



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ENVIRONMENT AND COMMUNICATIONS  
LEGISLATION COMMITTEE

**Estimates**

THURSDAY, 26 MAY 2011

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**  
**ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE**  
**Thursday, 26 May 2011**

**Senators in attendance:** Senators Abetz, Barnett, Birmingham, Cameron, Eggleston, Fisher, Ludlam, Macdonald, Marshall, McEwen, Troeth and Wortley.



**BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY****In Attendance**

Senator Conroy, Minister for Broadband, Communications and the Digital Economy, Deputy Leader of the Government in the Senate and Minister Assisting the Prime Minister on Digital Productivity

**Department of Broadband, Communications and the Digital Economy****Management and Accountability**

Mr Abul Rizvi, Acting Secretary

Mr Daryl Quinlivan Deputy Secretary, Infrastructure Group

Ms Nerida O'Loughlin, Deputy Secretary, Broadcasting and Digital Switchover Group

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

**Program 1.1 Broadband and Communications Infrastructure**

Mr Daryl Quinlivan, Deputy Secretary, Infrastructure Group

Ms Pip Spence, First Assistant Secretary, NBN Implementation Division

Mr Mark Heazlett, Assistant Secretary, NBN Implementation Division, Special Adviser

Ms Joanna Grainger, Assistant Secretary, NBN Shareholder and Policy Branch

Mr Brian Kelleher, Assistant Secretary, USO Branch

Mr Philip Mason, Assistant Secretary, NBN and Fibre-Roll-out Regulation Branch

Mr Daniel McCarthy, Assistant Secretary, NBN Shareholder and Policy Branch

Ms Elizabeth O'Shea, Assistant Secretary, NBN Shareholder and Policy Branch

Mr Rohan Buettel, Acting First Assistant Secretary, Networks Policy and Regulation Division

Mr Simon Bryant, Assistant Secretary, Australian Broadband Guarantee Branch

Mr Joseph Sheehan, Acting Assistant Secretary, Network Regulation Branch

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

Mr Abul Rizvi, Acting Secretary

Mr Keith Besgrove, First Assistant Secretary, Digital Economy Services Division

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

Ms Sylvia Spaseski, Assistant Secretary, Digital Initiatives Branch

Mr Andrew Maurer, Assistant Secretary, Spectrum and Wireless Services Branch

Mr Richard Windeyer, First Assistant Secretary, Digital Economy Strategy Division

**Program 1.3 Broadcasting and Digital Television**

Ms Nerida O'Loughlin, Deputy Secretary Broadcasting and Digital Switchover Group

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

**Corporate and Business**

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

**Legal Services**

Mr Don Markus, General Counsel, Legal Services Group

**Finance**

Mr Simon Ash, Chief Financial Officer, Chief Financial Officer Group

**Australian Broadcasting Corporation**

Mr Mark Scott, Managing Director

Mr David Pendleton, Chief Operating Operator

Mr Michael Millett, Director Communications

**Australian Postal Corporation**

Mr Jim Marshall, Acting Managing Director and Chief Executive Officer

Mr Paul Burke, Corporate Secretary

Ms Catherine Walsh, General Manager, Human Resources

Mr Steve Ousley, General Manager, Network and Transport

Mr Alex Twomey, General Manager, Communications, Stakeholder and Corporate Responsibility

Mr Russell Ramey, General Manager, Retail Sales and Service

Mr Paul Urquhart, Financial Controller

**Special Broadcasting Service Corporation**

Mr Shaun Brown, Managing Director

Mr Bruce Meagher, Director Strategy and Communications

Mr John Torpy, Chief Financial Officer

**Committee met at 09:01**

**CHAIR (Senator Cameron):** I declare open this public hearing of the Senate Environment, Communications and the Arts Legislation Committee. Today the committee continues its examination of the broadband, communications and the digital economy portfolio. The committee has set Friday, 8 July 2011 as the date by which answers to questions on notice are to be returned.

Under standing order 26 the committee must take all evidence in public session. This includes all answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, and which I now incorporate in *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, and portfolio officers. Minister, would you like to make an opening statement?

**Senator Conroy:** No.

**Australian Broadcasting Corporation**

[9:02]

**CHAIR:** I now call officers from the Australian Broadcasting Corporation. Mr Scott, would you like to make an opening statement?

**Mr Scott:** No, Senator. Thank you

**CHAIR:** I now invite questions. Senator Birmingham.

**Senator BIRMINGHAM:** Thank you, Chair. Good morning and welcome, Mr Scott and co., as always. My understanding is that the contract for the Australia Network has entered final stages and that in fact an indicative decision pending final contract negotiations has been made. Is that correct that that decision has been made?

**Mr Scott:** No, that is not correct. The ABC, as we have acknowledged publicly, has made a submission to continue our work running the Australia Network, and the result of that tender and negotiations from that have not been communicated back to us at this point.

**Senator BIRMINGHAM:** Is that running behind schedule then? Was there an expectation that—

**Mr Scott:** The contract is up on 8 August and I think in the tender document 8 June was indicated as a final indicative date for all negotiations to have been completed. There are continuity issues on the service that we are mindful of and we have communicated to the department. But we are waiting to hear final confirmation of the outcome.

**Senator BIRMINGHAM:** I recall that there was an email sent out I think to Australia Network staff, was there not, in the last few weeks, that led to some media coverage, suggesting that a point at which the decision making and negotiations were meant to be entering a new phase had been reached.

**Mr Scott:** Yes. The critical date is 8 June. I think there was an expectation that by early May those final negotiation processes would have commenced. That has not happened at this point and we wait for advice.

**Senator BIRMINGHAM:** So you are all on eggshells just like everybody else?

**Mr Scott:** We are standing by and ready.

**Senator BIRMINGHAM:** In terms of the capacity to get final contract negotiations and everything else in place by 8 June, from your end of the perspective that is still possible?

**Mr Scott:** Yes. We are standing by and of course that will be a priority for us if we are approached by the government to negotiate the contract to continue to serve and deliver in this way.

**Senator BIRMINGHAM:** Have you been given any indication from DFAT as to when those final negotiations may start?

**Mr Scott:** Not formally, Senator. There has been no formal discussion with DFAT since the tender document was submitted. There was a session in April where tenderers could make a presentation. We did that, but there has been no formal communication from that point.

**Senator BIRMINGHAM:** Minister, has there been any exchange at ministerial level? Have you managed to get Mr Rudd in whatever time zone he is in on any given day to find out what the delay is to entering the final contract negotiations?

**Senator Conroy:** This is rightly a matter for Mr Rudd and his department, and I have no involvement in it. I watch all the reports in the paper with as much keenness as you do.

**Senator BIRMINGHAM:** So you are totally detached from the ABC's bid in this regard?

**Senator Conroy:** I think the ABC has made a fine bid, but other than my opinion I am not involved in the process.

**Senator BIRMINGHAM:** And you have no understanding as to why there might be a delay in entering those final contract negotiations?

**Senator Conroy:** I am not privy to the inner workings of DFAT.

**Senator BIRMINGHAM:** I am not sure how many people are nowadays, inside the government aside from one! Well, 'Network Kevin' awaits finalisation! What will be the impact for the ABC if you are unsuccessful in this bid, Mr Scott?

**Mr Scott:** We would have to make an adjustment to our staffing. We have a staffing requirement to operate the international network, and that involves staff working in our Asia-Pacific news centre. We have some international correspondents in the field who are funded by the Australia Network and other management and infrastructure—sales, marketing and the like. So we would need to take that into account if in fact the funding were not available. We have not done a detailed assessment of that at this point. We believe that we put in a very strong bid, and we believe that we have a demonstrably positive track record over the last 10 years. We know from looking around the world that governments fund public broadcasters to deliver this service. So these are all points that we have made in our tender document, of course. Our focus has been on delivery of a strong submission which we feel we have done and that has been the focus of our activities to this point.

**Senator BIRMINGHAM:** Would you have to potentially close any international bureaus?

**Mr Scott:** We would need to look at our international bureaus in light of this. Mainly Australia Network is providing reinforcement to places where we are currently operating, but we would need to look at where we are and who we have in light of this, yes.

**Senator BIRMINGHAM:** In the main it may affect staffing numbers in bureaus but there would be a potential tipping point in some of those bureaus.

**Mr Scott:** It would depend, Senator. We will want to look at all again in light of the reduced level of funding for international coverage that would come from this. But the ABC still clearly, with or without the Australia Network, has a very strong international presence—far more broadcasters and people working internationally than any other Australian media outlet. That would be the same afterwards as well if we were not to get the tender.

**Senator BIRMINGHAM:** Okay. In regards to domestic programming and the impact on any of those, programs like *Landline*, which are shown on the Australia Network, I assume there would be some financial flow-through to those as well?

**Mr Scott:** No, I would not have necessarily thought so. The funding we get for Australia Network funds Australia Network. There is some purchasing of Australian locally made content as part of that arrangement, but we would work our way through that.

**Senator BIRMINGHAM:** But there would have to be a level of pre-budgeting amongst those programs. I am not saying that not having sales through Australia Network would be the make or break for a *Landline*—

**Mr Scott:** It certainly would not. But the reality is that we receive around \$20 million a year to run Australia Network. To lose that money would be of significance and of course we would need to think through the implications of that were it to happen.

**Senator BIRMINGHAM:** How long has the ABC been running Australia Network?

**Mr Scott:** For 10 years in this guise. We ran an international television broadcasting arm prior to that and then, if you recall, it moved to Channel 7. But Channel 7 could not maintain that service and certainly could not achieve the level of profitability they sought from it. I must say that is the experience around the world—that private sector media organisations, by and large, with only one or two exceptions, find it very difficult to make money out of these kinds of operations. So we have done it for 10 years continuously and for a period of time before that. Our other international broadcasting arm, Radio Australia, has been going strong for 70 years now and still has a very strong presence on radio and increasingly online.

**Senator BIRMINGHAM:** But even 10 years is a reasonable period of time in which to fairly well integrate the operations—whilst funding is, of course, reported in a separate way for Australia Network.

**Mr Scott:** Yes. We report to DFAT on how that money is spent. Yes, we have had it for a considerable period of time. One of the things that we were pleased about with this tender, and it was in response to submissions that we have made, is that there is an argument as to whether in fact you put international public broadcasting out to tender anyway. Certainly the BBC does not tender for its World Service operations, and other public broadcasters around the world do not do that. But if you are going to tender, we thought that the five-year tender period was inappropriate. It does not allow you to make the kind of contractual arrangements that you want to be able to make as far as satellite, continuity of distribution and stability of programming and content are concerned. So we have been able to convince DFAT that at least a 10-year period creates greater stability. That is a positive thing out of this process that we have come through now.

**Senator BIRMINGHAM:** One positive in the mix, and, hopefully, from your side of the equation at least for the rest. In terms of Australia Network's staff, and I guess those who are more directly employed by Australia Network, are you reaching a point where the uncertainty and the proximity of the 8 August contract deadline is becoming an issue?

**Mr Scott:** We are all standing by, I think it is fair to say. If you are working in one of those areas and have been for a period of time then of course there is a level of focus. It is focusing the mind, it is fair to say. But we wait for this process to work its way through, and I am sure it will not be too long now.

**Senator BIRMINGHAM:** Are there any vacancies et cetera in the organisation that are now being held open pending a decision?

**Mr Scott:** I am not 100 per cent sure of that. But I think it is more to do with the fact that we have some content deals coming up and there are satellite arrangements. We are not in a position to make the kind of long-term acquisitions or contractual arrangements that we would make given the uncertainty that is inevitable in a tender process. The fact that the clock

is running down on this certainly is not optimal, but that is the reality of this kind of process. As soon as a decision is made we will be in a position to make decisions with more certainty.

**Senator BIRMINGHAM:** From your perspective, is there a last possible date, in essence, where you would really need to be able get on and get contract deadlines finalised to meet that 8 June deadline, which is less than two weeks away?

**Mr Scott:** The contract is up on 8 August. It gets tougher to run the network the closer you get to that point, without any certainty as to what happens after that date. We have been clear in our engagement with DFAT that the sooner this matter can be resolved the better—the better for the network, first and foremost, the better for the staff concerned and the better for the stability of our service. I think this process has reinforced that international broadcasting is proving to be a very important arm of the government when it comes to, in a sense, the exercise of soft power and public diplomacy in the region. It is striking the amount of money that governments around the world are spending on this kind of broadcasting and how the focus of their activities does appear to be in the Asian region—in our backyard where we have a great advantage, having been there earlier and been quite well established. So I hope that this process has reinforced to DFAT the importance of this work and the importance for us to continue to invest in it, to grow it and also to transform it from, in a sense, an old-style television delivery service to a full digital service over time—of which television is part, but also taking advantage of mobile technology, social media and a range of other opportunities as well.

**CHAIR:** Senator Birmingham, before you go on, is there any objections to the media taking some photographs. There may be some television people eventually. Is everyone happy with that?

**Senator BIRMINGHAM:** I want to hear your opinion, Mr Scott!

**Mr Scott:** It is a photographer from News Ltd! No, that is fine. I am always relaxed.

**CHAIR:** I take it that there is no objection.

**Senator BIRMINGHAM:** If DFAT happened to wake up this afternoon and get an answer from Kevin—wherever he may be in the world—and come to you and say, 'It's all systems go,' do you think you would be able to meet the 8 June deadline for finalising contract negotiations from your half of that negotiating perspective?

**Mr Scott:** Yes, absolutely. It would be a top priority for us to resolve that. Our legal and financial teams and the Australia Network management team will be standing by. This would be their top priority and I am sure we would be able to do that.

**Senator BIRMINGHAM:** But you would have expected that perhaps there would have been more than a less than two-week period?

**Mr Scott:** It is best not to expect too much. We will just let this process run and see where we get to.

**Senator BIRMINGHAM:** It does, however, seem a little remarkable that there is less than 10 working days left to finalise negotiations—and it is not your fault—if DFAT are to meet the deadline that they set themselves for when negotiations would be complete.

**Mr Scott:** I think that it is a question for DFAT. We are standing by and we are ready to negotiate. If there are any further questions or issues that DFAT want to raise with us over our submission, we are happy to abide by that, of course.

**Senator BIRMINGHAM:** Just to be clear, in the terms of the bidding process and the way that it is meant to work, if you had been unsuccessful—whilst I realise that you will be bound by confidentiality and you would not be able to tell me—would you have been notified of something by now?

**Mr Scott:** No, not necessarily. I do not think that is right. There was an expectation that negotiations would take place through May with a view to finalising by 8 June. I do not think there was ever a sense that one party or another would have finally been notified on the outcome. It has even been possible that negotiations go forward with two or more parties. We are not reading anything into it at all. We are standing by.

**Senator BIRMINGHAM:** With Mr Rudd's sense of drama, you may need to live in the fear that perhaps it will continue with both parties right until stumps or beyond. We touched on the potential impact that losing the contract would have on international correspondents and international bureaus. Can I go to the current operations of the international bureaus and suggestions that they are somehow now under a lockdown mode, or not able to travel out of their bureau locations. I see a wry smile, Mr Scott. Are those suggestions lacking in validity?

**Mr Scott:** There are two matters at play here. We are given a budget allocation and we try and manage within that. It has been a very intense several months for media and the news. Even if we reflect back on the experiences from the middle of summer, we have had dramatic floods and cyclones in Australia, we have had earthquakes in New Zealand and Japan and then the tsunami in Japan, and we have had the extraordinary stories from North Africa and the Arab spring, all of which have been very intensive on our resources and on our news-gathering operations. We have extensively resourced the coverage of those stories and I think that our teams have done an outstanding job.

But inevitably that costs money and so as we move to the end of the financial year we want to have a focus on managing within our budgets as best we can. So all that has really happened is that we have said that we need to think carefully about where we can travel and what we can do. Can I tell you, Senator, that in my experience in media organisations in the public and private sectors this is hardly atypical. But it is not as though the fleet has been grounded, I can assure you. I was talking with one of our London correspondents the week before last and on 24 hours notice he found himself standing outside Osama bin Laden's hiding spot in northern Pakistan. When the story is there, our people are travelling and I think our coverage is good. Some of the concerns simply arise from a memo which says let's watch carefully how we are spending our budget, which should not be overstated.

**Senator BIRMINGHAM:** What instructions have been given to ABC international correspondence and foreign bureaus?

**Mr Scott:** I do not have the note that was referred to in front of me. I think it was simply that we need to look closely at the management of our travel budget through the balance of the financial year. Approval mechanisms around travel still flow through to our news division. Nobody can just decide to travel. There are approval mechanisms, and I can tell you that people are travelling to news centres where the story demands it.

**Senator BIRMINGHAM:** You run a budget contingency, like any organisation your size, I am sure?

**Mr Scott:** Yes, we do

**Senator BIRMINGHAM:** Have aspects of that contingency been diverted to news operations to assist with the additional pressures this year?

**Mr Scott:** We hold some cash in contingency and we are using some of that cash to supplement the news budget for the floods and earthquakes and other things like that. We have done this for a number of years. We hold some in reserve and we have supplemented the news budget accordingly.

**Senator BIRMINGHAM:** Are you able to give us some details on that?

**Mr Scott:** The overall cost of covering these events has been in excess of—

**Mr Pendleton:** For radio and news coverage—covering all the domestic cyclones and the major international news events—it is upwards of one and a half million dollars to \$2 million. I do not have the exact numbers but it is in that sort of order of additional costs.

**Senator BIRMINGHAM:** Has that additional cost has been met partially or wholly through additional contingency funding flowing as an additional resource to news, radio and current affairs?

**Mr Pendleton:** We earmark portions of the contingency and then we see how the financial year pans out. But clearly the news budget, given the extent of additional coverage and the international events that have been occurring, is under some pressure this year. Definitely. We earmark our contingencies against that to ensure that we balance our books.

**Mr Scott:** It is not as though they spend the money and then they start the next financial year behind. We provided the supplementation to cover these atypical events. There is an argument—and this is the kind of discussion we have internally—that every year you get some, sadly, big stories like this. But I think that it is fair to say—and every news organisation would attest to this—that in a cluster of a couple of months we really did have a remarkable series. And I can tell you that no Australian media organisation diverted the level of resources to the coverage of these events, domestically and internationally, the way that the ABC did. We had, I think, at times four teams on the ground in Japan covering that story. No-one else made that investment. We had people in Libya, we have people in Egypt. We are the only broadcaster that has a bureau in New Zealand. We supplemented that. So it was a very intense period of time. In summation, I am relaxed that we have spent the money necessary to get the stories, that we are not doing anything foolhardy now around managing our budgets that is inhibiting our news gathering responsibilities and that all in all we have managed it well.

**Senator BIRMINGHAM:** The last area from me for now, unless time allows bit come back to it, is the issues around ABC presenters appearing at events that could be described as of a political nature. What are the guidelines that are in place for ABC presenters introducing—

**Senator Conroy:** Open, transparent and well-known.

**Senator BIRMINGHAM:** Thank you, Minister, I will wait for Mr Scott perhaps to answer about these guidelines.

**Mr Scott:** I can just build on the foundation laid by the minister. They are long-standing, Senator. Our staff are able to undertake outside work from time to time. They need to seek approval for that outside work in advance. We need to ensure that the work, and a judgement is made, is consistent with their responsibilities and whether it constitutes a conflict of interest. We are also now keeping a register of these activities. This is very long standing. I appreciate that there were some articles written in the newspaper about two events, but we have had other senior staff in recent time who have moderated conferences for the Housing Industry Association, a conference of general practitioners, the International Public Service Association, a breakfast forum by CEDA and an event organised by the Australia British Chamber of Commerce. It is long-standing that this has taken place. ABC staff do it, commercial broadcasters and print journalists certainly do it as well. But at the ABC the rules are that permission needs to be asked and granted in the division where the person currently works and operates.

**Senator BIRMINGHAM:** What consideration is given in that permission granting? I absolutely do not deny that there are many instances—some of them paid, some of them unpaid—where having profiled personalities or skilled individuals speak at or MC events is perfectly fitting. It is what people would expect. But obviously there is a reason why you have those guidelines in place and the reason would particularly relate to where it may be inappropriate or where there may be an area that is overly politically contentious. What is the line in terms of political activity or involvement?

**Mr Scott:** Judgement is certainly exercised, as you suggest. Permission is sometimes sought and not granted. There are two key elements, I suppose, beyond the ones that I spoke about earlier—that is, whether we think it is compatible with responsibilities and whether it constitutes a conflict of interest. One of those elements is the nature of the event and the second is the nature of the role that someone is participating in. It is quite different if someone is a speaker at a forum and is meant to be advancing a certain point of view or a certain perspective, to a simple hosting and MC role where someone is basically standing up, providing an introduction, introducing the speakers and basically operating as a facilitator. With some of the ones that have generated a bit of attention in recent times, the ABC staff members were simply, on the Climate Commission activity, introducing speakers and directing traffic around Q and A. They were not participating in the substance of that matter at all. The other one, which the minister was involved in, I think, was again simply operating as an MC—introducing the various speakers. They were not a participant beyond that.

**Senator BIRMINGHAM:** We will pick on Mr Phillips and the minister's launch on the mainland of his NBN service—

**Senator Conroy:** It is coming to South Australia; you do not have to feel jealous! We are coming to Willunga very soon.

**Senator BIRMINGHAM:** We are on the mainland, too, Minister.

**Senator Conroy:** We are coming to Willunga in South Australia very soon and I know that you will be offering congratulations!

**Senator BIRMINGHAM:** What have you got, 10 customers in Willunga?

**Senator Conroy:** When you are testing a network when you first start you do not have to get too excited about the numbers, Senator.

**Senator BIRMINGHAM:** Minister, let me be the first to congratulate you for double figures! Double digits—it is a wonderful accomplishment!

**CHAIR:** Order! We are on the ABC. If you want to waste your time on this, that is fine. I am sure you will have an opportunity on the NBN, but let us to talk to the ABC.

**Senator BIRMINGHAM:** You are right, Chair. I was goaded by the minister and I apologise for biting when he jumped on this issue. To the pushing of the big blue button of the NBN in Armidale—

**Senator Conroy:** It was actually yellow.

**Senator BIRMINGHAM:** Pushing the big yellow button—lovely! Mr Scott, you indicated that Mr Phillips was MC of the event, and in that role gave comments around the network. These were I think offstage but nonetheless associated clearly with the event. He was talking to the media saying that there is no doubt that a high-speed network is vitally important for the future health and prosperity of our nation, that it is vital for Australia to compete with the rest of the world and that it is vital every Australian has the right to access high-speed broadband services. These were spoken at the launch of the NBN services. These clearly come across as endorsement of government policy.

**Senator Conroy:** As his personal views.

**Mr Scott:** I would also say that what he was really saying was that he believes high-speed broadband to be important.

**Senator Conroy:** Which I think you have said.

**Senator BIRMINGHAM:** And he just happened to be saying that at the launch of the NBN.

**Mr Scott:** I think he also pointed out that the opposition is in favour of high-speed broadband.

**Senator BIRMINGHAM:** Did he?

**Mr Scott:** As I understand it, the opposition is also in favour of high-speed broadband. I think that he said that, yes. But there is a recognition that the mode of delivery of high speed broadband is different under the policies of the government and the opposition.

**Senator Conroy:** Well, they do not have a policy. Don't be too fair to them!

**Senator BIRMINGHAM:** Have you spoken to Mr Phillips since then?

**Mr Scott:** No, I have not.

**Senator BIRMINGHAM:** On what basis are you led to believe that he balanced his views?

**Mr Scott:** That is the advice that I have received, Senator. It may not be what was reported, but that is what I am advised was said. As a leading science journalist, I think it is not unreasonable nor is it controversial that Mr Phillips believes that high-speed broadband is important to the country. Nor do I think that that is controversial. I can say that high-speed broadband is important to the future of the country. I do not think that that is a partisan statement at all. I think that that is a statement of fact. Mr Phillips was the MC for this event, but he was not an active participant beyond the simple kind of hosting duties. That is why the

decision was made. If you are critical of that, then that is a criticism of the judgment made at the time when the request came in for whether or not he could do that.

I do not have the list or the inventory, but in my experience or recollection it would not be unusual for ABC staff, certainly under this government and also under the previous government, to host events that are held by departments or departmental activities across a range of portfolios. I have asked that we keep detailed logs of these activities over time if they are generating scrutiny. But my expectation is that our staff will have been doing this work for a quarter of a century or more under a wide range of activities. But we do review them and we do check them in advance. We do approve them in advance, and Mr Phillips did seek permission from ABC television and that approval was granted.

**Senator BIRMINGHAM:** Obviously it was given because he went ahead and did it. But in terms of the judgment on this issue, the NBN is a politically contentious government policy. That is not in doubt, is it?

**Senator Conroy:** Because you object to a policy, should that be the overriding factor—because you oppose it?

**CHAIR:** Senator Conroy!

**Mr Scott:** I just draw a distinction as well, Senator, between policy that might be debated, and infrastructure that is complete and working. If I follow that logic through, some of the funding for the Building the Education Revolution for school halls and the like was controversial, but still school halls were built, they were important parts of community infrastructure and those school halls would have been opened.

**Senator Conroy:** Don't be shy, all of the Liberal Party kept turning up to the opening of the school halls even though they opposed them being built.

**Senator BIRMINGHAM:** You are drawing a bit of a long bow there, Mr Scott, with the role of the ABC employees, a public presenter of the ABC actually being on stage at an event where the Prime Minister and Minister Conroy are all there selling that policy. That event was not just switching it on for Armidale. That event was to sell policy to the nation. It was a highly charged political event, it dominated the day's news cycle and it was clearly all about politics. You had a presenter front and centre in that. Now, mistakes will happen, Mr Scott, and perhaps it was an error of judgment to grant approval. I would feel better if you admitted that it was potentially an error of judgment.

**Senator Conroy:** Absolutely stop trying to intimidate the ABC. You disagree with it so they are not allowed. They cannot do anything you disagree with. It is just an extraordinary proposition. What a fabulously diverse view of the world you have.

**Senator BIRMINGHAM:** Thank you, Minister.

**Mr Scott:** I note your concerns, Senator. I do think there is a distinction between the turning on of infrastructure and a policy announcement about that infrastructure. I think over 25 years our staff will have done activities that are linked to government and government policy or departmental initiatives over a period of time. I note your concerns about this specific one.

**Senator BIRMINGHAM:** I would hope that you do because, Mr Scott, you know and you know as well, Minister, I do not tend to come in here and trawl through lots of allegations

or suggestions of bias. But I do think that there is a genuine question here and ultimately the problem for the ABC—

**Senator Conroy:** It's on, it is real, it is happening – and they should not report on it either!

**Senator BIRMINGHAM:** The problem for the ABC and Mr Scott, Minister, is that this of course then impacts their credibility and plays into all of the other arguments.

**CHAIR:** Senator Birmingham, is this a question. Order! If you have a question, ask a question. I am going to Senator Macdonald next.

**Senator IAN MACDONALD:** You accept, though, that there is a difference between an ABC gardening presenter opening a gardening show and the presenter of your frontline morning radio show hosting, MC-ing an event like the climate commission's presentation, which regardless of the rights or wrongs of it, is contentious and is politically charged. Do you accept that these people get their profile from programs that are paid for by the taxpayer? That is why they are important people—because they get their profile from taxpayer funding. Do you have any problem or concern that these people then, when they are doing a story on climate change or the NBN, might have the appearance or perception of being constrained in attacking the Climate Commission or the NBN because of their being, some would say, paid off?

**Mr Scott:** That is a fair question I think, Senator.

**Senator Conroy:** Sorry. Paid off in what sense, Senator Macdonald?

**Senator IAN MACDONALD:** I was asking Mr Scott.

**Senator Conroy:** I just wanted to understand what the question was.

**Senator IAN MACDONALD:** I said the perception of being paid \$3,600 to run a line. I am saying that it is the perception. I know these people and I am sure that they would not.

**Senator Conroy:** That is an outrageous assertion. They are paid off to run a line because they are the MC of a function.

**Mr Scott:** One of the things that we look at in the approval mechanism is conflict of interest or perception of conflict of interest. I suppose I would argue on the Climate Commission question, that this is separate to the parliamentary committee that has been set up. It is advising them, but the whole idea of the Climate Commission, as I understand, was to enable debate and discussion. To the degree that the host of AM, which is a forum where there is debate and discussion, is there directing traffic at debate and discussion, I can see an argument that says that there is absolutely a fit there. Because that is the community-style event that this activity was generated around. Is there a perception of compromising the integrity of that journalist? I would certainly hope not. I think the journalist concerned takes his own integrity, of course, very seriously and prizes it very highly, as do we. But I think his presence there to enable the debate is one where I can see why he would be seen as a good fit to that, as would have many other journalist because that is in a sense what they are meant to do—not as a speaker, not making an argument and not taking a point of view but in a sense being a catalyst for it and letting it happen. And that is what happened. But the thrust of your question of whether in fact this causes concerns or perceptions of conflict of interest, yes we

are conscious of that. As each of these come up in isolation, each of them is reviewed specifically and individually. They are the kind of questions that are raised.

**Senator IAN MACDONALD:** But Mr Scott, my question really went to the fact that you know and the presenter knows that the Climate Commission is seen as presenting one point of view. You could only get on the Climate Commission if you had a view. People who had a different point of view were not allowed to be on that commission. So the idea of promoting debate—

**Senator Conroy:** That is not what your spokesman said, or your former leader.

**Senator IAN MACDONALD:** Please, Senator, do not interrupt. Remember your manners. The perception is out there that here is the ABC—because the public do not often make the distinction between the presenter of your flagship radio program—on the stage with the Climate Commission who are presenting one point of view.

**Mr Scott:** As I understand it, and I certainly was not at the meeting, it is a view that is then being tested and debated and challenged in community forums—sometimes in quite a boisterous way—just as the town meetings on water in the Murray were generating debate, engagement and concern. I simply draw the distinction between our person being a speaker, a participant and an advocate, and our person being someone who was there to ensure that the debate and discussion took place. I think that there is a difference. Some of the requests that are knocked back are ones where we feel that the line has been crossed from our people being the facilitator, the catalyst and the enabler of the discussion to being active participants around a certain point of view. They are the ones that we do not advance.

**Senator IAN MACDONALD:** How could the presenter the next day run a program where the NBN or the Climate Commission is heavily attacked?

**Senator Conroy:** Because they are professionals. Because they actually have professional standards.

**Mr Scott:** Any journalist—ABC or non-ABC—will have certain points of view and certain perspectives around things. The question is their ability to be objective and the execution of their task. But I suppose the question on this one in particular is that, if in fact there is criticism of that commission and criticism of that point of view, that is the kind of thing that is happening in those meetings. That kind of debate and discussion is happening in meetings that are being facilitated by the MC who is from the ABC, and that might well be what happens on the program as well. That is the argument; that is the thinking of it, Senator. But if you have a divergent view, I respectfully note that.

**Senator IAN MACDONALD:** I just point out that these people are important people. Why? Because they are on the radio every day thanks to the Australian taxpayer. I do not challenge their professionalism. In fact I have said publicly that I am sure that they were not influenced. But there is a perception out there from so many people who send us emails that there is a problem. I think it is better for the ABC if they avoid those. Sure, open the gardening fete. No problem. But when you get—

**Senator Conroy:** Would you like to give us a list of what you think is okay? How about you take that on notice.

**Senator IAN MACDONALD:** Thank you, Mr Scott.

**CHAIR:** Have you seen any of the debates, Mr Scott?

**Mr Scott:** I have just seen some footage on television. I have not been to any of the meetings.

**CHAIR:** Because I did catch one. I did not see the whole thing, but it seems to me—

**Senator Conroy:** Wasn't Malcolm Turnbull there?

**CHAIR:** Not this one, but he was at the one yesterday, I think. But the issue comes up that these moderators and MCs actually have to take on board both sides. If there is an argument, they cannot ignore the argument from the other side. They are there to moderate. Do you think that they moderate and take both sides?

**Mr Scott:** That is my understanding of how the meeting was run. I am sure that invariably there are some people in meetings who are sorry that they did not get a chance to ask the question they wanted or to ask all the questions that they wanted to. There will be some debate about how that discussion went, much like on *Q&A*. But the idea of the forums, as I understand them, is to allow discussion and the testing of ideas and views, and that is what the moderator would have been facilitating.

**CHAIR:** Thanks. Senator Troeth.

**Senator TROETH:** I have some questions about the flood damage to your building in Brisbane In January. That is a new building.

**Mr Scott:** It is under construction.

**Senator TROETH:** Okay. So it is under construction at the moment. So it had not actually been finalised when the floods hit?

**Mr Scott:** No. The basement flooded. It is located on that South Bank area, so we knew in the planning of it that if you got a 1 in 50 or 1 in 100 year flood, there would be a risk of that. The basement flooded and parts of the ground floor flooded. In our planning of that building, we had taken into account that that was a possibility. So a lot of the plant and equipment that is normally in the basement is not in the basement of that building for that reason. I want to pay tribute to our construction team out there, who very quickly had the area pumped out and were back on site within about 72 hours, and work is continuing apace.

**Senator TROETH:** So what actual damage was there, if there was no plant of material?

**Mr Scott:** There was no permanent damage to that site. It took a bit of time to resolve, but there was no other structural damage.

**Senator TROETH:** So it simply dried out, in other words.

**Mr Scott:** Yes. Exactly right. There was a delay in the timetable, but we were ready for this. Of course, this kind of experience makes us think again about the operation of this building. If it were to happen, it is better that it happen in the early days of construction rather than when we had just completed it. I think there have been some issues that we still need to work through about, heaven forbid, if you had an event like that again, access to the building, continuity of service and the like. We have a group that has been at work on that.

**Senator TROETH:** What sort of issues are they looking at?

**Mr Scott:** The issues that we are looking at are how, if in fact you had difficulty with access to the lower levels of the building, you could still keep your communications systems

working and allow that building to continue to operate as a distributor of your content, even though your staff may be not operating out of that building. That is the kind of thing we are working on.

**Senator TROETH:** So there were not any staff in there, obviously if it is still being built.

**Mr Scott:** We are operating out of eight or nine buildings in Brisbane at the moment. We had difficulties with access to some of those buildings. Our staff did a great job keeping on broadcasting. But none of our buildings actually flooded. It was access to those buildings that was an issue.

**Senator TROETH:** When do you imagine the building will be finished?

**Mr Scott:** The end of the year. We are working hard on that. Our team in Brisbane are very enthusiastic about it. They have been operating on multiple sites now for several years since we had to leave the Toowong site. Leighton are our construction team, and we have all been working very hard to get this done by December or January

**Senator TROETH:** So it has not been delayed by the rest of Brisbane being rebuilt?

**Mr Scott:** The project has been delayed by not just the floods but by repeated very high rainfall over a considerable period of time in Brisbane. But we are doing the best we can to catch up that time. It is making very good progress.

**Senator TROETH:** I gather that this was not shown on ABC television news but it was shown on Channel 7 news—the actual flooding of the building. Was there any reason for not showing it on the news?

**Mr Scott:** No, not at all. All of that area flooded. Believe me, I think QPAC next door had all their sets and everything flooded. Ours is a construction site. All our staff knew where that was. There is no secret of the fact that we had some water in the basement, but believe me, compared to others along that stretch along the South Bank, we were minimally affected.

**Senator TROETH:** Has it added anything to the total?

**Mr Scott:** It is all within our contingency, and the pressure is more around time.

**Senator TROETH:** Thank you.

**CHAIR:** Senator Abetz.

**Senator ABETZ:** Thank you, and welcome to the ABC. First of all if I can go to answers that were provided to questions on notice and question number 400. I asked specifically of the minister if he could take on notice when 19 answers to questions on notice were tabled on 14 February came to his office and when the remaining 16 answers that were tabled on 16 February came to his office. I want to find out if the tardiness, with respect, is with the ABC or with the minister's office. The minister, in typical smart-aleck fashion said the answers to these questions were provided to the committee 'as soon as I was assured of the accuracy of the advice'. I will not pursue the minister again. I will ask you, Mr Scott, and the ABC to please take on notice: when did the ABC supply the draft answers to the minister's office? And, to make it absolutely clear: on what date were they supplied?

**Mr Scott:** We will do that. We provide our answers to the department, not the minister's office. We will provide the date that we provided it to the department.

**Senator ABETZ:** All right. I will also ask on notice of the secretary of the department when the department provided those draft answers to the minister's office so we can get an answer and not have to deal with this immature obfuscation.

Can I turn to question and answer No. 34, and I thank the ABC for it. For a bit of background, at the last election, I understand, there were 982 complaints. Fifty five per cent were in relation to anticoalition bias, 33 per cent in relation to anti-Labor bias. I took a punt in asking, in relation to the five complaints in relation to the Greens, which was one for each Greens senator, did any of them assert that the interviewer or presenter displayed a bias against the Greens, as opposed to being about the lack of time that may have been afforded to the Greens. We have now been kindly advised that not a single one asserted that an interviewer or presenter displayed a bias against the Greens. It was all about not being given enough time. So, can I say to the ABC, congratulations—there is at least one political party that has not claimed any bias by the ABC.

**CHAIR:** Your methodology escapes me.

**Senator ABETZ:** But could it be interpreted as pro-Green bias that not even Senator Brown found a cause to complain about bias during the election. What it tells us is that not a single Greens supporter, irrespective of how extreme they were, anywhere in Australia in relation to any single ABC program found any cause to complain of anti-Green bias during the election campaign. Is it part of the ABC's policy to ensure that we have this wonderful balance that means that not a single person complains that there is any anti-Green bias anywhere on any program at any time during the election campaign? Just to take this further, can the ABC just move that one step further for the next election to ensure that they get the same statistics in relation to anticoalition bias or for that matter anti-Labor bias?

**Mr Scott:** Our aim, of course, is to provide fair, balanced and impartial coverage. You will get complaints from time to time, and those complaints are often framed from the perspective of the viewer. As I have said in the past, I have often been amazed at how one interview can be seen totally differently by different people from different perspectives. Some complain that you have gone too hard and others complain that you have gone too easy. I do not envisage a world where we will ever do political coverage that generates no complaints. I would say to you that the politician who was most outspoken personally to me in complaints about our coverage of the campaign was the leader of the Greens.

**Senator ABETZ:** You are part of the hate media now—we know that!

**Mr Scott:** I must say that I find the timing of your questioning a little odd given that the ABC has been subject to some significant criticism by the Greens on the basis of an interview that was conducted by our chief political correspondent and co-host of 7.30 last week with the leader of the Greens.

**Senator ABETZ:** I only got this answer about a week ago and it is a follow-up from the last estimates. I am sure that you are not surprised by it.

**Mr Scott:** I must say that I think the pattern is that from time to time nearly all political figures of all political parties are unhappy from time to time at how interviews go. Sometimes our complaints reflect that too.

**Senator ABETZ:** That is your mantra each and every time, when we talk about bias on forestry, on Israel; now you are saying it about the Greens. But of course you have never had

to apologise for being too proforestry or too pro-Israel. Here we are with not a single complaint—in any way, shape or form on any program at any time during the election—that the ABC had an anti-Green bias. Irrespective of how silly the complaint may have been, the fact is that not a single person found a capacity to bother to make a complaint about anti-Green bias. Can I say that chances are that that is the way it ought to be, but then you have a look at the figures in relation to anti-Labor bias and anticoalition bias and it makes one wonder how the ABC can get a perfect score for the Greens but have a unique incapacity time and time again in relation to the coalition and even to the Labor Party.

**Mr Scott:** I would simply say broadly that there were complaints from the Greens about the coverage. There were formal complaints. There were complaints by Senator Brown to me and complaints from the Greens continued through into last week. So all political parties do have a view about us from time to time.

**Senator ABETZ:** Mr Scott, you know that this questioning relates to the question on notice which deals specifically with the election period. I asked you for the information. You provided it and there were no complaints by any Green in any way shape or form complaining about anti-Green bias during the election campaign.

**Mr Scott:** During interviews, yes.

**Senator ABETZ:** Yes, that is right. And that is what I am asking about. The fact that you have finally got somebody who is willing to ask questions of the Greens just as harshly as they do of Labor and the coalition is a welcome change, and I congratulate you on that. But we still have this cultural situation, do we not, that we had in the last election, with not a single Green being able to find a single occasion to complain about anti-Green bias on the ABC. So I congratulate you on showing such even-handedness to the Greens. I would just invite you to show the same even-handedness to the coalition. But, if I may, I will move on—talking about bias, and about Israel yet again, unfortunately—to the answer to question No. 32. This is the Gaza flotilla, at the time. The organisers of the flotilla have admitted that the purpose of the flotilla was, in their terms, to break the blockade. In the answer I was given, which is over the page, the second paragraph, we are told by the ABC:

The flotilla was correctly described as being made up of vessels delivering humanitarian aid. While it may be clear that there were other aims in attempting to draw attention to the blockade and breach it, it was done through the delivery of aid.

The ABC here are being greater apologists for the flotilla than the organisers. The organisers themselves said on the public record that the idea of the flotilla was 'to break the blockade'.

**Senator LUDLAM:** That was the whole point.

**Senator ABETZ:** Senator Ludlam says—thank you very much—'that was the whole point of it, to break the blockade'. Here we have the ABC saying, 'No; the main purpose was to deliver aid', when, of course, Israel had said, 'Whatever aid you want we will take in for you.' Even the flotilla organisers acknowledge that the main aim was to break the blockade. But the ABC cannot help itself—it has to go a step further than the organisers of the blockade to try to justify this activity.

Mr Scott—another example—in relation to a question you told me at the end: 'ABC records indicate there are almost 4,000 stories related to the Israeli and Egypt blockade of Gaza.' Then you provide me with examples. That is a disingenuous answer to a question

where I was seeking information as to all the references to the Egyptian blockade and all the references to the Israeli blockade. What you have conveniently done is interpreted, put them all together and said, 'Here are 4,000 references.' You know what I meant. I will say it now, and please take it on notice: Of those 4,000, which ones only referred to the Israeli blockade, which ones only referred to the Egyptian blockade and which ones referred to both? We will have a discussion at the next Senate estimates hearings about it. From the *Hansard*, you must have known exactly what I wanted. The fact that you would not break up the figures as requested is indicative of what the raw data will disclose. But I will not make that allegation until we see figures.

**Mr Scott:** Some search engines were used to demonstrate that there were 4,000 stories that made references to the blockade. But, no, a story-by-story breakdown of those 4,000 stories was not done. That would be a very time-intensive process, of course.

**Senator ABETZ:** No. If you were to put in the search engine 'Israeli blockade', then 'Egyptian blockade' and then 'Israeli and Egyptian blockades', it should not take very long at all, I am advised. I would be obliged if you could do that, please.

**CHAIR:** On this point, I also asked question No. 33, where I raised the reporting of ABC's coverage of Operation Cast Lead—where hundreds of civilians were killed by Israeli forces. There was massive damage to civilian residences and various government establishments, including hospitals. I also indicated that the Israeli forces had overreacted and that they had been accused of war crimes. You have given me a list of 18 coverages on that. Is that the total coverage of Operation Cast Lead?

**Mr Scott:** I think they were examples of the coverage. I am not sure it is an attempt to be the totality—

**CHAIR:** I want to clarify whether they were examples or—

**Mr Scott:** It is a sampling.

**CHAIR:** Thank you. Senator Abetz.

**Senator ABETZ:** In relation to *The Drum*, I have been told in the answer to question No. 46, second paragraph:

Editors will continue to monitor and maintain a balance of diverse opinions appearing on discussion sites.

Going through the writers who are given a regular platform on *The Drum*, I could find only four who were in some way supportive of Israel and none who were in favour of the war in Afghanistan, in comparison to literally dozens of anti-Israel and anti-Afghan war pieces, most of them being very accusatorial and damning. Would that be a fair assessment of the—what is the term?—'maintenance of a balance of diverse opinions appearing on the discussion sites'?

**Mr Scott:** There are two things. I do not have the breakdown the way you are constructing it there. More than a thousand people have written opinion for *The Drum*—

**Senator ABETZ:** Regular—I said those who write regularly.

**Mr Scott:** There are six non-ABC staff who are regular. I am told two could be deemed, if you are going to put these labels on them, to be from the right: one is a centralist academic, one is a pollster and two are from the left. They are the six people who are regular. They write weekly or fortnightly for *The Drum*. There are other people who pop up incidentally, from

time to time. If you are asking me about those with whom we have an undertaking to write every week or every fortnight, there are six—

**Senator ABETZ:** There are 98 writers who have been published more than eight times, producing a total of 1,880 articles.

**Senator Conroy:** How many words is that? I hope you have counted them.

**Senator ABETZ:** It is those about whom I am inquiring. If you are not concerned about the anti-Israel bias, Minister, so be it. The record will disclose that

**Senator Conroy:** There are many things I can be accused of, Senator; that is not one of them.

**Senator ABETZ:** In relation to asylum seeker stories, there are 50 stories sympathetic to asylum seekers. There does not appear to be a single article from any one of the top 98 contributors advocating the border protection policies of the coalition—

**Senator LUDLAM:** Why is there not more demonising from the ABC?

**Senator ABETZ:** I am once again inquiring about how you monitor and maintain this ‘balance of diverse opinions appearing on discussion sites’ that you so glowingly tell us about in answer No. 46, which is not matched with the reality of what is on the websites.

**Mr Scott:** You have undertaken an analysis there, Senator. I understand that for a broadcaster on *The Drum* there are a range of viewpoints, a range of perspectives, a range of different voices. We get criticised from the right and from the left from time to time on our editorial perspective.

**Senator ABETZ:** But never by the Greens during the election campaign for bias. You continue with this mantra.

**CHAIR:** Senator, you should hear Malcolm Turnbull—

**Senator ABETZ:** And Kevin Rudd.

**Senator Conroy:** Kevin Rudd is campaigning for our policies, but so is Malcolm.

**Mr Scott:** As you will be aware, Senator, yesterday in the *Australian* there was a story about our campaign, criticising our coverage from the left. So you do get criticism across a range of perspectives. Our aim is to ensure that a plurality of viewpoints is broadcast and published. That has been our assessment of *The Drum*, even though I appreciate that from time to time there will be some criticisms of decisions that I make.

**Senator ABETZ:** There are many criticisms that you were too pro-forestry, too pro-Israel. You never had to apologise for anything like that.

**Mr Scott:** That is not true. Even on the pro-Israel we currently have a complaint before our ICRP which goes to the issue of the flotilla.

**Senator ABETZ:** Which you are abolishing, which is my next line of questioning. So that is a good segue, without engaging you on that. If you have a complaint after the abolition of the Independent Complaints Review Panel you go to the ACMA; is that right?

**Mr Scott:** That is correct.

**Senator ABETZ:** How much did the panel cost to run?

**Mr Scott:** I do not have those figures here.

**Senator ABETZ:** If you had over \$2 million for six episodes of *Laid*, one would have hoped that you might have had enough money to keep on with an independent complaints review panel.

**Mr Scott:** It was our chairman, Maurice Newman, and our director of editorial policies, Paul Chadwick, who reviewed our complaints-handling process. We discovered we had a four-tiered process. That is not to say that, if people are unhappy with the judgments they receive from the ABC's internal processes, there should not be an external appeals mechanism. The question is whether there should be two of them. The feeling of the ABC board and the recommendations of the chairman and of the director of editorial policies was that you do not need two unconnected external appeals mechanisms. You have one that is built into the ACMA brief, and people can take issues to ACMA, if they wish.

**Senator ABETZ:** How long did this panel exist for? Can you take that on notice?

**Mr Scott:** Yes, sure.

**Senator ABETZ:** And the reason why it was set up in the first place?

**CHAIR:** There are a number of senators seeking the call.

**Senator ABETZ:** I was just told by the Deputy Chair that I have another three minutes.

**CHAIR:** By the Deputy Chair?

**Senator ABETZ:** Yes.

**CHAIR:** Senator Abetz, that may be an internal Liberal thing, but I am chairing the meeting.

**Senator ABETZ:** I will be very brief—and if you could be brief, as well, Mr Scott. In your answer to question No. 28, relating to *Q&A*, the second last paragraph, you tell us: 'No political party has ever enjoyed a majority in the *Q&A* audience'—

**Mr Scott:** That is true.

**Senator ABETZ:** which is true; I accept that. But of course, there has always been a Labor/Greens majority in the audience and no matter which program, and no matter whereabouts, it is always a Labor/Greens dominated audience—including, surprisingly, the one you held in Albury to get the views of the people in regional Australia; a good thing to do.

**Mr Scott:** Yes.

**Senator ABETZ:** Then I look at the seat of Indi and at the seat of Farrer—where the coalition at the last election enjoyed a support rate of 60 per cent in one and 65 per cent in the other one, and one assumes it might even be a bit higher now—and still the ABC could not gather an audience that was reflective of the community in which *Q&A* was appearing.

**Mr Scott:** Senator, as you know—and thank you for your appearance on *Q&A* the other week—

**Senator ABETZ:** I asked you to keep the answer short, please.

**Mr Scott:** our aim is to ensure that—

**Senator Conroy:** Did the ratings plunge?

**Senator ABETZ:** Only when Bill Shorten was speaking.

**Mr Scott:** Our aim is to ensure that on the panel and in the audience there is a plurality of views and voices. I think that Albury program was exceptional—

**Senator ABETZ:** With a busload coming in from Shepparton.

**Mr Scott:** But in no way was that audience not an audience that reflected a range of viewpoints from that community. It was the biggest audience we had ever had.

**Senator ABETZ:** It did not reflect the make-up of the community.

**Mr Scott:** In a sense the question I have is: are there voices that are underrepresented and views that are not heard? That is absolutely not the case. There is a range of perspectives. There is a range of views. There is a plurality of viewpoints. That is why *Q&A* is so successful. That is why that community was so happy that we were coming to Albury and that part of Australia. That is why it was such a successful program. It was the biggest studio audience we have ever had: 750 people turned up to that.

**Senator ABETZ:** You still could not get the balance reflective of the community.

**Mr Scott:** No, we did get the balance. Our aim is not to run a Morgan Poll or a Newspan and to have it reflect that. Our aim is to ensure that there are a range of views, a range of perspectives, in the audience—and there absolutely was on that day.

**Senator ABETZ:** You also ensure that during an election period there is no anti-Greens bias anywhere on the ABC anywhere in Australia. So congratulations on that.

**CHAIR:** Last question, Senator Abetz.

**Senator ABETZ:** Last question. You are part of this coalition to get information out for the public that Fairfax and others are involved in?

**Mr Scott:** There was, some years ago, the Right to Know Campaign

**Senator ABETZ:** The Right to Know Campaign—thank you. Why has the national broadcaster confirmed that it will seek an exemption from freedom of information laws to keep secret how much taxpayers spent on the new 7.30 backdrops which were, I understand 25 flat screen TVs, with a retail price tag of \$250,000. The good thing is, I understand, they will not need set-top boxes.

**Senator Conroy:** That is exactly right.

**Senator ABETZ:** Apart from that, why would you not tell the public—

**Senator Conroy:** You voted for that program.

**Senator ABETZ:** how much you paid for those screens; or is that story wrong?

**Mr Scott:** I am not across the specific detail of that. But broadly speaking—we said this when we were part of the Right to Know Coalition—we are in a complex position as far as that is concerned in that, in a sense, on programming issues we find ourselves in a competitive dynamic with commercial networks. This issue has been taken up by this committee in the past—why there is not full disclosure of salaries of our on-air talent, because we felt that would put us at a competitive disadvantage.

**Senator ABETZ:** You told us how much the Leggo cost when you had that great—

**Senator Conroy:** No, I told you because I googled it for you.

**Senator ABETZ:** Why do you not tell us how much the flat screen TVs cost?

**Mr Scott:** Let me take that on notice.

**Senator Conroy:** It was \$49.99.

**Senator ABETZ:** Take it on notice; thank you.

**Senator FISHER:** Transmission of TV into regional New South Wales; in particular, the service at Albury, has been raised with me by my colleague in the other place, Sussan Ley. I understand that the ABC has indicated that you are keen to get a solution for New South Wales residents just over the border because they currently receive a fair bit of Victorian content.

**Mr Scott:** Yes.

**Senator FISHER:** You have also said you will not take any action until you can get funding. Is that correct? How much is it going to cost? I understand you have also said that you need clear impetus or direction from the community before you will proceed. What will it take for you to give the New South Wales residents immediately over the border New South Wales content, and how are you going to do it and when?

**Mr Pendleton:** Senator, I would have to take on notice the question about how much it would cost. It would be substantial. The issue there is to do with the terrestrial transmission of television. Albury/Wodonga is serviced from transmitters that are located in the Victorian catchment area. As a result the Albury residents receive the Victorian news. So in order to achieve the distribution of New South Wales news television services into Albury you would be required to put in an additional transmission service and you would have to acquire sufficient spectrum within that footprint to achieve that. There are substantial planning issues involved in achieving that, and then substantial cost issues in establishing new terrestrial transmission services.

**Senator FISHER:** Are you going to do it?

**Mr Pendleton:** It is probably not an issue for the ABC to pursue in its own right. It is a spectrum planning issue in relation to ACMA. Those services are available through other means—online.

**Mr Scott:** It probably is a question for ACMA whether the spectrum is available. Then the question for government broadly will be whether the cost of distributing it using terrestrial transmission is worth it, particularly if we are moving to the era of fast broadband that will allow, say, New South Wales services to be streamed via fast broadband to households and then households to be able to take those services and show them on their television sets. That will be a cost-benefit analysis that then needs to be done on the back of the spectrum question.

**Senator FISHER:** Is it correct that the ABC has said that you are keen to pursue a solution?

**Mr Scott:** What we would like to do, ideally, is for residents of New South Wales to be able to see the New South Wales news. We would like them to be able to see the New South Wales *7.30 Report* and any other breakout local New South Wales programming. That would be ideal.

**Senator FISHER:** Jolly good start, yes.

**Mr Scott:** We would like to see that happening and delivered free-to-air terrestrially. The questions for us are: is the spectrum available, is the money available to make that

commitment to that transmission and where does that come from? The first question around the spectrum availability is one for ACMA, and the second question about the cost of delivering is one for government.

**Senator FISHER:** You will, on notice, provide an estimate of how much?

**Mr Scott:** Yes, we will.

**Senator FISHER:** Is it correct that you have also said that you want clear impetus from the community for that to happen, or are you disowning that statement?

**Mr Scott:** We understand the community would like us to be able to deliver that, if we can.

**Senator FISHER:** So you do not need any more from the community.

**Mr Scott:** No more correspondence is required. We would like to be able to do it. It is a general principle that we want to be able to, as best we can, deliver the state- or territory-based coverage to that audience.

**Mr Pendleton:** It would be a similar issue that we see in any of the border towns. Obviously, the transmission footprints for terrestrial television do not necessarily line up with state-based borders. Our transmissions are required to remain on that basis.

**Senator FISHER:** Of course. Nonetheless, as you clearly recognise, it remains an issue for those people affected.

**Mr Scott:** Yes.

**Senator FISHER:** Is the reference in your charter that talks about taking into account services provided by commercial TVs in the various regions a factor for you as well, given that some of the commercial channels, for example, provide news and sports from Melbourne? In this area there is arguably—

**Mr Scott:** If they are delivered locally into New South Wales towns—that would certainly be something that we would take into account.

**Senator FISHER:** So that is an added impetus—

**Mr Scott:** It is an added argument.

**Senator FISHER:** if you ever use that word. So you obviously accept that the 70,000 people living in the area will want to get their news and sport from—

**Mr Scott:** There was an issue for us that we had to work hard to resolve during the New South Wales election campaign. For that important part of the state, we wanted to be able to give them the New South Wales news. In doing so we flicked the switch for the Victorians at that time, who then received the New South Wales coverage.

**Senator FISHER:** Earlier you said they can access it online. Can they access it on iView?

**Mr Scott:** Not live. What they can access on iView is News 24 live.

**Senator FISHER:** Why do you not make it—

**Mr Scott:** It is a possibility. Let's investigate it, Senator.

**Senator FISHER:** Why do you not do that for those residents—

**Mr Scott:** I think the state-based 7.30 for would be available and maybe the Sydney-based news. I could check that for you, Senator.

**Senator FISHER:** If you are going to volunteer online it would be helpful to use your own best. How did you lose out on *Paper Giants*? Can you talk to us about that?

**Mr Scott:** We did not lose out on *Paper Giants*.

**Senator FISHER:** No; second time around.

**Mr Scott:** We had the courage to commission the story—

**Senator FISHER:** Indeed.

**Mr Scott:** and had tremendous success with that.

**Senator FISHER:** Yes, indeed.

**Mr Scott:** The reality is we have a finite amount of drama money and we wanted to commission *Paper Giants* and see how it went. We were delighted with how it went—extraordinary audiences and great word of mouth and critical success. We, of course, were then interested in pursuing a second part. There could have been a number of second parts, but one was clearly around the cricket. We understood that we have some archival footage of benefit for that story, old black and white cricket as it once was. But the World Series Cricket coverage, all that was held by Channel 9 in their archives. A number of the key participants in that cricket revolution—Richie Benaud, Tony Greig, Ian Chappell and others—are all under contract to Channel 9. Channel 9 made it very clear to us that under no circumstances would that archival material ever be available. So the decision was then made by the independent producer that if they were going to make that series they would have to go with those who held that archival content. It is still not resolved. I think there are different contractual matters. That series will go to Channel 9. There might well be other ways of developing the story that we would have an interest in outside the cricket. Perhaps I can just say that this was one of the first new dramas that we put to air with the new drama funding, and how pleased we were with the creative talent that we worked with, with the critical response we got, and with the audience levels we got for it. It is a harbinger of good things to come.

**Senator FISHER:** Indeed. I have two more questions.

**CHAIR:** One more, and then I am moving on.

**Senator FISHER:** Twitter—use by staff, if they have a personal twitter account. One of your staff members is critical of the ABC in some way or another through a personal twitter account: is that in breach of your use of social media policy?

**Mr Scott:** We have simple social media guidelines. It is a complex area. We try to keep it simple. I am happy to forward to you what those four simple social media guidelines are.

**Senator FISHER:** I have them.

**Mr Scott:** I appreciate that staff may have a private point of view, but particularly those staff who, in a sense, are identified as ABC staff, who are publicly known as ABC staff, when they tweet that is no different to when they speak in front of an open microphone. They have responsibility on them as part of that and that is what we should do.

**Senator FISHER:** How do you monitor compliance with the policy in terms of personal tweeting?

**Mr Scott:** In terms of personal accounts I think they are separate. When people are tweeting in their role of the ABC I think it is the same as when they are broadcasting. At this

very time now there are 65 live microphones broadcasting ABC content, so when we have a difficulty and it comes to our attention we review it in terms of those guidelines. We are not monitoring it. We are not monitoring all accounts. If there are issues, it comes to our guidelines.

**CHAIR:** Thank you, Senator Fisher. Mr Scott, Senator Fisher raised the issue of *Paper Giants*. There was an increase in funding of \$70 million over three years for drama programming.

**Mr Scott:** Yes.

**CHAIR:** How many programs have been commissioned and have gone to air as a result of this funding?

**Mr Scott:** There is quite a long lead-time on drama. We have 300 hours of drama that are in commission now or are under way. You have seen the first of it come out in recent months. The telemovie *Sisters of War*, which won a Logie award, was broadcast at the end of last year. *Rake*, which also received critical and audience success and won a Logie also, went to air at the end of last year. This year we have already seen *Paper Giants*, and *Angry Boys* is rolling out now. We have a slate of programs that are in production at the moment. We have a 22-part drama series set in the crown prosecutor's office called *Crownies* that will go to air a little later in the year. *Slap*, the award-winning, bestselling novel, is being made into an eight-part drama series as well. Being made now are 13 hours of *Phryne Fisher*, an adaptation of the novelist Kerry Greenwood's 1920s crime series. Also, one set called *The Straits* is underway in far North Queensland. It is a partnership between a number of different film-makers, and we are very excited about that. We have just begun to see the first instalment. The four that I have outlined that we have seen—*Sisters of War*, *Rake*, *Paper Giants*, *Angry Boys*—are a good indicator of the breadth of content that we are going to be able to see, the different audiences that drama money is going to appeal to, the calibre of people with whom we are working. We are very heartened by the outcomes so far for that investment of taxpayers' dollars.

**CHAIR:** When you say 'the calibre of people you are working with', do you mean the artists and the producers?

**Mr Scott:** This money was allocated so we would work with the independent production sector. What that means is that we can go and work with the very best creative talent in the industry—actors, director, cinematographers, producers, writers. That is what we are finding with this money that we have—that the very best people in the Australian industry want to work with us. On *Rake* you had not just Richard Roxburgh, who won a Logie for it, but also supporting casts or guest appearances by Hugo Weaving, Rachel Griffiths, Sam Neill, Lisa McCune and Noah Taylor. These are the top-tier talent in the Australian industry. The fact that we can work with those people, get such strong audiences and critical success and deliver it free of charge to every Australian home is very significant about this. We are not just doing high-calibre drama that is then delivered in a way that largely it will not be seen; we are delivering it in a way that will be seen—and I think that is very significant.

**CHAIR:** With these programs being produced by outside production companies, do you have any influence not only with the big names that come in but also getting in new talent?

**Mr Scott:** Absolutely. When we are doing them with the independent production sector, they are still being delivered to the ABC's editorial standards. We are very involved with that. In the contracts we sign we are quite clear and specific on the writers, directors and staff with whom we are working. With a program like *Crownies*, which will go to air later in the year, a whole series of bright, new faces and creative talent is coming to work on that kind of production; we are very happy with that. As part of the range of activities we are doing, we are targeting the development of new talent. We are working on a new series which will see us working with new Indigenous filmmakers. That will go to air later in the year as well. So, all in all, there are some big names and some well-established talent, but it is also as a training ground with opportunities for new talent, on the screen and behind the scenes in this work.

**CHAIR:** So not only is there quite a bit of artistic talent but also, behind the scenes, it creates a lot of jobs, does it?

**Mr Scott:** Absolutely. This is a very significant investment in the Australian television production industry. The money that we contribute gets leveraged by a money contribution that will be made by Screen Australia, by state based production agencies and by the independent production sector itself. So you can have a multiplier of two, three or four times the investment that the ABC is putting in. It is a point that we continue to make to Screen Australia. I think it is an important point. There is a lot of focus on the Australian film industry—and so there should be—but the Australian film industry represents a very small percentage of the Australian cinema box office. Australian drama attracts very significant audiences on Australian television. Many of the best stars and the key industry leaders got their start working in television. That is the kind of thing we want to be able to continue to develop with this drama investment.

**Senator WORTLEY:** The ABC is well known in media circles for its quality training of journalists.

**Mr Scott:** Yes.

**Senator WORTLEY:** Today I want to speak about young journalists going through the ABC. It is also well known amongst journalists' circles that, when journalists leave university, to win a job at the ABC is a very positive thing for their career.

**Mr Scott:** Yes.

**Senator WORTLEY:** What is the ABC doing to make sure that those young journalists, once they are trained, are not snatched up by commercial television stations? Perhaps you also could go to the issue of the banding structure. I understand that, around Australia, often commercial television watches the ABC journalists. They realise that they are on a banding structure—it is pretty well known—and they are at a particular level and cannot go past that level, so they are able to offer them monetary incentives that perhaps would take them a number of years to get to at the ABC. Would you explain how the ABC is addressing that issue.

**Mr Scott:** Thanks for the question. We have continued to make the investment around training at a cadet intake. We have hundreds and hundreds of applications for the cadets we take. I think we provide, without question, the finest on-the-job training for young journalists through the ABC. Through our creation of ABC News 24, in addition to recruiting cadets we have done very significant recruitment of young rising journalists to staff ABC News 24. It is

the same in news as it is in television and radio—we know that we will often not be able to compete with the commercial networks. When they have a mind to, they can pull out a chequebook and pay more money, and that is the same basically across the organisation. We look to do the very best we can, given the inevitable constraints that we operate under. We get a certain amount of money from government and we do a lot with it, but there are not other ways that we can get money in—such as through advertising and the like. We are very happy with that model, but that model delivers some constraints for us.

One of the things we offer is outstanding career opportunities for these young people. There is the opportunity to travel and to take up postings around Australia, as well as the prospect that we have 13 international bureaus operating out there. If you want to be a foreign correspondent on a commercial network, there are a handful of positions and they will nearly all be in Los Angeles or London. But, if you want the opportunity to work as a foreign correspondent in Asia, Russia, South Africa or Europe based in our London bureau, we have far more on offer. I think our greatest ability to keep staff is to pay them as fairly as we can, given the constraints that we are under, but to continue to train them, develop them and allow them to be mentored by our fabulous, experienced senior journalists and to open up opportunities for them to travel. I think a combination of our international bureaus, our national footprint and the opportunities that have opened up with News 24 all add up to a very attractive offer that says, 'If you are serious and interested in a career in broadcast journalism, there is no better place to work than the ABC.'

**Senator LUDLAM:** Off the back of that ringing manifesto, Mr Scott, I might start close to home. *Can We Help?*—the only Perth based TV production that I am aware of—recently ceased. What are your plans for the studios in Perth?

**Mr Scott:** There are two things on that. We are doing quite a bit of production in Perth. We have made a decision to cease production of *Can We Help?* That is an editorial based decision made by our news executive looking at the lifespan of that program, audiences and other things. Currently we are in post-production for a 13-part children's program in Perth, *West Coast Kids*. We are developing in Western Australia an eight-part series called *Who's Been Sleeping In My House?* We do a range of sport out of Perth. We continue to work with ScreenWest on the development of several factual entertainment series for our prime time on ABC1. So the critical question to my mind is: are we making programs in Western Australia, as we should; and will those programs—I think this is a significant fact—in part reflect Western Australia back to the rest of the nation? One of the questions about programs like *Can We Help?* and others that we have done over the years in different parts of the country is that they almost deliberately have not reflected the part of the country they were made in. So there are no concerns about our commitment to Western Australia, our commitment to production in Western Australia and our desire to work in partnership with the independent production sector in Western Australia. We do have a studio in Perth. That studio is available for use on productions that we make there. Last time I was in Western Australia, a children's television program to be broadcast on ABC3 had taken over that facility and had turned it into a set, and they were filming and doing their work there. If we renew that, they will use that facility again. I understand that it is the biggest studio of its kind available in Western Australia. We will use it if the programming schedule demands that we use it. It is a good facility to have available. But, as for the key question, we are committed to strong levels of

production in Western Australia. I expect that total number of hours out of the west will probably grow on the back of that commitment.

**Senator LUDLAM:** You mentioned two productions that you have mentioned, one of them in post-production—

**Mr Scott:** Yes.

**Senator LUDLAM:** and the one being taped now. Are they both co-produced?

**Mr Scott:** Yes, they are coproduced.

**Senator LUDLAM:** Who with?

**Mr Scott:** I have that detail here. *Who's Been Sleeping In My House?* is partly funded by us, of course, and by ScreenWest and is a co-production with Joined Up Films. *West Coast Kids* is a co-production with Amazing Productions and ScreenWest; that was the one I saw being filmed. It previously had the title *Mail.com*; it is now called *West Coast Kids*. I think it is that way.

**Senator LUDLAM:** You have provided an answer—and thank you for that—to my question on notice about first-run Indigenous content right across the broadcaster.

**Mr Scott:** Yes.

**Senator LUDLAM:** The answer was fairly unimpressive, unless I am reading it incorrectly. In 2009-10 it was 19 hours, or 0.3 per cent of total programming. In the first half of 2010-11 it was 10.5 hours. So we are running at about the same average—less than half of one per cent.

**Mr Scott:** Yes, but more is coming. Also, there is the slate that we have in drama. We recruited Sally Riley to run this area for us in ABC television. She came from Screen Australia and she is very experienced. We are developing a series of programs, which we expect will run in prime time, that will reflect Indigenous Australia working with Indigenous filmmakers. It is part of our Reconciliation Action Plan. We are conscious of our desire to increase levels of Indigenous content and we will continue to target it over time.

**Senator LUDLAM:** Do you have a target?

**Mr Scott:** I do not have that in front of me; I will have to check that. We are continuing to review it. There are a range of programs. The one I talked about earlier called *The Straits* we are making with an Indigenous filmmaker and actor. There is another one—I think it is called *In Redfern Tonight*—where we are working with Indigenous filmmakers as well. These will both be high-profile programs on ABC1. But I agree that over the years—in part, there was a rundown of the drama levels as well—the figure has not been good enough. It is an area of priority for Kim Dalton, our director of television, and it is an area of priority for me. We recruited Sally Riley specifically for this purpose, and we are happy to continue to track and monitor the numbers.

**Senator LUDLAM:** I will give you a heads-up that I will ask about that next time we are here. News 24, which I think is great, is a welcome addition to what we can access.

**Mr Scott:** Thank you.

**Senator LUDLAM:** I wish they would spend a little less time advertising themselves, but I know that 24 hours a day is a lot of time to fill. I think there are a number of concerns about

quality control as it is finding its feet. A lot of vision has just been used and spooled out that previously you would have edited—that is fairly clear as a viewer. I understand that you have heard staff concerns on that issue directly.

**Mr Scott:** What was that second bit? You are saying that a lot of the vision—

**Senator LUDLAM:** Is unedited. You are just spooling out very, very long slabs of vision that normally you would expect the ABC to tidy up.

**Mr Scott:** Yes. I think that is a difference between news channels and news programs, if you like. We often run live rolling coverage. If you were editing it for seven o'clock or for a one-hour news program, you would edit it back, but here you let it run.

**Senator LUDLAM:** Have you heard staff concerns about that matter?

**Mr Scott:** Not particularly. Broadly we are very happy with how News 24 has gone. It has not even been on air for a year yet. Audiences are continuing to grow. I think it has an average reach of 2.1 million Australians each week now. It is showcasing the best of ABC journalism. But there will be debates and discussion around the programming choices that we make. Of course, some of those programming choices are reflected in the fact that, if you had double the budget, you would do different things. I think we have enough of a budget to have made a very good start on News 24. If anything, some of the criticism is that we have not run enough live coverage rather than that we have run too much live or unedited coverage. So getting that sweet spot is a challenge.

**Senator LUDLAM:** I am interested in how it is impacting on News's ability to do its job. My understanding is that, increasingly, journos have to edit their material and multiskill well outside of their area of expertise. So they are writing it, they are taping it and they are cutting it, and then it is going to air. Because you have had to pull resources from all over the broadcaster to bring the channel together—

**Mr Scott:** I do not think that is a News 24 issue. We had decided to embark on a program of desktop editing before we created News 24, and that is being rolled out now and certainly it helps with News 24. Desktop editing is a feature now of all of our news programs. I know that the BBC, CBC and nearly all other broadcasters around the world are using desktop editing skills. We are finding that most of those young journalists, whom Senator Wortley referred to, had arrived with skills where they had been editing their own stories and copy for a period of time. Broadcast journalism these days is a more multiskilled environment. Our journalists have been multiskilled for a long period in that they have been doing stuff for radio and for television and, increasingly, for online and for News 24. Balancing and managing that is a challenge for the journalists and the managers, but I think it is a good outcome for our audiences.

**Senator LUDLAM:** Something to think about over the break—because that is what we are going to do—is whether you have had complaints internally about those journalists who are not interested in learning to become editors being forced into that space.

**Mr Scott:** Okay.

**CHAIR:** Thanks very much for your appearance, Mr Scott.

**Proceedings suspended 10:46 to 11:00**

**Department of Broadband, Communications and the Digital Economy**

**CHAIR:** I now declare this session open. We are into general questions. I welcome the departmental officers. I will open with a couple of questions in this area. There has been a lot of attention recently in relation to the Household Assistance Scheme. Can you outline why this scheme has been introduced? I am sorry, Mr Rizvi, do you have an opening statement?

**Mr Rizvi:** Yes, thank you, Chair. I have a brief opening statement. Mr Harris is unable to be here today as he is on personal leave. I would like to thank the committee for agreeing to alternative hearing dates for the NBN Co. Ltd and the Australian Communications and Media Authority. The chief executives of these agencies wrote to the committee on 27 and 28 April respectively indicating they have unforeseen conflicts with the planned hearing dates—one of a personal nature and the other relating to other business commitments. The committee's flexibility to find alternative dates for these agencies will ensure that they can respond comprehensively to questions from senators.

The department and its agencies aim to deliver answers to the questions on notice asked by the committee at the earliest opportunity and, to the best extent possible, endeavour to meet the committee's deadlines. The department and its portfolios received 425 questions following the additional budget estimates hearing on 22 February. Many of these questions had multiple subparts, which meant there were over 600 individual questions.

According to the report on the status of answers to questions on notice issued by the Clerk of the Senate on 4 May 2011, this portfolio received the most questions on notice of any portfolio in the Commonwealth. Nearly 50 per cent of these questions required responses from NBN Co., which continues to face a very significant workload. In light of the volume of questions, the secretary wrote to the committee on 1 April advising that the department and its agencies would do whatever they could to answer as many questions as possible by the committee's deadline. However, he noted that, given the complexity of the information required by many of the questions, we were unlikely to be able to provide answers to a significant number of questions by the due date of 8 April.

In terms of the questions directed to the department, we answered 39 per cent of our questions by the committee's due date of 8 April. We answered 74 per cent of the questions by the end of April. The department and portfolio agencies have now answered all but one of the questions asked by the committee. The answer to the remaining question will be provided as soon as possible.

Turning to the 2011 budget, the major initiatives for the portfolio are \$18.2 billion in equity injection to NBN Co. over the budget and forward years and \$376 million to continue the important work to facilitate the switchover to digital only television by December 2013. This includes funds to make the Household Assistance Scheme available to eligible customers in regional New South Wales, the ACT, Tasmania, the Northern Territory, Western Australia and state capital cities. The scheme has already provided assistance to around 40,000 households to convert to digital TV in Mildura, Sunraysia, Broken Hill, regional South Australia and regional Victoria. It has started rollout in regional Queensland.

The Household Assistance Scheme is targeted at those who are most likely to experience technical and practical difficulties in purchasing and installing digital reception equipment. The scheme will supply, install and demonstrate a high definition set-top box specifically

chosen to meet the needs of older people or those with a disability and, where a person is eligible, conduct any necessary cabling and antenna work. The scheme offers a 12-month in-home warranty on equipment.

Other significant elements of the budget for this portfolio include \$37.4 million over four years to support the government on the national broadband network rollout; \$15.2 million in 2011-12 to continue funding for national Indigenous television; \$12.5 million over four years for community broadcasting to increase content production in the areas of ethnic, Indigenous and radio for the print handicapped broadcasting and to establish a new community radio content development fund; \$2.2 million in 2011-12 to continue the current arrangements for untimed local calls in the extended zones, pending a review of the telecommunications retail price controls; and, finally, \$1.9 million to facilitate the auction of spectrum in the 700-megahertz and the 2.5-gigahertz bands in 2012-13 and to undertake preparatory work required in the lead-up to the auction, including the valuation, planning, licensing framework and auction processes. Thank you, Mr Chairman.

**CHAIR:** You have raised the issue of the Household Assistance Scheme. Can I go back to that and ask why this program was introduced?

**Ms O'Loughlin:** The Household Assistance Scheme was developed over a lengthy period of time leading up to its initial rollout in Mildura and Sunraysia. It came from some of the overseas experience that we were observing at the time in switchovers, that there was a part of the community who were particularly vulnerable and would need in-home and some practical assistance to actually help them to convert. The United Kingdom had already put in place a program which aimed to achieve the same outcomes, which was to make sure that those vulnerable in the community could also convert in the time frame set by the government. We also looked at developments in other countries of, I would have to say, probably less successful attempts to deal with these issues of the most vulnerable—particularly the US, which had a voucher system and did not achieve the outcomes, and which led to switchover being delayed in the United States.

We spent a considerable length of time developing the program to make sure that we were addressing the real needs of the communities that we were going to be looking at who are not able to convert just by going down to the shop, buying a set-top box and plugging it into their existing television. We are talking about people who are elderly, the full-rate pensioners, people with disabilities or veterans, who really need some in-home help to help them. They may not have family who can assist them. They may have particular disabilities and particular needs. We worked very carefully with the communities that this program is designed to help to develop a program which really hits the mark for them.

It is an intensive program. It requires not just the provision of a set-top box but a set-top box which is specifically designed for the use of people who are elderly or perhaps have vision problems or other learning difficulties. It is a very simplified set-top box. We also provide in-home installation. As Mr Rizvi mentioned, it is part of the costings. We have people go into the homes, make sure the television is working and make sure cabling or antennas, where they need to be replaced, are replaced—

**CHAIR:** Ms O'Loughlin, you are actually going into the details of this scheme. I was concentrating on why the scheme was needed first-up. I will come to these other issues.

**Ms O'Loughlin:** To summarise that, our observation internationally and our knowledge of communities on the ground is that there are vulnerable people in the community who cannot convert without assistance from someone. This particular targeted area will not, perhaps, have family or friends who can help them. That is the area that we are targeting.

**CHAIR:** How many households?

**Senator Conroy:** Perhaps I can just add to that, Senator Cameron. You say: why would the government do something like this? I could probably draw no better a source than the former shadow minister for communications, Senator Nick Minchin, known to both of the senators at the table. He wrote an article on 19 January 2009 in the *Adelaide Advertiser*. This is what he said:

The Government also needs to finalise a strategy to assist the economically disadvantaged to upgrade their analog equipment to digital. The elderly and others may also require technical assistance and support to ensure their digital equipment is properly installed and working. After conducting his own test, Senator Conroy concluded that—

and I am still quoting from Senator Minchin—

installing a set-top box "is not that easy". It has been suggested that free set-top boxes might be provided to pensioners and low income earners. with in-home installation assistance offered, as has occurred in the UK.

But Australia is a huge country and getting us ready for switch-over requires a lot more than just talk. It requires specific, practical action backed by appropriate levels of additional funding, which will have to be allocated in or before the next Budget if Senator Conroy's deadlines are to be met.

He went on to say:

We are also aware that if the Government fails to do the remaining hard work that is required to ensure Australia is switch-over ready, it will be viewers in areas like rural South Australia who will suffer as a result.

I think Senator Minchin made a compelling argument as to why you need to have a program like this. That would probably explain that, when we moved an amendment to the act to allow this to happen, each member of the opposition, including both of the senators sitting in front of us, voted for it. This is a program that the opposition called for, detailed what they wanted to see, and the government delivered.

**CHAIR:** Thanks, Senator Conroy.

**Senator FISHER:** We just want to ask about your management of it, Minister.

**Senator Conroy:** No, you have been opposing it.

**CHAIR:** Order!

**Senator Conroy:** No. Tony Abbott has been opposing it; Joe Hockey has been opposing it.

**Senator FISHER:** We want to ask you—

**Senator Conroy:** They have actually been opposing what they voted for.

**CHAIR:** Senator Conroy! Ms O'Loughlin, can you tell me how many households have been converted so far under the scheme?

**Ms O'Loughlin:** Senator, around 40,000 regional households have converted to date—around 2,500 in Mildura, over 10,000 in regional South Australia and Broken Hill, and we are up to almost 27,000 across regional Victoria.

**CHAIR:** How many households do you anticipate will take up the remaining switchover?

**Ms O'Loughlin:** Over the life of the scheme we expect that more than two million households may be eligible for assistance; they are the households that we would write to. From Centrelink's records, they are either in receipt of a full age pension, a disability pension, a carer's pension or veterans affairs pensions. So there is a pool of around two million households. We also recognise that many of those households may have already converted. This is not for those who have converted. This is really for people who are geographically or socially isolated. We estimate the actual number taking up the offer will be around 700,000.

**CHAIR:** What has the overall reception of the program been amongst the recipients?

**Ms O'Loughlin:** The overall reception has been extremely positive. It is probably one of the first programs I have worked in where we get letters of appreciation on a regular basis from people. They are usually handwritten letters that come through the post to us to explain what a difference the service has provided to them, particularly those people for whom television is their main form of entertainment and probably their only company during the day. They may not see a lot of people during the day. They have appreciated the fact that not only have they converted to digital but also they have somebody to come to their home to make sure it is set up properly, to show them how to use it and, if something goes wrong, they have somebody to come back and help them.

**Senator Conroy:** Perhaps I could I just add to that. I would like to give a couple of examples of letters my office has received and a few emails, just to give you a flavour of the response.

**Senator FISHER:** Are you going to read out the ones from Senator Birmingham and me that detail complaints?

**Senator Conroy:** They say:

I had to write to say thank you to you and the government for this scheme. It was installed without any fuss and the main installation person was very confident in what he was doing, which put me at ease. The picture is so clear. It has put life into an older style TV. I had to write to say thank you to someone.

This is from the daughter of a gentleman:

Many thanks to both you and your technician. He did a splendid job and kept my dad happy. That is by no means easy to do. Happy New Year to all at Skybridge.

Also:

To all concerned with digital switchover. I wish to convey my thanks for the professional and efficient way my television was converted to digital. From Centrelink to Skybridge to the local service operative all went smoothly and with proper safeguards. Moreover a new antenna, cables, set-top box were free of charge, setting me free of concern, as I could not have afforded them at this time. This is a government initiative that should be acknowledged and applauded.

Finally:

I found that the two fellows from Luke's Electronics who installed the equipment to be very thorough and efficient in the way they went about their work. I now have an antenna after 25 years, a DVD and VCR—

which were not supplied by us—

which will now work because of them being so helpful, and a powerboard for all the cords. I am thrilled with the new set up. As a pensioner who doesn't get anything for nothing very often, many thanks go out to all involved. Much appreciated.

Then in an article in the Adelaide *Advertiser* just on the weekend a Barmera resident, Kay Byfield, had a free set-top box installed in November and said that the opposition's criticism was misplaced:

"They're honing in on the set-top box and not realising the other services that are being provided," she said.

"We were given a free antenna and extra cabling. The installer spent around 10 minutes explaining to us how to use it. Other older people would have needed more time and he would have spent more time if we needed it."

The article continues:

The 62-year-old said she was impressed with the professionalism of Skybridge, the Government's contractor in the Riverland.

"It wasn't, 'Quick, let's get this out of the way and move on to the next job'," she said.

"And once connected they rang and asked, 'How did he do? Did he leave a mess? Did he explain everything to you?'"

The article goes on to make the point:

Mr Turnbull's office was contacted by *The Advertiser* to find examples of Riverland residents who were unhappy with the installation process, but a spokesman was unable to provide any.

**CHAIR:** Thanks, Senator Conroy. That takes me to the next point. That is the good news story. How many complaints have you had from recipients of the scheme and what percentage of the total installation do these complaints represent?

**Ms O'Loughlin:** Senator, as at yesterday, as I mentioned, we had delivered around 27,000 house installations across regional Victoria. Across regional Victoria we have had 168 complaints made to the relevant area of the department. Those complaints are in two main areas. Around about 94 of those complaints relate to service contractors. They are about the service that people were provided with. Of those 94, about 25 were about the set-top box, where people have had problems with the set-top box.

The remaining 74 complaints are issues such as service provided by our colleague Centrelink in the provision of their engagement with the program and disputes around eligibility. We have people who perhaps are not eligible for the scheme but call us to discuss why they are not. There are some who want to be eligible for the VAST satellite service, which we can provide under the HAS, or eligibility for things like external antennas. The total is 168, which is less than one per cent of the total installations across regional Victoria. We are working through all of those complaints at the moment to get them resolved as quickly as possible.

**CHAIR:** I understand that there is a talking set-top box for the visually impaired. How does that operate?

**Ms O'Loughlin:** That is a something we are actually quite proud of in the development of the program. The switchover team had been discussing with organisations such as Vision

Australia that in Australia there is no such thing as a talking set-top box in the market. That is a set-top box that you can plug in—

**CHAIR:** So you cannot get it at Harvey Norman for 90 bucks, can you?

**Ms O'Loughlin:** I do not believe you can get it at Harvey Norman. There were no talking set-top boxes on the market. This is a box where, for the vision impaired, the box will actually tell you what channel you are on and what the program is. You can call up the electronic program guide and the box will actually talk you through what is on each of the channels, so you can make your choices that way.

It is a real innovation. It has been possible through the development of the HAS mainly because the vision impaired were a key target for us. We really needed to address their switchover issues for them. We were able to work with the sector and work with industry to develop a set-top box, which we are currently trialling at the moment. Our ambition is that that set-top box will become a standard part of the rollout in future, but we are just trialling it at the moment across Victoria to make sure that it is a robust box as a new addition to the market.

**Senator Conroy:** I would like to quote from the Vision Australia press release:

Vision Australia, Australia's largest blindness agency, applauds the Australian Government for its continued commitment to ensuring that people who are blind or who have low vision are not left behind with the switchover to digital television.

The government has shown real leadership on this issue and they recognise that there were no off-the-shelf, blind-friendly digital televisions or set-top boxes ... As a result two companies were awarded tenders last year to develop talking set-top boxes to be used in the trial rollout of the HAS.

Also, an organisation called Media Access Australia, who have been involved in this program, went on to say that the HAS is a model for how government programs should be run. They have been extremely complimentary. All of this information is available publicly on websites. It has been circulated extensively to people who have contacted my office to make sure that people understand the complexities that have been involved in this. I just thought they should also be noted in this discussion.

**Senator FISHER:** Chair, I raise a point of order: how many questions have you got left on that list of dorothy dixers that has been written for you to ask?

**CHAIR:** That is not—

**Senator FISHER:** It is almost a third of the time allocated for general—

**CHAIR:** That is not a point of order. I will go to you when I am finished. I understand the figure of \$350 has attracted a lot of criticism. Can you explain what that figure represents? Is it the true cost of installing a set-top box under the program?

**Ms O'Loughlin:** Senator, the \$350 figure has been calculated as an average of the total costs of the program and putting together a few things. I think it would be worth just stating how we go about requesting information from the market. We have a tender currently in the market for the provision of HAS in northern New South Wales and southern New South Wales. As part of that there is quite a comprehensive and detailed payment schedule that we require people to fill in and advise us on.

What that goes through, for example, is asking them to identify what is the cost of the set-top box for delivery across various different regions. It will then ask them what the

installation cost is for that set-top box. It will then ask, in circumstances where cabling is needed, what the cost of the cabling is. If there are circumstances where an external antenna, rather than an internal antenna, is needed, it will ask for a breakdown of costs from the tenderers on that as well. It builds in the variance of costs between perhaps regional areas and parts of regional areas, which can be accessed relatively easily by contractors, but it also factors in more remote areas where travel may be a significant additional cost.

Finally, under the HAS, as I mentioned earlier, in circumstances where people will not be able to get a terrestrial signal in, we will install a VAST set-top box and satellite dish so the tenderer will ask for a breakdown of what will be the cost of satellite dishes in those circumstances. It is a very complex pricing schedule that we ask the market to respond to. Therefore, there is no 'standard price', as every installation, we find, is different. There are groups that are similar, but they are quite different across regional and remote areas, and even within particular towns and regions.

**CHAIR:** The last question, and then I will move to Senator Birmingham, is this: how are the installers appointed to deliver the scheme? And would you say there is a rigorous system in place to ensure the integrity of the scheme?

**Ms O'Loughlin:** The way we approach the scheme is that we appoint head contractors to deliver the scheme in a particular region. So we have had a head contractor appointed in Mildura-Sunraysia through open tender, also a separate open tender for regional South Australia and Broken Hill, and a separate tender for regional Victoria. In regional Victoria we had two head contractors and it was their responsibility, under our contract, to deliver against the service levels that we expected in the contract but also to employ subcontractors and ensure that they delivered against the contractual requirements that we had imposed on the head contractor. At the moment we have finalised tenders in Queensland and, as I said, we have a tender in the market for New South Wales.

**CHAIR:** Thank you. Senator Birmingham.

**Senator BIRMINGHAM:** Thank you very much, Chair. We will certainly come back with some further questions on set-top boxes—rest assured.

**Senator Conroy:** Perhaps Senator Minchin might join us.

**Senator BIRMINGHAM:** Rest assured we will. If you really want to, Chair, I can throw other Senator Minchin quotes at you throughout the course of the day—

**Senator Conroy:** Bring him in.

**Senator BIRMINGHAM:** some of which I am sure you will not agree with as wholeheartedly as you want to on this one.

**Senator FISHER:** Actually, they will be on the NBN.

**Senator BIRMINGHAM:** Can we go to the issues around the appointment of the senior executive team at NBN Co. and the role the department had in that regard?

**Senator Conroy:** I am disappointed, Simon; I thought you were a bit better than this.

**Senator BIRMINGHAM:** Thank you, Minister. I have gotten a few words in. What I have said—

**Senator Conroy:** You have got Mr Turnbull's office—

**Senator BIRMINGHAM:** I have got a few words into what I have said and already you are very prickly, aren't you?

**CHAIR:** Senator Birmingham, order!

**Senator Conroy:** Mr Turnbull's office is walking around the press gallery peddling sheets of paper—

**CHAIR:** Order, Senator Conroy!

**Senator Conroy:** that they want them to ask questions about. Godwin Grech revisited from Mr Turnbull!

**CHAIR:** Order!

**Senator Conroy:** I actually thought you were a bit better than this. I expected better from you.

**CHAIR:** Senator Conroy, order!

**Senator BIRMINGHAM:** Since we have not got to a question yet, we see just how touchy the minister is—

**CHAIR:** Senator Birmingham, could you ask your question? We have now got to settle down.

**Senator Conroy:** I thought you were a bit better than this, Simon.

**CHAIR:** Just ask your question, please. Senator Conroy, order!

**Senator BIRMINGHAM:** Thank you. Can the department describe the due diligence, background checks and investigation of previous employment that are normally or typically carried out before appointing a CEO or CFO or other senior executives of a major government business enterprise?

**Senator Conroy:** In terms of the CEO, I think we will be able to give you an answer that. On the CFO, I do not know that the government had any role at all. You might have to ask NBN Co. or Australia Post or any of the other government agencies directly about that issue. I think we certainly can have a discussion about the CEO of NBN Co., which is what you were asking about in reality. I do not know that the department had any role in any CFO appointment in any government business agency. I am happy to be corrected on that, but I do not think we would have any information on that issue for you.

**Senator BIRMINGHAM:** Thank you, Minister.

**Mr Quinlivan:** Senator Conroy's characterisation of this is correct. The appointment of Mr Quigley originally as interim chair and CEO of NBN Co. was conducted by the government. The CFO's appointment was a matter for NBN Co. and the board. It was conducted later on. You would need to direct questions on his appointment to NBN Co. Of course, you will have an opportunity to do that when Mr Quigley appears in mid-June.

As to the process for appointing Mr Quigley, the company, as you know, was incorporated on 9 April 2009. Following a selection process, the broadband department engaged Egon Zehnder International to conduct an executive search process to identify possible candidates for appointment as interim chair and CEO of NBN Co. Essentially, this was a normal process for appointment of a CEO to a significant government business enterprise or, indeed, a major

private corporation. The only difference in this case was that, as a start-up company, there was not a board in situ to oversee the process, so department has played that role.

Egon Zehnder is a globally active search company. It does not have a high public profile because the work it does is done quietly. It has a long history and is one of the leading firms in this area. It won a tender process to conduct a search for appropriate candidates. It did that and brought a number of candidates to the government for its consideration.

In undertaking that process it conducted extensive interviews with people, who were shortlisted—one of whom was Mr Quigley, obviously. It sought a wide range of references; I am not sure of the precise number, but it was significantly more than is customary for the kind of processes that I am familiar with. It conducted the usual range of probity, background, financial and character checks on the candidates. It reported to secretaries of the three central agencies and the broadband department who were acting for the government in overseeing this process that it had found no issues which should be of concern to the government in making the appointment of Mr Quigley. It also found that he was an outstanding candidate for the position, given his experience and personal attributes.

Following that recommendation, those secretaries endorsed that assessment and made recommendations to shareholder ministers, who then took a recommendation in the normal fashion to the cabinet, which endorsed Mr Quigley's appointment. The interim board then made that appointment and he was appointed. The key point to make about that search is that Egon Zehnder conducted the normal extensive checking process that they would do for any major CEO appointment and they found no issues of concern.

**Senator BIRMINGHAM:** Thank you for that. With regard to the process—what was normal about the process, what was abnormal about the process—clearly the fact that, of course, this was a not-yet-established GBE was an abnormality and the process was managed by the department. Were there any other unusual aspects or aspects that would be different to how such a process is usually undertaken?

**Mr Quinlivan:** I have not examined that question in detail but, on the face of it, no, I cannot see that there would be. It was a normal professional job by a leading executive search company and their recommendation was accepted. The appointment process the government followed thereafter was the normal process for appointments of this kind.

**CHAIR:** It was not an abnormal process?

**Mr Quinlivan:** No, it was a normal process.

**Senator FISHER:** Senator Birmingham has got the call, Chair.

**CHAIR:** You are not chairing it.

**Senator FISHER:** I would do a good job.

**Senator BIRMINGHAM:** Overall, the department believes that all due diligence considerations that should have been undertaken were undertaken?

**Mr Quinlivan:** We have no reason to believe that anything more could or should have been done at the time.

**Senator BIRMINGHAM:** Did the department undertake any due diligence checks of their own or were they all in the hands of Egon Zehnder?

**Mr Quinlivan:** Egon Zehnder spent time with the relevant secretaries in discussing the candidates and any issues that they discovered. To the best of my knowledge, they satisfied those secretaries in then making a recommendation to shareholder ministers that there were no issues of concern.

**Senator BIRMINGHAM:** The decision of the appointment of Mr Quigley was taken to cabinet?

**Mr Quinlivan:** It was.

**Senator BIRMINGHAM:** Do you know when that was taken to cabinet?

**Mr Quinlivan:** The shareholder ministers made the appointment to the board—the formal appointment—on 24 July 2009. The cabinet consideration would have been prior to that, obviously. On the note I have here, I believe that would have been on 9 July 2009. Following the appointment by the shareholder ministers of Mr Quigley to the board, the interim board then elected Mr Quigley as chairperson. That would have happened shortly after 24 July, presumably at the very next board meeting, which must have been very soon because the announcement was made on 25 July 2009.

**Senator BIRMINGHAM:** To whom was the analysis by Egon Zehnder and all of the advice about the short-listing and the process and recommendations provided?

**Mr Quinlivan:** The material that was developed by Egon Zehnder, for all the candidates initially, then for the short-listed candidates and then finally for Mr Quigley, was provided to a secretaries' committee which comprised the then secretaries of the three central agencies—Finance and Deregulation, Prime Minister and Cabinet and Treasury, and the then secretary of the broadband department.

**Senator BIRMINGHAM:** Mr Harris was at that stage—no, it was prior to Mr Harris?

**Mr Quinlivan:** No. Several of those people are no longer in those positions.

**Senator Conroy:** There is the former secretary.

**Mr Quinlivan:** The former secretary of this department, of course, was Patricia Scott.

**Senator BIRMINGHAM:** Thank you for that. For the recommendation that was taken to cabinet, obviously a cabinet submission with that recommendation would have been prepared. Whilst clearly you cannot tell me what the content of the submission was, it would not be unreasonable that presumably that submission would outline the reasons for the recommendation. Was that submission prepared within the department of communications?

**Mr Quinlivan:** I have not personally sighted the material that went to cabinet. The normal practice is that the line department provides the necessary information to the cabinet secretariat and appointments are made by the cabinet based on the information that is provided in a set format. Often quite a number of them are made at any one time. The assumption, normally, on behalf of the cabinet is that the appointments at that time are endorsed by the shareholder ministers and that a process has been gone through and all the necessary preparations have been done.

**Senator BIRMINGHAM:** So the line department in this case would have been the department of communications?

**Mr Quinlivan:** The department—

**Senator Conroy:** Mr Quinlivan was not at the department then.

**Mr Quinlivan:** The primary material that was developed for this purpose was done by Egon Zehnder. Egon Zehnder was acting under contract to this department. So, in that sense, the answer to your question is yes.

**Senator BIRMINGHAM:** Clearly, because they were part of the panel that formed the judgment for the three other departments—forming the four departments represented on the secretary's panel—they were all consulted in that process—either consulted on the exact content of the submission or at least on the recommendation that was made?

**Mr Quinlivan:** They would have had all of the material that was developed for the purpose available to them. I was not a party to any of this process. The reasonable working assumption is that each of those secretaries saw that material and agreed with the recommendation and agreed that it should be forwarded to the cabinet for a decision.

**Senator Conroy:** There were some other parts of that process. I can get you the exact dates if you are interested. I do not have them off the top of my head. As part of that process I met and interviewed two of the candidates on the short-list. Both were very high quality. Obviously Mr Quigley was one of them. I am going back a few years, but I think that Mr Quigley also met with the Prime Minister, the Deputy Prime Minister, possibly the Treasurer, as Mr Swan was then, and possibly Mr Tanner, following the selection process. Mr Quigley met with a range of other ministers that were involved in the process at the next level up.

**Senator BIRMINGHAM:** Yes, Minister, certainly if you could take on notice and provide details of any additions to the time line that you can provide here as to exactly when decisions were taken—

**Senator Conroy:** Obviously they were all prior to the cabinet decision. I think that is correct. The dates, if I can track down when I met with Mr Quigley—obviously I am not going to name an unsuccessful candidate. That would be unfair to the person.

**Senator BIRMINGHAM:** You met with two candidates who were both recommended by Egon Zehnder?

**Senator Conroy:** And the secretaries.

**Senator BIRMINGHAM:** So Egon Zehnder prepared a short-list. Do we know how many were on that short-list? You said a number of names, Mr Quinlivan. Is that—

**Mr Quinlivan:** In the final short-list of people who were regarded as having sufficient credentials for this appointment I think there were four at that stage. It may well be that in the end not all of those four were interested or available on the terms that were settled. I think the senator is right—that in the end there was a smaller number as potential candidates at the end of the process.

**Senator BIRMINGHAM:** From your understanding, Egon Zehnder produced a shortlist of four prospective candidates. From there, the panel of secretaries—the departments of Finance, Prime Minister and Cabinet, Treasury and communications—met and, whether by people dropping out or by their refining the list, there were two candidates put forward from there. Minister, you met with both of those prospective candidates. Is your recollection regarding then Prime Minister Rudd, Deputy Prime Minister Gillard, Treasurer Swan and then Finance Minister Tanner that they met with both candidates or—

**Senator Conroy:** I think at that stage I concurred with the view of the secretaries and I think only the one, Mr Quigley, met with us. I could be wrong on that, but I do not think the other candidate met with them. As I said, I concurred with the view, the recommendation, from the secretaries.

**Senator BIRMINGHAM:** From the point of the shortlist of four names being provided to the department and shared with the panel of departmental secretaries, did that panel, any of the ministers involved or the government more generally refer back to Egon Zehnder seeking further information about any of the candidates?

**Mr Quinlivan:** That is a question of fact.

**Senator Conroy:** I did not ask for his birth certificate.

**Senator BIRMINGHAM:** Thank you, Minister.

**Mr Quinlivan:** That is a question of fact. I would have to take that on notice. Based on the material that I have seen, I think the answer is probably no. But I should take that on notice to confirm that. This was a very important appointment; so I am sure that this process would have been an iterative process and there would have been questions and information shared between Egon Zehnder and initially secretaries on each of the candidates. So I am very confident that there were more questions and more information shared. Whether there were additional checks of the kinds that you are referring to, I am not sure. We will check.

**Senator BIRMINGHAM:** You are very confident that the provision of the shortlist was not the end of the process of involvement for Egon Zehnder. What else may have been exchanged, you are not so confident of?

**Mr Quinlivan:** No.

**Senator Conroy:** As I have said, Mr Quinlivan was not with the department at that stage, so he can only go on the minuted record.

**Senator BIRMINGHAM:** Sure. Question on notice No. 104 stated that—

**CHAIR:** Just before you go to that, Senator, I have a question on Egon Zehnder.

**Senator BIRMINGHAM:** That is what this is on too, but go ahead.

**CHAIR:** Thank you. I have just had a look at the website of Egon Zehnder and they are internationally involved and competent. On their website, in their executive recruitment area, they say they have 'an enduring responsibility' for the recruits that they bring to people. They also say:

Our consultants are passionate about assuring that hired candidates make a positive impact that exceeds our clients' expectations.

Has Egon Zehnder delivered on that?

**Mr Quinlivan:** I can offer a personal response to that. I have been working with Mr Quigley for just over the last 12 months and he is clearly an outstanding executive. He is a world-class executive and I think is regarded as such by everybody who deals with him. Also, those who negotiate with him are acutely aware of his executive abilities. So, yes, I would endorse that.

**CHAIR:** Thank you, Senator Birmingham.

**Senator FISHER:** Chair, before Senator Birmingham resumes: Mr Quinlivan, you have talked about Mr Quigley being appointed based in part on his experience. What was your understanding of what is and was his experience?

**Senator Conroy:** Mr Quinlivan was not with the department when this process was undertaken.

**Senator FISHER:** Minister, you have indicated that you did not seek birth certificates.

**Senator Conroy:** No. I did not ask him whether he was not under investigation by authorities worldwide.

**Senator FISHER:** I am not asking about that.

**Senator Conroy:** I did fail to ask, 'Are you not under investigation?'

**Senator FISHER:** Did you seek confirmation of Mr Quigley's experience and what did you understand was his experience?

**Senator Conroy:** I can read you his CV or I can organise for it to be tabled for you.

**Mr Quinlivan:** I can say that he has a very impressive CV. Egon Zehnder, as part of their checking process, check all of the factual assertions made by candidates in their CVs—their educational qualifications, their periods of residence in countries, their periods of occupation in senior executive roles and claims made about the number of people they are supervising and the kinds of responsibilities and so on. So I can say that Egon Zehnder did conduct a check of all the facts in Mr Quigley's application and CV.

**Senator FISHER:** Then, in terms of the established facts, was either the department or the government of the understanding that Mr Quigley had ever rolled out a network?

**Senator Conroy:** I think, as part of his role at Alcatel, he had been involved in—it could be the wrong company—Verizon's fibre rollout. So he had extensive experience in working with a rollout that had taken place in the US. Was he the CEO of a company that did the rollout? No, but he was a major supplier to a company that did the rollout. So he worked on the other side of that equation.

**Senator FISHER:** Indeed. Alcatel's business is supply of stuff, isn't it? Alcatel does not implement and roll out, does it, Minister?

**Senator Conroy:** They are a company that develops and supplies equipment. I can get you their website address and you could look it up.

**Senator FISHER:** So he was boss of an equipment supplier. So was the department—

**Mr Quinlivan:** My understanding is the same as the minister's, that he was responsible in some fashion. I am not sure and I would need to check the details, but he was responsible for a rollout conducted by Verizon in the US, which goes to your question. But we can check those facts for you.

**Senator FISHER:** Thank you, Mr Quinlivan. But prior to the appointment of the boss in charge of rolling out a \$43 billion spend plus, would not the government want to know that the guy they are appointing to be the boss had had experience as a boss rolling out a network from scratch and starting up a company from scratch? Has Mr Quigley ever started up a company from scratch?

**Senator Conroy:** Mr Quigley is eminently qualified—

**Senator FISHER:** Do those eminent qualifications include start-up—

**Senator Conroy:** for the role in NBN—

**CHAIR:** Senator Fisher.

**Senator FISHER:** I want an answer.

**Senator Conroy:** You should be ashamed of your disgraceful and pathetic smearing of Mr Quigley. He is far more qualified than the other applicants. That is not fair. There were two very strong applicants. But he was a stand-out applicant, with his depth of experience, his engineering background and his personal experience—absolutely a first-rate, world-class executive.

**Senator FISHER:** Did the government ever check whether Mr Quigley had, as CEO, started up a company and rolled out a network from scratch?

**Senator Conroy:** As I have said, Mr Quigley has actually been involved with the Verizon rollout. There are not that many fibre rollouts on the scale—

**Senator FISHER:** Was that starting a company and implementing a network from scratch, Minister, across an entire country?

**Senator Conroy:** There are not very many fibre rollouts across the country that we can choose from. But I am not sure that anyone—

**Senator FISHER:** Let us just stick to CEO starting up a company and was it rolling out—

**Senator Conroy:** He has not had experience in rolling out something of the scale of the National Broadband Network, but he has direct experience—

**Senator FISHER:** Of getting staff to equip a broadband network—

**Senator Conroy:** in his role at Alcatel, with Verizon.

**Senator FISHER:** it would seem.

**Senator Conroy:** I am happy to get you more detail so that you can come to understand what is involved in rolling out a network—

**Senator FISHER:** I am not the CEO.

**Senator Conroy:** and what Mr Quigley's role was in the Verizon rollout.

**CHAIR:** Senator Conroy, order! Senator Fisher—

**Senator FISHER:** I am done for the moment; thank you.

**CHAIR:** You are not done yet. If you ask Senator Conroy a question, I would like you to give him an opportunity to respond. Senator Birmingham.

**Senator BIRMINGHAM:** I was referring to question on notice No. 104, in which it states—and Mr Quinlivan, you have used some similar words this morning—that the government utilised the services of the Egon Zehnder International Research agency in the search for the NBN Co. Ltd's chief executive officer and that thorough background checks were undertaken on all candidates, which included police and credit record checks as well as personal references, to ensure that all candidates were suitable. In terms of background checks, for the type of organisation that you are talking about—and Senator Fisher's questioning of experience goes some way to this—would those background checks not have needed to and been expected to be wider than the description here, including, of course, the

roles they have had, the organisations that they have worked for and the outcomes in those organisations?

**Mr Quinlivan:** I think I mentioned earlier that there were a significant number of references taken. Egon Zehnder spoke to peers, reports, customers and boards to whom Mr Quigley had reported. In the course of those, I do not know exactly what questions were asked, but they would have been comprehensive and have gone to Mr Quigley's—

**Senator Conroy:** Is there any company or individual that you are not prepared to smear, saying that they are incompetent, just to achieve your political ends? You are now suggesting that Egon Zehnder did not do a professional job. Is there any individual or any corporation that you are not prepared to just smear simply for your own political ends?

**CHAIR:** Senator Conroy—

**Senator Conroy:** My apologies.

**CHAIR:** I think you know the answer to that, so you do not need to pursue that, Senator Birmingham.

**Senator BIRMINGHAM:** I am used to Senator Conroy interrupting me. I am not sure what Mr Quinlivan was saying that was wrong that necessitated Minister Conroy interrupting Mr Quinlivan. But perhaps you would like to finish.

**Mr Quinlivan:** The point I was making was that they did seek a large number of references from people who are well equipped to provide the kinds of assurances that I think you are alluding to. They did that. I mentioned also earlier that they conducted factual checks of all the claims made in CVs. So Mr Quigley's CV includes long-term senior executive roles in a variety of capacities, so all of those things were checked. So I have no reason to think that it was not a thoroughly comprehensive and professional job done by Egon Zehnder.

**Senator Conroy:** Are you suggesting otherwise, Senator Birmingham?

**Senator FISHER:** We get to ask the questions, Minister. This is estimates.

**Senator BIRMINGHAM:** I am asking questions, Minister, and I am quite happy to let all of the facts stand for themselves as we go through this process. That is what it is all about.

**Senator Conroy:** That is what it is all about: just keep smearing away—companies, international companies and international reputations of people smeared away in just trying to achieve a political objective.

**Senator BIRMINGHAM:** Minister, are you suggesting that the findings against Alcatel are not true?

**Senator Conroy:** I am talking about Egon Zehnder and Mr Quigley.

**Senator BIRMINGHAM:** Okay. I was thinking that you were defending—

**Senator Conroy:** You are the one who is suggesting that they had not conducted a thorough check. That is exactly what you are implying in your questions.

**Senator BIRMINGHAM:** Indeed. Answer to question on notice No. 106 states that the government was not aware of Alcatel-Lucent being under investigation by the US Securities and Exchange Commission and the Department of Justice for alleged violations of the US Foreign Corrupt Practices Act, prior to the appointment of Mr Quigley to his position at NBN Co.

**CHAIR:** Senator Conroy, Mr Quigley is not Alcatel-Lucent, is he? He was an employee of Alcatel-Lucent.

**Senator Conroy:** A senior employee.

**Senator BIRMINGHAM:** Chair, are you going to allow those who have the call to actually ask the questions?

**CHAIR:** Yes. If you are going to ask the question, ask the question. You have five minutes left.

**Senator BIRMINGHAM:** Thank you, Chair. As is, of course, well and truly on the public record, between 2001 and 2006, when the bribery and financial irregularities occurred for which in December 2010 Alcatel paid a \$137 million settlement, Mr Quigley was, of course, a very senior executive at Alcatel. Is the department concerned that the search by Egon Zehnder failed to identify this issue—

**Senator Conroy:** Failed to identify that Mr Quigley was not questioned and there was no suggestion that he was involved—failed to establish that he had nothing to do with it?

**Senator BIRMINGHAM:** Do we know that Egon Zehnder bothered to ask that question?

**Senator Conroy:** So we are just going to keep on smearing Egon Zehnder now?

**Senator BIRMINGHAM:** The question is: did Egon Zehnder ever raise with—

**Senator Conroy:** I am sure that they did ask for his birth certificate.

**Senator BIRMINGHAM:** the government this investigation by the SEC into Alcatel?

**Senator Conroy:** We could take that on notice. I do not think anyone here could answer that.

**Mr Quinlivan:** I can say that Mr Quigley was not named by position or by his personal name in that process and—

**Senator Conroy:** Never been questioned.

**Mr Quinlivan:** had never been questioned. I do not know whether any of the references or the interviews that Egon Zehnder did with referees mentioned this issue. But if they did, they did not consider it sufficiently important or directly relevant to Mr Quigley personally to raise it as a matter of concern.

**Senator BIRMINGHAM:** 'Not sufficiently relevant'. As we are giving these assurances on the record at present, can you confirm that Mr Quigley was never questioned by any investigating entity in the US, not just the SEC or the Department of Justice?

**Senator Conroy:** I guess that we would have to take that on notice.

**Senator BIRMINGHAM:** Thank you, Minister. Is a perceived exposure to a problem, such as the Alcatel issue, something that you would expect a normal due diligence process and background check to pick up and bring to the attention of government, when you are paying hundreds of thousands of dollars to have this activity undertaken?

**Senator Conroy:** I think you mean if it does not involve the person that is being put forward, if it does not involve them.

**Senator BIRMINGHAM:** Minister, if you do not even know about the problem, how are you going to ask the person involved whether they were involved?

**Senator Conroy:** I think a search of records establishes those things fairly quickly. If Mr Quigley was not even interviewed by the SEC, it would be hard to find his name anywhere, wouldn't you think?

**Senator BIRMINGHAM:** So you think they just did a Google search of Mr Quigley and never bothered looking up the company that he was running?

**Senator Conroy:** As I have just said, if you want to keep smearing Egon Zehnder, go right ahead; but it is just that. You are smearing a company simply to achieve a political aim. You are accusing them of incompetence simply to achieve a political objective.

**Senator BIRMINGHAM:** You can keep throwing accusations around, Minister.

**Senator Conroy:** It is not an accusation; it is just a simple fact.

**Senator BIRMINGHAM:** That is fine.

**Senator Conroy:** You know exactly what you are doing.

**Senator BIRMINGHAM:** You can describe the line of questioning however you want to describe it. However, the issue here is whether or not Egon Zehnder, acting on behalf of the department, the secretaries, the ministers and the Cabinet, all of whom played roles in this process of appointment—

**Senator Conroy:** We are happy to take the question on notice.

**Senator BIRMINGHAM:** The issue is: did they even know about this investigation?

**Senator Conroy:** We are happy to take the question on notice, because obviously we do not know what was in the mind of Egon Zehnder. Apparently, you do. We will take it on notice.

**Senator BIRMINGHAM:** Did they advise the government of this investigation?

**Senator Conroy:** We can take that on notice to make sure that we can give you a completely accurate answer.

**Senator BIRMINGHAM:** I think you actually took that on notice last time and the answer was no, they did not. Are you satisfied with the fact that this was not brought to your attention at the time of appointment?

**Senator Conroy:** Are we satisfied that Mr Quigley was not interviewed by the SEC? Yes.

**Senator BIRMINGHAM:** That was not the question.

**Senator Conroy:** We are absolutely satisfied that it has been established as fact that Mr Quigley was not interviewed or questioned by the SEC as part of the ongoing investigation into Alcatel-Lucent. That has been established as a fact.

**CHAIR:** Senator Birmingham—

**Senator Conroy:** which I do not think even you can contest.

**CHAIR:** Senator Birmingham, Senator Barnett has indicated that he is seeking the call. Do you want to yield to him—we have one minute—or do you want to continue?

**Senator BIRMINGHAM:** Sure.

**Senator BARNETT:** Thank you, Mr Chair.

**CHAIR:** You have a minute, Senator Barnett.

**Senator BARNETT:** Yes, about one minute. I have an NBN Co. map here of the connection to Tasmania with the backhaul. The question is: is the department negotiating for the second backhaul cable to Tasmania?

**Senator Conroy:** Is the department negotiating?

**Senator BARNETT:** Is the department or NBN Co—

**Senator Conroy:** The department is not involved in the rollout of the NBN, and we can take on notice your question.

**Senator BIRMINGHAM:** So the department is not involved in the backhaul program?

**Senator BARNETT:** So the department is not involved. The answer is no as to the department.

**Senator Conroy:** The RBBP has nothing to do with the question that Senator Barnett is asking. We will take it on notice.

**Senator BARNETT:** The question is: is the department aware of any negotiations for a backhaul cable to Tasmania?

**Senator Conroy:** We can take that on notice.

**Senator BARNETT:** Are you aware?

**Senator Conroy:** I am not following it day-to-day and I do not think the department is—

**Senator BARNETT:** So you are not aware.

**Senator Conroy:** No.

**Senator BARNETT:** Is any departmental official aware?

**Senator Conroy:** We can take that on notice.

**Mr Quinlivan:** The people in the department who are responsible for the NBN will be here later this afternoon, so you can try that question at that time.

**Senator Conroy:** Let me be clear. If there is a commercial-in-confidence negotiation taking place, we would not be in a position to answer your question. It is very straightforward.

**CHAIR:** Senator Barnett, the department will be here between four and 6 pm.

**Senator BARNETT:** Thank you.

**CHAIR:** That concludes general questioning.

[12:00]

**CHAIR:** I now call officers from the department in relation to program 1.3, broadcasting and digital television. Questions, Senator Birmingham.

**Senator BIRMINGHAM:** Ms O'Loughlin, are you here today in a permanent or an acting capacity?

**Ms O'Loughlin:** In a permanent capacity.

**Senator BIRMINGHAM:** Congratulations.

**Ms O'Loughlin:** Thank you.

**Senator BIRMINGHAM:** I welcome your appointment. I can start on some anti-siphoning issues. When will the parliament see the legislation flowing from the minister's decision on anti-siphoning?

**Senator Conroy:** That is ultimately a decision of ours but I think we are in consultations with the sector at the moment. But we are still finalising consultations at the moment, seeking views—so when all of the consultation process is completed.

**Senator BIRMINGHAM:** Do you have a time line in mind, Minister?

**Senator Conroy:** When the consultations are completed. We do not need to rush it. As you have seen, we have successfully seen an outcome in the AFL. The list is out there publicly. But, when we finish these consultations and have taken the views into account, we will proceed into parliament. But I am not setting a time line that would cut short the negotiations. We are happily in negotiations.

**Senator BIRMINGHAM:** So, Minister, you do not see—

**Senator Conroy:** I do not mean 'negotiations'; I mean 'seeking views'.

**Senator BIRMINGHAM:** So you do not see any urgency to give some certainty to the sector and to make sure that—

**Senator Conroy:** The AFL seems to have stumbled through, just with a \$1.2 billion outcome.

**Senator BIRMINGHAM:** You have recently released an exposure draft of some parts of the legislation and there does not appear to be a mechanism in place such as the one you have described in that exposure draft.

**Senator Conroy:** The AFL actually used the old legislation, where there is no mechanism involved, as a foundation. So the urgency to finalise a mechanism was not there and we are still in discussions about them. But let me be clear: the AFL's deal was done using the previous or existing legislation rather than the legislation into the future.

**Senator BIRMINGHAM:** Thank you for that, Minister. I might come back with some other questions on anti-siphoning later. Going back to the Household Assistance Scheme for set-top boxes, which we spent so long on before, was there an independent review of the Sunraysia-Mildura trial site?

**Senator Conroy:** Could you be a little clearer in what you mean by the 'trial site'?

**Senator BIRMINGHAM:** I am sorry—an independent review of the Household Assistance Scheme component of the Sunraysia-Mildura trial.

**Senator Conroy:** Could you just clarify again perhaps?

**Ms O'Loughlin:** Sorry, Senator. There have been a number of looks at Mildura-Sunraysia. Are you talking about the Household Assistance Scheme only?

**Senator BIRMINGHAM:** Yes.

**Ms O'Loughlin:** We certainly had ORIMA Research go in to give us some feedback on the process of rolling out HAS in Mildura-Sunraysia. I do not have the details with me, but the overwhelming response from that was a positive response to the rollout, but it did highlight to us a couple of things that we needed to look at. One of them was that there were some people that were not aware of the availability of HAS. So we have used that feedback to sharpen up our communications with our target audiences. There were some elements there of needing to have better service out of our contractors around call centre response times. Also there was some material coming back that some of the set-top boxes in those very early

rollout periods in Mildura-Sunraysia were not as robust as they could have been. We took the information from Mildura-Sunraysia into the development of our contracts with our contractors going both into regional South Australia and Broken Hill and then into Victoria. So the benefit of doing Mildura and Sunraysia for the task force was that it enabled us to learn quickly some of the things that we needed to learn in order to be able to develop a robust system for a much broader rollout, which we were able to test in Mildura and Sunraysia and feed into the program going forward.

**Senator BIRMINGHAM:** So this was part of a more comprehensive review undertaken externally of the rollout in Mildura?

**Ms O'Loughlin:** Yes.

**Senator BIRMINGHAM:** Has that been made public?

**Ms O'Loughlin:** No. But I am advised that, from the surveys that we did at that time, about 94 per cent of respondents were very satisfied or satisfied—69 per cent were very satisfied and 25 per cent were satisfied with the scheme. The service contractors rated very highly, with 98 per cent of respondents stating that they received excellent or good service when they arranged their installation, and 94 per cent being satisfied with the service from the installer. As I mentioned, we did find that, among those who did not opt into the scheme, about 28 per cent said that they were unaware of the scheme, despite having received letters from Centrelink explaining the scheme and how they could opt in.

We are just concluding follow-up research for regional South Australia and Victoria, and those results are due around July. Preliminary findings from South Australia show fairly high levels of satisfaction again and high levels of awareness. But we do, at the end of each switchover period, go back in and make sure that we can learn what we need to learn, both on the HAS and the other switchover projects that we do.

**Senator BIRMINGHAM:** Will the department release or is the department willing to release that full review of the Sunraysia-Mildura trial?

**Ms O'Loughlin:** I will take that on notice, but we will look carefully at making that available.

**Senator BIRMINGHAM:** Thank you. Have there been further reviews of, in particular, the Household Assistance Scheme undertaken externally since the Sunraysia-Mildura trial?

**Ms O'Loughlin:** As I have said, we are doing follow-up research. It is underway at the moment for regional South Australia and Victoria.

**Senator BIRMINGHAM:** Thank you. What was the amount that was originally appropriated for the development and implementation of the Household Assistance Scheme between its conception and 30 June 2011?

**Ms O'Loughlin:** As part of the 2009-10 budget, the government announced \$69.3 million in funding to roll out the scheme to approximately 250,000 customers in South Australia, Victoria and Queensland. That funding followed on from around \$3 million for the scheme, which was part of a suite of measures announced on 29 January 2009, to complete the Mildura pilot project. So the \$69.3 million was for South Australia, Victoria and Queensland, and the amount announced in the most recent budget, as Mr Rizvi said at the opening, is to extend the existing HAS program to the remaining areas of Australia, starting in northern and

southern New South Wales, the ACT, Tasmania, the Northern Territory, Western Australia and then all the metropolitan capital cities.

**Senator Conroy:** Perhaps I could add to that some other feedback that we did get after the Mildura campaign, which is actually on the public record. It was a statement in the *Australian* on 28 June.

**Senator BIRMINGHAM:** Do not go there.

**Senator Conroy:** No. I am quoting the person who made the statement rather than the newspaper.

**Senator BIRMINGHAM:** It would be good to see some consistency from you.

**Senator Conroy:** The quote was two days before switchover and is from John Forrest MP, National Party member:

I want to be fair to Stephen Conroy. To his credit, he has responded positively to every issue that I have raised.

**ACTING CHAIR (Senator Fisher):** Not only are you singing for your supper but you are interrupting the call, and Senator Birmingham has the call.

**Senator Conroy:** I am not interrupting the call.

**ACTING CHAIR:** Senator Birmingham, please continue.

**Senator Conroy:** You are not actually—

**ACTING CHAIR:** I am chairing the committee, much to your horror, Minister.

**Senator Conroy:** You may actually be chairing it, but perhaps you are not familiar with the rules. All questions come to me and I can supplement any answer at any stage I like. That is the rule at Senate estimates.

**ACTING CHAIR:** Thank you for finishing doing so, Minister.

**Senator Conroy:** Thanks for interfering, but you are not helping.

**Senator BIRMINGHAM:** Let us try to keep this moving on, if we can. Was the \$69.3 million that was appropriated in 2009-10 also spread across 2010-11 to achieve the outcomes in the 250,000 households across the regions that you have described, Ms O'Loughlin?

**Ms O'Loughlin:** The original funding of \$69.3 million was to take us to the end of Queensland. The switch-off in Queensland, the minister has recently announced, is on 6 December 2011.

**Senator BIRMINGHAM:** So are we able to unpack that funding across the budget years?

**Ms O'Loughlin:** We would be able to. I do not have that figure with me, but we could take that on notice.

**Senator BIRMINGHAM:** Thank you. How much has been spent or is anticipated to be spent by the end of this financial year?

**Ms O'Loughlin:** My advice is that, at the end of this financial year, about \$10 million will have been spent on the Household Assistance Scheme. They are the latest figures that I have.

**Senator BIRMINGHAM:** At the end of this financial year, about \$10 million will have been spent of the \$69.3 million?

**Ms O'Loughlin:** That is right. I am sorry; that is what I was just going to check. The \$10 million is just rolling out the set-top box and installations to households in Mildura, regional South Australia and regional Vic, but that does not include the additional costs for things such as Centrelink costs—Centrelink write out all the letters to all the households—plus departmental costs. So, if your question is how much is left over from the \$69.3 million, I would have to take that one on notice.

**Senator BIRMINGHAM:** How much are all of the administrative costs that sit alongside the scheme? If \$10 million has been spent out of the \$69.3 million and you would have already basically delivered—

**Ms O'Loughlin:** No. We still have Queensland and the end of Victoria. While Victoria switched off on 5 May, HAS stays open for a month afterwards so that people who perhaps did not take up the opportunity beforehand can take it up and are not left without television. So we need to complete Victoria. Then we have Queensland. Bear in mind that Mildura-Sunraysia and South Australia were quite small switchovers. Victoria has been the largest to date generally. Then Queensland will be as large again if not larger. So the \$69.3 million is still available for Queensland and for the departmental and Centrelink costs associated with the rollout as well.

**Senator BIRMINGHAM:** Most of Victoria is done though, isn't it?

**Senator Conroy:** All of regional—

**Ms O'Loughlin:** Yes. Most of HAS in Victoria has been rolled out.

**Senator Conroy:** For 455,000 houses. I think Senator Troeth would confirm that the analog signal is no longer available at her residence.

**Senator TROETH:** That is correct, yes.

**Senator Conroy:** So 455,000 homes switched to a digital-only signal just a few weeks ago.

**Ms O'Loughlin:** And, with HAS, about 27,000 households to date.

**Senator BIRMINGHAM:** You would expect that would be most of those who are going to access the scheme, presumably, Ms O'Loughlin?

**Ms O'Loughlin:** There are quite a few people who, after the switchover, have rung in to get assistance. So there will still be a few. But yes; with 27,000, we have done the main tranche of the rollout.

**Senator BIRMINGHAM:** This is one of those where either you have to agree with me that most of them have been done or you are damned by the fact that a lot of people have not managed to successfully switch over.

**Senator Conroy:** Unfortunately, no, that is just not correct, as you would know. If there were a large number of people who had not managed to switch over, we would know about it.

**Senator BIRMINGHAM:** That is right; exactly.

**Senator Conroy:** We have switched over 455,000 homes successfully. There have been antenna reception issues and things like that. But, in terms of getting a picture, we have had a very successful switch-off.

**Senator BIRMINGHAM:** Yes. My point there is that—

**Senator Conroy:** They are different points to—

**Senator BIRMINGHAM:** overwhelmingly, under the Household Assistance Scheme, you would now have delivered all that you would expect to, barring some small applications in the remaining handful of percentage that have not managed to switch over successfully.

**Ms O'Loughlin:** My advice is that there are about 1,500 to 2,000 who have come in after 5 May that we are working through at the moment.

**Senator BIRMINGHAM:** Thank you; 1,500 to 2,000 out of 27,000?

**Ms O'Loughlin:** Yes, on top of the 27,000.

**Senator Conroy:** So it should finish at around 28,000 to 28½ thousand, if the maths adds up.

**Senator BIRMINGHAM:** How many are you budgeting for in Queensland?

**Ms O'Loughlin:** There are about 125,000 potentially eligible households in Queensland.

**Senator BIRMINGHAM:** We can step back then. How many potentially eligible households were there in regional Victoria?

**Ms O'Loughlin:** There were potentially 123,000.

**Senator Conroy:** And at this stage it looks like around 28½ thousand have taken it up.

**Senator BIRMINGHAM:** Of whom around 28½ thousand—

**Senator Conroy:** Will be successfully installed as the program.

**Senator BIRMINGHAM:** So 28½ thousand out of 123,000 in regional Victoria. Assuming a similar take-up rate out of the 125,000 in regional Queensland, you would be looking at about 29,000?

**Senator Conroy:** He is doing a calculation of how many people we think in Queensland. He has a number of about 29,000, I think he said.

**Ms O'Loughlin:** It is difficult to say with opt-ins, because it really depends on what happens on the ground. If we see opt-ins of similar numbers as we have seen in Victoria, that is probably correct. But it is not clear to us that, particularly with Queensland being a very different state to Victoria, we might find quite different rates of opt-ins in terms of—

**Senator BIRMINGHAM:** No—

**Senator Conroy:** Barnaby is not here.

**Ms O'Loughlin:** geography and in terms of where people are located. I am in trouble now.

**Senator Conroy:** I think you have handled that very well. Senator Birmingham is outrageously trying to lead you.

**Senator BIRMINGHAM:** I am sure they will still stamp your passport on the way into Queensland, Ms O'Loughlin; thank you.

**Senator Conroy:** The other factor that you have to bear in mind is the general success in the uptake. There is promotion that takes place on television. You would have seen the Freeview campaign encouraging people and letting people know that there are new channels if you make the conversion now. When we started the scheme, I think it was 49 per cent—is that right, Ms O'Loughlin? When we started the campaign, was it 49 per cent?

**Ms O'Loughlin:** It was 49 per cent.

**Senator Conroy:** That is, 49 per cent had already made the switch themselves. We are standing at about 79 per cent now. So the issue is how successful will they be—the other TV campaigns of the television networks or the Freeview campaign plus the government's own letting people know that the date is approaching? So you have an interaction of factors when you make that calculation.

**Ms O'Loughlin:** I am advised that our current calculations in Queensland are estimating an opt-in of around 55,000 because of the quite different nature of the Queensland rollout.

**Senator BIRMINGHAM:** You are currently budgeting for about 55,000. Does the regional Victoria figure include the Mildura-Sunraysia area?

**Ms O'Loughlin:** No. That is separate.

**Senator BIRMINGHAM:** That is a separate number.

**Ms O'Loughlin:** That was around 3,000.

**Senator Conroy:** When we started that one, the take-up nationally was 49 per cent. But in Mildura, I think, from recollection—

**Ms O'Loughlin:** Seven thousand potentially eligible households and 3,000 took it up.

**Senator BIRMINGHAM:** So a much higher take-up, but then again you have virtually personally doorknocked everybody in Mildura-Sunraysia, I think, Minister, for that part—

**Senator Conroy:** We were very efficient in our program delivery in Mildura as well as regional South Australia.

**Senator BIRMINGHAM:** Certainly no bidder was letting the trial go off the rails at that point. So for regional South Australia the numbers are?

**Ms O'Loughlin:** The potential eligible households were 30,000. The opt-ins were 11,000.

**Senator BIRMINGHAM:** Thank you.

**Senator Conroy:** I want to stress, Senator Birmingham, that there is a combination of policies that are impacting on the uptake—the successful Freeview campaign, the successful government advertising campaign advising generally of the switchover dates, which are driving the uptake of the digital switchover process.

**Ms O'Loughlin:** Senator, we do extensive on-the-ground work. You mentioned Mildura-Sunraysia, which was pretty intensive. We have also had a fairly intensive campaign across regional Victoria with digital switchover liaison officers in place. One of the key roles of those officers is to actually work with local community groups, particularly in these areas of disadvantage, to make sure that they can make the switch either themselves or that they have available the HAS program to help them.

**Senator BIRMINGHAM:** So 11,000 in regional SA, 3,000 in Mildura-Sunraysia, around 27,000 to date in regional Victoria and the installation costs to date are sitting at about \$10 million; is that what I am led to believe, Ms O'Loughlin?

**Ms O'Loughlin:** That is correct, Senator.

**Senator BIRMINGHAM:** Are you expecting to use all of that \$1.3 million—

**Senator Conroy:** Any moneys that we do not use are obviously back to the budget, Senator Birmingham.

**Senator BIRMINGHAM:** These are called budget estimates, so I am asking about the estimates of the budget and whether some of those moneys might be returned to the budget, Senator Conroy.

**Ms O'Loughlin:** As a demand program, we will roll out to as many potentially eligible households who opt in to the scheme. As the minister said, if there are any moneys left over, they will be returned to the budget.

**Senator BIRMINGHAM:** Have your estimates of the take-up in regional Victoria and regional South Australia been on the mark or have they been under?

**Ms O'Loughlin:** Regional Victoria was a little under what we expected. As I mentioned, we are finding that people are coming in after the switchover date. At this stage it is coming out at about our estimated opt-ins. It was a bit under before switchover date.

**Senator BIRMINGHAM:** You have been getting a bit of extra free publicity about the scheme lately, too.

**Senator FISHER:** No publicity is bad publicity.

**Senator Conroy:** You always operate on that basis. Give us a hokey cokey while we are waiting!

**Senator FISHER:** It takes one to know one!

**Senator Conroy:** Give us a hokey cokey. We can have a hokey cokey in parliament. You have got it all over me there!

**Senator FISHER:** Practice away!

**Senator BIRMINGHAM:** Of the \$308 million that is being budgeted for the extension from 1 July 2011 to February 2014, how much is being set aside for direct payment for services, the equivalent to the \$10 million installation figure you just discussed, versus other costs?

**Ms O'Loughlin:** The \$308 million is the whole cost of the program. I do not have a breakdown of those costs with me. We are happy to take that on notice.

**Senator Conroy:** I am happy to take that on notice for you, Senator Birmingham.

**Ms O'Loughlin:** That would set out things like the Centrelink costs and the contractual costs.

**Senator BIRMINGHAM:** The installation cost, just so that we are quite clear on what this \$10 million figure is, is a payment made to whom for what services?

**Ms O'Loughlin:** To the head contractors to roll out.

**Senator Conroy:** And for what services. You understand, Senator Birmingham, that they do not get paid \$350 for every installation. You do understand that, don't you?

**Senator BIRMINGHAM:** Yes, I do.

**Ms O'Loughlin:** Invoices from the head contractors under the contracts with us.

**Senator Conroy:** Would you like to know a bit more about that process?

**Senator BIRMINGHAM:** Not right now. If I do, we will come to those questions. The rest of the costs that the department is paying in this system—Medicare, who else?

**Senator Conroy:** Centrelink.

**Senator BIRMINGHAM:** Centrelink, sorry. Medicare did home insulation—a freudian slip.

**Senator FISHER:** How much is it costing Centrelink? How much are you paying Centrelink for its role?

**Senator Conroy:** Could you explain what Centrelink's role is?

**Ms O'Loughlin:** Centrelink's role is to identify, firstly, all the eligible households in a particular switchover area and then it, in partnership with us, rolls out all the correspondence to those households. Then it is also responsible for checking the eligibility of people who come to it, to make sure that they are actually eligible.

**Senator Conroy:** It also receives the phone call making the booking.

**Ms O'Loughlin:** Yes. It helps us in organising the bookings. So it has quite an extensive role. There is an appropriation in this budget separately for Centrelink and we could, during the break, find that for you and provide that to you.

**Senator Conroy:** It also does a follow-up phone service.

**Senator BIRMINGHAM:** That is the forward appropriation. How much has been paid to Centrelink to date?

**Ms O'Loughlin:** I would have to take that on notice, Senator.

**Senator BIRMINGHAM:** Okay. Who else then, in terms of major contractors under the program, or recipients of the funding under the program, exist?

**Ms O'Loughlin:** The three main areas of funding are the administered funding—that is, the payment to contractors and the compliance checking that we do, which is a separate contract, so that there are compliance checks being done. We also, as part of that broad funding envelope, have the departmental funding, which is obviously for the staff working on the program. The third major part is the Centrelink costs.

**Senator BIRMINGHAM:** If you are not able now to provide me with a breakdown across those of both expenditure to date and the budgeted breakdown of future expenditure, if you could have officers do some work on that and provide that back to us, that would be appreciated.

**Ms O'Loughlin:** We are happy to take that on notice, Senator.

**Senator FISHER:** In terms of the costs which Senator Birmingham was just asking about, can you also break up the \$350 amount and—

**Senator Conroy:** That is not an amount. We can explain it again. I do not know if you have read my press release that I put out a week and a half ago, but we are happy to take you through how payments are made and what services are provided. The \$350 is not a figure that we actually pay per installation. We are happy to take you through the actual payments that are being made and how they are calculated.

**Senator FISHER:** Can you please, on notice, provide the committee with, per installation per household, what amount it is costing each and every participant in the process who helps the government deliver the HAS program?

**Senator Conroy:** I think I understand your question. I indicate again that one of the reasons we have been cautious about wanting to provide the exact dollar figure is that we actually have ongoing tendering processes. If we give an indication publicly of what have been the actual costs, you perhaps prejudice us getting better costs as we go. As you know, there have been a lot of claims from a lot of companies that they can do it cheaper. What we have said publicly—

**Senator FISHER:** All right.

**Senator Conroy:** If I could just finish: what we have said publicly is that we welcome companies' interest, we invite them to tender and we want them to try and beat the prices that we are currently paying. But if we tell people the price that we are paying then they perhaps will not necessarily try and underbid the prices when they put it in. But we welcome everybody's interest, and we invite everybody. I have written to Harvey Norman inviting them to tender and, with respect to any other company that is making the claims—and there are quite a lot of them—we invite all of them to participate in the existing New South Wales tenders. We look forward, if they are able to live up to their claim that they can do it cheaper, to them delivering a cheaper price to taxpayers.

**Senator FISHER:** Thank you, Minister. Nonetheless, I ask the department on notice to break down in dollar terms the notional, if you want to call it that, cost per household by breaking down that notional amount in terms of each—

**Senator Conroy:** We will give you the exact amounts. We can give you the breakdown.

**Senator FISHER:** —participant in the process to deliver the HAS, including the likes of Centrelink. My second question on notice—

**Senator Conroy:** I do not think it is that granular in the way you have just asked.

**Senator FISHER:** I am asking that it be so.

**CHAIR:** Senator Fisher—

**Senator FISHER:** Secondly—

**CHAIR:** Senator Fisher! Senator Conroy, have you finished your response?

**Senator Conroy:** You want to know the cost of a stamp, the cost of an envelope and the cost of a computer run per household?

**Senator FISHER:** I presume you have got that worked out.

**Senator Conroy:** Normally there is a—

**Senator FISHER:** Secondly, can the department provide on notice—assuming that the cost per household is 100 per cent—the equivalent percentages of the information I asked for previously.

**Senator Conroy:** I do not understand your question. Could you explain your question.

**Senator FISHER:** So the percentage of that 100 per cent cost, for example, per household that goes to Centrelink and its involvement in the process, and that goes to each and every other expenditure area or expenditure entity in rolling out the household assistance scheme?

**Senator Conroy:** We can give you a breakdown of the Centrelink costs, but I do not know that Centrelink, when they negotiate with us, do it on a stamp and envelope basis.

**Senator FISHER:** You misunderstand me.

**Senator Conroy:** That is why I am trying to get an understanding. That is why I am asking.

**Senator FISHER:** I do not want a breakdown—

**CHAIR:** Just hold on one second. Senator Conroy—

**Senator Conroy:** I am just asking you to clarify the question.

**Senator FISHER:** Okay. I will do so.

**CHAIR:** I understand that you are clarifying the question—

**Senator FISHER:** I am not seeking a breakdown of Centrelink's own costs but I am seeking a breakdown of the notional cost per household in both dollar terms and/or percentage terms of the amount of that notional figure per household that gets directed to each and every party involved in implementing the HAS.

**Ms O'Loughlin:** Senator, earlier on I indicated to the committee that there is not a standard per household cost.

**Senator Conroy:** Senator Birmingham indicated that he understood that. Do you understand that, Senator Fisher?

**Senator FISHER:** And find a way to come up with an average, Minister.

**Senator Conroy:** Do you understand that there is not, as the officer at the table has explained it—

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

**Senator Conroy:** Do you understand that?

**Senator FISHER:** Thank you, Minister. Can I hear the officer?

**CHAIR:** Senator Fisher—

**Senator Conroy:** Do you understand it? Senator Birmingham understood it.

**Senator FISHER:** Ms O'Loughlin?

**Ms O'Loughlin:** If I could just go back to what I mentioned earlier, if you look, for example, at the northern New South Wales and southern New South Wales tender, the payment schedule in that for the head contractors who are rolling out the installations is broken down to a very granular level of detail. Companies tendering need to provide us costs, for example, for a set-top box only in either Griffith and Murrumbidgee, south-west slopes and east of Riverina, Illawarra and South Coast, Central Tablelands, ACT and—

**Senator Conroy:** All on the public record.

**Ms O'Loughlin:** So they do it by regions. Then they go through, by each of those regions, what is the call-out delivery cost. Then they go through, for each region, what is the terrestrial installation cost, what is the tuning and demonstration of existing equipment cost, the set-top box, antenna and fly leads, external antenna and cabling, user-friendly remote control, provision and installation of satellite dishes, set-top boxes, smart cards and internal cabling. That is across every single region. When we come to assess the tender, we can look at all of

that and judge not just on the bottom line value for money but look at each component part—apples against apples in tendering. Therefore, it is very difficult at the back end of that to be able to provide you with a per household cost, because each household will have different needs.

**Senator FISHER:** You must be able to come up with an average, Ms O'Loughlin, and that is what I am seeking.

**Senator Conroy:** We are giving you the exact—

**Ms O'Loughlin:** We can tell you that the average cost in Victoria was just over \$200.

**Senator FISHER:** No. I am sorry to interrupt. My question seeks that you break it up, but in breaking that cost up, my question is not simply about the installer and the costs that go to the successful tenderer, it is about each and every participant in the process. The government is budgeting on Centrelink, for example, assisting with this. I am seeking that you average out those components.

**Senator Conroy:** We will go through *Hansard* and attempt to give you as much information as we can.

**Ms O'Loughlin:** We will attempt to do something that is useful; absolutely.

**Senator FISHER:** Thank you. What evidence is there that people are misrepresenting themselves as authorised installers? Is there any?

**Ms O'Loughlin:** We are very strict with the household assistance scheme to make sure that the head contractors and the subcontractors actually represent themselves absolutely accurately.

**Senator Conroy:** There have been incidents where people have sought to turn up on people's doorsteps to sell them various things, and they have been raised by Mr Forrest, I think. He raised one, and possibly there may be others. But they have not sought to represent themselves, as far as we are aware, as authorised installers. I am happy to be corrected on that.

**Ms O'Loughlin:** I would have to double-check that now.

**Senator Conroy:** They have essentially been saying: 'The government are closing it down. You've got to hurry up and buy. We can install one for you.' They have not been authorised people, as far as we know, from the information that Mr Forrest has supplied us. We have gone public very quickly in response to these incidents. People have even placed ads—I have seen the ads a while back—in newspapers saying, 'Get a digital antenna.' There is no such thing as a digital antenna. Again, one of the reasons we need the information program, and we have had the support of local MPs, is to make sure that people have not been scammed by people who are not involved and who are trying to find ways to trick people into purchasing things from them.

**Senator FISHER:** Thank you, and quite right. Given that the scams with the Home Insulation Program went beyond representing oneself as an authorised installer, indeed it went to other stuff arguably arising out of the Home Insulation Program, you would have to expect the same with the HAS.

**Senator Conroy:** No, you would not.

**Senator FISHER:** You just gave me an example—

**Senator Conroy:** No, you would not expect it. You are premising your question wrong, and I am challenging the premise of your question.

**Senator FISHER:** Then let me ask my question.

**Senator Conroy:** We have an entirely different process.

**Senator FISHER:** What is your process?

**Senator Conroy:** Centrelink writes to people—

**CHAIR:** Senator Fisher, allow the minister to explain the process.

**Senator Conroy:** Centrelink identify eligible individuals. They write to them and invite them to contact Centrelink to make an appointment for someone to come and do the installation. So people proactively seek to have someone come and install it. It is not a question of people who are registered that can go out and doorknock. So you actually are advised in writing that you are eligible. You are then invited to make a phone call, to make an appointment for somebody to come and do it. That is why it has been able to have the minimal issues that may have arisen in other programs.

**Senator FISHER:** Thank you.

**Ms O'Loughlin:** I would also like to add to that, Senator, that this program is subject to (1) an open tender and (2) extensive contractual arrangements between the department and the head contractor. That covers issues such as service standards, occupational health and safety, appropriately dealing with people who may have disabilities. It deals with timeliness of delivery, quality of service. So there are extensive—

**Senator FISHER:** Work practices?

**Senator Conroy:** What do you mean by 'work practices'?

**Senator FISHER:** I noticed on the form: 'Does the tenderer comply with the Fair Work Act 2009?' If a tenderer responds 'yes' to that, what checks are run to ensure that that is correct, or is 'yes' good enough? And what happens if subsequently it is found out that a successful tenderer is not, for example, paying the rates required under the—

**Senator Conroy:** That would be misrepresenting and fraud.

**Ms O'Loughlin:** That is right. They would be noncompliant with their contract.

**Senator FISHER:** So they would be required to repay the service payments—

**Senator Conroy:** We expect them to comply—

**Senator FISHER:** given to them under the scheme, would they?

**Ms O'Loughlin:** No, in the assessment of the tenders we will look very carefully at all the claims made by tenderers, as we would normally do.

**Senator FISHER:** How would you assess that one?

**CHAIR:** Senator Fisher, would you please allow the officer to answer the questions.

**Senator FISHER:** Ms O'Loughlin is.

**Senator Conroy:** No, we would like her to finish answering the question you asked before you ask her a new one.

**CHAIR:** Senator Conroy, order! Senator Fisher, just a little bit of patience, a little bit of courtesy and we will get through this.

**Senator FISHER:** It is hard to have patience, Chair, when I know that you will cut me off.

**CHAIR:** I know it is hard for you not to have patience. Ms O'Loughlin?

**Ms O'Loughlin:** Senator, I do not have the details of that, but I can assure you that in the tender process we look very carefully at the tenders that come before us and we have extensive contractual arrangements. Tenderers and contractors are asked to comply with a broad range of Commonwealth legislation and we seek their assurances that they do so.

**Senator FISHER:** Thank you. Can I ask you on notice to come back to me on how the department satisfies itself that a successful tenderer who says they do comply with the Fair Work Act indeed does so. Finally on that point, and then I have one more question, is \$50 sufficient for a successful tenderer to pay a person to install a set-top box? Does that comply with the Fair Work Act?

**Ms O'Loughlin:** I cannot offer an opinion on that. It would be dependent upon a range of circumstances—where a person was going, how simple the installation was. So I am not prepared to offer an opinion on that because I cannot.

**Senator FISHER:** Do you think there could be a scenario where 50 bucks is enough and compliant?

**Senator Conroy:** Sorry, could you repeat your question?

**Senator FISHER:** Do you think there could be a scenario in which 50 bucks is enough and compliant?

**Senator Conroy:** Sorry, 50 bucks is enough for what?

**Senator FISHER:** I have already included that in my earlier question: for a successful tenderer to pay a subcontractor or an employee to install a set-top box under this scheme.

**Ms O'Loughlin:** I am not in a position to offer an opinion on that. That would be a matter for what we would see coming forward in the contracts and the tenders. As I have said, that would be broken down into an installation fee for a very easy installation, a simple installation in a place that was just around the corner from where somebody was located, their business was located.

**Senator Conroy:** A whole range of factors come into this.

**Senator FISHER:** If an installer were to allege, as indeed has happened—

**Senator Conroy:** One has publicly.

**Senator FISHER:** that they were paid \$50 to install a set-top box, the department would not investigate the compliance of that with the scheme and the Fair Work Act?

**Ms O'Loughlin:** I am not aware of the circumstances of the \$50 one.

**Senator FISHER:** It has been subject to some press in the last couple of weeks.

**Ms O'Loughlin:** I thought it was more.

**Senator Conroy:** The one I saw in the press was higher than that, Senator Fisher.

**CHAIR:** Last question, Senator.

**Ms O'Loughlin:** The only one I am aware of in the press was for an \$84 installation.

**Senator FISHER:** I will come back from the break with the article that refers to that. My final question is: given that in the opening statement we heard that the set-top box scheme was targeted at those who need help in practical terms with technical difficulties in accessing digital TV, I refer to annexure B, the Digital Switchover Household Assistance Scheme installation form, that an eligible person has to fill in. In respect of a particular pensioner who was reported as complaining in the *Herald Sun* that he had no contact details left for help et cetera, the minister is quoted as saying:

I am aware that Mr McLaren signed the installation form to say he had received his set top box and that it had been fully configured and tuned; and that he had received all supporting information and assistance avenues—

**Senator Conroy:** I also went on to say that the hotline number is on the back of the remote control, which is, I understand, on the back of all remote controls.

**Senator FISHER:** Thank you. My question is not about that aspect. Given that the scheme is targeted at giving people practical and technical access to digital TV, why does the form not require them to sign off to say that the set-top box they have had installed works?

**Senator Conroy:** It does.

**Senator FISHER:** As the minister said, he has to sign off to say he has got the set-top box, it has been configured and tuned. Why doesn't the form require the householder to say, 'Yep, got it and it works'? Why doesn't the form require the householder to say or attest as to whether or not they have already got a digital TV that provides them with access, given that the aim of the scheme is to provide them with access, for what purport, if they have already got access through a digital TV—

**Senator Conroy:** Have you finished?

**Senator FISHER:** and finally, why does the form not require them to attest that they have not already got a fully functioning and high-definition set-top box somewhere else in their home that gives them practical and technical access to digital TV? There is no question—

**Senator Conroy:** Perhaps again, Senator Fisher, we can take you through how the process works so that you understand there is a two-stage process, and that the form you are quoting from is one-half of the process. You have clearly not listened to the advice that has already been given. Ms O'Loughlin will take you through the two-stage process that people go through. One is the eligibility at the beginning and one is the receipt of the good at the end. We will take you through both steps so that you have them firmly in your mind and can correctly understand the process.

**Senator FISHER:** Provided that both steps—

**CHAIR:** Senator Fisher, Ms O'Loughlin is going to answer the question.

**Senator Conroy:** She is going to take you through it right now.

**CHAIR:** Senator Conroy, do not engage. It only encourages.

**Ms O'Loughlin:** The eligibility part of the process is the part that Centrelink is involved in. As we mentioned earlier, there is a letter that goes out from Centrelink that in the first instance only goes to those households where there are eligible householders. The householders are informed at that stage what the eligibility criteria are, which include that they have not yet converted to digital and do not have digital equipment. They are asked by

Centrelink to confirm that, which they do or do not, as the circumstances may arise. So eligibility and their non-conversion to digital are handled at that stage.

**Senator FISHER:** What if they tell a fib?

**Senator Conroy:** That would be fraud.

**Senator FISHER:** What checks do you have?

**CHAIR:** I am not going to engage in a debate here. You have asked the question. The officer will answer the question and then we are moving on.

**Ms O'Loughlin:** We do ask, when the installer goes out—most of them will be able to tell if there is a set-top box attached to the television.

**Senator Conroy:** Or if they have disconnected it and put it in the cupboard.

**Ms O'Loughlin:** We recognise—

**CHAIR:** This is getting absolutely ridiculous. You have asked the question—

**Senator FISHER:** I do not think \$309 million of taxpayer funds is ridiculous.

**CHAIR:** You have asked the question. The officer is attempting to answer the question.

**Senator Conroy:** Can you let her finish before you start asking new questions.

**CHAIR:** Stop interrupting.

**Ms O'Loughlin:** We do recognise that people might hide things in cupboards. We do not require installers to go searching through people's houses. But we do also find that the people we deal with are relatively honest people who just want to convert and usually shy away from asking for additional government support, rather than going out and seeking it.

The second stage of the process is the installation, where the contracted installer, against the very high-level service standards that we have in our contracts, goes into the home. They are required to keep quite a lot of detail that they provide back to us, in terms of what the signal was in the home, what the equipment layout was, whether it was an old analog telly that needed an RF modulator—which are very rare to get these days but sometimes we need to use if people have got 30-year-old television sets—and what they actually did in the home. They are also contracted to actually demonstrate to the people in the home that the equipment is working. The form that you have is for the householder to sign off that they have received the service. So we have that check.

**Senator FISHER:** It has at the back 'the endorsed and—

**CHAIR:** Thanks, Senator Fisher. Senator McEwen, you have the call.

**Senator FISHER:** Does that inform that—

**Senator McEWEN:** Thank you, I have some questions.

**Senator FISHER:** Can I just put this on notice?

**CHAIR:** No. Senator McEwen has the call.

**Senator McEWEN:** You can put whatever you like on notice. I just wanted to ask some questions about where we are at with VAST, the viewer access satellite television component of the digital rollout. I understand that it is now available in all areas of Australia where it is needed; is that right?

**Ms O'Loughlin:** The viewer access satellite television service is indeed functioning across Australia. There are two services. There is the eastern VAST service and the western VAST service. The full eastern VAST service commenced on 15 December 2010. That carries all the free-to-air digital television channels, including the three commercials, two nationals, as well as all of the new digital standard definition services and a dedicated local news channel.

The western VAST service commenced operation on 31 March this year. In terms of the western VAST service, it is currently available to those people in that footprint who used to have services only through the Aurora platform. They have been able to access their western VAST service since 31 March this year. The other part of VAST's service is to those people who actually cannot get an adequate reception from a terrestrial rollout. The viewers in the western VAST footprint who are identified as unable to receive adequate reception will receive VAST from 30 July this year. So there is a bit of a staged rollout of the western VAST but it is up there, it is operating and it is providing the 16 free-to-air channels plus local news services.

**Senator McEWEN:** So the people who get it from 30 July on the western VAST service, are they in a particular region or are there black spots throughout the area?

**Ms O'Loughlin:** Black spots throughout the area.

**Senator McEWEN:** You said the western VAST service people previously had Aurora but now they will get the full suite of free to air and digital?

**Ms O'Loughlin:** That is correct. Aurora used to usually only have about four channels on it. The people who are converting from Aurora to VAST are going from a quite confined service to the same number of channels as are available in metropolitan areas plus retaining their regional local news services.

**Senator McEWEN:** Do you know how many people in remote Australia have signed up to VAST since it opened?

**Ms O'Loughlin:** My latest information is that about 20,000 households have signed up to VAST with about 24,000 decoders. Some people are obviously taking more than one decoder in the house because they have more than one television in the house. That is across all of Australia. I note that, in the remote central and eastern areas of Australia, about 12½ thousand households have signed up to about 14,000 decoders. In regional remote WA to date there are about 260 households and about 293 decoders, but recognising that that has only been open for a very short period of time.

**Senator McEWEN:** Do all of these people do it at their own cost?

**Ms O'Loughlin:** They do.

**Senator McEWEN:** All of them?

**Ms O'Loughlin:** The ones in remote areas have converted at their own cost. Most of those homes would have already perhaps had a satellite dish on their roof because they were receiving the Aurora service, but they would have had to pay for new set-top boxes and decoders.

**Senator McEWEN:** Do we know how many more households are likely to switch or is that pretty much it?

**Ms O'Loughlin:** No, Senator, I expect there will be considerably more in remote areas to switch, with the opening up of the western VAST. Also, in, say, Queensland, remote areas do not switch off their analog services for some considerable length of time, another couple of years. I think we will find that over the next couple of years a significant amount more people will move on to the VAST service from the old Aurora service. We will also find areas where it is just not possible, because of terrain or other geography, to get terrestrial services in, and that those people who may not have been able to get a good analog service will be able to access the new VAST services and get the full suite of channels available in metropolitan areas.

**Senator McEWEN:** I guess the take-up will be facilitated by advertising—Freeview and government campaigns.

**Senator Conroy:** People have welcomed the opportunity, for the first time in regional and rural Australia, to get the same level of services as people in metropolitan Australia. I think people are rushing to take up the service, to take advantage of new services. Many people in metropolitan Australia do not realise that, in fact, people in regional Australia have not had the same number of commercial channels or the multichannels or the new digital channels, as they are called. I think it is a tremendous response and we are very pleased that so many people have taken the opportunity to get in early.

**CHAIR:** Some regional viewers are very complimentary of it.

**Senator Conroy:** That is right.

**Senator McEWEN:** Is there an opportunity for Australians or even tourists who are travelling around in caravans and campervans to take advantage of VAST?

**Ms O'Loughlin:** There is. We have found that a lot of people have already signed up to VAST who are travellers around Australia. It is a very easy and convenient way for them to convert to digital and then make sure that they actually receive all the channels, no matter where they go.

**Senator McEWEN:** You can just do it with a little satellite dish on your campervan?

**Ms O'Loughlin:** A little satellite dish on the roof, yes. You often find these days that people who go on extended travel around Australia have already converted to satellite.

**Senator McEWEN:** Thank you very much. That is all, Chair.

**Senator Conroy:** How did you find the new service? Are you on VAST, Senator Troeth?

**Senator TROETH:** No, I am not on VAST.

**Senator Conroy:** Really? I just assumed you were still a doyenne of the Western District.

**Senator TROETH:** I still am.

**CHAIR:** We call them Pitt Street farmers in New South Wales!

**Senator Conroy:** Are any of your family on VAST?

**Senator TROETH:** Not as far as I know. Yes, one is. They find it satisfactory, as far as I know.

**Senator Conroy:** Come on! You could be more generous than that.

**Senator TROETH:** I would like to concentrate on—

**Senator Conroy:** Satisfactory? They jumped from 1½ channels to 16, and it is satisfactory?

**Senator TROETH:** I would therefore like to ask why an eligible pensioner is disadvantaged if they have gone out and bought the cheapest standard definition only set-top box?

**Senator Conroy:** The problem is that when the Howard government introduced digital TV signals they mandated that there would be both standard definition signals and high definition signals. So the problem has actually been created because when the Howard government introduced digital television it allowed there to be two signals and therefore two types of set-top boxes that would be required.

**Senator TROETH:** Yes, I understand. But given that you are now in the business of dispensing lots of other people's money, it does seem very unfair that if you are a pensioner per se you should be eligible for the largesse that is now being distributed—

**Senator Conroy:** Largesse—you are not serious? You are not really going to take up this campaign?

**Senator TROETH:** Minister, I have asked a question.

**Senator Conroy:** You are not really going to describe giving a pensioner a set-top box as 'largesse'?

**Senator TROETH:** Given your definition of rich people, I am not surprised. Nevertheless, Minister, I am asking—

**Senator Conroy:** We never made that comment. I think Dennis Shanahan wrote it first—

**Senator TROETH:** why some pensioners—

**Senator Conroy:** and then News Limited took it up as a campaign.

**Senator TROETH:** are eligible and some are not?

**Ms O'Loughlin:** Under the household assistance scheme it is highly targeted to those people that we think will not be able to convert without not just a set-top box but in-home assistance to convert. It does provide a high definition set-top box so that those people do receive the full suite of channels.

**Senator TROETH:** It does seem to me unfair that if you are a pensioner you should be eligible for this given that other pensioners are not.

**Ms O'Loughlin:** It is a full-rate pension, a carers allowance or a DVA pension. They are the people who are eligible under the household assistance scheme, as long as they have not converted to digital.

**Senator TROETH:** Moving on to those who rent their premises rather than own it, why are they not eligible for any assistance relating to an upgraded external aerial?

**Senator Conroy:** We do not have permission to wander onto property that we do not own and make adjustments to it. It is a normal landlord-lessee arrangement. We cannot start making adjustments. We believe that the owners of the property who installed the original aerial are the people who should upgrade the aerial, if it is necessary. So landlords own the property, landlords installed the aerial and landlords are responsible for them.

**Senator TROETH:** If they do that—this is my last question—they will then inevitably approach the tenants to put in money for an external aerial upgrade. Why couldn't the tenants be given a voucher to help pay for that inevitable request from the body corporate or a landlord?

**Senator Conroy:** We believe it is the responsibility of the owners of the property who are the owner of the aerial to upgrade the aerial.

**Senator TROETH:** I will say, Minister, in both those situations it is—

**Senator Conroy:** What you are actually advocating is expending more money, or 'largesse' as you used the phrase.

**Senator TROETH:** No. I would be happy to spend more money on the most disadvantaged people in our community.

**Senator Conroy:** That has been a long tradition of yours.

**Senator TROETH:** Yes, it has been actually. It would be—

**Senator Conroy:** I am being complimentary there, Senator Troeth.

**Senator TROETH:** It would be better to treat everyone equally. That is all, Chair.

**CHAIR:** Thank you, Senator Troeth. That now brings us to the break.

**Proceedings suspended from 13:00 to 14:01 pm.**

**CHAIR:** I now call officers from program 1.3.

**Senator IAN MACDONALD:** I want to continue questions on the set-top box program or, more appropriately, the Housing Assistance Scheme. Could you just refresh my memory on who is actually eligible for the assistance?

**Senator Conroy:** The same people as when you voted for it in parliament.

**Ms O'Loughlin:** It is available to people on various full rate pensions, which are the age pension, the disability support pension, the carer payment, the veterans affairs service pension and the veterans affairs income support supplement.

**Senator IAN MACDONALD:** So if you are in receipt of one of those pensions you are entitled to access the scheme?

**Ms O'Loughlin:** If you are in receipt of the full rate of one of those.

**Senator IAN MACDONALD:** Is another qualification that you have to own your own home?

**Ms O'Loughlin:** No.

**Senator IAN MACDONALD:** If you are renting a home—and this is the point that Senator Troeth was making—you are not eligible.

**Ms O'Loughlin:** No, Senator, you are eligible if you are renting a home. You can still be provided with the digital set-top box and the in-home installation. The only thing that you would not be entitled to is if an internal antenna did not work for you we would not be able to provide you with an antenna on the outside of the building because that is the responsibility of the landlord.

**Senator IAN MACDONALD:** Do you have any assessment of how many eligible pensioners do not own their own homes?

**Ms O'Loughlin:** I do not, but, again, they are still entitled to the service. It is only that small subset of people who would need an external antenna installed under the Housing Assistance Scheme. We would not be able to install the antenna. Most of time we are able to install an indoor antenna for people in rental homes as well as for people who own their own homes.

**Senator IAN MACDONALD:** Do you have any way of getting information on the number of those eligible pensioners who do not own their own homes?

**Senator Conroy:** Short of asking them, no.

**Ms O'Loughlin:** I do not think so, but we would only really find out where we went out there whether they needed an outdoor antenna adjustment. So it would not be until we went into the home that we would be able to make that assessment in most cases.

**Senator IAN MACDONALD:** Thank you for that. I understand your answer, but my question was: do you have any way of easily finding out the number who do not own their own homes? I am not going to ask you to access records which you do not have. But do you have an ability to ascertain how many of those eligible pensioners do not own their own homes?

**Senator Conroy:** It is not relevant to the assessment.

**Senator IAN MACDONALD:** What is the situation if a pensioner is in a unit building, where they do not have their own roof above them but have a multi-unit dwelling?

**Ms O'Loughlin:** It is the same issue. That goes across the board for all multi-dwelling units. The aerials in those units are the responsibility of the owners to make decisions on in terms of antenna upgrades.

**Senator IAN MACDONALD:** But if the internal aerial does not work then people who do not own their own homes or people who live in units who would be eligible would find that it would be pointless getting the assistance because they would not be able to access the signal without a proper aerial.

**Senator Conroy:** The owner of the building and the owner of the aerial have the responsibility. It is very straightforward, Senator Macdonald, unless you are saying that we should spend more money than we are currently spending.

**Senator IAN MACDONALD:** Minister, I am simply asking questions to ascertain how many people on a full pension may not be able to access digital TV because they do not have an appropriate aerial. I appreciate what you say. The owners of the building should put the aerial on, but the owners of the building may not put the aerial on, in which case the pensioners will not get it, notwithstanding their expectation, following the budget announcement, that they would. I was just wondering if the department had any indication of the number of potential recipients who may not be to get it because they do not own their own home or they live in a multiple-unit dwelling.

**Ms O'Loughlin:** We do not have that detail. As I mentioned, I think that would be quite difficult to ascertain. There will of course be landlords who are quite happy to upgrade external equipment as part of their tenancies. It is something that we are very mindful of. We have not had significant issues to date. I am not saying that we have not had some, but we have not had significant issues to date. We are very aware that some people in those situations

will face difficulties. We are happy to help them in providing information to their landlords to, firstly, advise the landlords about our scheme and how much we are doing to assist those homes to convert to digital but also provide information to the landlords about what sort of equipment upgrades they are responsible for.

**Senator IAN MACDONALD:** Ms O'Loughlin, can you tell me—or perhaps the minister can—what was the rationale for those recipients who are long-term unemployed? I am thinking particularly of Indigenous people, who find it difficult, through their nature and through things like wild rivers legislation, to get full-time employment. Were they considered for this sort of assistance as well?

**Senator Conroy:** The government considered all of the potential people we believed might need assistance and ultimately formed a judgment that, within budgetary constraints, we would go for the groups that we targeted. There were a range of issues and a range of arguments and we ultimately settled on that one.

**Senator IAN MACDONALD:** Do you know, Minister, if there is any assistance for Indigenous people living in rural areas?

**Ms O'Loughlin:** I might just mention that there are 18 remote Indigenous communities in Queensland and we have not commenced the rollout of the programs into Queensland, as you will be well aware. Next week some of the teams are going into those remote Indigenous communities in Queensland to discuss the rollout of the HAS program and also the VAST program into those regions and to work with those communities to see what their needs will be. Under the program we will be fully subsidising solutions in those communities, but we are yet to roll in out into those remote Indigenous communities.

**Senator IAN MACDONALD:** So they will be receiving this assistance even if they are not full-time pensioners. Is that what you are saying?

**Ms O'Loughlin:** I am sorry, I will just clarify. Remote Indigenous communities are able to access a different scheme called the Satellite Subsidy Scheme, because those communities will be going to satellite. In those circumstances, in those 18 remote Indigenous communities, they will be fully funded to convert to satellite.

**Senator IAN MACDONALD:** They are remote Indigenous communities.

**Ms O'Loughlin:** That is correct.

**Senator IAN MACDONALD:** There are many Indigenous communities that are adjacent to rural towns that would not be considered remote and perhaps would not be eligible for that. I think you would know that homeownership is not common with Indigenous people. It is either government supplied or community supplied more often. Will they be eligible for those packages or will someone, again, have to put the aerial on the roof?

**Ms O'Loughlin:** They will only be eligible for the Household Assistance Scheme if they are in the pensioner categories that I mentioned earlier.

**Senator IAN MACDONALD:** So if they are long-term unemployed they will not be entitled?

**Ms O'Loughlin:** No.

**Senator IAN MACDONALD:** If they are getting whatever CDEP is called now they are not eligible?

**Ms O'Loughlin:** No. As I mentioned, it is full rate pension for age pension, disability support pension, carer payment, veterans affairs service pension and veterans affairs income support supplement.

**Senator Conroy:** Before you go on, Senator Macdonald, I have a bit of extra information on some questions that you asked earlier. We understand that the Digital Switchover Taskforce met face-to-face in Melbourne with the manager of Asset Strategy and Policy and the senior policy officer of the Department of Human Services in Victoria. We understand that in multiple unit dwellings with shared antenna systems DHS were already well on target to complete full digital upgrades to all such property. The only ones they are refusing to do are the stand-alones. So in the multiple unit situation in Victoria the department was converting antennas.

**Senator IAN MACDONALD:** Which department?

**Senator Conroy:** DHS, the Department of Human Services.

**Senator IAN MACDONALD:** Is that a Victorian department?

**Senator Conroy:** The Victorian department.

**Senator IAN MACDONALD:** They would be doing that in buildings the Victorian government owns, I assume, or are they doing it for every unit dwelling in Victoria?

**Senator Conroy:** They are doing it for the ones they own. So it is that subset of subsets. Where there are pensioners in blocks of flats that are owned by the Department of Human Services they are doing the conversion for the single aeriels.

**Senator IAN MACDONALD:** Thank you for that waste of my time, which is very, very limited.

**Senator Conroy:** I thought that was relevant to what you asked earlier.

**Senator TROETH:** That does set my mind at rest to some extent. So the other states need to follow the lead of Victoria.

**Senator Conroy:** Definitely. South Australia has done a little bit and Queensland are considering doing it. But the Victorian example is a very good one for people to follow.

**Senator IAN MACDONALD:** I will turn to the rural areas where the digital rollout is proceeding. They started in rural Victoria. When was that?

**Ms O'Loughlin:** Regional Victoria switched over on 5 May.

**Senator IAN MACDONALD:** Of this year?

**Ms O'Loughlin:** Of this year, yes.

**Senator IAN MACDONALD:** And they are the first?

**Ms O'Loughlin:** No. Mildura-Sunraysia switched in June last year and then areas of regional South Australia and Broken Hill switched over in December last year. Then regional Victoria switched on 5 May this year. The next switchover is regional Queensland on 6 December.

**Senator IAN MACDONALD:** Those in rural and regional Australia in particular who have switched over are fairly easily defined. I am just wondering, was any thought given to giving a grant of up to the relevant amount of \$350—

**Senator Conroy:** That is not the relevant amount, as we have explained on a number of occasions.

**Senator IAN MACDONALD:** to those—

**Senator Conroy:** It is important because you made the comment—

**Senator IAN MACDONALD:** Up to \$350.

**Senator Conroy:** It is not \$350; it is paid on the level of service provided in each individual home. They do not pay an average to anybody. They pay for services provided in each individual home.

**Senator IAN MACDONALD:** Ms O'Loughlin, was any thought given to in some way giving a grant or reimbursing those in the categories that are now being paid who, at their own cost and own initiative, bought a new digital TV or a set-top box when the digital signal became available? Bear in mind that those who looked after themselves are being disadvantaged.

**Senator Conroy:** People are choosing to go early. Many households around Australia have not waited for the switchover to convert; they are taking advantage of the new VAST satellite service, which you heard us talk a little bit about before lunch. It is a fabulous new service. I am sure many of your constituents use it. But also they are taking advantage of the government's decision to progress with the multichannels which are now fully on air. People are choosing to opt in early to take advantage of all of the new channels.

**Senator IAN MACDONALD:** They are not going to receive the government's largesse.

**Senator Conroy:** No. The government did not consider that it was appropriate to give people a voucher or a grant if they had already made the conversion. They made the choice to go early themselves. That was the view taken.

**Senator IAN MACDONALD:** People in Sunraysia made the decision to do it when the signal became available.

**Senator Conroy:** No. As funny as this will sound, 70 per cent of the people in Sunraysia had already converted prior to the start of the program because of the extra channel that was available digitally, known as Channel 10 or Southern Cross. So 70 per cent of Mildura residents had already upgraded before the program was available.

**Senator IAN MACDONALD:** My question relates to fairness and why you thought that those who had spent their own money should not be assisted but those who had waited were to get the assistance. These are recipients of the full pension.

**Senator Conroy:** Perhaps you missed when I read out Senator Minchin's article earlier.

**Senator IAN MACDONALD:** I did not miss that. That is not relevant.

**Senator Conroy:** That was not the position the opposition argued for.

**Senator IAN MACDONALD:** I am not asking for the opposition's view; I am asking for your view.

**Senator Conroy:** You voted for it. It is your view.

**Senator IAN MACDONALD:** I am asking for your view.

**Senator Conroy:** This is a safety net. It was not meant to be ubiquitous. It is a safety net for the most vulnerable.

**Senator IAN MACDONALD:** It is unfair to those who have taken their own initiative, not knowing that this was coming in the budget.

**Senator BIRMINGHAM:** It is a bit like the government's approach to privatisation.

**Senator Conroy:** We will leave Senator Birmingham to criticise the largesse. You can criticise it on the basis that there was not more largesse, but those positions are mutually inconsistent.

**Senator IAN MACDONALD:** Chair, I have a lot more questions yet to ask. Because of the minister's lengthy answers, my time has unfortunately run out. I did have other questions to ask but I will have to put them on notice.

**CHAIR:** Thanks.

**Senator FISHER:** I have three questions. The first is on the digital switchover. Given the increased money allocated to the switchover, what assurance can be given that any tenders that you receive for future switchover areas will be within budget? I refer in particular to the 2011-2012 \$376.5 million. That is from page 19 of the PBS. What guarantee can be given that the tenders will be within that and that we will not have the situation, albeit on a smaller scale, that we saw recently with the 14 construction tenders for the NBN?

**Ms O'Loughlin:** We have done extensive work to assess eligible households, to assess what we think the rate of opt-in is. We have experience in running three of these tenders now, so we have a good experience of what sorts of costs we should be getting from the market. We also expect that there will be further efficiencies in the program in larger rollout areas. We have contracts which are very tight and binding on the contractors who we appoint to roll out the program. In those circumstances we are very confident that we will not need the full amount of money that the government has provided and certainly would not need more than that.

**Senator FISHER:** Thank you. That is some reassurance. I have two questions about VAST. The first is in connection with Keith, in the south-east of South Australia, in particular people who live within a 50 kilometre radius of Keith, which has a population of 1,200 people. It is pretty significant in South Australian terms. People within that radius might not be eligible for the satellite subsidy scheme because they do not currently get a TV signal from an analog tower, which is going to be upgraded to digital. So they are not eligible for VAST.

**Senator Conroy:** They are not eligible for the subsidy for VAST.

**Senator FISHER:** For the subsidy, I am sorry. That is entirely right. Is their only option to install the equipment themselves, at a cost of some \$900 to \$1,000, to get TV?

**Senator Conroy:** Is it 20,000 people now who have taken up VAST?

**Ms O'Loughlin:** It is over 20,000 people.

**Senator Conroy:** Over 20,000 Australians have been more than willing to pay to access the fabulous new service that is available from VAST.

**Senator FISHER:** So that is their only option, though?

**Senator Conroy:** If they are not eligible for the subsidy they can keep—

**Ms O'Loughlin:** It is their only option unless they are eligible for the Household Assistance Scheme, where we will support them to convert. Otherwise it would be up to the

householders to convert. I am not aware of the circumstances of Keith, but it is quite likely that they have not been getting a very good analog service and therefore –

**Senator FISHER:** You may well be right.

**Ms O'Loughlin:** Therefore, hopefully, the benefits of converting to VAST will be that they get 16 channels and a good service permanently for a one-off cost.

**Senator FISHER:** Yes, but they will have to pay for it themselves, from what you are saying.

**Ms O'Loughlin:** Yes.

**Senator Conroy:** Twenty thousand Australians have rushed out the door to sign up at their own cost.

**Senator FISHER:** Thank you. I will provide you with further information, to the extent that I can, Ms O'Loughlin, about the residents about whom I am talking in case there is any further info that you can provide. We have gone close in that you have suggested that those people could be eligible under HAS. If a household do get a set-top box under HAS because they were eligible and they are not entitled to a subsidy for VAST and the set-top box subsequently proves to not be effective in their area, do they then have no option other than to, once again, install the equipment to get VAST at their own cost?

**Ms O'Loughlin:** Because it is an in-home installation we require the contractor to make sure that they do get a good signal before they leave the household. So if they go in and install a set-top box and then find that the set-top box and internal aerial are not going to work, then they test an external antenna. If that is not going to work then they can help the person involved apply to VAST. If they need to go to VAST we will provide that under the Household Assistance Scheme.

**Senator FISHER:** That, to some extent, relates to my question before lunch about what verification there is to make sure that the set-top box works.

**Ms O'Loughlin:** There is a lot of feedback that we require the contractors to come back to us with, which we scrutinise. Part of that will be that they have to take signal measurements so that we can assess that, with the technical details that are available to us, the signal strength is strong enough for the household to rely on a set-top box.

**Senator FISHER:** Thank you very much. Madam Acting Chair, can I clarify for the record, my questions before lunch about allegations about installers being paid \$50 for the job. It was reported in the *Weekend Australian* on 14 May, on page 9, under the heading 'PM counters rort blowout claims'. There was a quote there from a Mildura based contractor who installed set-top boxes under the pilot scheme who claimed he received as little as \$50 for installations.

**Ms O'Loughlin:** We would be happy to look into the matter.

**Senator FISHER:** Thank you.

**Senator BIRMINGHAM:** I want to round off on a few different issues. Firstly, in relation to landlords and rental properties, are there any requirements that landlords have to upgrade aerials or infrastructure that the government does not support?

**Senator Conroy:** I am confused by your question.

**Ms O'Loughlin:** Most landlords and owners of multi-dwelling units will need to upgrade antennas so that the residents can still receive television post-switchover.

**Senator BIRMINGHAM:** Is that in all instances? Whether they are pensioners or otherwise, that is completely up to the landlord?

**Ms O'Loughlin:** Yes.

**Senator Conroy:** Landlords own the building and they own the antenna.

**Senator BIRMINGHAM:** Yes, indeed. Thank you, Minister. Pensioners own their buildings too in many instances.

**Senator Conroy:** If they do and if they are eligible, when we come if they need an antenna we put an antenna up.

**Senator BIRMINGHAM:** Unless of course they are in a rental property, in which case they are going to have to have the argument with their landlord. It is just another one of the inconsistencies you get out of programs like this.

**Senator Conroy:** It is not an inconsistency, but if you would like to advocate spending more money in this program please feel free.

**Senator BIRMINGHAM:** I am certainly not advocating that, Minister.

**Senator Conroy:** You voted for this program and these guidelines.

**Senator BIRMINGHAM:** I am certainly not advocating that. You have touched a bit on state issues. You talked about what the Victorian Department of Human Services has done. Did the government consult with all state housing authorities when setting up this scheme?

**Senator Conroy:** I know that we had discussions with the South Australian housing authority.

**Ms O'Loughlin:** We have had ongoing consultation with each of the state and territory public housing authorities as we move into a switchover area. So we certainly had discussions with South Australia. We had lengthy and ongoing discussions with Victoria. We have also been in discussions with the Queensland Department of Communities, who have indicated that they are currently considering meeting the cost of upgrading external antennas, where required, for public housing tenants. So the task force has been on the ground talking to the state government agencies.

**Senator BIRMINGHAM:** Were these agencies consulted before the guidelines were developed?

**Ms O'Loughlin:** I do not believe so, but they have certainly been very well consulted post the rollout.

**Senator BIRMINGHAM:** It would seem to be the wrong way around to consult them after the guidelines have been developed.

**Ms O'Loughlin:** There was a very lengthy development process for this program. We were certainly well aware that there were complexities with public housing, but we were also very well aware that that the decision was made fairly early on that the program would not roll out into rental properties which had tenancy arrangements, as the minister said, because the antennas belong to the landlord and are part of the property.

**Senator BIRMINGHAM:** If you could provide on notice when the meetings occurred and also the time line for the development of the guidelines and the rollout of the program that would be good. As I said, it does seem odd that consultation happened after guidelines were finalised, but you have just responded to that. With regard to public housing properties, we have covered the issue of multi-unit dwellings. However, for detached properties I gather the ruling to date in both South Australia and Victoria is that the tenant is responsible. From your understanding, is that what both of those state governments have decided?

**Ms O'Loughlin:** Yes.

**Senator Conroy:** They are the decisions of state governments, not us.

**Ms O'Loughlin:** That is my understanding of their decisions: that where a tenant lives in a detached house or a non-cluster unit it is the responsibility of the tenant to purchase and arrange the installation of any necessary antennas.

**Senator BIRMINGHAM:** So that is another inconsistency. In this case tenants will be responsible for installing an antenna or upgrading an aerial service.

**Senator Conroy:** It is an inconsistency by the departments in the states. They own the building, they own the antennas and they are insisting that tenants upgrade at their own cost.

**Senator BIRMINGHAM:** What have you done about it, Minister? Have you made representation to these governments?

**Senator Conroy:** We have had extensive discussions, notwithstanding the ignorance of the Victorian minister in parliament a couple of days ago, who was unaware her own department had even met us as recently as February. We have had, at officer level, lots of conversations with the departments. As I think the officer has indicated, we are in ongoing consultations with them.

**Senator BIRMINGHAM:** Have you said to the South Australian government—

**CHAIR:** Senator Birmingham, could you make this your last question. We are running out of time.

**Senator BIRMINGHAM:** Ms O'Loughlin, in the early part of questioning for this section, before the lunch break, you undertook to try to get some budget figures for me. Have you been able to do so?

**Ms O'Loughlin:** I think I undertook to get the Centrelink number, which was \$42 million for the remainder of the program.

**Senator BIRMINGHAM:** Is that \$42 million of the \$69.3 million?

**Ms O'Loughlin:** No, sorry. It is \$42 million of the future money. We were not able, over the break, to get the breakdown of the Centrelink money out of the \$69.3 million. I apologise for that.

[14:31]

**CHAIR:** We have run out of time for this program. I thank the officers from program 1.3. I now call officers from the department in relation to program 1.2, Digital economy and postal services, and invite questions.

**Senator BIRMINGHAM:** I understand that one of the savings measures in the recent budget—some of them are more savings measures than others—was to scrap the \$9.8 million voluntary internet filtering grants program. Is that correct?

**Mr Rizvi:** Yes.

**Senator BIRMINGHAM:** This scheme was originally developed to ease the transition of ISPs to a mandatory filter program. Was that the intent, or am I misreading what the original intent was?

**Mr Rizvi:** No. The original intent of the scheme was to develop an ISP level product that Australian consumers could access to voluntarily filter material which they considered was inappropriate for their family.

**Senator BIRMINGHAM:** How far had this program gone?

**Mr Rizvi:** It had only gone to the stage of consultation with ISPs. We undertook extensive consultations with ISPs before a decision was made not to proceed with it.

**Senator BIRMINGHAM:** On what basis was that decision not to proceed made?

**Mr Rizvi:** A variety of reasons emerged from our discussions with ISPs in this regard, including the ISPs having a reluctance to enter into a scheme which would involve them having to manage, through their call centres and those sorts of things, questions from customers about the scheme and how to manage it and questions they might have about what options they had—those sorts of things. There was a view that the cost of doing that would outweigh the revenue that the ISPs could generate from implementing such a product, even after the assistance that was being offered. The assistance that was being offered was only one-off.

**Senator BIRMINGHAM:** So there was a lack of interest, a lack of desire, a lack of willingness or a feeling that the program was not going to be worth their involvement?

**Mr Rizvi:** There was a view amongst ISPs that, given the range of filtering options already available to customers, they would find it difficult to sustain long-term revenue from the product.

**Senator BIRMINGHAM:** They felt that the range of filtering services already available to customers provided a better mix of options that people could choose, depending on their circumstances and with less pressure on the ISPs. Is that right?

**Mr Rizvi:** Some of the ISPs do also offer their own products. They are not ISP-level filtering products; they are software applications that they make available. But, of course, in the market there are a range of other products that are available at the search engine level, at the browser level and at the software application level, and it was against that background that the ISPs considered that it would be difficult for them to implement a product at the ISP level which would be able to compete with what is already in the market.

**Senator BIRMINGHAM:** By abandoning this program is it a decision of the government that the range of filter technologies relatively available offers significant enough protection for those who want it?

**Mr Rizvi:** I think what it indicates is that there are considerable options available in the market for those parents who wish to—

**Senator Conroy:** There are a range of content management tools, like safe search tools and white-listing. It is not just filtering. There are a range of options in the marketplace. Following the consultations the government made that decision.

**Senator BIRMINGHAM:** Very good. The range of tools available to consumers at present was seen by the government, then, as being a better fit than the filter that the government had planned to develop?

**Senator Conroy:** No. You appear to be confusing the target for that money. It was for something other than the content that the government believes should not be accessible, like refused classification. So it is two different things completely.

**Senator BIRMINGHAM:** Sorry, Minister. I did not think I was confused until you made that statement.

**Senator Conroy:** It is two different things completely.

**Senator BIRMINGHAM:** Now I am somewhat confused about what your two things are.

**Senator Conroy:** One was to encourage the blocking on top of RC. That is what this money was for.

**Senator BIRMINGHAM:** So that is what the program that was scrapped was going to do.

**Senator Conroy:** This would be an extension. Because of all the other management tools—

**Senator BIRMINGHAM:** Just to be clear, is that what the scrapped program was proposed to do?

**Senator Conroy:** Yes. It would block all content beyond the mandatory RC filter. They are two different things.

**Senator BIRMINGHAM:** The scrapped program was—

**Senator Conroy:** Entirely separate from the mandatory filter.

**Senator BIRMINGHAM:** Park the mandatory filter for a moment. The scrapped program was to provide a filter option that would do what?

**Senator Conroy:** It was to develop options that could be used to block other material beyond RC.

**Senator BIRMINGHAM:** So it would not have blocked RC content material?

**Senator Conroy:** How can we explain it? They were developing blocking other material as well. That might make it clearer for you. This was if you wanted to do more than the government's policy on the filter. It was to give families an option, but ultimately there are other options in the marketplace and the ISPs said, 'There are all these other options on content management tools,' so we decided not to proceed down that path. None of that affects the mandatory filter. This was an option. We offered the money as an option. It was not mandatory. People could take it up or not. They decided not to take it up, so we have taken the money as a saving.

**Senator BIRMINGHAM:** I am not quite sure you got to that stage. You had not quite got to the 'you can take it up or not' stage. I think you were still at the development stage and it never lasted beyond that. But the other options—the other blocking devices, filters et cetera—

that exist in the marketplace overwhelmingly do more than what the mandatory filter would do as well.

**Senator Conroy:** I would have to take that on notice to give you an answer. You have asked a very specific technical question. You have asked me to characterise all of the other content management tools and make a judgment on them. I am happy to take that on notice.

**Senator BIRMINGHAM:** There are many of these products in the marketplace that the ISPs raised, presumably, with the department in saying, 'We don't need this new scheme.' There are many tools in the marketplace that can already be used by households or others to block the content that this now abandoned scheme would have blocked.

**Mr Rizvi:** I think the best way to consider it is to look at the other tools that are available. Those other tools do not determine for the customer what they will block. The customer chooses from a menu what they decide to block. To characterise them as blocking one thing or the other is not quite right.

**Senator Conroy:** We have a pamphlet we can send you, if you would like, which explains to parents what tools are available to them. That might help the discussion.

**Senator BIRMINGHAM:** I am happy to look at the pamphlet. In the end there are many filtering devices and tools et cetera—

**Senator Conroy:** It is not just filtering, as I have explained a number of times.

**Senator BIRMINGHAM:** I said 'and tools et cetera'.

**Senator Conroy:** It is content management tools.

**Senator BIRMINGHAM:** What was the third part of that?

**Senator Conroy:** Content management tools.

**Senator BIRMINGHAM:** Perhaps we will call them CMTs, because those in comms love to give TLAs—three-letter acronyms—to everything.

**CHAIR:** Please don't do that!

**Senator Conroy:** We do live in the tech geek world.

**Senator BIRMINGHAM:** There are many content management tools that householders can use to block exactly the kind of content that the voluntary filter grants program would have blocked.

**Senator Conroy:** On that basis, after discussion with ISPs, we decided to close the program and save the money.

**Senator BIRMINGHAM:** Thank you. During those consultations did you discuss with, or engage the ISPs on, the proposed mandatory filter?

**Senator Conroy:** Not in those discussions, no.

**Senator BIRMINGHAM:** So no views in those discussions were sought or offered?

**Mr Rizvi:** The consultations that we undertook in that context were very specifically about the voluntary filtering option.

**Senator BIRMINGHAM:** The industry did not throw in some free opinions along the way about the mandatory filtering option?

**Senator Conroy:** I think the views of industry are relatively well known on this debate, but, just to update you, five ISPs have agreed to voluntarily block a list of child abuse. I am sure your welcome that.

**Senator BIRMINGHAM:** Yes, thank you, Minister. Of the \$9.6 million budget, \$200,000 was spent—is that correct?

**Mr Rizvi:** We might have to take that on notice. There was a very small amount of money spent, essentially in undertaking the design and the consultations and that side of things. But I would have to take on notice precisely how much was spent.

**Senator BIRMINGHAM:** Did government consult with industry before budgeting for this program and deciding that it was a good idea?

**Mr Rizvi:** We only had preliminary consultations with a small number of ISPs in that context.

**Senator BIRMINGHAM:** And their views obviously differed from when you got to the primary consultations then?

**Senator Conroy:** At that stage some felt it that might be useful, but ultimately, by the time we got to the second stage, a broader range of people had made the argument that there were enough CMTs, so we made the decision to close the program.

**Senator BIRMINGHAM:** You have now indicated that five ISPs are voluntarily blocking content related to child abuse.

**Senator Conroy:** Yes.

**Senator BIRMINGHAM:** Do you know what proportion of the internet market those five ISPs cover?

**Senator Conroy:** I am just chasing the names for you now. I think the three that turned up—

**Mr Rizvi:** It is around 70 per cent. The three that were originally announced by the minister represent around 70 per cent.

**Senator Conroy:** Telstra, Optus, iPrimus, Webshield and a company called IT Extreme. They are relatively small, so I would not think they would dramatically change from the 70 per cent.

**Senator BIRMINGHAM:** So it is around 70 per cent or a fraction more. How does the filter that they are using compare to ACMA'S black list? Is it working off ACMA black list or is it a different filter?

**Mr Rizvi:** The child abuse material list that we are referring to in that context was a subset of the ACMA black list. But, in addition to that, the ACMA has been consulting with two overseas bodies—the Internet Watch Foundation in the United Kingdom and a similar body in North America—about possibly working cooperatively with them so that they are more effective at picking up child abuse material that should be included in such a list.

**Senator BIRMINGHAM:** This is again URL filtering scheme as against a content filtering scheme? I am sure there are different phrases that technos will use

**Senator Conroy:** The scheme we have proposed has always been individual pages. It is similar to what 95 per cent of UK users go through at the moment, based around the IWF.

**Senator BIRMINGHAM:** That is why I am just checking that it is a voluntary list.

**Senator Conroy:** There is no change in the manner.

**Senator BIRMINGHAM:** The voluntary action is the same as what we have spent many hours arguing about in terms of the mandatory action that it is filtering against a list of specific—

**Senator Conroy:** I will have to absolutely double-check that, just to make sure that we have not misled you, but my understanding is that—

**Mr Rizvi:** The list that the ACMA is developing has always been a URL based list.

**Senator BIRMINGHAM:** Is the government or ACMA or others working to expand that list?

**Senator Conroy:** I am not sure what you mean.

**Senator BIRMINGHAM:** Sorry: expand the participants.

**Senator Conroy:** We always welcome and encourage that. I have called many times for all ISPs to adopt voluntary filtering, but at this stage the five companies I have named have signed up. I would again encourage them all, and I am sure you would, to voluntary block access to child abuse sites or pages.

**Senator BIRMINGHAM:** Certainly, but is this something that they have all just independently approached government about or has government—

**Senator Conroy:** No. We spoke with the first three, Telstra, Optus and iPrimus. The other two, I think, approached us. There have only been two companies that I am aware of that have stated that they will not do it. I hope I am not doing them a disservice. TPG and Internode said that they would not. The rest we have not heard a specific yes, no or maybe from.

**Senator BIRMINGHAM:** Presumably some are waiting to see how it works with the early ones.

**Mr Rizvi:** Also relevant in this context is that we have had discussions with IIA about promoting within its membership a voluntary filtering of child abuse material. In that context we have discussed the possibility of developing a code. I suspect that other ISPs will probably make a decision on that, subject to the development of that code.

**Senator BIRMINGHAM:** Thank you for that. In relation to the list that is provided, obviously there have been concerns previously about security aspects around the provision of black lists to others. What structures have been put in place to deal with that?

**Mr Rizvi:** That might be a question that is better dealt with by the ACMA, but I do know that they have been working on the development of more secure methods of transmitting the list to participating ISPs.

**Senator BIRMINGHAM:** How long have the first three ISPs been actually filtering?

**Senator Conroy:** I think they indicated that they would be starting around midyear.

**Mr Rizvi:** Starting around midyear.

**Senator BIRMINGHAM:** So we have not started yet. Has the government asked the ISPs to provide feedback to government on technical issues or problems they may encounter in the delivery of voluntary filtering?

**Senator Conroy:** I think they are designing how to do it themselves. So we will be very keen to hear any issues that come up in that process. The point is that they are voluntarily doing it, so they are implementing it themselves.

**Senator BIRMINGHAM:** Have you asked the industry association to look at how they may be able to share those lessons amongst each other?

**Senator Conroy:** If we get the relevant information from the five companies, I am sure that we would be more than willing to share it.

**Senator BIRMINGHAM:** If the adoption of the voluntary filtering approach continues to grow and the coverage of the market becomes quite significant, does the government still think it is—

**Senator Conroy:** We consider 70 per cent to be significant. It is usually counted that way in a statistical sense.

**Senator BIRMINGHAM:** I am pleased to hear you say that, Minister. Do you think that a mandatory filter will still be necessary?

**Senator Conroy:** The debate has always been around two aspects: the impact of overblocking or underblocking, and speed. I think we have technically reached a point where no-one is trying to pretend anymore, as many have done, that there is an impact on speed or that there is an overblocking or underblocking problem. The content of RC is a matter of an ongoing review by the Classification Board. I think they have now authorised an organisation to begin the process of consulting on what people think should be in RC. I am very relaxed about that. I am not advocating any particular issue be in or out. Obviously, if asked what my private view was I would say particularly child pornography, bestiality and prorate websites and things like that. I think that is a reasonable starting point for a debate around RC. But ultimately I am very comfortable with all Australians getting a chance to have their say. I say again to all those who will either hear this or read the *Hansard* that here is an opportunity to make your arguments about what should or should not be in the RC classification. I am very relaxed about the outcome of that. I trust the common sense of the Australian public when it comes to the classification system and the review process, which is open to every Australian to make a contribution to.

**Senator BIRMINGHAM:** Thank you. I would equally encourage people to participate in that. I do think that ensuring that our classification standards reflect community values is important. They do not always quite hit the mark but they are debates that we have and that is why reviewing them on a regular basis is important. You did not quite answer my question after all of that, though.

**Senator Conroy:** The government remains committed to a filter that blocks RC. This argument that the internet should be unregulated is not one that I think stands up on a security basis, on a policing of criminality basis. The internet is rapidly becoming a major centre of economic activity, if you look at the recent reports. So I think there is a whole range of issues. There is a meeting in Paris at the moment where G8 governments are talking with major internet companies about what regulations are reasonable when it comes to the net.

I would make the point that when companies want spam legislation introduced, which is a filter, they beat the doors down of government all around the world to get spam legislation introduced. To suggest that the internet is unregulated at the moment is to ignore regulations

and laws requested by the industry. So I think there is a very legitimate argument. Discussion is happening today overseas between governments and the sector about what the level of regulation is. I think that is a good and healthy thing. The argument that there should be no regulation of the internet is one that governments around the world are contesting on privacy, on national security issues and on policing matters.

The criminal behaviour and opportunities that are there at the moment on the net for organised crime are significant. The challenge is across the world. Governments across the world have to work together and cooperate on them. But, if the starting point is that there should be no regulation of the net, then that is certainly one that I am going to disagree with. Increasingly, around the world, where activity has taken place it has challenged privacy laws. There has been enormous backlash against companies that have breached privacy laws. There are police investigations, and you have heard me speak on them previously. So I think there is a more mature debate developing around the world and I look forward to that here in Australia as well.

**Senator BIRMINGHAM:** Having said all that you just said, when the review of the RC classification is finalised, assuming that these voluntary filtering activities by these companies have been proceeding seamlessly and that the technology is working for them and that there have not been any particular problems either on the technological side or on the provision of the list to them and all those sorts of things, will you then be moving swiftly to legislate your mandatory filter?

**Senator Conroy:** We will be moving to implement our policy, yes. If your suggestion is that you think it is reasonable for child abuse sites to be blocked, which is the implication I get when you say 'voluntarily', and if everybody did it, you would not need to legislate, that is possibly true. But I would advise you to give me your opinion on whether you think a bestiality website is as awful as a child abuse website or a prorate website or webpage.

**Senator BIRMINGHAM:** I am not going to (a) sit here and answer your questions or (b) sit here and try to put what I think are inappropriate things on a scale of 1 to 10 of what is most inappropriate or least inappropriate.

**Senator Conroy:** They could all just be inappropriate. They do not have to be most or least. They can just be inappropriate.

**Senator BIRMINGHAM:** It seemed you were asking me to tell you what was worse.

**Senator Conroy:** No, I am saying that, if you believe a voluntary filter should block child abuse, how would you justify not having a voluntary filter that blocked a bestiality or prorate website?

**Senator BIRMINGHAM:** I am not going to continue with this.

**Senator Conroy:** I appreciate that I am getting down to the hypocrisy of the opposition and you want to hide from it. But that is a genuine debate.

**Senator BIRMINGHAM:** Minister, I have questioned you many times on this and I have certainly expressed my concerns about the mandatory filtering approach. I still have concerns about that. But you are going through a review of RC material and we will see what that comes out with. We will see what will or will not be blocked at the end of that and then we can make decisions on the policy at that time.

**Senator Conroy:** That is a very fair and reasonable position.

**Senator BIRMINGHAM:** My question was: will you legislate swiftly at the end of that. You say you will move to implement your policy at the end of that. That is as I understand the case to be. In terms of the companies who are participating at present, are they using the same technology to filter or have they all undertaken different approaches?

**Mr Rizvi:** Each of those ISPs is developing their own approach in terms of technology that will suit their own networks and circumstances. In terms of the details of the technology, that is not something that we have engaged in a discussion with them about. Our interest is in helping them to deliver the final outcome, which is the ability to block child abuse material.

**Senator BIRMINGHAM:** Is anybody auditing the effectiveness of the filters?

**Mr Rizvi:** It is a voluntary scheme. We are not proposing to—

**Senator Conroy:** They are confident that they can successfully block these URLs with no reduction in speed and with 100 per cent accuracy.

**Senator BIRMINGHAM:** I am trying to get some first—

**Senator Conroy:** Can I also add that I think Facebook just recently introduced new technology for photos, looking for child abuse. Facebook is scanning its own databases with some new technology looking for photographs of child abuse. I think it is Facebook.

**Senator BIRMINGHAM:** Yes, it is Facebook. I remember seeing something like that. What I am getting to in asking that question is this: if they are all developing their own approaches to the filter and there is no audit of how it is filtered, how much will this voluntary activity help when it comes to legislating what a mandatory filter would look like? It is one thing to say that everyone must filter out this content and, yes, you can draw up a bill that says that. It is whether—

**Senator Conroy:** It is voluntary at this stage and we will engage them in conversations about the successes. I think you described it as finding out what problems there were and whether there were any issues. We will happily have that conversation. Even on the mandatory filter problem, I do not believe we have ever said we would mandate a technology for how they should do it. I do not think we have ever said that. It is based on the outcome. If everyone wants to have a different way of doing it, as long as it has a successful outcome, we are not going to mandate a technology.

**Senator BIRMINGHAM:** But there has been no discussion with these voluntary providers that government may or that they may, voluntarily, audit whether in fact their approach is successful or not?

**Senator Conroy:** I have had a talk with some companies that have this technology. I think you will find that they are very quickly able to tell whether there is a problem. As funny as this will sound, they get a record of everything they do and they self-assess. I think we will know very quickly if there are any issues that need to be addressed. But I think they just do that automatically because they want to make sure that the system is working properly. We will happily have a conversation with them about wanting to know how successful they are.

**Senator BIRMINGHAM:** Are any of them using this filter in their promotional or marketing activities?

**Senator Conroy:** Given that it has not been introduced yet, I am not sure I can—

**Senator BIRMINGHAM:** It is getting close in theory to introduction.

**Senator Conroy:** I think they very publicly held a press conference, so it is well known that certainly Optus, Telstra and Primus—the two new additions I cannot speak for—attended a press conference and put out press statements. I think it is reasonably well known.

**Senator BIRMINGHAM:** Would the government have concerns or welcome it if they started to market their products as being safer?

**Senator Conroy:** Marketing is a matter for companies. We do not have a view about how they should promote it or not. It is entirely in their hands. BT did a marketing campaign when it introduced the filter in the UK. I think they did some marketing at the time. But that is entirely in the hands of the ISPs, given that it is a voluntary practice.

**Senator BIRMINGHAM:** I raise the issue because, once again, one of the concerns about a mandatory filter is that in general it only filters out the most extreme content. For those who are particularly concerned about the safety of web, it—

**Senator Conroy:** What do you mean by the safety of the web?

**Senator BIRMINGHAM:** Safety for children or others who are using the web in a household or a family environment et cetera. For those who have particular concerns, the mandatory filter is rarely going to provide the type of outcome that would allow the kids to go their hardest.

**Senator Conroy:** No-one has ever suggested that. I am sure you have heard me say that there is no silver bullet for this issue. This is another step to try to help families, help parents and help the community in general. It is just one element of the package. I am sure there will be other things in the future. This is not a silver bullet and it has never pretended to be.

**Senator BIRMINGHAM:** What is important, though, is that, where this is applied at the level above the household—at the ISP level—householders do not have misunderstanding through government claims, marketing activities, companies or otherwise—

**Senator Conroy:** There are no government claims.

**Senator BIRMINGHAM:** There are not, but there have been in the past in relation to arguments around the mandatory filter.

**Senator Conroy:** No, there have not. You will never find a single statement where I have not emphasised that—

**Senator BIRMINGHAM:** You are not the government's only spokesman, though, Minister.

**Senator Conroy:** there is no silver bullet. You can read my statements from the day we announced that this.

**Senator BIRMINGHAM:** You are not the government's only spokesman. I think you understand the point that I am making and I think we are in a sense—

**Senator Conroy:** Agreeing almost? No, we could not possibly agree. That would be—

**Senator BIRMINGHAM:** I think in a sense we are almost in agreement that, yes, this would only be an element of protection and that a vast degree of protection still lies in the household and schools—

**Senator Conroy:** Community education, parents and schools, which is why we have also, as you know, provided funding for all of those programs—the ACMA, the departments and Cyber Security Awareness Week, which is next week.

**Mr Rizvi:** It is next week. It starts on Monday.

**Senator Conroy:** So the government has an ongoing range of programs.

**Senator BIRMINGHAM:** Can I go back to the original question I asked. I understand that each company is free to absolutely grab whatever market advantage it can. I would be concerned if their activities led to a perception that their product that is filtered was a safe outcome.

**Senator Conroy:** I would share your concern. I think that would be a fair concern. I am sure the companies involved will be very responsible. But, if any instances of that came to light, I am sure you and I will both probably do a joint press conference. That would be a cracker.

**Senator BIRMINGHAM:** Certainly, Minister. That would be a historic event.

**Senator Conroy:** On the same day in the same place.

**Senator BIRMINGHAM:** As long as we do not have to invite the Greens. In terms of the development of a list, that is still all ACMA and the liaison with international associates?

**Mr Rizvi:** ACMA is responsible for actually developing the physical list.

**Senator Conroy:** We would not want you to forget the \$91 million for more police in the government's policy as well, Senator Birmingham, which I know you support.

**CHAIR:** There has been a bit of discussion about spectrum for railways—the 1800 band—and the importance of that spectrum for rail operators. Can you explain the importance of that?

**Mr Rizvi:** I might ask Mr Besgrove to talk to that.

**Mr Besgrove:** The Australian Railway Association has approached both the ACMA and the department on several occasions over the last year or so. We are currently discussing with them the prospects of renewing some of the spectrum that they currently hold. The spectrum is in the 1800 range. The Railway Association originally acquired this spectrum a few years ago as a result of, I believe, One.Tel going into receivership. The Railway Association has picked this spectrum up. It is our understanding that at least two state governments are now proposing to utilise some of the spectrum for what is known as GSM-R technology, which is GSM-based technology used for signalling. As I said, we have had been having some discussions with the Railway Association because they are seeking to have at least some of this spectrum renewed when it falls due. Some of the spectrum falls due in 2013, but the bulk of it actually falls due in 2015.

I guess the key thing that the committee should be aware of is that, in the course of those discussions, we have sought additional information from the Railway Association in particular seeking advice from them as to whether there are commercial alternatives that might possibly be explored and whether in fact they require 1800 spectrum. The reason for that is that, when this technology was originally developed in Europe, it was actually designed to operate in the 900 band spectrum. Assuming that it is the case that they do need spectrum in this band, we have also asked that the Railway Association actually give some thought as

to how much of the spectrum they effectively need. The reason for is that at the moment the Railway Association for I think all of the mainland state capital cities holds the equivalent of 3 x 15 megahertz of spectrum. Forgive me to using the technical term, but, trust me, that is a very large quantity of spectrum. So we are endeavouring to try to clarify what the genuine needs of the Railway Association are. At this stage we are awaiting further advice from them. We last spoke to them in detail about six weeks ago and we anticipate that we will be receiving a submission from them in the next month or so.

**CHAIR:** What approach has been taken on spectrum for rail overseas? Are there any lessons in that for us?

**Mr Besgrove:** There are couple of lessons, I think. One is that the GSM-R technology is very well proven technology. We understand why, for example, Sydney and Melbourne rail networks might wish to employ this technology—as I understand it, it enables you to schedule a lot more trains and to be able to run them much closer. One of the constraints at the moment in both of those cities is that, if you try to run trains more closely together, you run the risk of collisions because the signalling technology currently in those cities cannot cope with the volume of extra traffic. So it is unquestionably the case that it would be desirable to have more modern technology in those cities. It is also clearly the case that that requires some spectrum. I do not think that the department or ACMA disputes the need for some spectrum for this purpose. How much and how the rail authorities actually go about taking advantage of that is currently at issue.

**CHAIR:** I am not sure if you are the appropriate person to ask this, but, obviously, if you can run the rail quicker between trains and run them closer together, that has huge implications for productivity and social enhancement of rail use.

**Mr Besgrove:** That is certainly the message that we have received in our discussions with the Railway Association. I have also had at least one discussion with representatives of each of the states and territories and they have suggested that, while Sydney and Melbourne are the cities that have the strongest plans—and in both cases, I believe, state governments have invested quite a lot of money on new signalling technology—the expectation is that this technology will over time be employed in other parts of Australia as well.

**CHAIR:** How much spectrum has been allocated for use in other parts of the world and what bands?

**Mr Besgrove:** It varies, but in many cases smaller amounts of the order of two by five as opposed to two by 10 or two by 15. Two by 15 is a very large amount of spectrum. It is actually a larger block of spectrum, I believe, than that which is employed currently by Telstra to run its 3G mobile phone network. The question of how much they need is quite an important one to the resolve, because, at least superficially, it does seem that two by x 15 may be excessive.

**CHAIR:** Is there a special technology platform that you use?

**Mr Besgrove:** Yes. I mentioned earlier that it is called GSM-R, with the 'R' standing for 'railway'. It is a variation of the GSM technology that has been around globally for, I think, 10 or 15 years or so. It is a common technology which has been further developed specifically for railway signalling uses.

**CHAIR:** So negotiations are still going on with the railway?

**Mr Besgrove:** I do not think we have actually got to negotiation stage. I think we are still trying to gather information. The government, both the department and ACMA, are currently considering how best to take this forward. It is fair to say that today we still do not have a strong sense of how much the railways actually need, so we are seeking advice on that issue. I should say that this spectrum is potentially quite valuable were it to be auctioned in the marketplace in the normal fashion.

**Senator Conroy:** Can I just correct something I said a few moments ago. It is \$44 million for 91 extra police, not \$91 million for 91 extra police.

**Senator WORTLEY:** Minister, following on from the conversation that you had earlier with Senator Birmingham about ISP filters and protecting children online, what programs does the government have in place currently to protect children online?

**Mr Rizvi:** The government actually has a very wide range of programs in this space. I will go through some of them very shortly. One of the issues that has come up during our consultations with the Youth Advisory Group—that is a group of children from across 130 schools that we talk to—has been that they find it hard to manage the bewildering array of programs that we actually have in this space. For that reason, we have developed what we call our Cybersafety Help Button. The purpose of the button is to try to bring together all of those programs so that children, parents and teachers can have ready access to the full array without having to know the specific websites, which agencies to go to and those sorts of things. We have been encouraging schools and parents to download this button. To date, around 250,000 computers now have the button.

**Senator Conroy:** Is it 250,000?

**Mr Rizvi:** Yes, it is up to 250,000 now. The minister has written to every school in the country encouraging them to download the button onto their computers and to encourage schools to promote the button to parents. The minister has also, I think, written to every federal MP encouraging them to promote the button within their own constituencies. We have written to the education departments in all states encouraging them to do the same. What the button does is essentially give guidance to parents, teachers and children in three categories. It has a report category, a talk category and learn category. Under the talk category, children can connect directly to the Kids Helpline either by telephone or by online means and they can talk to a trained counsellor about anything that may be disturbing them online and be talked through the issues that they may be encountering.

There is a second set of assistance that relates to the report segment of the button. What the report segment does is enable the user to find a direct means of contacting one of the social networking sites about something that may be concerning them on one of those sites. This way it enables them to get straight through to, say, Facebook, Twitter or YouTube about a particular issue that may be concerning them on that site. It also gives them the option of reporting offensive content to the ACMA. It gives them the option of reporting sexual abuse or predation issues directly to the police or financial scams or frauds directly to the ACCC. Finally, under the learn portion of the button, the user is directed to a number of government resources, including the ACMA's Cybersmart website as well as our own Stay Smart Online website, and we are continuing to develop the resources that come under that button so that people will have a comprehensive range of options on how to deal with cybersafety issues.

**Senator WORTLEY:** I am familiar with that button. I know it is terrific. It only takes a minute to download and it is very useful. I have spoken to a number of young people who have used it. You said that the minister has written to all schools with regard to downloading the button on school computers. I am just wondering what has been done or what could be done to get the message out further than through the schools. Obviously, it would be terrific if parents could hear the message about the cybersafety button as well. As many parents will tell you, if they get something sent home from school, very often it ends up in the bottom of the schoolbag. So getting the message to parents is another thing.

**Mr Rizvi:** It is a challenge to get the message out to parents in this regard. It is against that background that the minister launched, very late last year, a teachers and parents advisory group. We pulled together that group, which includes individual parents and teachers as well as the representatives of various teacher and parent associations, to get further advice on how we can promote these things. We are looking forward to the advice we are going to get from that group on how we may get the message out to parents about the resources and assistance that is available.

**Senator WORTLEY:** Thank you.

**Senator FISHER:** A point of clarification, I think, is all that I have. In terms of program 1.2 and page 28 of the PBS, the column in the first table on that page entitled 'Estimated actual 2010-2011', the 132,360 figure at the bottom does not seem to quite be the tally of the figures inserted in the column above. They seem to add up to 9,680 rather than 132,360. Am I missing something?

**CHAIR:** I think we are getting an accountant and it is not Barnaby.

**Senator FISHER:** Perhaps we can move to Senator Birmingham while you look for that information.

**Senator BIRMINGHAM:** I am also looking at the PBS, although just the next page over in the deliverables.

**CHAIR:** What page are you on, Senator Birmingham?

**Senator BIRMINGHAM:** Page 29. The department will employ regional National Broadband Network co-ordinators to encourage the take-up of broadband opportunities by local government communities and businesses. How many such co-ordinators, at what cost and in what locations are we looking at?

**Mr Besgrove:** I believe there is a total of eight. I would have to take on notice the questions of cost and the locations. I do not have that with me. But they are in a range of locations around Australia specifically related to the location of the Regional Backbone Blackspots program. Basically, where those initiatives are being undertaken is the sort of initial area of focus for those groups. But I would have to take the other elements of your question on notice. I do not have that information with me.

**Senator BIRMINGHAM:** What exactly are they doing?

**Mr Besgrove:** They are basically there to try to identify opportunities within those communities to take advantage of the enhanced connectivity and particularly the enhanced backhaul connectivity that the other program relates to. So we are really trying to identify

opportunities where regional communities can take greater and more immediate advantage of the availability of the network.

**Senator BIRMINGHAM:** Where communities are getting backhaul in, they are either enjoying more opportunities for connectivity to broadband with reasonable speeds or at least faster speeds. Why does the federal department need to be employing officers to wander around these towns and say, 'Here is a new opportunity for you'?

**Mr Besgrove:** Part of the intention behind the program was to take advantage of people who are from the local community to basically draw upon their local knowledge and local networks to try to ensure that those communities were able to take action sooner rather than later. It has certainly sometimes been the experience in the past that, where government provides a technology based opportunity, sometimes additional support is helpful in initiating action within communities.

**Senator BIRMINGHAM:** The government is not actually selling anything here, though, is it? With the NBN in its final stage, you purchase your internet through a retail service provider, don't you?

**Mr Besgrove:** That is correct, but the intention is to certainly raise awareness, identify opportunities and help to bring potential groups of people together who might be able to take advantage through a range of opportunities.

**Senator Conroy:** Perhaps you could explain the selection process, given that we work with the local communities where we select them, so they are people who are very well connected in the community.

**Senator BIRMINGHAM:** Don't tell me that you interviewed each of these people as well, Minister.

**Senator Conroy:** I never met any of them. I think you have asked me that question in the past. I have no idea. I think I have met most of them because they all came to Canberra for a briefing on their role. But, other than that, I have never met or heard of any of them before they applied, that I am aware of. I could not tell you all of the names.

**Senator BIRMINGHAM:** Let's not get distracted by that, please.

**Mr Besgrove:** Just to reinforce what the minister was saying, they were selected through a process of drawing on assistance from regional business communities and, in some cases, RDAs specifically to try to identify people who had the right kind of background and the right kind of local networks.

**Senator BIRMINGHAM:** Does every community that has an increase in hard service ultimately get one of these people?

**Mr Besgrove:** The government's decision at this point is to appoint eight of them.

**Senator BIRMINGHAM:** How are those eight sites selected?

**Mr Besgrove:** As I said, they were related back to the original Regional Backbone Blackspots program.

**Senator Conroy:** They are on the route.

**Senator BIRMINGHAM:** But there are more than eight communities on the route who will enjoy better services.

**Senator Conroy:** They are very mobile, particularly the poor bloke in Queensland.

**Senator BIRMINGHAM:** So he is not that well connected across all of the communities he services, then.

**Senator Conroy:** Not every single community. It would be unfair to expect him to be able to cover the entire 4,000 kilometres of length from Darwin to—

**Senator BIRMINGHAM:** How are you measuring the success of what these people are doing?

**Mr Besgrove:** It is a combination of activity in particular, numbers of groups that they are speaking to, ideas that are coming forward. Perhaps I could also take that on notice and come back to you with a more detailed answer.

**Senator BIRMINGHAM:** Sure, if you could. The Regional Telecommunications Independent Review Committee is rolling around to conduct another review by March 2012. Sadly, the funds that used to exist to support it have slightly vanished. When will the membership of the committee be announced?

**Senator Conroy:** The membership will be announced relatively soon.

**Senator BIRMINGHAM:** Is that weeks or months?

**Senator Conroy:** I am involved in estimates this week and I have a fair bit of estimates next week as well, so we should finalise it very soon.

**Senator BIRMINGHAM:** So that committee will have at least nine months or so to do its job before having to report?

**Senator Conroy:** I look forward to them being very active and vibrant and getting around the country talking to people and making a report. I would hope at least nine months.

**Mr Rizvi:** They have to report by March.

**Senator BIRMINGHAM:** I have tried to give you a little bit of time to announce it.

**Senator Conroy:** We will hopefully be able to announce it soon.

**Senator BIRMINGHAM:** On the funding to support the work of that committee, what is dedicated to ensure that they can get around the country and do the job they are meant to do?

**Mr Rizvi:** We have been allocated funds for that committee to undertake its work.

**Senator BIRMINGHAM:** Are you able to tell me how much that is or not?

**Mr Rizvi:** It is approximately \$1 million.

**Senator BIRMINGHAM:** In terms of the ultimate government response to what this committee finds, Minister, can you remind me if there was an ongoing commitment from the government to fund activities out of the recommendations of this committee?

**Senator Conroy:** I think we spent \$60 million or \$70 million. The committee recommended that we wait to see how the NBN pans out in terms of expending the rest of the money. I think it was in the budget papers and I think I have quoted it to you in the past. But the money was set aside so that we could undertake it once the NBN world is a little clearer, which is slowly beginning to be the case. I will look forward to the recommendations and an update of those recommendations.

**Senator BIRMINGHAM:** Are there funds set aside in the forward estimates for what may need to occur either in contingencies or elsewhere in relation to this committee?

**Senator Conroy:** I will happily take that on notice and come back to you to give you some more details on that.

**CHAIR:** Do we have those figures for Senator Fisher?

**Mr Ash:** I have to admit that your adding is better than mine, Senator. Unfortunately, there was a typographical error in the table that produced this. It should have been 97,079. I hope that was the number you got when you added them up. There was a hidden cell, unfortunately, in the spreadsheet that underpinned it.

**Senator FISHER:** The fabulous bean counter—and he is fabulous; I cannot take all the credit—in my office got 96,080.

**Mr Ash:** That would be because we would round up the unrounded numbers. I apologise for that.

**Senator FISHER:** Thank you very much. It is good to see a CFO at the table.

**Senator Conroy:** He is always available when asked.

**CHAIR:** We are moving rapidly to having more effective broadband. That means that, if we are having more effective broadband and business wants to use that broadband, they are going to have access to a range of services. Is Digital Business Online under this department?

**Senator Conroy:** That is our website, yes.

**CHAIR:** Who can help me with that?

**Mr Windeyer:** We can certainly try to answer your question, Senator, or ultimately take it on notice.

**CHAIR:** What is Digital Business Online doing? What is it meant to do?

**Mr Windeyer:** The Digital Business Online website is there to help a range of businesses that are interested in improving or enhancing their online presence or functionality, I suppose. The idea is to give them a range of information that can help them think about the sorts of tools or functionality that they might want to put in place for their particular business so they can take advantage of some of the opportunities presented by increasing their engagement online.

**CHAIR:** Does that go to establishing websites? Is there a how-to? What happens there?

**Mr Windeyer:** There is a range of information available which will assist them with establishing websites, putting in place systems for running online retail through their website et cetera. So there is a range of information which points people in the direction where they might be able to get assistance, as well as background information about the sorts of things they might want to think about in trying to run their business. We are not trying to offer a suite of services they might be able to get from another business; it is about pointing them in the right direction.

**CHAIR:** Is this a departmental website?

**Mr Windeyer:** Correct.

**CHAIR:** How many staff are involved in servicing it?

**Mr Windeyer:** I would have to take on notice to give you a definitive answer. It is one of a number of things that are looked after by a section in the division.

**CHAIR:** From what I can see, some of it is really specialised advice in a range of areas. It actually looks very good—for instance, productivity tools. Are these developed within the department?

**Mr Windeyer:** The tools themselves? No, but I think the attempt with this site was to gather together information about tools that exist to be able to help people find or understand the sorts of things they might want to explore that suit their own purpose.

**CHAIR:** I am just on the site now and I do not see many links on the site; it is fairly well self-contained.

**Mr Windeyer:** I think you have an advantage over me at the moment in having the site in front of you. If you want us to come back with some further information about the nature of the site we would be very happy to, but I do not have the advantage of having it in front of me at the moment.

**CHAIR:** Do you expect more use of the site as broadband rolls out? Is that in your plans?

**Mr Windeyer:** I think we would expect the use of the site to grow over time as more businesses begin to think about expanding their online presence, yes.

**CHAIR:** Who can help me with the convergence review?

**Mr Windeyer:** We can help you with that as well.

**CHAIR:** Please brief me on where that is up to.

**Mr Windeyer:** The convergence review is underway now. It has terms of reference that have been released and it has a committee in place to conduct the review. It most recently released—I think on 28 April—a framing paper and called for submissions by 10 June. That paper outlines some of the committee's early thinking on possible principles that might underpin a converged framework. It is really designed, from the committee's perspective, to try to gather some information from industry and the community to help provide a basis for consultations that are likely to occur throughout the rest of the year. The committee has started planning consultations with key stakeholder and has indicated an intention to release subsequent papers over the course of the year.

**CHAIR:** Who is on this committee?

**Mr Windeyer:** The committee consists of three people. Mr Glen Boreham is the chair of the committee. Also on the committee are Mr Malcolm Long and Ms Louise McElvogue.

**CHAIR:** What is their broader engagement? I understand that it is to provide a blueprint for the conduct of the review. So they are not actually conducting the review; they are establishing a blueprint for its conduct, are they?

**Mr Windeyer:** No; they are conducting the review. They have a set of terms of reference they are working to with the intention to report back to government in early 2012. The terms of reference indicate the sorts of things that they have been tasked to explore, which include a number of things but are largely associated with a regulatory and policy framework to deal with the converged media and communications landscape. The committee themselves are undertaking a review with a report back to government.

**CHAIR:** It is quite a big task, isn't it? That is an understatement—it is a huge task.

**Mr Windeyer:** It is, yes.

**CHAIR:** How is this small committee going to deal with this mammoth task?

**Mr Windeyer:** In an operational sense they are supported by a secretariat within the department. The terms of reference suggest that there is a very broad range of areas that they can explore. The committee itself will have to work out over the course of the year how broadly it wants to span and how deeply it wants to go into some of the issues. But, as you point out, it is a big task; and the other point is that different people have different views on exactly what it encompasses. We have confidence that enough time has been provided and that the committee has the relevant expertise and knowledge to be able to produce a comprehensive review.

**CHAIR:** Thanks for that. Do other senators have questions on this?

**Senator FISHER:** No, but I would like to thank the department and Mr CFO for confirming the table on page 28. In recompense, I am sure that Mr Heuzenroeder in my office would want no more than to see the issuing of a Heuzenroeder corrigendum or something.

**Proceedings suspended from 15:37 to 15:57**

**ACTING CHAIR (Senator Fisher):** I now call officers from the department for program 1.1, Broadband and Communications Infrastructure, and invite questions, pending the return of the regular chair.

**Senator BIRMINGHAM:** I will pick up where we left off, by and large. How much was paid to Egon Zehnder by the department in relation to appointments to NBN Co?

**Mr Quinlivan:** The initial assignment that we were discussing earlier today was for a fee of \$79,000.

**Senator BIRMINGHAM:** There were multiple contracts to Egon Zehnder, were there not?

**Mr Quinlivan:** There was a second contract which, as best I can make out—

**Senator IAN MACDONALD:** I think the minister is getting bored.

**Senator Conroy:** Yes. I was happy with my discussion before, actually. We have had a discussion along these lines and there was a confused number of contracts, but I think we helped you out in the end.

**Senator BIRMINGHAM:** I think on Austender there are three contracts valued at \$269,000.

**Mr Quinlivan:** That looks about right. My understanding is that there was \$79,000 for the first contract, which we were discussing this morning; a further \$60,000 which was for advice around the structure and competencies required for the board; and then a further \$143,000 for the appointments of those board members—the search process and then appointments.

**Senator BIRMINGHAM:** How was Egon Zehnder appointed?

**Mr Quinlivan:** I think we discussed that earlier today. They were the successful candidate in a tender process run by the broadband department.

**Senator BIRMINGHAM:** It was an open tender process?

**Mr Quinlivan:** Yes.

**Senator BIRMINGHAM:** I did not recall hearing that, but thank you for clarifying it. Did Egon Zehnder check and verify all previous positions listed by Mr Quigley on his resume?

**Mr Quinlivan:** Yes. We covered that this morning, Senator.

**Senator BIRMINGHAM:** So all areas of his previous employment were duly checked?

**Mr Quinlivan:** Yes. The point I made this morning was that, as part of their standard checking, they check claims about educational qualifications or any qualifications that candidates might have and the employment history that is recorded on candidates' CVs.

**Senator BIRMINGHAM:** With regard to the analysis of a candidate for a CEO position and a candidate who has previously run an organisation or held a senior executive role running large parts of an organisation, what due diligence or checking about the outcomes of their time leading the organisation would you normally expect?

**Senator Conroy:** We can take that on notice and ask for some information from Egon Zehnder if you like.

**Senator BIRMINGHAM:** Could you take on notice what the usual checks would be and what checks they did undertake as to—

**Senator Conroy:** I am sure we would be able to give you some information about the standard processes engaged by all search firms and by Egon Zehnder in particular.

**Senator BIRMINGHAM:** Did the government engage any other outside consultants to consult on or advise on Mr Quigley's appointment?

**Mr Quinlivan:** No.

**Senator BIRMINGHAM:** We went through the process with those who were involved this morning. And no others provided any due diligence or otherwise in that regard?

**Senator Conroy:** That sounded like a rhetorical question. What was your question?

**Senator BIRMINGHAM:** Outside of government, nobody aside from Egon Zehnder—

**Senator Conroy:** You mean, outside of running a public tender process under the normal government guidelines on procurement and the winning company, an internationally successful search firm, doing its job, did we hire anybody else to vet the work? No.

**Senator BIRMINGHAM:** Did the government undertake any other due diligence activities itself?

**Senator Conroy:** You mean apart from using an internationally recognised search firm that has done this for governments and companies worldwide and does it successfully today, and apart from your attempt to besmirch their professional reputation? No.

**Senator BIRMINGHAM:** You can keep all of the 'apart froms' if you want. In the end the final answer was no.

**Senator Conroy:** We did fail to ask for Mr Quigley's birth certificate.

**Senator BIRMINGHAM:** I think your line there has had a run already, so you should be happy in that regard. When did departmental officials or you, Minister, first become aware of the alleged Alcatel company violations?

**Senator Conroy:** I would have to take on notice exactly the first time it came to my attention. I could not tell you off the top of my head. But, given we were not hiring Alcatel-Lucent to work for us, allegations against a company are allegations against a company. It is as relevant as allegations against News Ltd because they were directors and owners of Melbourne Storm. Would you not hire News Ltd or Qantas? There is a range of organisations. We were not hiring an organisation; we were hiring an individual.

**Senator BIRMINGHAM:** Did you and the department first become aware, say, when the issues were first raised in the Australian media as they relate to Mr Quigley?

**Mr Quinlivan:** We would have to check just what was the precise mechanism through which we became aware of this, but we think it was prior to that.

**Senator BIRMINGHAM:** You think it was prior to their airing in the media?

**Mr Quinlivan:** We will have to take this on notice. We are not sure.

**Senator BIRMINGHAM:** What or how did they come to the department's attention?

**Mr Quinlivan:** We will have to take that on notice. We are not sure of the precise means of transmitting that information.

**Senator BIRMINGHAM:** Okay. By that stage, who in the department would have been informed of or learned of these things? Would it have been Mr Harris or would have been you by then, Mr Quinlivan?

**Mr Quinlivan:** I think we need to check—

**Senator Conroy:** He has to make sure of it and give you the facts.

**Mr Quinlivan:** the means by which that information became available to us and we can also say to whom it became available.

**Senator BIRMINGHAM:** Minister, do you recall whether it was before or after the media?

**Senator Conroy:** As I said, simply to ensure that I give you the correct answer, I will have to take it on notice so I can give you the right answer. I would not want to guess.

**Senator BIRMINGHAM:** When these issues were first being aired in the media and were being reported around the end of last year, NBN Co. put out a statement. Was that statement cleared by the department or the minister at any stage?

**Senator Conroy:** I think we were aware of what they were doing. Given it was information that only Mr Quigley could give us, I do not think there was a clearing process. If there is any change to that, we will happily come back and add to that answer.

**Senator BIRMINGHAM:** Can you detail on notice what steps or actions NBN Co. took in that regard to advise or inform or consult with you or the department about the public response they were intending to make to the allegations. When Mr Quigley provided his opinion piece to the *Australian* on 5 May, was that done with consultation?

**Senator Conroy:** No, I read it that morning.

**Senator BIRMINGHAM:** So, certainly, you did not know about it, Minister.

**Senator Conroy:** I did not know about it.

**Senator BIRMINGHAM:** Had the department been informed?

**Mr Quinlivan:** Informed that he was proposing to write this piece for the *Australian*?

**Senator BIRMINGHAM:** Yes.

**Mr Quinlivan:** No.

**Senator BIRMINGHAM:** So everyone read about it that morning?

**Mr Quinlivan:** No, we read about his account of it in the paper. We were not aware that he was proposing to write this article for the *Australian*. I think by that stage the information that was in the article was well known to us.

**Senator BIRMINGHAM:** Yes. That is what I mean.

**Senator Conroy:** Did we know he was launching into print? No.

**Senator BIRMINGHAM:** Did the department or your office, Minister, make contact with Mr Quigley that morning when you opened the newspaper and—

**Senator Conroy:** I probably either phoned him or sent him a text congratulating him.

**Senator BIRMINGHAM:** Do you still think that was a wise move?

**Senator Conroy:** Mr Quigley has never even been interviewed or spoken to in any way by the SEC. Unless you are suggesting that he was involved, nobody at this stage is suggesting that he was involved in any of the illegal behaviour by rogue employees.

**Senator BIRMINGHAM:** My question, Minister, was this: do you, having probably sent him a text message or phone call on that morning congratulating him from his opinion piece in the *Australian*, still think that writing that opinion piece in the *Australian* was a good idea?

**Senator Conroy:** Mr Quigley obviously felt that he needed to put a number of issues in context and to explain the facts as he saw them. I think it was an important thing for Mr Quigley to do. But did he check with me? As you know, no.

**Senator BIRMINGHAM:** Did he advise you, Minister, or your office or the department that he was going to do an interview with Chris Uhlmann on 7.30 that night?

**Senator Conroy:** I am trying to remember whether I found out during the course of the day or after he had done it. I do not think that I knew that he was going to do that and I still have not seen the interview. I have heard about it, obviously, and seen reports on it. But I do not think I knew.

**Senator BIRMINGHAM:** I think it ended up being the day that Osama bin Laden was disposed of.

**Senator Conroy:** Yes.

**Senator BIRMINGHAM:** So the news cycle overtook that a bit in that regard that day, if my memory is correct. It certainly does not sound like Mr Quigley asked you or consulted you in that sense.

**Senator Conroy:** No.

**Senator BIRMINGHAM:** If you knew, it was probably when he was on his way to the studio.

**Senator Conroy:** Or possibly after he had done the tape and he was letting us know he had done the recording. I am sure it was not done live.

**Senator BIRMINGHAM:** No, I am pretty sure that it was not either.

**Senator Conroy:** If there is any change—if I have forgotten that someone tipped me off—I will correct the record. But I do not believe I knew about it.

**Senator BIRMINGHAM:** A number of the issues that have come up since that day have, of course, been issues about the accuracy of the statements Mr Quigley made either in that 7.30 interview with Chris Uhlmann or in his opinion piece written in the *Australian*.

**Senator Conroy:** I think he said many of the things that were in his opinion piece previously. I think if you go back to December or possibly January, he gave a press conference where he got quizzed and I think he said many of the things he wrote in the article long before he wrote the article—for instance, the Spain issue and whether Costa Rica reported to him as president of the Americas. I think he has appeared before another committee here and apologised for his mistake. Costa Rica had different reporting lines at different stages within Alcatel's history. He sought to confirm, because he knew that it had moved in and out of certain reporting lines within the organisation. He was given incorrect information. He then went public on that. Then, when he was advised that the information he had been given was wrong, he publicly apologised immediately, put out a press statement and apologised to the committee.

**Senator BIRMINGHAM:** Minister, when either these initial allegations were aired or the inaccuracies in some of Mr Quigley's public statements about these allegations were aired, did you or your office or the department ever seek to explore the issues any further than a conversation with Mr Quigley?

**Senator Conroy:** I think that, notwithstanding your ongoing attempts to smear Mr Quigley—and Mr Turnbull's by circulating documents in the gallery as they had been given Godwin Grech style—the fundamental issue is that he was never interviewed and, despite all of your attempts to smear him, despite all of Mr Turnbull's attempts to smear him and all of some newspaper organisations' attempts to smear him, the fundamental fact remains that he was never even interviewed or spoken to by the SEC. No-one has challenged that fact, so the conduct of rogue employees inside Alcatel is a matter of concern to Alcatel; it is not a matter of concern for me.

**Senator BIRMINGHAM:** Was there a yes or a no in any of that statement to my question: either when the initial allegations were aired or as further information has come to light or when the certain inaccuracies in the explanations given by Mr Quigley came to light, did you or the department ever seek to question or check any of those issues in any way beyond conversations with Mr Quigley?

**Senator Conroy:** I have spoken with Mr Quigley on a number of occasions as various issues have arisen. When Mr Quigley found out he had incorrectly advised publicly, he contacted me to say, 'I have been given this new information from the US', and I spoke with him then. In terms of whether my office read—and this is a relatively new document—the affidavit of the person who is currently in jail for bribery that is involved in the court case due next week, the affidavit was only sworn, I think, in December of last year, long after Mr Quigley was appointed. My office, I think, has now read that and we are across the details of the affidavit that has been put. I would stress that the affidavit is by a person who is currently in jail for the bribery that took place—one of the individuals. But I have not read all of it. I have gone through it and my office is across it. I think, if you take any time to read the affidavit, you can form your own judgment about whether you think it implicates Mr Quigley

in any way. If you do, then feel free any time you like to step outside of parliament and say so. But I do not think you will do that, because I do not think you will actually think that.

**Senator BIRMINGHAM:** Has the department undertaken any of its own other research in this regard or explored the issues in this regard?

**Senator Conroy:** It is more a matter for NBN Co. now. Obviously, the government made the initial appointments and I have looked into it. But, in terms of an ongoing role for the department, I think it is probably more an ongoing issue for NBN Co..

**Senator BIRMINGHAM:** The department can give that answer if that is the case and they have done nothing in that space. I am just seeking to verify that that is the case.

**Mr Quinlivan:** I know that the secretary of the department, Mr Harris, has talked about these matters with Mr Quigley. I think it was roughly around the same time the minister is indicating that he spoke to Mr Quigley. We have accepted those assurances. He has been transparent with us and others about his understanding of events and his role in it and we have done no further checking.

**Senator BIRMINGHAM:** The minister has not sought any briefings or information from the department on the matter?

**Senator Conroy:** No. The court documents are available. My office had a look at them. I saw the affidavit by the person in jail in Costa Rica for paying bribes. I think they are available publicly so we have been able to go through them ourselves.

**Senator BIRMINGHAM:** So, where your office and you have checked source documents, you have sourced those documents yourselves or through your office? You have not sought briefings either from NBN Co. or the NBN board?

**Senator Conroy:** No, I think it is fair to say that we have been in constant dialogue within NBN Co. about the allegations and claims as they have come up in the ongoing smear campaign you are part of. So it would be fair to say that I have been involved in discussions with them, yes.

**Senator BIRMINGHAM:** Discussions with Mr Quigley?

**Senator Conroy:** Mr Quigley is overseas at the moment—the NBN Co. and the people who are handling it inside NBN Co..

**Senator BIRMINGHAM:** Have you spoken with board members of NBN Co.?

**Senator Conroy:** I have spoken with the chair on a number of occasions.

**Senator BIRMINGHAM:** Has the chair asked for any further information or undertaken any—

**Senator Conroy:** NBN Co. are engaged in their own processes. They do not need any help from me. They have engaged in their own processes. I could not give you a detailed rundown on what they are; you might want to ask them when they appear before us in a week or two. When Mr Quigley is back, you will be able to ask him directly yourself. Then, if you have the courage to make the allegations and smears to his face, I will look forward to it.

**Senator BIRMINGHAM:** You can keep saying that, Minister, but, indeed, I have acknowledged that Mr Quigley has been helpful and forthright at every appearance before committees in regard to these and other matters.

**Senator Conroy:** But it has not stopped you from trying to smear him. It is very polite smearing, to be fair. You are very polite about your smearing; I will give you that. You are not personally circulating a smear sheet around the gallery like Mr Turnbull's office is; you are at least polite about your smears.

**CHAIR:** Senator Birmingham, do you have much more on this particular issue? This is the second time we have done this today.

**Senator BIRMINGHAM:** It may be the second time we have spoken about this broad topic, but it was a continuance of questions from this morning and in the relevant section. But I am happy to move on to some other topics.

**CHAIR:** Before you do, I have some questions on this. Minister, in relation to Mr Quigley, has he been treated any differently from any other executive whose company is involved or has been alleged to have been involved in bribery or corruption? I will give you some examples. Nobody, as I understand it, said that Geoff Dixon at Qantas was involved in corruption and bribery in Vietnam and the US when that was raised in the media. Nobody has accused Marius Kloppers of being directly involved in any corruption allegations in Cambodia with BHP. Nobody, to my knowledge, has raised any issues of the involvement of Tom Albanese in China with Rio Tinto. I am just wondering if we are—

**Senator Conroy:** Or John Hartigan at News Ltd with the Melbourne Storm.

**CHAIR:** Yes. These are all examples of chief executives whose companies have been faced with allegations of corruption. Is treatment of Mr Quigley any different to treatment of these—

**Senator Conroy:** Not that I am aware of, Senator Cameron.

**CHAIR:** Are you aware if there have been any complaints from the coalition to government about the damage that these allegations of corruption have caused to Australia's international reputation with companies like Qantas, BHP and Rio Tinto, or is it only NBN they are interested in?

**Senator Conroy:** I think there seems to be an extraordinary focus to try and link Mr Quigley to Alcatel's activities.

**Senator IAN MACDONALD:** The difference, of course, is that NBN is paid for by the taxpayer. Qantas and BHP—

**Senator Conroy:** Bribery is bribery. It is very serious. It is illegal under Australian law for anyone to be involved in bribery.

**Senator IAN MACDONALD:** This is an estimates committee about government expenditure, not about what Qantas and BHP might do.

**CHAIR:** Senator Conroy, are you aware that there was any government expenditure involved at Alcatel?

**Senator IAN MACDONALD:** In NBN.

**Senator Conroy:** Let me just double check. That is going to take me—no, I do not think there was any government money in Alcatel.

**Senator IAN MACDONALD:** You are paying Alcatel a hell of a lot of money.

**Senator Conroy:** If you have any allegations to make—

**Senator IAN MACDONALD:** As has been determined here, you are buying all of your equipment from them.

**Senator Conroy:** I look forward to a discussion on that, but, if you really want to make that allegation, you know where you can go and stand: outside the building.

**Senator IAN MACDONALD:** I am not making any allegation, Minister Conroy. I am pointing out to the chair that he is asking questions about Qantas and BHP that have nothing to do with estimates committees and taxpayer funding, whereas NBN is funded by the taxpayer. If you cannot see the difference—

**Senator Conroy:** Then there is Alcatel's behaviour, Costa Rica—

**Senator IAN MACDONALD:** then I fear for the intelligence of both you and the chair.

**CHAIR:** I think the record stands.

**Senator Conroy:** I thought those happy pills you were on were going really well just up until that point.

**CHAIR:** Senator Birmingham, do you want to go to some other area? Do you have a view on Qantas, BHP or Rio Tinto?

**Senator BIRMINGHAM:** I do not think that Qantas, BHP and Rio Tinto fit into the portfolio budget statements somehow—

**Senator Conroy:** Neither does Alcatel's behaviour overseas.

**Senator BIRMINGHAM:** whereas NBN Co. does.

**Senator IAN MACDONALD:** Alcatel is getting a lot of money from NBN.

**Senator Conroy:** Neither does Alcatel-Lucent's behaviour in Costa Rica.

**Senator BIRMINGHAM:** Can I ask you one last question in this area, Minister. Would you prefer that the issues surrounding Alcatel-Lucent had been either picked up by Egon Zehnder or revealed by Mr Quigley during the appointment process when all of these issues could have been transparently dealt with before the appointment?

**Senator Conroy:** I plead guilty to not asking Mr Quigley: 'Are you not being investigated by the SEC?' I plead absolutely guilty to not confirming that he was not being investigated by the SEC.

**Senator BIRMINGHAM:** Minister, you do not think it would have been preferable to have cleared all of these issues before Mr Quigley was appointed?

**Senator Conroy:** As I said, I plead guilty to not confirming with him that he was not under investigation.

**Senator BIRMINGHAM:** To at least have known that Alcatel-Lucent was under investigation?

**Senator Conroy:** As Senator Cameron has just detailed, I do not spend my time questioning Mr Albanese or Mr Kloppers or Mr Dixon or Mr Hartigan on rogue activities of rogue employees.

**Senator IAN MACDONALD:** Because you don't fund it.

**Senator BIRMINGHAM:** I suspect you question Mr Albanese about rogue activities from time to time.

**Senator Conroy:** I have never met him, to be honest.

**Senator BIRMINGHAM:** I was thinking about a different Mr Albanese.

**CHAIR:** Senator Macdonald has indicated that taxpayers' money is not involved. But there is a lot of taxpayers' money involved in the operation of Qantas. We have significant contracts with Qantas as a government. BHP and Rio Tinto get significant financial support from government. These are government involvements. I just think it is a little hypocritical that, on one hand, NBN is getting all of the attention, but the coalition have absolutely no view—they want to pretend that there are not any issues anywhere else.

**Senator IAN MACDONALD:** If you cannot work out the difference between who funds Qantas and who funds NBN, I fear for your intelligence.

**Senator Conroy:** Bribery is a serious offence, no matter who it is undertaken by. But the corrupt activities of rogue employees of Alcatel-Lucent in Costa Rica are not relevant to Senate estimates either. You are completely correct, Senator Cameron.

**CHAIR:** Can I indicate just for the record that I know of no evidence against either Geoff Dixon, Marius Kloppers or Tom Albanese on any of these issues. That is not why I am raising it. I am just raising the whole question of hypocrisy and the approach of the coalition on this.

**Senator FISHER:** The contract awarded to IBM, as I understand it, for what is referred to as the OSS/BSS—the customer and billing system—

**Senator Conroy:** We do not have any role in awarding of contracts at NBN. They are questions, I suspect, for NBN Co. when they appear before us shortly.

**Senator FISHER:** So the department does not know the value of that contract and the department has not briefed you, Minister, as to the value of that contract?

**Senator Conroy:** I have read articles in papers and online, but, as I said—

**Mr Quinlivan:** We have an agreement with NBN Co., as the government does with government business enterprises generally, that we will be informed of what I think they have described as significant events. I think we define that as, in the case of commercial matters, something over the threshold of \$100 million. I do not know about the value of the contract you are talking about, but NBN Co. have been extremely diligent in keeping us informed of matters in accordance with their obligations. If it was less than the \$100 million threshold, we would not have an expectation that they would have notified us formally. There would be, I think, an arrangement that the minister's office particularly was forewarned of a public announcement, but there would be no obligation on them to inform us before the decision was taken.

**Senator FISHER:** What about after the decision is taken? Are you saying that it is only if the value thereof is in excess of 100 million?

**Mr Quinlivan:** That is the agreement we have with NBN Co. We typically get limited forewarning of press releases and so on that are going out, of course, as you would expect.

**Senator FISHER:** So NBN Co. can run up the value of a series of any number of contracts under \$100 million individually and the department would never know about them?

**Senator Conroy:** I think they run up their contracts on the basis of their needs, not on any desire to hide artificially their conduct from the department.

**Senator FISHER:** Mr Quinlivan, the department is not required to be made aware of that by NBN Co. and therefore you would not be briefing the minister about it?

**Mr Quinlivan:** It depends on the circumstances. The government has agreed to a corporate plan and that corporate plan envisages a whole range of planned commercial activities by the company. So providing things were in accordance with corporate plan—that is, the policy framework within which those contracts were being granted had been already agreed and did not exceed the value threshold—there would be no obligation on NBN Co. to keep us informed in the ordinary course of events. However, if there were something novel about the contract or something notable about the company that NBN Co. was contracting with or anything else that they thought the government should be aware of, we would expect that they would inform us of that beforehand. To date they have been diligent in doing that.

**Senator FISHER:** I guess the price of this particular contract is relative to the product that is to be delivered as a result of the contract. Speaking, perhaps, in the context of your word 'novel', given that the OSS/BSS system is all about customers, billing and invoicing and given that the NBN Co. is a wholesale provider, how many customers does the department expect NBN Co. to have?

**Senator Conroy:** You probably should put a question like that to NBN Co.

**Senator FISHER:** Don't you know, Minister?

**Senator Conroy:** In the sense of direct customers, there are about 600 RSPs around the country at the moment, I think.

**Senator FISHER:** And commentators say that, of those, an ISP is going to have to have customers in excess of something like 500,000 before it is going to find it worth its while to go to NBN Co., which leaves you with some five or six ISPs, Minister.

**Senator Conroy:** I think you are confusing two different things. I strongly suggest that the line of questioning you want to pursue can only be answered by NBN Co. The capacity of the OSS/BSS system, what it actually does—no disrespect to Mr Quinlivan or any of the officers at the table but I suspect that you need to get a technical answer from the NBN Co. We are happy to take those on notice, but I suspect the best person to ask is Mr Quigley in two weeks time.

**Senator FISHER:** It would be good to have those answered on notice prior to Mr Quigley, and hopefully others, appearing.

**Senator Conroy:** I understand the IBM contract is approximately \$220 million over the next three years. Does that sound familiar to you?

**Senator FISHER:** Is that \$222 million in total?

**Senator Conroy:** As I said, it is over the next three years. That is just the note that I have been sent. I am hoping that it is accurate but I believe that it probably would be. It is a three-year contract for \$220 million, so that probably means it is below \$100 million a year, but I would have to take advice on how it is proportioned on an annual basis.

**Senator FISHER:** Thank you. Could you do that on notice?

**Mr Quinlivan:** Senator, can I just check the question you are asking. I think you are asking us how many customers, retail service providers, NBN Co. is envisaging or provisioning for in setting up the OSS/BSS—

**Senator FISHER:** Yes, exactly. How many customers they will have to invoice and bill—which also will be relative, presumably, to the suite of products and services they will have to offer.

**Senator Conroy:** They will need to know how much traffic is being used on their network to be able to bill for it. That is a different question to how many RSPs they will have as wholesale customers. That is why I do suggest, genuinely, that this is a question about the nature of what the OSS/BSS does that we do need to get advice from Mr Quigley on.

**Senator FISHER:** I still repeat my question about how many customers NBN Co. expects to have to invoice.

**Senator Conroy:** It is the size of the information they have to pass on to the customers. As I said, there are about 600 current RSPs. Whether all of them wish to come on to NBN Co. or just keep doing their own thing time will tell. But do we expect Telstra and a range of other companies to move their customer base onto the NBN Co.? Yes, obviously.

**Senator FISHER:** How many paying customers right now are connected to the NBN?

**Senator Conroy:** Paying customers? Are NBN Co. charging at the moment any RSP that is using the network? I do not believe so. How many customers are being served? I think the figures are between 600 and 700 in Tasmania. And there are seven trial—I would not call them customers because they are part of the trial process—and that is expected to grow to around 1,000 over the five sites, which is about 200 each, over the next couple of months as they are trialling the network.

**Senator FISHER:** But as of today there is not one paying customer connected to the NBN, right?

**Senator Conroy:** No, I think that is what I said.

**Senator FISHER:** Thank you. How many homes have been passed by the NBN but not connected to it.

**Senator Conroy:** I would have to take that on notice. I genuinely do not—

**Senator FISHER:** You do not know?

**Senator Conroy:** No, I do not know the answer to that.

**Senator FISHER:** Does the department?

**Mr Quinlivan:** No. The number is not stable, because the activity is happening, but we can give you a number at a point in time.

**Senator FISHER:** Can you give me a number as of the most recent point in time?

**Mr Quinlivan:** Not now, but I can take that on notice.

**Senator FISHER:** Thank you. And how much has it cost to pass that number of homes?

**Senator Conroy:** We would have to take that on notice for you. We are not a repository of the day-to-day accounts of NBN.

**Senator FISHER:** The department will be keeping progress reports and briefing you, surely, Minister.

**Senator Conroy:** I am sure they are keeping progress reports and following them closely, and I speak with NBN directly on these issues regularly as well, but I am not a repository of their status. I am happy to take that on notice.

**Senator FISHER:** Thank you. From your discussions with the NBN Co. chairman and/or members of the board, in respect of what liability have the directors of NBN Co. been indemnified as far as the Telstra deal goes?

**Senator Conroy:** We do not have a Telstra deal yet.

**Mr Quinlivan:** My understanding is there was an indemnity provided to NBN Co. directors in relation to the financial heads of agreement that Telstra and NBN Co. entered into back in June last year. My recollection is that that was an indemnity for claims made against NBN Co. by Telstra shareholders but no further indemnities in relation to the Telstra deal, which of course, as the minister has just said, has not been completed yet.

**Senator FISHER:** Does that indemnity extend to any claims against NBN Co. by Telstra shareholders that might arise from the deal once consummated?

**Senator Conroy:** Telstra shareholders have to vote for the deal to become consummated.

**Senator FISHER:** My question stands.

**Mr Quinlivan:** My understanding is that indemnity would cease to exist when the definitive agreements replace the financial heads of agreement.

**Senator FISHER:** Why was the indemnity sought and granted?

**Mr Quinlivan:** I think there was a concern by NBN Co. shareholders that it was possible that Telstra shareholders could be aggrieved by the deal either not proceeding or proceeding on terms that were not sufficiently favourable to Telstra. So that was the full—

**Senator FISHER:** Did the government as a shareholder proffer this indemnity to the NBN Co. directors?

**Mr Quinlivan:** It was provided on request from the NBN Co. directors.

**Senator FISHER:** So they asked for it. They obviously wanted that reassurance.

**Mr Quinlivan:** They did.

**Senator FISHER:** Have they sought any further indemnity in respect of anything else?

**Mr Quinlivan:** We are discussing with the board of NBN Co. a whole range of matters relating to the Telstra deal, which will include, if the deal is consummated, some assurances that NBN Co. has sought.

**Senator FISHER:** Have one or more of the directors of NBN Co. sought an indemnity in respect of anything else relating to the NBN—not necessarily confined to the Telstra deal?

**Mr Quinlivan:** The answer would be yes in one case of another commercial matter that NBN Co. is currently negotiating.

**Senator FISHER:** Can you expand on that?

**Mr Quinlivan:** There is only one other that we at the table are aware of.

**Senator FISHER:** Can you expand on that a little?

**Mr Quinlivan:** No; it is a large commercial contract that is at a roughly similar state of development as the Telstra deal we are discussing.

**Senator FISHER:** Are you saying that one or more of the directors have sought and been granted an indemnity limited to that agreement?

**Senator Conroy:** No, the board writes and makes requests. I think what Mr Quinlivan is trying to avoid doing is—to explain what the indemnity was for would reveal the transaction which is the problem. I am sure you are not going to press on that.

**Senator FISHER:** I trust that I am also using words which are appropriate.

**Senator Conroy:** You have been very gentle and we very much appreciate that.

**Senator FISHER:** Has the NBN Co. board also sought and been granted indemnity in respect of another agreement or contract with indemnity granted but limited to that agreement or contract?

**Mr Quinlivan:** No.

**Senator FISHER:** Can you clarify what you just said about the further indemnity that has been sought by and granted to the NBN Co. board?

**Senator Conroy:** It has been sought but not granted. I think that is probably the best way to put it.

**Mr Quinlivan:** That is right.

**Senator Conroy:** The transaction has not been completed.

**Senator FISHER:** If the indemnity sought were to be granted, in respect of what would it be?

**Mr Quinlivan:** That is the information that I am not in a position to disclose, for reasons the minister has given.

**Senator Conroy:** There is a sensitive commercial negotiation taking place, and we are not in a position to reveal that.

**Mr Quinlivan:** At this time.

**Senator Conroy:** When the deal is announced I am happy to discuss it at length but I cannot possibly do that now.

**Senator FISHER:** Has there been any suggestion or discussion about any other indemnity for the NBN Co. board.

**Mr Quinlivan:** I think I have covered the field comprehensively. We are only aware of—

**Senator Conroy:** If the NBN board wanted to seek more, that is something for them to discuss and forward on to us. I am not saying that there would not be others in the future. We would treat them on a case by case basis.

**Senator FISHER:** Thank you.

**CHAIR:** Senator Fisher, have you finished on the indemnity issue?

**Senator FISHER:** Yes, I have.

**CHAIR:** Mr Quinlivan, I understand that professional indemnity and directors' indemnity is a common practice in Australia. Is that correct?

**Mr Quinlivan:** That is right. It is increasingly common, for obvious reasons.

**CHAIR:** I was the director of the Superannuation Trust of Australia and I was advised to get indemnity.

**Senator FISHER:** I would want one for that too.

**Senator Conroy:** Senator Birmingham seems to have a problem with union officials being directors of superannuation funds.

**CHAIR:** It sounds like it. One of the biggest, most successful superannuation funds in the country. Sorry, Senator Birmingham, what did you say?

**Senator BIRMINGHAM:** I think a lot of unions enjoy being able to put their senior executives on some super boards.

**Senator Conroy:** And they do an excellent job, outperforming the market in most instances, as all comparisons have shown. They have absolutely outperformed the market and most of the industry funds over a long period of time.

**CHAIR:** And I am very happy for you to look at the record of the Superannuation Trust of Australia when I was a director, and the returns it provided.

**Senator FISHER:** Point of order, Chair—you are asking an officer for their opinion and, with all due respect to Mr Quinlivan, I am not sure that he would profess to be an expert as to indemnities across business generally.

**CHAIR:** I am not asking for an opinion. I asked about the incidence of indemnity.

**Senator Conroy:** He asked whether they were common, not whether they were a good or bad thing.

**Senator FISHER:** I restate my reservations about Mr Quinlivan, with all due respect, being qualified to comment, given that his remit is within this department.

**CHAIR:** It is common knowledge, it seems to me, except for the senators sitting around this table on the coalition side, that professional indemnities are a common thing in Australia. But if you do not know that, that is okay. That is probably why you are asking these questions.

**Senator IAN MACDONALD:** I do not want to ask questions today that relate to NBN, who we are having back later for estimates. But in question 67, which was answered in writing, I was asking whether Alcatel were able to maintain a timely supply to Singapore. The answer was that you have no idea about Alcatel and their activities in Singapore. The purpose of my question was to find out whether NBN is concerned that Alcatel will be able to maintain supply. I say that now so that when NBN come before us they can be less cute in the answer and address the issue that I was actually raising. Is the free NBN trial for the north a question for NBN or for the government? There is an article saying there is going to be a free NBN trial in the north.

**Senator Conroy:** You would have to ask NBN.

**Senator IAN MACDONALD:** Okay. Your photo is in the article, Minister, but if it is NBN—

**Senator Conroy:** I am in many articles nowadays. I have my own little monikers in two or three newspapers—my profile is just skyrocketing.

**Senator IAN MACDONALD:** Mr Quinlivan, you have answered to Senator Fisher, or I think the minister did—and we have been hearing this today and for the last several

committee hearings—that so far NBN is not getting any revenue from any of its broadband activities. Is that correct?

**Senator Conroy:** Tasmania was always announced as a trial and the first release sites were always announced as trials. There was never a declared intention to charge.

**Senator IAN MACDONALD:** Minister, that was not my question. You answered to Senator Fisher that no NBN service had been gaining revenue. My question is whether any revenue has come in to the NBN account or to the government—

**Senator Conroy:** They are not charging any fee for the services. There may have been a \$300 installation fee in Tas; I can come back to you on that. There could be revenue coming from somewhere but I am not aware of it. You might want to put that to NBN Co. in a couple of weeks.

**Senator IAN MACDONALD:** What I am putting to the department is whether NBN Co. has given you a set of financial accounts so far, since it has been incorporated?

**Mr Quinlivan:** I am sure there was an annual report with financial results for the last financial year. That would have been tabled, I would imagine.

**Senator IAN MACDONALD:** Yes. The money that government is investing in NBN comes from the general revenue mentioned in the budget—is that correct?

**Mr Quinlivan:** We can give you a description of the means by which NBN Co. is funded at present.

**Senator IAN MACDONALD:** I did indicate to Mr Harris at the last meeting in Sydney of the joint committee that I had some questions about the finance.

**Mr Heazlett:** To date the funds that have been invested by the government in NBN Co. have been sourced from the Building Australia Fund. That continues into this financial year. I think the budget estimates for 2011-12 include a further \$438 million to be sourced from the Building Australia Fund. Then further money to be invested in the NBN Co. will come from appropriations.

**Senator IAN MACDONALD:** Is that shown in the out years in the current budget papers?

**Mr Heazlett:** There are forecasts in the budget papers. I would have to go back and check. There are certainly forecasts in the budget papers of the investment in NBN Co..

**Senator IAN MACDONALD:** Are they to be funded through Aussie bonds? That was first mentioned when the minister first announced the NBN—

**Senator Conroy:** The funding and the bond issuance is for a different department.

**Senator IAN MACDONALD:** Can you let me finish the question, Minister. It was first mentioned when the minister announced the NBN Co. and when the minister announced that it would be expecting to return the government a commercial return and that there would be investments pulled from private industry by way of Aussie bonds and other sorts of bonds. I just want to know what, at this stage, the arrangements are for that future funding. Are the Aussie bonds going to be issued? What are they going to provide? What are the terms and conditions of those bonds?

**Senator Conroy:** The department of finance is in charge of issuing the bonds. You would need to put those questions to them.

**Mr Heazlett:** There is a statement in Budget Paper No. 1, statement no. 7, which talks about the arrangements for Commonwealth government securities.

**Senator IAN MACDONALD:** Budget paper number what?

**Mr Heazlett:** It is Budget Paper No. 1, statement no. 7.

**Senator IAN MACDONALD:** What page is that?

**Mr Heazlett:** Pages 716 through to 718.

**Senator IAN MACDONALD:** Can you summarise what it says? I do not have the document in front of me at the moment.

**Mr Heazlett:** Page 715 talks specifically about Aussie infrastructure bonds. It indicates that some of the securities being marketed through Commonwealth government securities will be labelled as Aussie infrastructure bonds, and there is a program for those securities to be made available to retail investors. The terms and conditions of those are a matter for the Australian Office of Financial Management.

**Mr Quinlivan:** From 1 July 2011 the Australian Office of Financial Management's weekly tender notices will indicate that some of the proceeds of the tenders may be used to finance the government's investment in NBN Co.

**Senator IAN MACDONALD:** Okay. So those bonds will be issued by the government, not by NBN Co?

**Mr Heazlett:** That is correct. They are Commonwealth government securities issued through the Australian Office of Financial Management.

**Senator IAN MACDONALD:** Can you explain to me how that will work? You will issue the bonds to the public, who will pay the money. It will go to the Australian government through that—what did you call it? The financial—

**Mr Heazlett:** Money invested into the Commonwealth government securities will be paid into the consolidated revenue fund. The budget appropriates money for 2011-12. Appropriation Bill (No. 2) for 2011-12 appropriates money from the consolidated revenue fund and will, through that, apply it to investment in shares in NBN Co..

**Senator IAN MACDONALD:** So the public will invest through—what is that group you were talking about?

**Mr Heazlett:** It is the Australian Office of Financial Management.

**Senator IAN MACDONALD:** The Office of Financial Management will issue the bonds, accept the money, pay the interest and give the money to the—

**Senator Conroy:** As I said a little earlier, this is a department of finance matter, Senator Macdonald. If you want a detailed explanation, I suggest you take it up with them.

**Senator IAN MACDONALD:** I am interested in how that relates to this department. I am just establishing the background. So the money then goes into the general revenue. And you are saying that from 2013 onwards—

**Mr Heazlett:** From 2011-12.

**Senator IAN MACDONALD:** That is the financial year almost upon us.

**Mr Heazlett:** They are moneys appropriated from the consolidated revenue fund into the broadband portfolio for application into acquisition of shares in NBN Co..

**Senator IAN MACDONALD:** So it is the department of broadband, as one of the shareholding departments, that will then invest the money—

**Mr Heazlett:** It is processed through the administered funds of the department of broadband.

**Senator IAN MACDONALD:** Is the arrangement that shares will be issued to your department?

**Mr Heazlett:** Shares are issued to the Commonwealth of Australia for money invested in NBN Co..

**Senator IAN MACDONALD:** But done through your department as one of the shareholdings—

**Mr Heazlett:** They are issued to the Commonwealth of Australia. I believe they are held by this department.

**Senator Conroy:** I am sure the department of finance could answer that question for Senator Macdonald.

**Senator IAN MACDONALD:** Mr Heazlett is saying he thinks this department will hold it.

**Mr Heazlett:** We hold, Minister.

**Senator IAN MACDONALD:** He may not be correct but he thinks that is the case, which case—

**Senator Conroy:** We are often referred to as the 50 per cent shareholder of the company, so it would be not great shock if 50 per cent were held with us. But as to bond issuances, they are department of finance's remit.

**Senator IAN MACDONALD:** They are being held by this department, and that is—

**Senator Conroy:** No, I said 'bonds'.

**Senator IAN MACDONALD:** what I am asking this group about. Do the forward estimates contain how much is going to be invested each year.

**Mr Heazlett:** Yes.

**Senator IAN MACDONALD:** Where would I see that?

**Ms Spence:** I can tell you the numbers. The profile of equity injections over the forward estimates period is \$4.4 billion in 2012-13, \$6.6 billion in 2013-14 and \$4.1 billion in 2015-15.

**Senator IAN MACDONALD:** Are you saying million or billion?

**Ms Spence:** I am saying billion.

**Senator IAN MACDONALD:** Those funds are coming out of consolidated revenue and what you are telling me is that they come into consolidated revenue as borrowings by this government through various forms, one of which is the Aussie Infrastructure Bonds. Is that correct?

**Ms Spence:** That is correct.

**Mr Quinlivan:** Senator, they come out of general revenues, which is the issue the minister is raising. Revenue raising for the government is a Treasury matter. There is consolidated revenue raising from a whole range of sources, and appropriations are made from those revenues, one of which is to equity investments in NBN Co. But on the revenue side it is entirely a Treasury matter.

**Senator IAN MACDONALD:** Okay. Again, will your department be overseeing the return and the repayment of those moneys from NBN Co. when it starts actually charging for some its services? Will you be doing that? Will you be getting the interest or return on investment dividends back from NBN Co?

**Mr Quinlivan:** The mechanisms and the amounts of payments by NBN Co. to the government will be sorted between the shareholder minister and the Treasury.

**Senator IAN MACDONALD:** Are you saying your department will have no involvement in that at all?

**Mr Quinlivan:** I expect that we would be consulted in the schedule of payments that NBN Co. is proposing to make to the government, to its shareholders.

**Senator IAN MACDONALD:** Is there any arrangement made now for the investment that is going to be made in the immediate next financial year?

**Mr Quinlivan:** The investment in NBN Co?

**Senator IAN MACDONALD:** Yes.

**Mr Quinlivan:** Yes. Those are the numbers—

**Senator IAN MACDONALD:** No; I am talking about any return on the investment. Has there been any assessment, any allowance—

**Mr Quinlivan:** We are in a start-up phase, Senator, and the government has agreed a corporate plan with NBN Co. which has them receiving equity payments while the company is set up and commences its rollout. And as the rollout proceeds and customers are signed up, the revenue grows over time. As the revenue grows and the company has the capacity to fund, in its own right, private borrowings—borrowings from the private debt markets—it will begin to repay the equity to the government.

**Senator IAN MACDONALD:** And the arrangements for the company to borrow will not be a matter for department but for the company itself.

**Mr Quinlivan:** That will primarily be a matter for the company; that is right.

**Senator IAN MACDONALD:** What is the expectation of when the government's investment might be starting to be drawn back?

**Senator Conroy:** In year seven it goes cash flow positive, I think.

**Mr Heazlett:** Yes, so they would need to then be making declared profits.

**Senator Conroy:** That would be a while.

**Mr Heazlett:** It would be some period after that.

**Senator Conroy:** It goes cash flow positive and they think they can start raising their own bonds because of their cash flow in years seven to eight, I think it was.

**Mr Heazlett:** But then there will be tax losses carried through, which may have effects—

**Senator Conroy:** Yes. It goes to the issue of whether they start paying dividends.

**Mr Quinlivan:** It might be helpful, Senator, if we direct you to the relevant pages in the corporate plan that was released in December last year, because it includes the kind of information we are discussing now in quite a lot of detail.

**Senator IAN MACDONALD:** Thank you for that suggestion. I appreciate that the corporate plan says that that is the plan. What I am really trying to get to is whether your department has done any work to see whether that plan is likely to be achieved.

**Mr Quinlivan:** The corporate plan will be developed over time, but the government accepted the corporate plan. It was independently quality assured by Greenhill Calburn, which found that it was a high-quality plan—the kind of plan you would expect for a blue-chip Australian company—and that the analyses underlying it and the assumptions were reasonable. On that basis the government accepted the corporate plan, so we are confident that it is a quality piece of work and the assumptions in it are reliable. The relevant page on that plan with the financial schedules that we have been discussing is page 134. You will find that information set out in detail.

**Senator IAN MACDONALD:** Thank you for that.

**Senator BIRMINGHAM:** Going to the department's use of advisers and legal advisers for the handling of freedom of information requests, the AusTender website indicates that there were 11 contracts this year already awarded to Minter Ellison for legal advice on the processing or handling of FOI applications—a total amount of contracts to the value of \$268,400. That is assuming that there have not been more placed since then. Why is the department having to engage so much external assistance in its FOI processing?

**Mr Rizvi:** I might begin the answer to that, but I think I will need assistance from Mr Markus. As you are aware, the FOI Act has been changed quite significantly. It has introduced new provisions which do require us to learn to understand how best to apply those new provisions and, to a significant degree, we do need assistance in that regard. One of the reasons we seek that assistance is simply because of the newness of the legislation and in order to be able to apply it properly.

**Mr Markus:** Mr Rizvi is correct. We have had, for quite a number of years, a legal service panel which gives us the opportunity to make use of external legal services in cases where we need particular expertise that we do not have available in-house or to deal with particular workloads where the in-house legal staff are fully committed on other matters. In the last couple of years, we have had quite a significant workload with major legislative projects. In conjunction with this, as Mr Rizvi has mentioned, there have been quite significant changes to the FOI legislation. So we thought it appropriate, at least as a trial if nothing more, to make use of one of our panel firms to take on some of the role that was in the past performed by the in-house legal staff. Because there have been significant changes to the act, that would free up our in-house staff to continue the work they have had to do on major legislative projects in recent months.

**Mr Quinlivan:** I think it is also important to recognise that the FOI requests that we have had have not been simple—they have not been people requesting their records or people requesting papers around a simple transaction. They have typically been wide, sweeping FOI

requests, often around commercial matters and contracting and so on. So there have been a lot of delicate judgments to be made and, as Mr Marcus has said, the rules have changed. The numbers are not high by comparison with a lot of other agencies, but the individual requests themselves have been much more complex on average, I think, than is typical.

**Mr Markus:** I might add that, since the legislation has changed, the number of requests has significantly increased. I do not have the figures to hand, but it is in the order of twice as many requests this year as last year. Given the relative complexity of the FOI requests that the agency does get, they are unlike situations in some of the social welfare departments, where it is fairly easy to identify the records and they are fairly straightforward matters. That has not been the case within the department because they often involve matters of commercial sensitivity involving other industry players, which requires extensive consultation. As a result, it always has been fairly time-consuming in terms of legal resources. Given the increase in the volume of the work and the changes in the legislation, we have considered it appropriate in recent times to outsource some of that legal work.

**Senator BIRMINGHAM:** Mr Quinlivan, you just said that this is fairly normal and that what the department has done is mild—I do not know if that was your word, but it was something like that—by comparison with other departments. Is that correct?

**Mr Quinlivan:** No, I was just making the point that the average level of complexity, if I can use that concept, in this portfolio is much higher than it is in most other Commonwealth agencies. There might be some other small policy departments that are similar. The numbers here are not high in comparison with other agencies, but they are more than offset by the increased complexity of the requests.

**Senator BIRMINGHAM:** Does each of these tenders relate to a single FOI application and its assessment?

**Mr Markus:** I do not have the document in front of me, but, generally, in recent times the particular purchase order—no, I could not say. I would have to take the question on notice.

**Senator BIRMINGHAM:** The 11 tenders that I have, which have come off the AusTender website, range in value from \$11,000 to \$77,000. Most are described as 'FOI processing and advice', although there are three variations to that. One is described as 'advice on FOI templates and guidelines'. That one sounds a little more general.

**Mr Markus:** Yes.

**Senator BIRMINGHAM:** Another is 'legal services for FOI 31-1011'. That one sounds like it is for a very specific application.

**Mr Quinlivan:** Yes, I think that would be right.

**Senator BIRMINGHAM:** Another one is described as 'miscellaneous FOI advice'. I am not sure how 'miscellaneous FOI advice' differs from 'FOI processing and advice', but I think that it reads that eight of them are probably for specific consideration and three are for miscellaneous services.

**Mr Markus:** Yes. It is difficult for me to give a categorical answer to that. These are cases where they are not tenders as such but individual purchase orders that have been issued to one or other of our panel firms for FOI work. In some cases, that may have been issued for a particular FOI request. In other cases—and I believe you have identified one—it was for

general advice and assistance to us in reviewing our documentation, given the changes to the legislation. There may be other cases where we simply have opened a purchase order to cover the ad hoc advice that we seek from time to time. I believe we had a file like that with the Australian Government Solicitor at one stage as well. I am not sure of that miscellaneous one that you referred to, but I suspect that may be the case.

**Senator BIRMINGHAM:** I am not entirely clear why this department has found the new legislation to be so much more of a burden compared with other departments. There appears to be only one other department in the same time frame, the course of this year, that has sought advice. That was the Department of Infrastructure and Transport, which awarded a \$30,000 contract to Donna White for 'supporting public transport strategy FOI'. I am not quite sure what that is. FOI descriptions are often curious. I know that, to the Department of Climate Change and Energy Efficiency, I am a serial offender with regard to FOI applications related to the carbon tax regime and a whole range of factors there. I am equally a serial offender to the Murray-Darling Basin Authority. Be very grateful that I have not decided to come after you guys yet! It is others who have lodged all of these applications. But none of these other agencies have had to go and seek external assistance to deal with requests. Why in particular has your department?

**Mr Markus:** I cannot speak about what other departments are doing, but I certainly do know that, even under the act in former times, FOI requests could take up a significant part of the time of one of my in-house lawyers, for the major part of the week. These requests do take a lot of time, particularly where the documents may relate to the personal affairs of another person or the business affairs of another person. In those cases, there are mandatory consultation requirements and they do require a very detailed, often line-by-line, examination of the documents. There are some cases where it is relatively straightforward. But we are not dealing purely with matters that are an issue only within government, as it were; often the requests relate to the affairs of other people. We are obliged to go through quite exhaustive consultation processes on those matters. The decision on whether we go in-house or outsource depends on the resources and what our resourcing commitments are. Given the collection of circumstances that we have been facing in the last few months, in consultation with my colleagues I took the decision to outsource some of that work. We will continue to review that and continue to review whether that is the most cost-effective way of dealing with these issues.

**Senator BIRMINGHAM:** I assume most if not all of these applications relate to NBN matters.

**Mr Markus:** I do not know that that is correct, Senator. That may not necessarily be the case at all.

**Senator BIRMINGHAM:** When you look through what the contracts were for, if can you advise us whether they are related to specific applications, then what the general topic or issue of those applications, that would be appreciated.

**Mr Quinlivan:** Can I go back to that last matter you were raising. I think there is probably more of an explanation in the fact that this department provides most of its legal work in-house, whereas most other agencies or a lot of other agencies have an entirely outsourced or largely outsourced model. The legal expenses associated with FOI requests would be part of a much bigger legal services contract and not identified separately. The reason we are reporting

FOI advices is that they are sought on a case-by-case basis outside the department, for the reasons that Mr Markus has said, because we do not have a large standing contract with a legal firm. I think that is probably more the difference. Most agencies are having to get a lot of advice at present on how to handle the new FOI obligations.

**Senator BIRMINGHAM:** You have a standing legal panel, though?

**Mr Markus:** That is correct.

**Senator BIRMINGHAM:** That is reflective of a number of firms—AGS and a number of firms?

**Mr Markus:** Yes, that is correct. The current panel, I believe, has 11 firms on it.

**Senator BIRMINGHAM:** Is AGS one of them?

**Mr Markus:** Yes, it is.

**Senator BIRMINGHAM:** In this case, how did you choose Minters to provide the FOI advice?

**Mr Markus:** Minters is one of our panel firms. We have used AGS in the past on a number of occasions and we continue to use AGS on particular occasions. But we want to make the best use that we can of the panel and we do not necessarily feel that, because we have invariably gone to a particular firm in the past, that necessarily should be the case in the future. We made the decision to send some of the work out to another firm on the panel and we will review the performance of that firm, as we do with all our panel firms.

**Senator BIRMINGHAM:** For the contract notice number 364863 for FOI processing and advice to Minter Ellison, it is identified as being for a contract period from 11 February 2011 to 11 February 2011 for a contract value of \$22,000. Can you confirm whether that is correct and whether the department obtained \$22,000 worth of legal advice from Minter Ellison on FOI matters for a single day in February?

**Mr Markus:** I would be quite sure that that was not the case. That would seem to me to be some sort of error in the filling in of the details for the contracts form. I cannot imagine any circumstances where we would be paying \$22,000 for that kind of work for a single day.

**Mr Quinlivan:** But we will take that on notice, investigate and get back to you.

**Mr Rizvi:** Yes, we will take it on notice and provide that.

**Senator BIRMINGHAM:** Thank you. Obviously, if you can provide the other information that we have asked for, that would be appreciated. That is all I have on FOI matters.

**Senator FISHER:** I want to start off with a couple of questions about optical network terminals and optical link terminators.

**Senator Conroy:** What would you like to know that would be relevant to the department?

**Senator FISHER:** What ONT and OLT equipment suppliers have been used in Armidale and other sites?

**Senator Conroy:** That is an NBN question, Senator Fisher.

**Senator FISHER:** Mr Quinlivan do you know?

**Senator Conroy:** I have just said that it is an NBN question.

**Mr Quinlivan:** It is NBN Co..

**Senator FISHER:** So I gather you cannot answer either what ONT and/or OLT equipment suppliers were used in Tasmania?

**Mr Quinlivan:** No, that is a matter for NBN Co..

**Senator Conroy:** Why would the department know?

**Senator FISHER:** Has the department kept track of how many permanent staff NBN Co. employs as of today?

**Mr Quinlivan:** I do not think it would be correct to say that we have kept track of it. I have noticed periodic reports, mostly that they have provided this committee or other committees in the various reports that NBN Co. has been providing over time. So, no, we are not keeping track, but we have noted those reports.

**Senator Conroy:** They are public reports.

**Mr Quinlivan:** Yes, they are public reports. I think Mike Quigley, in his opening presentations to this committee and to the other parliamentary committees, has almost always covered staffing numbers and progress on their occupational health and safety arrangements and so on, so it is a standard part of his reporting.

**Senator FISHER:** Thank you, Mr Quinlivan, but he is not here today. I recall Mr Harris telling the joint committee on the NBN that the department and NBN Co. meet and consult regularly. I would have thought that it would be standard practice for the department to brief the minister as to comings and goings at NBN Co. in terms of permanent staff. Is that not so?

**Mr Quinlivan:** I think the main issue is their plan to ramp up their recruitment activity—

**Senator Conroy:** But do I receive a weekly or monthly breakdown on NBN staff? Not that I am aware of; certainly not from the department. I might ask the odd question of Mr Quigley or one of the other officers at NBN Co., but I am not aware of a regular report that I have received on how many staff there are and I do not think that is a reflection on the department at all.

**Senator FISHER:** How often do you receive updates from Mr Quigley as to comings and goings, Minister?

**Senator Conroy:** What is your definition of ‘comings and goings’? If you mean what is their total workforce, whenever I ask for it, Mr Quigley is usually roughly able to give it to me.

**Senator FISHER:** The number of permanent staff and departures therefrom.

**Senator Conroy:** That is not an issue that I spend a lot of time on, Senator Fisher. I would have to say that, as to how many employees they have on a day-to-day basis or on a weekly or monthly basis, it is not something I inquire about.

**Senator FISHER:** Do you know how many former Alcatel and Alcatel-Lucent employees are currently employed by NBN Co. full time?

**Senator Conroy:** I think there is an answer to a question on notice that you should have that gives an indication.

**Senator FISHER:** Can you remind us?

**Senator Conroy:** I am just trying to remember. If you have it in front of you, it might save time.

**Senator FISHER:** No, I do not. Perhaps you can—

**Senator Conroy:** I think it is around 15.

**Senator FISHER:** It is 15 out of some 700 or so permanent employees that NBN Co. has at the moment?

**Senator Conroy:** If that is the information that you have been supplied with—

**Senator FISHER:** I am asking.

**Senator Conroy:** I am saying that I think we have supplied it. It should be in front of you. I do not have it in front of me at this point in time. You have it in front of you, so you could save us all time.

**Senator FISHER:** I do not, actually.

**Senator Conroy:** You should have. We have tabled all answers to all questions on notice—that is my understanding. I am happy to have it chased up for you.

**Senator FISHER:** How many permanent staff does NBN Co. have today? Let us go back to the beginning. Is it some 700?

**Senator Conroy:** The answer would have been written a few days ago, so it could be out.

**Senator FISHER:** That is just fine, Minister.

**Senator Conroy:** As at 31 March, NBN Co. had a total workforce of 750 people—677 employees, 49 contractors and 24 secondees. That compares to 168 people at the same time in 2010.

**Mr Quinlivan:** The Alcatel question was a question on notice—

**Senator Conroy:** I will double-check that, but I thought all answers to questions on notice had now been tabled.

**Senator FISHER:** I will come back to that. How many staff does NBN Co. plan to employ over the next 12 months?

**Senator Conroy:** I saw a report recently that over the next 12 months they were looking at another 1,000 staff. But, again, that is a question for Mr Quigley. We do not keep track of the day-to-day staffing issues or even the month to month.

**Senator FISHER:** This is looking like year to year. If what you have said is correct, it is looking like going from some 700 to some 1,700. That is quite some increase, Minister.

**Senator Conroy:** Yes, I would agree with you that that would be considered an increase.

**Senator FISHER:** Do you know how many months redundancy pay is standard for NBN Co. employees?

**Senator Conroy:** I have no idea.

**Senator FISHER:** Don't you want to know, Minister?

**Senator Conroy:** I suggest you ask Mr Quigley.

**Senator FISHER:** Mr Quinlivan, does the department inquire of NBN Co. the basis of their standard contracts of employment given that NBN Co. is a government business enterprise?

**Senator Conroy:** The employment of individuals at NBN Co. is a matter for the board of NBN Co. and the executive of NBN Co. It is a question I am sure you could put to Mr Quigley in a few weeks.

**Senator FISHER:** Minister, you do not think the provision of standard entitlements such as redundancy pay is a matter for you?

**Senator Conroy:** I think we have had this discussion both in this chamber and others. I think there is an EBA in place for NBN staff and I am sure that an EBA would contain all of the appropriate required employment standards.

**Senator FISHER:** Do you know?

**Senator Conroy:** No, I have not read the EBA documents. I think there might be three of them, from recollection, because there are different types of workers in the office. I think I remember reference to three agreements. No, I have not read any of the three.

**Senator FISHER:** I am informed that some employees are afforded nine months redundancy pay from their date of commencement. I am anxious to know whether that is correct and, if so, to what percentage of the permanent workforce that, some might say, largess with taxpayer funds extends.

**Senator Conroy:** You get the chance to ask Mr Quigley directly in a short period of time.

**Senator FISHER:** I would have thought you would have wanted to know, Minister.

**Senator Conroy:** I can confirm that I think it is 15 employees out of the 600- or 700-odd worked for Alcatel between the years 2001 and 2006, from available records. Whether or not they were all working in Costa Rica or not, I would have to have that checked for you.

**Senator FISHER:** I was not going to go there right now. So it is some 15 or so from available records. Does that answer go to the same question for consultants, either existing or one-time consultants to NBN Co? How many of those—

**Senator Conroy:** One of the things that you will find when you have been in the sector for a while is that it is very small in Australia. That question was asked: 'The skills required to build NBN have led NBN to hire a number of executives, employees and consultants who have spent a large part of their professional lives in the telco industry, both in Australia and overseas. Based upon the information available from our human resources databases, there are currently 15 staff members employed by NBN Co. who worked with Alcatel-Lucent in the period 2001 to 2006.' I am not sure if that covers consultants. I am happy to seek further information for you on consultants.

**Senator FISHER:** My question is on those people or firms thus far who have been engaged as consultants at any time to the NBN, even those who may not have been—

**Senator Conroy:** Sorry, if they have ever done any work consulting for Alcatel?

**Senator FISHER:** Yes.

**Senator Conroy:** I do not even know if it is possible to find that out. All of the consultants might not be there.

**Senator FISHER:** Let me repeat the question, Minister. How many of those firms or people who have consulted to NBN Co. at any point in time have ever done any form of work for or with Alcatel-Lucent?

**Senator Conroy:** I doubt that it would be possible to know that. Some of those consultants may be no longer employed and not able to be checked on that issue.

I do have an update on some information you were just asking about. I was incorrect: NBN Co. have now entered into four enterprise agreements and have worked with the ACTU and relevant unions in finalising these agreements. The four agreements that have all been approved by Fair Work Australia are: the NBN Co. and Communications and Electrical Plumbing Union Technical Employees Agreement, which covers NBN Co. employees that will be working in connection with the network operations centre; the NBN Co. and the Association of Professional Engineers, Scientists and Managers Australia Professional Employees Agreement, which covers some classes of professional engineers and some IT architecture employees who will work for NBN Co; the NBN Co. Clerical and Administrative Employees Agreement, which covers NBN Co. clerical and administrative employees; and the NBN Co. Contract Centre Employees Agreement, which covers NBN Co. employees who may work in an NBN Co. call centre. As I think I said at the beginning, they have all been approved by Fair Work Australia.

**Senator FISHER:** Thank you. In terms of the budget, what exchange rate assumptions have been made in determining the expense of the international organisations contributions at \$5.426 million under program 1.1, given that the Aussie dollar has appreciated significantly in value over recent times?

**Mr Quinlivan:** That would be a matter for our chief finance officer.

**Senator FISHER:** Oh, good!

**Senator Conroy:** I hope there is no typo this time. I may have to insist on a corrigendum if there is. I would not want all of that hard work by Senator Fisher's office to go to waste.

**Mr Ash:** I am probably not going to be able to specifically answer that. It would be on the parameters that are used in the budget. I suspect therefore it will actually be published in budget paper 1, if you give me a couple of minutes to have a look.

**Senator FISHER:** Thank you.

**Senator BIRMINGHAM:** I would like to ask some questions about the Regional Backbone Blackspots Program and in particular the South Australian leg of it. When was the 129-kilometre link to Victor Harbour that was running through Willunga completed?

**Mr McCarthy:** That was completed on 4 March this year.

**Senator Conroy:** On time and on budget.

**Senator BIRMINGHAM:** Lovely. And it was built by whom?

**Mr McCarthy:** The Commonwealth has contracted NextGen networks to build the transmission links under the program.

**Senator BIRMINGHAM:** And that provides additional capacity for residents at seven sites, I understand—27,000 residents, I think, was the estimate that was given?

**Mr McCarthy:** That seems to be correct. It sounds correct.

**Senator BIRMINGHAM:** In the delivery of these services, is it NexGen's role or, indeed, others in providing other services to provide the capacity, either directly or indirectly, for

connections by installing equipment such as DSLAMs to enable connectivity to end premises?

**Mr McCarthy:** NextGen provides fibre-optic links on those particular routes. As part of the arrangements under that contract, NextGen does not install DSLAMs within the Telstra exchanges. That is a matter for the access seekers or retail service providers to install themselves. That is for the RSPs to do.

**Senator BIRMINGHAM:** So the RSPs work out if and how they wish to connect and can do so by installing their own DSLAMs or the like—the builder of the backhaul route does not do so itself?

**Mr McCarthy:** NextGen does not install its DSLAMs as part of this program. It has a relationship where for the last mile RSPs can—a small RSP, for example, who may not have sufficient market within a town such as Victor Harbor, rather than spending money to install their own DSLAM can use a facility enabling them to connect to the backbone network through an arrangement that NextGen have with the supplier.

**Senator Conroy:** But that is not part of our requirements to provide them and we do not pay for them. But the good news is that Internode, to give you an example, is 200 per cent faster than existing services, has six times the download allowance and costs 25 per cent less per month than Internode's previous entry-level product. So that is a pretty good outcome for the people of Victor Harbor, I am sure you agree.

**Senator BIRMINGHAM:** Very good. This is not, as you well know, Minister, a part of the program that has been heavily debated, unlike other aspects of the NBN more specifically.

**Senator Conroy:** We know you really support what we are doing. We will not blow the whistle.

**Senator BIRMINGHAM:** Thank you, Minister. It has been a long four days. I cannot believe we had you for three of them. Bring back Penny, almost—the other one.

**CHAIR:** He is never happy.

**Senator Conroy:** I know—just never happy.

**Senator BIRMINGHAM:** Where DSLAMs are installed, it is for the RSPs themselves to pay for it and not for the department?

**Mr Quinlivan:** Correct.

**Senator BIRMINGHAM:** With the Victor Harbor backhaul investment, are you aware of how many DSLAMs were installed, and where?

**Mr McCarthy:** I understand that Internode are installing a DSLAM in Victor Harbor. My understanding is that in Mount Barker they have an existing DSLAM but are connecting that to the NextGen fibre, and that the Mount Barker DSLAM will serve other local communities.

**Senator BIRMINGHAM:** What about Willunga?

**Mr McCarthy:** I cannot comment on that. I am not aware of Internode's installation of a DSLAM there.

**Senator Conroy:** You are not going to try and run this silly line that Malcolm ran, 'It's a vote of no confidence because they're installing DSLAMs', are you? I hope you are but I thought you were too smart for that.

**Senator BIRMINGHAM:** I am curious to know whether a DSLAM has been installed in Willunga.

**Senator Conroy:** That is a matter for you to contact Internode over. We are not installing DSLAMs. I hear rumours about places, like in Geraldton iinet have installed a range of DSLAMs into Geraldton. Again, it is a great service for the people in Geraldton but it is entirely a matter for RSPs where they choose to take advantage of the backbone that we have built.

**Senator BIRMINGHAM:** Why would an RSP build a DSLAM in Willunga?

**Senator Conroy:** For the same reason they would in Geraldton. Geraldton is also listed to be a second-release site, and they are obviously looking to try to attract customers. Depreciation of DSLAMs now can be, I read recently, as little as 12 months before they start making a return on; it could be 18 months to two years. So the economics of DSLAMs—because the prices of DSLAMs have gone down significantly in the last two years. But you would have to ask them whether they agree with Mr Turnbull's assertions. I have not seen anyone willing to support him on this in any of the RSPs that are doing it.

**Senator BIRMINGHAM:** You are expecting Willunga to go live, though—

**Senator Conroy:** Very shortly. If you are lucky, we will invite you. I would not want you to miss out on the joy of the people in Willunga.

**Senator BIRMINGHAM:** It depends whether there is going to be a show on such a grand scale as last time.

**Senator Conroy:** I would hope so.

**Senator BIRMINGHAM:** Are you going to bring out the bread and circuses and the dancing girls again?

**Senator Conroy:** There were no dancing girls but there were certainly a lot of young girls singing a fabulous rendition of *Waltzing Matilda*. You would have enjoyed it. You should have watched the live stream.

**Senator BIRMINGHAM:** Lovely. It seemed to be going on all day every time I walked in and out of my office, but I had work to do rather than ribbons to cut.

**Senator Conroy:** You are just jealous. But do not worry. Did I tell you that 91 per cent of the people in Willunga actually signed to take the service to the house?

**Senator BIRMINGHAM:** Why on earth, if 91 per cent have signed to take fibre to the house—fibre that is going live very soon—would someone be connecting DSLAM equipment to a backhaul link that you have built?

**Senator Conroy:** All I can say is that I invite you to ask any company that has done it. If Internode have done it, I invite you to give Mr Hackett a ring. He is always happy to see his name in print promoting Internode. Internode are a good company and have just, as you probably know, turned 20, which is a pretty significant achievement for a little start-up company in South Australia 20 years ago. Mr Hackett deserves every congratulation for that success.

**Senator BIRMINGHAM:** Indeed. If NextGen had done it, would that be a breach of contract.

**Senator Conroy:** No, I think there was a clause in the contract that allowed them to do that at their own expense.

**Mr McCarthy:** Their contract requires that they install the fibre-optic transmission cable. My recollection of the contract is that they are not required to install DSLAMs.

**Senator BIRMINGHAM:** Who is the backhaul link currently vested.

**Mr McCarthy:** The Commonwealth owns the passive assets that have been constructed in relation to the backhaul.

**Senator BIRMINGHAM:** So the Commonwealth would then know who has connected to the backhaul.

**Mr McCarthy:** Under the terms of the contract NextGen builds the network and then after completion of the routes they operate the network for a period of time. They enter into commercial negotiations with RSPs but we would not necessarily have visibility.

**Senator BIRMINGHAM:** So they operate the network on the Commonwealth's behalf—

**Senator Conroy:** For about five years I think.

**Senator BIRMINGHAM:** until it transfers to NBN Co..

**Mr McCarthy:** Yes.

**Senator BIRMINGHAM:** I want to be quite clear here. If NextGen, as the operator of the backhaul network on the Commonwealth's behalf, had installed their own DSLAM off that network, would that be within the rules of the arrangement or not?

**Mr McCarthy:** If NextGen Networks installed their own DSLAMs?

**Senator BIRMINGHAM:** Correct.

**Mr McCarthy:** I will take that on notice but my understanding is no, that is not a provision of the contract. The government is not funding NextGen to install DSLAMs.

**Senator BIRMINGHAM:** And if NextGen chose to fund it themselves would that be acceptable?

**Mr McCarthy:** That would be outside the terms of the contract.

**Senator BIRMINGHAM:** Could you take it notice and confirm those aspects, and could you advise whether a DSLAM has been installed in Willunga and, if so, by what company. I am sure NextGen, as the holder of the assets on behalf of the Commonwealth, would be able to inform you of that.

**Mr McCarthy:** Just for clarity, if there is a DSLAM installed in the Telstra exchange by a party other than NextGen I am not sure that we would have access to that information.

**Senator BIRMINGHAM:** Okay. Could you do your best to give us an answer and, if that is the case, let us know when it was installed? Thank you.

**Senator FISHER:** The deal between Telstra and NBN Co. is imminent. Will the signing of the agreement create a point of no return in terms of NBN Co.'s obligation to pay Telstra the agreed, say, \$9 million compensation? What happens if the NBN project, God forbid, falls over? Is there any recourse to recovering the compensation paid to Telstra?

**Senator Conroy:** There is not a signed agreement at the moment, so it is not possible for us to comment. But also that is an agreement between Telstra and NBN Co. that I am sure is

subject to a whole range of commercial confidentiality. I am not sure they are questions that even NBN Co. will ultimately be able to answer.

**Senator FISHER:** What wriggle room are you negotiating for the taxpayer—sorry, what wriggle room would you expect NBN Co. to negotiate for the taxpayer?

**Senator Conroy:** I will tell you what I am not doing: I am not negotiating a price to keep the copper, or buy it from them or gain access to it. That would be in the billions—many billions—for us to negotiate access to Telstra's copper, as Mr Turnbull suggested recently. I was pleased to see he wanted that. We will add that to the bill for the coalition's 20th plan for broadband when it finally comes out.

**Senator FISHER:** Thanks, Minister. Mr Quinlivan, are the costs of the recently signed agreements with Gilat and Optus for the provision of interim satellite services included in the department's budget expenses; and, if so, under which item?

**Mr Quinlivan:** No; the interim satellite service that your question is about is the service that will be provided by NBN Co. The question you have asked is about appropriation to the department for some supporting activity that the department is providing.

**Senator FISHER:** Can you expand on that, Mr Quinlivan?

**Mr Quinlivan:** We are in a transition from the Australian Broadband Guarantee program to the interim satellite service. The interim satellite service, which I think is the thing that you are concerned about, is being provided by NBN Co. and is funded out of their general equity contributions. That is picked up as part of the overall equity investment story that we were discussing earlier this afternoon.

**Senator FISHER:** Okay, good. That takes me to my final question about this issue.

**Mr Quinlivan:** But there are funds this year for the tail of the Broadband Guarantee program, and those are the numbers that appear in our budget papers.

**Senator FISHER:** But it is still \$12.1 million, isn't it?

**Mr Quinlivan:** That is right.

**Senator FISHER:** So that is what constitutes a tail?

**Ms Spence:** Senator, the way the ABG works is that it is a demand driven program and if the money is not spent then it is not spent, but it is there as a contingency in case it is required.

**Senator FISHER:** Well, given what Mr Quinlivan said about transition to the interim satellite service to be provided by NBN Co. funded by equity injections to NBN, wouldn't you expect the cost of the ABG to be minimal in 2011-12 and more minimal—oops!—than the \$12.1 million budgeted? Have you put some fat in your budget?

**Ms Spence:** I think it is there as a contingency.

**Senator FISHER:** Okay—fatly contingent.

**Mr Quinlivan:** No; that is the wrong concept, Senator. What Ms Spence is saying is that those funds are there in case they are needed but if they are not needed they will be returned.

**Senator FISHER:** All right, thank you. Why does the cost of the NBN continue to be off budget?

**Senator Conroy:** It is an investment, according to the Australian Bureau of Statistics.

**Senator FISHER:** And can you justify it if the anticipated return on investment fails, Minister, and you cannot cover the project's operating costs?

**Senator Conroy:** It is an investment—

**Senator FISHER:** All right, what if—

**Senator Conroy:** as defined by government accounting procedures—

**CHAIR:** Senator Fisher, you have asked a question; let the minister respond.

**Senator Conroy:** and it gets a return and qualifies as an investment, and that is completely consistent with the accounting practices over many years for GBEs.

**Senator FISHER:** Thank you. What if the private debt markets do not provide sufficient funding as required in years 7 and 8 of the project—what happens then?

**Senator Conroy:** That is a hypothetical question.

**Senator FISHER:** What if the capital cost has to be—

**Senator Conroy:** It is a hypothetical question.

**Senator FISHER:** written off in the future due to the project being redundant?

**Senator Conroy:** Opening with 'what if' usually leads to hypothetical questions.

**Senator FISHER:** Is the department confident that the carrying value of the NBN investment will not need to be written down if there are cost overruns or aspects of technology that become redundant, Mr Quinlivan?

**Senator Conroy:** You are allowed to ask about expenditure; you are not allowed to ask opinions of officers.

**Senator FISHER:** What will be the consequence if the—

**Senator Conroy:** That would be hypothetical.

**Senator FISHER:** ancillary NBN costs in the budget increase?

**Senator Conroy:** That is a hypothetical question, Senator Fisher. You are allowed to ask about expenditure.

**Senator FISHER:** If the capital costs in the budget blow out, will the ancillary NBN costs also escalate?

**Senator Conroy:** That is a hypothetical question, Senator Fisher.

**Senator FISHER:** Senator Birmingham?

**Senator Conroy:** He is hypothetical as well but we will give him a go.

**Senator BIRMINGHAM:** I want to touch on the interim satellite.

**Senator Conroy:** Did you enjoy that last quarter? You are an Adelaide fan, aren't you.

**Senator BIRMINGHAM:** We take all the water we can back to Adelaide with us.

**Senator Conroy:** I will take that as a yes.

**Senator BIRMINGHAM:** Who will be eligible to connect to the interim satellite?

**Mr Quinlivan:** In general terms, eligible end users will be those residential customers and small businesses with fewer than 20 full-time staff who are unable to access metro-comparable broadband. The service will also be available to Aboriginal and Torres Strait Islander community organisations. The first priority for service installation will be those

eligible end users who have not previously had a service provided under the ABG or have lost access to an ABG service through no fault of their own. The next priority will be those who had access to an ABG service more than three years ago. There will be a service qualification process to prioritise applicants.

**Senator BIRMINGHAM:** Thank you. So basically any premises anywhere without access to metro-comparable broadband services—with some caveats around staff numbers and so on—will be eligible to apply, subject to that handful of caveats?

**Mr Quinlivan:** That is right.

**Senator BIRMINGHAM:** It will not matter whether fixed line wireless is coming their way or fibre itself is coming their way down the track—they will all be able to apply.

**Mr Quinlivan:** Remember, this is an interim satellite service to be replaced by a new satellite service in 2015—

**Senator Conroy:** 2014-15.

**Mr Quinlivan:** Yes, 2014-15—so in general I think what you say is right because it is for a short period during which the wireless network will be rolled out and the fibre rollout will be commencing and ramping up. So it will be true for that period. If the service had been operating for a longer period, I suspect there would be more of an attempt to match demand and supply for the various products that the company is offering.

**Senator BIRMINGHAM:** To be very clear about the transfer of people who may have been accessing ABG support, people who live in an area that has been defined for ABG but have not connected or had a service subsidised in the last three years will be eligible to connect to the satellite?

**Mr Quinlivan:** Yes.

**Senator BIRMINGHAM:** On the costs and charges of the interim satellite service, NBN Co. is or has contracted RSPs—who is selling the product?

**Senator Conroy:** I think I saw something even today talking about calling for 20 RSPs to start providing services. The report initially was that—was it IPStar and Optus?

**Ms Spence:** Yes.

**Senator Conroy:** But it might even have been today they called for 20-odd: Here it is—'Calls for retail service provider expressions of interest', dated 26 May—so it is today:

NBN Co today released more detailed eligibility criteria for potential rural and remote users of its Interim Satellite Service, confirming that, where high demand exists, first priority will be given to those people who have no access to alternate broadband services, subject to a service qualification process.

I can table the paper.

**Senator BIRMINGHAM:** Yes, thank you. And the wholesale price that NBN Co. is offering to—

**Senator Conroy:** I think it is \$24, the same as the entry-level fibre and wireless.

**Senator BIRMINGHAM:** So it is at the ongoing entry-level price. Those who are simply migrating to the permanent satellite service in a few years time—

**Senator Conroy:** Will not even know.

**Senator BIRMINGHAM:** will not notice the difference. For those who migrate to a fixed-line wireless service or a fibre service—

**Senator Conroy:** It will be the same price for the base.

**Senator BIRMINGHAM:** it will be the same price for the same basic product to migrate across.

**Senator Conroy:** Though a megabit is not a megabyte—but I know you do understand that.

**Senator BIRMINGHAM:** Some days—at this stage of estimates, do not start testing me! Those operators who have provided the ABG services into communities, some of whom have built new facilities only relatively recently—

**Senator Conroy:** And received plenty of support to build those facilities from both your original program and ours.

**Senator BIRMINGHAM:** Have you had representations from operators concerned about the ending of ABG subsidies for customers in those communities?

**Senator Conroy:** There are no different rules under what we are doing compared to what your previous government did—HiBIS and Broadband Connect, before it became ABG. As metro-comparable services are available, eligibility is withdrawn from areas. That has been the ongoing principle behind HiBIS, Broadband Connect and ABG. Where metro-comparable services are available, the subsidy as it was then has been removed. That was just the ongoing process. As new services were rolled out into areas, there was a removal of the subsidy.

**Senator BIRMINGHAM:** When were all of the providers informed that metro-comparable services, as you are calling the satellite service, would suddenly be available everywhere?

**Senator Conroy:** What do you mean by 'suddenly be available everywhere'? I do not quite understand your question.

**Senator BIRMINGHAM:** Obviously, you are putting a satellite service up to service black spots across the entire country.

**Senator Conroy:** Yes, but I think—

**Senator BIRMINGHAM:** And that is the reason you are bringing the program to an end; it is not like someone suddenly coming along and rolling fibre down a street—

**Senator Conroy:** No, one is replacing the other. But the footprint that it is entitled to starts on the same premise as the existing footprint—as ABG and HiBIS. And that footprint is calculated on an ongoing basis. But I think Mr Bryant can help.

**Mr Bryant:** Senator, I think you are talking in particular about the wireless providers who have had some concerns about the end of the ABG program in South Australia and other places. I think your question goes to when they were adequately informed that the program was coming to an end on 30 June this year. We signed contracts with them for 12 months only. When we signed those contracts with them, we informed them that they should enter into the contract on the basis that we could not guarantee that the program would go beyond 30 June. I should also point out that, for the period of this financial year, all of those wireless providers have had additional support, as the minister has said. Normally what happens with the ABG and all previous programs is that, as commercial services roll out at a metro-

comparable level, the service areas of those providers shrink accordingly. In the case of all of those wireless providers, we preserved the same service areas and the same eligibility arrangements that applied on 30 June last year for a further full 12 months so that they can have the same set of eligible customers as they have had for the previous year—which, certainly in the case of providers like Adam Internet, was a very important benefit.

**Senator Conroy:** It ensured that their build of better infrastructure could be underpinned by their ongoing access to the 12-month extension.

**Senator BIRMINGHAM:** Thanks, Minister and Mr Bryant. I might give you some questions on notice. I think Senator Fisher—

**Senator FISHER:** Thanks. Has the—

**Senator Conroy:** It is hypothetical.

**Senator FISHER:** Fact. Has the Productivity Commission's Australian Government Competitive Neutrality Complaints Office reported yet on the alleged breaches by NBN Co. of the competitive neutrality policy in the context of—

**Senator Conroy:** Chair, am I allowed to say 'don't know, don't care'?

**Senator FISHER:** Sorry? Ms Spence, when will the report be available?

**Senator Conroy:** When they finish it.

**Ms Spence:** We have no guidance from the office on when they will complete their report, but they normally take about three months.

**Senator FISHER:** Thank you. Minister, given the helpful nature of the testimony of Mr Ash here today and the CFOs, will you ask Mr Beaufret to accompany Mr Quigley to Mr Quigley's special NBN Co. estimates in a couple of weeks time? He is likely to be extremely helpful to the committee!

**Senator Conroy:** I will raise with Mr Quigley the interest in talking with Mr Beaufret and see if he is available. Mr Quigley goes out of his way, as you know, to make himself fully available at all times—and I really do appreciate the committee's understanding that even Mr Quigley is allowed a little time off. He has appeared before so many parliamentary committees, I think he just carries round the opening statement from—

**Senator FISHER:** We are very interested in the numbers, and Mr Beaufret should be able to enlighten us.

**Senator BIRMINGHAM:** We were happy to have NBN Co. come without Mr Quigley.

**Senator Conroy:** That is what I am saying: I genuinely appreciate—

**Senator BIRMINGHAM:** Your government colleagues seemed insistent.

**Senator Conroy:** Mr Quigley is across all of the aspects of the company. You would probably need about 10 people to cover off for Mr Quigley.

**Senator FISHER:** He has never rolled out a network from scratch. He has never started up a company.

**Senator Conroy:** You really have no idea what you are talking about, Senator Fisher. Cut your losses.

**Senator FISHER:** Minister, you will ask Mr Beaufret to attend. We look forward to his attendance.

**Senator Conroy:** Cut your losses. But I will pass on your request.

**Senator FISHER:** Thank you.

**Senator Conroy:** And, if Mr Beaufret is available or if Mr Quigley feels he can handle all the questions, he will make that call.

**Senator FISHER:** We would welcome Mr Beaufret as well, Minister.

**Senator Conroy:** I am sure you would.

**Senator BIRMINGHAM:** The department contracted Weber Shandwick to help with NBN related PR; is that correct?

**Senator Conroy:** Yes.

**Senator BIRMINGHAM:** How much have you paid them?

**Mr Rizvi:** I would have to take on notice specifically how much we have paid them to date, Senator.

**Senator BIRMINGHAM:** Do you have a rough idea of the contract value?

**Mr Rizvi:** The original contract value was around \$700,000.

**Senator FISHER:** That was a whistle from Senator Birmingham, *Hansard*.

**Senator BIRMINGHAM:** Are any other consultants engaged by the department to help with NBN PR?

**Mr Rizvi:** We have contracts to develop various elements of the communications strategy, including the development of products that we would be able to use to help people better understand the kinds of opportunities the NBN opens up. There are other contracts related to that.

**Senator BIRMINGHAM:** Could you provide details of all of those on notice. You had a tinge of uncertainty there, Mr Rizvi; has the \$700,000 initial value of the contract gone up or down?

**Mr Rizvi:** The work that was related to the \$700,000 has not changed. There have been other aspects of communications that have emerged as a result of the work we have been doing in this space, and that has had separate costs related not necessarily to Weber Shandwick but to other contractors.

**Senator BIRMINGHAM:** Including Weber Shandwick?

**Mr Rizvi:** I would have to take on notice whether any of that relates to Weber Shandwick itself.

**Senator BIRMINGHAM:** Who ran the launch in Armidale the other day? Was that a department funded exercise or an NBN Co. funded exercise?

**Senator Conroy:** I think NBN Co. organised the morning launch.

**Senator BIRMINGHAM:** They picked up the tab for the sandwiches?

**Senator Conroy:** There was a separate function later in the day to do with our Digital Regions Initiative which the department was in charge of. But they were two separate and distinct events at different places.

**Senator BIRMINGHAM:** Mr Rizvi, if you could provide details of the costs and activities associated with that separate function that the minister just mentioned, that would be appreciated.

**Mr Rizvi:** We can provide that.

**CHAIR:** That concludes the committee's examination of Broadband, Communications and the Digital Economy.

**Committee adjourned at 18:00**