of those who would want to participate there would be quite a large number who would be eminently qualified to be part of such a group. But of course allowing as many of these people as there would be who are interested or qualified would probably mean hiring Kings Hall to run the sessions of the committee. So at some point there has to be some filtering. The intent was to select from a range of views, from a range of skills and from a range of experiences so that the committee was not inadvertently biased in any particular direction.

These people are not representative of any organisation, although of course they all may identify in some way—some more than others perhaps—with their own organisations, but they are there for their own personal qualities, for their own networks, for their own experience, for the input they can make and hopefully also for any input they might be able to elaborate on from their own organisations. There was no science in it. It was a process of decision making ultimately guided by the minister as the chair of the committee, but it included input from a variety of sources.

I am sure there would be a couple of dozen other people who could equally have been selected to be on this committee and who might feel disappointed, but this is a good mix of people that we have. Keep in mind also that the committee has not been given an exclusive advisory role. We, in our normal business, continue to consult with a broad range of people, and the committee itself is intending to run consultative processes including at least two formal consultative sessions, one in Sydney and one in Melbourne. There will be a process of inviting submissions from the public. So the committee does not have exclusive property over advising the minister and the government on this issue. It is just, I guess, the pre-eminent or leading forum where these issues will be discussed.

Senator LUNDY—Have they set dates for those forums?

Mr Callioni—At this stage not precisely, but it is likely to be towards the end of July. In the next couple of weeks we will probably have a firmer idea of when those dates might be. Melding a number of diaries of very busy people is not an easy thing to do.

Senator LUNDY—And will these forums be conducted with all of the members of the group there, or will they be conducted on the group's behalf by NOIE?

Mr Callioni—NOIE, with the Department of Communications, Information Technology and the Arts, will provide support for setting up these. We provide the logistics if you like, the infrastructure. I expect that there will be some members at each of those forums. I cannot say how many, but I would hope there would be at least a significant number at each of those forums. I expect that the minister would also want to be at those forums.

Senator LUNDY—I would think there would be an expectation that he would be.

Mr Callioni—Of course. But again, as you would know, the business of government does sometimes make it difficult for ministers to do such things. I am sure it is both his desire and his expectation that he will try to attend.

Senator LUNDY—Given there are some obviously clear commercial interests and quite a deal of competitive pressures—there could be more, I suppose—in the provision of different broadband services in Australia, what is the justification behind having Telstra on this committee but no other independent broadband supplier?

Mr Callioni—As I said in response to an earlier question, there are a number of interests that have a stake in these issues, as you have just pointed out again. There are a number of people who would have been eminently qualified to serve on this committee. At the end of the day, Telstra is the most significant player in Australian telecommunications, and it would have been both difficult and problematic if Telstra had been left out. That does not mean to say—

Senator LUNDY—I am not necessarily suggesting they should not be on it, but I am raising the spectre of it being quite glaring that they are the only carrier there, as opposed to at least putting in a representative of their competitors on the group.

Mr Callioni—It does create some room for drawing negative inferences, Senator. However, let me assure you that I have personally had discussions with Optus, for example, and I have not had any indication from senior people in Optus that they feel miffed or hurt or disappointed. They have had more than their fair share of opportunities to have their views heard, both through us and to the minister directly. I understand that there it might give room for some negative inferences to be drawn, but it has not so far been an issue.

Dr Badger—If you look at the nature of the rest of the members of the group, I would suggest that it is a challenging environment for Telstra to be in, in terms of the attitude that these people take to Telstra. So in getting that balance, that was one of the reasons for it.

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Senator LUNDY—I am not saying that it is dominated by Telstra. There is an interesting mix. I am very conscious that Telstra have a certain view about the roll-out and uptake of broadband and have a huge impact on that in Australia. It is not necessarily the shared view of others in the sector. I would like to reference assertions of Ziggy Switkowski at the World Congress on IT, when he was effectively arguing a case as to why Australians did not want broadband. That is not the attitude that I would have expected from the chief executive officer of Telstra. I am concerned that that view, that talking down of the use of and need for broadband, is what this group hears from the residual monopoly carrier.

Mr Callioni—Let me assure you that the tone and content of the discussion at the group's original meeting was not in any way resembling the statements you have just quoted. There is a great desire—

Senator LUNDY—I am very pleased to hear that.

Mr Callioni—There is a great desire on the part of all members to actually see some positive results in terms of the possible use of broadband technologies, both from a productivity perspective and from the point of view of social and cultural development. If Mr Switkowski has said those things—and I am not questioning your quoting of his assertions; I am sure that he can speak for himself—that certainly has not been in evidence in the affairs of the committee so far, nor do I expect it to be in the future.

Senator LUNDY—Does the group have a shared vision of achieving some sort of universal broadband access in the future sometime? Is that a shared vision of this group?

Mr Callioni—I cannot speak for the group, for one. It is too early in the deliberations to say that they have a shared vision about anything, except for the fact that they are very busy, very committed, very capable people who want to achieve something worth while out of this process. They are not there just to talk. That would be their shared vision at this point. Now, as for their shared vision of what the committee might do, as I say, we might have to wait until a little later in the deliberations to form a view as to what that might be.

Senator LUNDY—Telstra gave us some detail about the fund that they announced at the same time that the minister announced this committee. Are you in a position to give this committee details about Telstra's broadband fund?

Mr Callioni—All that we have is what Telstra might give us. I am sure the best place to get the information would be Telstra itself.

Senator LUNDY—I can pursue it through questions on notice. I think most of the information is in the public domain. I just thought you might have more detailed information.

Mr Callioni—As I say, all we have is the information that Telstra itself has published. We have no access to anything that is not in the public domain.

Senator LUNDY—I would not bother asking you for anything confidential, probably. Is there is any direct relationship between the deliberations and potential outcomes of this group and Telstra's expenditure on the broadband fund that they announced?

Mr Callioni—The connection would be that, insofar as a major player like Telstra is prepared to spend money on this kind of activity, obviously it will facilitate both the supply and the take-up of broadband technology. So there is certainly a connection in that sense. I do not know that I would see any greater connection—

Senator LUNDY—Sure. Is there a dollar for dollar sort of pitch that they put up to government?

Mr Callioni—That is not really a question I could answer. I do not speak for Telstra.

Senator LUNDY—I am asking if you would know about it because you would have had to have responded from the government's perspective.

Mr Callioni—It would be only the recollection of an imperfect memory of their media release. I have no more information than that.

Senator LUNDY—I do not have it on me. I will pursue those questions with Telstra.

Proceedings suspended from 8.56 p.m. to 9.02 p.m.

CHAIR—We will now resume.

Senator LUNDY—I want to go into e-security, but I should ask the question about when NOIE is going to update its web site to reflect the new arrangements.

Dr Badger—Very soon.

Mr Callioni—I cannot give you a precise date, but it is very soon. We are also doing a more comprehensive review of the web site to try to make it easier for people to get access to themes. There is a lot of information on the web site, all of which, hopefully, is quite valuable; but it can be sometimes difficult to find easily in one place all that you might want about a particular topic. So we are actually putting quite a lot of effort into that, which might have delayed us a bit in doing perhaps more urgent but less crucial things like updating names and titles. But it will happen soon.

Dr Badger—Is your concern predominantly about things like the Centre of Excellence?

Senator LUNDY—Yes. I was just looking at it then and I thought, 'It is all still there: industry development, the innovation action plan.'

Dr Badger—I understand. It does not move until 1 July.

Senator LUNDY—That is a fair point.

Dr Badger—I do not want our web people to feel persecuted, and they are already under significant stress.

Mr Callioni—And we will probably still maintain some sort of link on our site for a while so that people who come searching for it on our web site can still find it on the web site.

Senator LUNDY—Do you have an explanation somewhere on the web site about the logic behind the split, so that when people come to NOIE and they cannot find anything on industry development, they do not think that the government is doing nothing?

Dr Badger—We will look to put a link that makes it obvious where those particular responsibilities are.

Senator LUNDY—That is good. E-security, the national agenda: I see that NOIE has been allocated, I think—

Dr Badger—$1 million.

Senator LUNDY—$1 million is what is obviously deemed to be a suitable amount. Can you describe what NOIE's role will be within the whole of government e-security agenda?

Mr Besgrove—NOIE has for some time now been playing a fairly strong coordination role. It chairs a group called the E-Security Coordination Group, which is a grouping of quite a range of government agencies, and it also played a pivotal role with the Attorney-General's Department last year in developing the government's e-security strategy. One million dollars over four years will be used in part to fund a continuation of that work.

Senator LUNDY—The $1 million is over four years?

Mr Besgrove—I believe so. Yes, it is. We have also been doing some work with the private sector, in particular, in relation to providing information and some tools, including information guides for small business in the area of e-security. We have also done some work in looking at the development of curricula for training security people. You are probably aware that there is something of a shortage of people with security backgrounds and skills in the ICT sector in Australia. We are also looking at issues to do with research and development. So it is a range of things, some of which NOIE has been doing and some of which we are providing further impetus to.

Senator LUNDY—As far as your research and development role goes, what can you actually contribute to the agenda? $250,000 per annum is not a huge amount. Will you be spending that money on positions, on offices in NOIE, or will it be program money?

Mr Besgrove—I will ask Mr Tom Dale to respond to that question.

Mr Dale—In relation specifically to the possible R&D initiatives on e-security, we are initially seeking simply to provide through survey and other work a database of existing R&D activity in Australia focused on e-security. We made a first cut at that late last year and we are seeking to refine that at the moment. The feedback that we had from both industry and the academic sector was very positive, and that particular work had not been undertaken before. So we are seeking to build on and expand on that. But it is on those sorts of general information or information broking functions as much as anything else that we will have to initially focus.

Clearly, the funding that the organisation has is not going to be able to be allocated directly to major R&D initiatives, but there is a great deal going on elsewhere. So we are seeking to provide an information brokering role there. I am not sure at this stage what proportion of the $1 million funding would be on the e-security initiative, but probably not a substantial amount, because the other matters that Mr Besgrove mentioned are already under way and will probably absorb most of that funding.

Senator LUNDY—I do not know how closely this relates to the work that you are doing in establishing that database or register of capabilities in the e-security area, but I note with interest that the US government, particularly in the post September 11 environment, has gone on a global trawl for companies who think that they have got a good idea, a good technology or a good product to enhance security, with quite a strong emphasis on electronic security and all matters relating to computers and the Internet. How does your initiative feed in with making sure Australian companies are aware of those international opportunities in the e-security field?

Mr Dale—Generally we would be focusing initially on identifying the problems rather than looking for the solutions first. The international component of both our work on e-security and that of a number of other Commonwealth agencies, including the Attorney-General's Department and Defence and security agencies is quite important. We have been involved in a number of bilateral discussions with the United States involving both the public and private sector, where possible R&D collaborative initiatives have been discussed very briefly, and we are hoping to pursue those and encourage them. So that is one particular framework.

We are also participating in a number of international activities through the OECD, through a number of private sector bodies which are conducting analytical work in the area of e-security; and we are doing our best to share that information with Australian firms and government agencies and to involve them in the ongoing work of those international

activities. Again, we have had some good feedback on our efforts at that to date, particularly with the work in the OECD.

Senator LUNDY—I know that the e-security coordination group will be chaired by NOIE. How does that structure work? How often does that group meet? Does that include providing the secretarial support to that group?

Mr Dale—Yes; we provide the secretariat support function to the group. It is currently meeting roughly once a month. It is a broad based group of Commonwealth agencies and provides a coordination and information sharing function, at the most basic level. It does not provide an operational response, clearly, or a decision making body for funding allocation, but it provides a useful information clearing house and there are lines of accountability going through that to relevant areas of cabinet and other areas of government. Our role has been through convening the group, providing the secretariat function, distributing information and providing a focal point through the group for advice to the government on initiatives, such as the one for which funding was announced in the budget. It has been a useful coordinating mechanism and one we are seeking to build on.

Senator LUNDY—The current work plan of the group includes raising e-security awareness in both the public and private sectors. Are you at a point where you have identified strategies to actually do that?

Mr Dale—We are in the process of working up those strategies. The issue of information and awareness raising—and, indeed, of providing some sort of resources for some participants for managing risk in areas of information security—is one that has to be tailored to the particular groups involved. Clearly, awareness raising at the corporate level and boardroom level has different issues attached to it than has information for small business or home users. We are seeking to address all of those groups, based on their particular concerns. Some work has already been undertaken by a number of agencies in relation to the corporate sector and in relation to critical infrastructure in particular sectors, such as telecommunications, banking and finance, and some power utilities. We are now looking at other strategies focused on SMEs and home users, and we are working with a number of industry groups to achieve something useful there.

Senator LUNDY—Overall, it was a $24 million strategy, from memory.

Mr Dale—$24.7 million.

Senator LUNDY—Thank you. To what degree do you get involved in the protection of the national information infrastructure?

Mr Dale—There is a separate group, chaired by the Attorney-General's Department, dealing with critical infrastructure protection. That includes all of the operational agencies, particularly the AFP, ASIO and DSD, the Department of Defence and Emergency Management Australia. We are active participants in that group and we ensure that its work is reported back to the broader e-security coordination group. We do not provide direct funding or other assistance to that work. It is a clear responsibility for the Attorney-General's Department. We participated, though, in the most recent exercise to draw that work together.

The government convened a business-government task force on critical infrastructure protection in March of this year. That was co-chaired by NOIE and the Attorney-General's Department. The report of that group has been finalised within the task force members. The outcomes of that will probably drive the broader critical infrastructure protection agenda for some time. Clearly we have interest in some parts of that, and others not. In terms of

operational response and physical protection, for example, there are clearly other areas of government responsible.

Senator LUNDY—I am concerned, in terms of that critical infrastructure protection, about the degree to which the private companies that supply some of that infrastructure are involved in that whole process, given that a number of them have been privatised or partly privatised.

Mr Dale—The process to date has involved a number of studies to identify both threats and vulnerabilities in industry sectors. That has involved the active participation of a number of private companies, including banks for example, and a number of utilities which are in either public or private hands. There has also been an increasing involvement in that threats and vulnerabilities work of state and territory government agencies. In the next round of that work, beginning with the most recent funding from the budget, we would anticipate an even greater involvement from both state governments and the private sector.

We have very good lines of communication on those matters at the moment to most firms but, clearly, the focus is going to be on a number of areas of critical infrastructure. We cannot cover the entire economy, but we are building on what we believe are very good formal and informal contacts at the moment to share information. As I said, the government, in bringing business and government together in that task force exercise earlier this year, seemed to generate not just a lot of goodwill but also a lot of constructive commitment on the part of business to work with government. We would hope that the details of that work program will be announced by the government progressively in the near future.

Senator LUNDY—If it were to be observed or found, perhaps by some of the security agencies, that that critical infrastructure was unnecessarily at risk, what opportunities would there be for the government to compel private companies to enhance their e-security to protect that critical infrastructure? Will legislation ultimately be required to ensure that private companies have some level of redundancy in their business critical operations?

Mr Dale—Legislation for minimum standards of security and to require their implementation has not been canvassed by very many people as a serious proposition to date, either here or in the United States—where, as you have indicated before, probably the greatest degree of expenditure and general—

Senator LUNDY—Sorry to interrupt, but didn't they actually pass some sort of critical infrastructure legislation back in about 1997?

Mr Dale—That applied to federal government infrastructure. That was building on the CIO network there for federal agencies. There have been a number of suggestions—

Senator LUNDY—So it did not apply to private companies?

Mr Dale—Not to the best of my knowledge. There have been suggestions since 11 September for mandated security standards, particularly in the area of IT security, but I am not aware of any major country seriously pursuing it. In this country, as I said, the approach has rather been a consultative dialogue approach, such as the business-government task force, which people seem satisfied with. At the present time there are a number of emergency powers available to the government, as I understand it, in relation to areas such as telecommunications in times of emergency. As I said, I am not aware of any suggestions from any quarter at the moment that anything more needs to be enacted. I think there is probably a general consensus of non-legislative ways to go forward on things like better standards, certainly better implementation of security standards, and building a culture of security through a number of practices which you cannot really legislate for.

Senator LUNDY—Thank you for that. Can you tell me how the $24.7 million being spent on an e-security initiative compares with what other countries, such as the UK, Canada and France—which I guess are reasonably comparable countries—have actually spent on this type of initiative? Have you had a look at how other countries are responding?

Mr Dale—We have in terms of their broad policy approach, yes. I do not have information immediately to hand on per capita comparisons or world number comparisons for public expenditure. We could try to find that if you would like, but I do not have it at the moment.

Mr Besgrove—Could I just make a comment in relation to that. As Mr Dale has indicated, we do have some interactions with overseas countries on a range of critical infrastructure and e-security issues. I think it is fair to say that the range of initiatives which the Australian government is looking at and the issues that have basically been the focus of both our work and other federal agencies has a strong overlap, if you like, with the sorts of issues which are being considered in countries like Canada, the United States and the United Kingdom. I think it is fair to say that there is a strong commonality of issue and a number of the responses are similar. When you get down to industry specific issues, the United States has gone down a somewhat more intensive industry focused arrangement than some other countries. We are looking at some of those initiatives at the moment.

Senator LUNDY—Thank you for that. I now want to ask some questions about FedLink to get an idea of NOIE's role in relation to this particular initiative. I know I have asked questions about this before, but, given it is an Internet security related matter by the federal government and it is multiagency, could you just give a brief overview.

Mr Grant—I am from the Government Services and Information Environment Group.

Senator LUNDY—Is that new?

Mr Grant—It is a new name.

Senator LUNDY—Is that post-budget new?

Mr Grant—As of a week or so ago, and on our web site as well.

Senator LUNDY—Really? What was it? Government Services and Information Environment Group?

Mr Grant—Yes.

Senator LUNDY—That is terrific.

CHAIR—Very catchy.

Senator LUNDY—You had better tell me all about this new area of NOIE.

Mr Grant—In essence, it represents some additional functions that came to the existing Government Online Group, particularly those relating to information access formerly out of the department of finance. Clearly, it gives us a broader range than online in terms of our activities.

Senator LUNDY—Excellent. I will get you to go through what information access is all about a little later, but can you go back to FedLink now and tell me what that is all about.

Mr Grant—FedLink is a virtual private network that provides secure communications capability between routers. It does that by encryption. In essence, what it provides is relatively cheap by agency because it is a whole-of-government system that can be applied to give protected level protection to data that is being transferred on the public network.

Senator LUNDY—This is separate to the cabinet level security network. Isn't there a dedicated line network as well?

Mr Grant—That is right.

Senator LUNDY—What is that called?

Mr Grant—It is called ICON.

Senator LUNDY—ICON; that is right. Do you manage that too?

Mr Grant—No, we do not manage ICON but we do participate in relation to the management.

Senator LUNDY—Does PM&C manage that?

Mr Grant—I think the management primarily comes out of the Department of Foreign Affairs and Trade, but I am not sure about that.

Senator LUNDY—How many government agencies are participating in FedLink?

Mr Grant—In FedLink at present I think there is somewhere between 11 and 13 agencies who have actually got FedLink up and running. There are a number of other agencies who are moving towards introducing it. Our expectation is that within the next month or two there will probably be 17 to 19 agencies using it and we will keep rolling it out.

Senator LUNDY—How long has FedLink been around? It is quite a while, isn't it?

Mr Grant—Not really. In an operational sense, probably since about February this year.

Senator LUNDY—Really? Is that all?

Mr Grant—Yes.

Senator LUNDY—Has the concept been around for a while?

Mr Grant—The concept has been around and it has been developing. The issue has been to ensure that it actually meets the requirements for protected level data transfer.

Senator LUNDY—There are contractors involved, aren't there?

Mr Grant—There is. 90East is in fact the contractor responsible for FedLink.

Senator LUNDY—Since February there have been 11 to 13 or thereabouts?

Mr Grant—About that, yes.

Senator LUNDY—In a few more months, 17 to 19?

Mr Grant—Within the next couple of months, 17 to 19, and we expect that to keep growing.

Senator LUNDY—Does the integrity or value of FedLink rely on getting every agency and department in the loop?

Mr Grant—No, it does not, but what it does do is put some pressure on agencies who are not part of that secure capability to come online. Like anything in security, the security is only as good as the end to end application. If I want to send something on a secure system to someone who is not secure, I am not going to send it to them electronically. I would go back to paper, stamps, signatures and things like that. The good thing about FedLink is that it allows us to go from, essentially, our desk top to someone else's desk top, although the encryption is from router to router, quite easily.

Senator LUNDY—What level encryption is it?

Mr Grant—It is protected level.

Senator LUNDY—What is that? The type of algorithms used to encrypt the actual data?

Mr Grant—I am technically incompetent on those sorts of issues.

Senator LUNDY—I am not very good either, but I know there are different levels of encryption. I am presuming that is one of the more secure types like 128-bit level encryption.

Mr Grant—I do not know the answer.

Senator LUNDY—90East should know.

Mr Grant—I am sure they will. In fact, my technical people will know also.

Senator LUNDY—Does NOIE solely administer FedLink or do you have some overarching advisory committee looking at implementation and features and things?

Mr Grant—We funded the establishment of FedLink. It had to go through, as you would expect, a review process and a certification process, and it has been certified as fit for purpose at protected level. It really now—

Senator LUNDY—Did DSD do that assessment?

Mr Grant—That is right.

Senator LUNDY—So they have given it the protected level status?

Mr Grant—That is right. It really is now a business system that 90East is selling around departments. We obviously are interested in helping them do that, but in the end it is up to agencies to decide whether they pick FedLink or something that has similar capabilities. If I can give a plug for FedLink, what FedLink provides is a very cheap mechanism to in fact get that level of security. If every agency tried to do it itself, it would be a lot more expensive. So FedLink makes good business sense.

Senator LUNDY—Do agencies find themselves assessing FedLink and other security contractors? Are they engaged in a competitive process when they turn up to departments?

Mr Grant—Some agencies are looking at other options. Yes, there is potentially some competition in the market.

Senator LUNDY—There is obviously no compulsion on those agencies to join FedLink.

Mr Grant—There is a requirement for agencies who wish to transfer data at that level to use FedLink or a system with the same level of protection as FedLink.

Senator LUNDY—Are there other commercial providers that have systems with that certification from DSD?

Mr Grant—Not at this moment.

Senator LUNDY—FedLink has got it stitched up then. 90East has got it stitched up.

Mr Grant—It certainly has a good market opportunity.

Senator LUNDY—Indeed. What process do you have in place for ensuring that what FedLink say they are doing they actually do? Do you administer the contract centrally, if you like, in terms of service quality and standards? If 90East actually have individual arrangements with agencies, is that up to them and do you provide those agencies with a checklist?

Mr Grant—We oversight the contract with FedLink. I might say, though, that there is now no further development work that we are paying for. But, obviously, we keep an eye on it.

Having got DSD certification for fit for purpose for the level it is, FedLink obviously has to maintain that or it loses its market edge. There are processes in place to audit that it is doing that.

Senator LUNDY—Does DSD do that audit process?

Mr Grant—I understand that is the case.

Senator LUNDY—Did NOIE do a security check list survey for member agencies to fill in? Have you done something like that?

Mr Grant—As part of our surveys, we did ask agencies the extent to which their systems met e-security standards.

Senator LUNDY—Met their own security standards?

Mr Grant—No, e-security standards.

Senator LUNDY—Are they standards that you established?

Mr Grant—They are standards that are actually established through the PSM and the ACSII 33 standard.

Senator LUNDY—What sort of response did you get to that survey from agencies and departments?

Mr Grant—A large number have in fact done quite well and there are still a few that are outstanding.

Senator LUNDY—Does that mean you have not got all of the surveys back? Is that what you are saying?

Mr Grant—We have all the surveys back. Our last survey was in September.

Senator LUNDY—Were there press reports about this?

Mr Grant—Yes, we put out a media release when we released this survey. In terms of the security standard, 40 per cent have actually met it in the September round. Seventy per cent expected to meet it by December 2001. That does not indicate that 60 per cent or 30 per cent have not met it—

Senator LUNDY—That is what that says to me.

Mr Grant—Those who had not been able to sign off at that stage were well down the path of getting the appropriate systems and methodologies in place. So there has been a huge move forward in the last couple of years in that area.

Senator LUNDY—At this point in time, May 2002, can you tell me what percentage of agencies and departments comply with those e-security standards?

Mr Grant—No, I cannot. I do not have that data.

Senator LUNDY—What was the latest assessment, the most recent assessment? Was that December 2001?

Mr Grant—No, it was September or October 2001. The figures I gave you are the latest.

Senator LUNDY—When is your next assessment?

Mr Grant—We are looking at how we go about doing the survey. We finished the survey. That was the last one. We are having a look at effectively what information we should be collecting and who we should be collecting it from. Do we go to the whole 131 agencies—

Senator LUNDY—Are you going to do a different survey next time?

Mr Grant—That may well be the case.

Senator LUNDY—But then we will not be able to compare apples with apples and work out if anything has improved?

Mr Grant—I think the nature of the survey will be similar, so there will be the ability to compare, but the thing is that doing 131 agencies is both exceptionally difficult and gives you very wide span. If you expect that you have a series of, say, 12 to 20 leading agencies—

Senator LUNDY—I bet if DSD sent them a red note they would get it done pretty quickly, would they not?

Mr Grant—There have been standards around for quite some time which actually have not been implemented yet, so I am not sure that that assertion is correct. What we are doing essentially is using a 'leader in the area' approach. As I said before, if the leaders adopt their standards and someone they are dealing with does not have the standard, they are not going to deal with them, so we are creating what is almost leverage to bring this forward more quickly.

Senator LUNDY—Do you see identifying the agencies that are not up to scratch as helping create an incentive for them to get with it? What I am looking for is some activity in NOIE to make this happen and not just allow them to fiddle around with this kind of program. I think it is really important.

Mr Grant—There is a significant amount of activity in NOIE to bring about the meeting of the e-security standards. Because we are not collecting a survey or we might do a future survey on a different basis does not mean that we are not moving forward on this. In fact, over about the next four weeks we will talk to almost every agency, particularly about FedLink, and at a range of levels within those agencies—some at very senior levels, some in groups of technical people. Clearly, the government's priority for e-security is high, and those agencies who do not come on board very quickly will know they have not come on board quite quickly. The other side of that is that, as I said, the surveys show great leaps and bounds forward. Most agencies are very close to meeting, or alternatively by now have actually met, the standard. It is moving forward.

Senator LUNDY—That is what they all said about getting their stuff online, too, and it took them ages. Were agencies and departments circulated with an IT security questionnaire that was never followed up and never collected by NOIE that you are aware of?

Mr Grant—Not that I am aware of.

Senator LUNDY—Could you take on notice whether such a survey was done?

Mr Grant—Perhaps Brian Stewart knows the answer to this.

Mr Stewart—There was an e-security check list which was published as part of a better practice guide put out by the Audit Office last year. As part of our survey of agencies we asked the agencies whether they had completed the check list, whether it had raised any issues and whether they wanted to have some assistance from operational agencies like DSD. Information from agencies in response to that security component of the questionnaire was forwarded to the operational agencies so they could then target agencies for assistance. Where there were those who had sought assistance and really could not get it from DSD or the operational agencies—where there was evidence of some problems in the survey data—that was acted on by the operational agencies.

Senator LUNDY—So you never got those surveys back?

Mr Stewart—No, we did not seek those back. It was essentially a self-assessment tool provided to agencies as part of their sign-off on security procedures. We did not seek to get

that back. That could contain quite sensitive data and could reveal the weaknesses of agencies, and it is better dealt with by the operational agencies rather than by NOIE itself.

Senator LUNDY—I guess, because you have done other types of security surveys, or assessments on compliance with standards is probably a better way for me to describe it—

Mr Grant—One of the points of surveys is in fact to highlight the need to the agencies receiving the survey for the actions they should be undertaking.

Senator LUNDY—What I am getting at is that there perhaps was an expectation that the responses would have been collated and used to at least inform the government of the status of the agencies.

Mr Grant—I am sorry?

Senator LUNDY—I am speculating as to—

Mr Grant—Just to put this into perspective again, it is up to the agencies to implement this. We will facilitate it as much as possible. We do that in a number of ways. The audit officers, as Mr Stewart said, put out a check list. Over two years across four surveys, we have surveyed agencies about where they have got to with their e-security implementation. In addition to that, we follow up with the agencies after those surveys. So it has been a rolling program.

Senator LUNDY—Is it the intention with the e-security agenda for NOIE to be given a bit tighter grip on the reins of agencies to encourage them—'encourage' may be the right word—to actually comply. At the moment it seems you are doing a lot of work to educate them and to stimulate them to think about these issues, but there is no formal way for you to assess the responses and then act in some sort of whole-of-government way to say, 'You, you and you need to perform to a higher standard.'

Mr Grant—It is a bit like 'Do not pass go. Do not collect $200.' I think what is happening is that a series of e-security activities are going on at present which we participate in, and we sometimes lead where the recognition of the need to actually move rapidly is understood, where we are creating the opportunity to use whole-of-government systems rather than individual systems. That helps as well because there is a cost factor. In addition to that, we are creating what I would call a whole-of-government sense of need by bringing on board key agencies.

Senator LUNDY—Sure, I understand that, Mr Grant. What I am getting at is: how can you get some teeth into your efforts as well so it is not just a case of push but actually gives you some greater clout in doing that. Certainly I probably understand better than most this dichotomy between the agencies having autonomy over the decisions that they make and then the need for policies like those that relate to e-security to be able to be there to give guidance. But I would think there needs to be a follow-up mechanism as well. Anyway, I will leave it there, but thankyou for that. I will follow the initiative with interest.

Mr Grant—Good.

Senator LUNDY—I would like to move on to information access now. Perhaps you could start off by giving me a bit of an overview. I do not know very much about information access at all—either what it means or the implications. But I am sure I will have lots of questions about it once I hear a little.

Mr Grant—Information access was a branch in the department of finance. It had responsibilities for a range of online services such as fed.gov.au, for directories such as Gold and the *Commonwealth Government Directory*. It has responsibility for the Commonwealth

bookshops—which is nine bookshops in, I think, all the state capitals plus Townsville—and for a number of activities that go with that, such as both mail and telesales. It also had responsibility for legislative publishing and things like the *Style Manual*. That function is transferring formally to NOIE as of 1 July.

Senator LUNDY—So you have your own retail arm?

Mr Grant—Yes.

Senator LUNDY—They will be wanting to privatise you next?

Mr Stewart—I do not think I can comment.

Senator Kemp—What we try to do is just take out the core functions of it—a bit like the Tanner options. For the record, that is just a joke.

Senator LUNDY—Sarcasm does not come across in *Hansard*, as you know. I have a specific question in relation to the federal government domain, fed.gov.au. I have researched the guidelines enough to know what the formal answer is, but I wanted to explore the issue nonetheless. It relates to the policies surrounding what is able to be placed within the fed.gov.au domain and therefore comes under the auspices of the search engine. I wrote to the minister some time ago now querying the status of personal web sites held by members of parliament and what opportunities there were for those web sites to be picked up in that fed.gov.au domain for the purposes of being accessible by the search engine. I did not get a particularly satisfactory response at the time but subsequently I followed up and read the guidelines. Certainly, all of my questions were answered.

I want to go to an issue of equity when it comes to members of the government as opposed to members of the opposition. At the moment, it is within the guidelines for ministers to have their personal profile material—CV, PR, background, 'I love playing cricket' type of personal information—and all of the ministerial press releases on the fed.gov.au domain, but it is not possible for a member of the opposition to have on their personal web site 'I like playing cricket et cetera' and press releases. My question concerns an appropriate and equitable use of fed.gov.au to represent the diversity of views held by different parliamentarians. At the moment, to be a member of the executive government means that all of your material is within that domain name but backbenchers, non-executive members of government or any other parties are not captured within those processes. It is partly a policy question, but it is also a question that goes to logic behind the existing guidelines, which clearly state that if it is not eligible to be on the Senate server or the House of Representatives server—as far as profile and detail goes about those members of parliament—it just does not get a guernsey within fed.gov.au, which I presume would mean you would have to proxy those web sites in some way to have it captured by the search engine. It is a fairly complex issue. Can I throw it to you and get some responses to this?

Mr Grant—It is quite a complex issue. What you are raising is an issue of equity in terms of the treatment. As I understand it, Commonwealth parliamentarians' personal pages maintained by the Parliament House web site are fully indexed by fed.gov.au, by its search engine. All online material of ministers that is contained on official ministerial web sites is included in the fed.gov.au search routine also. The privately sponsored sites are not included on the fed.gov.au web site. There is no intent to be unequal in any treatment. I am not sure what more I can add to that.

Senator LUNDY—I guess the scenario where it has been raised with me that it is not fair is from the point of view of a citizen who has used the fed.gov.au search engine to find information on a current political issue and, knowing full well that there was a raging political

debate about it, conducted that search, got all of the ministers' press releases and all of the information contained within the departments but were unable to access any of the opposing views from the federal opposition. That is really the only context in which I have had a complaint about this. That is really the core of it. When somebody uses fed.gov.au they get a lot of political information from the coalition, with ministers selling their policy, reflecting on members of the opposition, et cetera. People are surprised, and think it is really weird and unfair, that they do not equally catch the opposition's public statements in that same search process. That is really the core of it. Because I am a firm believer in the guidelines and I do understand the logic behind the guidelines, I think there needs to be some sort of solution or for this issue to be put up front or identified in a more proactive way to warn people that this is the case so they do not draw the conclusion that in fact the crossbench, the backbench and the opposition have nothing to say about this issue, which is of course what occurred on this occasion when it was raised with me.

Mr Grant—It sounds to me like this is actually a policy issue, perhaps one that in broader terms you might want to raise directly with the minister.

Senator LUNDY—Again. Okay. I will pursue it with the minister. He is not here at the moment, but the query is clearly in *Hansard* and I will take it in good faith that the minister will be very diligent in providing a response to that query about the prospect of that material somehow being picked up in that search process. Or I guess there could be a disclaimer, such as 'Be aware: you are not going to pick up material about political debate or the viewpoints of other parties.'

Dr Badger—You are suggesting that, irrespective of the issue about what is covered, attention should be drawn to the guidelines, and we can look at that as an issue in its own right?

Senator LUNDY—Looking at the logic of it, to me that seems to be the most practical way out. People should at least be made aware when they conduct a search that they are not going to be provided with material from non-executive members of the parliament. That would be the most inclusive way of describing it. It is not just opposition: it is the crossbenchers; it is backbenchers who have expressed a lot of views. All you get is statements by the minister. On fed.gov.au, what archiving policies and principles are in place?

Ms Kinnane—As of 1 July I will be general manager in the channel development branch in the government services and information environment division.

Senator LUNDY—What branch?

Ms Kinnane—It will be called the channel development branch—from 1 July.

Senator LUNDY—Congratulations.

Ms Kinnane—Fed.gov.au is not actually a content manager. The content is actually stored at sites. Therefore, the archiving responsibility is actually with the agencies that maintain their content on the sites that are indexed by fed.gov.au.

Senator LUNDY—Did you say you provide guidance to those standards?

Ms Kinnane—That guidance is provided through the National Archives.

Senator LUNDY—We actually had a briefing on their archiving standards and principles. That is good. Do you have a role in ensuring that that actually occurs or is it more of a hands-off approach?

Ms Kinnane—No, that role is actually with the National Archives in terms of providing the framework and any follow-up or facilitation that agencies require in delivering their responsibilities against that framework.

Senator LUNDY—What other things does the channel branch do?

Ms Kinnane—In addition to what John Grant spoke about with Info Access, it will be taking on a number of other functions that currently exist within the government online division, and that includes domain names registration for gov.au, the portals framework, the 'go online' access framework with the portals—

Senator LUNDY—What is involved with that?

Ms Kinnane—The portals framework? That is the australia.gov site that basically has at the moment 18 subject and customer related portals from youth to family to new family.

Senator LUNDY—Was there an announcement not so long ago about government portals?

Mr Grant—Yes. The first nine of the 18 portals was released at the WCIT conference in Adelaide. So that was the formal launch.

Senator LUNDY—I thought it rang a bell. Is the role there to coordinate a meaningful entry point needed for multi or single agencies? Is that the idea behind it?

Mr Grant—The portals framework provides one mechanism where the citizen can find an easy way into government by bringing together more understandable entries—youth, health and things like that. Secondly, because they are consortiums of agencies with relevant programs or information, it should make it easy to get a holistic idea of your entitlements or what you want to know about a certain piece of information than otherwise might have been the case. It is very much a discoverability tool.

Senator LUNDY—You do that work yourself to research what are the common interests of particular groups—all the things they might be interested in accessing across the range of agencies? Do you do that work?

Mr Grant—Again, we act as a facilitator. The portals are established with a lead agency and a series of contributing agencies, and they in fact do the work about what their client group actually wants and how they go about finding the information they need. Really, portals is the first step in changing government from one where you have to go in and find out what you want to government giving you the information you want far more easily.

Senator LUNDY—So it is an extension, obviously, or it is part of the government online role? It is going to the next level?

Mr Grant—That is right. There are clear synergies between the activities of both areas that have come together. Our objective is in fact to integrate those areas so that we get a better outcome.

Senator LUNDY—Do you talk to other tiers of government?

Mr Grant—We talk to all tiers of government across a range of different mechanisms and internationally as well.

Senator LUNDY—For example, there is the possibility of including links to state and local government services and issues?

Mr Grant—That is the intent. In fact, probably the best known portal that was existing but continues to develop is the business entry point. The business entry point does have local

government, state government and federal government activities on it and some of them come together.

Senator LUNDY—You have got the business entry point now, do you not?

Mr Grant—No, that is with the Department of Industry, Tourism and Resources.

Senator LUNDY—It went there from DEWRSB? I knew it had moved. How come your department does not have it? It is a policy question—one I will not bother pursuing.

Senator Kemp—An AA question—an administrative arrangements question.

Mr Grant—It may have been a rhetorical question.

Senator LUNDY—Indeed. In terms of the other work of the office of government online, or should I say the Government Services and Information Environment Group, how are those recalcitrant departments and agencies going in getting themselves online to your satisfaction and in accordance with government policy?

Mr Grant—The Government Online Strategy was always really an agency based strategy. It was up to agencies to actually do the work. Our role was to facilitate and also give some ideas about how they could actually achieve these objectives.

Senator LUNDY—And dob them in when they do not do it on time? I think that is a very good role. Do not get me wrong.

Mr Grant—I do not think we have done a lot of dobbing in.

Senator LUNDY—I think you should do more.

Mr Grant—Thank you. We are actually quite pleased with the progress that agencies have made. Across the range of the elements of the strategy, there has been a significant process every time we have undertaken a survey. With the 31 December 2001 outcome we had 1,665 services online and another 600 to come. There are more coming on. The progress has been good. There will always be room for improvement. There will always be better ways to have discoverability. We will have to keep up in security, because as you use online more the threat becomes higher. But I think the progress has been very good.

Senator LUNDY—Just going back to the issue of coordinating meaningful portals or meaningful ways to access information, how quickly do you think the ultimate citizen portal can be created? This is the glorious vision that every government aspires to. I presume this one does not exclude itself from that. How far away is it?

Mr Grant—It is an iterative process. It depends how you define what the ultimate portal is. There are some portals that people think are tremendous at the present. There is a youth portal called 'The Source' which apparently is directed towards youth. It is flash and has all sorts of technical things and it is tremendous. If you use fed.gov.au as an example, it is an excellent way to find your way around government and it gives you a number of ways to do that. The business entry point gives you entry for business. We have to keep working on bringing services together that should be together and making that discoverability easier so that, as I said before, citizens do not have to keep on finding things; the government allows the information citizens need to go to them. To be honest, I cannot tell you how far away it is. In the last 10 years the technology has moved at 1,000 miles an hour. I assume that will continue. It might be in the next five years or it could be in 10. The thing is we do not even know if the Net as it is at present is what will be in place in the foreseeable future.

Senator LUNDY—What will it look like? Are you able to give Tax a hand with its online strategies?

Mr Grant—I beg your pardon?

Senator LUNDY—Are you able to give the tax office a hand with its online strategies? It seems to be having some problems. Do you have a role with the tax office?

Mr Grant—We have a very good working relationship with the tax office across a range of areas.

Senator LUNDY—Has it come to you to ask for your assistance on getting its portals right?

Mr Grant—Not for assistance in getting its portals right, but across a range of areas we have been working to deliver better outcomes. They are obviously aware of the portals framework, and we have been working in other areas, such as authentication and security.

Senator LUNDY—When the GST was implemented I remember getting an enormous amount of feedback about the ability to lodge a BAS return online. I guess that raises the point about interactivity. It is one thing to have a very glorious brochure with a lot of information online; it is another thing to be meaningful in an interactive sense. How much do you get involved? I know achieving meaningful interactivity is a measure of what the agencies are subjected to in how they incrementally achieve services online, but what role do you have in promoting that next level of services online?

Mr Grant—We do not get involved in the implementation; that really is up to each agency. What we do do is provide leadership and some new approaches, and, I suppose, a discussion base—a discussion forum that can actually help drive good outcomes.

Senator LUNDY—Does that leadership include privacy related matters?

Mr Grant—We have asked agencies about their privacy outcomes, yes. We also work closely with the Privacy Commissioner, I might add, in those sorts of areas.

Senator LUNDY—So do you rate agencies on how they are performing in relation to their obligations and effectiveness of privacy?

Mr Grant—No, we do not. What we do do is ask the agencies—and our last survey did this—whether they had met the Privacy Commissioner's requirements.

Senator LUNDY—Do you publish the outcomes?

Mr Grant—Yes, we do.

Senator LUNDY—How are they going?

Mr Grant—In aggregate, I might add, not individually.

Senator LUNDY—I want names. What percentage are achieving their minimum outcomes as far as privacy is concerned?

Mr Grant—As of September-October last year, 83 per cent had met the four guidelines, or the average of four guidelines.

Senator LUNDY—You know I see a figure like that and I think, 'Seventeen per cent have not.' What happens to those 17 per cent?

Mr Grant—The Privacy Commissioner certainly talks to them, and we also encourage them to meet the guidelines. In this area, in fact, often it is not a difficult task. It can be as simple as actually having a privacy statement on your web site. So again, that was quite a significant increase over round one, where 50 per cent had made it. We almost doubled it.

Senator LUNDY—I suppose I should be pleased that it is moving in the right direction. It could still be improved. I do not think that 87 per cent is something to be particularly proud of. I would like now to go to some of the access and equity programs run by NOIE. You mentioned on your web site that the digital divide is something that NOIE concerns itself with. Can you describe what programs you have in place to address the digital divide? Obviously, I do not want to know about all of the programs run by the department that are about connectivity and, in some part, closing the digital divide; I want to get my head around the work that NOIE does in this regard—whether it is just policy work, whether you have got specific programs. I think ITOL would probably measure up there—

Dr Badger—Predominantly the work that we do in the digital divide—and one of the things about NOIE is that we are essentially a project-oriented organisation; we move resources from project to project depending on priorities over a 12-month or 18-month period, or whatever—is picked up by our general interest in community connectivity, access, et cetera. Some time ago—perhaps 12 to 18 months ago—we would have had a group looking much more strongly at digital divide issues per se. Our major role was in policy work related to the issue—exploration of the issues, discussing proposals with state governments and interested bodies. We worked with other agencies on trying to identify how their programs may pick up these sorts of issues.

At this stage, the group that would have been doing those issues is predominantly oriented towards access through the broadband work that we are doing. So we do not have a large activity on digital divide at this particular point in time. The ITOL program that you mentioned is more encouraging the take-up of online activity, or e-business strategies, by industry groups.

Senator LUNDY—Yes, but that is still a digital divide.

Dr Badger—It is a form of the digital divide as opposed to community digital divide, if you like.

Senator LUNDY—Yes, in business.

Dr Badger—I will let Mr Callioni add to—

Mr Callioni—If I may add, we chair—in fact, I chair—a group established by the online ministers council that has been especially assigned the task of reporting to that council on what governments across Australia working together can do to address digital divide issues. We have had one meeting of that forum. We have established a work program through that forum and we hope to be taking some recommendations back to the ministers at some point in the near future.

As you would understand, when you are trying to work across government, it is never simple to find solutions, but there is a good deal of goodwill across state and territory governments and with the Australian Local Government Association. So we do hope to be taking back to ministers some meaningful proposals.

The thing we do, which is not insignificant—although it might seem so—is collect, publish and analyse data about digital divide and connectivity issues. Sensitising people to those issues by publishing data, I think, is a useful contribution. For example, we can note that among older Australians there seems to be an increasing take-up of Internet technologies. In fact, the largest increase by age group is in the 55-plus category.

Senator LUNDY—That was taken from a pretty low base, though.

Mr Callioni—Sure. You have to start from somewhere.

Senator LUNDY—No, no, that is true. It is good news.

Mr Callioni—But there is not just an increase; the rate of increase seems to be accelerating. That is true also for lower-income users. Obviously, at the end of the day, the problems still remain, but the two greatest problems that still remain are cost and lack of interest. Other problems are, I think, being addressed, but ultimately there will still be people who will not be interested. Whether they ought to be or not is another issue, but it is for them to make up their own mind about that. So at the end, cost will remain as a significant issue and that is not an issue about which we can act directly or on our own. We do have to work with the private sector, with state and territory governments and with service providers to get costs to a point where business can make a reasonable profit and people can get access to services at a reasonable price.

Senator LUNDY—Who is on the online council?

Mr Callioni—All ministers from states and territories who have a responsibility—

Senator LUNDY—Sorry, yes, the ministerial council.

Mr Callioni—And Senator Alston obviously chairs it.

Senator LUNDY—And the working party that you have described—is that a subgroup of those?

Mr Callioni—No, it is made up of officials at senior level from across all states and territories who have a direct interest. Unlike us, these people actually do run programs and are engaged in—

Senator LUNDY—No, I am familiar. I am sorry, I was thinking that it was a different structure.

Mr Callioni—No.

Senator LUNDY—Okay. You said 'reports sometimes soon'. Does that mean this year?

Mr Callioni—I would hope this coming year, yes.

Senator LUNDY—Thanks for that. I do not have anything more there. I would now like to go to online content regulations and ask some questions about the new IIA code and NetAlert.

Dr Badger—What was the last part of the question? Responsibility for the online content regulatory environment rests with the department and the ABA.

Senator LUNDY—I know that. I am pretty sure they said, 'We are not NetAlert.'

Dr Badger—NetAlert they are. They have a relationship with NetAlert.

Senator LUNDY—I am going to get it right one day.

Dr Stretton—We had a discussion yesterday with the ABA—

Senator LUNDY—And they referred me to the department, not to NOIE.

Dr Stretton—There was discussion with the ABA and the department, and Senator Harradine, for example—

Senator LUNDY—And I came in. Maybe I did not make it; I just thought it. Okay. So I would probably not get meaningful answers if I asked you about NetAlert.

Dr Stretton—It is a leading question. Can you put that on notice and we will answer it that way?

Senator LUNDY—It is probably better for all of us that I do it that way. I have a few more questions about skills development and the IT skills shortage. Is that an area which occupies your minds?

Dr Badger—You ask the questions and we will—

Senator LUNDY—There are just a couple and then we will finish up. Could I get an update on what work NOIE is doing in this area and how it relates to the continual stream of information about the state of the skills shortage and the prospects for having a skilled work force of the future?

Mr Callioni—You would understand, I am sure, that that is primarily a question for another portfolio. We do not run programs or have policy responsibility for those matters. Our work largely is concerned with collecting, publishing and analysing data and working with our colleagues in relevant portfolios to try to ensure that the government does get quality advice and that there are initiatives in place to address IT skills.

We do have a continuing role with the IT Skills Hub, which was established by us, and the department of education, or whatever its name was at the time. It was a joint effort by two portfolios, by two ministers, to set up one place where issues of IT skills development could be developed with a strong input from industry itself rather than government. So we funded it, but the board of management is made up of senior people from private sector organisations. The hub itself is a private company, if you like, which works across government and the private sector.

Our role has been trying to set up mechanisms through which these things can be addressed, trying to ensure that the government gets quality advice, by cooperating with our colleagues in relevant portfolio areas and collecting, publishing and analysing data so that our minister and the government as a whole are well placed to make informed decisions. We do not really have at this point much of a role beyond that.

Senator LUNDY—Thank you very much. That is all I have for NOIE. If I think of anything, I know I have a little while before I have to place it on notice.

CHAIR—I thank the witnesses for appearing. This hearing is adjourned until 9 o'clock tomorrow morning.

Committee adjourned at 10.23 p.m.