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Proof Committee Hansard

SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION
COMMITTEE

Estimates

(Public)

TUESDAY, 9 FEBRUARY 2016

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SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

Tuesday, 9 February 2016

Members in attendance: Senators Back, Bilyk, Bushby, Conroy, Dastyari, Gallagher, Lazarus, Ludlam, Madigan, Marshall, McKenzie, O'Neill, Reynolds, Simms, Smith, Urquhart, Williams, Xenophon.

COMMUNICATIONS AND THE ARTS PORTFOLIO

In Attendance

Senator Fifield, Minister Assisting the Prime Minister for Digital Government, Minister for Communications and Minister for the Arts

Department of Communications and the Arts

Program 1.1

Dr Heather Smith PSM, Secretary

Ms Nerida O'Loughlin, Deputy Secretary, Strategy Division

Mr Ian Robinson, Deputy Secretary, Infrastructure Group

Ms Marianne Cullen, First Assistant Secretary, Classification and Projects Division

Ms Angela Flannery, Assistant Secretary, Strategy Division

Ms Jo Talbot, First Assistant Secretary, Corporate

Mr Andrew Madsen, Assistant Secretary, Projects Branch

Ms Cathy Rainsford, Acting Assistant Secretary, Classification Branch

Dr Simon Pelling, First Assistant Secretary, Consumer and Content Division

Dr Paul Paterson, Chief Economist, Bureau of Communications Research

Mrs Leonie Holloway, Deputy Chief Economist, Bureau of Communications Research

Mr Lachlann Paterson, Assistant Secretary, Postal Services Branch

Ms Ann Campton, Assistant Secretary, Media Branch

Mrs Sylvia Spaseski, Assistant Secretary, Consumer Access Branch

Mr Rohan Buettel, Assistant Secretary, Content Branch

Mr Philip Mason, Assistant Secretary, Market Structure

Ms Jane Fitzgerald, Assistant Secretary, Classification Branch

Ms Lesley O'Brien, Director, Classification Board

Ms Fiona Jolly, Acting Convenor, Classification Review Board

Program 2.1

Ms Sally Basser, Executive Director

Ms Rachel Antone, Assistant Secretary

Ms Tiffany Karlsson, Assistant Secretary

Ms Lyn Allan, Assistant Secretary

Dr Stephen Arnott PSM, Assistant Secretary

Australian Communications and Media Authority

Mr Chris Chapman, Chair, Australian Communications and Media Authority

Mr James Cameron, Full-Time Authority Member

Mr Richard Bean, Deputy Chair, Australian Communications and Media Authority

Mr Giles Tanner, General Manager, Communications Infrastructure Division

Mr Christopher Hose, Executive Manager, Spectrum Planning and Engineering Branch

Mr David Brumfield, Executive Manager, Spectrum Management Policy Branch

Mr Mark Loney, Executive Manager, Spectrum Operations and Services Branch

Ms Maureen Cahill, General Manager, Corporate and Research Division

Ms Anne Fleischer, Chief Financial Officer, People and Finance Branch

Ms Jennifer McNeill, General Manager, Content, Consumer and Citizen Division

Australian Broadcasting Corporation

Mr Mark Scott, Managing Director

Mr David Pendleton, Chief Operating Officer and Chief Financial Officer

Mr Michael Millett, Director Corporate Affairs

Mr David Anderson, Director Corporate Strategy and Planning

Australia Council

Mr Tony Grybowski, Chief Executive Officer

Mr Tim Blackwell, Executive Director, Corporate Resources

Australian Film, Television and Radio School

Mr Neil Peplow, Chief Executive Officer

Ms Ann Browne, Chief Operating Officer

Australian National Maritime Museum

Mr Kevin Sumption, Director and Chief Executive Officer

Mr Peter Rout, Assistant Director Operations

Mr Frank Shapter, Chief Financial Officer

Australian Postal Corporation

Mr Ahmed Fahour, Managing Director and Group Chief Executive Officer

Ms Christine Corbett, Executive General Manager, Postal eCommerce Services

Mr Paul Burke, Corporate Secretary

Ms Catherine Walsh, General Manager, Group HR and Safety

Bundanon Trust

Ms Deborah Ely, Chief Executive Officer

Mr Richard Montgomery, Chief Operating Officer

Creative Partnerships Australia

Ms Fiona Menzies, Chief Executive Officer

Ms Emma Calverley, Executive Director, Operations and Marketing

Mr Matthew Morse, Executive Director, Strategy and Programs

Museum of Australian Democracy

Ms Daryl Karp, Director

Mr Andrew Harper, Director, Operations and Audience Engagement

National Film and Sound Archive of Australia

Mr Michael Loebenstein, Chief Executive Officer

Ms Denise Cardew-Hall, Chief Financial Officer and General Manager, Corporate and Business Affairs

National Gallery of Australia

Dr Gerard Vaughan AM, Director

Ms Kirsten Paisley, Deputy Director

Mr David Perceval, Assistant Director, Corporate Services

National Library of Australia

Ms Anne-Marie Schwirtlich AM, Director-General

Mr Gerry Linehan, Assistant Director-General, Corporate Services

National Museum of Australia

Dr Matthew Trinca, Director

National Portrait Gallery

Mr Angus Trumble, Director

NBN Co Ltd

Mr Bill Morrow, Chief Executive Officer

Mr Stephen Rue, Chief Financial Officer

Ms Karina Keisler, Executive General Manager, Corporate Affairs

Mr Christopher Willcox, Acting General Manager, State Corporate Affairs

Mr Ian McAuley, Senior Advisor, Government Relations

Office of the eSafety Commissioner

Mr Alastair MacGibbon, Children's eSafety Commissioner

Ms Andree Wright, Executive Manager

Screen Australia

Mr Graeme Mason, Chief Executive Officer

Ms Fiona Cameron, Chief Operating Officer

Special Broadcasting Service

Mr Michael Ebeid, Managing Director

Mr James Taylor, Chief Financial Officer

Mr Todd Loydell, Head of External Affairs

Committee met at 09:00

CHAIR (Senator Reynolds): I declare open this meeting of the Senate Environment and Communications Legislation Committee. The Senate has referred to the committee the particulars of certain proposed additional expenditure for the 2015-2016 financial year for the portfolios of Environment, Communications and the Arts and other related documents. The committee has set Friday, 8 April 2016 as the date by which answers to questions on notice are to be returned. The committee's proceedings today will begin with general question of the Department of Communications and the Arts and will then follow the order as set out in the program.

Under standing order 26 the committee must take all evidence in public session. This includes 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. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to a superior officer or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

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. Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirement of the 2009 order. Instead witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information of the document.

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).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

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

Department of Communications and the Arts

[09:02]

CHAIR: I welcome Senator the Hon. Mitch Fifield, the Minister for Communications and Minister for the Arts, and all portfolio officers. Minister, would you like to make an opening statement?

Senator Fifield: No, thank you, but I acknowledge that this is Dr Smith's first estimates as Secretary of the Department of Communications and the Arts and congratulate her on her appointment.

CHAIR: Thank you very much. On behalf of the committee, as chair I too welcome Dr Smith and congratulate her on her appointment. Welcome to your first estimates hearings.

Dr Smith: Thank you.

CHAIR: Dr Smith, would you like to make an opening statement?

Dr Smith: No, thank you, but I would like to say that it is a huge honour to be given the opportunity to lead the Department of Communications and the Arts. I am very much looking forward to it and to engaging the committee. Officials and I through the minister will attempt to assist the committee in every way possible through the course of this year, although after two weeks in the role I am unlikely to be of much assistance compared to my colleagues. Thank you.

CHAIR: Thank you very much and welcome. As chair I just have one matter to raise with you in whole-of-portfolio before I go to Senator Dastyari, and that is the issue about which I wrote to you yesterday: questions on notice. To say the committee members and also other senators who have placed questions on notice are a little upset is possibly an understatement given some of their language to me, but I am as chair quite concerned about the tardiness of responses to the committee. I have gone through and done an analysis of the questions for the portfolio that were taken on notice from the last hearing of 20 October and the subsequent one for the ABC. It has been four months since the 20 October hearing. Between that and the ABC hearing on 30 November we had 173 questions in total, and not a single one was submitted by the due date. They have been coming in extremely slowly since then. Also of concern is that as of this morning there were five—I understand four have now been received this morning—but a full third have come in since Friday afternoon, which gives the committee members absolutely no time to review the response to their questions and adequately prepare their questions for this hearing today. I have written to you and suggested where we think the process might be falling down within the department and your agencies. I am sorry to have this as my first issue raised with you, but it is of significant concern to the committee, so I would be very grateful on behalf of the committee and all other senators who have asked questions if you could have a look at that issue and ensure we have some significant improvement by the time of the next estimates.

Dr Smith: I did note that you wrote to the department yesterday about the need to ensure the timely coordination and response to questions asked by the committee. There were a number of factors contributing to

the lateness of the submissions, including that many of the questions required coordinating responses from portfolio agencies of which we now have significantly more since the administrative order changes. I do wish to assure the committee, though, that the department does take the provision and tabling of notices very seriously and we will ensure a better response rate going forward. This will include putting in administrative arrangements to provide early advice to the portfolio agencies before the index of questions on notice has been finalised. We will endeavour to ensure being more timely for the next estimates.

CHAIR: Thank you. Also as part of that process, if you have questions, they do not need to be stored up to the due date. If you have responses coming back, I think the committee would appreciate that. That gives all the committee members and me time to go through and read them in a more orderly way. But thank you very much for your response. Welcome to estimates and welcome to the job. I will now hand over to Senator Dastyari.

Senator DASTYARI: We are going to try to be as reasonable as we can today. I am conscious of the fact that we have arts and communications all put together. There is a senator, who will remain nameless, with far more seniority than I who would feel that perhaps six of hours of questions of NBN may not be enough and may want to have all six hours. I tried to put as much on notice as possible so that we can actually stick to the time program that has been allocated for today.

CHAIR: As chair I greatly appreciate that sentiment. If you can achieve that, that would be great. Thank you.

Senator DASTYARI: Again, congratulations, Dr Smith, on your appointment. I will try to get through this fairly quickly, and some of this you may need to take on notice. The community broadcasting program in the 2015-16 budget has an allocated amount of \$16.88 million. Is that correct?

Dr Smith: I will ask my colleague Ms O'Loughlin to respond.

Ms O'Loughlin: I think that would be right. It sounds about right.

Senator DASTYARI: Take my word for it. The figure is straight out of the budget papers. I am reading straight off the document here, so you can take it on notice or take my word for it. It says \$3.86 million of that funding is allocated to community broadcasting on digital radio. Is that your understanding?

Ms O'Loughlin: That is my understanding.

Senator DASTYARI: The amount allocated to the community broadcasting program drops over the forward estimates from \$16.88 million to \$15.491 million in 2016-17 and to \$15.492 million in each of 2017-18 and 2018-19. Is that correct?

Ms O'Loughlin: I do not have the details with me. I can attempt to respond now, but, if I get my facts wrong, we can come back to that this afternoon when specific questions are on the program?

Senator DASTYARI: Sure. The figures I am reading are the figures straight out of the budget papers.

Ms O'Loughlin: I understand that the additional funding for digital radio concludes.

Senator Fifield: From memory, I think that might have been a terminating program in the previous government.

Senator DASTYARI: That does seem to be my understanding as well. My question is: can the department explain this decline in future funding? I do not want to play two days of semantics about what is or is not a cut. There is a decline in future funding. Let's refer to it as the decline in funding in future years. I am wondering whether the department has done work on where that decline or expenditure saving is expected to come from. How is that going to impact digital community radio?

Ms O'Loughlin: I would like to take that on notice and come back this afternoon when we get to the outcomes so that I can seek some advice from the relevant area of the department and come back to you.

Senator Fifield: As I said before, I do not think that represents a decision of this government. I think it represents a decision of the previous government. If something is a concluding program, that reflects decisions previously taken.

Senator DASTYARI: If the department can take this on notice for this afternoon, I would be happy to do that. This is acknowledging the fact that there was an increase of funding. If that increase of funding comes to an end, there will be an impact of that funding no longer being available. I assume the department has done some work on the consequences of that funding no longer being available in future years.

Senator Fifield: No doubt that would have been something that was done under the previous government since it was their decision to have an end point on that funding.

Senator DASTYARI: No. As is often the case and may be the case in these circumstances—and the department will get to the bottom of this for us—what may have happened and I suspect you will find will happen

was that there was an increase in funding given over a period of time. It went beyond the forward estimates. This government made a decision not to continue that funding.

Senator Fifield: I have to pull you up there. The previous Rudd-Gillard government, with many programs across many portfolios, had funding for a period of time and terminating or concluding funding. There are some programs where funding goes on indefinitely. Others are just time specific, terminating and concluding. The previous government cannot say: 'Oh, well, we didn't actually intend for something to be an ongoing program. We put a time limit on it, but it's the fault of the future government that we took that decision.' That is essentially what you are arguing.

Senator DASTYARI: No, that is not what I am saying at all. I am asking: if this additional funding comes to an end—and it is coming to an end, according to the budget papers expenses 1.1 from the communications budget statements, the document I am reading straight off—what are the consequences of that? I think that is a very fair question. The department has said they are going to—

Senator Fifield: What are the consequences of the decision of the previous government?

Senator DASTYARI: I am saying: what are the consequences of the decision not to continue funding it?

Senator Fifield: The decision of the previous government to have a concluding program.

Senator DASTYARI: The decision of this government not to continue to fund it. We can cut it up in as many ways as you want.

Senator Fifield: You cannot say—

Senator DASTYARI: Oh, but I can and I will!

Senator Fifield: you took a decision in government that a program would conclude and that is the fault of the current government. That is a decision of the previous government.

Senator DASTYARI: I am saying the decision not to continue funding a matter is the decision this government has made.

Senator Fifield: But that is a decision of the previous government.

Senator DASTYARI: All of this comes down to priorities and what the government does or does not choose. The government has a right as the elected government of Australia to make budget decisions on what it does or does not want to fund.

Senator Fifield: But that is a decision of the previous government.

Senator DASTYARI: No, the decision of the previous government was to have an, I think, four- or five-year—

CHAIR: I am sure we are enjoying this backwards and forwards debate, but, if you have a question of the minister—

Senator DASTYARI: I did have a question of the minister. I felt that I had asked a question.

Senator Fifield: And I am providing the context for you.

Senator DASTYARI: I felt that Ms O'Loughlin very kindly said that she was going to take that on notice and come back to us and I was happy with that response. The only person who seems unhappy here is Minister Fifield.

Senator Fifield: No, I just don't want to—

CHAIR: Perhaps we could move onto the next question.

Senator Fifield: It's too early in the day to let you get away with sneakiness, Senator Dastyari!

Senator DASTYARI: If we are going to be coming back with program 1.1, digital technologies and communications services, there are one or two other small, related things. Let's come back at 1.1 with the department. I am happy to leave general questions to the department there if that allows us to get on to SBS—unless you have questions as well.

CHAIR: Senator Back, have you got questions?

Senator BACK: No. I am right.

CHAIR: Okay. I am very happy if you want to move it on. Thank you very much.

Special Broadcasting Service

[09:14]

CHAIR: Good morning, Mr Ebeid. Welcome back to estimates. Would you like to make an opening statement?

Mr Ebeid: I will, thank you, Chair. Since the last Senate estimates, we have had a very strong start to the year, with the success of our *The Family Law* show, which is a comedic tale of a Chinese-Australian family, based on the book by Benjamin Law. *The Family Law* featured our first Australian-Asian cast, but in many ways I think it also could tell the story of millions of Australians that have had to navigate multiple cultures growing up in Australia. I am pleased to say that *The Family Law* outperformed our audience expectations and was met with critical acclaim. I also hope that some of the senators had a chance to watch our documentary that aired on Australia Day, *Stories From Home*, which explored the country's incredible diversity and looked at what it means to be Australian today through highlighting some of the extraordinary individuals and communities that have overcome adversity. The series sat alongside some great work done by our news teams looking at migrants' first-day impressions of Australians, across many of our language groups. It was great to have several MPs and senators involved in the initiative—including Minister Cormann and, of course, Senator Dastyari—among those who shared their migrant first-day stories.

February is going to be a big month for SBS, as we are heading into Lunar New Year—the year of the monkey, of course—with a month-long series of some of the best Asian entertainment across all our platforms, and several community events. Our flagship current affairs programs are all back in February. *Insight*, *Dateline* and *The Feed* are all back. And, of course, NITV is back with *Living Black* and *Awaken* as well. I am pleased to report that the Food Network channel, which we spoke about at the last hearing, is off to a strong start, and we are very pleased with its performance to date. The other thing I was going to mention was that SBS was very pleased to receive \$4.1 million in funding as part of the government budget update late last year, which has really allowed SBS to move with confidence into the rest of this financial year, for which we are very grateful. We thank the government for recognising that funding was necessary for us to continue our services, and we look forward to concluding our triennial funding process.

Finally, I look forward to welcoming all parliamentarians at our 2016 SBS showcase on Tuesday the 23rd, where you will be able to see, directly, where SBS is headed and how we are delivering on our charter. I hope that many or all of the committee here will have time to pop in and see us, because it is the first time we have done one for three years. Thank you.

CHAIR: Thank you very much, Mr Ebeid. Senator Dastyari.

Senator DASTYARI: I just want to follow on on a few things. Again, there is not going to be all that much this morning. Our last estimates was only recent, so there has not been the number of things. We will be placing a little bit on notice. I want to follow up on, to begin with, SBS's budget situation. Without going over old ground, as I am sure you are aware, there was a government proposal regarding advertising revenue, which the Parliament of Australia decided against. We have been through that. Do you have the figure there of the budgetary—

Mr Ebeid: It is \$28.5 million.

Senator DASTYARI: Last time we spoke, from my notes, there was a recent matter, and you were in the process of working out how you were going to fix that hole—that is my language, not yours. Is there any update you can give us on that?

Mr Ebeid: As I said in my opening statement, the government did recognise that we had a bit of a budget hole, and we had a \$4.1 million adjustment to our funding, which will see us through to the end of this year. That largely takes care of this year, so we are very pleased about that.

Senator DASTYARI: And that was in MYEFO—correct?

Mr Ebeid: That is correct. We are, as I said, currently in the middle of the triennial funding discussions with the government.

Senator DASTYARI: I just want to get this straight. We, the Senate, were initially told by the government—correct me if I am wrong here, Minister—that if the money were not found then SBS would have to find the money itself from its own savings. You are saying that, as part of the change of government, one of the decisions that were made has been that, for this year, that money has been provided through the government, and that is clearly in black and white in MYEFO, and then you will still make decisions about future funding.

Senator Fifield: I think that what the government said, essentially, was that we had, perhaps, a charming confidence in the Senate and its capacity to see the wisdom of our proposition in relation to giving SBS more flexibility in terms of advertising and that, if the Senate did not agree with that, we would cross that bridge when we—

Senator DASTYARI: But you found the money anyway.

Senator Fifield: We crossed that bridge when we came to it, and we always said that we would maintain discussions with SBS. We did that, and the result was in MYEFO.

Senator DASTYARI: I note there has been a change in minister, but that is not what was said at the time, and there were senators who felt that they were being held to ransom on it. I am just getting clarification, which I think I have been given.

Senator Fifield: I do not think senators would feel they have been held to ransom. I think they are robust and strong individuals, capable of deciding things on their merits without feeling they are being coerced or cornered.

Senator DASTYARI: Mr Ebeid, you said \$4.1 million would get you through this year?

Mr Ebeid: That is correct.

Senator DASTYARI: And then you are in the triennial discussions about where that will go forward.

Mr Ebeid: That is right, so we are in the middle of thinking about all our funding for the next three years.

Senator DASTYARI: The three-year rolling cycle. Minister, what is the normal time frame and process for that?

Senator Fifield: For?

Senator DASTYARI: The three years. That will not be in this year's budget. Are you talking about it as part of the budget process for May? Is that what we are talking about?

Senator Fifield: We have a budget coming up, and decisions in relation to SBS funding will be taken in the context of the budget process.

Senator DASTYARI: Just step me through how the three-year triennial funding has worked previously. So every three years you will get a three-year forward plan.

Mr Ebeid: That is correct.

Senator DASTYARI: But that is not rolling every year. You are saying it is every three years.

Mr Ebeid: Every three years we have triennial discussions for the funding envelope for the next three years. At the moment we are discussing funding from 1 July 2016 for the next three financial years.

Senator DASTYARI: And that will take you to 1 July 2019?

Mr Ebeid: That is correct—or 30 June.

Senator DASTYARI: Yes, 30 June—okay. Minister, from a government process perspective, does that then go through as an NPP—a new policy proposal—through ERC, or is it done separately?

Senator Fifield: It would go through ERC, and technically a triennium funding proposition would be an NPP, but in a sense it is a routine NPP.

Senator DASTYARI: From a process perspective, if it is going in as an NPP and if it starts on 1 July this year, obviously it will be fairly close to being finalised. In five months it has to be in existence, and you are saying it has to be a part of the budget.

Senator Fifield: Yes. I think it was ever thus.

Senator DASTYARI: Obviously it is an expenditure component. As all these things work, the department would have a role but it would be costed by Finance. Is that correct?

Senator Fifield: Yes. Finance would agree on the numbers with the relevant components of government.

Senator DASTYARI: Has that happened?

Senator Fifield: That question goes to the current budget process, so I could not really help you as to exactly what stage things are at in the budget process.

Senator DASTYARI: Why not?

Senator Fifield: Because it is part of the budget process, and we do not give running commentaries on where particular things are at in the budget process.

Senator DASTYARI: It was not quite the question that I asked. That is how you have chosen to answer it. The question I am asking is this.

Senator Fifield: Let me put it this way. The usual budget processes are in train.

Senator DASTYARI: There will be a proposal at the moment, which you are in discussions about, Mr Ebeid, that will start funding from 1 July and will go to 30 June 2019, a three-year envelope. What the minister is saying

is that that is going to be part of the regular budget process and will go through proper budget processes. Proper budget processes—you used this language before and I just want to check what you mean by it. Obviously any expenditure matter has to be agreed by Finance. This is an easier thing for Finance to agree to. Finance are next door, so we can ask them. But you are handing money over to someone else, so it is not hard to get the costing right on what you are going to spend, because it is not like—

Senator Fifield: Before a proposition goes forward, Finance agree as to what the numbers are. I will just park SBS for a second and just talk in general. When Finance agree with costings, that does not mean they are necessarily supporting a proposition. It means that they are agreeing with the basis upon which a proposition going forward is costed.

Senator DASTYARI: But you said they agree with—this was the language you used—the relevant thing. In this situation, is it the department who would have that role? Who are you negotiating with? Are you negotiating through the department with the minister?

Senator Fifield: It is not so much a negotiation.

Senator DASTYARI: Or do you put forward a proposal saying, 'We need this much money to do X, Y and Z.'

Senator Fifield: Yes. It is a discussion. Propositions are put forward. They are tested.

Senator DASTYARI: And that is with the department?

Senator Fifield: There is certainly interface with the department. The minister brings forward the propositions, but obviously the departments assist portfolio agencies in putting propositions together.

Senator DASTYARI: The point I am making is, Mr Ebeid, you say you are in discussions—

Mr Ebeid: Yes.

Senator DASTYARI: That would be in discussions with the department? The minister is not every day in discussions with you, obviously.

Mr Ebeid: I am happy to say we are in discussions with our department, with the minister, with the minister's office and with people from the finance department as well.

Senator DASTYARI: So Finance are involved at this stage already?

Mr Ebeid: Of course, yes, as is always the case.

Senator DASTYARI: I imagine we will have a further opportunity to explore all of this at the post-budget estimates, once the envelope has been announced. The bit that I do not quite understand is: when you said you have got the \$4.1 million that fixes your 'hole'—that was the word you used—for this year, you meant this financial year, ending 30 June?

Mr Ebeid: That is correct.

Senator DASTYARI: And then you are waiting on the new envelope?

Mr Ebeid: Post 1 July funding.

Senator DASTYARI: The bit I do not quite understand is, then, when you used the figure of \$28 million that you said you would lose, how would you have lost it if the envelope was not declared for the next period anyway?

Mr Ebeid: Because the funding for the \$28 million was over a four-year period. It was for this financial year and the next three years. In our forward forecasts, part of the \$28 million was \$24.5 million that was for the next three years, and that had to come out of our forward estimates.

Senator DASTYARI: But if you do not have your envelope, how do you—

Mr Ebeid: We have forward estimates. We would always have the agreed baseline funding, but, effectively, we then need to put new NPPs forward, we have those discussions, and they go through. Obviously, the ERC and the government decide whether or not that level of funding will continue or to change it. We have always done it in three-year lots, triennially, because I think, as a broadcaster, it is very important for us to have certainty to be able to commit to future productions, especially those that can take two or three years, and to forward order acquisitions and content. We need that sort of certainty. So the three-year process, the triennial process, has certainly been around for as long as I have.

Senator DASTYARI: That would make sense if it was a rolling three-year triennial. The point you are making does lead to a situation in the final year. I get the sense that you can plan from 2016 to 2019, but that means in 2018 or 2015, you cannot.

Mr Ebeid: There is what is called base funding. We know that the base funding is largely there, but of course the government is within their prerogative to change the base funding if they wish as well.

Senator DASTYARI: You are saying it tends to be changed in three-year cycles?

Mr Ebeid: That is right. We need that level of certainty, so we make certain assumptions around what the next three years and beyond look like.

Senator DASTYARI: I am fairly conscious of the time, so I want to run through one other matter reasonably quickly. Can you explain to me the interaction between SBS and ABC? Is there a regular dialogue between you and Mr Scott? Is there a formal relationship? How does the interaction between the two broadcasters work?

Mr Ebeid: Mr Scott and I speak regularly, as you would expect, about different matters. Several of our executive team meet regularly and talk about various issues. We have been in a lot of discussions with the ABC recently around some joint purchasing opportunities, where we might be able to save money by joining forces et cetera. So there is regular dialogue.

Senator DASTYARI: There is nothing in your charter or structural organisation that in any way formalises a relationship between you and the ABC as two public broadcasters?

Mr Ebeid: No, there is nothing formal, but we certainly catch up informally and talk informally.

Senator DASTYARI: Does the department play a role in doing that, or is it broadcaster to broadcaster?

Mr Ebeid: Certainly, we do not get together with the department, all three of us, on any regular basis. We obviously did during some of the efficiency review discussions in 2014.

Senator DASTYARI: Of course. There was talk of merging and what not.

Mr Ebeid: There was no talk of merging.

Senator DASTYARI: There was talk of merging offices, sharing office space.

Mr Ebeid: That was just one idea that was floated.

Senator DASTYARI: But those things were discussed?

Mr Ebeid: There were many other things that were discussed.

Senator DASTYARI: I will just cut to the chase: did SBS bid for the Asian Cup? Is bid the right word?

Mr Ebeid: We started to bid for the Asian Cup, but we pulled out of the process.

Senator DASTYARI: When did you pull out of the process?

Mr Ebeid: I would have to check, but, roughly, I think it was around November 2014. We can check that.

Senator DASTYARI: Do you want to take that on notice?

Mr Ebeid: Yes.

Senator DASTYARI: How far along the process were you before you pulled out?

Mr Ebeid: We were in reasonable discussions with the FFA on those rights.

Senator DASTYARI: Who ended up getting them?

Mr Ebeid: The ABC.

Senator DASTYARI: Again, we can put some of this stuff on notice. There is no point in going over old ground. There was criticism at the time—Minister, you may or may have been aware—that the bidding process created a situation where two public broadcasters were effectively bidding against each other for a product. That was, in effect, driving up the price, which ended up being paid by Australian taxpayers, in one way or another. Is there a lesson there in how things can be done better in the future?

Mr Ebeid: Could I just correct something there. I do not think it is fair to say that the two broadcasters were bidding against each other. I put it on the record at the time that, when SBS found out that the ABC had put in a bid for the Asian Cup, I instructed our team to pull out of the process. We were not actually in a bidding war as such. We pulled out when the ABC came into the process.

Senator McKENZIE: Why would you do that?

Mr Ebeid: The ABC has five times our funding, so I do not think we would have won that fight.

Senator BACK: But isn't it the case that had you been successful it would have been funded commercially, whereas when the ABC was successful it was funded by the taxpayer?

Mr Ebeid: I did say that at the time—that our bid—

Senator BACK: All I am doing is repeating what you said. I thought it was quite accurate.

Mr Ebeid: I did say that our intent was that the cost of the rights would have been met from our advertising revenue, and therefore the Australian taxpayer would not have had to pay for that.

Senator DASTYARI: I am going to touch on this. I am going back to a media report from 18 November, 2014. A senior research fellow from the Queensland University of Technology—again, I am not sure if what this is saying is necessarily correct, so I would run with this past you, obviously. The implication here—again, you would not be able to comment on this because you would not know—is that FFA was reportedly asked to make the bid by the ABC. Now, I can ask the ABC whether that was the case or not. You cannot speak for either of them. It is not your place to, Mr Ebeid—I understand that. The implication here was that the bid by SBS was rejected. Is that correct?

Mr Ebeid: Yes, that is correct. It was rejected.

Senator DASTYARI: So you initially put a proposition and they rejected it. You found out ABC was also putting in a proposition, so you pulled out.

Mr Ebeid: Because it was significantly higher than our bid of what we felt that the rights were worth. We did not think the rights were worth much higher than what we were prepared to bid for it, because we wanted to fund it through advertising revenues. But the bid that the ABC put in was significantly higher than what we had, and that was all on the record at the time.

CHAIR: Can I just clarify here: I have your words ringing in my ears about being short and condensed this morning. Is this a matter that has been canvassed in previous estimates?

Senator DASTYARI: No. This happened on 14 November last year.

CHAIR: Thank you very much. I just wanted to clarify.

Mr Ebeid: Sorry, this was 2014, so it was over a year ago.

Senator DASTYARI: It was 2014—yes. But we have not asked in the separate estimates, and I have some specific things with ABC that I want to ask relating to this. I will be brief. I think we are covering the ground fairly quickly here. I am pretty aware that, I think, we are doing very well for time.

Mr Ebeid, is it fair to say then that if the ABC had not put a bid in, you would have been awarded under the bid that you had proposed?

Mr Ebeid: You are asking me to speculate about something over a year ago. I think it is fair to say that we would have probably won the rights of the Asian Cup and, maybe, would have had to pay a little bit more than what we had put in at the time. But how much more, I guess, is a hypothetical now.

Senator DASTYARI: Minister, just drawing on a broader policy point, perhaps, as I think it is more fair to ask the minister this. Is there a lesson here in going forward? What it seems like to me, as an outsider, is that you have two different organisations acting within their own charters—I am using the word 'self-interest', and I do not mean that in a kind of pejorative way—and acting in the self-interest of their organisations, but it results in an outcome which may not be the best policy, community outcome or community good for the taxpayer as a whole. Is there a lesson here in how things can or should be done in the future?

Senator Fifield: The events and the manner in which the public broadcasters bid for them is not something, I will be honest, that I have turned my mind to. Obviously, we recognise and respect the independence of both organisations. As I say, it is not an area that I have turned my mind to, but you start to get on the territory, if I take the implication of your question, where government might be starting to propose to those organisations what their programming is and how they go about securing that programming. It is, I think, fundamentally a matter for the boards and managements of both organisations. But, as I say, this particular area—where you are talking about bidding for rights of big sporting events by public broadcasters—is not something that I have particularly focused on.

Senator DASTYARI: Fair enough.

Senator Fifield: Anyway, I will just make those general comments, but Mr Ebeid may have something to add.

Senator DASTYARI: I guess the only observation that I am making—

Mr Ebeid: As you know, the two organisations are independent of government, so I am not sure there is necessarily a role for government there. When you look at our individual acts, they clearly say that each organisation is to take note of what the other is doing when considering its services. So we both have an obligation under our acts to look at what the other is doing. I can only assume that is to ensure that we do not find ourselves in a situation where we might be either at odds or bidding against each other—that sort of thing.

Senator DASTYARI: But in this circumstance that is what happened.

Mr Ebeid: Yes, it is.

Senator DASTYARI: In this circumstance, to an outsider it looks as if you have two government broadcasters both competing for the same product. One could argue, and again this is speculating, that two people competing for the same thing drove up the price. That is what happens with competition. That is the market. You are saying that your legislation requires, and that the ABC's legislation requires, that you take note of what the other one is doing. How many years has SBS been doing football for?

Mr Ebeid: Over 30.

Senator DASTYARI: So it is not new. They would not be surprised that SBS was bidding for the rights.

Mr Ebeid: I think it was widely known that we were interested in bidding for them.

Senator Fifield: It is one of the benefits of the estimates forum that these issues can be raised and ventilated.

Senator DASTYARI: You were not aware that the ABC were bidding prior to your offer being rejected?

Mr Ebeid: No, that came as a big surprise to us because they have never expressed interest in football at all.

Senator BACK: On a different tack, section 10(f) of your act says that it is the duty of the board to ensure that SBS 'seeks to cooperate closely with the Australian Broadcasting Corporation to maximise the efficiency of publicly funded sectors of Australian broadcasting'. I am particularly interested in your excellent program *Dateline*, which has a 9.30 slot on Tuesday evenings. I now understand that the ABC has moved *Foreign Correspondent* from eight o'clock to 9.30. Was there any communication between your agencies in advance of that taking place? You know seem to be competing with each other for what I would imagine to be a similar audience.

Mr Ebeid: I am not aware of any conversations that took place before the ABC made that decision. I read an article last week that they had confirmed that they were doing that, but certainly there was no discussion prior to that.

Senator BACK: You read that in a published article. There was no communication—

Mr Ebeid: We had heard rumours that they were proposing to move it, but they had not announced their schedule yet. I think there was an article last week where a spokesperson for the ABC confirmed that was happening.

Senator BACK: What was SBS's reaction?

Mr Ebeid: It was disappointing. I am disappointed at that. I think that although *Foreign Correspondent* and *Dateline* are different programs, they both cover international current affairs, albeit with a different lens—ours has a multicultural focus on the stories that we do. But you are right; it is a similar audience. I think, given that there are only a very few international current affairs programs in Australia, that it is a bit of a waste to have them both on at the same time—and *Dateline* has been in the slot now for the last four years. I was disappointed and still am.

Senator BACK: I would make the observation, as someone who is not particularly expert in this space, that a lot of people say that there are now many on-demand services where people can download things and watch them afterwards. I do not know what the experience of other people is, but I find that in my situation I do not have the time to do that.

I will now move on to an unrelated matter. I think you told us previously that the food channel should be cost neutral. Has it achieved that?

Mr Ebeid: I was looking at it being cost neutral for the 30 June financial year end and I am very confident that it will be. We are on track. Our audience numbers and our revenue numbers for the channel have met all our budget numbers to date so I am very pleased that we are on track to meet our budget expectations.

Senator BACK: Is the demand growing?

Mr Ebeid: The audience numbers have exceeded our expectations to date.

Senator BACK: On a different issue altogether: a digital radio station called Chill. Can you explain to the committee why SBS would be investing in this space.

Mr Ebeid: When you say 'investing', it is effectively a digital jukebox.

Senator BACK: A digital jukebox?

Mr Ebeid: I am pleased that senators are aware of SBS Chill and listen to it.

Senator FIFIELD: Does it do 80s music?

Mr Ebeid: No.

Senator FIFIELD: I do not think there is a future for this particular venture in that case.

Mr Ebeid: SBS Chill has quite a good audience but the cost to SBS is absolutely minimal. It is not a big cost at all. We are talking very small dollars for a digital radio station that, as I said, is just a digital jukebox in many ways. It is a digital online channel only.

Senator BACK: Are there limited human resources involved?

Mr Ebeid: Actually very limited—less than 0.2 of a person or something.

Senator FIFIELD: Is it mood music?

Mr Ebeid: Yes, it is just chilled lounge music. You might put it on while you are having a dinner party at home, for example.

Senator BACK: He has not got time for dinner parties.

Senator FIFIELD: I do not do dinner parties anymore. It is music for after dark?

Mr Ebeid: Yes or while the division bells are ringing to put you in a good mood in the chamber.

Senator BACK: Lastly, *The Family Law* TV series was broadcast on social media before it was broadcast on SBS. Why was that?

Mr Ebeid: It was about getting awareness of the program. Fortunately, that strategy worked incredibly well for us. We had over a million people watch the program on Facebook. As we often do, we were really experimenting on social media with different ways of attracting audiences. It certainly did not hinder at all, in fact it aided our TV audience numbers because of the awareness of the program. People were out there talking about it and they shared it on their social media, those million that did go in to watch it. We got a lot more awareness of the program so we were very pleased with that experiment.

Senator BACK: So you deliberately used social media to advertise the television program?

Mr Ebeid: When you have got such limited marketing budgets as we do, we find all sorts of creative ways to get the word out and that was a terrific way to get the word out on what is a fantastic new program that we are doing.

Senator BACK: Well done on both of those.

CHAIR: Clearly your strategy is working. I have a very quick question on *The Family Law*. For those of us who were not fortunate enough to catch it first time around, how do we find it?

Mr Ebeid: It is on SBS on demand as all our programs are. You can watch it at your leisure.

Senator FIFIELD: I might add, I will recommend Chill to Senator Conroy.

CHAIR: We might see if we can get some piped in this evening.

Senator DASTYARI: I have got one or two things that I will be asking on notice. Just quickly to touch on that matter that was raised by Senator Back, Mr Jim Carroll, who is the SBS news chief, used some reasonably strong language regarding the potential clash between *Foreign Correspondent* with *Dateline* when he said:

It is disappointing to see the ABC ignore its obligation to take account of SBS's existing services.
Is that effectively your view as well?

Mr Ebeid: I think it is fair to say yes it is my view.

Senator DASTYARI: It seems like there are two examples of this at the moment, one being the *Dateline* and *Foreign Correspondent*. I will confirm this with the ABC but have you not been advised that this is a definite move but only a proposed move at this stage. Is that correct?

Mr Ebeid: As far as we know.

Senator DASTYARI: As far as you know?

Mr Ebeid: Yes.

Senator DASTYARI: ABC can speak for themselves. As far as you have been advised, it is proposed?

Mr Ebeid: That is right.

Senator DASTYARI: But in both this instance and the instance with the bidding for football rights, is it fair to say that, as the Managing Director of SBS, you seem to be disappointed in the ABC's actions in both instances?

Mr Ebeid: In both those instances I am disappointed.

Senator DASTYARI: Mr Ebeid, last estimates we had a fairly lengthy discussion regarding the role of SBS in speaking to young migrants on the issue of combatting extremism. You very kindly did some more research and

sent me about three letters to follow up on the matters that were discussed. Is there anything more to add to those? Have there been any further discussions?

Mr Ebeid: No, I do not think so. It has all been said.

Senator DASTYARI: Minister, I will put a few more things on notice. I want to stress that there is no political point to be made here. Is there an opportunity to get SBS a bit more involved with the other security agencies to play more of a coordinative role in trying to speak to some of the potentially high-risk young individuals?

Senator Fifield: I will take that on notice.

Senator DASTYARI: Mr Ebeid, how do bonuses work at SBS?

Mr Ebeid: As in salary bonuses?

Senator DASTYARI: Salary bonuses, yes.

Mr Ebeid: Probably 20 per cent of our workforce, roughly, would be on an executive contract. Some of those contracts would have bonus elements in them which are linked to KPIs, and if the executive meets those KPIs for the year the bonus is paid.

Senator DASTYARI: Is that to do with ratings, as well as other things?

Mr Ebeid: It is certainly not just ratings. It could be a whole lot of other things in terms of projects, commercial revenue achievement, numbers, delivery of projects—all sorts of things.

Senator DASTYARI: I will not pussy foot around: were bonuses to SBS executives paid in part because of the ratings success of *Struggle Street*?

Mr Ebeid: No, that is absolutely not true. Certainly there would be no executive at SBS who would have been measured and paid on any one program, especially something like *Struggle Street*. That is absolutely not true.

Australian Communications and Media Authority

[09:54]

CHAIR: Welcome. Mr Chapman, welcome back. I understand the minister would like to kick off proceedings.

Senator Fifield: Thank you, chair. Could I acknowledge that this will be Mr Chapman's final appearance before Senate estimates. I would not want to add up the total number of appearances that he has made. His term is concluding. It is 10 years of distinguished service that Mr Chapman has rendered to the commission and to the nation. Can I just place on record the thanks and appreciation of the government for what is a very serious tour of duty and wish him well for what comes next.

CHAIR: Thank you very much, senator. Mr Chapman, also on my behalf and on behalf of the committee present and past I would like to express our thanks for your work and your contributions, I think over 10 years, to the estimates process in your role. Thank you very much and on behalf of us all good luck for what comes next. Mr Chapman, would you like to make an opening statement? I notice you have presented your statement here. Did you also want to speak to your opening statement?

Mr Chapman: Thank you for that invitation to provide an opening statement, although on this occasion, for me at least, as the minister has indicated, it is really a closing statement. I have provided you with a hard copy of my fuller statement, but I did want to take the opportunity this morning to extract some comments from that if you do not mind.

In just over a fortnight it will be 10 years since my initial appointment as the inaugural chair and CEO of the Australian Communications and Media Authority, the ACMA, as we prefer to call ourselves. I was originally appointed for five years by the Howard government on the recommendation of the then minister for communications, Senator Helen Coonan. I was subsequently reappointed for a further five years by the Gillard government on the recommendation of the then minister for communications, Senator Stephen Conroy. I acknowledge his presence here this morning and express my appreciation to him.

One is sensibly precluded, under the ACMA Act, from serving more than 10 years. So I sit here before this Senate estimates committee for the 27th time since my first appearance on Tuesday, 23 May 2006, when Senator Conroy was quick to seize on the inability of our general counsel, Mr Marcus Bezzi, and myself to provide, without notice, an all-encompassing yet succinct definition of the internet. The senator's media release followed shortly thereafter. As a consequence, my initial naivety has been replaced, in the main, by a more cautious 'I'll take that on notice' response. As for Mr Bezzi, he remains in therapy!

This, therefore, is my 28th Senate estimates appearance, and I have been fortunate to have been supported at the table on every occasion by my deputy chairs, by Richard Bean on this occasion, and general managers, with line area expertise in the wings. We have always prepared assiduously and sought to honour the intended accountability mechanism of estimates. With the A team, we have been well prepared. I have been fortunate in the extreme to have had the finest of colleagues in support, and they have often led—as leadership is, in my long experience, as much about being capable of being led as actually leading.

To round out some cold, hard but perhaps wearying statistics, I have over these 10 years seen six prime ministerships, served under five communications ministers, served with six department secretaries, come before six Senate estimates committee chairpersons, regulated with 15 outstanding authority members, chaired—unbelievably—246 authority meetings, and participated in 56 authority strategy sessions. Today, as I understand it, I am the longest serving agency head in the Commonwealth's 194 agencies.

Respect for the utility of accountability in estimates has been matched by this agency's fiscal stewardship since its establishment. Over the decade there have been no financial dramas, no sudden discovery of unaccounted costs or any requests for bailouts by the agency. Our appropriations and revenue have amounted to just under \$1 billion over this period, although its annual funding has varied substantially within that total funding envelope. In fact, base funding has actually declined by 18 per cent in nominal terms over that decade.

In regulatory responsibilities across the four worlds it has regulated—broadcasting, communications, radio communications and the online space—it is almost beyond comprehension. It is the national town planner in broadcasting and radio communications. It is the spectrum supplier; it is the technical adjudicator in so much of these four worlds. It is the protector of consumer safeguards in the telecommunications space; it is the protector of community safeguards in the broadcasting space. It is the program deliverer in the unwanted communication space. It is this country's representative in a wide array of international meetings and collaborations, most recently leading the Australian delegation to the month-long World Radiocommunications Conference last November. For good measure, it is the third-largest collector of revenues in the Commonwealth. The ACMA has had a staff count of 623 at the height of the digital dividend initiatives, and today sits at just on 417—a 33 per cent reduction.

Notwithstanding the complexity of its multiple roles, the increasing uncertainties of its brief in light of the realities of digital enablement and digital disruption, the challenges of Australia's massive geography and the asymmetry of its population density, this agency has over the decade operated with a net surplus of about \$650,000, raised in income nearly 11 times its total operational appropriations, moved the percentage of funds expended from front line staff from 61 to 74 per cent and secured 10 successive ANAO certificates of compliance, all unqualified.

As an agency head, on purely stewardship grounds, I would like to think 'Mission accomplished.' But it is on the performance delivery and output side of the agency—on the human side and the soft skills side of the agency—that the ACMA is a grossly different outfit to the one I walked into a decade ago. It was an agency that was then converged, in theory, but was disparate in locales, cultures, modus operandi and skill sets. It is an agency that has grown in confidence, come to understand its brief, realised early in the peace that the old paradigms would not address the future world of media and communications—let alone adequately bridge to that future—is executing work plans based on enhanced risk-based assessments, seeking to deliver outcomes rather than reflect on mere outputs and inputs and seeking to overcome the broken concepts embedded in the four principle pieces of legislation and the 22 other pieces of legislation to which it responds. We are doing that by applying first principles thinking where legislative and regulatory discretion allows, increasingly adopting forbearance and prosecuting soft law approaches rather than applying black letter law. In essence, it is communicating and facilitating before regulating.

All of that and more is but a precursor to the type and style of regulation that will be required of the regulator going forward. I will give a consolidated snapshot, because I have left out a lot of detail comparing the situation of 10 years ago to today—as Molly would say, if you're needing some fast facts, 'do yourself a favour' and have a read. A consolidated snapshot is this: traffic from wireless and mobile devices overtook traffic from wired devices in 2015; more than half of the world's population has a mobile phone; by 2019 video will comprise 80 per cent of all IP traffic and mobile will help to push internet penetration beyond 50 per cent of the world's population during this year.

I conclude the statistical insights about those 10 years by opining that it will not be long before we witness the massive and all-encompassing morphing of the internet of things, as it must, into the internet of everything. While the internet of everything may still be a little way off, we are nevertheless clearly witnessing significant digital disruption critically enabled by broadband, bringing profound and irreversible disruptive effects not just in communications and media, but into the real world—the world of banking, insurance and manufacturing, and

even the gritty worlds of mining, cattle farming and driving taxis. The scope and scale of this digital disruption should clearly give—and is giving—government, the legislature and policy makers cause to pause and think about what it actually means to be a communications regulator in the future.

Penultimately, I go on in my statement to look over what it has meant to be a communications regulator over that last decade. In that statement I take a quick tour of some of the highlights under the three major heads of functional responsibility I often use to frame our work, and those three heads are: delivering on the day job of the agency, delivering specific programs and activities on behalf of the government and tendering objective and independent advice to the government of the day in matters relating to the area of ACMA responsibility and expertise.

Finally, I recall that we have shone a spotlight on the opportunities for modern regulatory best practice. The ACMA has, for the best part of a decade, been advocating the desirability of taking a long, hard look at the current regulatory arrangements and modernising them. We framed the question of the future of regulation in communications and media in three tent pole thought pieces: broken concepts, enduring concepts and connected citizens.

The ACMA has delivered a proud, diverse and accomplished decade of work and remained very relevant—but I would think that. I concluded my speech at CommsDay last year with some thoughts on the rhetorical question: what, based on my decades experience, can I tell you about the future? To conclude my remarks, I will repeat them here. There is a need for a flexible regulatory framework. It needs to be appreciated that the regulator cannot or should not be seen to be doing everything. However, this regulatory framework should also be unified and coherent with respect to the layout and interlinked nature of the media and communications industries. In my view, such a framework is the best way of recognising the necessity of appreciating and exploiting synergies and avoiding the duplication embodied in the strategic logic which established the ACMA just over 10 years ago.

Thirdly, a necessary expectation for the future is that regulation delivers its most powerful, most friction-free results when industry steps up and meaningfully owns the goals of consumer satisfaction and consumer participation and protection. Fourthly, a recognition of the enduring merits of partnership, ranging from our cyber safety and internet safety relationships to our various outsourcing programs. Finally, a clear-eyed recognition that none of us can ever rest on our laurels in this constantly changing world. Just when you think you have got it, somewhere someone in the globalised network world will have a disruptive idea that will shortly mean you simply do not get it anymore. From these opening statements, I hope you have discerned this.

I was fortunate in the extreme to be offered this role by Helen Coonan, and that it was so stylishly reaffirmed by Senator Stephen Conroy. Like my father, his father, and his father before him—Sir Austin Chapman, the real father of Canberra—I have had the opportunity to make a small, but hopefully useful, contribution in our national interest. It has been an unqualified privilege, Chairman, and I exhort anyone who has not been on the inside of the public service to find an opportunity to do so. Public servants are wonderful, caring, intelligent and committed Australians who are occasionally, so sadly and so pathetically stigmatised as grey cardigan wearers who—to paraphrase Theodore Roosevelt from his famous Citizen in a Republic speech—actually strive to do the deeds, who know great enthusiasms, the great devotions, who spend themselves in a worthy cause.

While granted it is difficult to measure, my decade-long experience in that public service is that public servants do create substantive and meaningful public and national value. I move on shortly to take up the presidency at the International Institute of Communications, the London-based independent policy forum for the converging telco, comms, media and technology industries. I am the first president in the IIC's 47 year history to not be drawn from the North Americas or Europe. My sense is that that fact is ultimately an acknowledgement of the vitality and dynamism of the Australian marketplace, the intellectual smarts in this space in this country, a very overt acknowledgement of the reweighting of importance towards the Asia Pacific region—region 3 in ITU speak—and, if you will forgive me, the consistent innovation, policy smarts and reputational standing of the staff of the ACMA. While my focus will shift elsewhere, I know that the ACMA, under its strong leadership, will continue to front up Senate estimates, cognisant of the important accountability mechanism that it is, and engage with members professionally, honestly and with respect. I am sure that members will reciprocate.

CHAIR: Thank you. On behalf of the committee, thank you very much for sharing your reflections. Clearly it has been an amazing journey over the last 10 years for you and for the organisation. Thank you for sharing your reflections on what it now means for the future. I know, on behalf of us all, that we appreciate that.

Senator CONROY: I wanted to associate myself with the words of the chair, but, on behalf of everyone, I particularly wanted to make mention of your appointment to, as you mentioned, the presidency of the International Institute of Communications. It is a very significant international appointment. It speaks to the high calibre of work that you have overseen, across the whole organisation and from all of those here with you, and to

the international recognition that it brings not only to the ACMA, but to yourself also. It goes little commented in Australia—few people will ever have heard of this or will ever understand the significance of this body. I thought it was worthwhile putting on the public record, on behalf of the parliament of Australia, that you should be very proud of that appointment, because it says that you and the organisation are recognised internationally for the exceptional work you have done.

You have outlined the challenges the organisation has been through. I often say to my daughter, who is nine, 'iPhones didn't exist until a year after you were born.' To see the change, the regulatory challenge, the constrained budgets and the digital transformation—one of the most successful programs, which has gone completely unnoticed because it was so successful, by the organisation, under your stewardship. Australia owes you a great debt for that. It could have gone disastrously wrong, but, with the professionalism shown by your whole organisation, the changes went through with most Australians barely noticing the significant changes. But particularly, as I said, the presidency of that organisation is a real feather in the cap to both the ACMA and particularly to your leadership. I know you will have a bit more time to practice lowering your golf handicap, and I can only encourage you to keep doing that—otherwise you will keep losing to bandits—but I just wanted to put on the record, thank you.

Mr Chapman: Thank you very much.

Senator Fifield: I did make some opening remarks at the start of this session in acknowledgement of Mr Chapman's service, but if I could just add to those by acknowledging the point he made in his opening statement that he was appointed originally by the Howard government and reappointed by a Labor government. I think that is a mark of the respect that there is across the parliament for Mr Chapman's professionalism. As Senator Conroy indicated, it has not necessarily been the easiest environment in which to be regulator, given the changes in technology, and I think Australia, across the board, can be pretty proud of its regulatory agencies. Mr Chapman has made a significant contribution to that reputation.

CHAIR: Thank you, committee members and minister, for your additional comments. Mr Chapman, I note you have tabled your full statement. Is it the desire of the committee that we accept the statement?

Senator CONROY: It is.

Senator McKENZIE: Yes.

CHAIR: That is a perfect time to break for morning tea.

Proceedings suspended from 10:14 to 10:30

CHAIR: We will resume these hearings with the Australian Communications and Media Authority.

Senator McKENZIE: Thanks, Mr Chapman, for your service—and I hope you enjoy your new role internationally. I just wanted to understand how ACMA assesses our local content provisions in licences are met by regional broadcasters.

Ms McNeill: There are two styles of local content obligation, as you probably know. One attaches to television licensees in some areas and the other attaches to radio licensees in some areas. Again, there is difference in the obligation on the radio licensee depending on the license area that it serves and its population base. The system that we have in place for monitoring compliance with the television local content obligations is predominantly a complaint-driven system.

It think it was 2014 that the changes were made. Until then we had a system that required licensees to report compliance to us. But there were very high levels of compliance, and we moved away from that system. That is partly because viewers have good visibility of the content that is on television and so they can tell whether they are getting local content. So it is a complaint-driven system. The radio space is a little different. There is a combination of reporting and a complaint-driven system in place there. I do not have the figures to hand, but historically compliance levels have been very high indeed with those obligations.

Senator McKENZIE: So, under the self-assessment rules, regional broadcasters would let you know if they had or had not met their local content requirements?

Ms McNeill: For television broadcasters there is no obligation to—

Senator McKENZIE: Not now, but under the prior arrangements. You said there was self-assessment.

Ms McNeill: They would report on compliance, yes.

Senator McKENZIE: Was there any process within ACMA to audit the accuracy of the regional broadcasters' claims around their delivery of local content?

Ms McNeill: My memory is that we did do some audits during the currency of my role at the ACMA concerning local radio. But I do not recall an audit of the local television obligations.

Senator McKENZIE: So we had a system prior to 2014 where it was self-assessment and we did not do an audit of the veracity of TV broadcasters' claims around whether or not they were providing the local content, and then we decide, 'Oh, well, because there is such a high level of compliance'—that we have never actually audited—'we are going to reduce the level of oversight to move it to a complaint-driven system.' Am I fleshing that out correctly?

Ms McNeill: You are fishing it out broadly correctly, but I think that the ingredient that you might not be acknowledging adequately is the role that complaints and viewer visibility of compliance have in contributing to the accuracy of the system. Broadcasters are held to account by their audiences as well as the regulatory.

Mr Chapman: What I would also like to take on notice is whether going back there were actual assurance tests and audits conducted on television.

Senator McKENZIE: That was my first question—to see what measures under that self-assessment regime ACMA had to assure that when WIN, Prime and Southern Cross came to you and said, 'Yes, we're fulfilling our local content provisions,' that that was correct and you did not just say, 'Okay'.

Mr Chapman: I have a recollection that we did, but it is dimming in my memory. It was probably before Ms McNeill—

Senator McKENZIE: And when did you arrive, Ms McNeill?

Ms McNeill: I have been general manager since 2011.

Senator McKENZIE: Okay. So, five years—a pretty long time.

Mr Chapman: We will take that on notice.

Senator McKENZIE: Thank you very much. In terms of the new system, the complaints driven system, how many complaints have we had about the lack of local content?

Ms McNeill: I will take that on notice, and I would also say that there might be a difference between a complaint about a lack of local content and a complaint about noncompliance with the rules. But I will take those issues on notice, if I may.

Senator McKENZIE: Although the evidence even in your own surveys points to the importance of local content to regional Australians and others, from that being an issue and something of high importance to them to their actually picking up the phone to call ACMA when their local footy grand final results are not reported is a pretty big step, I think. So I question the shift that you have made. But we will leave that to questions on notice to delve into that a bit more.

In terms of the prior system, I want to know whether there has ever been the case of a regional television broadcaster not meeting their quota.

Ms McNeill: I will take that on notice. I think that the answer is yes, but I will take that on notice.

Senator McKENZIE: What are the consequences for someone breaching the local content provisions under their licence?

Ms McNeill: A failure to comply with those local content obligations is a breach of a licence condition.

Senator McKENZIE: In answering the question on notice about breach of contract, could you also outline the circumstances and how ACMA dealt with that—the outcome?

Ms McNeill: Certainly.

Senator McKENZIE: Do the rip-and-read methods currently being used to satisfy local content provisions fulfil community expectations of local content?

Ms McNeill: I do not think that we have done specific research into community expectations of rip and read in particular, but when the ACMA did its report on television local content in 2013—and I think that is the report that you referred to little earlier—

Senator McKENZIE: Yes.

Ms McNeill: there were very high levels of satisfaction reported, in the surveys that we undertook, with the level of local content that people in those communities had access to. But I do not think that we specifically inquired about expectations and rip and read.

Senator McKENZIE: Okay. If not necessarily about the method of rip and read, what about the quality of the local content provided by regional broadcasters?

Ms McNeill: I do not have the statistic at hand, but my memory is that well in excess of 90 per cent, or around 90 per cent, of those that we surveyed were content with the level of local content to which they had access.

Senator McKENZIE: Let us be clear that, when we defined 'local content' in the discussion around the report, it included not only regional television broadcasters but also regional newspapers, commercial radio and the ABC.

Ms McNeill: And online. Indeed—

Senator McKENZIE: That was the bucket of things we were talking about.

Ms McNeill: it was an holistic inquiry into—

Senator McKENZIE: So, 90 per cent say, 'We're happy,' or 'Yes, when we garner our local content from the variety of sources available locally, we're happy.' But, if we narrowed that down to whether they are happy with the quality of their regional television broadcasting services in certain aspects and with the quality of, say, a WIN or a Prime evening news production, produced locally in a rip-and-read style, and held them both up as examples equally meeting the licence obligations around local content, I would argue that the community would have a very different view and I was wondering if you had any data to back that up.

Ms McNeill: I will check, but my memory is that that was not specifically interrogated in the research we undertook.

Senator McKENZIE: Okay. Thank you.

This is also topical at the moment, which is why we are here. In that same report, when speaking about a loosening of the regulation around media ownership laws—and that is only one aspect of media reform, obviously—you noted that approaches would have 'both positive and negative effects on the delivery of local content. Allowing the market to decide, for example, would deliver flexibility for licensees but would risk reducing local content.' I would like to know if, three years down the track, that is still the view of ACMA.

Ms McNeill: I would have to go back to the passage in the report to—

Senator McKENZIE: I have just read a direct quote.

Ms McNeill: to test its context. To the extent that changes in ownership rules would see a reduction in stand-alone—

Senator McKENZIE: I do not necessarily think that that holds.

Ms McNeill: Is that the angle that you are pursuing?

Senator McKENZIE: No, what I am asking is: ACMA itself, when it looked into the issue of local content, said we have an anachronistic system of ownership rules which provides some level of comfort for local content. If that is still in modern times the way we need to be regulating this thing—I would argue it is not, but it is filling a role. So, my question is: when you say negative effects on the delivery of local content and we remove those, I want to know what those negative effects are. ACMA also says 'risk of reducing local content'—is that still the view of ACMA?

Ms McNeill: I will take that on notice.

Senator McKENZIE: Okay; as is your right. Does ACMA have a role in ensuring—and when we went earlier to the '*Regional Australians' access to local content Community research*' report of December 2013, you looked at all provisions of media across regional areas: ABC et cetera. I think the chairman made some commentary around having a more cohesive approach to media in the converged environment. Does ACMA have a view on the public broadcaster's responsibility to provide local content in the same way we have an expectation and we ensure that it is regulated through mechanisms that you oversee as a community? Do you have a view on the public broadcaster's responsibility in this area?

Mr Chapman: We have never turned our mind to that specifically. It is ultimately a matter for the government. It is ultimately a matter for the objectives to be manifested through the pieces of legislation that deal with public broadcasters. We have made no, to my recollection, commentary about what role public broadcasters should play in that context—no.

Senator McKENZIE: Do you think that is something—if we are looking at the converged environment and the role that the ABC, in particular, plays in regional Australia and the provision of local information and entertainment and, if we are going to have a holistic look at this media space and ensuring local content for communities—that ACMA should actually be looking at as part of their overall picture for government?

Mr Chapman: As I think you are aware, there is a review underway of the ACMA, both with respect to its performance over the last decade and, secondly, with respect to what a regulator might be and what might be

appropriate regulatory functions into the foreseeable future. The question that you raise goes to the heart of that, and I would be reluctant this morning to venture into one-offs with respect to what I mean by a cohesive, integrated, fit-for-purpose framework, because that discussion should not only take days but it is not easy and—

Senator McKENZIE: But you have had 10 years, Mr Chapman, to think about this.

Mr Chapman: No. Our views are front and centre in the ACMA submission to the review.

Senator Fifield: I should just indicate that the ACMA review is being done by the department of communications as opposed to ACMA itself.

Senator McKENZIE: Thank you, Minister. Just finally, I want to understand better the decision to redescribe local content in licence requirements to 'material of local significance'. Could someone shed some light on that change for me

Ms McNeill: I am not conscious of a change.

Senator McKENZIE: My understanding was that we redescribed local context in licence requirements as 'material of local significance'.

Ms McNeill: It has long been material of local significance.

Senator McKENZIE: Rather than locally produced content. Would it be a big change to actually insert 'locally produced content' into the licence requirements?

Ms McNeill: It would obviously depend on the specifics of the change, but, yes, it is possible to have material of local significance which is not necessarily content produced in a local licence area. I think that the current definition of 'material of local significance' generally includes material which is produced in the local area.

Mr Chapman: I do have a recollection that many years ago there was movement around that wording. Without sounding formal about it, we will take that on notice. What I would like to do is come back and revisit when that happened and what the drivers for it were. I do have a recollection that there was something to that effect, but it was a long time ago.

Senator McKENZIE: I would really appreciate, as you said, the drivers. The rip-and-reads are being counted currently as local content provision?

Ms McNeill: If they meet the definitional requirements, yes. If they relate to the licence area particularly, then yes.

Senator McKENZIE: Are any of those rip-and-read bulletins broadcast out of capital cities or are they broadcast locally?

Ms McNeill: I could not tell you. I will need to take it on notice and see if we have access to that information.

Senator McKENZIE: ACMA cannot tell me? The local content provision is there in the licence, enshrining and protecting that, we think—but we do not even know if that is being broadcast in local communities, let alone if it has content that is produced in local communities?

Ms McNeill: I cannot tell you. I think your question was which licensees are meeting these obligations and what proportion of their obligations are met through rip-and-read-style broadcasts. I cannot provide that information now.

Senator McKENZIE: On notice, then, I would also like to know: with those regional broadcasters who are meeting their local content provisions through rip-and-read-style broadcasts, how often are those broadcasts done in the regions and how often is that local content being read out of capital city newsrooms?

Senator BACK: Mr Chapman, I would like to associate myself with the comments you made about the excellence of people engaged in the public sector. That has also been my experience and I do thank you for making those comments. Secondly, before you get too busy with your new chairmanship of the IIC, I want you to know I am currently enrolled in the marine radio operator's VHF certificate course and that I am going badly, so I am going to need some tutoring and mentoring.

Mr Chapman: We do communicate and facilitate before we regulate, so I am happy to help.

Senator BACK: I do have to tell you that it took me some time to get from ACMA through to the marine college in Launceston. In all seriousness, the website was not clear about how to do that. But that is not the point of my question. Can somebody tell me whether we have an issue with spectrum allocation for emergency services organisations around Australia?

Mr Chapman: The ACMA is the supplier of spectrum. We have a considered history in this matter over the last four or five years. At one stage we had, in principle, a dedicated two-by-five megahertz spectrum for it. But

the sensible reality is that the Productivity Commission undertook a cost-benefit analysis and has provided to the government a number of scenarios for how that might best be enabled. As I understand it, the government is considering that report before it responds. The ACMA stands ready, and indeed is extremely willing, to support the government expeditiously to provide whatever spectrum it sees, arising out of the Productivity Commission recommendations, as appropriate. Just to underscore the ACMA's disposition to recognise the extraordinary importance of adequate spectrum for public safety agencies, the ACMA in 2010ish was, I think, the lead agency in a carrot-and-stick effort to improve the spectrum available for narrowband. Indeed, it devoted a lot of resources to working up specifications for broadband capabilities. We have a demonstrated track record of a willingness to assist and we have the expertise to do it, but we are entirely dependent on the government's decisions, which I think the minister will confirm that the government is not yet in a position to respond to.

Senator BACK: Can you assure us that, pending those decisions being made, there is an adequate allocation of spectrum so that the emergency services around Australia are, in fact, operating to their maximum efficiency in regard to communications capacity?

Mr Chapman: Let me just unpack that, if you would not mind. My own view is that public safety agencies are not yet working cohesively, effectively and efficiently with respect to their communications systems. Spectrum will be a key enabler in their future world. The way in which those agencies, state and federal, come together and re-equip themselves, and the role of spectrum in that re-equipping, is ultimately going to be a matter for the government, and I suspect it will work its way through COAG in due course. But there is no current action by the ACMA with respect to the provision of spectrum. We await government direction as to the way in which we might assist with future spectrum.

Senator BACK: Excuse my ignorance in this space, but—finally on this particular topic—whatever is allocated would be common across state boundaries? I am thinking now of up and down the east coast. If the Rural Fire Service from New South Wales were to assist the CFA or whatever, would there be seamlessness in terms of communications capacity?

Mr Tanner: I might just chip in at this point and address that particular point. I think the chairman has set up two different issues, and it is very important to understand that at the moment emergency services use narrowband communications, typically, though not always, in VHF and in 400-megahertz spectrum. That is your typical old-fashioned 'roger, over, wilco' type land mobile. That is the backbone of communications in the emergency services; there are some other bands used. For 40 years, Australian governments have been pursuing the objective of better or seamless interoperation between emergency services across jurisdictional boundaries, and that was one of the primary themes of our review of the 400-megahertz band, which is what the chairman was referring to. As a result of that, we created—I think without a lot of contention or push-back from the jurisdictions; I think they were pretty happy with it—a harmonised government spectrum. We are in the process now of moving all the government services, which include many of the emergency services, into that harmonised part of the 400-megahertz band. There are some other services in VHF and some in 800, so it is not exclusively in there. But I would say that we have had no complaints about quantum. I think the only issues we have had to deal with are about timing. It has been quite an extensive process, and we have ended up with a negotiated set of milestones, the problem being—as you can probably imagine—that the different agencies have different refreshment cycles for their equipment.

Senator BACK: Yes.

Mr Tanner: It is getting someone to start and then getting everyone to buy in, but we are well advanced on that. So I would say in answer to your question, 'Is there an insufficiency of spectrum?' that we are not hearing that for narrowband contemporary communications. The context of the discussion which the Productivity Commission is having is a worldwide program of work to find broadband communications capacity for emergency services. Worldwide, I think, we are still seeing a lot of work going into what that is going to look like and a lot of innovation. As the chairman explained, although the ACMA did previously—up till three years ago—do some work on a potential spectrum allocation, that issue had been referred to the Productivity Commission to look at what is the best model—so really starting afresh and looking at this as a completely new proposition. The recommendations of that report are with the government, and the ACMA, as the spectrum planner, awaits the outcome of those considerations. But the different options canvassed by the PC have quite different spectrum implications, and we stand ready depending on which way or ways the government wishes to go.

Senator BACK: Thank you.

Senator SMITH: I would just like to start in response to some of the questions that Senator McKenzie made, just so that I am clear. You talked briefly about the failure-to-comply provisions under the regulations. Would you characterise regional broadcasters as commonly failing to comply or uncommonly failing to comply?

Ms McNeill: It is most uncommon. As I indicated, compliance rates are very high.

Senator SMITH: In response to Senator McKenzie you also made the comment that compliance has been high amongst regional broadcasters in the context of the complaint-driven system. So, I am correct then to assume that there had been very few complaints to the complaint-driven system?

Ms McNeill: My memory is that there have been no complaints about television local-content compliance issues and some complaints about radio local-content compliance issues.

Senator SMITH: The ACMA report of 2013 which is titled *Regional commercial television local content investigation*, at page 19 talks about levels of satisfaction with local content arrangements.

Ms McNeill: Yes.

Senator SMITH: And the paragraph at the end of that section says:

The community research survey found that overall 91 per cent of regional Australians had access to all the local content they would like. This figure did not vary markedly whether there was a regulatory obligation to provide local content or not—

because of course some places in our country have a regulatory requirement and others, like Western Australia, do not—

Satisfaction with access to local content was high across each of the regional areas surveyed, including the Regional Queensland TV1, Northern New South Wales TV1, Southern New South Wales TV1 ...

It is there to see. Has that changed?

Ms McNeill: We have not updated the research since then.

Senator SMITH: Is there anything to lead you to suggest that that might have deteriorated or changed in any way, or even improved?

Ms McNeill: Certainly our complaint levels have not changed. To the extent that that is a proxy for satisfaction or dissatisfaction, they have not changed.

Senator SMITH: At page 27 of that same report you talked about some of what I would characterise as risks. Under the heading of 'Impact of extending', the paragraph says:

In this economic climate—

That is 2013, or 2012, when the report was being prepared—

with broadcasters subjected to low profits, falling revenue, high levels of financial risk and with generally low levels of profitability for some broadcasters protected only by cost cutting, the costs associated with imposing any further regulatory obligation need to be closely considered.

Is there anything in regional commercial media markets that has made that statement no longer true or has perhaps exacerbated that statement?

Ms McNeill: The short answer is not as far as I am aware.

Senator SMITH: So, the impact of extending regulations continues to be closely considered?

Ms McNeill: It is a matter that needs to be closely considered owing to the cost impost on the licensees in respect of whom it is typically suggested that consideration should be given to imposing a licence condition.

Senator SMITH: On the next page there is a statement that says:

Any fixed regulatory requirement mandating a minimum level of local content would increase the level of fixed costs and limit the economic flexibility of the broadcasters and their ability to shape their business to suit particular market or macroeconomic conditions.

Is that still a true statement?

Ms McNeill: Yes.

Senator SMITH: Further on in the document it talks about 'Findings of fact', and there is a number that I just want you to comment on. Time might be against us, but there are four that I would particularly like you to comment on. The first is 'finding of fact' No. 7:

Funding pressures affecting regional broadcasters are likely to continue

Advertising revenue projections indicate that advertising revenue for commercial television overall will continue to decrease.

Is that still a finding or a statement of fact?

Mr Chapman: We will take it on notice to the extent that we will double-check it, but my impression, my understanding, is that that continues to be the circumstance, yes.

Senator SMITH: 'Finding of fact' No. 5 states:

There are commercial incentives for some regional broadcasters to provide local content

Despite the cost of providing local content, some regional broadcasters provide some local content in areas ... where there is no regulatory obligation to do so. It is evident that some regional broadcasters consider it commercially viable to continue to provide this content.

Is that still an accurate statement, or a statement of fact?

Ms McNeill: As far as I am aware, it is. But I cannot give you details of particular regions or licence areas.

Senator SMITH: And my final point goes to fact No. 4:

Television is the source most used by regional Australians for news—
not surprising—
and is the preferred source for local news—
not surprising—

However, with some exceptions, the audience for commercial television local news bulletins is declining.

Is that still a true statement, and, if it is, to what extent are those audiences declining, and why?

Ms McNeill: I am not aware that the ACMA has updated its research into audience numbers, but I can check and see whether we have access to ratings figures that would assist in answering the question.

Senator SMITH: That would be very valuable. Finally, Mr Chapman, thank you very much for your extensive opening statement, which I think turned out to be a closing statement, and congratulations on your career. But what struck me was that in reflecting on the last decade of service there was not much in terms of the changes that are happening across regional Australia. Would you like to comment on what you have seen and perhaps what some of the challenges are, particularly for broadcasters in regional Australia?

Mr Chapman: Regional broadcasters are, as a subset of all commercial broadcasters, in a pinch point of financial pressures, advertising dollars having more opportunities and avenues to be placed. They are no different to broadcasters generally; they are all feeling the effects of disruption. And the pressure on regional broadcasters is I think even more acute than it has historically been. And there would probably be any number of indicia that would confirm that observation. That is just my understanding, my impressions, my professional assessment, but I have not drilled down in any more detail.

Senator SMITH: Finally, and you may not want to answer this, would regional consumers benefit from abandoning the regionals?

Mr Chapman: That is a matter for government.

Senator SMITH: I thought that might have been your response!

Mr Chapman: And we provide our advice on those matters to the government as and when our views are sought, and I will not be—

Senator SMITH: Excellent; thanks very much, Chair.

CHAIR: Thank you very much, Mr Chapman, and good luck with your future endeavours. We look forward to maybe seeing you again sometime in this place.

Mr Chapman: Thanks again, Chair, for that opportunity this morning. It has been a delight to be here.

Senator DASTYARI: We did want to ask Mr Chapman some questions about a succinct definition of the internet, but we thought we would let it go! And I would like the Chair to note how reasonable the Labor senators have been with the use of time so that later this evening, when we are being unreasonable, we will reflect on that reasonableness!

CHAIR: I will take note of that, and I will remind you of that a bit later on today. Again, thank you very much Mr Chapman.

Australian Postal Corporation

[11:05]

CHAIR: Mr Fahour, welcome. You have an opening statement you would like to share with the committee?

Mr Fahour: Thank you very much. In the spirit of trying to claw back a little bit of time for you, I will keep it short and I am happy to submit this if the chair and senators wish. In essence, I do want to take the opportunity to say, as the senators are aware, after the full approval by this parliament last year we introduced some very significant reforms to the Australian letters service on 4 January. This included increasing the basic postage rate and introducing a new, two-speed timetable for letter delivery. Importantly the reform package included the

freezing of the cost of concession stamps at 60c, which is 2010 prices, so that senior citizens and disadvantaged Australians, which number 5.7 million, continue to have access to discounted postage.

So I would like to start by thanking members of this parliament for supporting this vital regulatory change that was needed to reform our letters service. Implementation since January 4 has gone very smoothly and continues to do so.

I would like to place on the public record my great appreciation for the hard work of our 50,000 employees, licensees and contractors right around Australia. They have done a terrific job of engaging the community in this much-needed letters reform, educating our customers about the changes to the service. I cannot speak more highly of them.

Over the past few weeks we have been busily closing out our half-yearly results. It has highlighted to us once again how crucial this reform is to the sustainability of our service nationwide. With reforms to the letters service underway our management team is now focusing our energy and all our resources to ensuring the long-term sustainability of Australia Post for all its stakeholders.

As far as we are concerned, in 2016 there are three very important strategic agenda items that we are tackling immediately. I will not go into details of these, but I am very happy to take any questions that may come along. The first of these involves sustaining the post office network beyond 2020. We have done a lot recently to get us through to where we are today, and in the next year or two, with a \$125 million per year boost. But with digital disruption we need a long-term solution, beyond 2020 and into the future.

The second big issue involves redefining the role of a postie and a postal officer for tomorrow. These traditional roles of delivering letters are changing very rapidly due to the digital disruption that I mentioned earlier. Today the majority of the value that they carry is in parcels and express items. It is no longer in letters. As that changes very rapidly we need to change the workforce to bring them into the services that customers and the community want.

Last but not least, our third and very important strategic priority involves building an international network and partnerships so that we can continue to deliver for all Australians in this era of borderless commerce.

These are our three big strategic challenges, but I want to ensure the committee that we will not be distracted from the main game. Our entire team is very well aware of the need to continue to operate efficiently and to offer outstanding service to the Australian community today.

Thank you very much, Senators. I welcome your questions.

CHAIR: Thank you very much for tabling your statement. As you did not read it at all, is it the will of the committee to accept this report?

Unidentified speaker: Yes.

CHAIR: Thank you. We will take it as such. Senator Xenophon.

Senator XENOPHON: Mr Fahour, good to see you again.

Mr Fahour: Thank you very much. Nice to see you too. Happy new year to you.

Senator XENOPHON: Chinese new year or just the regular new year?

Senator DASTYARI: Both.

Senator XENOPHON: Both happy new years; that is good. Can I just go through questions about post boxes. How many post boxes are there in Australia—roughly? What is so funny about 'roughly'?

Mr Fahour: I am happy to take that on board but maybe 1.5 million—

Senator XENOPHON: It is over a million. I am happy for you to take this on notice. In the case of LPOs, who invests in them? Who pays for them and who pays for their maintenance in terms of the infrastructure? Would that be the LPO?

Mr Fahour: I am happy for Christine Corbett to give you the answer to those questions.

Ms Corbett: Good morning.

Senator XENOPHON: Happy new year to you too.

Ms Corbett: Happy new year. Senator, with respect to post office boxes, it is shared with respect to infrastructure. The physical boxes are purchased and owned by the licensee. But the post office box billing system, the distribution of invoices, the platform that it sits on, the call centre and help desk support is provided by Australia Post.

Senator XENOPHON: So it is a joint enterprise, for want of a better phrase?

Ms Corbett: Yes.

Senator XENOPHON: In setting the price of a PO box do you take into consideration its location? If it is a PO box in Roxby Downs in South Australia is it the same price as a PO box in Balmain in New South Wales?

Ms Corbett: It is a national pricing system.

Senator XENOPHON: So they are all the same price?

Ms Corbett: We have different sizes so there are different prices—

Senator XENOPHON: But apart from sizes.

Ms Corbett: Yes, that is correct.

Senator XENOPHON: Same size, same price, wherever it is in the country.

Ms Corbett: In the main. We also have reduced rate boxes. So, for people in regional and rural Australia who do not have street delivery, we offer a reduced rate box—a very substantial discount to the normal PO box price.

Senator XENOPHON: But that is only if you cannot do a street delivery?

Ms Corbett: That is correct.

Senator XENOPHON: You would keep track of the vacancy rate of boxes, wouldn't you?

Ms Corbett: Yes, we do.

Senator XENOPHON: You may want to take this on notice, but can you provide me with the figures as to the national vacancy rates and, separately, the vacancy rates of the major cities versus country towns or regional centres? Are you able to provide that?

Ms Corbett: Yes, we are happy to take that on notice.

Senator XENOPHON: And, if it is possible—presumably you have access to this—over the past three years, can you tell us whether there has been a trend of increasing or decreasing vacancy rates of PO boxes, and whether there is a difference between city, metropolitan and regional centres?

Ms Corbett: Yes, I am happy to take that on notice.

Senator XENOPHON: Can you give us an idea of any trend in respect of that?

Ms Corbett: Generally, what we find overall is that the trend is sort of around a five per cent reduction rate. That is what we find. When we have surveyed our customers, the main reason for that kind of churn is people no longer needing a PO box because they have moved locations and they do not need a post office box there. The other is the volume of letters that they receive in that post office box; the need to actually have that special service is no longer required by them. But I am happy to provide that information.

Senator XENOPHON: Thank you. I have just a couple more questions. In terms of any increases in prices, how has that split between the LPOs and Australia Post? In terms of the revenue and what you charge, can you give us an idea of what the split is between, say, the licensed post office, the licensee and Australia Post?

Ms Corbett: When we take a small post office box—and that is the majority of our post office boxes throughout the network—on average we get \$121 for revenue from a customer; and when we look at what we pay a licensee, that is \$122. So we pay a licensee more than we receive.

Senator XENOPHON: And that goes for larger post office boxes as well?

Ms Corbett: I can get that split for larger boxes.

Senator XENOPHON: Can you send that to me.

Mr Fahour: To answer your question, Senator, it is 100 per cent to the LPO, and zero to Australia Post.

Senator XENOPHON: I am just trying to—

Mr Fahour: I am just helping with the maths.

Senator XENOPHON: Maths was never my strong point. Although this is more like simple arithmetic.

Mr Fahour: I used to be a banker so I am not bad at it.

Senator XENOPHON: I am sure you are good at very many things, Mr Fahour. I say that genuinely. Andrew Probyn wrote a piece in the *West Australian* today.

Senator DASTYARI: Senator Xenophon is also not very good at time. He said five minutes.

Senator XENOPHON: Chair, I will only be a minute or so. Andrew Probyn wrote a piece in the *West Australian* today, which seems to be getting a lot of currency, about various government services being delivered by the private sector 'under an extraordinary transformation of health services being secretly considered by the

federal government'—it is not so secret now, I guess. I do not know if you saw the piece in the *West Australian*. Just broadly, has Australia Post been approached by government to deliver more government services—and I am not saying I am against that—payment systems and the like through Australia Post offices, through LPOs, through CPOs? Is that something that you had discussions with government about?

Mr Fahour: Absolutely, and we have publicly discussed here at the Senate for the last two years our desire to use this great post office network that we have scattered right across this country to deliver more government services. Right now we deliver a huge amount of government services, dating back 35 years ago, when we first started doing passports through the post office network. Since then we have built up a very good track record of very efficiently and effectively delivering government services, particularly in regional and rural communities, I might add. Senator, I know you have been a terrific advocate of the post office network and you have supported us to do more services. We have been pushing very hard this agenda. If anything, we are more concerned the other way around. It feels to us—I do not mean at the federal level; at the state level—that some of these services are now being taken away from our post office network.

Senator XENOPHON: Motor registration and the like?

Mr Fahour: There are one or two that are well known in New South Wales. I think this is a travesty. This is terrible because these post offices do a terrific job, and I think we can give them more services to support their local communities.

Senator XENOPHON: Without incurring Senator Dastyari's wrath, Mr Probyn's piece in the *West Australian* today said:

An industry insider said Australia Post, one of seven remaining government businesses, would be worth a lot more when privatised if it had a multi-billion-dollar health contract.

Have you had any discussions with the government about providing Medicare type services or Medicare services and payment services? I do not mean medical services; I just mean the process.

Mr Fahour: We definitely are not offering any medical services. But it is on the public record that approximately 1½ years ago, roughly, we were one of the many businesses that put an RFI into an offer that was made to say, 'Could you do any payment services? Could people pay for some of their services?' And of course we have a payments business. You can pay your bills at any post office. We said, 'Of course we do.'

Senator XENOPHON: So you have had discussions with the government about looking at Medicare payments, perhaps?

Mr Fahour: It is on the public record that we have submitted—because it is part of our corporate plan—

Senator XENOPHON: But recently? Have you had discussions with the Turnbull government?

Mr Fahour: No, we have not. As a matter of fact—let me just be very clear—we are not having things thrown to us. We are pushing through the door. I would love that door to open up a little bit more.

Senator XENOPHON: But Australia Post would be worth more if it was privatised if it had these contracts.

Mr Fahour: That is a red herring. The real issue is that if we do not get those services these post offices are in a heck of a lot of trouble. This is about survivability for us, and sustainability.

Senator XENOPHON: So there are no discussions preparing Australia Post for privatisation.

Mr Fahour: I think you very well know the answer to that question.

Senator XENOPHON: No, I do not know. I am referring to Andrew Probyn's piece this morning.

Mr Fahour: This is clearly a very interesting, newsworthy piece, because I did not know about it. So it is really interesting.

Senator XENOPHON: Chair, at the risk of upsetting Senator Dastyari even more, I should just give up now.

CHAIR: I am sure we are very grateful for your consideration of Senator Dastyari's feelings.

Senator XENOPHON: Always.

CHAIR: Senator Urquhart.

Senator URQUHART: As I understand it, category F LPOs, as identified by the PIP report, are the LPOs that do not undertake street deliveries. Is this correct?

Mr Fahour: Yes, in that report that was publicly released to the Senate as well.

Senator URQUHART: How many LPOs actually fall into that category F?

Mr Fahour: I am happy to take these on notice, because you are asking for precise numbers. That report was issued last year. We could answer all those questions on notice if you wish.

Senator URQUHART: I would like you to answer them now.

Mr Fahour: I do not know the answer to that question.

Senator URQUHART: Any idea?

Mr Fahour: No, I will come back to you on that.

Senator URQUHART: You do not have any idea? Is it 100, 150?

Mr Fahour: It is somewhere between that.

Senator URQUHART: What would be the average number of parcels that are handled by category F LPOs each week?

Mr Fahour: Again, I do not have the report in front of me, and I was not aware. We talked about this at the last Senate estimates. I am sorry I do not have it in front of me. But I would be more than happy to take that on notice.

Senator URQUHART: Okay. Can you also take on notice what would be the maximum number of parcels that a category F LPO would be likely to handle each week? I want the average number and then the actual maximum number of parcels.

Mr Fahour: I would be delighted to do so.

Senator URQUHART: I understand that all LPOs who coordinate street deliveries receive around \$1.60 per parcel while doing the category F, is that correct?

Mr Fahour: Correct. We implemented a scheme last year for the LPO network that do deliveries. When there is a failed parcel delivery we offer increased compensation for them.

Senator URQUHART: So you have got an LPO, a contractor or whoever goes in and picks up the deliveries and then coordinates that. They would get around \$1.60 per parcel while they deliver it?

Mr Fahour: No, not necessarily—

Senator URQUHART: Can you step it through?

Mr Fahour: When a customer is not home and we leave a card there, when that customer comes to collect the parcel, because they have had to actually handle that we pay them that money.

Senator URQUHART: Is it true that a category F LPO only receives around 37c?

Mr Fahour: No, that is not correct.

Senator URQUHART: Can you lay out what the process is so that I understand it?

Mr Fahour: Sure, no problems. I will have Christine Corbett give you the detail that you are seeking, but I wanted to make one observation: we wanted to find ways to increase the compensation to support the LPOs for handling failed parcel delivery. Those failed parcel deliveries and the compensation in terms of total payments makes up less than five per cent of the total fees that an LPO would make out of the \$350 million of total fees that they are getting—approximately, I should say. Do not hold me to exactly that percentage. But it is a single digit, let me say it in that way. It is probably a better way to say it—it is a single digit percentage.

We looked at what work activities were required in that study and that is what the payment relates to. There are some people who do not get street delivery where the parcel is not a failed parcel delivery because there is no delivery at all. The parcel is there. We pay them through two different mechanisms. We pay them what is called a mail management fee and we also pay them a separate fee.

What Ms Corbett will do in a minute is show that we modelled what the total payment increase is going to be, because we increased the postage rate as well. We tried to equalise so that they are no worse off, but through the total fee structure they are not—dare I use the word—double dipping. In other words, if they got the \$1.60 plus the mail management fee they are actually earning more than the 2,900 others who are just getting that pure mail management fee.

Ms Corbett: I think sometimes it can be confusing for a licensee when they hear the figure of \$1.60 then look at their payment scheme, because the payment scheme is quite complex. When a street address item is carded back to a post office, regardless of whether there are contractors housed with the licensee or not they get a \$1.60 payment. There are, though, a number of licensees where there is no street delivery, therefore there cannot be any street address carded parcels. In those cases, the payment system is very different. Instead of being paid on a per item basis, which is a variable cost, with those licensees where there is no street delivery—they are often in smaller towns; we recognise that there are a lot of fixed costs associated with running the business—we pay, if

you take counter mail delivery, which I think is often what a lot of licensees do, a counter mail delivery fee plus we pay a mail—

Senator URQUHART: What is that counter mail fee?

Ms Corbett: That is \$97.79 and that is paid per delivery point. We also then pay a mail management fee and again that is based on the number of delivery points that they have.

Senator URQUHART: What was the mail management fee?

Ms Corbett: The mail management fee for a private delivery point is \$48.92 where there are less than 200 delivery points and \$30.57 where there are more than 200 delivery points. If it is a business delivery point it is \$122.24 if they have fewer than 80 business delivery points, and \$76.20 if they have more than 80 business delivery points. In addition, the third fee—I think you quoted the approximately 37 cents—is then the scanned article.

So it is actually in recognition of the different work, the different style of work, that is involved. Also, because they are smaller outlets it recognises that the delivery point gives a consistent income flow for a licensee versus a street-addressed carded item, which can be quite variable—then there can be no payments if there are no parcels there.

Senator URQUHART: Okay. Can I just give you a really basic example and you can step me through what the process is for charges and paid fees?

Ms Corbett: Sure.

Senator URQUHART: I actually live in an area where I do not have mail delivery. I have a post office box, but we also have an LPO in a general store.

Ms Corbett: Yes.

Senator URQUHART: If I get a parcel, it comes to the shop and then I get notification either by a telephone call from the shop or when we go in that there is a parcel there for me. I sign for that and I get it handed to me. I have a relative who lives two kilometres down the road, who does have a roadside delivery system. If she has a parcel that is too big to fit into her little mailbox she gets a card put in the box and she has to pick it up from the shop.

My understanding is that there are two different rates of pay to that LPO for those two parcels. They might be exactly the same size or whatever and both of us are going into that LPO to pick them up. Can you tell me how much the LPO gets for my parcel and how much the LPO gets for my relative's parcel?

Ms Corbett: In your example for a post office box—and let's say it is—

Senator URQUHART: No, not the post office box. It goes to the LPO, so forget about the post office box—nothing goes there.

Ms Corbett: Okay. For your example without having roadside street delivery, the figures I quoted you before are what a licensee actually gets in your case.

Senator URQUHART: Right—which is the 37 cents, because that is a standard article?

Ms Corbett: No. It is the fixed fee.

Senator URQUHART: Right.

Ms Corbett: They would recognise that your address is a delivery point, so it is the \$97.79—

Senator URQUHART: For that parcel?

Ms Corbett: No, it is for that delivery point. Even if you actually get nothing for the entire year it is a fixed fee. Even if you do not have anything, we actually would pay a licensee \$97.79 in recognition that you are a registered delivery point for that licensee.

Senator URQUHART: Right.

Ms Corbett: So that is what they get, plus a mail management fee and plus the scanning fee for that parcel. Those are in addition. For your relative who has the street delivery, the licensee does not have that fixed component because their address is—

Senator URQUHART: Okay so that is serviced by the contractor—

Ms Corbett: Yes. So they do not get that—the licensee—in that case. What they would then get instead if it does actually get carded is the \$1.60 for that particular item, rather than any fixed fee.

Senator URQUHART: Right.

Ms Corbett: So they are two quite different systems.

Senator URQUHART: Okay. Is there any difference in the work required for by category if another LPO is processing parcels? What is the amount of work required?

Ms Corbett: Unfortunately, I do not have the report with me, so I am very happy to take that on notice for a category in particular. But the difference with an item that goes directly to a post office is that when it goes there it is like sorting into a post office box. It will actually come with all the other mail and parcels. It gets put aside and the standard processes take place, as they do each day that mail actually comes in.

The difference for a street-addressed carded item is that it goes out with the contractor. It will then come back at the end of the day. The post office then has to receipt that actual parcel and they will write up a card. The person has five days to collect that item. If it has not been collected then there is additional work at the end of that five days to recard that item. Then at the end of a 10-day period if a person has not collected it it gets returned back to sender. So the processes are different, and part of that is because of the variable nature of it. Similarly, when you do not have street address mail or do not have delivery to the home your letters and parcels are then given across the counter to a person all at once, so there is obviously some productivity and efficiency with having 'here is your mail and a parcel' versus the individual work associated with an item that happens from time to time.

Mr Fahour: Which is why we have a different payment system—it is apples and oranges because it is reflecting the nature of the work—what they have to do is different.

Senator URQUHART: I am not sure the LPOs would agree with that, but I understand the explanation. Can you step us through the recommendations that were made in the PIP report regarding category F parcel payments.

Ms Corbett: Unfortunately I do not have the report here but I am happy with respect to taking anything to do with the PIP report and the recommendations and executive summary and table that back on notice.

Senator URQUHART: That would be great, and so I would like to ask you what is Australia Post's response to the recommendations, particularly in line with that category of parcel? Is Australia Post doing anything else to address the inequity in payments between category F and other LPOs? My understanding is that there are about 150 LPOs that fall into category F and that they are disadvantaged in terms of the income that they make compared to other LPOs. You may not agree with LPOs or me, Mr Fahour, but that is the view. Unless you can convince me and the LPOs otherwise then I am asking what are you doing to address the inequity.

Mr Fahour: I feel very proud about what we have achieved and I think if you look at the licensed post office association's media statements, written after all the changes went through, you will agree with me, because it was in their media release as well, that they celebrated all the changes.

Senator URQUHART: I do agree with you in terms of about two-thirds of the LPOs, but I think there is a third that are not quite there yet.

Mr Fahour: We have 4,400 post offices, and you said 150. That is not about a third.

Senator URQUHART: No, I am talking about LPOs.

Mr Fahour: There are 3,000 LPOs so 150 is still not a third. I would say to you that even that 150 celebrated a large part of the changes. If you look at the changes that were made, they increased payments to the network by \$125 million, and on average that is a \$30,000 increase. Everybody gets that, because the mail management fee is tied into the BPR, and when we increased the BPR that flowed through automatically.

Senator URQUHART: So every single LPO—

Mr Fahour: Every single licensed post office, by definition, who sells a stamp, who has a link to the stamp price, which is the case, benefits—every single one. In addition to that, I do remind you that last year, or even the year before that, I announced to the Senate another payment under what is called the minimum payment scheme. Irrespective of your size, even if you are a tiny little post office, Australia Post commits that you will earn no less than, if you are a licensed post office, \$30,000 per annum even if you sell only one stamp. These are the kinds of changes we have made to support them. As I said in my opening statement, I think you and I and everybody are in agreement that everything we have done gets us through the next few years but beyond 2020 when the letter business is gone and we have so little revenue coming in, what are we going to do to support these post offices? It is not just category F, it is category A to Z.

Senator Urquhart: I guess that leads into my final question., concerning the future of LPOs. I think some are quite vulnerable. I guess the issue is how do they factor into the future—the five-year and 10-year plan of Australia Post?

Mr Fahour: Today is quite eerie because I am going to violently agree with you again—it is a very important issue that we are dealing with. As I said in my opening statement, we have been working on a plan that asks what is life beyond just the next few years. We are coming up with a corporate plan. We are going to lodge it through the normal process that all GBEs go through, which is that you lodge with the government your draft corporate plan and then your full corporate plan by the end of the financial year.

At the moment we are working on two or three very important changes. One of those I mentioned earlier to Senator Xenophon, which is of critical importance and which I urge and plead with senators to help us on. I know some senators are going to try to support us on this, which is to say: 'We have this great network. Can we have more government services put through the network as we do with passports, driver's licences and identity cards. We should use this network, because it helps keep post offices alive.' That is one element. The second element, which we are very focused on right now, is helping these post offices diversify their income stream. If they are a standard-alone post office and do only post office work, it is not going to be good enough for the future—like your little post office in Tasmania; they have been clever in diversifying their income stream, they have other activities, other than purely post. We are going to do some things to encourage and support—

Senator URQUHART: I think the shop was probably there before the post office.

Mr Fahour: Well, that is pretty good; that is very good, actually. We want to encourage more of that. Then, last but not least, with the post offices that are in what I call major metropolitan communities in major suburbs, we need to push them more into e-commerce. We need to push them more into those services that are online services and encourage them and give them the facilities to do so. It will be with great pleasure, as the year progresses and I am here again—I am more than happy to give you further detail of the work that we do in consultation with these post office associations to come up with some solutions. But I do urge you for support in helping us get these government services.

Senator URQUHART: I want to pick up on something that Mr Fahour said. You said in 2020, when the letter business will be gone. Is that part of your plan?

Mr Fahour: No. I am saying that if I look at it today the volume is down 40 per cent. If you look at the volume decline—

Senator URQUHART: That is letters.

Mr Fahour: Yes, letter volume.

Senator URQUHART: Parcels are up, as I understand it.

Mr Fahour: Absolutely. We have driven the parcel business up and the letter business is down. But the postal workers in the post offices have more links to the letter business as opposed to the parcel business, for example, where most of our people are employed. If you model where we are at right now, year-to-date volume, just to December, it is already down around 11 per cent for our reserved services volume—just in six months. The month of December alone saw Christmas cards fall by 20 per cent. If you took that trajectory and modelled it out another four years—let's just do a simple mathematical average here; that is another 15 per cent, roughly—you are down to roughly another 50 per cent. So, if you are down 40 per cent, and in that next four years you are going to decline another 40 per cent, then what is left? The Australian consumer and community have changed their preferences that much. That is what I am talking about. We do not want to wait until that moment; we want to deal with it today. Thank you.

Senator SMITH: Welcome, Mr Fahour. I extend my thanks to Australia Post for the great work you did and the Western Australian team around the Fitzroy Crossing post office. We had some problems there in the lead-up to Christmas, so thanks very much. I think I wrote to you about that.

Mr Fahour: Yes, you did.

Senator SMITH: I want to talk briefly about postcodes. This has been a recurring issue for coalition colleagues in the House of the Representative, particularly in Queensland. One of them was gracious enough to give me a time line that goes back to 2006. You will be well aware that the issue has been raised constantly in the House of Representatives. There does not seem to be much progress being made, and I was hoping we could briefly do a couple of things this morning. Explain to me how postcodes are allocated; if and on what conditions postcodes might change; and how the postcode allocation system fits in to the comments you have just made about the changing nature of mail delivery in Australia.

Mr Fahour: In the spirit of transparency, I am not an expert in the postcode system.

Senator SMITH: Neither am I, and that is why I am here.

Mr Fahour: But I can assure you I will take on notice all three of your questions and I will give you a detailed explanation of all of that. But I will say one thing. I know postcodes are used for all sorts of other purposes, but they are primarily used by us to operationally allocate an efficient allocation of our staff, particularly our posties and our processing system, so that we can get the letters to somebody's home address. That system is used for us to internally optimise. The great news is that Australians have adopted these for other purposes and for other needs, and that is wonderful. But our primary focus is to deliver the letter service efficiently and effectively, according to the act. Therefore, what we are having right now is just a conflict, it seems to me, between people's desire to want and need them for other purposes, versus what I would call our internal purposes. But I can assure you that I will give you another explanation, and, if you wish to have any follow-up on that, I am happy to meet with you separately with the relevant expert to talk through any of those details.

Senator SMITH: Under the postcode allocation system, how do we accommodate for population growth, and does the postcode change as a result of changes in population growth?

Mr Fahour: Yes, it does. We do sometimes vary, add and change those to reflect that so that we can efficiently allocate the mail system.

Senator SMITH: So it is not set in stone?

Mr Fahour: Correct.

Senator SMITH: On notice, can you let me know what are some examples of how postcodes have been added to? How do you subdivide a postcode? For example, if the postcode here in Canberra is 2600 and you have already allocated 2601, and, for argument's sake, you wanted to have another postcode, how would you do that?

Mr Fahour: I will have to take that on notice.

Senator SMITH: Okay. I was surprised to see some of the examples that my Queensland colleague shared with me earlier this week, and I just want to put them on the record. You are probably very familiar with them. The 4306 postcode, which is an Ipswich suburban postcode, encompasses some 57 localities stretching from the federal Brisbane seat of Ryan through to South Burnett, including localities in the federal seats of Maranoa, Blair, Ryan and Wright, with many communities not even sharing a boundary. That seems very big to me, and I am not quite sure how that fits with your statement about their being an efficient means for delivery.

Mr Fahour: It is a very good example. I will take that example on board. When I get my explanation back we can use this particular postcode to then say how we would explain the answer to that question. So I will gladly respond.

Senator SMITH: I will give you another one. In similar terms, postcode 4352, which is a Toowoomba based postcode, is shared by 72 localities across Maranoa, Wright and Groom.

Mr Fahour: Without knowing the specifics of the particular one you are referring to, what I am giving you is probably the reason: it is that it is a reflection of the volume of work. For example, we would take a hub or a postcode area and in the delivery centre we might have 120 staff, or 80 staff or 60 staff, and we know how much time they have available, what the street runs are, what distances they have to go and how much mail they will deliver. We will then build a system around what we can and are doing efficiently. Therefore, what I would like to do is take all those examples of the letter you have and when we respond to you maybe we can use those examples to explain how the system works, using the ones you are asking us to use.

Senator SMITH: In division 1, part 3 of the Australian Postal Corporation Act 1989, one of the core requirements is to ensure that:

... the performance standards ... for the letter service reasonably meet the social, industrial and commercial needs of the Australian community.

Does the current postcode allocation system meet that requirement?

Mr Fahour: As far as I am concerned, the postcode allocation is not a requirement. The requirement of us is that we deliver the service, and the postcode is a means for doing our trade.

Senator SMITH: Much of your evidence this morning, and generally, has been about the changing nature of mail in Australia—people using electronic forms et cetera, and our shift parcels. How useful is the current postal code allocation system in meeting this rapidly changing environment?

Mr Fahour: In the future, geocoding is where this is all going to. You will find digital delivery addresses developed and very precise systems for measuring where these things are. There is a whole industry that is into this digital means of locating people, places and locations. I think they are going to find that in the next two or three years our system is going to change. Interestingly, as the letter business declines, as Senator Urquhart is correctly saying, over the last four or five years we have been building this parcel business. Therefore, the

sophistication of our parcel business has to change. For example, last year I launched our innovation activity, and one of the things we are going to trial with a couple of clients in 2016 for our regional and rural customers is the drop-off of parcels by drones. The drone does not care about the postcode. We have far more sophisticated means to trial getting to a farmhouse, for example, which could be 10 kilometres from their front street, to deliver the package. I know this sounds a bit space-ageish—

Senator SMITH: Spooky even!

Mr Fahour: It does sound a little bit.

Senator SMITH: The carrier pigeon is going to be replaced by the Australia Post drone. It is going to be busy up there, isn't it?

Mr Fahour: I have to say that from what we see happening in America, with some of the innovations that are occurring there, especially on the West Coast, to prepare for this digital age we have to change a lot of how we do business. If in the next couple of years that changes and we should review the postcode system—

Senator SMITH: This is important. Have I heard you correctly in saying that the postcode system we are accustomed to in this country is highly likely to change as we move to greater digital uses, like geocoding? Is that a correct statement?

Mr Fahour: No, what I said is that as we prepare for what this change means into the future—what digital technology and data information does—we have to look at everything we do internally to optimise ourselves, which includes postcodes and everything, and ask the question: is this meeting the needs of the modern customer?

Senator SMITH: So you are asking the question internally: does the postcode allocation system meet your current needs?

Mr Fahour: To be very honest I have never asked that question in the way you have just asked it—

Senator SMITH: That is what I have heard. These people are being told that a review is not possible, and what I just heard from you is that you are constantly reviewing these things internally to keep pace with change. That is what I heard. Is it not true?

Mr Fahour: Absolutely. Nothing is sacrosanct. We have to adapt to the modern world. If the current postcode system does not meet the needs of the new world, then of course it is going to change.

Senator SMITH: When will you know that?

Mr Fahour: I have not given you a specific time. I reserve my judgement—

Senator SMITH: That is why I asked when you will know that.

Mr Fahour: I do not know the answer to that question.

Senator SMITH: That is not good enough, because what I have heard is that you are keeping pace with change and doing a variety of things internally to keep pace with change. I thought I heard you say the review of postcode arrangements et cetera was in part to make sure that you are keeping pace with the business, but you cannot tell me anything about that.

Mr Fahour: Not at this moment—

Senator SMITH: But you can take it on notice?

Mr Fahour: I can take it on notice.

Senator SMITH: Regarding the members, they tend to be in Queensland, but I am happy to be corrected. I have not had any colleagues from states or territories other than Queensland raise this with me. How would you describe the level of engagement that Australia Post has had with the member for Maranoa, the member for Ryan et cetera around this issue, because it has been going for a very long time?

Mr Fahour: I will come back to that. I have been made aware that this has pre-dated me—

Senator SMITH: And me.

Mr Fahour: —and clearly the level of frustration around the Queensland postcode situation. I will look into this. Let me review what is going on and come back to you regarding what the situation is.

Senator DASTYARI: I want to touch on something you said to Senator Xenophon. It is absolutely no secret whatsoever that for a long period of time Australia Post has held the position that they can and should do more government work, at the state and federal level, through post offices. Is that correct?

Mr Fahour: That is 100 per cent correct. We have done a lot of work.

Senator DASTYARI: And you would have always liked to do more?

Mr Fahour: Correct.

Senator DASTYARI: When services have been taken away from you—for example, such as in New South Wales—you have quite vocally said, both publicly and privately, 'We can do this service. We can do it efficiently. Don't take it away from our post offices.'

Mr Fahour: And it has taken income away from post offices and from Australia Post.

Senator DASTYARI: But you have had no more recent conversations with government about doing anything new?

Mr Fahour: Our salespeople are looking for RFPs and opportunities. I can say that on a day-to-day basis we are always looking for work. So we are looking for work. There is nothing new on this payment thing that I am aware of.

Senator DASTYARI: Regarding the media report that there is a task force being run by a bureaucrat named John Cahill to propose a proof of concept trial from next year—and it cites Australia Post as a potential showing, given their online payment structures—is that a new expression of interest? Have you met with a government bureaucrat named John Cahill on this matter?

Mr Fahour: I do not even know who he is.

Senator DASTYARI: But your point is that you would need to, because you have been pretty vocal about wanting this business?

Mr Fahour: I would love to, and, by the way, if he is considering us and is listening to this, thank you very much. We are terrific and we hope he gives us the work.

Senator DASTYARI: Minister, can you explain to me the process by which someone gets appointed to the board of Australia Post?

Senator Fifield: The government of the day consults with the chair and then government makes a decision.

Senator DASTYARI: Is there an independent process? Are three options being put to cabinet? How does the internal process work? There must be some guidelines as to how these things operate?

Senator Fifield: It is a pretty straightforward arrangement. There is a statutory requirement for the chair of Australia Post to be consulted. The government, in the form of cabinet, makes a decision and the Governor-General-in-council makes the appointment.

Senator DASTYARI: I have a media release from you, Minister, stating that there was a new appointment made and the announcement was made on Monday, 22 December. It was for Mr Bruce McIver. Is that correct?

Senator Fifield: That is correct.

Senator DASTYARI: Mr Fahour may know the answer to this, but I am sure it is on the public record somewhere. What does a non-executive board member of Australia Post get paid?

Senator Fifield: It is something in the order of \$90,000, but I stand to be corrected. It is something of that nature.

Senator DASTYARI: I have an unsourced note here that says \$89,500 per annum. Mr Fahour, is that correct?

Mr Fahour: That is correct.

Senator DASTYARI: How many people are on the board?

Mr Fahour: I am just working it out, excluding me and including me.

Senator DASTYARI: Because you are a member of the board?

Mr Fahour: That is correct. There are nine positions and I am one of the nine.

Senator DASTYARI: So there are eight government-appointed positions and you as managing director automatically sit on the board?

Mr Fahour: That is correct.

Senator DASTYARI: In your position as managing director, I assume you were appointed by the board and not by the government, Mr Fahour?

Mr Fahour: That is correct.

Senator DASTYARI: So there are eight positions, one of which is obviously the chairman, and then there are seven other positions on the board. The government specifically appoints the chairman itself; the board does not. There is a separate position of chairman and a position for the other seven. Is that correct?

Senator Fifield: There are nine board members all up, which includes the managing director. So there are eight board positions appointed by the government, one of whom is appointed as chair. The chair is not in addition to the eight; the chair comes from the eight.

Senator DASTYARI: What is the process undertaken to identify suitable candidates?

Senator Fifield: There is no one process. Governments of all persuasions have sourced potential candidates in different ways. Sometimes search firms are used; sometimes they are not. Ultimately the government of the day looks at potential candidates and makes a decision.

Senator DASTYARI: Was a search firm used in the appointment of Mr McIver?

Senator Fifield: No.

Senator DASTYARI: You could take this on notice. I am not sure if it is a question that you may or may not have traditionally answered, so I do not want to put you in an unfair position. Obviously this went to cabinet before 22 December, before the public announcement. That would be a matter of fact. Do you know when it went to cabinet?

Senator Fifield: I will take that on notice.

Senator DASTYARI: And also take on notice whether or not that is something you would traditionally answer. I am comfortable if it is something that is not traditionally answered.

Senator Fifield: I can share with you that obviously it was 10 December that the Governor-General appointed Mr McIver to the board. Obviously at some point before that there would have been a cabinet decision.

Senator DASTYARI: I am running off a media release from you on 22 December. That is 12 days after the appointment. Your media people might want to get a bit quicker—you are the comms minister! Was there a shortlist prepared, Minister?

Senator Fifield: The government made a decision to appoint Mr McIver to the board.

Senator DASTYARI: That is an answer, but it is not an answer to the question I asked.

Senator Fifield: It depends how you define a shortlist—a shortlist going to whom? As government, obviously, you look at a range of people and you make a decision.

Senator DASTYARI: Who is the minister responsible? Is that you, Minister Fifield?

Senator Fifield: That is me.

Senator DASTYARI: So, at the end of the day, you are the shareholding minister, correct?

Senator Fifield: No. I am one of two shareholding ministers. It is me and the Minister for Finance.

Senator DASTYARI: So Senator Cormann and you effectively sign off on the decision but the decision is made by the whole of cabinet?

Senator Fifield: It is an appointment by the Governor-General in Council on the advice of the government.

Senator DASTYARI: But there are certain matters and decisions, as I am sure you would be aware more than I am, Minister, which solely fall within the domain of the statutory obligation of a minister, and there are those that are more whole-of-government or cabinet decisions. Is this the decision that was made—it sounds like from what you have said—

Senator Fifield: These sorts of decisions are typically made by cabinet, but when I say 'decisions', obviously the appointing agency is the Governor-General in Council, and a recommendation is made to the Governor-General.

Senator DASTYARI: I will not pussyfoot around this. There have been a range of different kinds of people appointed to these kinds of positions in the past. Some of them have experience in the arts or other sectors; some of them have had political involvement, on all sides of politics. I think that is a fair point to make. Is it correct to say, Senator Fifield, that there are a range of different experiences to these appointments, including political involvement?

Senator Fifield: There are a range of backgrounds that people have who are appointed to government boards, and some, as well as their relevant experience, have been involved in one way or another in the political process; some have not. Whether you have or have not should not be either a disqualification or something that recommends you in and of itself.

Senator DASTYARI: Mr Fahour, you are on the board of Australia Post.

Mr Fahour: Yes.

Senator DASTYARI: Let us go to the facts here. This is obviously a matter of fact. You are a government business enterprise. Is that correct?

Mr Fahour: Yes.

Senator DASTYARI: You claim you meet the guidelines set by the Department of Finance that govern GBEs. Is that correct?

Mr Fahour: That is correct.

Senator DASTYARI: I will read you 2.5 from the guidelines, which you, on your own website, claim you meet:

In particular, the Government expects GBE boards to establish and maintain a code of conduct for directors (including any subsidiaries), employees and contractors and that GBEs, in undertaking their business, avoid activities that could give rise to questions about their political impartiality.

Are you aware of that?

Mr Fahour: Absolutely.

Senator DASTYARI: Do you meet that?

Mr Fahour: Yes, we do.

Senator DASTYARI: Noting that you have had politicians, former politicians and politically active people in the past, is that something that the board is aware of?

Mr Fahour: Absolutely.

Senator DASTYARI: I note that Mr McIver—and this is not a secret—is the immediate past president of the Liberal National Party in Queensland. That is a matter of fact and is something that we are all aware of. In saying so, I note that there have been other politicians or former politicians who have been appointed to this board in the past. I note that at no point in the guidelines does it say that having had political involvement is a disqualifying factor, but it does say that GBE boards are expected to:

... in undertaking their business, avoid activities that could give rise to questions about their political impartiality.

Are you aware of that?

Mr Fahour: I am very well aware of that. Our chairman starts most board meetings with a clear understanding that we are running this in the interests of the corporation and that there will be no political views that put us in a difficult position. I can assure you we take that very seriously.

Senator DASTYARI: The guidelines go beyond that. The guidelines require that the directors, including subsidiaries and contractors and others, not undertake business that 'could give rise to questions about their political impartiality'. Obviously, that is a further challenge when you are dealing with people who have been actively involved and engaged in politics, and I understand that. I would argue that for them the bar is even a little bit higher. You seem to be nodding, Mr Fahour. Is that something the chairman explains to members of the board?

Mr Fahour: I was nodding to say that I believe all the board members need to take that very seriously. I would note that it is the wish of the government to appoint people to the board; it is not our decision.

Senator DASTYARI: Yes, it is done in consultation with the chairman.

Mr Fahour: Yes, of course.

Senator DASTYARI: But it is the government's decision. Senator Fifield has clearly taken responsibility for the decision as a shareholder minister.

Mr Fahour: I would argue that our board members have displayed an excellent level of discretion and approach with regard to these guidelines.

Senator DASTYARI: This is where I disagree. I want to draw this to your attention. At the moment it sits on the web page of the LNP:

LNP President Gary Spence invites you to join him at a Testimonial Dinner for the Immediate Past President Bruce McIver
With special guest the Hon. John Howard OM AC

Friday 26 February 2016 ... \$140/person includes 3 course meal and beverages

Brisbane Convention and Exhibition Centre, South Brisbane

This is not a secret kind of document—it sits on the web page—but it notes that this event will be a fundraising event for the upcoming federal election. Mr Fahour, is this something that has been discussed at a board level?

Mr Fahour: We have not had a board meeting since Mr McIver has been appointed.

Senator DASTYARI: I suspect there is the possibility that I have been involved in fundraising events myself over the years, and I note that some of these things take a while to organise. Perhaps the fundraising event may have been planned prior to Mr McIver's appointment to the board of Australia Post. I am giving him the benefit of the doubt.

Minister, I cannot see how you can reconcile a fundraising dinner with the words:

This event will be a fundraising event for the upcoming federal election.

headlined by Mr Bruce McIver, and the requirement:

... the government expects GBE boards to establish and maintain a code of conduct for directors, employees and contractors and ensure that GBEs, in undertaking their business, avoid activities that could give rise to questions about their political impartiality.

Senator Fifield: Quote that again: it says 'GBEs' undertaking their business in a way that could raise issues of concerns about political impartiality. This is referring to the activities of the GBEs.

Senator DASTYARI: I will read it to you again. Let us go through the exact wording:

In particular, the government expects GBE boards to establish and maintain a code of conduct for directors—

including any subsidiaries. Pause for a second there. Mr Fahour, your code of conduct is on your web site. That code of conduct exists. The guidelines continue:

employees and contractors, and that GBEs in undertaking their business avoid activities that could give rise to questions about their political impartiality.

A board member headlining a fundraiser for the Liberal Party under his own name seems to me to be a clear breach of the GBE guideline that he not raise questions about political impartiality. I think it exactly raises questions about political impartiality. If this does not raise questions about political impartiality, what would?

Senator Fifield: A few points here: we are talking about someone's farewell.

Senator DASTYARI: We are talking about a fundraising event for the upcoming federal election.

Senator Fifield: It was a farewell function for—

Senator DASTYARI: Were you invited?

Senator Fifield: It was a farewell function for Mr McIver.

CHAIR: Senator Dastyari, give the minister the courtesy of answering your question.

Senator Fifield: It does not relate to the activities of Australia Post. It does not relate to his activity as a director of Australia Post. It is a matter of public record what Mr McIver's political involvement has been. I do not think it could be clearer what his political involvement has been. I will leave it there.

Senator DASTYARI: I completely acknowledge and respect that Mr McIver has a long political involvement. He is not the first and will not be the last person with a political involvement appointed. I see that as a community involvement, and there are different types of community involvement—one is political engagement. I also note that Mr McIver has a strong business background. He ran a trucking business over many, many years, if I am correct.

Senator Fifield: Correct.

Senator DASTYARI: That is not my issue. My issue is not that the Liberal Party is putting on a goodbye dinner for Mr McIver. People in positions have goodbye dinners and farewell functions. These are their own words not my words; I am not calling it this:

This event will be a fundraising event for the upcoming federal election.

The point I would make is that the GBE guidelines specifically address what are potential conflicts of these types of matters and that perhaps for those with political involvement the bar is higher and they need to be more careful. It is one thing to say that he has had a party involvement in the past. It is another thing to say that, on 26 February, he will be headlining a fundraiser for the re-election of this government.

Senator Fifield: He is attending a farewell function in his honour.

Senator DASTYARI: He is headlining a Liberal Party fundraiser.

CHAIR: Not to cut you off here, Senator Dastyari, but I think you have now made the same point probably six or seven, if not eight, times. I have been somewhat tolerant of this, but I think it would be appreciated by us and also the witnesses if you could move on to something different, or a different aspect of this.

Senator DASTYARI: I am sure it would be appreciated by you, Chair.

CHAIR: Senator Dastyari, you were the one who assured me several times today that brevity was your mission today.

Senator DASTYARI: My point was that I was being reasonable.

CHAIR: No undue repetition would be appreciated, Senator Dastyari.

Senator DASTYARI: The term here is about political impartiality. I have two questions, and I will leave it at that. Are you saying, Minister, that you have no issues with the fact that Bruce McIver, who you have just appointed to the board of Australia Post, is headlining a fundraising event for the upcoming federal election? You have no issues with that?

Senator Fifield: He is attending a farewell function to mark the conclusion of a particular chapter in his life.

Senator DASTYARI: That was not the question. You can describe it how you want, but they describe it as an election fundraiser—the Liberal Party themselves are calling this a fundraiser, and he is headlining it. They are facts. You can say he is attending it as the headlining event; we can play with semantics. That was not the question. The question was: do you have any concerns that this breaches the GBE guidelines?

Senator Fifield: I do not think that Mr McIver is doing anything that would not be expected when someone is concluding the sort of role that he has had.

Senator DASTYARI: A fundraiser?

Senator Fifield: There is a farewell—

Senator DASTYARI: A Liberal Party fundraiser?

CHAIR: Senator Dastyari, you have asked a question. Do not keep talking over the minister.

Senator Fifield: There is a farewell function that has been organised.

Senator DASTYARI: Which is a fundraiser.

Senator Fifield: It is a farewell function for Mr—

Senator DASTYARI: To raise—

CHAIR: Minister, have you finished the answer?

Senator DASTYARI: It is okay. Minister, let's be clear about this, because you are kind of dancing around this. Firstly, Minister: were you aware of this function?

Senator Fifield: I have heard of the function. I have heard previously that there was a farewell function that was organised for Mr McIver.

Senator DASTYARI: Are you attending?

Senator Fifield: I am not. I do not know what date it is, but I have not—

Senator DASTYARI: But you were aware of this fundraiser?

Senator Fifield: I was aware that there was a function that was being organised to farewell Mr McIver.

Senator DASTYARI: Would it be too much for me to ask when you became aware of it?

Senator Fifield: Within the last couple of weeks, I guess.

Senator DASTYARI: If it has been in the last couple of weeks, then that would have been after his appointment to the board of Australia Post?

Senator Fifield: Looking at the code that you are quoting, I think it is relating to business activities of individuals. I think, and correct me, but just to make sure we are quoting the same thing, 2.5 says:

In particular, the government expects GBE boards to establish and maintain a code of conduct for directors (including any subsidiaries), employees and contractors and that GBEs, in undertaking their business—

the GBEs undertaking their business—

avoid activities that could give rise to questions about their political impartiality. For example, GBEs should not make direct or indirect political donations or participate in activities that would bring the Government into disrepute. GBEs may wish to consult with the shareholder minister(s) on any sensitive issues affecting its business activities.

The section that you are quoting refers to the business activities of GBEs.

Senator DASTYARI: It refers to the code of conduct for directors, how they behave and what they do.

Senator Fifield: Yes, in undertaking their business:

... avoid activities that could give rise to questions about their political impartiality. For example, GBEs should not make direct or indirect political donations or participate in activities that would bring the government into disrepute.

Senator DASTYARI: I am not going to begin by saying I think a Liberal Party fundraiser is as disreputable as you can get. That is probably more my bias in politics!

Senator Fifield: I am reading directly from the code—

Senator DASTYARI: I have read it to you. It is 2.5.

Senator Fifield: That is right, and I am just making sure that we are both reading the same section.

Senator DASTYARI: We are both reading the same thing.

Senator Fifield: This makes reference to the activities of GBEs, and then it goes—

Senator DASTYARI: It talks about a code of conduct for directors and about political impartiality. Minister, I am going to ask you one more time, and then I am happy to move on from this—

CHAIR: Senator Dastyari, you have now asked the same question several times, and it is very clear to me that you have a difference of opinion. It has been about 15 minutes now on the same question.

Senator DASTYARI: We are still going. The minister is getting more information, which he is entitled to do, and he seems to be—

CHAIR: Do you have any further questions?

Senator DASTYARI: I have plenty of further questions.

CHAIR: Are you intending to ask them all now, or are you going to put some on notice?

Senator DASTYARI: I have other questions. Going back to 2.5: Mr Fahour, you are saying that there has not been a board meeting since Mr McIver's appointment?

Mr Fahour: That is correct.

Senator DASTYARI: I understand you would not be aware of the details, but are you aware of whether there has been a conversation between the chairman of Australian Post and Mr McIver?

Mr Fahour: No, I am not aware that—do you mean with reference to this issue?

Senator DASTYARI: Generally. Since his appointment to the board.

Mr Fahour: Yes, I am aware that an incoming director and the chairman have met, which is quite normal.

Senator DASTYARI: Have you met with Mr McIver?

Mr Fahour: I briefly shook hands with him last week, but I have not had the opportunity to sit down with him to conduct longer conversations. But I did meet him last week.

Senator DASTYARI: Is there a plan for those longer conversations to happen?

Mr Fahour: Absolutely.

Senator DASTYARI: Do you have a date? Is there a time, or you are just going to informally agree that you will catch up?

Mr Fahour: No. We have agreed that we will spend a decent amount of time talking about the business and what is happening, as I do with all new directors, and that will happen in the coming weeks.

Senator DASTYARI: When is the next meeting of the board?

Mr Fahour: It is in approximately two weeks.

Senator DASTYARI: So there will be a meeting of the board. What is the date of that? I am sure it is a public date.

Mr Fahour: Actually it is not a public date, but there is nothing secret about it. I can just look in my calendar and check when the board meeting—

Senator DASTYARI: Can you do that.

Mr Fahour: 25 February.

Senator DASTYARI: On Thursday, 25 February, Mr McIver, assuming he is available, will attend his first board meeting on the new board of Australia Post. Correct?

Mr Fahour: Yes.

Senator DASTYARI: Providing he is available. It is a matter for him and the chairman.

Mr Fahour: Yes.

Senator DASTYARI: People travel; people get sick—things happen. But more often than not all board members attend all board meetings. Correct?

Mr Fahour: That is generally true.

Senator DASTYARI: And the next night he will be fundraising. He will be headlining a fundraising event for the Liberal Party. You cannot answer that!

Mr Fahour: I was not even aware of that.

Senator DASTYARI: Mr Fahour, you were not aware of this. Correct?

Mr Fahour: 100 per cent correct.

Senator DASTYARI: Minister, you were aware of this?

Senator Fifield: I was aware that there was a farewell function that had been organised for Mr McIver.

Senator DASTYARI: What is the process within the board for when there are potential breaches of the code of conduct?

Mr Fahour: Every board meeting, before you start the board meeting, there is a declaration of interests. It is up to each director to discuss with the chairman if they feel there are any disclosure issues that need to be had. In some cases some directors excuse themselves from any conversation if they feel that there is any particular conflict issue that may arise.

Senator DASTYARI: There are two separate issues here, Mr Fahour. There is what would be a conflict. I know we try not to deal with hypotheticals, but I will give you an example. You have some very eminent people on your board. They are on other boards. If there was a business interest conflict between a business that they may have a shareholding, or major shareholding in, and Australia Post, they would be the kinds of things when you would say, 'My tech start-up company is doing X, so I cannot be involved in this discussion about Y.' I am using that as a generic example. That is separate, though, from what 2.5 of the government business enterprise guidelines talks about, which is about questions of political impartiality.

I appreciate there may be things you may not be aware of. There may be times and things that have happened that you may not necessarily be aware of. You run a huge organisation. You sit on the board, but you are not there solely, so I appreciate that there may be things that you are not aware of. But, in your time on the board, are you aware of any times where a question about political impartiality has been raised by the board?

Mr Fahour: Over the last six years I think that all board members have conducted themselves in such a way that allows us to not breach any of the guidelines as put forward by the department and the government of the day.

Senator DASTYARI: In your time, people of all political persuasions have sat on your board. It is not your board, but the board that you sit on.

Mr Fahour: My fellow directors have come from all sorts of stripes and colours, yes.

Senator DASTYARI: So, if there was an issue regarding a political impartiality matter, or a matter about appropriateness, the process that has been set up through the code of conduct for the directors of the board is for it to be addressed prior to the beginning of a board meeting?

Mr Fahour: It is a requirement that the individual speak to the chair to discuss this. If the matter was a matter that required clarification and so forth, it is quite normal for the government of the day to be informed of this situation. But I am not aware of this hypothetical situation that you are talking about—because I am not the chair of the board—of whether any of those conversations have taken place. But what I can say to you is that, from what I do know, this issue has not been an issue for Australia Post, and I am not aware of it being an issue with any of our board members.

Senator DASTYARI: I have a final question, and perhaps we will leave it at this. Minister, I do not believe—and I want to ask how the government would believe—it would be appropriate that a member who has recently been appointed to a \$89,500 a year board position should headline a Liberal Party fundraiser the day after his first board meeting, when the GBE guidelines, in my opinion, are so clear. I just do not see how this is appropriate. Frankly, I think he should be pulling out. I think he should be pulling out of attending the fundraiser, or giving the money to charity. But fundraising for a political party—headlining a fundraiser—when you are sitting on this type of a board is highly inappropriate.

CHAIR: Is that the last question?

Senator DASTYARI: I am happy to leave it at that.

CHAIR: Thank you very much. Minister, have you got something to add?

Senator Fifield: I would just point out that those guidelines relate to the conduct of the GBE itself. They relate to the conduct of directors in the context of the activities of the GBE. Mr McIver is, from what has been presented, attending a testimonial dinner.

Senator DASTYARI: A fundraising event for the upcoming federal election. That is how it is being presented.

CHAIR: Senator Dastyari, the minister is responding to your last question/comment, so give him the courtesy of replying.

Senator Fifield: If that function was billed as being a director of Australia Post, that would not be appropriate. If there was an Australia Post logo, that would not be appropriate. But it is a farewell function—a testimonial function—as I understand it, and it is not connected to his activities as a director of Australia Post.

Senator LUDLAM: There is a piece running on the front page of *The West Australian* newspaper today around proposals that are coming together for private sector delivery of government payments. Specifically, the report discusses Medicare, the Pharmaceutical Benefits Scheme, aged care benefit payments and that sort of thing to be delivered by the private sector. It is a pretty big proposal. The article also notes that Australia Post would be pretty well placed to deliver some or all of those services. Can you give us your read on that, please, and an indication of what is underway as far as Australia Post is concerned.

Mr Fahour: At the start of this session, Senator Xenophon asked exactly the same question and Senator Dastyari followed up along the same lines. For the sake of brevity, if you do not mind, I will give you a short answer. If you wish for any more details I will be more than happy to elaborate. As I mentioned, I was not aware of that article. I stated earlier to the senators that we had publicly mentioned two years ago here at the Senate itself that we were among the people who responded to the payments system opportunity that was put out to the private sector. We are delighted to try to see if we could do more services on behalf of the government, like we do with passports, for example, which we have doing for over 35 years. We play a very important role with our post offices scattered across the country to deliver those government services, and if there is a way for us to use the existing systems which we already have—as you would know, Senator, you can go into a post office and pay your bills and do all sorts of transaction services—we would like to participate. We have been very public about that. Some individual was mentioned who says that we have been shortlisted. That was wonderful news that I had not been aware of. I do not know who this individual is, but if you have any connections in there we would love you to push him along and say that Australia Post is a great place for him to push that to.

Senator LUDLAM: It has not actually happened yet, so let's not get too far ahead of ourselves. Presumably, that would be quite valuable for Australia Post. Are you at the stage of putting tender documents together? Where is this actually up to?

Mr Fahour: It was literally a year and a half ago. It was more of an RFI rather than an RFP. That is very important, as I am sure you would be aware.

Senator LUDLAM: 'I' being for 'interest' rather than a proposal.

Mr Fahour: It was for 'information' rather than a proposal. So we put forward some information but we have not heard where that process is at.

Senator LUDLAM: You have not heard in more than a year and a half?

Mr Fahour: I heard maybe six or nine months ago that they were still reviewing their processes, but I have not been engaged and I am not aware of any high-level engagement on this opportunity. Quite frankly, I thought it had gone away a long time ago.

Senator LUDLAM: It appears that it might have brought back out of the bottom drawer. Can you just check for us? You have been pretty clear and unambiguous that you have not been engaged in any discussions with other arms of government in the last six or eight months, you think.

Mr Fahour: On the payment proposal?

Senator LUDLAM: Yes.

Mr Fahour: On the payment proposal, definitely not. But I can say to you categorically that day in and day out my sales team and I and many of our people are engaged in trying to find as many opportunities for us to continue to do things like passports, drivers licenses, birth certificates, marriages, taxation—all of those types of services which we have been doing for decades and decades. We would love to do more, but on this specific proposal you are referring to, as I mentioned, I thought it had gone away.

Senator LUDLAM: Medicare, PBS and aged care?

Mr Fahour: Yes.

Senator LUDLAM: Senator Fifield, are you able to shed any light? Mr Fahour believes that this is an idea that was being kicked around 18 months ago or thereabouts. It is on the front page of the paper today. Can you shed any light on the thinking of government at this time?

Senator Fifield: It does not fall within the Communications portfolio responsibility.

Senator LUDLAM: It might do, if one of your portfolio agencies is tendering for all of this work.

Senator Fifield: But I think Mr Fahour has said that these are conversations that date back some time. In terms of what government may or may not do in relation to payment schemes in the Health or Social Services portfolios is a matter for the Health or Social Services portfolios. If there is a particular type of architecture or alternative mechanism of payment that they are looking at—I am not aware of any, but I would not necessarily be aware because that is not my portfolio area—those questions need to go to them. Mr Fahour can only really answer questions to the extent that Australia Post has had an interest in providing additional services through its outlets.

Senator LUDLAM: Can you double check for us, Mr Fahour, whether anybody within your organisation has been engaged in conversations more recently than the last six months or so.

Mr Fahour: We will take that on notice.

Senator URQUHART: I want to follow up on this. I understand there is a new mail processing centre for Victoria in central Melbourne. Is that correct?

Mr Fahour: It has been around for a long time. It is out in Dandenong.

Senator URQUHART: I am sorry, it is Dandenong, not central Melbourne. Is it correct that if you post a letter in Sale or one of the outlying areas, if you post it in Sale and the address for it to go to is in Sale, it goes in to Dandenong and then goes back out?

Mr Fahour: No, that is not correct. There was some speculation about this a while ago. We did centralise, because there is not enough volume of mail to support a whole processing centre. As you can imagine, as you have been in manufacturing, you need a certain amount of throughput to run a machine and so forth. In some areas there was not enough to justify running all of those things. We came up with a really innovative solution. It felt silly, if you were living in a regional town and for whatever reason you wanted to post a letter to somebody in that same town, for it to go all the way to Melbourne and come back. That would not make economic sense. So we tend to stream out what we call 'local to local' and we will take the rest back to the Dandenong centre. That is the slightly long answer.

Senator URQUHART: I understand that in terms of Melbourne. But if I use Tasmania as an example, if I post a letter in Smithton, it goes to Hobart and comes back, doesn't it? It is actually postmarked Hobart.

Mr Fahour: I know Melbourne and Victoria really well, but I do not know the answer for Tasmania. I can take that on notice.

Senator URQUHART: If that is correct, I would be interested in knowing whether or not there are other states where that happens. In light of the new mail delay system in rural areas—the two-tier system where people have to wait longer—does that mean they are going to have to wait even longer?

Mr Fahour: I can answer the second part of your question.

Senator URQUHART: I would be interested to know where that might occur in other areas, in other states; but also, if that does occur—if the example I am giving you of Smithton is correct—have you done a cost-benefit analysis of that?

Mr Fahour: Categorically, yes. Everything that we do is about how we can do it more efficiently and more effectively. I want to clarify one thing: if it is a longer service, you do not have the extra days for that and on top of that the two-speed product you are referring to. It is not additive. When we added the extra two days to deliver the mail for what we call the regular service, to give us the time, that incorporated whatever system we had, which is either that it goes into the main processing centre or not. I want to clarify that it is not additive—it is the same extra two days that we are asking for. I will check the other states.

Australian Broadcasting Corporation

[12:35]

CHAIR: Good afternoon, Mr Scott, and welcome to what I understand is going to be your last appearance at estimates before this committee. On behalf of the committee I would like to thank you very much for your contribution to the estimates process. On behalf of myself and committee members past and present, thank you

very much for your appearance and your support of this committee and for all the work that you have done in this role. Congratulations and thank you.

Mr Scott: Thank you, Senator. I appreciate that.

CHAIR: Would you like to make an opening statement?

Mr Scott: No, thank you. I am ready to answer the committee's questions.

Senator URQUHART: I echo the comments of the chair, Mr Scott, and I did notice a smile on your face when she said this was your last estimates. I want to take you to question on notice No. 172, to which you provided a response. Thank you for that. It was a breakdown of the number of employees in the different bands and groups. I am happy for you to take this on notice because I do not know that you can do it here, but I wonder if you can provide a breakdown of the number of those employees in those bands that are non-ongoing?

Mr Scott: We can take that on notice.

Senator DASTYARI: Mr Scott, I think it is worth acknowledging your incredible stewardship of the ABC over two terms. The mark of what you have been able to achieve with the organisation, particularly in moving to the digital space, is going to leave a very lasting legacy. The mark of how well you run an organisation is whether you leave it in a stronger position than the one you found. Your ability to be able to move the ABC into this new digital space and to engineer what has obviously been a very big shift and transformation for the organisation deserves acknowledgement. I am sure there will be many tributes in many places recording your contribution. I think you should be congratulated here again for that.

Mr Scott: Thank you, Senator.

Senator Fifield: Chair, I was going to make some remarks at the conclusion of Mr Scott's appearance today, but I might take the opportunity to do so now. We all appreciate that Mr Scott is coming to the conclusion of his term as Managing Director of the ABC. It has been 10 years of service to the nation through the role of Managing Director. That is a serious tour of duty. Mr Scott has always had the benefit of 150 editors-in-waiting in the House of Representatives and 76 editors-in-waiting in the Senate to assist him in his duties. He has had the helm at a time of incredible technological change, where consumers have an ever-widening range of choices as to how they want to access their media. The ABC has had to adapt at that time. Mr Scott has given his all to the role. Can I take this opportunity, although there will be other opportunities, on behalf of the government to thank him for his service and to wish him well in his next incarnation. I have previously said of someone else who works in this building that they have an almost *Doctor-Who*-like capacity to periodically regenerate. I think that could also be said of Mr Scott.

Mr Scott: Thank you, Senator.

CHAIR: This reminds me of Mr Chapman's statement this morning. He served a similar period in the portfolio. It reminds us that you also would have seen six prime ministers, five communications ministers, six department secretaries, six estimates committee chairpersons and many other such meetings. Again, that puts it in perspective. Thank you.

Senator DASTYARI: You have outlasted them all.

CHAIR: Senator Conroy, do you want to say a few words?

Senator CONROY: On behalf of the committee, I want to associate myself with the chair's comments, and at a personal level to thank you for all the quite extraordinary work you have done over however many years it has been now. Your leadership in pushing the digital transformation, your ability to see the future needs of Australian citizens and your future thinking has placed the ABC in an extraordinarily strong position for your successor. While there have been difficult times as your budget has moved up and down during your time, your professionalism and ability to work through the issues—the introduction of the kids channel, the introduction of ABC 24, the digital online services programming, have been an extraordinary testament to the professionalism of yourself and the team that you have had with you over the many years. I wish you luck with whatever you have planned for the future. As one of the genuine Whovians in the building too, as always, I would like to thank you for protecting Australians' ability to watch *Doctor Who* ongoing. That is a real testament to your foresight. Good luck and thank you.

Senator DASTYARI: I have a couple of matters. There is one that I will not begin with yet, if the committee is going to break in 10 minutes. That will take a bit longer. There is a brief matter that I want to address now. It was touched on earlier this morning by Mr Ebeid. I am not sure if someone has had a chance to find it.

Mr Scott: I saw it.

Senator DASTYARI: That related to two matters. One was to do with *Dateline* and *Foreign Correspondent* being put in the same time period, but also to an earlier matter about the FFA.

Mr Scott: I am happy to address those matters. On the FFA matter, I would simply point out that the Asian Cup was broadcast in January last year. We have had estimates hearings in February, May and October where we could raise and discuss this matters, and we have. I would point out that it was the ABC's top rating program on television last year. FFA believes that the ABC's coverage was absolutely outstanding. It was outstanding because we bought an integrated coverage on television, radio and online, which dramatically increased the awareness of the Asian Cup in this market and led it to be an extraordinary financial success for FFA.

I would point out, as we pointed out at the time, that the FFA approached us to bid this matter. We had it indicated to us that they did not feel that SBS had indicated significant intention around about, so there was no bidding war. We put in one bid and one bid only. As far as the bid is concerned that we put in, for the number of hours of coverage we got and the audience we got it was probably the lowest price ever paid for an audience of this level on a per-head basis in Australia for many, many years.

So FFA approached us. We put in one bid. We were uniquely positioned to provide the coverage that we did with our integrated television, radio and online service, and it was a tremendous success—the top rating show of the year. SBS was unhappy that we did bid—

Senator DASTYARI: We were disappointed as well.

Mr Scott: and that was well documented, well over a year ago, and I am not sure that anything that has happened in the interim makes that newsworthy or significant now.

Senator DASTYARI: No, well it is different now, though, and this is the issue that we were going to address.

Mr Scott: Yes, *Dateline*. Let me talk about that. We have a programming strategy that has very successfully attempted to bungle our programs thematically on different nights of the year. We, very successfully, have moved into a news and current affairs suite on Monday night. We have long had a comedy suite of programming on a Wednesday night. We are bringing new Australian drama to air every Thursday night. It is a ratings year this year. And on Tuesday night we are developing a factual slate of programming. What happened previously was that *Catalyst* and *Foreign Correspondent* shared the same timeslot—I would hope you would be supportive of our move this year to significantly increase the number of *Catalyst* programs that we are putting to air—therefore it was no longer appropriate for them to share the timeslot, and, particularly given the interest that children have in science programming, we thought it was not appropriate to put *Catalyst* on air later in the evening. So the decision was made to run *Catalyst* earlier and to run *Foreign Correspondent* later. It has been pointed out to me that that does bring it into the same timeslot as *Dateline*.

This happens at television from time to time. Of course, the opportunities to catch up on programming have never been greater with iView and the SBS catch-up service. As to the issues you were talking about with my counterpart at SBS, I suppose I would simply say that these things happen from time to time. The ABC was running a news service at seven o'clock for more than 50 years before SBS decided to run its news over the seven o'clock timeslot and actually break its programming—not at seven o'clock, but before and after seven o'clock—to try to hold audiences there.

There have been times when we have been running new Australian programming and SBS has programmed new programs against that. It will happen from time to time. We program separately to the way that they program. We will consider these matters over time. Nothing, fundamentally, about programming schedules is set in stone. We look at what the audience is saying, we look at what the audience is doing. I am sure SBS will do the same.

Senator DASTYARI: I know Senator Canavan has a few questions more specifically on the *Foreign Correspondent-Dateline* issue. But there is an obligation within the act to take account, obviously, of SBS's existing services. That is a matter of fact.

Mr Scott: There is an opportunity to take into account what has been offered elsewhere in the sector, and SBS is part of that. That is for sure.

Senator DASTYARI: I will be frank. I am less concerned about the specifics of the Asian Cup or a debate about *Foreign Correspondent* and *Dateline* than I am about the larger policy question: how do you best create an environment—and I accept, Mr Scott, that you are making the point—where you can have two broadcasters operating in the immediate interests of their own charter—

Mr Scott: You need to compare audiences.

Senator DASTYARI: which, at the same time, can result in a situation which is not necessarily the best outcome for the public good?

Mr Scott: I think that is right, and we saw examples of that. We had established ABC2 as a younger-skewing, general-interest and entertainment channel, and SBS changed their strategy around SBS2 to no longer showing multicultural content and showing English-language, younger-skewing content. At the time, we thought, 'That seems to cut across our well planned strategy around ABC2. They are making independent decisions and so are we.' Whilst structured the way that we are structured and whilst our boards have their responsibilities, we certainly have never, in the history of the two organisations, sat down and programmed side-by-side. That would be hard to do.

Some of this stuff is not ideal; I appreciate that. But we are working very rationally on developing that factual slate on Tuesday night that we think will increase the audiences for that content, just like the news slate and the entertainment slate have increased audiences on a Monday and a Wednesday night. We will review it in practice over time, so will SBS, and whether one of us decides to move the program might be an option that happens from time to time.

Senator DASTYARI: From what I understand, there are informal conversations, but there is not a structured discussion.

Mr Scott: Not at all. They are independent broadcasters and they are independent of each other, in the sense that our engagement with SBS, apart from the joint transmission deal we have done together, is no different to our relationship with any other broadcaster, frankly. And that is the way it is established under the act.

Senator BACK: Section 10(f) within the SBS Act 1991 says it is the duty of the board:

to ensure that the SBS seeks to co-operate closely with the Australian Broadcasting Corporation to maximise the efficiency of the publicly funded sectors of Australian broadcasting ...

Does your act have something similar?

Mr Scott: I will need to check that. The main charter obligations and the obligations of the board are found in section 6 and section 8 of the ABC Act and they do not cover that matter.

Senator BACK: And section 26 of your act mentions:

In performing its functions, the Corporation must have regard to the services provided by the Special Broadcasting Service Corporation.

Mr Scott: Yes, we do have regard. It also says in the charter that we take into account what else is being offered in the media sector.

Senator BACK: If I can just come back to the same question: if you have *Foreign Correspondent* and the SBS program, which have been operating at different times and, you would agree, have a similar audience of people, how are you honouring the commitment to 'have regard to the services offered by SBS' if you then decide to move *Foreign Correspondent* to the same time slot as *Dateline*?

Mr Scott: They are different programs. There may be some crossover of audience interest, but the style of reporting on *Dateline* has been different. These will be matters for interpretation. I suppose the same question applied when SBS ran its news program at the same time as the ABC had run its news program for 50 years. That was a decision they felt they could make, taking into account the ABC. They would say their news service is somewhat different. *Foreign Correspondent* is a different style of program, but I appreciate that there are similarities to that, and some will come to their view on that.

Foreign Correspondent is a program we have tried to keep on our schedule. We have tried to find the right time slot for it, and the people in ABC Television believe that putting it after strong factual programming—just as we run *Q&A* after strong news and current affairs programming—is the way of maximising its audience as best we can.

Senator BACK: Have we decided whether the ABC board has a similar obligation or not?

Mr Scott: You have referenced section 26.

Senator BACK: No, I am asking whether the ABC has something similar to section 10(f) of the SBS Act.

Mr Scott: It is not in section 8, which reflects the duties of the ABC board. Section 8 outlines a number of different areas, but there is not a specific reference to SBS in section 8, which outlines the duties of the ABC board.

Senator BACK: From your point of view, as the outgoing head, what possible purpose is there in having these clauses included in your respective acts of parliament if they have no reasonable effect in terms of outcomes for the consuming audience?

Mr Scott: As I have said, we have worked together on transmission, which has generated some savings that we have both been able to allocate back to the funding cut that came through last year. These are different organisations that operate under different charters to different boards and, in practice, the cooperation is challenging at times. There have been circumstances where we have bid for programs and we feel that we have been outbid—or we have withdrawn from the process because SBS has been bidding—and we would have argued that those programs were core to the charter and the track record of the ABC.

I think you raise a broader policy question. It is one I have said some things about in the past and I may say things about in the future. It is a challenging practice with two totally distinct public broadcasters, unless you expect us to sit together and bid side by side and program side by side in order to do that.

Senator BACK: Thanks for raising it, because what it does do is it begs the question, really, from the viewpoint of the consuming public, of why we want the two public broadcasters.

Mr Scott: That is a matter for government.

Senator BACK: I know it is a matter for government and I am reflecting, rather than asking you. It just seems to me that, if the two are in the circumstance that we have discussed here with Senator Dastyari and with me—and earlier, with SBS—I am moving to the stage of being at a loss to understand why we need two public broadcasters.

Mr Scott: I may comment more on this down the track, but SBS was created well before digitisation and digital television, and I have said publicly that to create an entire broadcasting network around that is, in a sense, an analogue solution in a digital world. When Foxtel wants to run new discrete channels, they do not create entire new networks around them. I think there would be ways of thinking about how to distinctively service audiences and meet audience needs, and it is a matter that is worthy of investigation down the track.

Senator McKENZIE: On that matter, two organisations, two different charters—is there a call to revisit those duties under the charter obligations for each organisation? It seems that now, decades on, there is an overlap.

Mr Scott: I think that it is a matter for government to determine whether they want to undertake that kind of work.

Senator McKENZIE: Do you feel that in the 21st century there is an overlap between the charter obligations of the ABC and the charter obligations of the SBS?

Mr Scott: Yes. The core tenets of SBS when it was established were to provide multicultural broadcasting. The SBS of today, which is more general interest broadcasting, means that the distinction between the two broadcasters is not as distinct as it once was. The delivery of multichannelling in various forms also means that the content that appears on SBS—and to a degree on ABC—is not only available in those places the way that it once was. I think these things are always worth reviewing and investigating over time. For example, I think it is true to say on any reckoning: there is far less subtitled content on SBS in prime time than would have been the case 20 or 30 years ago on their main channel. There are differences and there are changes, and it is a matter for government and government policy as to whether these things need to be reviewed over time.

Senator BACK: The distinctions are increasingly blurred.

CHAIR: That is a good time to adjourn for lunch.

Proceedings suspended from 12:57 to 13:59

CHAIR: Being almost 2 o'clock I will reopen this hearing. Welcome back Mr Scott and Minister. We will now go to Senator Williams.

Senator WILLIAMS: Mr Scott, it is good to see you here. I wish you well in your future and all the best of health to your wife as well, please. The National Livestock Reporting Service run by the MLA employs 28 officers to attend livestock sales, amongst other duties, and report the results to commercial radio stations and also to the ABC for broadcast generally the following morning. I find it very disappointing and I have received a lot of complaints. We used to get up of a morning and, at 20 to seven, we would have the rural report and they would give the market report for the day before. I know that a lot of farmers listened to it, a lot of graziers. Some, unfortunately, do not have internet. I know they are very disappointed. Have you had any feedback on the axing of this service?

Mr Scott: I had some correspondence on it the other day and I am seeking advice. At the moment the stock report is not included in the early rural report, which is—

Senator WILLIAMS: That is on at a quarter past six now.

Mr Scott: Yes, farmers are up early, as you know.

Senator WILLIAMS: I am well aware of that!

Mr Scott: At a broad level, with the program changes we have made this year, we have had very minimal audience response or complaints. The one specific issue, though, that has been raised has been about stock reports. If in fact there are significant movements in stock sales or significant news arises from them, then we cover that in the rural report and we cover it in the *Country Hour*. But this is an area we are looking at again. I think the feeling is, particularly when the volume of trade is very low in a regional area—is it meaningful detail? I understand that stock agents and others are keen for it to be there, but is it meaningful? Our regional division is getting advice on that and they are looking into that.

Senator WILLIAMS: Please do. Where I live is a big selling centre. For example, they have a Tuesday sale every second week—so they will be selling cattle at nine o'clock next Tuesday and sheep at one o'clock. The next morning we want to hear the reports when we turn the radio on. We get a lot of bad news on the radio, but the stock reports these days are very good news—record prices and so on. Why don't you survey your listeners? On Wednesday mornings on 2NZ, our local radio station, there is Brian Baldwin giving a report. I know a lot of people listen to the sales information and so on. This is their livelihoods, especially in a place like New England that is basically grazing country. Up at Walcha, Glen Innes, Armidale and the high country, there is no wheat growing there, just oats for a winter crop for the sheep. It is not as though it is farming country like Moree and down on the plains. I know people are really missing it. Can you do a survey of your listeners?

Mr Scott: Yes, we will look into it. We have had some correspondence and we have said we will look into it. I think one of the things you are pointing to is whether or not there is a one-size-fits-all approach for the whole country in this regard. That is what I think they were looking at. But where there are sales of scale and significance, we would want to be reporting them. But let me get some advice on that and come back to you on notice.

Senator WILLIAMS: Take the sheep sale next Tuesday back home. We hear about it on *Country Hour*, but that is 24 hours later. I did speak to Ms Reynolds about this, and she said it is news that is 16 or 18 hours old, but it is the first opportunity graziers have to hear that news, not to mention the other people involved—the butchers and so on who rely on buying the livestock. Have you had any complaints from the MLA on it?

Mr Scott: A member of parliament wrote to me about it last week. That is all I have seen, but I have not checked with Audience and Consumer Affairs. I know that is the one issue we have had audience feedback on out of the changes we made last year. Let me look into it. I will write back to you on it. If you put a question on notice of course we will respond to it.

Senator WILLIAMS: I appreciate that—and please seek feedback from your listeners. I think that would be a very good idea.

Senator McKENZIE: I wanted to thank you, Mr Scott, for all the work you have done for the ABC, and I wish you all the best for the future.

Mr Scott: Thank you.

Senator McKENZIE: I was going to jump in on Senator Williams's line of questioning. I have had constituents write to me about the ABC livestock reports being cut. I know we have often spoken in this committee about local radio and providing information for local communities. The Wagga, Shepparton, Barnawartha, Wangaratta and Corowa saleyards are incredibly important but are no longer reported at 6.55 am on the local broadcasts. Whilst the *Country Hour* reports are from the official NLRS reporters, those ones I mentioned were from local saleyards. It is the cost of a phone call. The stock agent calls in to the ABC and gives a report. Under the new structure, the producers might appreciate a bit of free local content.

Mr Scott: Fiona Reynolds, who runs our regional division, is looking at this for us. As I said, we were keen to continue reporting when it was news. When you have small volumes, there was a question as to the significance of it, but we want to pay attention to what our—

Senator McKENZIE: It is actually how people run their businesses. I know there might not be many eyes watching.

Mr Scott: No, the people who are involved in making these decisions have been involved in rural reporting for a long period of time, so we will put it to them again and see what they have to say, and we will look at what our audience feedback is. I understand some stock agents have been concerned. The question is whether our audiences have been—

Senator McKENZIE: No, I have had direct feedback from producers.

Mr Scott: Okay.

Senator McKENZIE: Obviously it may not be a huge segment of the audience of your breakfast programs, but that sort of information helps inform how they run their businesses.

Mr Scott: I am happy to look into it again.

Senator McKENZIE: In terms of audience and consumer affairs, on notice, can you provide to this committee any feedback that you have had around the cutting of the livestock reports.

Mr Scott: Sure.

Senator McKENZIE: Thank you. I just want you to walk me through the budget submission and your public commentary around seeking a greater amount of money for rural and regional service provision.

Mr Scott: Well, in my time at the ABC we have never released tri funding submissions.

Senator McKENZIE: I did not ask for that.

Mr Scott: Well, you asked for the detail of it.

Senator McKENZIE: I asked you to talk through your public comments about that.

Mr Scott: What I have said publicly, and what I am happy to say at this point, is that I can understand—and you have been at the forefront of some of this—that there has been significant debate around the level of local broadcasting that is taking place in regional and rural areas. As you would know, Senator, because we have canvassed it a lot in the last 12 months, when the \$250 million funding cut came to the ABC, we protected our regional and rural areas. There were some changes within the portfolio, but we created the regional division and we did our very best to protect those parts of the operation. We have put in a submission to Ms Bishop's committee that outlines our commitment to regional and rural areas, and of course we are working on a submission to your committee—the work that you are doing. One thing we would say, though, is that of course we can do more in regional and rural areas if we have the resources to do that.

Senator McKENZIE: Mr Scott, you have been at the forefront of applying new technologies to broadcasting. You have been fabulous at that. Are you saying that, with new technologies and the adoption of technology, we cannot provide locally produced content at the same price? Aren't there efficiencies from the technological development?

Mr Scott: You sound a bit like a commercial television broadcaster, Senator.

Senator McKENZIE: I am just asking the questions.

Mr Scott: I would say it is a combination of both. Of course, I did notice that the Deputy Prime Minister talked about bringing back half-hour television bulletins to all our regional sites. We did a costing of that. It proved to be very significant. I do not think that is seriously in prospect. But can we create more content and distribute it through new technology? Yes, we can. I supposed the proposition I was putting to the government—I would be very interested to see how the government considers this—is: what public policy levers do the government have if in fact they are concerned at the dramatic cut of journalists and local content that is taking place because of what is happening in regional newspapers, regional radio and regional television? One thing the government can do is adequately fund the ABC for an increased investment in reporters on the ground, and then, of course, we would use the new technology to effectively be able to distribute that via broadband. So our proposition is for more than 100 additional staff in regional and rural areas.

Senator McKENZIE: How much will that cost?

Mr Scott: It would cost around \$25 million to \$30 million a year.

Senator McKENZIE: So they are not being paid Tony Jones wages.

Mr Scott: More local content that we can distribute online and more local content on radio. One of the things we have said in our submission is that we would make that raw feed available to all other media outlets if they wish to utilise it, so we could support other media outlets as well. So I would have thought that if you are really interested in local voices, local communities and local news then you would support a proposition for the ABC to be able to put more people on the ground to provide local broadcasting and local content, because that is the one sure lever—the one sure bet—that the government has to make a change in this environment.

Senator McKENZIE: Thank you for outlining that, Mr Scott.

Mr Scott: A pleasure.

Senator McKENZIE: I did not know the details.

Mr Scott: Yes.

Senator McKENZIE: Did you say \$25 million?

Mr Scott: Yes, it is \$25 million and it is up to \$30 million in one year, but some of that is the setting up of the capacity.

Senator McKENZIE: Predominantly on people?

Mr Scott: On staff, yes.

Senator McKENZIE: We have canvassed this many times. When I asked the Parliamentary Library to split out from the local the radio budget the amount that the ABC spends on the provision of local radio to rural and regional communities, there was nothing in annual budgets, the PBS, Senate estimates or any other public document available that would actually give anybody in the community an understanding of how the public broadcaster prioritises rural and regional local radio. The only thing they could come up with, Mr Scott, was QON-44 of Senator McKenzie's back in February last year. You were able to, in answer to one of my questions on notice, come up with a grand total of the budget for ABC local radio. That was \$24.644 million. That as a percentage of your entire budget really—

Mr Scott: It is not—

Senator McKENZIE: Well, this is your answer.

Mr Scott: But it was in answer to a specific question. I have been informed that this afternoon the ABC's submission to the House of Representatives standing committee looking into the importance of public and commercial broadcasting to rural and regional Australia carries a more detailed breakdown than that, and if you have been searching for the information you will be glad to see it.

Senator McKENZIE: Hopefully the library is onto it.

Mr Scott: The answer to that question on notice is absolutely correct. We have a regional division and that regional division has a budget of slightly in excess of \$50 million. That is just people who are operating and working in the region. In addition to that of course, we spend \$150 million transmitting our content on radio and television to regional areas and about a third of our total audience lies in regional areas taking advantage of national content that we produce. So as this report shows we spend about a third of our budget servicing people in regional and rural areas.

Senator McKENZIE: I asked a question about ABC local radio, and you and I have argued a lot when you claim the budget cuts are a result of your decisions as managing director and the board's decision on how to prioritise public money. My argument would be and will continue to be, as long as I am in this place, that as a recipient of public funds the ABC's role is to address shortfalls in markets. Where there are broadcasting gaps is where a public broadcaster should be, rather than, Mr Scott—

Mr Scott: But that is not a correct reading of the act.

Senator McKENZIE: again and again going up against the commercial breakfast shows. I would like to know how much your ABC 24 breakfast show is actually costed at, because that comes at a cost of the provision of services to rural and regional Australians.

Mr Scott: No.

Senator McKENZIE: Over a long period of time there has been a retraction.

Mr Scott: Firstly, on the retraction—

Senator McKENZIE: I want to know why you do not prioritise. Instead of coming to government asking for additional funds, why not prioritise what you are already given?

Senator Dastyari interjecting—

Senator McKENZIE: I look forward to your submission to my inquiry!

Mr Scott: We fulfil the requirement of the ABC Act. We take into account what the commercial operators deliver and there have been areas where we have walked away from what we have offered and we can point to those. But ABC News 24 is viewed by in excess of four million Australians per week, and nowhere in the ABC Act does it say that the ABC is to only offer services where commercial broadcasters do not offer services. In no way are we narrowly defined as a market failure broadcaster; although, we do operate in areas of market failure. I think the question would be: in what areas would you propose we cut ABC News breakfast and the top-rating talk radio programs in Perth, Brisbane and South Australia on local radio? I would say to you that hundreds of thousands of people enjoy and experience those programs every day. And if in fact that is your view, if you are saying cut ABC local radio in the capital cities and cut News 24, that may be your view, but that is not the view of the ABC board operating within the ABC Act.

Senator McKENZIE: Mr Scott, I am not suggesting you cut.

Mr Scott: So how are you proposing to—

Senator McKENZIE: At the moment, you are spending over \$1 million on leases to foreign properties per annum. I am not saying cut—

Mr Scott: But 'international' is in our charter.

Senator McKENZIE: I am saying redistribute so that you more accurately reflect—

Mr Scott: Sorry, but what does 'redistribute' mean?

Senator McKENZIE: the needs and interests of all of Australia—

Mr Scott: With respect, 'redistribution'—

Senator McKENZIE: But when we go to ratings—

Mr Scott: Can I address the redistribution question, Senator?

Senator McKENZIE: Yes.

Mr Scott: Surely 'redistribution' means—unless there is a magic pudding that you are talking about—reducing and cutting in some areas so you can increase in others. Are you suggesting that redistribution does not include cutting some areas?

Senator McKENZIE: I would assume that ABC 24 and other areas of the business could actually still operate but maybe not with the level of celebrity that they currently operate on. But—

Mr Scott: So you would cut—

Senator McKENZIE: Excuse me! I am saying that they could operate at a lower proportion of the ABC's total budget in order to appropriately fund the provision of rural and regional services and local radio.

Mr Scott: I would say that ABC News 24 is extraordinarily productive and efficient given the volume of hours and hours of content that is produced from the budget that it operates; that ABC News Breakfast runs on the smell of an oil rag compared to the breakfast programs that are offered on the commercial networks and still finds a very significant audience; and that we do look to be as efficient and effective as we can be. In fact, we are meeting all the funding targets that were set for us under the department's efficiency review.

So I do not think we should be simplistic about this, Senator. If in fact we are looking to put more than 100 additional staff out into regional and rural areas, it is not easy to identify and find the money that would fund that. But, if it is important to the government and if it is important to you, Senator, and you are concerned at what commercial broadcasters—

Senator McKENZIE: I do not sit on the ERC, Mr Scott.

Mr Scott: If you did, Senator, I would hope that you would be speaking in strong and robust support for this submission. Fundamentally, the government can do nothing about the axing of journalists in regional newspapers, and the public policy levers around commercial radio and television in the bush are limited. The one thing the government can do—the one lever you do have—is to adequately fund the ABC to enhance services in regional areas, if that is a priority for the government.

Senator McKENZIE: I have some other questions on that exact topic that we will go to later. But you just mentioned ratings, and I wanted to ask how important ratings are to your identity and the success of the ABC.

Mr Scott: I think ratings matter but they are not the only things that matter.

Senator McKENZIE: They seem to be the only justification given—

Mr Scott: Not at all, Senator. We do a range of programing on the ABC that is very important to us that will never win the ratings. Radio National will never win the ratings, nor will Classic FM, nor will running arts documentaries in primetime or religious documentaries in primetime. Ratings matter but that they are not the only things that matter. We take into account what commercial networks do. But, if you look in the ABC Act, it talks about the ABC doing programing of wider appeal and specialist interest. So, if we are looking to do a popular drama or a comedy, of course we are looking to get the biggest audience that we can for that. But there is a range of programing that we happily put to air under our charter that has nothing to do with ratings success.

Senator McKENZIE: But in terms of where the proportion of the spend goes, isn't it true to say that the ABC chooses to invest in products that rate highly?

Mr Scott: No. The most expensive national network that we run—much more expensive than any of the others—is Radio National. Radio National does not and will not win the ratings. We did a production with Opera Australia where we ran opera on ABC television for four nights in a row—a new Australian opera format; a very

expensive production—and we knew that that would never win the ratings. I can give you countless examples of where we spend on programing that will never win the ratings. They are a priority for us.

Senator McKENZIE: As a proportion of the spend, that is not actually—

Mr Scott: I am happy to provide you with lots of details.

Senator McKENZIE: That is fine; you can spin it that.

Mr Scott: I am not spinning it.

Senator McKENZIE: How is it determined that both Horsham and Mildura would benefit from increased local content during peak listening times? How was that actually determined? Was that using ratings?

Mr Scott: These are on the changes that were brought about this year. We felt that they had a disproportionately lower level of local radio content emerging from those stations than elsewhere in the country, so we looked to bring them up somewhat.

Senator BACK: Mr Scott, you may recall my writing to you on 19 November—

Mr Scott: Yes.

Senator BACK: in which I complained to you about the bias of an ABC 7.30 program in relation to the Economics Committee hearing in Sydney the day before. You very kindly wrote back to me on 20 November to say that you had referred the matter. We met on 30 November at the delayed Senate estimates inquiry. I have not yet heard back from you, and I am just wondering if—

Mr Scott: Senator, I have advice that we responded to you on 11 December. So I will look to get a copy of that to you.

Senator BACK: Yes, that would be appreciated, thank you. If I have missed it—

Mr Scott: That is my advice, but I will follow that up.

Senator BACK: Thank you very much.

Senator DASTYARI: I am very conscious of time and of the fact that we already running well behind. There are some matters that I want to go over that I suspect Senator Ludlam may want to jump in on, so I am very happy for Senator Ludlam to jump in at certain points if he wants to. Mr Scott, there is a lot here that I perhaps will not have the opportunity to get to; we may as well not pussyfoot around the issue. Let's get straight to it: New Matilda has recently published a series of articles about the ABC's coverage of the NBN.

Mr Scott: Yes.

Senator DASTYARI: You are obviously well aware of this.

Mr Scott: I am.

Senator DASTYARI: I note that there was a series of questions from Senator McKenzie there. I think it is fair to summarise that your general answers seemed to be, 'we are acting in accordance with our charter and our act, and if people want to change the charter and act to put the focus on regional areas, that is a matter for the parliament'. I also want to note that Senator McKenzie is doing an inquiry, which sounds quite interesting, to see whether or not the act should change. That is a separate matter. But the idea of independence is at the heart of the charter and the act. Is that correct?

Mr Scott: Absolutely.

Senator DASTYARI: Perhaps rather than me throwing you a series of questions, why don't we just get to it?

Mr Scott: Sure. Do you want me to speak to the matter?

Senator DASTYARI: Yes, why don't you speak to the matter.

Mr Scott: I am aware of the coverage this has been given in New Matilda, but I do want to speak to the committee on it, so I am grateful for the question.

I want to make it very clear that at no time has the ABC sought to shape editorial decisions or coverage in any attempt to gain favour with politicians or political parties, and nor did it seek to gag Mr Ross. What we wanted to do was ensure that Mr Ross acted in compliance with the editorial policies as existed at the ABC. That is our responsibility as editorial managers; that is the requirement under the ABC Act. Now, I mean no ill will to Mr Ross and I do not want to be critical of him. He worked at the ABC for a considerable period of time. But there was a disagreement on the role that he wanted to play and the role that editorial management felt that he wanted to play, and a number of really quite unusual things happened. For example, Mr Ross published an 11,000 word treatise on the NBN—highly supportive of the Labor plan on NBN, highly critical of the coalition plan on NBN. But he published that piece without any upward referral to editorial management; as I understand it, without any

editorial managers reading that or going through that with him. That is highly unusual. I cannot recall any time in 20-plus years of journalism experience where that would have happened. NBN, as we know, is a controversial matter of debate, and there will be a range of divergent views on the policy approaches developed by different parties. What we felt there was a responsibility to do was for a plurality of viewpoints and perspectives to be aired in the coverage. And yes, there were conversations with Mr Ross to that effect.

I am not going to get into the detail about the state of mind of someone furtively taping a conversation with a manager, nor am I going to get into New Matilda's legal responsibilities of publishing illegally that tape. But let me say that the manager involved, Mr Belsham, is a very, very experienced and credible and respected manager at the ABC—a very independent-minded gentleman. For a long time he ran *Four Corners*, and I believe that he acts with the utmost integrity. So the suggestion that a reporter was not just given free rein to do whatever they liked, but instead had to operate under editorial management and leadership to ensure that we complied with our editorial policies—I do not think that is unusual. And I think some of the depictions of it that I have read I think are unfair and inappropriate.

Senator DASTYARI: But, Mr Scott, the recordings themselves—and, again, New Matilda are big enough and bad enough and they can defend themselves; that is really a matter for them, and issues to do with Mr Ross are matters between him and the internals of the ABC. The allegation, which is a fairly serious one, is that the coverage of the NBN was skewed with a view towards political considerations. That is the allegation.

Mr Scott: There are a number of contentious areas. I can think of three in my time: Middle East coverage, one we have discussed here at length; climate change coverage—we have discussed that here as well; and also NBN coverage. We have a responsibility to cover that range of issues well, and what Mr Belsham was seeking to do, seeking to encourage Nick Ross to do, was to ensure that the full perspectives and the full range of perspectives were covered. You are right: if in fact we simply ran a one-sided coverage of this, then of course there would be issues that we would face. But that is not because of political pressure. There was no political pressure around this.

Senator DASTYARI: Then you are disputing this quote? This is the alleged conversation between Mr Ross and Mr Belsham in which—

Mr Scott: This is from the illegal transcript?

Senator DASTYARI: Sure, but you run a media company—

Mr Scott: I am just making sure I knew what you were quoting from. That is fine.

Senator DASTYARI: If we want to start going through every time *Four Corners* or whistleblowers—your entire *Four Corners* program is built, a lot of the time, on documents that have been obtained by questionable means.

Mr Scott: I was just checking what you were reading there.

CHAIR: Senator Dastyari, it is quite appropriate for Mr Scott to make sure that he understands what document you are quoting from. There is nothing inappropriate with that.

Senator DASTYARI: I perhaps misunderstood that Mr Scott was trying to taint what it was. How it was obtained does not change the veracity, whether or not it was true.

Mr Scott: Sure. What is the quote?

Senator DASTYARI: The quote is that, if Mr Ross's article is published:

... the Turnbull camp ... are going to come down on me like a tonne of bricks.

Is that correct?

Mr Scott: That it would attract criticism from the Turnbull camp, or whatever you want to say—we do coverage all the time that attracts criticism; that is not the salient point. The salient point is: is our coverage fair and accurate and balanced and does it take into account the full range of principal relevant viewpoints around an issue? What Mr Belsham was seeking to do was to ensure that Mr Ross complied with the editorial policies which are about canvassing the range of viewpoints and perspectives. Mr Ross himself had a view, but it was not the responsibility of Mr Ross to simply tell his view; it was to report the range of views, and that is what Mr Belsham was encouraging him to do.

Senator DASTYARI: What you are saying is that you are comfortable with Mr Belsham telling Mr Ross that he cannot publish an article because 'the Turnbull camp will come down on us like a tonne of bricks'.

Mr Scott: No, because I have read it and I have read it in the full context, and others have read it too, and I must say it strikes me he was encouraging Nick Ross to be balanced and broad in his coverage, and Nick, I think, with the best will in the world and using his expertise, had come to a closed view on the matter.

Senator DASTYARI: Who is the term "Turnbull camp"?

Mr Scott: I am not aware of it.

Senator DASTYARI: You have not heard that term used before?

Mr Scott: All I will say is this—

Senator DASTYARI: I think Senator Fifield ended up in that camp. He did not start there.

Mr Scott: The only thing I would say is: I do not want shock senators, but from time to time I do receive complaints about our coverage of contentious matters!

CHAIR: I do not think that is enough to shock us here on this side of the table.

Senator Fifield: From all sides of politics, you mean?

Mr Scott: From all sides of politics.

Senator Fifield: You could knock me over with a feather!

Senator DASTYARI: I think you are trying to dismiss what is a fairly serious allegation that has been made by one of your journalists.

Mr Scott: No, but I am trying to put it in some context. I must say, as I think the Prime Minister said the other day—his criticism of ABC's coverage—

Senator DASTYARI: We will get to that.

Mr Scott: His criticisms of ABC coverage were certainly well documented. I do not think there was anyone associated with the ABC that he did not have a bit of a shot at as far as NBN coverage—just like our Middle East coverage is criticised from time to time and our climate coverage is criticised from time to time.

Let me tell you how we deal with those tests, Senator. We deal with those tests by politely listening but ensuring that our content complies with the editorial policies. Does our content comply with the editorial policies, which go to a sense of a range of viewpoints and plurality, allowing our audience to make up their own mind. That is the safest way of dealing with political pressure—you are not dealing with political pressure; you are saying, 'Here are the policies, here are the guidelines, this is what we have to adhere to.' That was the issue in this case.

Senator DASTYARI: I think you are equating this with something that is wrong to equate it with. There has been criticism in this place from other senators of something like climate change coverage. Last estimates we had Senator Abetz—who, unfortunately, is not with us this week—who would no doubt be going on about your Middle East coverage, and has consistently. In those circumstances the debate has been an external assessment about whether what you have produced has been objective or not objective, and you have processes in place. The difference here is that you have a journalist within your own team working for the ABC making a fairly serious allegation that they were pressured or told or leaned on in the production of a story—that is the difference here. I do not care if it is about the NBN, climate change or Israel and Palestine; the issue here is whether your internal protocols were appropriate in that. That is the difference I am seeing here.

Mr Scott: With respect, Senator, I do not see a difference. Fundamentally, in contentious areas—or in all areas where our journalists exercise their editorial judgement—they have editorial managers who have responsibility to ensure that we are in compliance with our editorial standards and guidelines. It might well be—and, Senator, believe me, in my long experience, there are times when journalists are unhappy. They want a story to run a certain way and editors disagree with that. They have a certain judgement and editors come to another point of view. What Mr Belsham was doing was saying that he disagreed with the approach Mr Ross was taking, that he did not think it complied with our editorial guidelines and standards, and that there was a range of perspectives that needed to be brought to bear with the coverage. He was insisting that Mr Ross do that, and that Mr Ross, in a heartfelt way, had his own judgement on the rights and wrongs of this issue—which was fine and was pretty evident by his 11,000 piece piece—but that was not the role that he was employed to do. He is not an opinion commentator on this, Senator—

Senator DASTYARI: It was not an opinion piece. We can go to the details of the piece. I am trying to keep it above that and talk about the broader editorial issues.

Mr Scott: I appreciate that, but his role was to report and curate the range of views and the debate around this matter, and that is what he was being urged to do.

Senator DASTYARI: Since this has come out—and I might be behind in this—have you conducted an internal review or are you conducting an internal review?

Mr Scott: No. We were well aware of this matter. We have looked at the transcripts and news is across it, Mr Ross has left the organisation, we are confident around our editorial policies and we are confident in our editorial management, and I do not accept the sinister overtones that some have placed on that.

Senator DASTYARI: Is your answer no, you have not conducted an inquiry and do not intend to?

Mr Scott: Not since this transcript landed—we have read the transcript.

Senator DASTYARI: Who is 'we'?

Mr Scott: I have read it, I know other senior executives have read it and I know senior management in news have read it. Mr Belsham, who was not aware that his conversation had been taped when he was trying to counsel a staff member to perform to the standards that we have set, has read it as well, clearly.

Senator DASTYARI: Sorry?

Mr Scott: He has read the transcript as well, but he was not aware that it was there.

Senator DASTYARI: What was the test? If you are telling me that the test is whether or not Mr Belsham is comfortable with what he said—

Mr Scott: No. The director of news has read it, I have read it and others have read it.

Senator DASTYARI: How would an inquiry happen? How does this happen when you have these kinds of circumstances within an inquiry?

Mr Scott: We have not had an inquiry, Senator.

Senator DASTYARI: But I am asking why you have not had an inquiry.

Mr Scott: Because I am comfortable in Mr Belsham's judgement. I understood, and I had been briefed previously, about the debate around the coverage. I also knew of the decision, which was part of a broader ABC-wide decision, to end that website—we cut about 100 websites and that was one. I was aware that Mr Ross had left the organisation. I think our feeling is that there was a disagreement around this, Mr Ross has now left and I am not sure that there is a whole lot more investigate quite frankly.

Senator DASTYARI: Where I would disagree with you is: firstly, public broadcaster with public funding, and, secondly, when you have the seriousness of the allegations that have been made within the organisation. I accept that you cover news. News is contentious. People externally will be happy or unhappy with coverage and the use of the word, especially when it comes to passions on different issues that result in very different views, and that is what makes what you do so exciting, fantastic and brilliant, and also, at times, controversial. I accept that and that is why you have never had me come here and complain about coverage per se. The difference is that here you have a journalist—and yes, you are right, the recordings may or may not have been legal and they may or may not have been legally obtained but I think that is a secondary point. I think the ABC has run so many programs and shows based on whistleblower information—

Mr Scott: And I am not making a thing of that.

Senator DASTYARI: And, frankly, whether you agree with him or not, or you think he is right or wrong, clearly Mr Ross comes at this himself with the perspective of being a whistleblower. People can have different views on whistleblowers. Not all whistleblowers are correct—I accept that—but I tend to—

Mr Scott: I am not making any comment on Mr Ross personally.

Senator DASTYARI: If there is then one of your own journalists who comes to the conclusion or feels very strongly the need and who then releases tapes—which ends up resulting in senators and public confidence being questioned—I do not think it is an unreasonable request to say then isn't the best way of handling this to have an independent process? In the same way as when there were controversies regarding a matter like—I am going to pronounce his name wrong—the Q&A kind of scenario where the ABC turn around and say that they are a public broadcaster and, to misquote Caesar's wife, that they have to be 'purer than pure' and that public perception is so important, the best way of handling this is to place it in an independent process to give everybody confidence. I do not understand why that would be a bad thing to do.

Mr Scott: Let me just clarify one thing I said earlier, because I am constrained: there has been no subsequent review that has been commissioned since the release of the tape, but there had been internal processes underway prior to that, that I am not in a position to speak to. I think the trustees of the ABC's independence and editorial standards are matters for the ABC Board and, finally on this matter, the ABC Board will come to a judgement on it.

Senator DASTYARI: You said two separate things there Mr Scott, I just want to check with you. It sounds like what you are saying—and there may be a reason why you are being careful about what you are saying here—

Mr Scott: Yes.

Senator DASTYARI: I was not aware of this issue with Mr Ross until the *New Matilda* articles. You seem to be saying that you were aware of this well before then.

Mr Scott: Yes.

Senator DASTYARI: You are saying that you had conducted an internal process—

Mr Scott: No, I am not going to talk about the internal processes and I have my reasons for not detailing that. What I am saying to you is that on the subsequent publication of the *New Matilda* material, and everybody reading that transcript and some of the commentary that has emerged—particularly from *New Matilda*—since then, has the ABC set up a new inquiry into that matter? No, we have not. I read that transcript, I know Mr Belsham, I am confident that our standards are high, I am confident that he was seeking to encourage a staff member to fulfil the requirements of the editorial policies and I back Mr Belsham's judgement on it. Others will come to their own view on it and if the ABC Board wishes to pursue the matter with me then they will do that at an appropriate time.

Senator DASTYARI: I know Senator Ludlam wants to jump in and say a few things about this matter. There are quite a few specifics that we can go into—I am trying to keep it as a broader debate about independence—about who was who at the ABC at the time, about who your head of corporate affairs was and all those kinds of matters, we can get to that. But the broader point is, it seems, Mr Scott, you are saying that you are confident because of information that you have that the public does not have—

Mr Scott: No—

Senator DASTYARI: You are saying based on the fact that you have seen a full transcript, based on the fact that you know Mr Belsham, you know the work of Mr Belsham. I do not know Mr Belsham. He may have been outstanding—

Mr Scott: But I am exercising my editorial judgement about Mr Belsham, having worked with him now for the best part of 10 years. I know people read the *New Matilda* transcript and all that, but in 2013 Media Watch did a segment on Nick Ross and Media Watch said that the difference between advocacy and analysis—that is what he wrote about—is that Ross is an advocate, and it shows. So it is not a surprise to me when this is released that there is a debate over the role that Nick Ross wanted to play, the role that we wanted him to play, the role that we felt he had to play working as a journalist at the public broadcaster. It is a very different role to working as a technology blogger for a website. It is a different role.

Senator DASTYARI: Mr Scott, you have accepted that there has been public commentary about this.

Mr Scott: In some quarters. It is hardly been a dominant story.

Senator DASTYARI: Sure, but there has been. Will you accept that this relates to a former employee—

Mr Scott: Yes.

Senator DASTYARI: and that there is a former employee who has made what I would call fairly serious allegations regarding independence of the ABC when it comes to this particular matter?

Mr Scott: Yes.

Senator DASTYARI: I say 'fairly serious' because it goes to the heart of what the ABC is about, and that is independence. Mr Scott, you are saying that any decision about whether or not there would be an independent process to verify what has or has not happened can come about in two ways. One is that it can be initiated by you through you asking for some kind of internal review or process, which I assume you have as part of your HR systems. Is that correct?

Mr Scott: Yes, we have those processes.

Senator DASTYARI: And the other is it coming from the board above, which is what has happened—

Mr Scott: As they see fit, yes.

Senator DASTYARI: in the more kind of high-profile Zaky Mallah kind of situation.

Mr Scott: It does not all have to be high profile, but the board can get reviews on matters if they like, and they do from time to time.

Senator DASTYARI: And here is the bit I am not quite sure about, which seems kind of unclear. That internal HR review process—you say, 'I am not going to talk about it.'

Mr Scott: Correct.

Senator DASTYARI: That makes me wonder: does that mean there is or is not a process? Have you or have you not—

Mr Scott: There have been some processes underway internally. They are now complete. And I am advised that I am not in a position to speak about those matters.

Senator DASTYARI: On the basis of what?

Mr Scott: Legal advice.

Senator DASTYARI: But this is Senate estimates: none of this will be pending anything—

Mr Scott: There are laws that apply on complaints and review processes internally, and I am not going to speak on them further.

Senator DASTYARI: I am not quite sure what the basis for immunity is here. What is the public interest immunity test?

Mr Scott: I will have to take that on notice. I am telling you what I have been legally advised to tell you, and there is nothing more I can say on that matter.

Senator DASTYARI: I just want to put where we are right now—

Mr Scott: There are provisions that safeguard people who make complaints, and I respect those provisions.

Senator DASTYARI: But this is Senate estimates. You cannot come and say 'public interest immunity' and not say what the public interest immunity is and say, 'We'll just get back to you on what the immunity is.'

CHAIR: Senator Dastyari, Mr Scott is within his rights to take that on notice and consult further before he comes back with the answer to your question.

Senator DASTYARI: But he is not in a position to claim public interest immunity without stating the reason for the public interest immunity.

CHAIR: But that is what I am saying. He is absolutely entitled to take that on notice and come back with an answer.

Senator DASTYARI: What is it that he is taking on notice?

Mr Scott: I am taking on notice the advice I have and the detail I can provide you with.

Senator DASTYARI: They are two different things, because you cannot take on notice what is public interest immunity—is that correct, Chair?

CHAIR: I understand Mr Scott is saying he is taking a question on notice to actually consult on why it is that he is making a claim of public interest immunity, and he will come back and advise.

Senator DASTYARI: No, that cannot be what Mr Scott is saying. Mr Scott can take on notice the questions: was there an internal investigation; was there an internal review; what was the outcome of that internal investigation; and what was the outcome of the internal review? And I will put a few more on. When did it begin? When did it end?

Senator Fifield: And, if there is a claim of public interest immunity, that will be made at a subsequent time with the reason, if there is.

Senator DASTYARI: Yes.

CHAIR: Just to confirm, Mr Scott, you are taking the question on notice so you can further consider any issues of public interest immunity before you come back with a response to the question?

Mr Scott: That is correct.

Senator DASTYARI: But you are not claiming public interest immunity?

Mr Scott: No, I am going to take the question on notice.

Senator DASTYARI: That is the difference. I have a bit more on this.

CHAIR: No, I will come back to you, Senator Dastyari, thank you.

Senator LUDLAM: Senator Back wanted a very quick intervention.

CHAIR: Senator Back. Yes, if you have a very quick question.

Senator BACK: With regard to your suggestion of the letter from 11 December, my staff have checked and we cannot find anything in the correspondence scans, the mail log or the email inbox. I would be appreciative—

Mr Scott: If only Australia Post were still to come, we could have put it to them. We will get it to you.

Senator BACK: Would you do that?

Mr Scott: Yes, indeed.

Senator BACK: Thank you very much.

CHAIR: Senator Ludlam on this issue, and I will come back to you for more questions later.

Senator LUDLAM: That is great. I appreciate that. I think it makes sense to dwell here while we are here. Thank you for your answers thus far, Mr Scott. I am interested to know why you would refer to the initial 21 February article 'The vast differences between the NBN and the Coalition's alternative', the 11,000-word article—I have a copy of it here—that I guess might have started this particular ball rolling, as a treatise. Why would you not just refer to it as an article?

Mr Scott: There are two elements of it that I think are noteworthy, frankly. In my experience at the ABC, I can never recall when we have ever published anything at 11,000 words, at a factor of many times longer than anything else we have ever published. It is unprecedented in its scale.

Senator LUDLAM: Okay, so it was long.

Mr Scott: Very, very long. In my newspaper publishing experience, I think 5,000 or 8,000 words was the longest we ever published in print. So it is a very long piece. The second thing is that, given the nature of the piece, the fact that it was not upwardly referred and that it was not discussed with any of his line managers—as I understand and as I was told, they did not even know it was coming—again is most unusual and not in keeping with the usual processes that would have been in place around this. Mr Ross—despite his experience and his heartfelt views and the genuineness of his analysis—works in an editorial process, and the editorial process does have in it issues of upward referral and editorial line management. That is why I referred to it in that way.

Senator LUDLAM: You also referred to Mr Ross's article—I think twice thus far—as heartfelt, as though it is a rather emotional piece of reporting. There are hundreds of references in here and it is actually a remarkably well-referenced and quite factual—indeed forensic—document which others in the tech press, and certainly I as a participant in the public debate, found immensely valuable, and it keeps getting referred to as though it is some sort of vanity posting.

Mr Scott: I think it is fair to say—and I think he has made no secret of it—that Mr Ross did not always have a happy time at the ABC. I could take a view here that was critical of the way he approached some of these things. Those two matters that I just raised with you, particularly having posted it without the upward referral, are quite a serious matter editorially. But I do not want to have a go at Mr Ross on all of that, and I am saying that I believe he was genuine and serious minded in his approach. The challenge we had was: did his approach lead us to coverage that was compliant with our editorial policies? It is not simply a case of 'on the one hand or on the other hand', and it is not simply a case of false balance. It is around the principal, relevant viewpoints and the range of perspectives around this contentious matter. Whilst there are some who are very supportive of that piece, there are others who are critical of it—

Senator LUDLAM: Such as the opposition communications spokesman.

Mr Scott: Yes, but others as well. As Media Watch found—and that was Media Watch's perspective—he was an advocate. That is not the role that our journalists are meant to play.

Senator LUDLAM: You have spoken a couple of times about editorial balance. In my reading of the transcript—again, I want to acknowledge that New Matilda and, I think, Crikey are among the only two outlets that have picked this up—Mr Belsham is not, on balance, critiquing Mr Ross. He is saying: 'You need to provide us with some insurance. You need to go out and write a hit piece on Stephen Conroy and the Labor Party NBN model.' That is what I find most dissonant. I am not referring to the vastly different article of February. We are referring to the second article on whether Australia's copper network is fit for purpose. In the transcript that dates back to May 2013, you can see Mr Ross is being schooled by Mr Belsham in an article that will not be published until after the election, after it ceases to be of any value to people who are trying to make judgement calls about the relative merits of one policy or another. Mr Ross is not being told that the article is out of balance. Mr Belsham actually says he likes the latest piece and would like to publish it. Then he advises Mr Ross to go out and write a hit piece on the alternative. That is remarkable.

Mr Scott: I have heard a lot of colourful language in newsrooms. That is not particularly colourful. I think he is saying that there was clearly, if you had been following it, significant debate around the policies brought forward by both sides. There were issues like the growing debate between the relative costs of the different programs, the delay of the NBN, technical issues around nbn co's delivery speed to homes, the return of public investment, the economic modelling and the absence of an economic benefits strategy around the NBN. These are

all very relevant issues. I do not think it was inappropriate for Mr Belsham to encourage Mr Ross to go and interrogate those matters. It goes to completeness of the coverage.

Senator LUDLAM: Mr Ross had written some quite critical stuff in the past about the Labor NBN model. But I do find it extraordinary that he is being schooled about a piece that his editor says he quite likes. Mr Belsham says:

We've got to give you some kind of insurance policy ...

He says that, otherwise:

... the Turnbull camp and my superiors are going to come down on me like a tonne of bricks ...

What the hell has that got to do with editorial balance?

Mr Scott: I think it is to do with the completeness of the coverage. Mr Belsham thought there were some merits in that piece. But what are the other angles? What are the other perspectives that we need to bring to bear to provide completeness of coverage? I think—

Senator LUDLAM: Insurance implies a political calculation.

Senator DASTYARI: That is not what he said.

Senator LUDLAM: Insurance implies—

CHAIR: Senator Dastyari, Senator Ludlum has the call.

Mr Scott: As I read that piece, I understood exactly what Mr Belsham was saying.

Senator LUDLAM: I think we all understand what he was saying.

Mr Scott: I think he was saying that the coverage was not complete or comprehensive. But I am not sure that Mr Ross shared that view. Mr Ross thought he had written what needed to be written on the matter. As an editor, I can tell you that we send journalists out to find new and different angles on stories to make sure we tell the full and complete story. Therefore, I do not find it that surprising, and I certainly do not find it sinister. It goes back to the issue that was raised about whether there was political pressure. There was political criticism. I get political criticism all the time around coverage. It does not equate to pressure. It does not equate to pressure on journalists—

Senator LUDLAM: He said:

... the Turnbull camp and my superiors are going to come down on me like a tonne of bricks ...

CHAIR: Senator Ludlam, let Mr Scott finish his answer.

Mr Scott: The defence that comes to bear comes with us delivering on our editorial policies and delivers on the charter.

Senator LUDLAM: I put to you that you have not delivered on your editorial policies in this instance. Has Mr Turnbull, while either in opposition or in government, approached you directly about the ABC's—

Mr Scott: I am not sure about 'directly', but he certainly did mention it from time to time. If you really want me to document the number of times that politicians have mentioned or complained to me about coverage, it would be a long list of names—

Senator LUDLAM: My name would be on that list.

Mr Scott: Senator Back is always very cordial. However, not everyone is as cordial as the good senator!

Senator LUDLAM: My name would be on that list as well, Mr Scott. I am aware of that.

Mr Scott: Of course, and so can I say that—

Senator LUDLAM: I am trying to keep it to the subject

Mr Scott: It is just par for the course.

Senator LUDLAM: No, this is something a little different. Unlike the usual par for the course, we have some insight in this case about some of the conversations that occur internally to try to take the political heat off the ABC. And that is rare.

Mr Scott: The political heat comes off the ABC, and the defence that I can run here is that we are delivering within our editorial policies. If we are delivering the principal relevant perspectives and if we are delivering complete coverage then that is the defence. If, in fact, we cannot demonstrate that then there will be consequences, no matter who is in power and no matter what the committees are. The defence is that we meet the editorial requirements, and that is what we are looking to do.

Senator LUDLAM: Now I think we are getting close. In your view, why was that second piece, 'NBN alternative: Is Australia's copper network fit for purpose?' withheld? Mr Ross is of the view, on the basis of the evidence that he spent a fair bit of time going over, that it is not. He goes through material that came to one of the Senate standing committees. It was a fair bit of research. Why was that piece held up from publication—

Mr Scott: I would have to check. I do not have advice on that.

Senator LUDLAM: That is what this whole question hinges on. It is that piece that was ready to run in May—

Mr Scott: I can take that on notice. I am sorry, I do not have the detail on that chronology.

Senator LUDLAM: You are aware of the article that I am referring to?

Mr Scott: Yes, I have seen that article.

Senator LUDLAM: It is the one that is referred to in the tape recording—not the first one that caused *Media Watch* and *The Australian* and the News Corp press to go on one of their character assassination ventures. It is the one that is being schooled on in this recorded conversation in May. That piece was held up for six months; it was not published until about a fortnight after the election.

Mr Scott: I will come back to you on that, Senator.

Senator LUDLAM: I would appreciate that.

Senator MADIGAN: Mr Scott, does the ABC have a policy, or a general editorial directive, on how it reports on renewable energy matters?

Mr Scott: Not a specific policy on that matter, but we have editorial policies that apply to how we cover any and all editorial matters. I am happy to provide you with a copy of those editorial policies, and they are posted online.

Senator MADIGAN: I would appreciate that. In 2011 the ABC's *7.30 Report* aired a Quill Award-winning investigation by Cheryl Hall into the problems being reported at the Waubra Wind Farm in Victoria. A constituent of mine telephoned Cheryl Hall to thank her for her quality reporting. She said, 'I'm glad someone thinks so. I've just received a directive that we are not to present renewables in a bad light.' I ask you again: does the ABC have a general editorial directive or policy on—

Mr Scott: No, they do not. There is no policy and there are no guidelines on the covering of renewables. We cover that as we do under our editorial policies. And I can tell you that I do not recall the program, and I have never heard that statement made before.

Senator MADIGAN: So Cheryl Hall has it wrong and my constituent has it wrong?

Mr Scott: Senator, you are relaying something that is second hand there. I am saying that I have never heard it before. We would need to go and check these matters and so I cannot possibly comment on them.

Senator DASTYARI: You made reference to what the Prime Minister said publicly, I believe, in question time:

... I have on several occasions complained very publicly and openly about the ABC's coverage of the NBN issue, in particular and most notably in the lead-up to the last election where I felt the ABC's coverage of the issue was very poor and lacked balance. I said so publicly, and I have said nothing privately that I have not said publicly.

Are you aware of that comment? You made reference to it.

Mr Scott: Yes.

Senator DASTYARI: Am I reading this right, that it is saying that the former minister, who is now the Prime Minister, spoke to you about this matter privately?

Mr Scott: Yes, Senator.

Senator DASTYARI: As the shadow communications minister? You and he had a direct discussion regarding Mr Ross—

Mr Scott: No. I cannot recall specific conversations about Mr Ross. The main thing I recall about Mr Turnbull's criticism of the ABC was that he thought we should have used our foreign correspondents more around a range of policy matters to do international comparisons of big issues in the lead-up to the last election. And he could not work out why we did not use them that way.

Senator DASTYARI: But that is not what—

Mr Scott: You asked me what he talked with me about. I am saying that my recollection of him—and I believe he said the same thing to other people at the ABC—was that he felt that we did not get enough into the

deeper policy substance around the NBN and that he felt that we should have used our international correspondents more. I do not recall a conversation with Mr Turnbull about Mr Ross.

Senator DASTYARI: Do you recall conversations with Mr Turnbull where he said to you that ABC's coverage of the issue was very poor and lacked balance?

Mr Scott: I certainly remember him being critical of the coverage.

Senator DASTYARI: On the issue of balance?

Mr Scott: No, my recollection of it more was that he felt that we should have done more and more in-depth. That is my recollection.

Senator DASTYARI: These are the Prime Minister's words, not mine: 'I felt the ABC's coverage of the issue was very poor and lacked balance.'

Mr Scott: Well, he certainly thought it was poor. I do not recall the balance thing in particular. But he was critical of it when he met some senior executives after he became Prime Minister. I think he was critical of it in public statements. I think he may even have been critical of it in here.

Senator DASTYARI: I am not talking about post-election analysis here, when he was the minister. I am using his words: 'most notably, in the lead-up to the last election'.

Mr Scott: I remember in the lead-up to the last election he did suggest that we use our foreign correspondents more to cover the NBN and other issues. We did little bits at seven o'clock. That was my main recollection of him. But I must say, overwhelmingly my discussions with him were not to do with NBN coverage.

Senator DASTYARI: Did you ever have a discussion with him regarding Mr Ross?

Mr Scott: Not that I can recall.

Senator DASTYARI: Did you ever have a discussion with the ABC's head of corporate affairs at the time, Ms Sally Cray, about Mr Ross and the coverage of the NBN?

Mr Scott: I do not recall conversations with her about that. I would not really talk with her about content issues too much.

Senator DASTYARI: What would you talk to Ms Cray about?

Mr Scott: There were a lot of corporate issues.

Senator DASTYARI: She was head of corporate affairs—correct?

Mr Scott: Yes, she was.

Mr Millett: I should correct that. I was head of corporate affairs. Sally worked for me. She was head of media relations.

Senator DASTYARI: PR. I am using the term PR; you call it media relations.

Mr Millett: You can call it PR.

Senator DASTYARI: She was head of media relations.

Mr Millett: I will check on the exact title, because we have shifted a bit over the times. That was the main role.

Senator DASTYARI: That was always her job, wasn't it?

Mr Millett: That was her main role.

Mr Scott: That was always her job.

Mr Millett: That was her only role at the ABC.

Senator DASTYARI: Prior to coming to the ABC she came from Mr Turnbull's office?

Mr Scott: Yes, that is right. Actually, I think she had left Mr Turnbull's office when we recruited her.

Senator DASTYARI: And then after the election she went from there to Mr Turnbull's office—is that correct?

Mr Millett: That is correct.

Senator DASTYARI: So Mr Turnbull's current private secretary, his employee of some seven or eight years, was head of ABC PR?

Mr Scott: Yes, and she did an outstanding job. We urged her not to return to this place, but she did not follow my counsel.

Senator DASTYARI: There is madness amongst us all. But she had that role during the period and the events referred to by Mr Ross—correct?

Mr Scott: She was certainly working at the ABC at the time in the lead-up to the election, yes.

Senator DASTYARI: 'The Turnbull camp will come down on us like a tonne of bricks.' You have obviously read that a couple of times and you are well aware of it. Do you interpret that as meaning an internal squad within the ABC or external pressure?

Mr Scott: I never interpreted it as a squad within the ABC. I imagined it was Mr Turnbull, his policy adviser and his media people who worked for him. That is how I interpreted it.

Senator DASTYARI: So you interpreted that as meaning a reference to the office?

Mr Scott: We talk about the office. We would regularly talk about the Conroy office, the Turnbull office, the Abbott office. That is how we would often talk about politicians. The Fifield office—fine bunch they are.

Senator DASTYARI: Has there ever been a review of your overall NBN coverage?

Mr Scott: No, we have not done a review of that. Of course the board now has commissioned six or seven—six, I think—independent reviews of different content and programs. *Q&A* was one of those, of course. It is certainly within the board's remit to decide that they want to look at NBN coverage. That is not to say that internally within the news division they might not have looked at how we covered that. But when you talk about the kind of board that Ray Martin and Shaun Brown did for us, no, we have not done a specific one on NBN.

Senator DASTYARI: Sure. But, Mr Scott, that is the 'extreme'—my word not yours—where you have brought in Ray Martin and—

Mr Scott: No, we are doing four a year and we do them on big issues. So we do one on the budget, we did one on the free trade agreement and we did one of the higher education reforms. We do them on big, substantive issues. I do not think it is extreme at all; it is just part of the work that we are now doing as part of the accountability.

Senator DASTYARI: Okay. But you are saying that would be a decision for the board.

Mr Scott: Yes, the board commissions those.

Senator DASTYARI: But you are saying you also have internal processes to do those kinds of reviews, or, no, not on content?

Mr Scott: From time to time—it is not as structured and formal as the board ones, which happen externally. But they will look at programs and program coverage from time to time.

Senator DASTYARI: Does the board come to you for advice on whether it is a warranted or necessary—

Mr Scott: I am a member of the board, so I am open to the discussions. But final decisions on what to do are made by the board.

Senator DASTYARI: Has there been a discussion at board level about doing a review of NBN coverage?

Mr Scott: I do not want to talk too much about board processes, but it is on a longer list of issues that we might get to at some point.

Senator DASTYARI: Do you feel that that has changed as a result—

Mr Scott: That will be a matter for the board's discussion.

Senator DASTYARI: When is the next board meeting?

Mr Scott: That is Thursday.

Senator DASTYARI: Thursday, so the day after tomorrow?

Mr Scott: How serendipitous; yes, the day after tomorrow. It is a big week for us.

Senator DASTYARI: So the day after tomorrow the board will meet and the board can make a decision about whether—

Mr Scott: That does not necessarily follow. They commission four a year. There are some that are returning and I cannot say whether the board is commissioning another review at this board meeting.

Senator DASTYARI: No. What I am saying is you have a board meeting on Thursday and at that board meeting, the board can decide, should it choose to—and it can choose to neither of these two things—have a specific look at the entire Nick Ross matter and the matters raised by Nick Ross—

Mr Scott: If they chose to.

Senator DASTYARI: And it could also decide, should it choose to, to have a review into the overall coverage of the NBN, which is the broader issue that has been touched on by Mr Ross.

Mr Scott: Or they might choose another topic or they may choose that they have enough in the pipeline at the moment. What they have regularly done, though, up to this point, is pick a period of time and look at coverage for a period of time. So we look at higher education coverage over six months and we look at the free trade over several months, so we have all the relevant material on the matter. We have done many, many stories on the NBN, so I would think it is highly unlikely that we will go back and look at years and years of NBN coverage. But we will take a snapshot.

Senator DASTYARI: There appear to be two separate purposes why the board would do this and why it has done it in the past. One is for general good practice of auditing. Every once in a while you pick a section, you audit it for the purposes of making sure there is coverage and transparency. One is a standalone audit for the purpose of good governance and the another is to address what may or may not, in the opinion of the board, be a community concern. So the Zaky Mallah matter—

Mr Scott: No, you are wrong. The *Q&A* review was commissioned prior to the Zaky Mallah event. We had decided that we would do *Q&A*. It was a big program, big audiences—

Senator DASTYARI: Controversial topics, understandable.

Mr Scott: generating significant debate and so we took a look at it and we decided to look at six months of programming.

Senator DASTYARI: Then that review ended up looking, in part, at the specifics around that event?

Mr Scott: No, it did not look at that event.

CHAIR: Senator Dastyari, if I could intervene for a moment. I will bring you back to your comments to me as chair at the very beginning of this hearing today, expressing your desire to be succinct so that you could afford your colleague maximum time this evening. I am very comfortable about how we use our time today, but I would point out we have got an afternoon tea break shortly and we have at least another 20 minutes from other senators who have questions for Mr Scott. I bring that to your attention because that will put us an hour and a half behind schedule, and I know there are a lot of questions for the people who have been waiting very patiently here from the arts community. As is your right, you can take the time you want with Mr Scott, but I remind you of your offer this morning.

Senator DASTYARI: Chair, you have been incredibly gracious.

Senator Fifield: We just have the cultural institutions waiting.

Senator DASTYARI: I have a lot more questions on this matter, Mr Scott. I will attempt to place them all on notice. I will just go through and see if there are one or two others that I want to ask on this. Otherwise, there is quite a bit to place on notice. But I do note that it seems to be we are getting to the conclusion of—the broader-issue answer that Mr Scott appears to be giving, which I think is where we are at, is that these are now matters that the board may or may not choose to take up on Thursday.

Mr Scott: I will just simply add to that: I want to put on the record my respect for Bruce Belsham—

Senator DASTYARI: What about respect for Mr Ross?

Mr Scott: I have already made comments about Mr Ross. But I want to put on the record my respect for Mr Belsham, who I think is an unfortunate victim in these circumstances. I believe he is an executive of great integrity who has served the ABC with distinction for many years. His time as executive producer of *Four Corners* was absolutely innovative and outstanding. I think it is very important that his reputation not be hurt in this matter. I endorse his judgement and I believe he has done a strong job in his role—a strong role.

Senator DASTYARI: I think we are at a point where—I think I made my point that there should be an independent review and an independent investigation into this matter, but I think that point has been made.

CHAIR: I think your particular perspective has been well noted by the committee and by Mr Scott, so thank you, Senator Dastyari. Now, you have a follow-up question, Senator Ludlam, on this.

Senator LUDLAM: Just one. It will relate then to reporting of these matters. This might be in the nature of the snake eating its own tail. There has been almost no reporting—in fact, maybe none—apart from New Matilda and Crikey, and one piece in the *Daily Tele* attacking New Matilda; nothing from the ABC about this. You have clearly disputed what is occurring, but you would not deny, I hope, that they are, at least, serious allegations. How do you handle reporting where the ABC itself is the subject?

Mr Scott: It is a good question. I believe that, if you look at our history, we report robustly on ourselves. The toughest interviews I have ever had have been at the hands of ABC journalists. For all of—

Senator Fifield: Have you been on an ABC interview?

Mr Scott: I do—from time to time.

Senator LUDLAM: Don't take the bait.

Mr Scott: Selective! On this matter, that is just a matter for the editorial judgement of our news team. I had no discussions with anyone around this matter, but I do think it is noteworthy that people followed this matter closely, including those outlets that are not always favourable towards the ABC, and people have come to their own judgement over those.

Senator LUDLAM: Let's just take off the table—I think what you are implying is there has not been any kind of directive go out editorially not to cover it.

Mr Scott: Absolutely not.

Senator LUDLAM: So your entire cohort—maybe 2,000 journalists—have just decided unanimously that there is no public interest in reporting what is going on here.

Mr Scott: Can I say: it does not work like that.

Senator LUDLAM: Well, nothing has been reported.

Mr Scott: It is not, contrary to some critics, a great collective where everyone does their own thing. Editorial judgement is made by our senior editorial managers. They decide what is newsworthy—those who run current affairs programs and radio and those who make decisions as to what goes online and what goes in news bulletins. Editorial judgements are made, and editorial adjustments have been made on this. But none of that has been referred up to me. I have been privy to no conversation around any of this coverage at all.

Senator LUDLAM: All right. I will just leave it there. I will come back with some other stuff a bit later.

Senator McKENZIE: I have a line of questioning that I look forward to pursuing with you when we start our inquiries into the Australian Broadcasting Corporation Amendment (Rural and Regional Advocacy) Bill over the next coming months. We will see if it gets some coverage on your variety of media.

Going back to our earlier conversation about your funding bid to increase the funding to the ABC from the government, specifically around provision of services to rural and regional Australia, doesn't that actually just simply mask the fact that for the past decade, Mr Scott, there has been a retraction of not only financial resourcing out of provision of services to rural and regional Australia but, indeed, people, human capital, out of the regions, consolidated into Ultimo, which we have traversed many, many times?

Mr Scott: It depends a little bit by your definition of regional. There is no doubt that we have closed down regional television studios in the capital cities. My question to you would be: do you think Adelaide or Perth are regional in your definition of 'regional'? If that is the case, then, yes, we have—

Senator McKENZIE: I have asked several times and I get either no answer or, like today, 25 of my questions on notice arrived after this hearing had started. That is absolute disrespect to the Senate process. Senator Ludlam and I were here prior to Christmas, we wished you and your staff a Merry Christmas, and asked, 'Would getting the QONs in on time be a problem?' 'Not at all, Senators, not at all.' Yet months later finally I get answers to my questions on notice which means that I am unable to prosecute them, so I will be looking forward to the inquiries to do that.

Mr Scott: Can I respond to that. We did send them off at the end of January. They were returned to our office with further queries from the department last Monday and then we turned them around as quickly as could. So, Senator, we did have them in by mid to late January, so we can look at that.

Senator McKENZIE: I will pursue that elsewhere.

CHAIR: I will also pursue that, Mr Scott. You may or may not have heard that I had a talk to the secretary this morning about the extreme tardiness of the whole communications portfolio with questions on notice, and she is endeavouring to fix the system within the department. Can you clarify for me that we had the hearing on 30 November, by my records, and they were due to the committee by 27 January, so that is quite a generous time. When did you have all of your questions into the department.

Mr Scott: On 28 January. We missed that by a day.

CHAIR: No, they were due to us by then, not through the department.

Mr Scott: We had them to the department on 28 January and then there were further questions that emerged from that. We received the questions on 11 December.

CHAIR: I will address that again with the secretary because clearly that does not give the department time. If you have already got them a day late to the department, it does not give them enough time to go through their processes and get them to the committee on time. Thank you.

Senator McKENZIE: Could the ABC please provide me on notice, unless you have the figures here,—and I would love to have the figures—over the last decade the trend of staff employed in local radio outside of capital cities, the proportion of your overall budget spent on local radio service provision outside of capital cities and the minutes of local content aired by local radio outside of capital cities? I asked this question on notice and it was just under three per cent of your total operating budget that was set aside for the provision of local radio services outside of capital cities, which I would argue is not enough, so I would to, as you say, flesh that out over time.

Mr Scott: You are excluding transmission, clearly, in that?

Senator McKENZIE: Yes.

Mr Scott: You do not think transmission is a cost of a rural service?

Senator McKENZIE: I base my questions on the answer to the question on notice, so if I could get the trend over the last 10 years, that would be fabulous, because it is very hard to find that data publicly. Mr Scott, I would like your opinions on transmission costs and transmission service arrangements. Does the ABC have a transmission service arrangement with Regional Broadcasting Australia Holdings?

Mr Pendleton: Who were you referring to?

Senator McKENZIE: Regional Broadcasting Australia Holdings?

Mr Pendleton: No.

Senator McKENZIE: No? Do we use any of their infrastructure to broadcast?

Mr Pendleton: A number of the ABC's services are carried by RBAH as a result of the switchover.

Senator McKENZIE: Does the ABC contribute to the maintenance of that infrastructure at all?

Mr Pendleton: No, it does not, Senator.

Senator McKENZIE: When you say 'a number', how many?

Mr Pendleton: I believe there are about 80 or 81.

Senator McKENZIE: Is it 86?

Mr Pendleton: I thought it was 81.

Senator McKENZIE: Okay. I will not split hairs about five base stations. What is your usual arrangement with having to share that sort of infrastructure?

Mr Pendleton: My recollection of those services is that they are black spots that emerged as a result of the switchover to digital television. That should have been picked up as VAST services, and it is my understanding, although the ABC is not a party to any of this, that a deal was done with RBAH and the department whereby RBAH would provide services and carry the ABC and SBS on those services.

Senator McKENZIE: How long for?

Mr Pendleton: I do not know, but I think indefinitely.

Senator McKENZIE: Do you know how much regional broadcasters have to pay to access that infrastructure?

Mr Pendleton: RBAH has written to us outlining the claims. I think our share of it, between us and SBS, is \$1.2 million per annum. They are asserting that the ABC and SBS need to contribute towards this. Given the infrastructure that was put into place, it was not a number of transmitters, it was just a single unit that was applied into each of these black spots, of which the ABC, SBS and all other services are on. I do not know how they have come to that number. As I said, we are not a party to the deal that was done or to the arrangement to not allow VAST services into these black spots. It was a deal done with RBAH.

Senator McKENZIE: Do you understand that there are concerns amongst regional broadcasters, given that it almost looks like the ABC is getting a free ride into these communities?

Mr Pendleton: We are concerned as well, given that these black spots should have been VAST infills, in which case all the broadcasters would have received the same coverage within these areas. With the agreement to

allow RBAH to put re-transmitters into these locations, so long as we are all in the same location we do not disagree with it.

Senator McKENZIE: On notice, that \$1.2 million request by RBAH, could you let us know what discussions have been had within the organisation about whether you are going to pay for that?

Mr Pendleton: We have written to the department about it, Senator.

Senator McKENZIE: Thank you. Finally—and not a Dastyari 'finally'—the 1996-97 annual report saw rural and regional Australia as a significant priority of the ABC. It had a budget of \$600 million and a significantly greater service provision to rural and regional Australia at the time, I would argue, than now. We talked about simplistic approaches to budgeting. I would argue that in a constrained fiscal environment such as we are in at the moment, both you as an organisation and we as a nation, that the simplistic view would be to just throw money at something rather than actually choosing to target the very precious resources of the taxpayers. Wouldn't you argue that, since 1996 to now, that is 10 years, the huge explosion of technology, the changing in processes and human capacity, indeed, means that we can find those efficiencies within the organisation?

Mr Scott: Of course we have.

Senator McKENZIE: That is the non-simplistic reaction.

Mr Scott: Of course we have, Senator. I would say to you that, if you go back to 1996, two very significant funding cuts have happened since then. The volume of content that the ABC is producing to rural and regional Australia has vastly increased. ABC News 24—

Senator McKENZIE: Could you, on notice, provide the minutes increasing the local content?

Mr Scott: Senator, if you look at what we produce now, available in every Australian home including rural and regional Australia, ABC News 24, ABC3, all the programming that is available in iView, the host of news services that we are now streaming—

Senator McKENZIE: Mr Scott, I am not talking increasing content. No-one would argue that. I am arguing about locally relevant, locally produced content. In 1996 with a budget almost half of what you have now—

Mr Scott: Are you saying we are not servicing those areas?

Senator McKENZIE: I am not saying that at all. What I am saying is that there has been a trend over time to focus the resources of the organisation to elsewhere other than service provision of essential services to rural and regional Australia.

Mr Scott: We do not actually have to be living in the area to service the area, Senator. That is not the only way to provide the service.

Senator McKENZIE: I think there is a huge argument around understanding a community, reporting on a community and reporting in a community—a very different context.

CHAIR: Thank you very much, Senator McKenzie. Senator Ludlam. For the benefit of Mr Scott, Senator Ludlam is the last questioner. We will take afternoon tea a bit late and then we will come back and move onto the next program.

Mr Scott: The arts community is waiting.

Senator LUDLAM: They are waiting, and we do not like keeping them waiting.

CHAIR: Very patiently, thank you.

Senator LUDLAM: They have had a rough year. This is the last bracket. I add my comments, Mr Scott, to those of my colleagues earlier. We have had our run-ins across the table, as I guess many of us have, over the last few years, but I do not think that anybody anywhere would say that you were not always firmly in the corner of the ABC, so thanks for your time at the helm.

Mr Scott: Thank you.

Senator LUDLAM: I wish you well in whatever comes next. I have a couple of questions that follow up on some work that Senator Milne did three or four years ago. It is around comparing the 2012-13 financial year figures with those for 2013-14 and then 2014-15. I am looking for whether or not there has been a continued reduction in the content budget for ABC TV; and, if so, what the amounts are for each year. You might want to take that on notice.

Mr Scott: We will take that on notice.

Senator LUDLAM: If you can speak to trend, I would appreciate that.

Mr Scott: Yes, we will take that on notice.

Senator LUDLAM: Can you at least give us some comments on trend?

Mr Scott: Well, yes, we did pull some money out of television last year, on the back of the budget cuts, because we needed to invest more in digital. I think, if you take the long view of television, certainly, we put more money into drama and, certainly, we put more money into children's television; but, in the last few years, there has been some consolidation.

Senator LUDLAM: Okay. I guess I was not looking at the long-run trend—more just since the 2012-13 financial year, which was what Senator Milne asked about previously. Have there been specific reductions since then in the budgets for drama, children's programming or documentaries?

Mr Scott: Yes. We can give you the breakdown on notice.

Senator LUDLAM: All right, if you are able to. You spoke of budget cuts; that does not come as any surprise. Was the other factor that you mentioned the shift to digital?

Mr Scott: It is one of the challenges we face. At the moment, one of things we are trying to prioritise is investment in iview. What we want to do around iview is deliver a better service, including some original content, and so we are taking some television money and investing it in iview original content—and that may be money that was once available for traditional broadcast programming and may often get a second window around that. Part of our challenge is that we want to hold our investment in radio and television as best we can and at the same time increase the digital opportunities, and our audience expects all of that. They still want radio and television—

Senator LUDLAM: Sure.

Mr Scott: but of course they want increased digital content and services.

Senator LUDLAM: While budgets are going down. So are you forecasting reductions in the content budget for ABC TV and, in particular, for those three line items—drama, children's programming and documentaries—going forward?

Mr Scott: The budget was cut a little bit at the beginning of this year as part of \$20 million we took out of content to reinvest in digital. They are looking to work their budgets effectively, and one of things that we are hopeful that we can do, while still maintaining editorial control and responsibility, say, around drama projects, is that through enlisting the right kinds of partners we might be able to make our drama budgets go further. So we are still working through the full impact of some of these changes on air.

Senator LUDLAM: All right. That sounds like a bit of a foreboding, actually. Do you expect further cuts in ABC TV's commissioning budget, then?

Mr Scott: What we are asking all divisions to do is try and find efficiencies so that we can reinvest that in content. We want less spent in the back office and more spent on what our audiences can experience. There are some questions about funding that expires in this budget and that we are putting in new bids for. But we are trying to protect content budgets as best we can.

Senator LUDLAM: All right. My final question, which I think probably should go on notice as well, is whether, for each of the financial years from 2010-11 to 2015-16 forecast, a breakdown can be provided of expenditure incurred and hours produced of commissioned, produced and broadcast Australian programming? So there are three separate categories.

Mr Scott: Yes. We will get that detail for you on notice.

Senator LUDLAM: I think you provided some of the earlier stuff to us before. But, if we can get that six-year series, that would be greatly appreciated. Thanks again for your time.

Mr Scott: Okay.

CHAIR: There being no further questions for the ABC, Mr Scott, thank you very much and, again, good luck. Thank you for your service to the ABC and good luck for the future.

Mr Scott: Thank you.

CHAIR: The committee will now suspend for afternoon tea and resume with the Australia Council for the Arts.

Proceedings suspended from 15:29 to 15:44

Australia Council for the Arts

CHAIR: I welcome officials from the Australia Council for the Arts to estimates. Welcome back, Mr Grybowski.

Mr Grybowski: Thank you.

CHAIR: And welcome back, Secretary.

Dr Smith: Thank you.

CHAIR: Before I go to Mr Grybowski for an opening statement, Minister, I understand you would like to make an opening statement.

Senator Fifield: Thanks, Chair. It is really just to observe that we have at the table and behind us probably the greatest collection of institutional directors and arts administrators gathered in one place for quite some time. I have just been racking my brains for what the collective noun is for a group of arts administrators and directors, and I am torn between 'an installation' and 'an exhibition'! But I will let the committee be the judge of that in the course of the afternoon.

CHAIR: Thank you very much, Minister. On behalf of the committee, I too thank everyone assembled here today. It is greatly appreciated. If anybody can come up with another contender for the collective noun, please let us know in the course of this afternoon! Mr Grybowski, would you like to make an opening statement?

Mr Grybowski: No.

CHAIR: Okay. Thank you. Senator Bilyk.

Senator BILYK: Mr Grybowski, noting that Ms Bassar, the executive director of the Ministry for the Arts, said that the figure of \$8 million to be returned to the Australia Council was arrived at on the advice of the Australia Council, can you explain the apparent discrepancy between her statement and your statement as reported in *The Australian* on 20 January 2016:

'It wasn't a figure that the Australia Council recommended ...'

Mr Grybowski: There does appear to be some misunderstanding of the context of those comments. The Australia Council's role is to provide, obviously, context and budget figures, and the impact of changes to budgets, to the ministry and the minister of the day, which we did. There were a range of figures, from zero to complete restoration, that were discussed, but we did not determine a specific figure.

Senator BILYK: So you did not say that \$8 million would be suitable?

Mr Grybowski: Correct. But it was one of the figures that were considered.

Senator Fifield: Perhaps I could add, as colleagues would be aware, that when I came into the arts portfolio it was in the middle of consultations over the guidelines for the NPEA, and I took the opportunity to take a look at the proposition. As a result of that, and taking on board a range of feedback, I decided that it was appropriate to have a rebalancing of the funding and that \$8 million a year, \$32 million over the forward estimates, would be redirected to the Australia Council. And Mr Grybowski is right; in the discussions that took place with the Australia Council, a range of numbers were mentioned, and \$8 million was one of those which would make a significant difference. Obviously, the Australia Council has been clear about what the optimal outcome would have been for it, but the decision of government was to rebalance in that way, to the order of \$32 million over the forward estimates, to better focus the criteria of the program. As you know, we have renamed it 'Catalyst' and given it more of a focus on innovation.

Senator BILYK: Thanks, Minister. Yes, I am quite aware of the whole history, as you know, having been to every hearing of the Senate committee inquiry—but thank you for that. Mr Grybowski, how would you assess the cumulative impact of the budget cuts over two budgets, and the 2015 MYEFO, on the Australia Council? Are you able to give me a net figure for those cuts?

Mr Grybowski: Thank you for the question. I know, in the previous estimates hearing, this was the theme of the questions. To properly answer the question it is important to take a step back and understand the full concept, because there are a lot of moving parts, several years and changes over years. We are very pleased to welcome back a partial restoration of some of those changes.

Senator BILYK: I am sure you would have preferred to have it all back.

Mr Grybowski: Correct. It is also important to note that two-thirds of our budget is directed funding, which was not affected. The major performing arts, the Visual Arts and Crafts Strategy and Playing Australia were not impacted. There are also a number of programs—what we call the national programs: Visions Australia, Festivals Australia and the Major Festivals Initiative—which were transferred from the Australia Council back to the ministry. They are still available to the sector and were not impacted in the cuts.

The impact on the Australia Council after the \$8 million restoration was \$17 million in comparison of 2014-15 to 2015-16. Those cuts were impacted in the grants and initiatives are of our annual report. They are the funding for individual artists, the small-to-medium sector and the audience and market development at a national and

international level supporting that sector. As part of the changes, where we were making some very tough decisions about how best to direct our available resources, there were a number of programs which were ceased: the Creative Community Partnerships, the Artists in Residence Program and the ArtStart program. Candidates for some of those programs have been encouraged to apply through our reformed grant program or indeed for the opportunities through the Catalyst program.

Senator BILYK: What is the Oz Council's assessment of the effect on small-to-medium organisations and individual artists of the reduced grant funding on the arts in Australia?

Mr Grybowski: The impact will be fewer grants and fewer opportunities made available through the Australia Council, but we also note that that sector has new opportunities through the Catalyst program, which has a priority for the small-to-medium sector. The small-to-medium sector is supported through us with core program support, and we are going through that assessment to reconfirm from 2017 onwards what we call four-year core program support. Those organisations will have the opportunity to seek additional project support through the catalyst program.

Senator BILYK: How many applications were funded in the latest grant round?

Mr Grybowski: We received in the September round and, indeed, the grant round that just closed last week approximately 1,700 applications in each round.

Senator BILYK: One round closed in December?

Mr Grybowski: Correct. That was 1,700 applications, and we announced 290 projects.

Senator BILYK: Okay.

Mr Grybowski: In the round that closed last week—the February grant round—it was a very similar figure: just over 1,600.

Senator BILYK: And no announcements there yet?

Mr Grybowski: No—the next month or so we will be doing the assessment.

Senator BILYK: Out of 1,700—290 were funded and the rest obviously weren't?

Mr Grybowski: The success rate is 16 to 17 per cent.

Senator BILYK: Have you any sort of assessment on how many of those unsuccessful applications might have been funded, if the funding had been maintained at the 2013-14 levels?

Mr Grybowski: Applications for project funding vary from round to round. Last year we implemented a completely new open grants program, providing greater access and greater opportunity. As we had only run two rounds of that model of funding, we were receiving at least 20 to 30 per cent new applicants. So to get a—

Senator BILYK: So, an increase of about 20-30 per cent?

Mr Grybowski: No—of new applicants that have not applied to the Australia Council before. We really need 12 months to see the trends before we can make any assessment on the trends. But the goal of the program was to provide greater access or easier access to the artist to apply to the program.

Senator BILYK: In the Senate inquiry, there was a lot of concern that the Council's programs and the minister's discretionary fund might overlap. Are you able to tell me what sort of mechanisms have been put in place to make sure they are complementary, do not drip cut each other and do not end up overlooking worthy applicants?

Mr Grybowski: We have, as we always have, a very active and strong relationship with the Ministry for the Arts, Sally Basser and her colleagues. The four-year funding program for the small-to-medium sector—which is currently being assessed—is where the Australia Council will provide core program support, and those same organisations can apply to the Catalyst program for project support, and so there is a clear separation between the two. We provide information on the history of Australia Council funding to the ministry at their request on applicants to the Catalyst program.

Senator BILYK: Whether they have applied previously or—

Mr Grybowski: Yes.

Senator BILYK: That sort of thing—whether they were successful or they might not have been successful, presumably? If I have applied before and been turned down, because the application did not meet the criteria and the minister asked for that, you would just send it over?

Mr Grybowski: We will provide a history of funding on request and any other relevant information but we are not involved in the assessment process. It is just providing a history, because it is the Australian government's investment into the sector and it is important that we share that information.

Senator BILYK: Great—thanks. You are quoted in *The Australian*—not a newspaper I really like to get too involved with—on 19 January saying you intend to 'minimise the impact on organisations'. How are you going to do that? Can you tell me what you meant there and how you are going to do it?

Mr Grybowski: The Australia Council is—and we have increased our contact with the arts sector and our arts practice directors and executive are all from the arts sector—maintaining a very strong dialogue; understanding the issues; assisting them with capacity building; understanding new opportunities; helping them with those things; looking at new models of support; helping them with philanthropic giving; and working with Creative Partnerships Australia on a whole range of support programs. Ultimately, our role is to increase sustainability in the arts sector by any conversation, idea or assistance we can. Support of the arts is more than just providing funds. That is what we are endeavouring to do.

Senator BILYK: I will just move onto some questions about youth theatre. You would be aware of a media release put out by the Australian Theatre for Young People, headed 'Youth Arts the first casualty of changes to arts funding'. What is your response to the statistics in that release that in 2007 there were 21 federally funded youth art companies across Australia, but by 2014 there were 14 and by 2016 there will be four?

Mr Grybowski: I share the concerns within the youth arts sector. Indeed, I am acutely aware of the issues in that sector, having spent 12 years of my career working for a youth arts organisation on the board and as general manager. Work for young people falls into three categories: work by young people, with young people and for young people. A number of non-youth banded arts organisations are working with and presenting for young people. Looking at the figures overall, there is quite significant support across the Australia Council through the various organisations and the programs that we provide.

By way of an example, in the September round \$566,000—or 60 per cent—of the \$955,000 awarded through the theatre sector for arts projects and organisations was allocated to companies making theatre for young people or for youth theatre companies, including Windmill Theatre Company, Corrugated Iron Youth Arts, Monkey Baa Theatre Company, Powerhouse Youth Theatre and St Martins Youth Arts Centre. In addition to that, of the 28 key organisations which currently have confirmed funding to the end of the year, seven—or 25 per cent—are youth-focused. Two of these are youth theatre companies and five make theatre for young people. They are just a sample of some of the statistics.

We do acknowledge that in the September round there were a number of youth theatre companies and companies that were unsuccessful. The Australia Council has always been competitive. On average, some 80 per cent of the applicants to our programs are unsuccessful, albeit worthy of funding. This is our challenge over time: to try to increase the success rate and, indeed, the budget.

So we are monitoring the situation incredibly carefully. This time last year we had a youth forum to bring together key people from the sector nationally. We are repeating that this year.

Senator BILYK: When is that happening, Mr Grybowski? Have you got a date?

Mr Grybowski: It is in April. That will again bring in key people in the sector to hear their concerns and offer any assistance that we can. Obviously, we are also encouraging them to apply to the Catalyst program. It is important to note within that sector those organisations are strongly supported through other tiers of government—through the state governments and local governments. Indeed, our director of theatre was in touch with all of the state governments prior to Christmas to again hear of the issues in particular states. We are actively monitoring it. We acknowledge that it is an issue and we acknowledge the important role that the sector plays in the broader ecology in the arts sector in this country.

Senator BILYK: The trouble with the fact that a lot of those organisations are supported by state government and local government is that they are also reliant on getting federal government support. We are going to need to be asking state government and local government to pick up the difference or they are not going to be able to support people because those people will not be getting the federal funding. I agree with you that a lot of them have been supported by state and local governments, but that does not mean that they will still be able to be if they cannot get the respective federal funding either.

Mr Grybowski: Again, to properly understand the context here, no organisations on regular funding have been defunded. Those companies I mentioned on 'Key Orgs' are confirmed to the end of the year. Our four-year funding, a round that commences next year—they are currently in our assessment. The project applications, the other category, will have further opportunities through our programs and through Catalyst.

Senator BILYK: We were talking about the media release put out by the Australian Theatre for Young People. Their release states 'Withdrawal of funding'—and I know we are talking relatively small amounts of \$40,000 to \$90,000 a year—in general will cause many youth arts companies to close.' What is the council's view on that?

Mr Grybowski: As I said, we are concerned about that. We are talking to the companies and the other layers of government to ensure that companies are seeking other opportunities and reducing the likelihood of closure.

Senator BILYK: Because of the involvement I had in the Senate inquiry I have had lots of people talk to me about their concerns with the lack of funding in the youth area, in particular. I think it is going to be a bigger problem than you might be anticipating. I suppose we can only wait and see.

The council's 2013-14 annual report states:

The Council is a national advocate for the arts ...

The 2014-15 reports states:

The year was shaped by the ambitions articulated in our new Strategic Plan ...

And the council plays a 'leadership role in advocating for the arts'. I have to say that I think the council has been conspicuously silent about the coalition's savage attack on it and on the arts sector in general.

Mr Grybowski: The Australia Council, as the Australian government's arts funding and advisory agency, works with the government of the day and the policies and the budget set by the government, which we have done. Advocacy—providing research data analysis—is a key part of what we do to ensure that those within the sector, and broader, have information, data and an understanding of the sector.

Last February we released a very important report, Arts Nation, which provides for the first time data drawn from other sources, and new data, to try to build a picture of the arts sector in Australia. We will be putting out a second edition of that next year. Our role, as a government agency, is to work with the government and their policies, but work with the sector on providing information and knowledge about the sector—for example, looking at the sector and the complexities of it to work out ways of increasing its overall sustainability.

Senator BILYK: So you are not just sitting back and taking it. Is that what you are telling me?

Mr Grybowski: We are in active discussions about the arts in Australia each and every day.

Senator LUDLAM: You have had your first project funding round since the rather dramatic funding cuts of last May. What was the success rate of those rounds?

Mr Grybowski: The first round of the grants program, in March 2015, saw over 2,500 applicants; 169 peers from all states and territories were used in the peer assessment.

Senator LUDLAM: That is the round you opened in March?

Mr Grybowski: That is right. That was March last year. That was an 18 per cent success rate. In the September 2015 round, there were 1,700 applications. Again in that process there were 115 peers used to assess the applications. Another important statistic is that 25 per cent were based in regional and remote areas. The success rate on that one was 17 per cent.

Senator LUDLAM: Roughly consistent.

Mr Grybowski: Yes, they were roughly consistent. The current one received just over 1,600 applications, which are yet to be assessed.

Senator LUDLAM: When was the current round opened?

Mr Grybowski: It closed on 2 February.

Senator LUDLAM: The numbers have not jumped around enormously, have they? Eighteen per cent of 2,500 is a lot more than 17 per cent of 1,700, isn't it? That is one short take. The success rate is consistent; the amount of money dispersed is lower.

Mr Grybowski: Yes.

Senator LUDLAM: Are you at liberty to disclose how many applications you received for the four-year-funding-organisations round? If you are—whatever you are able to tell us about that—how many of those are you going to be able to support?

Mr Grybowski: We received approximately 260.

Senator LUDLAM: Do you have success rate figures for those?

Mr Grybowski: No, they are currently being assessed. We will be releasing the results in May.

Senator LUDLAM: Senator Bilyk and I spent about six or eight months traipsing around the country last year as part of a Senate inquiry that was called fairly shortly after the budget cuts. Does the Australia Council have a formal response to the report that we handed down late last year?

Mr Grybowski: No.

Senator LUDLAM: May I invite you to make an informal response? It concerned the operations and funding base for the Australia Council rather intimately. If you want to put a view to us, I will give you that opportunity now.

Mr Grybowski: A response to the whole report?

Senator LUDLAM: Yes.

Mr Grybowski: I am happy to take that on notice.

Senator LUDLAM: That is fine—a response to the report or its recommendations. If you are happy to take that on notice, I would appreciate it.

Mr Grybowski: I think, considering the time, that would be most appropriate.

Senator LUDLAM: No, I could talk about this all day! But we can leave it there.

Screen Australia

[16:13]

CHAIR: Welcome, Mr Mason. Would you like to make an opening statement?

Mr G Mason: No, thank you.

Senator BILYK: Mr Mason, are you able to tell me what the number of full-time-equivalent positions in Screen Australia was on 30 June 2015?

Mr G Mason: I believe it was 102.

Senator BILYK: I am going to test your memory here—30 June 2014?

Mr G Mason: I know we laid off 13 staff in that year, so I would assume, therefore, that it would have been 114 or 115. I can give you the exact number on notice. I will get that to you.

Senator BILYK: That would be good. If you could also give me the number for 7 September 2013, that would be helpful. You might need to take that on notice.

Mr G Mason: What I do have, if it helps you, is that on 30 June 2015 we had a headcount of 100, and full-time-equivalent was 95.17. As at December that year, 2015, it had reduced to a headcount of 98 and full-time-equivalent of 93.83. It is worth noting that, when we commenced in July 2008, we had a headcount of 189.

Senator BILYK: How many do you have today?

Mr G Mason: We are at 98.

Senator BILYK: You are still at 98 today?

Mr G Mason: Correct.

Senator BILYK: A Fairfax newspaper report on 13 May this year stated that the cuts imposed on Screen Australia in the last two budgets mean:

... the country's peak film funding organisation will have had its budget trimmed by more than 16 per cent in the past year, with its federal government allocation dropping from \$100.8 million in 2013-14 to a projected \$84.1 million in 2017-18.

What have the impacts of those cuts been on Screen Australia's capacity to support the Australian film industry.

Mr G Mason: To date we have managed to quarantine largely onto headcount and operational costs. We have taken out some 47 per cent of headcount since we were formed in 2008, and I think we have taken almost 48 per cent out of the overhead as a whole. So to date we have largely quarantined on-screen—our front-of-house services.

Senator BILYK: What impact has that had, though?

Mr G Mason: A lot of staff.

Senator BILYK: You are not going to tell me that you were overfunded previously, are you?

Mr G Mason: I would not suggest that.

Senator BILYK: So it must have had an impact.

Mr G Mason: In some ways I guess we probably are a poster child for governments. We were formed from the amalgamation of three different agencies, so we did an enormous amount of work on that level. Obviously we

have not dropped any programs to date, so there were just a lot more efficiencies that have been created and done. I will admit that obviously we are spread much thinner than we were. There have been a few things that we did change in this period. As I think you are aware, Senator, we stopped funding to the state resource organisations.

Senator BILYK: Yes, and that has been a bit diabolical for some of them. Senator Urquhart and I are both from Tasmania, so we are pretty aware of what has happened there.

Mr G Mason: Exactly. So we have done that. We did make some changes to our caps of the amount of money we put into each project. We reduced that, and we also stopped some development of projects, like the amount of money we put into script work—that kind of stuff. There was some reduction—small to date—in what we have done to feature films and documentaries. But largely, as I say—almost exclusively, really—we have taken it out of operational costs.

Senator BILYK: So what aren't you working with that you might have before, if it is coming out of operational costs?

Mr G Mason: Obviously we have also taken a lot more stuff back in house, so we do not use external industry people as much as we would have. We monitor all costs quite stringently. To date what we have done is just try to ensure that every dollar goes on our on-screen support.

Senator BILYK: Mr Matthew Deaner, CEO of Screen Producers Australia, said in response to the most recent round of cuts to Screen Australia:

For the third time in 18 months there has been a funding cut to Screen Australia. This efficiency dividend comes after almost \$4 million was cut over the forward estimates earlier this year, on top of \$38 million the year before. In the five years to 2018-19 this will total more than \$50 million in combined cuts across budgets. This hacking at the base of Screen Australia through isolated cuts is damaging to the industry.

If that is correct—and I do not dispute that it is correct—how can Australia maintain a vibrant screen industry in the face of ongoing cuts to the primary body that supports our local industry?

Mr G Mason: As Mr Deaner suggested, it is true that we have had \$51½ million in cuts to date. We have managed that quite carefully. I would note that obviously we were very fortunate that last year was an incredibly successful year for screen content. We are working very hard to ensure that we can provide an opportunity for other people to invest, to match the funding which we get from the federal government and also, in the same way as Mr Grybowski, from state and regional money. So we are working very closely with the sector to encourage inward investment.

Senator BILYK: The Australia Council is having a forum for the youth people. Have you had anything like that within your sector at all for key people?

Mr G Mason: We do a lot of different things. We have an Indigenous department. There is very little which happens in screen content without our involvement in one form or another. We also have a new initiative which we have just launched, Gender Matters. We have a lot of initiatives on training and development. So we do a lot of that, which at the moment, to date, we have still maintained.

Senator BILYK: I am sure that, like the Australia Council, if the minister felt inclined to give you your money back, you would not knock it back, would you?

Mr G Mason: Certainly. I think very few of us in the room would.

Senator BILYK: That is really all I have for Screen Australia.

Senator BACK: Thank you, Mr Mason. If I could just pick up on both of the points you were just making at the end of your explanation to Senator Bilyk, with Gender Matters you have launched this initiative to increase the number of women who receive funding. Is this in response to a quota based initiative?

Mr G Mason: No, it is not a quota. This is just an initiative to try and redress, both culturally and commercially, an imbalance. Women make up 51 per cent of the population, but we are not getting enough stories driven by them, and also enough stories for them. So this has had real buy-in from our sector, both creatively and at the commercial end, from exhibitors and broadcasters.

Senator BACK: How are you proposing, then, to either redirect funding or create new funding to achieve this?

Mr G Mason: This is a one-off initiative. The idea is to try and introduce the funding at an early stage—really at development stage—and try to create teams, which again helps businesses. The idea would be to have a lot of things developed and those stories, the ones that actually have weight, will come through. Again, the difference between this and a quota is that everything we fund is merit based, so the final decisions on what you invest in in terms of production are the best projects.

Senator BACK: Has there been a response yet from industry, or is it too early? If there has been, what is it?

Mr G Mason: Industry is very supportive. The rounds are currently only just operating now. There are two different sections to it: there is one about stories and there is a different one about businesses. What we are hearing is that the interest is going to be huge.

Senator BACK: What is the reasonable time frame that the committee could expect for you to come back and tell us the success, or otherwise, and how will you measure that?

Mr G Mason: Success will be on two levels. I think it will come down to the quality of the projects that we think merit moving on through that development and production process. As you might be aware, in our industry things can take an awfully long time—as opposed to Mr Scott covering a lot of news or current affairs. It can be up to seven years for a film—slightly less for television and digital—to go from story through, but I would certainly expect that by the end of this year, by the last Senate estimates inquiry of the year or certainly by this one next year, we could give you very clear updates on how things are progressing. And then at the one in May, if you choose to see us, we could obviously give you an update on applications.

Senator BACK: So this is at a federal level. Are states and territories they similarly minded to yourselves in this objective?

Mr G Mason: Yes, most states have announced something similar, and obviously we work nationally, so we partner as much as we can with all the state and territory bodies. So we will continue to try and leverage together as best we can.

Senator BACK: Thank you. I would like to now move, if I may, to your announcement—

CHAIR: Excuse me, Senator Back. I have been briefed on this program and I just want to congratulate you. I think it is a brilliant program and I very much look forward to hearing how you roll it out over into the next estimates, so thank you.

Mr G Mason: Thank you.

Senator BACK: Thank you, Chair. On 5 February, which was a few days ago, you announced the Next Step Indigenous Screen Business Fellowship. Again, can you identify for the committee what the gap is and what you are aiming to do with this initiative.

Mr G Mason: Again, my background is creative and commerce equally. I think that we and the people at Screen Australia recognise that there is an enormous creative opportunity that comes out of supporting our Indigenous communities—nationally as well. The sorts of stories they are telling are vital to our culture and our view of ourselves, but also they are incredibly interesting to international people. They find it a great way to understand more about us. I am going to the Berlin film festival later this week. They have taken a series called *Cleverman* which we have done with the ABC. That is an idea that came about by a young man who got a mentorship, an internship, at a company and he has gone on to have a series which has been sold to the whole world. It is showing Indigenous people in a totally different light. Again, we want to continue that commercially and creatively. It is the partnership of those two things and it reflects us incredibly well.

Senator BACK: Can you tell us whether some or all of this funding and initiative is directed into non-urban, rural and regional areas of Australia?

Mr G Mason: It is indeed. This is to develop people's careers and businesses. We have a lot of applications coming through. We have another scheme going at the moment called Songlines. I can tell you that most of those applications are coming from either regional based companies or companies that may be based in Sydney particularly but they are going to work regionally.

Senator BACK: Finally, are there any other specific population groups in Australia that you are looking to perhaps initiate a similar pattern with?

Mr G Mason: There are—we have had long conversations with the ABC and, of course, SBS to work out how we could best reflect Australia as it is. I think that is where we are looking at working with them at the moment. We have a good track record at the moment with our commercial broadcasting partners but not nearly as good with the ABC. We, and Richard Finlayson the director of television there, are looking at that now.

Senator BACK: Lastly, can you tell us the impact, if any, on budget of the advances in technology in your industry?

Mr G Mason: Production costs have come down quite dramatically on a global basis. It is slightly more difficult in our country, because we are so far away. The distance is a problem. There aren't economies of scale, because our businesses are not as big. I used to run worldwide acquisitions for a studio in America, and there is so much more scale that you can do things on. That is still a big challenge for our producers and our businesses here.

You can make things literally on your telephone, but things of scale still need Screen Australia and the government through the offsets to ensure that the stories are on screen. Like *Molly*, on television this week, which Screen Australia was part of with Mushroom Pictures and Channel 7.

Senator BACK: Lastly, in terms of the Indigenous initiative, can you tell me whether or not you have been able to factor off the equivalent programs for in the United States, Canada and other countries where Indigenous peoples are prominent?

Mr G Mason: We are seen as a beacon. Again, most countries—the EU and Canada—look to Australia and New Zealand, because they think that the work that we are doing is much more advanced than their own.

Senator BACK: Excellent. Congratulations. Thank you.

Senator LUDLAM: Again, picking up on where Senator Bilyk left off, you have traversed some of the budget cuts that you have suffered over the last four years—\$10.3 million. You have gone into sale of assets, particularly the sale of TV studios in Sydney, and you have obviously had the squeeze put on you. You are doing the best that you can, given the budget constraints that you are under, which makes it a bit mystifying that in the December MYEFO budget there was an announcement that \$47.3 million would be invested in two US blockbuster films: *Alien: Covenant* and *Thor: Ragnarok* to Fox and Disney. Do these gargantuan American corporations actually need to be subsidised by Screen Australia? What is the purpose of that money?

Mr G Mason: We did not provide that money.

Senator Fifield: It has been the practice of successive governments to provide grants on occasion to secure particular film projects, and those grants are of a quantum that is the equivalent benefit to the organisations as if the location offset had been increased. That is what happened in relation to these two projects, and MYEFO indicated that there was funding identified for them. There were a range of savings across the communications and arts portfolios and some of those went towards those two particular projects.

Senator LUDLAM: So they come out of the arts portfolio or out of some other appropriation? Where does the money come from?

Senator Fifield: From savings that were identified in MYEFO.

Senator LUDLAM: So you are cutting the Australia Council funding—or I guess you would argue that that was not really a cut, because it was being pushed across to Catalyst—but you would not deny that Screen Australia has suffered pretty significant budget cuts since you came to government. I still do not understand why you would insist on transferring that money to two of the largest US entertainment corporations that are actually doing reasonably well in profitability without the Australian government's help.

Senator Fifield: It is important that Australia remains competitive when securing these sorts of projects.

Senator LUDLAM: How does handing cash over qualify as competitiveness?

Senator Fifield: It in effect, as I said, provides a support for those particular projects, which is the equivalent as if the location offset was increased from 16½ per cent to 30 per cent. We are competing with countries who have equivalent offsets which are set at levels that are more competitive than Australia, and successive governments have done this because these projects do help to secure investment and therefore jobs in Australia, and that is a good thing.

Senator LUDLAM: Has there ever been any kind of cost-benefit analysis done as to the relative benefits of handing the money across to Disney and Fox as opposed to just investing it directly in the Australian film industry?

Senator Fifield: This is also an investment in the Australian film industry, because it is Australian crews and other people who work in film in Australia who—

Senator LUDLAM: I am just asking whether you have assessed the relative benefits?

Senator Fifield: are employed. There has been work done in terms of the number of jobs and the economic benefit that flow from these sorts of projects.

Senator LUDLAM: Senator Fifield, could you, maybe without tying the committee up too much, point us to some of that work that you have—

Senator Fifield: I do not have it to hand.

Senator LUDLAM: I am saying: if you could take on notice—what I am actually after is any work that has been done on the relative benefits of pushing nearly \$50 million across to these big American corporations as opposed to directly investing that money in the Australian film industry. You cut \$10 million out of Screen

Australia over four years and handed more than four times that amount of money across to Fox and Disney. Has any cost-benefit analysis of those two very different strategies been done?

Senator Fifield: I dispute that it is an either-or proposition and that these grants do not actually benefit the Australian film industry.

Senator LUDLAM: After the relative benefits. I am happy for it not to be either/or. If you had stopped cutting Screen Australia's budget, I probably would not come in here quite so stridently, but that is precisely what you have been doing. I am after the relative benefits—

Senator Fifield: Senator, we will take on notice any relevant work about the benefit of these sorts of grants.

Senator LUDLAM: I would appreciate that. Getting back to you, Mr Mason, you might have put some answers on the record when Senator Bilyk was pursuing this line of questioning but have you had to reduce staff numbers or cancel any programs over the third time in 18 months that Screen Australia has had its funding cut?

Mr G Mason: No, we have been able to quarantine the budget for this fiscal year, so no.

Senator LUDLAM: That was a quick no. Were you consulted before the decision was made out of that MYEFO in December around the grant to those big American production companies?

Mr G Mason: That was not something which was relevant to Screen Australia.

Senator LUDLAM: Well, Senator Fifield said it does support the Australian film industry—that is pretty squarely your remit.

Mr G Mason: I would say on record that, obviously, we care about everyone who is employed, so at least I was delighted that the money stayed within the screen sector.

Senator LUDLAM: There would be a lot of films looking to come to Australia and those two received support above the location offset—maybe this is more appropriate for you, Senator Fifield. Why those two films in particular? What kind of process is gone through to decide we are going to privilege those two as opposed to others?

Senator Fifield: I guess the way to characterise it would be that they were unsolicited proposals but they were proposals that were put forward by the particular production companies and put to the Australian government. When a proposition is put to government, government then has a decision to make: is it going to take action or isn't it? What we did was to follow the precedent that is there and has been set by the successive governments of all persuasions in relation to projects such as these.

Senator LUDLAM: It does not sound like much of a process, though—an unsolicited bid gets slid under the door and you have a think about it and say, 'Yeah, you can have \$50 million'? What is the process that operates before that decision is made? Coincidentally, that is almost exactly the amount of money that you cut—not you personally, Senator Fifield—from housing, homelessness, support for people fleeing domestic violence. It is actually more—you cut \$44 million from those programs and handed \$50 million over to American film companies. What is the process for deciding that?

Senator Fifield: It is an unavoidable fact that you cannot provide grants that do not cost money. A grant is a Commonwealth expenditure, and it costs money.

Senator LUDLAM: Yes. I am still trying to get that money back for homelessness—should I just make an unsolicited bid? How does it work?

Senator Fifield: A proposal is, as I said, put forward.

Senator LUDLAM: Put forward to who?

Senator Fifield: It is put forward to government. It is assessed by the Ministry for the Arts.

Senator LUDLAM: By you personally? I am going to do you the courtesy of assuming you are not being deliberately vague, but just give us some specifics—\$50 million—

Senator Fifield: I am not seeking to be anything other than helpful. I will ask Ms Basser to take you through some of the things that the Ministry for the Arts look at before government takes a decision.

Senator LUDLAM: Okay, that would be great.

Senator Fifield: Ultimately, it is a decision of government, but there are some things that the Ministry for the Arts do in the lead-up to a decision being taken.

Ms Basser: These proposals come in from time to time and we have ongoing conversations with the proponents. We assess the benefit to Australia in securing these productions—for example, this will provide over \$300 million in offshore expenditure that will be injected into the Australian economy; over 3,000 jobs will be

provided to Australians and the services of over 6,000 Australian businesses will be utilised. Those are some of the core things we go through every time with these companies when they come in with these proposals. The facts are that, without some assistance, these films would not film in Australia and many, many jobs in the creative sector would be lost. And the skills would be lost to Australia.

Obviously we work very carefully through the financials—in particular, what the Australian component of expenditure will be. In the end, as the minister has said, these are decisions for government, but these productions are important for an area such as the Gold Coast where they provide a huge amount of employment for local companies, for carpenters, for electricians, for creatives. They also involve Australian artists in the films, so it is investing in the screen sector. Those are many of the aspects that we look at as part of assessing the proposals.

Ms O'Loughlin: And these are highly footloose productions, which will go anywhere in the world. At any given time in Australia the Australian production industry is working on both local and international productions, so there are two sides of the production coin in Australia. What they also do is expand the skills of Australian artists and filmmakers and people like visual effects people by getting them to work on huge international productions, which they may otherwise not have the opportunity to do, so there is a lot of skills transfer into the Australian industry as well. As Ms Basser said, these are the types of things that we look at—the benefits to the industry and benefits to the economy, jobs and investment in Australia.

Senator LUDLAM: How do you assess, firstly, whether these companies would choose not to have located part of their production in Australia if you had not offered this incentive? And secondly: how do you evaluate whether you could not have got those benefits, or greater benefits, from investing directly in screen culture in Australia rather than these inducements?

Ms O'Loughlin: On the first point, the ministry keeps a very close eye on the incentives that are being offered by other countries. Our incentives are actually low by international standards, and, in most cases, our intelligence in the sector will tell us who else is bidding for these investments. So we usually know who is after them and what they are offering.

Senator LUDLAM: So we are in an arms race with other countries?

Ms O'Loughlin: Not an arms race.

Senator LUDLAM: It is very clever of these companies, is it not, to set us against other countries.

Ms O'Loughlin: That is their business model, but they bring huge productions into the country. In terms of the second question, I am not aware that we have done a huge amount of research in that area, but I would just note, for the \$50 million that the government has supported for these two films, there is an outcome of \$300 million worth of investment in the Australian film industry and Australian economy.

Senator LUDLAM: I think that was something that you mentioned before. Can you provide us with some of the workings of the model that allowed you to arrive at that figure?

Ms O'Loughlin: I am not sure. We can take that on notice for you, Senator.

Senator LUDLAM: I would be keen to know. It sounds as though there has been no benchmarking against how that money could otherwise have been spent, but it would be good to know at least how you worked the \$300 million figure out, or whatever your multiple was—I think it was 6:1 or something.

Ms O'Loughlin: Yes.

Senator LUDLAM: I understand that Screen Australia talked to industry about a number of options that could have had the proceeds from the sale of Lindfield directed towards them, and that some consultation occurred last year. Is that correct?

Mr G Mason: That is correct.

Senator LUDLAM: Can you just talk us through whether you put particular proposals to the sector or whether you opened the field up for suggestions from others.

Mr G Mason: The latter, Senator. In fact, we actually put some ideas out generally and said we were keen to hear feedback from people on what they thought could happen if that money had been kept.

Senator LUDLAM: Maybe I should just check your website, but is there a summary of that consultation process and its outcomes?

Mr G Mason: I do not believe there is.

Senator LUDLAM: But you did go out to the market to find out what people were after.

Mr G Mason: It was part of a road tour that we try and do once a year to all the states and territories, and at that presentation we just ask people for ideas on what could happen with that money.

Senator LUDLAM: Did the proposition of handing \$50 million over to Fox and Disney come in high in the list of people's priorities?

Mr G Mason: I do not think that was on people's awareness.

Senator LUDLAM: Maybe I am being a little bit tongue in cheek. What was the general character of the proposals for how that money could have been invested locally?

Mr G Mason: There was a variety. Some of the things that we had looked at were increasing the Indigenous, particularly the Songlines initiative, but there were things about how to increase businesses—so how to increase sustainability, which is one of the things that the ministry is talking about. Obviously there is a lot of support that we give directly to producers, directors and writers, but there is not as much that we do to face up to crew and facilities houses, so that is one of the key benefits of something like this.

Senator LUDLAM: Was it a good consultation? Did it feel as though you had decent participation and a range of good ideas?

Ms O'Loughlin: There was some response to us, but it was not inundated.

Senator LUDLAM: You said you kind of packaged that up with your regular annual consultations.

Ms O'Loughlin: We did, and I can certainly provide you with what the ideas were that we put into that public presentation.

Senator LUDLAM: What I am wondering is whether you provided those ideas to Senator Fifield and whether they formed part of your decision making, or whether this is just something that has appeared from somewhere else.

Senator Fifield: Whether what has appeared from somewhere else?

Senator LUDLAM: Screen Australia went to the sector last year and sought advice on what they thought \$50 million—or whatever the amount was from that sale—could be used for. Did that consultation form part of your decision making process, or anybody's decision making process, before this money was handed off to these production houses?

Senator Fifield: I cannot really add to the fact that the grants for these two projects was a decision of government—

Senator LUDLAM: You could add to it by just giving me a yes or a no on a reasonably simple question.

Senator Fifield: and the savings measures which are in MYEFO were decisions of government.

Senator LUDLAM: Were those decisions informed by the work that Screen Australia had done in the few months prior seeking feedback from the sector?

Senator Fifield: There is a range of sources of advice that go to government when government makes its decisions—

Senator LUDLAM: Yes, and was that one of the sources?

Senator Fifield: and we do not usually comment on what sources of advice are. I cannot really add to—

Senator LUDLAM: I am going to take that as a 'no', because you would have no reason to be obfuscating if you had material to hand.

Senator Fifield: No, it is just that when it comes to decisions in MYEFO and the budget, we say they are decisions of government.

Senator LUDLAM: No wonder people are a little sceptical. I will leave it there.

CHAIR: I have one final question before we finish, Mr Mason. I am wondering if you can give us a quick overview of the programs, TV, movies and other media from last year that you are most proud of or that were the most successful. Also, perhaps, you could provide us with a bit of a teaser about what is coming up this year. I would like that on the record before you leave.

Mr G Mason: We would like that, Senator. Last year, obviously, was the most successful year ever for Australian films in dollar terms at the box office, which is fantastic. One of the things that was most exciting was that it was across a range of films, it was not just one blockbuster, although there was the very successful little art movie *Mad Max Fury Road*. But obviously there was huge success with things like *The Dressmaker*, which was shot in rural Victoria. There were documentaries like *That Sugar Film* and brilliant children's and family films like *Paper Planes* and *Oddball*. On television we had huge results with things like *Catching Milat* and the Peter Allen story. These are getting 2½-plus million views. The idea that Australians are not watching Australian stories is incorrect. We had great documentaries with things like *Life on the Reef* and, controversial though it was

before it screened, *Struggle Street*, which obviously shone a light on some problems. The digital content that Screen Australia has funded in the last four years has had over one billion views—things like Adelaide's the Racka Racka boys and *The Katering Show*.

CHAIR: One billion views?

Mr G Mason: Yes, a billion views. Continuing with Indigenous programs, again we had extraordinary success with *Spear*, which was the Bangarra dance troupe. That was a film that premiered at the Toronto International Film Festival—so that is working across cultures and screen. Coming up this year, obviously we are delighted we had *Molly* on Channel 7 this week with about 2.6 million views, and we have a range of talent from *Cleverman*, which I mentioned, which again is a great Indigenous series that the ABC will be playing. We have *Red Dog: True Blue* the prequel to *Red Dog*, which has just finished filming in your home state.

CHAIR: Yes, in WA.

Mr G Mason: There is *Jasper Jones* the feature film, which also just finished filming in your state, and Simon Baker has come back to direct a film called *Breath*, which again is filming in your state—it is all in WA.

CHAIR: It is very good news for WA.

Mr G Mason: Exactly! And, again, in digital content, we have an enormous amount happening too: *The Katering Show* ladies are back as is *Soul Mates*. We worked on *The Divorce*, the show that Opera Australia, the ABC and Screen Australia did together. So there is a range of great content.

CHAIR: It is a great note to finish on. Really well done. It is great to hear that Australians will watch and relish Australian content when it is good content. Well done. Thank you.

Mr G Mason: Thank you.

Australian National Maritime Museum

National Museum of Australia

Museum of Australian Democracy at Old Parliament House

Bundanon Trust

[16:48]

CHAIR: For our next session, as there are a number of arts agencies with us today who have been called and there is very limited space at this table we are going to call agencies up in groups of three so that we can make sure that not only is there enough room but also that senators have the opportunity to ask questions of everybody who is appearing. We are just doing an adjustment because I understand a couple of you have leave shortly. First I will call officers from the Australian National Maritime Museum, the National Museum of Australia and the Museum of Australian Democracy at Old Parliament House. If you could all please make your way to the table. We will also call the officers in from the Bundanon Trust.

Welcome to Mr Sumption, Dr Trinca, Ms Karp and Ms Ely. Would any of you like to make an opening statement?

Ms Karp: I just wanted to acknowledge Dr John Hirst, who has served on a number of our boards and was a significant contributor to the history and intellectual rigour of the country, who passed away this weekend.

CHAIR: I know on behalf of the committee that we too extend our condolences to his family, and we also acknowledge the significant contribution he has made to this country. Thank you very much for raising it. Would anyone else like to make an opening statement? As no one else would like to, we will go straight to questions.

Senator GALLAGHER: Thanks very much everyone for coming today and for your patience this afternoon. My questions are all very similar. It is a bit like a speed-dating arrangement! It concerns page 152 of the MYEFO document, which outlines the savings of \$36.8 million from cultural and collecting entities within the arts portfolio, translating into a three per cent efficiency target for the entities involved. My questions are around that three per cent efficiency dividend.

I can go one by one or we can work down the table but the question is: in dollar terms, how much does this translate into a funding cut for your organisation?

Ms Ely: I can start. Bundanon is not funded through an appropriation. We are funded through grants from the Ministry for the Arts, so those arrangements do not directly impact on the agency, the organisation.

Senator GALLAGHER: So there has not been any efficiency sought.

Ms Ely: Not in that format, no.

Senator GALLAGHER: Can you outline what format?

Ms Ely: What I mean is, we do not have a direct efficiency dividend imposed on the organisation. But we certainly have not seen increases in funding. The funding over the last five years has been in the order of 1.3 per cent so, in that sense, we have certainly had a fairly flat funding arrangement but we have not received direct cuts, in relation to things like MYEFO.

Senator GALLAGHER: You have an annual appropriation in the order of \$2.2 million. Is that right?

Ms Ely: No. We have an annual grant in the order of 1.61.

Senator GALLAGHER: Sorry. And that has been growing or declining by 1.3 per cent.

Ms Ely: Over five years it has grown by 1.3 per cent.

Senator GALLAGHER: That is a cumulative total, then, not an annual increase of 1.3 that over five years.

Ms Ely: That is correct.

Ms Karp: The cuts to us have translated into \$207,000 this year, \$476,000 next year and, then, \$479,000 and \$482,000.

Senator GALLAGHER: So come 30 June this year, you have to have found savings of \$207,000. Then they, in effect, double for the years beyond that. What is your total annual appropriation?

Ms Karp: Our total annual appropriation in departmental operating is \$13,568,000 for 2015-16.

Senator GALLAGHER: Did you provide advice to the government, or was advice sought by the government, before this efficiency dividend was imposed?

Ms Karp: No. I am not sure what you mean by 'advice'.

Senator GALLAGHER: In my experience, sometimes opinions are sought as to what this might mean down the track before savings regimes are implemented. For example, if we cut \$460,000-odd per annum from your relatively modest budget of \$13½ million, what would this actually mean for your organisation?

Ms Karp: We have had that conversation in terms of what the impact might be. The challenge for the Museum of Australian Democracy is that our structure is slightly different to the other agencies in that we do not have the capacity to retain revenue off the administered asset, so any cut to us is quite significant. We are not able to offset it through other activities that we might do. It is a fairly significant one for us. The significance for us is that what we are getting in 2015-16 is approximately what we were getting where we were set up. The challenge is—

Senator GALLAGHER: When was that?

Ms Karp: The museum was set up in 2007-08. The challenge is that it is a heritage building; you have fixed costs. We are working closely with the department to look for ways that we might reclassify ourselves so that we have more control over revenue that we might be able to generate.

Senator GALLAGHER: And why can't you retain revenue, when you say you are different to the other organisations?

Ms Karp: We are an unlisted corporate entity under the PGPA Act, or the old FMA Act.

Senator GALLAGHER: So are you looking to see whether that can be amended?

Ms Karp: Yes.

Senator GALLAGHER: In terms of the cuts, you said, 'Yes, advice was provided to government around what this would mean'. Was that post the MYEFO being released or before that decision was taken?

Ms Karp: It was around that time. I do not specifically recall.

Senator GALLAGHER: You cannot recall whether it was published in the papers—that is, you are getting a cut, or you might be getting this cut and what does it mean?

Senator Fifield: There are a range of discussions which occur between the department and agencies in the context of budgets and MYEFOs. What the nature of those discussions are and what they cover are not things that are usually gone into in Senate estimates.

Senator GALLAGHER: Okay; if you do not want to answer that, it is fine. I am just trying to get an understanding of whether the government, when taking this decision, actually understood the implications of a decision like this and what the results of that efficiency dividend would be. In the past, cultural institutions have either been exempted or received a smaller efficiency dividend requirement because of the very nature of the work that they do and the organisations they are.

Senator Fifield: Just a point of clarification: I do not think institutions were exempted under the former government in relation to efficiency dividends.

Senator GALLAGHER: I think they were from some rounds; they certainly were received less of an efficiency dividend than others.

Senator Fifield: We will take that on notice and check, but my point is—

Senator GALLAGHER: I am sure you will; it is not the subject of this. I am just trying to—

Senator Fifield: efficiency dividends are not something that is unique to this government.

Senator GALLAGHER: My recall of this when I was Chief Minister of the ACT was that they were treated differently in 2009, when the efficiencies regime was implemented, and when another efficiency dividend was sought they were given a discounted efficiency because of the nature of the organisation. My issue here is that this three per cent is a pretty blunt way of dealing with very small agencies with very modest budgets. I am trying to understand whether the government understood the implications of those decisions.

Senator Fifield: I think there might have been a one-off consideration in 2009 but not in 2010, 2011, 2012 or 2013.

Senator GALLAGHER: I will take that as a 'your not going to answer' the question whether these agencies were given the opportunity to, in a sense, argue their case about what this efficiency actually meant for them. So we take it that the efficiencies are here. We are not arguing about that. They are in the MYEFO papers. Now the question, Ms Karp, is: what will this mean for your organisation? What will finding \$464,000 recurrent mean for the services you deliver, the staff you employ and the programs you having running?

Ms Karp: It will mean that, like all the agencies, we will really have to look very carefully at what we do. As I have described it, we have cut fat, we have cut muscle and we are now looking at what do we stop doing. As I said previously, the opportunity for us is not so much where the cuts might come but whether we can start to really focus on opportunities to generate revenue. I do think there are opportunities that are not necessarily currently being maximised.

Senator GALLAGHER: Yes. Sure.

Senator Fifield: That is something that the government is looking closely at.

Senator GALLAGHER: It makes a lot of sense. I just guess that those cuts are coming in on 30 June, and that is not going to be in place by then, with my guessing of how the wheels of government move. What will happen? Are you going to see reductions in jobs, reductions in programs? Are you going to take part in Enlighten? What does it mean?

Ms Karp: It means that our exhibitions will run for longer, we will have fewer exhibitions happening, we will do one less significant event each year. We are just looking at how we might actually craft it. We have already done a number of changes in staffing. We have lost an SES and an EL2. We have been planning for an increased efficiency anyway. We have looking at how we might do things differently, in any event. We are probably in a slightly better position than other agencies because we have been thinking through what the future might look like.

Senator GALLAGHER: Do you have to provide that advice to government? I presume that your budget just gets cut. It is not like you have to return money; you just do not get money. Are you answerable to the government about how those savings are being made or is it that the government doesn't really mind—the money is gone?

Ms Karp: With any CEO you work with your council, you work with your senior management, you engage with government to ensure that we are getting the best possible outcome that we can for the available funds that are there. But to date we have had a great deal of freedom as to how we might implement those changes.

Senator GALLAGHER: Are you required over the forward estimates to outline how you will find savings in the order of, what is it, \$1.6 million—about \$1.5 million or \$1.6 million.

Ms Karp: I think you could say that it would be good management practice at any level to sit back and say, this is the available funds we have, this is what we can do and this is how we are going to make it work. So the answer is, from a CEO position, the obligation is there in terms of managing the situation but also in terms of the strategic plan. I just think it is good business practice to have planned that, to have worked that through in advance and to communicate effectively with the department as to what we can and cannot do.

Senator GALLAGHER: You have done that—is that what I take from that?—or you are in the process—

Ms Karp: No. We are still in the process of working where that \$1.6 million is going to come from.

Senator GALLAGHER: That will outline those areas, such as jobs, programs for your exhibitions?

Ms Karp: Yes.

Senator GALLAGHER: It is a similar line of questioning for whoever wants to go next! Thank you, very much, Ms Karp.

Dr Trinca: The extent of the funding cuts over the course of the parameters is about \$4.9 million for the museum over the next four years, inclusive of some cuts that were made this year.

Senator GALLAGHER: And your annual budget is in the order of—

Dr Trinca: About \$41 million. But effectively that translates to the figure that has been published of around three per cent.

Senator GALLAGHER: Can you advise me of what you are doing to do to find those savings? What does it mean?

Dr Trinca: Our intent is to always maximise our value for the public and for the public interest. We will rephrase some aspects of our program, but in particular we are able to refocus part of our business onto some capital projects that are coming forward.

Senator GALLAGHER: So you are not going to proceed with some capital projects?

Dr Trinca: We are going to proceed with those capital projects because we have a capital reserve for depreciated assets, and we are now into a phase where we can replace some of those assets. Some of the capacity of the organisation will now be directed to those capital projects.

Senator GALLAGHER: But you are not using your reserves to cover the efficiencies—or are you?

Dr Trinca: These are reserves that have been built up expressly to renew capital assets over time, and so we would institute some of those capital projects.

Senator GALLAGHER: For operational programs?

Dr Trinca: No, for the renewal of galleries.

Senator GALLAGHER: Okay. In terms of job losses and other programs, you have to find over a million dollars a year. What does it mean to the person who visits the museum?

Dr Trinca: The fact that we are doing work on the permanent galleries, which is now due and which we want to do, means that the public will actually see change in the museum, which I think is a good thing. We do not anticipate any reduction in our FTE.

Senator GALLAGHER: So no reduction in jobs. I am just a bit confused about that: if you have a budget cut of over a million dollars a year, why—

Dr Trinca: We are still working through the details, obviously, of these cuts. But the fact that we can institute some capital projects that will necessarily take some of the focus of some of the staff of the museum means more—

Senator GALLAGHER: So they are being redeployed from—

Dr Trinca: Effectively, their duties will be focused on the delivery of some of those capital projects.

Senator GALLAGHER: It is not going to last forever though, is it? I mean, an efficiency dividend lasts—

Dr Trinca: We live in a world where it constantly changes.

Senator GALLAGHER: Yes, I know.

Dr Trinca: It seems to be a sensible and prudent choice to move forward with these projects at this time.

Senator GALLAGHER: Okay. Do you provide advice to government about those savings—how you are going to meet them? Did you have the opportunity to argue the case?

Dr Trinca: There is certainly a range of discussions that are part and parcel of this process, and that postdates the MYEFO decision as well and, obviously, the sorts of discussions that we would have with the department.

Senator GALLAGHER: Thank you. Do we have the Australian National Maritime Museum?

Mr Sumption: Yes.

Senator GALLAGHER: Thank you.

Mr Sumption: The cut this financial year for the Australian National Maritime Museum is \$333,000, and next financial year it will be \$769,000. Our appropriations are around \$21 million a year.

Senator GALLAGHER: What do those savings mean? How are you going to find the savings?

Mr Sumption: The Australian National Maritime Museum is positioned in Sydney at Darling Harbour, which is currently undergoing a major revitalisation. We are fortunate, I suppose, that the first phase of that redevelopment will open in December this year—the new international convention facilities. That will bring substantially more visitors into the precinct, which will allow us to optimise our commercial offering—particularly things like venue hire and functions. So that part of our business is, let's say, receiving more attention right now. We will be seeking to offset some of those cuts by working smarter and working more commercially—

Senator GALLAGHER: So one of them is that you want to raise more revenue?

Mr Sumption: Currently, although we receive appropriations of \$21 million, we self-generate up to \$10 million a year.

Senator GALLAGHER: What are your projections of own-sourced revenue going forward?

Mr Sumption: We are hoping that will grow somewhere between \$400,000 and \$500,000. That is the substantial way that we would look to cover off those costs, but it is clearly a balancing act that we need to provide, because we would look to carefully monitor how much staffing, how much resources, goes into those commercial aspects as opposed to the core business of the museum.

Senator GALLAGHER: So, for you, no loss of staff?

Mr Sumption: We are currently not planning to lose staff, no.

Senator GALLAGHER: So, for you, the answer really is the additional revenue that you will be seeking from the fact that the convention facilities will be open.

Mr Sumption: Yes, the opportunities we see as Darling Harbour becomes more vibrant. It has gone through in the last two years a process of being substantially closed. Those precincts now are opening up, particularly the international business convention part. There are over 100,000 visitors expected from that side of the business.

Senator GALLAGHER: Is that informed by anything? For example, did you commission actuarial advice or research into what it might mean or is that just a best guess based on what you are seeing?

Mr Sumption: We work very closely with the partners in Darling Harbour. There is a group called the alliance which puts the museum regularly around the table with the international business convention group and all of the parties in Darling Harbour.

Senator GALLAGHER: What is the average growth in your operational budget over the last three years?

Mr Sumption: Our operations budget has remained relatively static. Some growth, because of these commercial aspects, has actually come in the salaries area. For us to be effective in taking up these commercial opportunities, we have had to bring in business expertise, and that is certainly seen in some growth in some of the salaries budget.

Senator GALLAGHER: Thank you. Thank you, Chair. I have finished with those three or four.

CHAIR: Thank you very much to all of you for attending today and for your evidence. Pass on to all of your staff, in each of your organisations, that they do a fantastic job on behalf of the nation and say thank you very much.

National Gallery of Australia
National Portrait Gallery
National Library of Australia
National Film and Sound Archive

[17:13]

CHAIR: Ms Schwirtlich, Mr Trumble, Mr Loebenstein and Dr Vaughan, welcome to you all and thank you very much for appearing here today. Would any of you like to make an opening statement?

Ms Schwirtlich: No, thank you.

Senator Fifield: But I am sure that each director will take the opportunity of indicating which are the fabulous exhibitions that should be visited, such as Celestial Empire at the National Library of Australia!

Senator BACK: If I could just lead off, Minister, my wife and I had the opportunity to visit the Tom Roberts exhibition on Saturday. Your staff are superb, the quality of the presentation and, particularly, the audio was just absolutely out of this world. So thank you very much.

Senator Fifield: We will pass it on.

Senator BACK: And when are we going to see our major artwork back in Parliament House, Dr Vaughan?

Dr Vaughan: I think in April.

Senator BACK: April this year?

Dr Vaughan: Yes.

CHAIR: It depends on how successful it is. Thank you very much. Senator Gallagher.

Senator GALLAGHER: I do not want to pick on anyone in particular, but my questions are the same; it is really just understanding what the three per cent efficiency dividend means to your institution. So following on from the questions before, I can repeat them all or we could just let you speak. Thanks, Ms Schwirtlich.

Ms Schwirtlich: The MYEFO request of the National Library is just under \$6 million over the four years.

Senator GALLAGHER: Can you give me an annual breakdown of that?

Ms Schwirtlich: Yes, I can indeed. It will be \$1.485 million in 2015-16, \$1.490 million in 2016-17, \$1.495 million in 2017-18, and \$1.499 million in 2018-19 ongoing.

Senator GALLAGHER: Yours appears to be a full annual save for the first year when the others who have just appeared have had a stepped approach to the savings regime? They have had half coming in 2015-16 before moving to the full arrangement.

Ms Schwirtlich: The Library sought the assistance of the Department of Communications and the Arts to work with the Department of Finance to take a slightly greater hit in the 2015-16 year so that—

Senator GALLAGHER: to smooth it.

Ms Schwirtlich: we smooth outpayments and they are not jagged.

Senator GALLAGHER: So rather than, say, \$1 million and then going to three, you have evened it out?

Ms Schwirtlich: Yes.

Senator GALLAGHER: That is a huge ask, to find \$1.5 million in the first six months.

Ms Schwirtlich: The reason that we sought to smooth outpayments was because we believed we had a better capacity in this year, as we could pull back from some project work and things like that.

Senator GALLAGHER: Some underspends.

Ms Schwirtlich: We thought that we would rather do that this year.

Senator GALLAGHER: Okay. So it delays a bit of the pain. What does it mean in terms of going forward? Will there be job losses? Will you reduce your opening hours? What does it mean?

Ms Schwirtlich: It is still a little too early for us to say. As you know, the outlook statement was issued in the middle of December. So there has been a great deal of analysis and work in the interim, but we still have a little work to do over the next few days.

Senator GALLAGHER: But you must have an idea of the general areas. You have to find \$1.5 million.

Ms Schwirtlich: What we have been very clear about is a set of principles about what we are seeking to protect in terms of the work that the National Library does. We want to protect a major digital library infrastructure project, which will provide us with core digital capabilities. We are looking to protect our ability to implement digital deposit because that is really significant in terms of building Australia's published collections. We are looking to protect our capacity to acquire and to make accessible unique Australian collections. We are looking to protect onsite access to the Library's physical collections by maintaining our reading room hours. And we are looking to pursue and build on the Library's already excellent revenue raising work. So we began by articulating, very clearly, what we wanted to protect and we are now looking at the areas in which we will have to modify our output, our services and our work.

You asked the question about staffing: close to 50 per cent of the Library's expenditure is on salaries, so the Library will work in the way that I expect all of my colleagues work and that is that first of all we will seek to work with natural attrition as best we can and with redeployment as best we can. But we do think that—

Senator GALLAGHER: There will be jobs—

Ms Schwirtlich: There will be jobs—

Senator GALLAGHER: Do you have a figure on that? I am not going to hold you to any! But in a general sense—

Ms Schwirtlich: We believe that it will be in the order of eight to 10.

Senator GALLAGHER: What is your total staffing, FTE?

Ms Schwirtlich: Our actual FTE in the year ending 2014-15 was 403, excluding numbers for locally engaged staff in Jakarta and paid inoperatives.

Senator GALLAGHER: And the news about the efficiency dividend came to you in December, so you have a relatively short time to gear up for a \$1½ million budget cut come 30 June.

Ms Schwirtlich: As the minister has said, there were a range of conversations. It was not surprising that the Mid-Year Economic and Fiscal Outlook statement required a contribution from the Library—that was being said. The quantum was not necessarily finalised beforehand.

Senator GALLAGHER: Yes. So you knew the government was after savings but you did not know it would be three per cent starting in 2015-16?

Ms Schwirtlich: Yes.

Senator GALLAGHER: You have not cancelled any exhibitions in the future? Is that part of what you are thinking about?

Ms Schwirtlich: Indeed, our programming is one of the things that we will look at.

Senator GALLAGHER: Okay. Thanks very much—I appreciate it. The National Portrait Gallery?

Mr Trumble: The National Portrait Gallery is being asked to find savings of \$173,000 in the remainder of this financial year and very nearly \$400,000 in the following three financial years, ongoing.

Effectively, we have solved the problem of the current financial year and that means that we have a little time, but not much, in which to put ourselves in the position facing the next few years.

Senator GALLAGHER: So how has this year been met? You said 'relatively easily'.

Mr Trumble: Through a range of savings, including, but not limited to, cutting pretty much everything—a big chunk of advertising, for example, which was set aside to advertise in panorama. We are looking very carefully at how to let that money go further to help us make up the shortfall.

Senator GALLAGHER: So you have had to cut advertising that was designed to generate visits and other—

Mr Trumble: We may do. With all of the measures that we are contemplating these answers will be rather familiar—

Senator GALLAGHER: Oh, so those are for the ongoing \$400,000?

Mr Trumble: Yes, and yes. 'Yes' for this year—

Senator GALLAGHER: Oh, for both.

Mr Trumble: and 'yes' for the ongoing. Some of my answers will by now sound rather familiar—

Senator GALLAGHER: Yes.

Mr Trumble: I think we are all contemplating a similar range of measures. In our case, our board meets on the 19th of this month to consider some of them.

Senator GALLAGHER: So that is a board decision, ultimately?

Mr Trumble: Yes, it is.

Senator GALLAGHER: I should have asked the Library that too. The Library has a governing council or something, don't you?

Ms Schwirtlich: Yes, we do.

Senator GALLAGHER: And does that get approved by that process?

Ms Schwirtlich: Yes.

Senator GALLAGHER: Okay. So for the National Portrait Gallery that is going on in March. What about for the Library?

Ms Schwirtlich: We had a discussion with our council on Friday 5 February—so it was Friday last week. When we do our additional reworking it will go back to council.

Senator GALLAGHER: They have asked for additional work to be done?

Ms Schwirtlich: We have some refining to do.

Senator GALLAGHER: All right. Sorry, Mr Trumble. You have the board meeting in March, and they—

Mr Trumble: No, I beg your pardon. It is 19 February.

Senator GALLAGHER: would tick off?

Mr Trumble: They will be considering a number of options as to how to meet the challenge that we will face on 1 July.

Senator GALLAGHER: Will you have to reduce opening hours or cancel exhibitions?

Mr Trumble: I hope not, in both those cases. Certainly, rather like the National Library, a very high proportion of our operating budget goes towards salaries. Therefore, regrettably, there will be an impact on our staff. The knack will be to keep that to a minimum.

Senator GALLAGHER: What are you looking at in terms of staffing?

Mr Trumble: Approximately three positions.

Senator GALLAGHER: Presumably, if you have average staffing costs of just over \$100,000, three positions would do your efficiency dividend?

Mr Trumble: Along with—

Senator GALLAGHER: But then you have three fewer staff to do everything.

Mr Trumble: Indeed. We are very small. We have the equivalent of 55 full-time staff—

Senator GALLAGHER: That is a big loss.

Mr Trumble: It is large.

Senator GALLAGHER: There is no guarantee that you will be able to maintain the opening hours or your current program of events, but you—

Mr Trumble: My own feeling is that I very much hope to maintain our existing programs and our opening hours as they are. Obviously, we will have to look at, for example, the potential for savings in some models. For instance, we will look again—we have looked at it in the past—at what the impact of closing on Monday might be.

Senator GALLAGHER: And?

Mr Trumble: That work has not yet been done by me. It has been done in the past. On the whole, my instinct is that it will not make an appreciable difference in terms of savings.

Senator GALLAGHER: Thank you very much, Mr Trumble, for your patience this afternoon. Would the National Film and Sound Archive Australia or the National Gallery of Australia like to go next?

Mr Loebenstein: We are next in the seating order. The impact of the MYEFO adjustment to the National Film and Sound Archive of Australia's budget will be: a \$387,000 reduction this current financial year; a \$890,000 reduction in 2016-17; a \$897,000 reduction in 2017-18; and, finally, a \$905,000 reduction in 2018-19. That is working off a government appropriation of around \$25 million, rounded over the course of the forward period.

Senator GALLAGHER: That is a lot of money to find in a short time. What plans have you put in place to meet that savings regime?

Mr Loebenstein: It is very much along the lines of what my colleagues have already reported. The CEOs, directors and director-generals of the collecting institutions regularly talk about how we can approach measures like these across the sector. There is a great degree of dialogue amongst us because we are all pragmatically in the same situation and have been for a while. I can summarise it as: try to do things differently, look at everything that is discretionary, focus even more on what work is undertaken in the agency that is unique and look at all of us as a mosaic of organisations that add up to a whole of the national collecting sector here in this country. We will take a good hard look at what is expendable, what can be faced differently, what we can reduce doing and what we can stop doing. So it is no different than the other agencies. In the expenditure mix of the National Film and Sound Archive, employee benefits make up 70 per cent of our appropriation, about 20 per cent is supply expenses—you will appreciate that there is very little discretion in that space; it only amounts to about \$5 million per annum—and property operating expenses only make up 10 per cent. So we are confident, unfortunately, that we will have to look at our staffing base again.

Senator GALLAGHER: What does that look like? That means looking at seven or eight staff at least, does it?

Mr Loebenstein: I cannot really tell at this stage. We have started engaging not only with management in the NFSA but across the organisation, informing our workforce that after an organisational restructure and fairly substantial staffing losses about 18 months ago we would again be going through a process of looking under every single rock and looking at every single aspect of our business. We were very transparent with our workforce this time around that staffing losses will be unavoidable, but that we did not yet—and still do not—

know the scale. You can do some rough calculations based on an FTE average, but that is averages, that is statistics; that is not people. Until we finish the process of consulting across the organisation and working with our senior managers, our line managers, our workplace consultative committee and our staff representatives to sort out what aspects of our work we are going to do differently, we will not know what those staffing losses will be.

Senator GALLAGHER: How many staff do you employ now?

Mr Loebenstein: You will appreciate that there is always a rounding issue with the difference between ASL and FTE, but I am confident in saying that we are tracking at about 173. It is a mix. The NFSA is a national organisation. Our headquarters are in the Australian Capital Territory. We have around 140 staff here in the ACT, about 25 staff in New South Wales—that is in Pyrmont—and about nine staff in Melbourne. All of those numbers fluctuate with the use of casuals and contractors.

Senator GALLAGHER: Are you looking at reducing from the three work locations?

Mr Loebenstein: No, we are not. Of course we will do due diligence and it is something we have discussed with our senior managers, only last week, that we will again look at the justification for operating a presence in both Sydney and Melbourne, as well as at our mix of staff accommodation and storage sites in the ACT—that is in Acton as well as in Mitchell. The NFSA has several warehouses: a mix of owned warehouses as well as leased properties. However, we did sharpen the focus on our national presence and on our presence in Sydney and Melbourne only two years ago. So I am confident to repeat the message here that we have given our staff in Sydney in Melbourne, that, while we do not know what the number and mix of staffing losses will be, we are not looking at closing down any of our sites—not Mitchell, Acton, Pyrmont or Melbourne.

Dr Vaughan: The National Gallery will lose, as a result of the cuts, \$4 million over the next 3½ years. This year, it comes in at just under half a million dollars. Then the annual average, ongoing, will be about \$1.15 million. Our overall funding from government comes in two parts. The basic operating funding at the moment is \$33 million. Two-thirds of that goes on salaries. But, because of the nature of our business, we have a separate capital grant of \$17 million. This gives us some money for acquisitions, but above all it goes towards conservation, to making sure we are in a position to look after the collections—to store them, to protect them, to repair them. It is not just what we hang in the NGA here in Canberra. Last year we lent nearly 2,000 works that went out around the country and we had six travelling exhibitions. All of that needs to be taken into account.

Senator GALLAGHER: That is not affected by the efficiency dividend—the capital budget, the \$17 million?

Dr Vaughan: The \$4 million essentially relates to the operating budget. Our story is very similar to all the other stories you have heard this afternoon—and the remedies are similar, I think. We are looking at staff—

Senator GALLAGHER: You have not had a meeting to discuss this, have you?

Mr Vaughan: We do talk to each other.

Senator GALLAGHER: A little caucus!

Mr Vaughan: It is about staff and programming. We are doing what others are doing. We probably will have to lose staff. That sum of money would translate into more than 10 staff, which would be quite substantial for us.

Senator GALLAGHER: What is your staffing level?

Mr Vaughan: The FTE at the moment is around 240. It will need to go down, there is no question about that. But it will not all come from staffing. We are also looking at our programs, our activities, other things we can cut back and asking those questions about what is absolutely essential and not absolutely essential, or discretionary. It is a very similar process to everybody else. We certainly want to keep the major blockbusters in place, because they generate income. We sell tickets and use the profits from those big summer blockbusters to pay for all the other smaller exhibitions that we do through the year that we do not charge for. For example, in April we are opening the Fiona Hall installation from the Vince Biennale. It is coming back to Australia and coming to the NGA, which is going to be fantastic. But it is very expensive to bring in. We have been fortunate that we have gone out to our friends in the community and we have raised a substantial sum of money that will assist us in covering those costs.

Senator GALLAGHER: Can you take me back there. You have gone out to raise money for that?

Mr Vaughan: Yes. We have private supporters and friends in Australia who have contributed a significant sum of money to make it possible for that Fiona Hall show to be presented at the NGA.

Senator GALLAGHER: But if that is going to be opening in April, you had already signed up to it.

Mr Vaughan: We had.

Senator GALLAGHER: Then you were in a position where the need for savings would come in and it would be difficult—

Mr Vaughan: We had already signed up for it, but it was on the edge, if I can put it like that, in terms of how we were going to pay for all the costs.

Senator GALLAGHER: Is that one that the ACT government is supporting?

Mr Vaughan: I do not believe so. The ACT government tends to support the big summer shows.

Senator GALLAGHER: The blockbusters.

Mr Vaughan: Exactly. Like other agencies, we have a reasonably good track record at raising money in the community from non-government sources. Certainly we will be giving more attention to that side of what we do as we go forward. Just to conclude, we are going to find these savings through a mixture of staff reductions and program reduction. We are having a council meeting in two weeks time where a number of options will be put to the council and there will be a debate and discussion. I hope that we will get to the conclusion of that meeting with some decisions made as to precisely how we are going to deal with managing these cuts to the budget.

Senator GALLAGHER: I am interested in the April exhibition. Correct me if I am wrong, but from your evidence it sounded like you have had to go out quite late in the process to raise additional money from your private supporters.

Mr Vaughan: Yes, but not as a result of the cuts. As you quite correctly said, we had made up our minds that we wanted to do this exhibition. It is not just the cost of getting things here and installing them, but we want the whole country to know. A big chunk that money would go in advertising.

Senator GALLAGHER: So you have no money for advertising yet.

Mr Vaughan: Marketing, advertising, whatever. If it had not come in, that would have been reduced and fewer people would know about the exhibition. It is just one of those things.

Senator GALLAGHER: Are you considering any changes to opening hours and things like that at the National Gallery?

Mr Vaughan: Everything is on the table. So far as the council is concerned I would not expect that that would be a decision, but everything is open. There will be a very full debate in two weeks time about what we are going to do with each of the options that we will be presenting to the council.

Senator GALLAGHER: Presumably, once everyone's various boards and governing councils et cetera have considered these cuts and approved where to find the savings, that would then land on your desk, Minister? Is that correct?

Senator Fifield: I stand to be corrected, but I think the particular agencies are given their budgets and the boards and managements make their decisions. I am not aware that there is a need for me to sign off their decisions. I think that is a matter for the council of the institution concerned.

Senator GALLAGHER: But presumably you have an interest.

Senator Fifield: Absolutely, but that is really a matter for the council and management of the particular institution. I have no doubt that in approaching decisions there would be close discussion between the particular institution and the Ministry of the Arts and that I would be briefed and updated accordingly.

Senator GALLAGHER: I would presume that the government would be interested in how those savings would be made.

Senator Fifield: Certainly. I have visited each institution, with the exception of the Bundanon Trust, so I am staying in close contact with each of the institutions.

Senator GALLAGHER: I hope they will tell you how tight their budgets are.

Senator Fifield: They tell me lots of things.

Senator GALLAGHER: Full and frank advice, presumably.

Senator Fifield: I do need to put in a plug for the National Film and Sound Archive. On the first Friday of every month it is open house in the evening at the Film and Sound Archive, where people can bring their favourite vinyl and play it in a collective environment. People are not backward in sharing their thoughts about what is played, how long it should be played and when it is time to put something else on the turntable.

Mr Loebenstein: We are crowd sourcing that now.

Senator BACK: Look no further than to your right.

CHAIR: You have a fine DJ in your minister. Thank you for that, Minister. If any of you have any other exhibitions or programs that you would like to put on the comment record, now is the time to mention them, as the minister invited you before. Apart from the fine Tom Roberts exhibition that is on at the moment.

Ms Schwirtlich: We would be delighted to see you at the National Library's Celestial Empire exhibition until 22 May, spruiked by Minister Fifield—

CHAIR: And the PM as well, I understand.

Ms Schwirtlich: to the committee this afternoon. You can trust him.

Mr Trumble: May I add, in the spirit of collaboration which is increasingly marking our institutional relationships, Michael Loebenstein and I are developing a joint project out of their collection but to be displayed in the National Portrait Gallery. It is an exhibition which documents the history of the film industry in Australia from the very beginning. That is a wonderful opportunity—they have great collection and nowhere to display it; we have a gallery and none of the pictures. It is a no-brainer.

CHAIR: That is fantastic. When is that opening?

Mr Trumble: It is scheduled for 2018. These things have a slow gestation, but it will be a knockout.

Mr Loebenstein: Something that is significant about that collaboration is not only that two national collecting institutions collaborate, and that the exhibition will be on show at the National Portrait Gallery, but that it is one of the touring exhibitions that is then supposed to go to regional galleries, ranging from AA galleries down to very modest community-run organisations. It is something that the NCIs do with limited funds and collaboratively that benefits all Australians.

CHAIR: I am particularly delighted to hear that. Late last year the minister was in WA. We visited a number of WA arts organisations and heard a very similar message from them. That is taking a very different approach—not putting up the walls against each other, but working out how you can support each other and have a much better experience in whatever artistic endeavour it is. So I commend you all for that. As people who love what you do, I think it can only be a good thing. Thank you all very much for appearing today.

Mr Vaughan: Very briefly, we have just finished a complete rehang of the collections, especially the Australian collections. Instead of just having a chronological line, we are taking works from the enormous collections we have, and every room in the Australian area on level 1 is a separate theme. So it is like a mini-exhibition. So it is a new way of engaging with the national collection. Just picking up on Michael's point, we are saying to all the directors of the regional and state galleries: 'If you see one of those rooms that you like the look of as a mini-exhibition, then ask for it and when it finishes in Canberra we can send it to you.' It is the same principle.

CHAIR: Thank you, that is also very encouraging. A lot of us have seen the Centenary of Anzac exhibitions that have been going around, particularly from the national Australian War Memorial. It has just been the most wonderful response we have had from people in rural and regional Australia and in capital cities who are getting access to some of the works that they would never otherwise get to see. Thank you and I commend all of you for that approach. Thank you for very much appearing. I am not sure when it is that we will get another such an esteemed gathering, but thank you all for being here today.

[17:46]

CHAIR: I now call officers from the department in relation to program 2.1, Arts and Cultural Development.

Senator BILYK: I have a quick question for you, minister, to start with. When can we expect the government's response to the recommendations of the Senate inquiry into arts funding?

Senator Fifield: I guess there is a formal response and there is an informal response. The formal response will come in the ordinary course of events. There a timeframe within which governments need to respond.

Senator BILYK: Are you not inclined to make your response sooner rather than later?

Senator Fifield: We will observe the protocols of the Senate in relation to the formal response. In terms of a practical response, in a sense that has already been delivered through my announcement that there would be \$32 million redirected to the Australia Council and that the program, in prospect NPEA, be refocused and renamed. That is really the substantive response to the work of the committee.

Senator BILYK: Will there be a formal one?

Senator Fifield: Absolutely, there will be a formal one as well.

Senator BILYK: I note in your interview published in *The Australian* on 2 February that you are not going to produce a cultural policy and that:

Anything that might resemble a policy or strategy for the arts should come from the sector itself.

Are you saying now that the cultural sector is expected to write the government's arts policy?

Senator Fifield: No, what I meant, and I am sure reading whole article in context you would see—in fact, I think there was a break-out paragraph in the piece that had me quoted as saying that government does not necessarily know best—and I do not think government does necessarily know best.

Senator BILYK: It certainly did not with Senator Brandis's arts fund.

Senator Fifield: I am of the view that, as well meaning and as engaged as a minister may be, declaring a national cultural policy from on high is probably not the best way to go. I think it is something that should be done in a collaborative fashion. The starting point really is to take a look at that which government currently does to support the arts.

I think there is probably not necessarily a great enough appreciation of the ways in which government does support the arts and has done historically. I think the starting point is to look at that, and then to see where there might be some gaps or things that can be done better. That is something I would like to do collaboratively with the sector in the broader sense rather than in declaring 'The Mitch Plan' from on high.

Senator BILYK: Unlike Senator Brandis with his slush fund, which is exactly what happened.

Senator Fifield: I do not think that is a reasonable characterisation of what Senator Brandis was doing—

Senator BILYK: That is exactly what happened there.

Senator Fifield: In response to that point, Senator, every dollar of state government arts funding is administered by their state equivalence of the Ministry of the Arts. So it is not something that is unusual—that there is a discrete program that is administered by a government department.

Senator BILYK: I am pleased to hear you talk about collaboration and a collaborative approach. Will you be inviting people to participate in some way?

Senator Fifield: I am in constant discussion and immersion with the sector. Discussion and collaboration are not things that are defined by a particular process. It is really something that flows, hopefully, from the way in which a minister continually engages with the sector.

Senator BILYK: My next question is to Ms Basser. I note the return of funds from the Brandis slush fund to the Australia Council. How was the amount of \$8 million a year determined? You have said previously in a Senate inquiry—and it is in the transcript—on 23 November that it was on the advice of the Australia Council, but you were here today when the Australia Council CEO denied that. Do you still maintain that this was on the advice of the Australia Council or would you like to correct the record of your evidence to the Senate inquiry?

Senator Fifield: Perhaps I might contribute here. The amount that was returned to the Australia Council was ultimately determined by me. It was my decision—a decision of government. There were a number of discussions between myself and the Australia Council and between the Minister for the Arts and the Australia Council. As we canvassed briefly earlier when Mr Grybowski was at the table, there were a range of different numbers and different scenarios discussed. Amongst those discussions, that particular quantum was one of the quantum that were in discussion. I reached the conclusion that that would make a significant difference to the work of the Australia Council. Ultimately it is a matter for me. That is the quantum that the government decided to return. Obviously, Ms Basser was part of some of those discussions and I was part of some of those discussions as well.

Senator BILYK: Thanks for clarifying that, Minister, because in the transcript from 23 November of the Senate inquiry Ms Basser said:

... \$8 million was the amount that the Australia Council identified that they considered would enable them to address the shortfall of the issue with the small to medium arts companies.

She was then asked by Senator Ludwig:

Where did the figure of \$8 million come from?

Ms Basser's reply was:

The Australia Council.

It went on a bit, and then Ms Basser was asked another question. She said:

The \$8 million was identified by the Australia Council as an amount that would address the issues and the gaps for the small-to-medium sector.

What we were trying to clarify there was where this number of \$8 million came from. We heard Mr Grybowski say today that different numbers were thrown around. You have said that you decided on it, so that has answered

one of the questions. I have some other questions following it. But I am now offering Ms Basser the opportunity to go out and correct the record from the Senate inquiry, because what she said was untrue.

Senator Fifield: No. I am sure Ms Basser will add to what I am saying, but there were a range of quantum that were—

Senator BILYK: Absolutely, and that is contrary to the evidence that Ms Basser gave to the Senate inquiry on 23 November.

Senator Fifield: No, not at all. That was one of the quantum which was in discussion that would make a difference. Obviously, the Australia Council were also talking about other numbers as well that would have been their preference, but there were a range of quantum that would not have made an appreciable difference, and there were a range of quantum that would have made an appreciable difference. And so that \$8 million figure was one of the range of quantum which was discussed as having made an appreciable difference. That is not inconsistent with the Australia Council's stated desire that they would have preferred that it was a higher figure.

Senator BILYK: I absolutely agree.

Senator Fifield: I do not think there is any inconsistency between—

Senator BILYK: Ms Basser's evidence is inconsistent with the fact that the Australia Council also would have taken more and wanted more and were not the only people to decide. The evidence given was that the Australia Council made the decision that \$8 million was enough and that is what happened.

Senator Fifield: No.

Senator BILYK: The question was, 'Did you or the minister come up with that figure of \$8 million?' Miss Basser said:

The \$8 million was identified by the Australia Council as an amount that would address the issues and the gaps for the small-to-medium sector.

Ms O'Loughlin: If I can clarify, that last part of your sentence is what Mr Basser was talking about. It was an amount of money that could be returned—

Senator BILYK: One amount of many.

Ms O'Loughlin: An amount of money which would specifically address the concerns of the small-to-medium organisations.

Senator BILYK: But one amount of many.

Ms O'Loughlin: No.

Senator BILYK: The minister said he made the decision on the \$8 million.

Ms O'Loughlin: It was an amount which the Australia Council felt would specifically address the express concerns of the small-to-medium agencies. That is correct. I would also add that nobody has implied that the Australia Council would not have preferred to get all the money back to them.

Senator BILYK: Ms O'Loughlin, with due respect that is not true because Miss Basser did imply that—and if you get the transcript from the Senate inquiry of 23 November it very clearly does imply that.

Ms Basser: That was not the question I was asked.

Senator BILYK: I have the transcript here.

CHAIR: Senator Bilyk, you have asked a question. Please give the official an opportunity to answer it.

Ms Basser: The specific question I was asked was where did the \$8 million number come from. The \$8 million was a number, among a few, that was discussed with the Australia Council and was one of the numbers the Australia Council identified as an amount that would maintain a funding pool of \$22 million for the small-to-medium sector. That was one of them. I was not asked, 'Was it their preferred option?' If I had been asked, 'Was it their preferred option?' I would have said, 'Their preferred option is to have all the money returned.' But the number of \$8 million was one of the figures suggested by the Australia Council as one of the options that could retain a smaller version of the new program and address the concerns regarding the small-to-medium organisations, as Ms O'Loughlin has said. I have never said that it was the Australia Council's preferred option. The Australia Council was simply assisting in identifying a workable way forward between, as I said in my evidence at that hearing, a whole range of options that were on the table.

Senator BILYK: Can I suggest that you go back and read the transcript from 23 November. Have a look at it and decide if you think you need to correct the evidence there, because there is clearly the implication and

insinuation that you have implied that the idea came from the Australia Council. In fact, when asked whether you or the minister came up with a figure of \$8 million, you said no very clearly.

Ms Basser: The number was one of a number of options that were suggested and discussed with the Australia Council. I stand by my evidence.

Ms O'Loughlin: Can I just add that we have looked at this very carefully. We have looked at this transcript and we have talked to the Australia Council. We do think there has been a bit of a misunderstanding, and Mr Grybowski mentioned that this morning. But, Ms Basser, in conversation with the Australia Council and a number of parties, was looking at what would be a viable option of a change to the program that would help the Australia Council address the concerns of the small and medium organisations that keep Catalyst as a viable program. So there were a number of discussions, and, in that, the \$8 million was recognised as an amount that could help the small to mediums and that is the advice—

Senator BILYK: As Mr Grybowski said earlier, there was a number of amounts that would have helped, including the full funding.

Ms O'Loughlin: Exactly. This was about returning the \$22 million the Australia Council's support for small and medium organisations each year. This was a number associated particularly with those small and medium organisations.

Senator BILYK: I do have more questions, and I think we are just going to go round and round in circles, but I would once again suggest that you have a look at the transcript and see if you might not need to change it.

CHAIR: Senator Bilyk, this is the second time you have said that, and I think that—

Senator BILYK: I am entitled to say what I like and ask the questions that I like, Chair.

CHAIR: But, Senator Bilyk, both Ms Basser and—

Senator BILYK: Well—

CHAIR: Senator Bilyk! I would ask you to move on or—

Senator BILYK: I just said I was going to.

CHAIR: I think it is starting to become a bit inappropriate, because clearly you have asked the same question, and you are impugning that Ms Basser is either telling an untruth or has a recollection that you do not agree with. Either way, I do not think it is an appropriate line of questioning.

Senator BILYK: Well, Chair, I have the transcript, so I know what I can read.

CHAIR: You are perfectly entitled to come back, but I think the official has been very clear in her recollection of her—

Senator BILYK: If they need you to support them, that is fine.

CHAIR: Senator Bilyk, she has been very clear in her recollection of the testimony she gave on something that she is very familiar with, as is the Deputy Secretary.

Senator BILYK: As they might.

Senator Fifield: Chair, just to assist, let me reiterate that ultimately it was my decision.

Senator BILYK: And I have already acknowledged that, Minister.

CHAIR: But, Senator Bilyk, I also participated in a number of those hearings—

Senator BILYK: Not in all of them.

CHAIR: Not in all of them, but I also have quite a different recollection to you of some of the evidence given. Anyway, let us move on, but please just be respectful.

Senator BILYK: Mr Grybowski said earlier that he would have liked the amount returned in full. Can you tell me why that advice was rejected, if you accepted the \$8 million?

Senator Fifield: As I said earlier, when I came into this portfolio as the Minister for the Arts it was mid-way through the department's consultations with the sector about the guidelines for the NPEA. It is also part way through the Senate's inquiry into this area. I decided that I would take a fresh look at the proposition. I do not have an issue of principle with there being a discrete program administered by the Ministry for the Arts. There have been others, and continue the other programs, administered by the Ministry for the Arts. I thought that it was a good idea to look at something different, a new way of opening up opportunities for some organisations that might not otherwise have the opportunity to make an application for government funding. I took on board some of the feedback that I had received that there should be a rebalancing of funds back towards the Australia Council, which I announced in the form of \$32 million. I also decided to refocus, to more tightly focus, the guidelines for

the program and to rename it to Catalyst, to highlight that we are putting more of the messages on innovation and the recognition that the arts is an important part of helping to sustain a culture of creativity, and a culture of creativity helps more broadly to support a culture of innovation in the community. So it was my judgement that it was appropriate to have a slimmed down more focused program and to return \$32 million to the Australia Council. It is ultimately a decision for government. The Australia Council, like any institution, would appreciate more rather than less funding. But the Australia Council, nevertheless, does have \$190-odd million per year, which is not an insignificant amount. Ultimately, the answer to your question is: that was my decision.

Senator BILYK: Did you receive any written briefs about the \$8 million?

Senator Fifield: My discussions with the department and with the Australia Council were significant. Yes, obviously, there would have been a range of different briefing materials provided to me, but what I find the most helpful and determinative are the actual discussions that I have with people like Mr Grybowski and Ms Bassar, as well as those in the sector.

Senator BILYK: How was the decision recorded?

Senator Fifield: There would have been a decision minute prepared for me which I would have signed to give effect to that which I had determined.

Senator BILYK: Are we able to see that document, Minister?

Senator Fifield: We will take that on notice. In the ordinary course of events, I do not think we necessarily provide advice to government to the committee, but I am happy to take that on notice.

Senator BILYK: The guidelines for the ministerial grants fund have been published. The Australia Council is described as the 'Australian government's principal arts funding body'. No mention is made of its advisory role. The Australia Council describes itself on its website as the 'Australian government's arts funding and advisory body'. Is the Australia Council no longer the government's source of arts advice—or the principal source?

Senator Fifield: The government has a number of sources of arts advice—the Australia Council, the Ministry for the Arts, the range of collecting institutions and, also, the sector more broadly. They are all sources of advice to the government. But, obviously, the Australia Council is one of the principal sources of advice. The Minister for the Arts is one of the principal sources of advice as well. I guess, by definition, the Australia Council, given that it is at arm's length from government, is the principal source of advice in relation to its own expenditure, because it determines what the expenditure is within its budget.

Senator BILYK: How does this fit with section 9 of the council's act which lists as one of its functions:

(f) to provide information and advice to the Commonwealth Government on matters connected with the arts or the performance of the Council's functions;

What is the role of the Australia Council under the Turnbull government?

Senator Fifield: Its role is that which is within the act.

Senator BILYK: Has its role changed though?

Senator Fifield: No, because its role is a function of the legislation that establishes it.

Ms O'Loughlin: If I could just add something there: I think the focus on the Australia Council's role as a principal arts funding body was really because it was in a guideline about the funding. It was really focusing on the three areas where funding was available in the guidelines, identified as the Australia Council, Creative Partnerships Australia and the Ministry for the Arts. But there has been no change to the role of the Australia Council in terms of its advisory role.

Senator BILYK: Should the guidelines be changed?

Ms O'Loughlin: It is a summary. If it causes confusion, we will change them. But it was more that we wanted three succinct paragraphs describing—

Senator BILYK: Ms Bassar is shaking her head, saying 'no'.

Ms Bassar: No, I agree. I am saying exactly—

Ms O'Loughlin: It is just a summary.

Ms Bassar: that it is a summary. There is no intent whatever.

Senator BILYK: So if I make a request here to have those guidelines changed to include it, is that okay?

Ms Bassar: Yes, that would be fine.

Ms O'Loughlin: We would be happy. If there is any confusion, we are happy to amend the guidelines.

Senator BILYK: Thank you. Applications for the new Fifield ministerial fund have now opened. I note that three grants have been made. How many applications were received?

CHAIR: Which fund was that?

Senator BILYK: Minister Fifield's new arts fund.

Ms Bassar: There is a capacity for fast-track applications. Three of those have been announced. Do you want me to take you through those three?

Senator BILYK: Can you just give me the names?

Ms Bassar: Of the three?

Senator BILYK: Yes.

Ms Bassar: The three successful ones were the Suzanne O'Connell Gallery and Associates partnering with the Girringun Aboriginal Corporation; Hush Music Foundation; and The Last Great Hunt. The reason they were fast-tracked was that they needed confirmation early for making those commitments. But to date we have received just over 150 applications.

Senator BILYK: There is scope within the guidelines for the fast-tracking?

Ms Bassar: Yes, the guidelines provide specifically for fast-tracking and the reasons for that, and the guidelines are clear. Applicants are able to make a specific application for a fast-track, and we assess that and test that with them about what the deadline is.

Senator BILYK: With those 150—I am not asking for names of organisations—would you be able to categorise the types of applicants: percentages from individuals or from small organisations and that sort of thing?

Ms Bassar: Certainly. Over the holiday period—over Christmas and January—127 applications were assessed. Each application was assessed by two members, independent external assessors from the register of assessors and one internal assessor from the Ministry.

Senator BILYK: That meets the requirement of the three assessors?

Ms Bassar: That is right. The proportion of applications: 82 per cent of the applications were from small to medium organisations. There were 29, or 23 per cent of the applications, in the partnerships and collaboration stream.

Senator BILYK: Included within that 82 per cent?

Ms Bassar: No, this is now another categorisation, if you want some details on the nature of the applications. The international and cultural diplomacy stream had 30 per cent of the applications, and 47 per cent were in the innovation and participation stream.

Senator BILYK: Sorry—where were the 29, then?

Ms Bassar: Sorry—29 was the hard number.

Senator BILYK: So, 29 is 30 per cent.

Ms Bassar: No, 29 was 23 per cent of the applicants.

Senator BILYK: Sorry: you said 82 per cent came from small or medium—

Ms Bassar: Let me take you through the numbers. There were 127 applications assessed.

Senator BILYK: Well, just give me hard numbers, and don't mix hard numbers and percentages.

Ms Bassar: Okay: 104 of the 127 applications were from small to medium organisations. Of the 127 applications, 29 were to the partnerships and collaboration stream; 38 were to the international and cultural diplomacy stream; and 59 were to the innovation and participation stream. Do you want some breakdown of art form representation?

Senator BILYK: Yes.

Ms Bassar: The art form representation was as follows: art support or development, 46 applications; circus, four applications; community arts, 29 applications; craft, eight applications; cross-art-form, 39 applications; cultural heritage, 30 applications; dance and physical theatre, 29 applications; design, 11 applications; digital arts, 20 applications; literature, 13 applications; music, 41 applications; opera and musical, six applications; screen based art, 11 applications; theatre, 55 applications; and visual arts, 35 applications.

Senator BILYK: Did you receive any from the national cultural institutions or state institutions, such as museums and art galleries?

Ms Bassar: Yes, we did.

Senator BILYK: Can you tell me how many?

Ms Bassar: I would need to take that on notice.

Senator BILYK: Thank you. What have been the administrative costs of the program to date? How much has been spent on assessors' fees?

Ms Bassar: I would need to take on notice how much has been spent.

Senator BILYK: And just quickly, are you able to tell me how much funding was cut from the Ministry in MYEFO, and which programs would have to be discontinued and reduced?

Ms O'Loughlin: There were administrative program cuts of \$9.6 million for the arts programs over the forward estimates.

Senator LAZARUS: [inaudible] Queensland.

Ms O'Loughlin: This is money within the Ministry that has not been allocated to anybody. The Ministry's budget has been decreased by \$9.6 million. The major part of that is the \$6 million in savings from not continuing with the Book Council.

Senator BILYK: Thanks for that. I am just aware of the time. I do have some more on MYEFO, and I also have some on the Australian World Orchestra grant, but I might put them on notice. I do, however, want to have a look at the Suzanne O'Connell Gallery, the Oceanographic Museum of Monaco grant money of \$485,450 that was received. From the outset I will say that I am in no way being critical of the artwork, am making no judgement about the artwork involved. I am strictly interested in the process and procedures involved behind that. Are you able to tell me when the application was received by the Ministry?

Ms Bassar: I do not have that detail with me. I would need to take that on notice.

Senator BILYK: Are you able to tell me anything about the business case for the project?

Ms Bassar: Again, each application has to provide a full business case, and that application, as with all the applications, was assessed by two external assessors and an internal assessor. So, again, I would have to take the details of that on notice.

Senator BILYK: Yes, if you could, thank you. Are you able to tell me how much was requested? I know how much they received, but how much was requested?

Ms Bassar: Again, I would need to take that on notice.

Senator BILYK: Are you able to tell me how much money was already committed or spent by the Suzanne O'Connell Gallery?

Ms Bassar: Again, it was a partnership application, so there were a number of parties who provided a partnership, and I will need to take on notice to get those details.

Senator BILYK: Now, we know the grant was announced on 2 February. Is that correct?

Ms Bassar: Yes.

Senator BILYK: When was the Suzanne O'Connell Gallery informed that it was successful?

Ms Bassar: I would need to take that on notice as well.

Senator BILYK: Would the project have proceeded if the Ministry had not provided the grant of \$485,450?

Ms Bassar: I will take all those questions on notice in terms of the details of that.

Senator BILYK: Are you able to tell me what representations were made—are you telling me you do not have anything here about the Suzanne O'Connell—

Ms Bassar: Yes, I do, but this project is in partnership with the Girringun arts organisation. The project will be supporting 50 participating artists, who are largely Indigenous, to develop an exhibition of Australian and Aboriginal and Torres Strait Islander artists' works that will be taken to Monaco. There will be six visual arts installations made up of 47 individual new works, dance performances, exhibitions, support materials. This has been developed in collaboration with small to medium arts organisations, including Indigenous arts centres of North Queensland and the Torres Strait Islands.

Senator BILYK: Is that just the information that is on the website there?

Ms Bassar: I am not sure of the details of what is on the website.

Senator BILYK: Well, where did you get that information from, then?

Ms Bassar: That is information about the project that I have with me.

Senator BILYK: All that you have with you?

Ms Basser: Yes.

Ms O'Loughlin: Senator, we do not have those details with us. I think it is fair to say, though, that it is the type of activity that the catalyst program was really designed to fund—something that had partnerships involved in it. So, to answer your question around whether it would have happened without Commonwealth money: probably not, because those partners needed another partner to make it work for them. It is also a large-scale international project, which would not necessarily proceed—

Senator BILYK: I understand that.

Ms O'Loughlin: So, it has a lot of advantages to it that we considered. But we are happy to take the details of that on notice and give you—

Senator BILYK: I just have a few more questions I might ask you, but you will probably have to take them on notice. What representations were made on behalf of the Suzanne O'Connell Gallery or in support of the project by Mr Tony Abbott?

Ms Basser: There were no representations by Mr Abbott.

Senator BILYK: Who assessed the project?

Ms Basser: We are not disclosing who assessed the individual projects. We will at the end of every calendar year provide an overall list of the independent assessors that we have used throughout the year.

Senator BILYK: Okay, but can you give the breakdown like you did before—whether it was two members from outside and one internal?

Ms Basser: It was the same—it was two independent external assessors, drawn from the register, and one internal assessor.

Senator BILYK: And how was the figure of 500,000 visitors to the exhibition arrived at?

Ms Basser: Again, I would need to go back to the business case for the details of the application.

Senator BILYK: And while you are doing that you might tell me what the money will actually be spent on—the total cost of the project. And has all the money been raised? Also, I am interested in finding out more about the public programs at the Oceanographic Museum of Monaco—what they are specifically and what the funds will be spent on and how much of the money will be spent on those public programs. I am also interested in how, to quote the minister's media release, the project will 'strengthen Australia's reputation as a sophisticated and artistic nation and forge new relationships with French cultural institutions'—specifically, which of the French cultural institutions? I am also interested in the fact that \$485,450 would actually have funded two organisations for a year. I just find it astounding that one organisation could get—

Ms Basser: But it is going to 51 individual artists.

CHAIR: Senator Bilyk, I will just remind you that we have minutes.

Senator BILYK: Senator Lazarus, did you have questions?

Senator LAZARUS: No.

Senator BILYK: Okay. I am aware of the time, and I will put anything else I have that is to do with the arts on notice so that the department can leave. Thank you.

Proceedings suspended from 18:23 to 19:30

CHAIR: We now turn to program 1.1 Digital technologies and communication services.

Senator URQUHART: The 2015-16 budget includes an allocated amount of \$16.88 million for the Community Broadcasting Program. Is that correct?

Ms O'Loughlin: Yes.

Senator URQUHART: Can you confirm that \$3.868 million of that funding is allocated to community broadcasting on digital radio.

Ms O'Loughlin: \$3.686 million for digital community radio, yes.

Senator URQUHART: The amount allocated to the Community Broadcasting Program drops over the forward estimates from \$16.88 million to \$15.491 million in 2016-17—

Ms O'Loughlin: Yes.

Senator URQUHART: and to \$15.492 million in each of 2017-18 and 2018-19. That is correct, is it?

Ms O'Loughlin: Yes.

Senator URQUHART: From what part of the Community Broadcasting Program is this expenditure cut expected to come from?

Ms O'Loughlin: This relates to some questions that Senator Dastyari also asked this morning.

Senator URQUHART: He dealt with this—okay, that is fine.

Ms O'Loughlin: He did not deal with it. I have an answer for him. I am happy to answer that now. That additional money was one-off additional funding from June 2013 of \$6 million to be provided over three years from 2013-14 to assist the community broadcaster sector with equipment upgrades for digital radio, renegotiating connectivity and transmission contracts and some additional operational costs that they were experiencing at that time. That one-off additional funding concludes in this financial year. Going forward the additional funding ceases, but there is an ongoing level of funding of \$2.28 million annually to support community broadcasting's digital radio.

Senator URQUHART: So that is over the forward estimates?

Ms O'Loughlin: That is correct.

Senator URQUHART: So it is \$2.28 million over the forward estimates. That is what it will be?

Ms O'Loughlin: That is correct.

Senator Fifield: Just to add: Senator Dastyari seemed to be under a misapprehension this morning that there had been a decision of this government in relation to that three-year funding that commenced in June 2013 to terminate funding, whereas, in fact, that one-off funding was a decision of the previous government. The intention of the previous government was that that funding would conclude. The end of that funding represents a decision of the previous government, not a decision of this government.

CHAIR: Thank you very much. If we can turn to the Mobile Black Spot Program. You may not have heard this morning, but Mr Chapman, in answer to a question, was talking about the issue for emergency services of the current lack of bandwidth for emergency services, and how, for over 20 years, integration amongst emergency services across the country and within states and territories has been the Holy Grail. This was not directly in relation to black spots, but I will come to that. What alarmed me is that that is still an issue.

As a senator for Western Australia I was recently with the number of our federal members whose electorates include parts of the Perth Hills, which are highly prone to bushfires every year and are now full of fuel loads and have 40 degree heat et cetera. Driving around it was very clear that the mobile reception in the Perth Hills is shocking. Probably over half of the places we visited had one bar or no bars. It was not just a concern to those of us who represent and live in those areas. Clearly, if emergency services do not have great communications themselves—and I know a lot of them still rely on mobile phones—it is going to be very difficult for people to get alerts. My immediate concern is for the Perth Hills and some of the other areas when you get out of Perth that still have very little phone reception. What connectivity is there and what are you doing, in terms of the Mobile Black Spot Program, in working with emergency services to prioritise areas that are prone to bushfires but also currently have very poor mobile phone coverage?

Senator Fifield: There are two separate but related issues in the context of emergencies. The first is the issue of public safety mobile broadband, which Senator Back touched on this morning, which has been the subject of a Productivity Commission review in relation to what the most effective and economical way of delivering public safety mobile broadband across the nation is. Historically, different jurisdictions have had different requirements and different mechanisms for how they address the needs of emergency services. So that is one issue. Then, in parallel, there is the issue of mobile phone black spots more generally.

Mobile phones are something that have evolved through carriers building their network over time, and that is something that is ultimately for them to do. In recognition of the fact that there are some black spots, then Minister Turnbull and then Parliamentary Secretary Fletcher presided over the first round of the Mobile Black Spot Program, which sought community nominations for the black spots. Commonwealth government money was used to leverage and encourage carriers to develop further base stations in locations to fill black spots. We have just closed nominations for the second round. Issues such as tendency for bushfires is one of the things that is taken into account. Ultimately coverage can only be where there is a telco who puts a proposition forward. We cannot force telcos to put propositions forward, but we do provide money as an incentive for them to do so. So there are two issues in parallel. But I will hand to Mr Robinson to explore this further.

Mr Robinson: As was mentioned, the first round of the Mobile Black Spot Program went very well. I think there are about 490 base stations being funded out of the program. One of the broad objectives of that program was that it would provide mobile coverage in areas of disaster risk, including bushfires. That was pretty much

handled in the assessment process as being sites nominated by the community through MPs et cetera, but also through the state agencies who contributed and nominated sites. We had quite a good input from state governments as to what sites they wanted to contribute as part of the program.

Including GST, \$110 million of Commonwealth money, there was about \$88 million of state government money that helped in funding those sites. As the minister mentioned, we are moving to round 2, and we are going through the nominations of priority sites that have been submitted by members of the public. We got a really large number of those. A large chunk of them might duplicate the original sites or duplicate within this round, and we are going through that to consolidate it all down. You mentioned Perth Hills—

CHAIR: Yes please, I will come to Perth Hills, but one of the things that is very apparent with the programs, and one of the things we are trying to turn our mind to—how to remedy—is that bushfires do not respect jurisdictional boundaries, be they local, federal or state. With community groups and others putting requests in for programs—it is fantastic, and what the Commonwealth is doing is great. I am happy for you to take this on notice after we go to the Perth Hills, but do you have maps so that if we can have a look at the entire Perth Hills after round 2, where the black spots will still be? We can work with the state government, for example, to have a look at how we fill that in so that we do have blanket coverage in those really high-risk fire areas. Would that be possible?

Mr Robinson: We would certainly be happy to look at the maps et cetera and work it through with the local people. I have been told that in the round 2 data, the sites nominated in the public nomination of sites do include areas in the Perth Hills area, which include Pickering Brook, Bickley, Piesse Brook, Gore and Karragullen. They have been nominated for the second round of sites. I might mention, though, that the Mobile Black Spot Program is targeted at non-major urban areas, and parts of the Perth Hills—that would be parts, not all of it—are probably not in that category. Nonetheless, they might benefit from sites that could be funded on the borders. We would be happy to work with people.

CHAIR: Thank you very much for that. That was very helpful. Senator Back, have you any questions for 1.1?

Senator BACK: I do not think so, thank you.

CHAIR: If there are no more questions for program 1.1, I thank you very much. I now call officers from—

Senator BACK: I am sorry, just before you do go—I do apologise. I cannot emphasise enough just how critically important this mobile black spot scenario is—I obviously refer to Western Australia. We had massive bushfires in Esperance, on the southeast coast, in November. There were four deaths—one a local farmer, who ran around his district to warn colleagues, fellow farmers, of the imminent threat and risk of the fire because communications had failed. That is something I will take up with Telstra, and the Prime Minister has kindly visited Esperance since then.

Freddy Curnow died because there was no mobile communication. The other three who died were European people who just simply made a regrettable but fundamental mistake and turned into the face of the fire rather than away from it. It is one of those scenarios now, I think, and it rests with yourselves in terms of responsibility. We are doing a phenomenal job, in terms of the mobile phone rollout. I guess one of the perverse ironies was that of all of the electorates in Australia that got allocations in the first round, O'Connor and, basically, around Esperance were, in fact, amongst the highest in proportion but just were not there yet.

As we all know, whenever you provide a service, all that happens is that people's expectations rise to meet it and beyond it. Chair, thank you for your indulgence. I really do want to say to you how critically important this work is, in pretty well every area where we have got black spots. There are urgent needs—sometimes bushfires, sometimes accidents on roads where you cannot make contact with an ambulance service or whatever. We know that people have died. Nannup is an example I was dealing with last year. So all strength to your arm and please be assured just how critically important this work is.

CHAIR: Just to pick up Senator Back's points, you are quite right about the program being for rural and regional areas which have significant issues, but peri-urban areas like that, particularly where there is high bushland and there are hills, are a particular problem of their own. Sometimes they are not really urban areas, but they are not rural and regional either, but they have got the characteristics of rural and regional areas. We might pursue that separately. Thank you very much for appearing tonight.

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[19:53]

CHAIR: I welcome Mr Morrow back to estimates. Mr Morrow, do you have an opening statement before we go to questions?

Mr Morrow: I do. Thank you very much. We will table the opening statement that I am about to give. First of all, we would like to thank the committee for the opportunity. I would also like to point out that I am joined by my colleague and chief financial officer, Mr Stephen Rue. In the opening statement, we would like to provide the committee with an update on the progress with the rollout since we were here last, in October, and to take you through some of the key operational and financial highlights of nbn's half-yearly report, which we released last Friday and which is now available on our website.

Before I go into the detail, I want to once again assure the committee that we are committed to providing answers to all of your questions. Mr Rue and I will continue to attend, to do our very best to either answer them now or take them on notice, and, of course, if we take them on notice, we will respond as soon as possible. This is always with the caveat that there may be some information that we cannot readily release if it is commercially sensitive. We are conscious of getting the best value for the Australian taxpayer with the funds that the government is injecting into this project, and we have to be very mindful of the commercial and competitive environment in which we are operating.

As far as the overall direction goes, in general terms we finished calendar year 2015 on a positive note, with momentum continuing to build in the rollout of the five access technologies. But, as I have said publicly, 2016 will be a tipping point for connectivity for all Australians. It is a crucial year for the company to continue the momentum we have built and scale the deployment and take-up rates. During the six months ending December 2015, we largely focussed on building and strengthening a number of the underlying elements that are essential to sustain the large scalability required in the coming years. This meant (1) carrying out a number of pilots and trials of our new technologies, including fibre to the node and HFC, (2) strengthening our processes—particularly on our back-end systems for activations, assurance and customer support, (3) putting in train new agreements with our business partners, (4) releasing new commercial products and (5) increasing workforce capability that is so important in ensuring the capacity exists to meet the demand.

If I can just speak generally about the rollout progress, we can definitely see an appetite for connecting to the network building rapidly, as the footprint now extends to more than 1.7 million homes. This year, we plan to start construction or complete work across a further 1,500 suburbs and, by the end of June this year, we believe nearly one in four homes will be able to order a service on the network. By June of 2018 we are targeting three in four homes. We now have more than 780,000 active end users at the end of January 2016 and, just prior to Christmas, we reached a new milestone of over 10,000 activations per week. I am pleased to report that we have just had two consecutive weeks of above 13,000 activations. This compares to about 4,000 per week just over a year ago and reflects the increase in marketing and take-up of nbn services from our retail service providers. More than half of the cumulative number of premises activated and ready for service reported in December 2015 occurred during that calendar year, again reflecting the significant acceleration over the last 12 months as we began to scale the rollout. In fact, roughly half of the nation's homes and businesses are now either in the design process, under construction or in fact ready for service.

I will provide you with a bit of a snapshot of the half-yearly financials. With the growth in active premises at a 10 per cent improvement in average revenue per user, at 31 December our growth and revenue continues to build. Capital expenditure for the last six months to 31 December was \$2.1 billion, continuing to reflect investment in the network—particularly the design and build of our FTTP, FTTN and HFC networks, plus the IT systems that support the build and our customers. Of course we are currently relying on the equity funding from the Commonwealth government, which currently stands at \$16.4 billion out of a total equity commitment of \$29.5 billion. The cost per premises, at the end of December, continues to be broadly in line with our corporate plan 2016 projections, including the fibre-to-the-node service areas completed at the end of December.

So with these improving results, we remain confident that the momentum is sustainable. And why do I think this? Because we know we now have contractual agreements in place with 10 different delivery partners to design and construct a fixed line footprint across Australia. The competition we are seeing for these build contracts sends a positive signal from the industry that we are doing the right things and that they have more confidence that we are solving some of the problems of the past. We are further leveraging industry and network knowledge by working with the existing HFC network owners to put in place construction management contracts for the HFC portion of the network build.

We also want to move from just building to also making sure that we can activate and run the network. To do this we are maintaining capability to meet the demand for connections. This has improved dramatically with the conclusion of three new master agreements for the operation and maintenance of the network. And finally, through the industry development program, NBN is committing up to \$40 million for industry skills training,

awareness campaigns and developing a national skills register to assist our construction partners in recruiting, training and developing approximately 4,500 additional employees across the country.

I know there is a lot of interest in the detail, so I would like to walk you through the progress to date across the various MTM technologies. For fibre to the prem, over 1.1 million premises are now ready for service and we are adding nearly 9,000 per week. The service order activation rate is now nearly double that of last year, as the majority of premises now have lead-ins prebuilt, so the installation is much faster and far more efficient. For the fixed wireless footprint, we have accelerated this significantly in the last six months, with premises ready for service now exceeding 50 per cent of the targeted footprint of approximately 600,000 premises. The number of premises covered at the end of January was approximately 343,000, with over 87,000 end users activated on this network. The success of this service is evident in its net promoter score of 50 and a product satisfaction rating of 8.1 out of 10. Anybody in the telecom space knows that this is a marvellous result.

Following a successful pilot phase, NBN also launched an up-to-50-megabits-per-second wholesale fixed wireless service in December 2015 in order to provide higher speeds to customers further to improve the end user experience. This is a world-leading performance, attracting significant interest from the global industry, and it promises to deliver to regional Australians, and indeed those in our metropolitan outskirts, the sort of speed that one might only expect in our capital cities. The FTTN build is also progressing well: as at last week we have now reached over 180,000 premises ready for service, and this is growing rapidly. The experience gained in this rollout demonstrates minimal civil works, fewer homeowner complaints and a lower cost structure than alternative approaches.

The technology evolution of FTTN continues and, whilst it is still early days, our trials with fibre to the distribution point are showing that it will be an important upgrade path in the future. G.fast has also now been certified by the International Telecommunication Union, with worldwide acceptance and wide-scale deployment plans. Significantly, we have to date found that the fault rate and remediation costs on the copper are in line with our corporate plan forecast, which gives us confidence in achieving our expectations for this rollout. The expansion of this footprint is a primary goal for this year, with a target of providing access to 500,000 homes and businesses by July 2016.

For HFC we commenced end user trials of the HFC technology in Redcliffe, Queensland, in the first half of FY 2016, and initial results are positive, showing a successful provision of up to 100 megabits per second down with 40 megabits per second up. We have our equipment vendors lined up, we have chosen our construction partners and we are in talks with Telstra and Optus to assist us in the management of construction. We also expect the commercial launch of the HFC product in the second half of FY 2016 and are pleased that the DOCSIS 3.1 technology is being embraced by major telcos around the world.

On satellite, following the successful launch of our Sky Muster satellite last October, testing and deployment of all the satellite ground station networks is progressing well. Optimisation of the spot beams on the satellite is well underway, with modems on the ground active in 95 per cent of the beams to allow configuration of the service. Following a recent demonstration of the satellite service, there is a high level of confidence it will perform as expected, with plans to provide a commercial service in the second half of FY 2016. The second satellite is scheduled for launch in the last quarter of calendar year 2016, and it has been decided to repurpose the backup capacity on this satellite to provide a greater data allowance to end users.

The Sky Muster service will be a game changer for rural telecommunications, delivering a new generation of satellite broadband to remote and isolated areas of Australia and island territories. It will provide vastly improved speeds and data allowances compared to services over the ISS, while ensuring a good-quality experience for all satellite users. NBN is also ensuring that capacity is allocated for public interest uses like education, with the potential for this approach also to be applied for health and emergency services.

Whilst the network build is gaining momentum, it is important that we also ensure our customers, end users and employees are also feeling positive about the changes that we made. We have shifted the company to a customer-centric model and have made many improvements in the experience we offer to both our service providers and the end users. The results are confirming we are doing the right things. We have reduced dramatically the time to install the service and lifted the percentage of appointments kept. As a result, we have seen our NPS rise to 31 from 16 just 12 months ago. RSP sentiment is trending towards seven out of 10 for FY 2016, and our user satisfaction rating overall has risen to 7.7 out of 10. Importantly, fibre-to-the-node end users rate the product the same as fibre-to-the-prem users rate their product, which gives us some degree of confidence that the consumer accepts the technology as meeting their current needs. I am also pleased to say that our employee engagement surveys have also improved with double-digit growth and we remain focused on continuous improvement across all these metrics as a key to sustain the momentum we need going forward.

Other trends are also showing positive signs. Looking across all technologies, we can see the amount of data consumed by our end users continues to grow, with now over 128 gigabytes per user per month being used. The download is on the rise at 112 gigabytes, with the upload basically staying flat at 16. As a result of this growth coming earlier than expected, we have been evaluating a new pricing scheme for our CVC construct. Late last year we used a product consultation process to seek feedback on a dimension based pricing structure where the price comes down as more data is consumed. This was widely supported by the RSPs, and naturally, of course, they would like to see lower prices. We are processing the feedback and we hope to be able to decide on any changes during the first half of this year.

Finally, last October we announced a three-year construction plan covering an additional seven million homes and businesses, increasing from an 18-month view to provide a greater clarity around the rollout. Our current three-year plan covers 9.5 million homes and businesses that are either complete or will begin construction up to September 2018. It also covers the areas of the HFC footprint.

In conclusion, with the hard work of our employees, contracted partners and providers, we have continued to make excellent progress, but we accept that we still have many challenges ahead of us. All in all, the progress to date is very pleasing and we are looking forward to what will be an exciting year for the company as more of our technology starts to deliver fast broadband service to the part of the country that needs it most. We are happy to take any questions that the committee may have.

CHAIR: Thank you very much for that very comprehensive and very impressive update on the progress of NBN right across the board from customer service satisfaction, rollout and everything. Congratulations to you and your staff on the progress that is being made.

Senator URQUHART: Mr Morrow, first of all I want to raise the issue of the timing of questions on notice from the last estimates. They were due on 4 December last year, but not received until this month. In particular, there was one that had a response—and I am talking about question No. 127—that refers to a status 'as at November 12'. But, again, the responses were not sent to the committee until about three months later, so that was four days ago. Can you advise what date this response was sent to the minister's office by nbn?

Mr Morrow: Certainly. I believe the list of questions was finalised by the committee and sent us on 9 November. As I recall, the Hansard deadline was 14 December for response. Even earlier than that, by 4 December, we had basically given a response to 80 per cent of those questions. Roughly, by 4 or 5 December we had sent answers to 56 of 57 of the questions I received. The final one was sent late.

Senator URQUHART: Minister, you might be able to respond as to why the questions were held up in your office. If they were sent by nbn co on 4 and 5 December—

Senator Fifield: I would imagine they would then go via the department.

Senator URQUHART: Can the department help us out?

Senator Fifield: I cannot give you the time line for each set of questions for each agency across Communications and the Arts. That is not something I retain in my head.

Senator URQUHART: Can the department advise us when they were sent to the minister's office?

Mr Robinson: I do not have that information. I am aware the secretary this morning essentially indicated that we need to do better in the future on timing so that is our aim.

Senator URQUHART: Are you able to provide those dates on notice?

Mr Robinson: Yes, I will take it on notice.

Senator URQUHART: Minister, can you provide what date you received them?

Senator Fifield: We will take that on notice.

Senator URQUHART: Thank you. I want to refer to a response to question 126. In this response, nbn co advised that in 2014 the rollout schedule, which included fixed internet for west coast towns, was budgeted. The same response said that nbn co was not aware of the cost of delivering the fibre link to the west coast at the time. Can you explain how you could have budgeted for a fixed line solution without knowing the cost?

Mr Morrow: Sorry, is this for Tasmania? I presume that we are talking about Tasmania without knowing the question specifically. Is that correct?

Senator URQUHART: It is question 126. There were five parts to it—(a) through (e). Question (a) is: Was this plan budgeted when you published the 2014 rollout schedule?

You said, 'Yes.' Then we asked:

... Was NBN aware of this cost when the December 2014 rollout plan was devised?

You said, 'No.' So my question is: can you explain how you budgeted for a fixed line solution without knowing the cost?

Mr Morrow: I think that there were a lot of assumptions when you look at the network being rolled out overall. Many of these assumptions were taken right from the day that the company was founded, put together and the first plan was rolled out. In the case of Tasmania, I am quite empathetic with the people there who felt that they were going to get a fixed line service and now they are—

Senator URQUHART: No, they were told they were going to get it.

Mr Morrow: I am sorry; I know that. But can I explain a bit of the process? The company assumed over the last several years that there were adequate facilities going to the western part of the state. Once we dug in to find out what it was, we realised that there was not. This significantly added to the cost of getting the fixed line service to that portion of Tasmania, to the point where it became far more economically feasible to put in satellite services and leverage the capacity of the satellites that we were putting up into the sky. I would point out that regardless of whether it was a fibre-to-the-prem plan or an MTM plan, this was something that was just not known at the time and would have had the same result.

Senator URQUHART: So you just use assumptions as the way to budget?

Mr Morrow: As is often the case. It is quite typical in the telecommunication industry and for a project of this size. I can point out assumptions that were made, that were quite gross in terms of the guesswork that was involved, right from the very beginning.

Senator URQUHART: In relation to those preparatory works that you talked about, in the same response to question 126 you indicated that preparatory works were undertaken in preparation for a fixed line rollout on the west coast, but you would not divulge the cost. You said that was commercial in confidence. Can you outline what work was undertaken towards a rollout that the government is now failing to deliver to the people of the west coast. What sort of work was done?

Mr Morrow: It is a high-level recollection. If the senator would like more detail, I am happy to take it on notice to go back to the teams back at the company. I know you represent Tasmania very well, Senator, and have a great deal of concern for them. What I found when I asked the question was that, while it was intended to be a fixed line footprint area, as soon as they started to go into the design works to get a little bit more detail they realised that it did not have adequate facilities already extending out there. The cost of doing that was—

Senator URQUHART: Sorry, I do not want to cut you off, Mr Morrow, but what are the facilities that you are talking about?

Mr Morrow: In order to cover any area of the country that has a remoteness to it, you have to have fibre facilities going out into these areas and you typically need diverse fibre paths so that you can keep that service to a degree of reliability. Because of the distance involved in getting to this geography of Tasmania, there is only one fibre facility that is owned by a different company or entity and that, even if we were able to get to use that, would only provide a simplex or a lack of redundant backfall facility. That would be unacceptable for people to run a business, to run a home and to depend on that service, because failures do occur. So if we were to put in a second or a redundant path on there, that is what would drive the cost per premise up to a point where it became much more economically feasible to use the satellite service.

Senator URQUHART: In the response to question 127, nbn co advised that Queenstown qualifies as being underserved. Could you advise how the government is prioritising Queenstown as per its promise for underserved areas?

Mr Morrow: We look nationally first and see which underserved areas are there. As we roll out the buildout we want to make sure that, proportionately, we are doing more in the underserved areas than we are in the served areas. That has been a metric that we have held strong to—it has been a part of the planning process and it has been something that we have executed against. As far as the detailed specific for Tasmania, I do not have those. I do not think we included those in the last report, but we deal with it from a national level. I am happy to take on notice if the senator would like to find out what portion of the underserved areas are being rolled out.

Senator URQUHART: I would certainly like some more information on that, because I do not understand why, if it is an underserved area, it is not a priority.

Mr Morrow: It is. Again, on an aggregate level you can always take a granular level and say, 'This particular town or suburb has an underserved area within it—why isn't that a priority?' At the national level we are addressing exactly what the government mandate is, but when you get down into a micro level there is always going to be an area that does not feel like it is being prioritised, when at the national level it is. That is just the

nature of the rollout—it had never been directed to us to put all underserved areas first and then come back and roll out to the areas that are well served already; it was always on a prioritised basis. Hence the proportionate focus on them.

Senator URQUHART: If you can provide some more information, that would be useful. In the same response to question 127 you also advised that nbn co does not receive any information on port data availability. There are many constituents, particularly in an area on the west coast of Tasmania at the town of Zeehan, who have told me that all the ports at their local exchange are full. Basically, what they say is that they have to wait for someone to die or for a house to burn down before they can access a port. I would like to pose this question to the minister: in these situations, what measures does the government undertake to ensure that residents are not left without an option to secure internet access? What are you doing about it?

Senator Fifield: I am happy to let the officials explain what the process is, because this is not a unique situation around the country. As you have described, there are certain logistical limitations, so I will let the officers at the table address that question.

Mr Morrow: I happen to know about that and I have very close acquaintances who fall into that same category, and I think it is a shame given the stature of our country and the state we are in from a technological point of view. The solution to this, quite frankly, is to get NBN rolled out as fast as we can—and that is exactly the remit that we have been given through the statement of expectations by the government and is exactly what our plan has been doing. The thing that we can share right now is that everybody will have access to fast broadband by the year 2020.

Senator URQUHART: So you do not get any information about port availability from the department?

Mr Morrow: I believe you are referring to previous technology that Telstra was using where they had DSLAMS in their central office exchanges. They were not making any further investment and therefore there was a fixed amount, so even if demand were greater than supply, those people were just left without until somebody else gave up their service. That is a function of Telstra, and it is something that nbn co is rectifying.

Senator URQUHART: Minister, I have heard what Mr Morrow has said, but from the government's point of view—

Senator Fifield: What is your suggestion?

Senator URQUHART: I am asking you. You are the minister.

Senator Fifield: What is your alternative? The solution is to roll out the NBN as fast as possible. That is the solution. I am not aware that anyone has put forward an alternative solution to rolling out the NBN as fast as possible.

Senator URQUHART: Also in response to question 127, nbn co advised that discussions are underway with the West Coast Council to find a mutually convenient time to meet. I think, Mr Morrow, you indicated that you would visit within three or four weeks or something at the time of the last estimates. Can you advise the status of this, given that it was promised that a meeting would be held within four weeks of the October estimates hearing?

Mr Morrow: I believe our representatives have gone in and met with the appropriate council there. Russell Kelly, one of the authorised representatives of nbn, had visited with the council within weeks after our hearing.

Senator URQUHART: He physically visited?

Mr Morrow: Yes. He lives in the area there and he is quite close to a lot of the people there.

Senator URQUHART: In response to question on notice No. 91, nbn co declined to list the towns that will be served by satellite. We asked in that question for the towns that were going to be served by satellite and we asked for a list. I think your response was, 'Because of their typically small and dispersed nature it is likely to be extensive and you could not do it.' I would have thought that a simple database export would have dealt with that issue and I was disappointed not to be told that I would have to wait for the website, which is what you have said, to be upgraded, to learn this information. Notwithstanding that advice, that some towns may include both fixed-line and satellite internet in their footprint and that there may be some changes, can you name any town that is expected to rely solely on satellite internet that is larger than Queenstown?

Mr Morrow: I do not have that information with me. Part of the problem is that until we have physical inspections of the entire country—

Senator URQUHART: But you must know. It is no secret that I believe that satellite is completely inappropriate for a town as large in comparison as Queenstown, so can you not name me a town that has more premises in it that will receive satellite other than Queenstown?

Mr Morrow: I do not have that information.

Senator URQUHART: And you cannot get it? I have to wait for the upgrade on your website?

Mr Morrow: I am not exactly sure of the detail as to why the information was not available here. I think in the response it is talking about the detail that has to be involved in the planning that gets into the premises that could possibly change to an alternative technology. And so as we get closer to the launch and the preparation of the service I think it will become more clear.

Senator URQUHART: Mr Morrow, I asked if you could you provide a list of every town in Australia that is planned to be served with satellite. You said you would take that on notice and you have come back and indicated that you cannot provide that. I find that astounding, the fact that you are in the telecommunications area. I am not a techno-nerd by any stretch of the imagination, but I can actually filter stuff out of a database, and I would not have thought it was a big job to do that.

Mr Morrow: With due respect, I wish it was as simple as pulling information out of a database, but this is so much more complex than I think—

Senator URQUHART: But surely you know the towns that are getting satellite?

Mr Morrow: The issue is that we may have a snapshot in time of what is going to receive satellite services today. This is predicated on some high-level desktop assumptions and some modelling in a computer system that we use. This is just a first-pass to give us an aggregate of what we think the total cost of nbn is going to be. As we get closer to the deployment some of these premises will end up, when we look in far more detail, being far more economical to put fibre to the node in. Or maybe copper is insufficient so we have to put fibre to the premises.

Senator URQUHART: But as we are here today, are you saying that you cannot provide me with a list of the towns and regions that are going to get satellite?

Mr Morrow: Let me take that back on notice. On the surface I do not see why we would not be able to.

Senator URQUHART: I cannot either. I am absolutely astounded that you cannot provide that.

Mr Morrow: I want to caveat that by are saying there is a lot of detail that goes into a lot of the questions that are behind there. I assume you are not aware of anything at this point as to what was behind that, so let me take that back. I understand your question and what you are trying to get at, and perhaps what we can do is say which ones are initially targeted for it, but that could very well change. Maybe that could satisfy what your curiosity is.

Senator URQUHART: I would certainly expect to have a better answer than what you have provided, so thank you. My last question is in relation to the rollout in Devonport, which I have asked about before. The local member, Brett Whiteley, has previously suggested that Devonport would have had the NBN by Christmas last year. He put out a press released on 9 December 2014 saying that it would 'most likely be finished by Christmas 2015', and that obviously did not happen. Could you advise the status of the Devonport rollout as it stands now? Has any construction actually started and, if so, where is it happening?

Mr Morrow: I will take that on notice. I do not have the specific details now.

Senator URQUHART: It probably would have been handy to have some extra officials here—as we requested—to have some of these answers.

Mr Morrow: I would have to line up hundreds of people to be able to answer the kind—

Senator URQUHART: You usually have more sitting across there than what you have tonight and we usually are able to get a bit more information.

Mr Morrow: I can assure you they would not have that answer either. It is not a case of any of the executives having at our fingertips or in our minds every individual suburb across the country of when that is going to get deployed. These would be superhuman type people and—

Senator URQUHART: You cannot have it tonight, but you would have somebody that is sitting back at nbn co or wherever that could probably give you that answer if you were able to get them on the phone now—

Mr Morrow: I would never—

Senator URQUHART: I ask for you to respond to that as quickly as possible.

Mr Morrow: I will make every endeavour to see if we can get an answer before the conclusion of this committee.

Senator URQUHART: Thank you very much. I appreciate that.

CHAIR: Than you, Senator Urquhart. Senator Conroy.

Senator CONROY: I have a whole range of questions which I will come to, but first I want to take up and get some clarifications on a couple of things you said in the opening statement. Starting at the end of your financial year highlights, you talked about ARPU. But, before I talk about that, could I get the breakdown, which you usually have on hand, of the services being provided on the different platforms at the moment—so the 100, the 50. You usually have that handy. Can I just get the latest update.

Mr Rue: This is the per cent on each tier?

Senator CONROY: Yes, each tier.

Mr Rue: We actually outlined this last week. In the fixed line area 12-1 is 33—

Senator CONROY: Sorry, if I could separate out FTTP.

Mr Rue: This is FTTP: 12-1 is 33 per cent, 25-5 is 45 per cent, 25-10 is 1 per cent, 50-20 is 5 per cent, and 140 is 16 per cent. On the fixed wireless 12-1 is 17 per cent and 25-5 is 83 per cent. It is going very well.

Senator CONROY: You have got FTTP in services going, and I appreciate you do not have a pricing construct, so I am interested in what services—have you just given them an unlimited service or have they said, 'Give me this one' or 'Give me that one'? How are you running your trial?

Mr Morrow: It is nearly the same suite of services that we offer for FTTP except there is a service qualification on the line ahead of time to know what the maximum speed is that we can offer. You will find people that have 100 megabit per second offering, and you will find people that have the 50, the 25 and the 12.

Senator CONROY: Could I get a breakdown, if it is possible, of the FTTN tiers? I appreciate they are small numbers but their percentages—

Mr Rue: I know from memory 70 per cent is 25-5. I do not have the split otherwise.

Mr Morrow: I believe there are another 10ish on 12. Let us get the facts. We can grab those. They are readily available.

Senator CONROY: In your financial highlights you talk about a 10 per cent improvement in ARPU. Can you explain what you mean by that? You were getting X dollars per customer, and now you are getting Y dollars; is that what we are talking about?

Mr Rue: To answer your other question: 12-1 is 13 per cent, 100-40 12 per cent and 50 25 per cent. ARPU stands for average revenue per user, so it is the amount we receive per month from the RSPs per end user.

Senator CONROY: And you have indicated that that has gone up. From what to what?

Mr Rue: It has gone up from \$39 in December to \$43 this December, half-year to half-year.

Senator CONROY: I am very confused. You have not put your prices up.

Mr Morrow: That is correct.

Senator CONROY: So how have you got more money out of consumers without putting prices up?

Mr Rue: A 30 per cent increase in data usage.

Senator CONROY: So you actually make more money not by putting up prices. That is not how you have achieved an increase in your ARPU.

Mr Rue: Correct.

Senator CONROY: If someone said to you that the ARPU has increased and therefore you have put up prices, you would say, 'You're an idiot; you actually don't know what you're talking about.'

Mr Rue: I probably would not use that phrase.

Senator CONROY: Wouldn't quite phrase it like that? I appreciate that you are not quite as colourful as I perhaps sometimes am. But the gist of that is that the person has fundamentally misunderstood the concept of ARPU.

Mr Rue: It is not a price increase; it is buying more.

Senator CONROY: Buying more at the same price.

Mr Rue: Correct.

Mr Morrow: As I think you are quite familiar, there are two components that make up what the RSPs pay to us. One is the access virtual circuit charge paying for a 25, 50 or 100 and then there is a CVC, which is more the usage base. If they have more usage per customer then they buy a bigger opening through the network, which allows that cost of CVC to go up. All of the increase in the ARPU that we have seen has been predominantly on that CVC charge, not on the AVC charge, so it is their buying more capacity that is driving the ARPU up.

Senator CONROY: That is no shock to me, but I just wanted to be clear for all my friends out there who are listening. There is some clown called Matthew who has tried for many years to pretend that an increase in ARPU means an increase in prices. I am hoping the experts from nbn co have put that to rest, so thank you for that.

Are you lumping the faster-than-100-40 AVC into the AVC numbers?

Mr Morrow: No, that is a combination. Mr Rue was referring to the combination of AVC and CVC.

Senator CONROY: Can you explain what is happening on the CVC side?

Mr Rue: The ARPU from that has gone up from \$10 to \$13, so it is most of that increase, as I said earlier. It is as a result of RSPs purchasing more capacity, which is what the charge is for, because the end users are using more.

Senator CONROY: The commitments given to the ACCC over time—which I think were binding originally—were that nbn co would lower CVC over time as revenue built up. I think you are examining that now. You are seeing the steady growth that you hoped to see and therefore you are in discussions about how to manage the pricing of CVC. Am I misunderstanding what that discussion paper was about?

Mr Morrow: I think it was always envisaged that, as the network got built, as usage went up, the CVC pricing component would have a different construct to come down with higher volume so as not to stifle high usage. I think it was always believed that it needed to occur in a triple-win situation where the end user gets higher value, the RSPs also get greater value and, of course, nbn investors also profit from it. In our plan as we look forward is that CVC pricing eventually does come down.

Senator CONROY: Mr Rue, I appreciate that it is probably a relatively small number, but do you have any indication of sales of 250-100? I know you have bundled up, for the purposes of the conversation, 100-40, 16 per cent, and I am sure it is a very small portion of that, but I wondered if you could tell us the increase in users above 100.

Mr Morrow: Directionally, what we have seen over this past six months—actually, I will draw it out to give you a bit more colour over time. Pre-Netflix it was fairly stable for this AVC. Those proportions that we have always talked about—79 or 80 per cent of all of the services purchased are at 25 megabits per second or less—held steady. What we saw from the Netflix effect was actually RSPs selling more of the higher-access speeds. We are now seeing the 50 meg that started to go up. That increased the AVC proportion of the ARPU for us on an average basis, and the CVC was going up as well. Since then we have seen that AVC pricing come back down again and stabilise back down near where the majority is at the 25. So if you wanted to look at it, it is a slight decline of speed access technology revenue coming down with CVC going up.

Senator CONROY: What I am really trying to uncover are the fibre zealots. I am looking for them. I am hoping you have their names and addresses. How many fibre zealots are there?

Mr Morrow: I am one of them, just so you know!

Senator CONROY: Oh, so you have been able to connect to more than 100-down 40-up?

Mr Morrow: No, I just like fibre—that's all!

Senator CONROY: In particular, I am looking to find out how many fibre zealots have ordered the 250/100, or I think there was even a conversation where somebody might have tried to order a gig if it were available.

Mr Morrow: There are a few out there.

Senator CONROY: Let us name names. Let us know who the fibre zealots in this country are!

Mr Morrow: I have my eye on them! I think we had a max at 30-gigabit-per-second service on users, but the bulk of those were people trialling the service. It had not continued. There are still are some that are out there who, again, you can count on two hands perhaps

Senator CONROY: No, I expect it to be a relatively small number.

Mr Rue: It is a very small number.

Senator CONROY: Last time I think it was maybe a dozen.

Mr Rue: I think it was about a dozen paying last time. If it has moved it is by one or two.

Senator CONROY: As I said, I do not expect it has. I am just interested, we have to keep our eyes on those fibre zealots, Mr Morrow; they are dangerous to the country!

Mr Morrow: We love them, Senator.

Senator CONROY: Do you know which RSPs are selling faster plans? The 250/100, 500/200 or the 1,000/400. Are you were aware of anyone offering them?

Mr Morrow: Most of them choose not to offer the ultrahigh speeds because—and this is what they are hinting to us—they do not feel that there is a market out there for them. So in spending the marketing dollars and putting together promotions to go out to sell gigabit per second services there is just not enough take-up rate to justify the cost of doing so. If they want that we have that product available to sell to them.

Senator CONROY: I was interested in your comment on satellites. What is your forecast total number of people who will end up using the two satellites?

Mr Rue: It will cover 412 and—

Senator CONROY: Thousand?

Mr Rue: Thousand. Yes. We have—

Senator CONROY: Sorry, what was that?

Mr Rue: It is 412,000 covered and at the end of fiscal 2018 we have 135,000 active users.

Senator CONROY: So 135,000.

Mr Rue: I do not have it past 2018, but at 2018 that is where we are.

Senator CONROY: You will cover 412,000 after the two satellites arrive?

Mr Rue: Yes.

Mr Morrow: After the first one goes up, technically.

Senator CONROY: And your expectation is that 135,000 will take it up?

Mr Rue: At the end of 2018 it will go up.

Senator CONROY: At the end of 2018.

Mr Rue: It has gone up from 85 to 100—

Senator CONROY: Is there a reason you have not estimated further than 2018?

Mr Rue: I just do not have it here. We did not put it in the corporate plan.

Senator CONROY: Can someone can grab it for us now?

Mr Morrow: We will update it in the July-August time frame.

Senator CONROY: I was particularly interested that you mentioned you have decided to repurpose the backup capacity on the satellite to provide a greater data allowance to end users. Could you just take me through your thinking on that? 'Backup' always sounds like it is really important but, equally, trying to meet the customer demand is important. I am just trying to understand what the backup was for, and does that mean you have no backup capacity? Or have you used half the backup capacity? I am interested in what the thinking behind the change was.

Mr Morrow: A couple of factors have evolved. The original concept and design, which I am sure you are familiar with, was to put the first satellite up as the primary that offers the coverage to the various areas and that provides the main source of data communications. While the second satellite was going to be used to provide some capacity, that was a very small percentage for what we call highly congested beams. The rest of it, the predominant part of it, was to be reserved against the event that there was a problem with the first satellite. Then you would kick it out of its orbital slot and you would fly the second one into that slot and reconnect everybody so that everyone would be up and running. Given the fact that, when you look at—

Senator CONROY: How much of the total capacity in that second satellite was dedicated to contingency for a disaster?

Mr Morrow: As an estimate, I would say 90 per cent. If you wanted the details, I would have to take that on notice.

Senator CONROY: If you could, I would appreciate it. I am genuinely interested.

Mr Morrow: Again, it is a large majority of it. But remember: this was \$300 million sitting in the sky as an insurance policy. When we started talking to the experts, they looked at the probabilities of a satellite going wrong. Once you get through the initial phases—the launch, positioning it in the orbit, the connection, all of the expansion of the solar panels and the antenna arrays that talk to the Earth—that probability of failure diminishes quickly and gets down to such a low point that it does not make sense to have a \$300 million insurance policy for it. When we looked around the world, we could not find another commercially based application—there are some military ones—that kept two satellites in the sky for this sort of thing.

Given the second factor, that more and more people are using more and more data, as evidenced by my 112 gigabyte download—a number I mentioned earlier—we needed to think of other solutions in order to be able to give the people served by the satellite greater capacity levels. So we weighed the option—what if we had the two beams coming into every house, from Sky Muster and Sky Muster 2? By utilising both of those beams, I can have more data download capability than I could if I were only relying on the one, because the other is sitting there as a backup. Let us now take the case of Sky Muster 1 going wrong—or either of them going wrong. What it really means is that the amount of data consumption for those peak users goes down while we figure out what the alternative plan is. We have thought about priority services—educationally based services, for example—how we can make sure that they do not suffer in any way. What limiting or balancing the load over two satellites means is that you are going to have to have a program to look at which antennas you have to repoint at the second satellite in the event of a catastrophic failure of one of the satellites. But again the probabilities of this ever occurring are low—ultralow.

Senator CONROY: You know what those engineers are like. They are incredibly conservative.

Senator BACK: Just like those economists!

Senator CONROY: No, tragically, they are not. I understand that Skymesh has been selling 100/100 but they are using the 250/100 AVC to sell it. I am just wondering whether you could give us a breakdown. If you have it handy, that would be good, but, if not, you can take it on notice. That is just how they are selling their product. I am just interested in the actual number of the 250/100.

Mr Morrow: I will find out. I do not have it here.

Senator CONROY: Thank you for that. I want to quote you something you said when nbn released its results last week. You said:

We ask that you trust us, we will be transparent, we will be open, we will make sure that we expose all of the elements to which we didn't do well, on top of the bragging of the good things that the employees did.

Do you remember that interview?

Mr Morrow: Yes.

Senator CONROY: They are your words? I have not misrepresented you?

Mr Morrow: Those are my words, yes.

Senator CONROY: I will just go back to the Queenstown conversation you were having before. My recollection—I am happy to be corrected—is that Queenstown's spot beam was already a relatively congested spot beam because of the number of other premises that were going to be covered in that footprint before you added Queenstown. Could you give us an indication—and you can take it on notice—of how many homes were inside that spot beam before you added Queenstown, and obviously how many you have now added? My rough recollection is that that is now a very crowded spot beam with it having been added in.

Mr Morrow: We will take that on notice.

Senator CONROY: Do you have any idea off the top of your head? I appreciate you may not.

Mr Morrow: I do not. I do know, as I said, that before we even considered repurposing the second satellite there were a number of what we call stress beams that we were going to have to find an ulterior solution to. We would have to put up fixed wireless towers, pull more customers off, extend the fixed line footprint of fibre to the premises and fibre to the node in those areas. This was always something that has been on the to-do list as we move forward. Whether this portion of Tasmania fell into that category I could not tell you, but we will take on notice the number of homes that were originally in that beam and what changes were made.

Senator CONROY: I turn now to your public relations staff numbers. In a recent attachment—attachment A—to question on notice No. 102 from October 2015, nbn co said that its corporate affairs section had grown from 11 to 30 since 30 June 2014. That is correct, isn't it? I am not misrepresenting that from No. 102 from October 2015?

Mr Morrow: That sounds about right, yes.

Senator CONROY: That was an increase of 19 staff, or 173 per cent—I think my maths works—from 11 to 30.

Mr Morrow: Yes.

Senator CONROY: I turn to your half-yearly results; nbn released these on Friday. And nbn's—one can only describe it as now quite bloated—spin machine released some research to the *Australian*, which appeared in an article entitled, 'Fibre to node as good as home'. This article said:

Initial research finds that both homes getting NBN over FTTN technology—which uses the century-old copper network for about the last 350 metres to homes—and those with fibre-to-the-premises are scoring their satisfaction at 7.7 out of 10.

Can you just confirm that as of 31 December 2015 you had 6,636 active FTTN users?

Mr Rue: I think that is correct.

Senator CONROY: Compared with 610,978 on the fibre. So FTTN connections are about less than one per cent of the total?

Mr Rue: Yes.

Senator CONROY: How many homes are surveyed out of the 6½ thousand plus?

Mr Morrow: I do not have that number offhand. I do know that when the statistics were presented it was about a 10 per cent sample size of the end users that we had at the time. The specific number we would have to take on notice. It is considered, with a 10 per cent sample, statistically valid. It is a small, early-stage survey—and I have made this public as well—but it is still statistically valid to give an indication that for those users that had FTTN at the time we did the survey, when you look at their satisfaction of using fast broadband, that it was similar to what we saw with our fibre-to-the-premises customers. This is something that is an ongoing issue. As we get more and more FTTN customers using the network we will continue to do bigger and broader based research and statistical surveys like this to test whether people are in fact happy with their service.

Senator CONROY: Are you aware that the Telecommunications Industry Ombudsman reported in December 2015 that NBN related complaints rose by 4.9 per cent over the past year to 2,262 despite the ombudsman stating that this was traditionally the quietest quarter of the year?

Mr Morrow: Yes, but if you look on a percentage basis we came down. We were well within industry standards—in fact, better than—and that was a constant improvement in the percentage of complaints of active users or customers that we had. It is a complete misrepresentation to just have somebody call out and say, 'You have more complaints than before' when you have a company that is growing to the size we are growing in terms of customers.

Senator CONROY: I will admonish the Telecommunications Industry Ombudsman on your behalf!

Mr Morrow: Thank you.

Senator CONROY: Are you aware that MPs' electorate offices in the Lake Macquarie and Newcastle areas are being flooded with complaints about fibre to the node, including slow speeds, delayed connection times and disrupted services?

Mr Morrow: I am aware of some of those complaints that are coming through, yes.

Senator CONROY: You live in that rough region, don't you?

Mr Morrow: Pretty close, yes.

Senator CONROY: It is up to around 60 complaints so far and more and more are coming in every day. I just wanted to go through some of the examples. I wanted to read through a few of them.

Mr Robin Dell in Kanundra Street, Belmont North, has stated: 'We are connected to the NBN at a fast, upgraded speed at a premium price. We paid extra to get 50. This service speed is rarely achieved. Could you please make inquiries of the appropriate officers or ministers as to whether the FTTN NBN will provide a worse service compare to the ADSL 2+ it is replacing. At the moment that seems to be the case.'

Mr Gerry Wallace from Keira Close, Valentine, actually wants to go back to ADSL. He bought an up to 140 FTTN plan which goes down to under five megs in the evening and he is now having trouble communicating with colleagues overseas and in Brisbane.

Mr Maxwell Taylor, 161 Wallarah Road, Gorokan, said he was better off under ADSL 1. There was a cabinet right outside the front of his house. He bought an up to 140 plan and was getting as low as two meg. He said that it was shocking at night and weekends and considerably slower than his old ADSL service. He has to hot spot his Optus mobile phone to get a decent service.

Mr Lawrence Alderton in Ross Street, Belmont, said: 'I have been connected to the NBN for two days with TPG on a 25 meg plan. What a joke. Peak time download speed is around four megs. That's less than my old ADSL 2.'

Mr Robbie Grafton, Newcastle CBD, said: 'Ping times go from 13 milliseconds to around 140 milliseconds of download speed. It decreases dramatically from the average 85 meg to as low as one meg, while upload speeds halved from around 30 to 15 meg. It almost makes me pine for the ADSL 2+ connection.'

Ms Jan Rego in Bundaberg, contacted us about her elderly parents who have convicted to FTTN in Bundaberg on a 25-meg plan. The speed drops to only two megs at 7 pm. They are not able to watch the FetchTV service they were bundled, and are not able to Skype with their daughter and family who live in Abu Dhabi. They raised this issue with Keith Pitt's office who told them they would add it to the list of complaints being sent to the minister's office.

Minister, have you received complaints from Mr Keith Pitt's office?

Senator Fifield: We have had contact with Mr Pitt's office, yes.

Senator CONROY: The same constituent contacted us again about her parents-in-law. They have a medical condition and are currently without a service and apparently nothing can be done because Telstra is too overwhelmed with complaints in the area.

Miss Georgina Longhurst in Pelican said: 'FTTN internet very slow. It takes ages to load web pages. It has had connection issues. Was posted a modem under the government's new self-install model. Has difficulty connecting it. Two weeks without service.'

Mr Ken Thornton in Belmont North said: 'Having trouble connecting using the government's new self-install model.' He has now been sent three modems and none have worked. Still waiting to be connected.

They are just a rough sample of the complaints that are pouring in, and obviously I am only referring to offices of members of my own party. Clearly Senator Fifield has been receiving complaints from members of his party. Have you thought about using, perhaps, those in the public relations team to help people settle their problems with the network rather than just pushing out surveys? Could you actually put them to some use to help customers rather than tweeting all the time?

Mr Morrow: Senator, the role of corporate affairs is not that which deals with the customer. I would like to comment and respond to a number of those complaints. First and foremost is we do not want anybody to have any poor experience to do with anything with NBN.

Senator CONROY: But surely you accept that these problems are real and that you have to fix these problems>

Mr Morrow: I am certain that those problems are real for those people. If they report that that is the case then yes it is. I would like to—

Senator CONROY: That is a problem that you have to get fixed.

Mr Morrow: Indeed it is. Can I point out that we have, by nature of introducing the technology, a lot of processes that you assume to work the first time that you fix. That is exactly what we are doing. We are seeing a far quicker ramp-up rate than ever before. Think about the problems, and I know you had many calls coming into your office when we first started to roll out fibre to prem as well. It is the unfortunate nature of doing something for the first time.

I will point out that we looked at every complaint that had been received on fibre to the node and not one of them was actually a speed issue that was related specifically to the fibre-to-the-node technology. Again, remember that the architect of this is that the customer's Wi-Fi in the home is connected into the modem that travels over the copper, that goes over the fibre, that goes to the point of interconnect, and the size of the interconnect is what the RSP will buy in terms of capacity. For people that are experiencing a peak busy hour reduction of speed, that is more likely to do with that CVC capacity that has been purchased by the RSP, the provision in the network size by the RSP and/or if there are other points of contention within the network. We evaluated and inspected every complaint on this to see, because it is so important for us to understand if in fact the technology cannot deliver the speeds that we need to. We did not find one case where the fibre-to-the-node technology was a factor in those speed complaints.

Senator CONROY: So it is not your problem?

Mr Morrow: No, that is not what I am saying, Senator. I am merely pointing out that it was not fibre to the node. These are bugs that need to be worked out. We are working very closely with the RSPs, with the delivery partners and with our own internal teams that, whenever a customer does not have the service that they were expected to get, we work collaboratively together to make sure that that problem is solved. Those complaints are coming down, as I said before, when you look at the surveys that have the user satisfaction rate as high as it is. Even in the installation satisfaction rate in terms of what we have climbed up to very fast is us working out the problems very quickly. I am certain, unfortunately, that there will be many more problems on every one of these technologies and all I can do is commit to this committee and commit to the public of Australia that we will fix it.

We will get it to where it is an acceptable, high-quality service level, but again in the beginning often you have to work the bugs out, and that is exactly what we are doing.

CHAIR: We are going to go to a short tea break in a couple of minutes. What I was proposing to do is that Senator Simms has a handful of questions, so what we might do is continue through until nine o'clock and then come back.

Senator CONROY: These complaints are coming from every RSP. It is not just our offices and the Liberal Party offices. You are not actually saying they are all under-provisioned in Telstra, Optus, iiNet and TPG?

Mr Morrow: I am sorry, what was the question?

Senator CONROY: The complaints are coming from every RSP. You are not saying they are all under-provisioned? You are not suggesting Telstra, Optus, iiNet or TPG are all under-provisioned?

Mr Morrow: There is a myriad of issues we are finding as we are uncovering on this. Again I am merely pointing out that, as far as assessing whether the technology is the source of the problem of people getting inadequate speeds, we cannot find anything, as of yet, that would suggest that. Again we are keeping an open mind. We have to be pragmatic about this. There are other elements that we are knocking off and fixing as we go. I think, when you look at the fault rates on this, it is very much expected and was part of the plan, we are getting better by the week.

Senator CONROY: So it is 'no' to actually put the tweeters in the corporate team into really helping people.

Mr Morrow: These are people in our chief customer office group where we have marketing, sales and services.

Senator CONROY: You couldn't put them on the phones for a day?

Mr Morrow: I know they are your favourite people that we are talking about, Senator, but, no, I am sorry, they are not skilled at that sort of thing. They have different skills.

CHAIR: On that note—

Senator CONROY: It is still only 8:59 and I have a string of questions on financial issues, and I am very concerned about some of the people listing in. They play a drinking game and every time you refuse to answer a question on the basis of commercial in confidence they scull, so can we try to not inebriate half the community with Mr Rue's usually loquacious answers. I am happy to pause at that point.

CHAIR: Thank you. The committee will now suspend for a tea break and we will resume with nbn co. Thank you.

Proceedings suspended from 21:00 to 21:14

CHAIR: This hearing is now resumed, with the nbn co.

Senator SIMMS: My questions relate to my home state. As a South Australian, I am going to focus a little bit on that. In October last year, the nbn released a timetable outlining when suburbs throughout Australia would be connected to the network, and the government described it as ambitious but achievable in terms of the time frame. When outlining this timetable, did the nbn prioritise any known broadband black spots in South Australia?

Mr Morrow: By black spots, do you mean the underserved areas that have no broadband coverage at all?

Senator SIMMS: Yes.

Mr Morrow: As I was mentioning—I do not think you were here—

Senator SIMMS: I do apologise. I did miss some of the earlier—

Mr Morrow: No worries. The government has mandated us that we prioritise underserved areas. One of the ways in which we do that is that, on the aggregate level, we look at statistics constantly to say: on a proportionate basis, we are building more in the underserved areas than we are in the served areas. I can assure you, Senator, that we are following that rule and sticking to it. On a more granular level, in a detailed state or in a suburb area, that proportion might not look that way. I would have to check for you. If you have the specific areas we can look at to see what is in South Australia as far as where there are underserved areas and how that deployment is going, I can get that information.

Senator SIMMS: If you can get that information for me, that would be good.

Mr Morrow: We will take that on notice.

Senator SIMMS: My understanding is that there were 47 suburbs that were scheduled to be completed in South Australia in 2015. Do you know which ones of these were completed on time, or have they all been completed on time?

Mr Morrow: That were scheduled to be completed by when?

Senator SIMMS: By 2015.

Mr Morrow: I would have to check that for you as well.

Senator SIMMS: If you could, that would be great. It is my understanding that 72 South Australian suburbs have been scheduled to be connected during the first quarter of 2016. Are you able to advise how many of the 72 suburbs have been completed, or do you want to take that on notice?

Mr Morrow: I will take that on notice as well.

Senator SIMMS: Okay. What about the City of Adelaide—where is that at in terms of connectivity to the network?

Mr Morrow: I know that progress is being made there. From one of the reports that we had—we happen to have a board member who is from Adelaide—I recall that it is going all right, but I would like to get the facts for you, to be absolutely certain. You are just asking how far the rollout has gone within the city itself?

Senator SIMMS: That is right.

Mr Morrow: We will take that on notice.

Senator SIMMS: So you are not able to give me any indication tonight in terms of how it is progressing?

Mr Morrow: I may be able to. How long are you going to be here?

Senator SIMMS: I do not have much to go, so—

Mr Morrow: Let us see if the team in the back here can get a quick answer for you.

Senator SIMMS: If possible, that would be helpful for me. One of the reasons I am asking about the City of Adelaide is that I know the city is doing some work around offering a wi-fi network and so on and there has been some talk about wanting to provide opportunities to businesses to set up in the area and so on, so having that connectivity would be useful for the CBD. I am just keen to check on where that is up to. What about regional South Australia—are there any areas that have been identified as key priorities? I know I am drilling down to the granular level, but are there any areas there that have been identified as core priorities for you?

Mr Morrow: No. Again, the only priorities that we would be having are either through the underserved areas—to be sure, proportionately we are doing more there—and then if there are high-value areas that are good for the business to focus on. I imagine if it is out in the rural areas, it is according to the natural rollout path. I think we have some state-wide data that we can provide.

Senator SIMMS: Okay. I do not have any further questions. If you could get back to me with a response on those issues, that would be good.

Mr Morrow: Indeed.

Senator SIMMS: Thank you.

CHAIR: That was nice and concise, Senator Simms. Thank you very much. Senator O'Neill.

Senator O'NEILL: Can I just ask, on the back of the questions from Senator Simms, for a similar outline for New South Wales—the goals that were established at the beginning of 2015, what you met, what you did not meet and what your proposed targets for New South Wales in 2016 are at this stage, so that they can go on the record?

Mr Morrow: We will provide that information.

Senator O'NEILL: Thank you very much—down to the lowest level of data construction you can give so we can make some comparisons with geographical areas. That would be helpful.

Mr Morrow: Just to be clear: you are trying to understand what the rollout plan was and how we performed against it, down to the numbers?

Senator O'NEILL: Yes.

Mr Morrow: You are looking for the number of homes?

Senator O'NEILL: Yes, and projections for 2016 so we have got that data going forward.

Mr Morrow: All right.

Senator O'NEILL: Can I just indicate that I think there are many people in New South Wales whose stories might be similar to some that Senator Conroy has already put on the record. I want to make you familiar with some further issues on the Central Coast. Are you familiar with the case of Mr Barry Egan, of Kelsey Road, Noraville?

Mr Morrow: That name does not sound familiar, no.

Senator O'NEILL: Senator Fifield, have you been informed of this case?

Senator Fifield: The name does not ring an immediate bell, but that is not to say that they have not corresponded.

Senator O'NEILL: Mr Egan has contacted my office and involved the Ombudsman to mediate his issue with nbn co regarding the connection to his home. His landline was cut off. Mr Egan continues to have problems even now that the NBN has been connected, and these problems concern dropouts in his service and faults on his landline that were not previously there before the NBN was finally connected. He has told my office that there is unbelievable confusion, when he seeks assistance, regarding whether the issue is a Telstra issue or an nbn problem, and this is a common complaint when people contact my office. They are incredibly frustrated and disappointed.

Like Senator Conroy, I have a couple of other cases I would like to put on the record for you to respond to. Mary Smith, of Canton Beach in New South Wales, phoned the office very angry at her treatment by the nbn and Telstra. The nbn co made an appointment to visit her home on 7 January 2016. She was informed that, if she was not there, her phone would be cut off. The sort of arbitrary, intimidating nature of those conversations is something that is echoed in many of the conversations with my staff. She stayed at home all morning but nobody arrived. She was told by Telstra that a technician would come to her home on 17 January in the afternoon. Nobody arrived. On neither occasion was an explanation offered. She told my office of several people in her neighbourhood who had very similar experiences. They are all angry and frustrated with their interactions with the nbn co and they are particularly concerned about elderly people in the community being cut off from contact with their families and essential services for many, many days. She said that, in her area, it was her view that anybody who has had anything to do with the nbn co has had problems.

A third case is that of Michelle Looney of Bluefish Crescent, Tascott. She phoned the office absolutely furious with the nbn co. I have got to a point, Senator Conroy, where I think I might have to consider hazard pay for my staff. They are so distressed by the increasing frequency of these sorts of calls. Complaints consist of dates being given for connections which are then pushed back and pushed back further. She is furious now that she has been provided with no fewer than five different dates as to when her service would be available. She has been waiting for two years to be connected, while suburbs around her have been connected. She is absolutely disillusioned with the process. This is a complication not just of inconvenience, but her family rely on wireless connection for her four children to undertake their studies, and they are unable to complete online homework tasks because the service is so poor. They desperately need a reliable and adequate NBN connection. They are absolutely in fear that they may never, ever have that delivered.

Finally is the case of Mr Manton, of Point Clare. Mr Manton is engaged in an ongoing dispute with the nbn co regarding the siting of a fibre pit on a nature strip in front of his property at Takari Avenue in Point Clare. The pit was placed in a location where Mr Manton had a DA for construction work with respect to a driveway. So essentially we are talking about nbn co putting a fibre-to-the-node pit and box right in the middle of a DA-designated driveway. He could not believe it when he saw it; he was incredulous. He complained to nbn that the pit had been placed incorrectly, and he was told that if he wanted to have it moved, despite it being clearly indicated on the DA, he would have to pay \$21,700. You can imagine his despair at this. My office have been in contact with the nbn, but Mr Manton's problem has still not been resolved. Nobody seems to take this seriously. Nobody wants to take responsibility.

We heard in your evidence earlier this evening claims that nbn is not responsible; the RSPs are responsible, Telstra is responsible or now Gosford City Council is responsible. It seems this is a theme. It is a mess out there, Mr Morrow. It is a mess of communication. People cannot find their way through it. Malcolm Turnbull's mess is well and truly alive on the Central Coast. Mr Manton, Mr Egan, Mrs Smith and Ms Looney are all convinced that nbn is not listening to them and not assisting them in any way. Mr Manton remains convinced that the nbn have placed the pit in the wrong location and that blaming the Gosford council is a completely inadequate response.

CHAIR: Is there a question there, Senator O'Neill?

Senator O'NEILL: My question to you is: have you had contact from these people, and how do you propose to resolve the multiple issues of the same nature on the Central Coast? All people see is a mess, and their communication with nbn co is also a mess.

Mr Morrow: I would have to investigate the details behind this, but we do want the three customers that you speak of to have good service. There is not anything other than just satisfying them that is the focus of the company. It is a complex environment, and I am sure that there are a lot of things that we could have done better

behind that. We will investigate that. As I pointed out earlier, we have installed over 1.7 million connections into homes, and some of those do not go as smoothly as we would like. We are focused on those and are improving every day to make sure that it is better and better as we move forward into the future.

I want to correct you on one thing: I was not pointing the finger at the RSPs and saying it was not nbn's fault. The reality is that these are multiple companies that are involved to make this service happen. We work together, taking the responsibility, regardless of whether it sits within RSP, nbn, a delivery partner or otherwise. But, again, for these three customers we will take it on board to find out what is happening and see if we cannot get their issues resolved.

Senator O'NEILL: What about Mr Manton and the placement of the pit and the FTTN node?

Mr Morrow: I will personally follow up on that one to see what has happened.

Senator O'NEILL: How many people have contacted you, nbn co or the minister with problems such as Mr Manton's, with these boxes in the wrong spot?

Mr Morrow: I would be happy to take that on notice.

Senator O'NEILL: What is a secondary node? Just give me a clear understanding of what a secondary node is.

Mr Morrow: I am not sure what a secondary node is. Does anybody back here know? No.

Senator O'NEILL: As I understand it in lay terms from people on the Central Coast who have been speaking to me and my office, they indicate that given some of the failure rates, which we discussed the last time I was here—up to 14 per cent failure rates, and we are seeing them manifest themselves in these communications with our offices—nbn co is going back, where the copper has proved to be inadequate, and putting in secondary nodes.

Mr Morrow: I am not aware even of the terminology of a secondary node.

Senator O'NEILL: Do you have a different terminology for the same thing that I have described?

Mr Morrow: No, not that I am aware of.

Senator O'NEILL: Could you take that on notice.

Mr Morrow: I certainly will, of course.

Senator O'NEILL: I am keen to know: where there are failures, are you putting in additional nodes? What is their purpose? If you are, what is the cost of those?

Mr Morrow: I will take that on notice, but I would be highly surprised if we are putting in additional nodes because there are failures on copper.

Senator O'NEILL: I have one last question. You indicated that you are 'fixing as we go'.

Mr Morrow: Yes.

Senator O'NEILL: What are you fixing?

Mr Morrow: We are fixing myriad things. This is a very complicated process to be able to design, construct, turn up ready for service, get the databases ready to offer the processors, to work with the ISPs to make sure that payments are going to the delivery partners. Remember we are doing tens of thousands a week to produce this. So our process management has to be perfect but it is highly complex, probably one of the most complex undertakings in the time frame that we are working with than any other telecom company has had to endure. So we look within the company and say we are strong process managers and we always have to think about how that process can be better and better each time.

Senator O'NEILL: In the interests of time and others who want to ask questions, could I ask you to take on notice what technical 'fix as you go' problems are you encountering? If you could provide that on notice.

Mr Morrow: I am talking in terms of process improvements so if somebody calls in and does not get an answer straight away, why is it that they did not get an answer straight away? For me to list all of those and archive them would be silly.

Senator O'NEILL: I am not just interested in the management of the people but in the delivery of the service. What are the problems with that? Senator Fifield, could I ask if you have had contact from the members for Robertson and Dobell about matters of the kind that I have indicated here this evening?

Senator FIFIELD: You can ask. I will have to check.

Senator O'NEILL: Will you take it on notice?

Senator FIFIELD: Sure.

Senator BACK: Excuse my ignorance in these things. With regard to residential consumers, is there any way that you can advise or inform the nature of the user in packages of data used? I am not worried about the businesses. I am just try to get a handle on the breakdown of residential users in terms of are they using the service for apparent businesses purposes? Are they using it for downloading?

Senator CONROY: Are you doing deep packet inspections?

Mr Morrow: We do not use the DPI to get into customer data. I think I understand your question.

Senator BACK: I just want to know what the percentage of users is.

Mr Morrow: What Senator Conroy is referring to is the technology where we can look in and see actually how and what people are using it for. We do not have that capability to do that across our network. A layer 3 or ISP that would do that. But we can see enough of what is happening within the network. Talking to the ISPs, the reason that we were seeing that download amount of data increase so much is almost entirely because of video. So if you look at Netflix since it was launched in the country, if you look at what YouTube and Hulu and Stan and a number of others, they represent a large video download construct. So typically what we find in the residential family environmental is a multi-device house meaning a number of people have tablets, TVs and even smart phones and they could be streaming to their individual devices—it may be three or it may be four. We find that after-school period is when we see this spike. Naturally the children come home from school and jump onto Netflix to see whatever their favourite program is or maybe they are jumping on YouTube to find out what the latest sporting event highlights were, and that is predominantly what we see from a consumer usage point of view.

We have not seen so much on the upside. Originally we thought there would be far more uploading of data content but we are not really seeing that grow, as I pointed out in my opening statement.

Senator BACK: So an extension of that question would go back to your opening statement with regard to the satellite services, the Sky Muster service. You said:

...ensuring a good-quality experience for all satellite users. NBN is also ensuring that capacity is allocated for public interest uses like education ...

On a remote area cattle station, sheep property or whatever, how in fact do you deliver on that statement you have made to ensure capacity for public interest uses including education? How do you ensure all the capacity is not used up by the stockman downloading videos come time for important communications or for school of the air education or for streaming the auction?

Mr Morrow: We have the ability to prioritise if there is congestion. We will not congest a particular circuit that is going to an emergency based service or an educational based service to ensure that they can stay up and running and not be affected by the service. So if there is an overload within a beam, we can control that to a certain degree. This time around we have learned from the interim satellite solution to be sure that we have regulators that we can put on each of the ISPs in case people that are exceeding their data allocation do not affect other users on other ISPs. Those controls are being put into place with the new long-term satellites.

Senator CONROY: I want to go quickly back to a couple of issues we touched on before. Do you monitor cabinet backhaul or network link utilisation?

Mr Morrow: The fibre that goes from the exchange into the node?

Senator CONROY: Yes.

Mr Morrow: I would imagine we do.

Senator CONROY: Is that what led you to say that the issues are being caused by backhaul provisioning, because you do that monitoring?

Mr Morrow: No. Again, think of a chain and multiple links in this chain—

Senator CONROY: I was just wondering if you had any empirical data to suggest that it was CVC provisioning that was the problem.

Mr Morrow: We know in some cases that we have evaluated that it was under provisioning of CVC. We do know that.

Senator CONROY: When you mentioned that you do that monitoring, I thought you might be able to give us a bit more information.

Mr Morrow: Typically if there is a customer that is complaining, we would go through a number of steps to try and help the diagnosis. The first port of call is to their service provider. That is what their role is in all of this. If they then need to trouble isolate, they will work with NBN to see if there is a problem with NBN or if there is a problem with their network, which is the access to the point of integrations or is it because they are being

constrained because of the CVC capacity that they are purchasing from NBN? Or maybe there is something else that has to be examined and looked at. That is something that the ISP does.

Often times what we do is we staff up a call centre because we know a lot of end users want to call us directly and ask us. So we have calls that come in directly that sometimes are related to an NBN issue that we need to sort out, sometimes they are related to an ISP issue that we need to sort out. When a complaint comes in about speed, we will look at it. In some cases, working with the ISPs, they have realised that they have under dimensioned in their starting out of FTTN and CVC capacity. We upgrade that, they pay a little bit more, we solve that problem and we move on.

Senator CONROY: Could I clarify for those listening, I have been assured that the sculling competition is entirely water only. Just to clarify the rules, if Mr Rue says it is commercial-in-confidence, it is one scull and if Mr Morrow answers, it is two sculls—just so that people are very clear what the rules are.

Mr Morrow: What kind of alcohol?

Senator CONROY: No, I said 'water'. It is a water based game. You can join in, Mr Rue and Mr Morrow, with your water there.

What is the fault rate on copper so far? How many tech visits on average are required to commission an FTTN service?

Mr Morrow: I can report to you that the fault rate is consistent with what we have dealt with in the corporate plan.

Senator CONROY: What is that?

Mr Morrow: I would have to take that on notice.

Senator CONROY: Is the take-up twice, three times, four times? I appreciate the point you made in estimates and it is on target so I am just interested.

Mr Morrow: I will take it on notice.

Senator CONROY: Are the menu of steps in the activation process for MTM technologies? There seems to be a lot of problem orders being incorrectly handled and ISPs keep suggesting to me that it is NBN Co.'s fault.

Mr Morrow: There is not any one company that is only at fault. We work together to make sure the process is smooth.

Senator CONROY: Do you have any manual processes that are still in activation for MTM, not for FTTP?

Mr Morrow: It is meant to be automated. That is the design of it. In the early stages, there are fallouts that we refer to that then have to be manually processed. But the intent is that it is going to be automated all the way through. We are seeing that rate. We monitor that, we talk about that on a regular basis and that is improving, which is helping the activation rates go up. As I also said in the half-yearly results, we are going to take the activation rate from 7,000 a week currently to 15,000 by the end of the month and it is because of that automation that we can achieve those numbers.

Senator CONROY: So at the moment they are still manual. I understand in the early stages of FTTP there was a manual in there.

Mr Morrow: On an exception basis there is.

Senator CONROY: I want to turn to an NBN document that appeared in the media: IOP 2.0 FTTN review dated 26 February 2015. It was a presentation. It was updated by Finance on 6 March 2015. I would like to confirm some fundamentals set out in the FTTN presentation on page 10, where it states: NBN Co. estimates that 24,544 nodes will be built nationwide FTTN. Is that right?

Mr Morrow: The document that you refer to, somebody showed me a copy of that. I cannot confirm that that is even a valid NBN document. If it was, it would be commercial-in-confidence. I cannot disrupt—

Senator CONROY: Is anybody else in the country building an FTTN network?

Mr Morrow: Anybody in the country can create a document.

Senator CONROY: Does anybody else in the country own the copper that would allow them to build an FTTN network?

Mr Morrow: I am not sure I follow the relevance.

Senator CONROY: How many nodes are you building? Is it the 25,544 set out in the NBN document? You want to say, 'I cannot confirm', but everybody knows it is your document. The question is a very simple, straightforward one. I do not believe it could possibly be commercial-in-confidence because there is nobody else

who owns the copper; therefore nobody else can access your copper to compete and build a node network with you. So is the estimate of 24,544 nodes in the document leaked from NBN Co. an accurate number?

Mr Morrow: I cannot confirm anything that is in that document. If that was our document, it would be commercial-in-confidence. I cannot even confirm that it is our document. Anybody can prepare something of that nature. Therefore the information that you are asking, if you want to know the number of nodes or something then I am happy to take that on notice.

Senator CONROY: You do not know the number of nodes?

Mr Morrow: I do not know on the top of my head the number of—

Senator CONROY: Does 24 ½ thousand sound familiar? Does it sound about right? Mr Rue, you are actually in charge of costing—

CHAIR: I think you are right now asking Mr Morrow to speculate.

Senator CONROY: I am not asking him to speculate; I am asking him to tell the truth.

CHAIR: You asked him to speculate. It almost sounded like to me like you are asking him to pick a number out of the sky when he said he would take it on notice.

Senator CONROY: No, I am asking him to tell the truth.

CHAIR: Mr Morrow said he would take it on notice. Senator Conroy, I think that is bordering on being very unparliamentary indicating that Mr Morrow is now not telling the truth.

Senator CONROY: Will you just go and read the rules of the Senate before you start quoting them.

CHAIR: Senator Conroy, it has gone so well so far. Let us just continue.

Senator CONROY: Yes, and the first factual question that was asked, he refuses to answer.

CHAIR: Intimating that Mr Morrow is deliberately misleading—

Senator CONROY: I did not say any such thing. I said I am seeking to get to the truth of how many nodes are being used, nothing more.

CHAIR: Yes and you implied that he was not telling the truth. Mr Morrow, are you in a position to answer that question?

Mr Morrow: No I am not.

Senator CONROY: You have no idea? You cannot give us a ballpark figure? Mr Rue, the man in charge of doing the costings of the exact number of nodes that you are building, has no idea?

Mr Morrow: To clarify your question, are you asking how many nodes will be built by the time the network it is completely rolled out?

Senator CONROY: No, I am asking in relevance to the document. I expect that you are probably building more than 24,000 but I am happy for you to say 24,000 was only up to a particular point in the build.

Mr Morrow: Again, I cannot comment on the document itself. I cannot confirm that it is even an NBN document. If you have a question around how many nodes by a certain point in time, I can happily take that on notice and we can look at that.

Senator CONROY: Mr Rue, have you done a calculation in your corporate plan about how many nodes will be built and what the cost of building those nodes will be?

Mr Rue: We have certainly done the calculation of the cost per premise and the capex.

Senator CONROY: No, the cost of the actual physical nodes. You must know how many are going to be built to cost it.

Mr Morrow: We will have to take that on notice.

Senator CONROY: You have actually done a costing and you do not know?

Mr Rue: I do not have it here with me.

Senator CONROY: It is remarkable that you do not have any information that would actually be useful for the committee. It is treating the committee with contempt, Mr Morrow.

Mr Morrow: We respect this committee. We respect every senator around the table.

Senator CONROY: Misleading a Senate committee is actually a serious offence.

Mr Morrow: Again, we know you want accurate information. If we can provide it without jeopardising the commerciality of the business we would happily do so.

Senator CONROY: What commerciality could possibly involve you telling us an accurate number of nodes that you intend to build?

CHAIR: Senator Conroy, Mr Morrow has taken that question on notice—

Senator CONROY: And then he gave a commentary. I am commenting on his commentary.

CHAIR: Saying that Mr Morrow is now deliberately misleading the committee, when he has agreed to take this question on notice to provide you with factual information so that he is not misleading this committee—

Senator CONROY: Could you actually read the rules of the Senate before you start—

CHAIR: Let's not go down this path again.

Senator CONROY: And not mislead about what I have said. You have just put words in my mouth that I did not actually speak.

CHAIR: Let's just clarify this: you have asked Mr Morrow for some very detailed information and Mr Morrow has indicated that he cannot give it to you tonight because he does not have the exact figures—is that correct, Mr Morrow?

Mr Morrow: That is correct.

CHAIR: But you have agreed to take it on notice and to provide the exact information to Senator Conroy, as long as it is not commercial-in-confidence—is that correct?

Mr Morrow: That is correct.

Senator CONROY: I am simply asking for the number of nodes.

Mr Morrow: By which time or in the total build?

Senator CONROY: At the end; I am happy to take it at the end. I will come back to whether this describes the end, but the end.

Mr Morrow: I will take that on notice.

Senator CONROY: But you are qualifying it on the basis that it might be commercial-in-confidence and, therefore, you will not give it to us anyway. That is what it sounds like. I just want to clarify that.

Mr Morrow: It is a general comment for the water drinkers to make sure that they have a couple of drinks of water.

Senator CONROY: I think they are drowning at the moment, but I just want to clarify, seriously, that even if you can get that number, which both of us know you have available to you—and I am shocked the chief financial officer is not able to give us that figure; I appreciate that you might not have it off the top of your head, but your CFO should certainly have it—tomorrow or the next day or whenever, you are not guaranteeing you will tell this committee how many nodes you are going to construct, because you are claiming a commercial-in-confidence exemption.

Mr Morrow: I am not making a claim—

CHAIR: My understanding from Mr Morrow's response—

Senator CONROY: He was in the middle of an answer; you have interrupted him.

CHAIR: You have asked the same question of Mr Morrow several times now—

Senator CONROY: I am asking him to clarify his answer.

CHAIR: I have clarified it with Mr Morrow and he has reclarified that he does not have the information on hand; he will get it to the committee on notice—

Senator CONROY: That is not what he said.

CHAIR: Yes, it is. He will check whether and he will advise us if he believes it is commercial-in-confidence and the basis on which he believes it to be, but he did not say that it is—is that correct?

Mr Morrow: That is correct.

CHAIR: He did not say that it was commercial-in-confidence and—

Senator CONROY: I am bemused as to how he cannot know whether the number of nodes is commercial-in-confidence. What testing methods determine if copper is viable—a standard line test, an open and short or a full CableSHARK interference investigation level? And you do not bring people here because you tell me you can answer all your questions.

Mr Morrow: Even if I brought 100 people here we would not be able to answer your question—

Senator CONROY: Do not try that rubbish with me. If someone who actually knew something about deploying a fixed line network was here, they could answer that question.

Mr Morrow: Is your question: what do we look at—

Senator CONROY: What testing methods determine if copper is viable—a standard line test, an open and short or a full CableSHARK interference investigation level? I am sure someone will help you with those terminologies.

Mr Morrow: I will have to take that on notice. I cannot give you the specific details—

Senator CONROY: But you do assure us that you can answer all the questions that we could possibly want to ask, no matter what level, as your reason for not bringing other officers to the table.

Mr Morrow: They would not be able to answer those questions.

Senator CONROY: I have more confidence in your staff than you do.

Senator O'NEILL: Somebody would be able to answer the question if they are doing it.

Senator CONROY: Is there a reason that you are not able to contact someone inside the company—and I am sure that you have people watching and listening; you have a regular tweet going out every five minutes while we are here—and get us the number of nodes by the end of the hearing—that is, one hour and 10 minutes?

Mr Morrow: Probably not. I would love that, but if our employees are up I would like them to go home and go to bed, and spend time with their families and get some rest. We have a lot of work to do tomorrow. It is 9.49 in the evening.

Senator CONROY: During October estimates, nbn told the committee that you had bought 180,063 metres of copper at a cost of \$14 million—what are you up to in your copper? How much have you purchased and at what cost?

Mr Morrow: I do not have that here.

Senator CONROY: Mr Rue, you answered the question last time.

Mr Rue: I will have to take that on notice.

Senator CONROY: You actually knew the answer last time.

Mr Rue: I do not have it with me, sorry. We will take that on notice. What did you ask exactly—metres and?

Senator CONROY: Last time you said you bought 1,860 metres of copper at a cost of \$14 million. What are you up to in new copper? How much have you purchased and at what cost? It was not commercial-in-confidence last time, so I am guessing we might just get an answer to that one.

Mr Rue: I do not have that here. I do have an answer to a question that you asked earlier though. I found a report to help you. The number of active premises you asked, over 140. So 200 and 5,000 is 28; 500 and 200 is three.

Senator CONROY: They have doubled!

Mr Rue: And 1,000 and 400 is 23, although, as Mr Morrow said earlier, I think a lot of those are trials. I am not sure how many those are.

Senator CONROY: I hope you have their names and addresses.

Mr Rue: So there are 28, three and 23—so 54 names to get.

Senator CONROY: Thank you for that. That is a lot of work. I am sure you have a comms unit that can find them. Turning to the Optus HFC—and that is another document that has made its way into the public domain. I will come back to it in a moment with its exact title, as it is not in H. This document, which is marked 'draft' states 'FOUO: Commercial—Confidential'. It is titled *HFC Plan B: overbuilding, Optus* and is dated 3 November 2015—not that long ago. Some useful information made its way, despite your best efforts, into the public domain. As you know, the previous government's plan was to decommission the Optus HFC, so unsurprisingly Optus did not invest in it and had not invested in it since the late nineties. Equally unsurprisingly, we learnt from nbn's own documents:

- Optus network is not fully **fit for purpose**
- some Optus **equipment arriving at end of life** and need to be replaced
- Optus nodes **are oversubscribed** compared with Telstra and will require node splits
- Existing **Optus CMTS** don't have **sufficient capacity** to support nbn services
- Noise (ingress) causing **interference** and degrading end-users speeds

- Multi-path DA transit complexity

Mr Morrow, could you tell us about noise ingress—how it causes interference and degrades end-user speeds?

Mr Morrow: Again, hear me out on this. As far as any document goes that talks about another company's product, I would not speak to it; I would not validate that document. However, I will speak to you about the gist of what you were referring to in whatever document it is that you are reading. I would point out that fit for purpose for nbn's intention on HFC—

Senator CONROY: My specific question was around the one point in particular. It refers to:

- Noise (ingress) causing **interference** and degrading end-users speeds

I was wondering if you could explain to me what causes that.

Mr Morrow: Across an HFC network, for a variety of reasons—the type of connectors, the type of multiports that are out there, the taps that are used—it can have a certain signal-to-noise ratio. That can impact the speed that can be optimised through that network. If you wanted to optimise that coaxial network for speed then you would have to reduce that noise level.

Senator CONROY: I am very concerned about one of your employees, Mr Steiger. Could you provide us proof of life?

Mr Morrow: I am sorry?

Senator CONROY: Could you provide us proof of life?

Mr Morrow: I can assure you there is no death certificate.

Senator CONROY: Well, I am not counting that as proof of life! Until he turns up here, as promised, I am going to continue to be very concerned.

Mr Morrow: You have seen him once.

Senator CONROY: I know he was here once. It is just he has vanished off the face of the earth, and I would appreciate, the committee would appreciate, some proof of life.

CHAIR: Senator—

Senator CONROY: I am moving on.

CHAIR: No, no. You might be surprised by this, but I was actually just going to inform you that, at the very end of this, I will be having a talk to nbn about their next appearance and things they could do to better prepare in terms of witnesses. So there you go.

Senator CONROY: I do genuinely appreciate that.

Senator O'NEILL: We will get good speeds here soon, and then they will be able to download the information properly.

Senator CONROY: According to nbn's own documents, it will cost \$700 million extra capex to patch up this network which does not appear to include complexity costs, like building extra IT systems. Will you be using the Optus HFC? If so, for how many premises?

Mr Morrow: Again, anything about what the cost of that would build could be commercial-in-confidence.

Senator CONROY: Skol!

Mr Morrow: If you are reading from that document that you call was leaked, I cannot validate if that was even a bona fide, legitimate nbn document for the reasons of protecting the commercial interest of the company and not having the taxpayers pay any more money than what they already are dedicated to with this NBN.

Senator CONROY: So back to my actual question: will you be using Optus's HFC? And, if so, for how many premises?

Mr Morrow: Yes. The intention is to use the Optus HFC network. The exact number is still being evaluated. There are a number of other elements that we are in a commercial discussion on that would help with getting Optus's help.

Senator CONROY: You own the network now, don't you?

Mr Morrow: We do not own it until we actually take it over. We have a right to it if we decide to use it, and when it is handed over through the procedures—

Senator CONROY: But you have already paid \$800 million—that is a fixed—

Mr Morrow: No. We have not paid anything for that network.

Senator CONROY: I promise you—

Mr Morrow: As the senator well knows, that \$800 million was a function that was in the original definitive agreement with Optus that would pay them for their customers moving over to the NBN network. The deal that was struck with Optus paid nothing for the use of the HFC network.

Senator CONROY: So, originally, plan A is outlined in the document, and described as using 470,000 Optus premises. Are you indicating that you have done no estimate? Mr Rue, how do you manage to do a costing when you do not have an estimate of how many homes will use the Optus network? How do you build a business plan when you have so much dramatic uncertainty. You must make a calculation, surely.

Mr Rue: These were plans prepared at a point in time. I think if you read the corporate plan, you can see that we very carefully say that it was based on information at the time and estimates at the time. Any estimates may change.

Senator CONROY: Now, I am asking you what the estimate was.

Mr Rue: As Mr Morrow said, we are still working through what it will be going forward.

Mr Morrow: It is in the hundreds of thousands, though.

Senator CONROY: I want to talk about some of the complexities that arise from using the network. You need to implement the 'Orion deal'. Could you explain this, please? What is the Orion deal?

Mr Morrow: That was the codename given to the revised definitive agreement with Optus. So, as we revised the original DAs at Telstra and the original DA of Optus, that was the revision that we struck earlier last year.

Senator CONROY: You need to set up an IT system whether you use the Optus network for one home or for 100,000 homes. You have to have an IT system to interact with Optus. Is that right?

Mr Morrow: No. The idea that an HFC network, whether we get piece parts from Optus and piece parts from Telstra, or build new piece parts of HFC within the nation, that all connects back from a network element point of view, a physical network inventory point of view within the IT systems that we build. We do not build that separate for pieces of the network like that.

Senator CONROY: So you do not need to set up a specific IT network just for Optus, but you do have to set up a specific IT network for the HFC?

Mr Morrow: That is correct.

Senator CONROY: Have you quantified those costs yet?

Mr Morrow: We had some initial estimates, I believe, that we used within the planning numbers—yes.

Senator CONROY: What is the novo modo contract?

Mr Morrow: I do not know.

Senator CONROY: Who would be the person who could answer that question? Which of your officers could answer a question about the IT set-up for the—

Mr Morrow: If you want to know the definition of novo modo we would have to take that on notice. Do you have a context to put it in?

Senator CONROY: 'There is also a significant effort to set up the novo modo contract, and uncertainty.'

Mr Morrow: Again, there are project names that are being used within the company. It could very well be a project name for something. I do not get into the KGB, CIA codename structures when we bring the executives in for the committees where we are making these decisions.

Senator CONROY: I thought you assured us you would be able to answer. The reason there are only two of you here is that you could answer all my questions. You can take that on notice. I certainly accept you can take that on notice.

Mr Morrow: I said that we would answer the questions you have, either directly or by taking them on notice. That, of course, is with the caveat of it not being commercial in confidence.

Senator Fifield: If I can just add that from recent experience in social services, even with about 200 public servants sitting behind you, there are still many questions that need to be taken on notice, because of the level of granularity.

Senator CONROY: If you decide you are going to dissemble before the committee and not bring officers who can actually help the committee. The problem here is pretending you can answer the questions up-front, and not bringing other officers whom you know can answer the questions. I am still eager for proof-of-life from Mr Steiger, but there are two or three other officers. Is Mr Adcock still employed by the company? Is he on contract?

Mr Morrow: No, he is not.

Senator CONROY: Was he put on a retainer or consultancy after he resigned from the company?

Mr Morrow: No, once his termination date was up—

Senator CONROY: How long was he on gardening leave?

Mr Morrow: The term of his employment ended, I think, in January.

Senator CONROY: When was he officially relieved of his duties?

Mr Morrow: I transferred him out of that department and put Peter Ryan in—I think it was in November.

Senator CONROY: So he stayed on board for three months without any duties?

Mr Morrow: He still had duties. He had a transition consultant role to the executives and me.

Senator CONROY: Can I come back to the rating you talked about in your approval for FTTN. Is that a rating that combined FTTN and the FTTN/B? You bundle them up usually—

Mr Morrow: It was a combination of B and N.

Senator CONROY: What is the difference between the B and the N?

Mr Morrow: It was not presented to me as such. It was combined.

Senator CONROY: My understanding is that the B got an eight and the N got less than seven, which got you towards your seven. Could you confirm that?

Mr Morrow: We will take that on notice.

Senator CONROY: What is the proportion of Bs versus Ns?

Mr Morrow: In terms of the study?

Senator CONROY: In terms of the study, yes.

Mr Morrow: Again, we will take that on notice as far as actual numbers are concerned.

Senator CONROY: Getting back to the leaked FTTN/B product consultation paper, which somehow appeared in public, in April 2014. On page 19 this paper states in '3.1—In-Home Wiring and Central Splitters':

VDSL2 is particularly sensitive to the quality and configuration of in-home wiring in that the speed of the service can be adversely affected if wiring is poorly configured, e.g., if stubs or pairs are connected in parallel. In most cases the installation of the central VDSL2 splitter located at the first socket in the premise is all that will be required to deliver a quality FTTN/B connection.

Are you familiar with this document?

Mr Morrow: I do not know which document you are referring to.

Senator CONROY: It was leaked into the public domain. It is titled 'FTTN/B Product Consultation Paper'. Are you familiar with that one?

Mr Morrow: Not its details, no.

Senator CONROY: Can you confirm that it is your paper?

Mr Morrow: No, I cannot.

Senator CONROY: I am tricking you, actually. Your company issued it. 'The following deliberately simplified diagram shows where a central splitter is required to be installed,' which means you do own it. 'Good configuration/Bad configuration'—I am indicating the diagram in the document.

CHAIR: Can you clarify for Mr Morrow and the other committee members what document. You have alluded to a leaked document—

Senator CONROY: I tricked him. It was not leaked.

CHAIR: Yes, I know. I do not think it is very helpful for any of us, particularly at this time of night.

Senator CONROY: I pretended it was leaked so that he could deny the existence of a document that he himself issued.

CHAIR: If you could please clarify the document that you—

Senator CONROY: I have read it out twice. I will read it out again.

Mr Morrow: I do not have a copy.

CHAIR: Are you aware, Mr Morrow, of the document Senator Conroy said he is reading from?

Mr Morrow: Not from the name, no.

Senator CONROY: 'FTTN/B Product Consultation Paper'. I am sure somebody in your company must know about it. It was actually publicly issued—

Mr Morrow: Do you have a copy for us?

CHAIR: Would you like to table a copy or provide a copy. If you could actually provide it to Mr Morrow so that he can see it.

Senator CONROY: The company issued it. I tricked him, to make him look silly, and it worked.

CHAIR: If you want to continue this line of questioning it would be helpful to give it to Mr Morrow.

Senator CONROY: I would like it back. As I said, it is actually a real document issued by the company.

CHAIR: Give Mr Morrow an opportunity to have a look at it so that he knows what document you are referring to.

Senator CONROY: It is an industry consultation paper. It has been distributed by the company.

Mr Morrow: What diagram are you looking at?

Senator CONROY: On page 19, '3.1—Home Wiring and Central Splitters'.

Mr Morrow: Yes.

CHAIR: Mr Morrow, before we continue, because the committee does not have the benefit of the document that you now have could you confirm for the committee that you recognise the document.

Senator CONROY: I am happy to table it.

Mr Morrow: I do recognise the document.

CHAIR: And it is an nbn co document.

Mr Morrow: I would have to confirm the contents of that to be sure, so I would not do that in haste. But I would say that in general, for the purpose of the question the senator has asked, it would look like it is the bona fide nbn document, but I cannot say it with certainty. Senator, seriously, if you want me to be accurate on this—

Senator CONROY: I would like you to bring officers to the committee who can answer questions on your own documents.

CHAIR: Senator Conroy, at least give Mr Morrow the opportunity to answer the question.

Senator CONROY: Where is Mr Simon? He would confirm to you that he issued this paper. Why is Mr Simon not here? He can confirm that it is your document.

CHAIR: Senator Conroy, you have asked three questions in a row. Let Mr Morrow answer your first question and then we can move on.

Senator CONROY: I have asked him if it is a real document and I am not sure what the answer is.

CHAIR: If you will give Mr Morrow an opportunity to continue his answer. Mr Morrow, you do recognise the document?

Mr Morrow: I do, and I am looking forward to the question.

Senator CONROY: I recall that we discussed this matter in May 2014, at the other committee, where it was established that without the installation of a central splitter FTTN would deliver reduced speed and reliability. Is that correct?

Mr Morrow: I believe that is correct.

Senator CONROY: Referring back to Hansard, on page 58, on Monday, 5 May 2014, Mr Adcock said in response to my questions about self-installation:

Mr Adcock : On our own document, as I recall, if there is a self-install the speed guarantees cannot be stepped up to.

Senator CONROY: So reduced speed and reliability, as per your document.

Mr Adcock : Consistent with the current self-install models in most DSL services today.

So, can I take you through your WBA, the wholesale broadband agreement, in regard to FTTN. At what point is the NBN network boundary in the FTTN footprint? That is, to what point in the premises will NBN provide assurance for service levels?

Mr Morrow: It is to the first jack within the house.

Senator CONROY: Sorry, the first what?

Mr Morrow: The first jack within the house.

Senator CONROY: For those who have not spent their life torturing themselves about this, could you explain what you mean by 'jack'?

Mr Morrow: Typically, we are responsible for the cable going down the street, the cable going up to the side of the home and the cable wiring from the side of the outside of the home to the inside, to the first plate or the first jack. At that point, the homeowner or the RSP takes over.

Senator CONROY: Thank you. I am looking at nbn co's operations manual, version 2.12, effective 6 January 2016. I could mess with you again, Mr Morrow, but I cannot be bothered. It is a public document.

CHAIR: I think we are all grateful for that at this time of night, Senator Conroy.

Senator CONROY: It states on page 103 that nbn co can provide a professional installation but that it is 'optional and not part of a standard installation'. Is that correct?

Mr Morrow: I will give you the benefit of the doubt. Yes, it is.

Senator CONROY: Okay. Take me through the professional installation process. Will this involve in-home wiring?

Mr Morrow: I will take that on notice.

Senator CONROY: You do not know? You promised me you could answer the questions.

Mr Morrow: I do not know how to respond to you when you keep saying that. I told you that we will get every question that the committee puts forward answered, if it is not commercial-in-confidence. I still maintain that. The other option is that if you have all the questions lined up, as you do, you can send them in advance, and then Stephen and I could be better prepared to answer your questions.

Senator CONROY: How about you bring the other officers who could actually answer the questions without going through this comedy?

CHAIR: Senator Conroy, I have said I will be addressing this issue at the end of this evening.

Senator CONROY: I do appreciate that. Mr Morrow, professional installation would involve truck rolls, correct?

Mr Morrow: I presume so, yes.

Senator CONROY: You are still going into the premises for that sort of installation, if there is a professional installation process?

Mr Morrow: Yes, if it is a case of us doing some inside wiring then I assume there would be a truck roll and somebody walking inside the house.

Senator CONROY: So far, how many people have requested professional installation?

Mr Morrow: I will take that on notice.

Senator CONROY: Do you incur a cost when there is a truck roll, or do you fully offset that to the customer? In other words, is there a charge to them?

Mr Morrow: We will take that on notice.

Senator CONROY: The operations manual says a professional splitter installation is optional and not part of a standard installation. If you have a professional splitter installation, I assume that, as it is not part of a standard installation, there is a cost. In fact, your document goes on to specify the cost.

Mr Morrow: I would feel quite comfortable that any cost associated with the splitters were factored into the business model and into the cost-per-premises estimate that we would have.

Senator CONROY: It says that a professional splitter installation involves nbn co personnel attending the relevant end-user's premises to install a central splitter, which will comply with the relevant standard. It goes on to say that a professional splitter installation 'may be ordered by an organisation in accordance with clause 4.5.22 or occur in accordance with section 5.24'. It says, 'The charges which apply for a professional splitter installation are specified in the price list.' It goes on to give a price list. My point is that the charges would not be in there. If you are actually charging the cost to the consumer then I am assuming you are recovering costs.

Mr Morrow: Any cost borne by us would be factored into the business model if it is an added service. There was a point in time when we talked about whether the splitters would be even needed. If it was an option that somebody wanted or felt was needed, the question was: would we provide the service? I believe that is what you are referring to in the document that you are reading out. I would also point out that it is an April 2014 document. Those were early days. There has been a lot of consultation going on. Many things have changed. If there is a question—

Senator CONROY: No, I am quoting from your operations manual, version 2.12, effective 6 January 2016. It is not the previous one.

Mr Morrow: And your question is?

Senator CONROY: What I was trying to get to is whether you are incurring any cost, including the truck rolls and hiring the people, or fully offsetting that in a charge to the customers. Then I said, 'Do you have a price list attached?'

I am to a degree trying to find out whether or not you offset the cost. I think you do, but that is what I am trying to ascertain. I am sure Mr Rue is able to help.

Mr Rue: I am sure we do, but we will have to take that on notice.

CHAIR: Senator Conroy, Senator Ludlam has a few questions, so we will go to Senator Ludlam and then come back to you.

Senator LUDLAM: Apologies, Mr Morrow and colleagues; I have been chasing other committees, so let me know if some of the stuff I am about to put to you is already on the transcript. I am happy to roll forward. I have a couple of general questions and then one specific one which go to the user satisfaction surveys that nbn co undertakes. I think these might have been traversed briefly earlier. You have identified that the satisfaction levels of your users for fibre to the premise and fibre to the node were approximately the same and had a user satisfaction survey score of 7.7 out of 10. So far so good?

Mr Morrow: That is correct, yes.

Senator LUDLAM: Did you address that in your opening statement?

Mr Morrow: We did in terms of the announcement of that. Then there were several questions asked about the details behind it.

Senator LUDLAM: Great. Maybe I will just go straight to the specific. How long have you been conducting these user satisfaction surveys?

Mr Morrow: This was conducted late last year and was the first of many to come.

Senator LUDLAM: That was the first you had done?

Mr Morrow: That was early on in terms of the deployment. We will have many more that we are going to follow up with.

Senator LUDLAM: Okay, but that is the first time that you have done that.

Mr Morrow: Yes, for FTTN.

Senator LUDLAM: What other kinds of access technology have you surveyed in the past?

Mr Morrow: FTTP and fixed wireless.

Senator LUDLAM: So the reason it is the first time you have surveyed on FTTN is that it is the first time you have enough of a customer base to make it worth asking the questions.

Mr Morrow: To have a statistically valid sample.

Senator LUDLAM: Okay. Can you either table for us or point us to where on your website we can find a breakdown of the user satisfaction scores for the last three years based on access technology?

Mr Morrow: I do not think it would have been published on the website. I can take it on notice to provide that to you.

Senator LUDLAM: I appreciate it. Based on fibre to the node is year 1, so that is useful. When did you start asking about fibre to the basement?

Mr Morrow: That was also included in that same trial.

Senator LUDLAM: First time?

Mr Morrow: Yes.

Senator LUDLAM: And presumably you have two or three years of fibre to the premises survey data—

Mr Morrow: That should be correct, yes.

Senator LUDLAM: Because that was you inherited with the small customer base on FTTP.

Mr Morrow: Correct.

Senator LUDLAM: Are you surveying people on your satellite or wireless solutions?

Mr Morrow: For the wireless we are. That one has an 8.1 out of 10 rating. That is one of our highest.

Senator LUDLAM: 8.1; people were just happy to have something.

Mr Morrow: They were happy to have that service.

Senator LUDLAM: Anything you can provide us that is longitudinal and broken up by access technology would be valuable.

Mr Morrow: All right.

Senator LUDLAM: Of the user satisfaction scores you have just identified, fibre to the basement was 8.4. That was from February 2015. You recorded 8.4 for fibre to the basement. But in February of this year the combined user satisfaction score for fibre to the node and fibre to the basement was 7.7. It has actually dropped quite a bit, so what is your take on why the scores have dropped?

Mr Morrow: I think we are mixing apples and oranges there. The question on notice that we will take will clarify. Remember that there is an installation experience satisfaction score and then there is an actual use of the product satisfaction score. We will provide all of that in the breakdown for you.

Senator LUDLAM: Good—as much as you are able to disaggregate. When you are doing your user satisfaction surveys, do you disaggregate fibre to the node and fibre to the basement?

Mr Morrow: We do know which is which within but we lump together in that score the combination of both.

Senator LUDLAM: Your users might not know—your users might not care—but I presume it would be important for the company to know.

Mr Morrow: Indeed. Remember that it is basically the same kind of technology and we are trying to get a feel for whether people are satisfied when they have the last 50 metres of copper that they are using.

Senator LUDLAM: But, if it is in the basement, it might be the last dozen metres, whereas, if it is a node, it might be 500 metres to the street.

Mr Morrow: It might be the last 50 in the basement and it might be the last 500 in fibre to the node; but, again, that is what we are looking at from a service point of view. We feel quite confident with the sample size that we have. Admittedly it is early and small, and that is why we will continue to do this over the coming months.

Senator LUDLAM: Can you de-lump those numbers for us?

Mr Morrow: I should be able to. We will take that on notice.

Senator LUDLAM: I would have thought so. Thank you. I also believe—mainly because I have had one eye to Twitter—that we have had some discussion thus far about digging up people's rose bushes and driveways. Is that true?

Mr Morrow: There was a discussion from Senator O'Neill about a node that was put within the space of a driveway.

Senator LUDLAM: Okay. What an atrocity. I want to go to the general principle rather than an individual's driveway. You have made public comments to the effect that the general public will obviously prefer a fibre-to-the-node build as nbn co is not going to need to be digging up driveways, people's gardens and so on.

Mr Morrow: To be correct: it is that they are happier that we are not out there digging their driveways up and they would prefer that we did not.

Senator LUDLAM: Okay. I am presuming that you can confirm for us—unless the technology has changed since the last time I asked these sorts of questions that a fibre-to-the-premise fibre distribution hub does not require mains power; it is a passive unit?

Mr Morrow: No, you need power—

Senator LUDLAM: Fibre-to-the-premise distribution hub.

Mr Morrow: Fibre-to-the-premise fibre distribution hub does not require electrical power; that is right.

Senator LUDLAM: Right. It is a passive unit, whereas the node cabinet does require mains power.

Mr Morrow: That is correct.

Senator LUDLAM: All right. Step us through this. Is nbn co able to meet all the required standards and regs while using a directional horizontal boring machine or similar machine, however you are installing these things—I have not actually seen it done—to bore underground from the cabinet site to the mains connection point, or are you actually going to need to do a fair bit of trenching to get these nodes hooked up to the mains?

Mr Morrow: I would have to take that on notice. I assume it is a combination of both of those approaches to be able to run the power cable.

Senator LUDLAM: So it is not actually that you are not going to be digging stuff up. You are going to need to dig up quite a bit of stuff, and on a fibre-to-the-premises model you would potentially have been doing a lot less trenching because the nodes—

Mr Morrow: With fibre-to-the-premise, digging up someone's driveway—we do not dig up somebody's driveway. Typically, when we are extending the node to the pillar, that is on the corner of the street. If you want, we are happy to take you out and show you a couple of these sites so you can see them, but they are typically in the footpath area that is in the front of somebody's home but not necessarily within the driveway nor typically going on anybody's property. That was the major frustration of fibre to the premises: digging up their gardens, their driveways, reaching into their backyards.

Senator LUDLAM: And my point is you are going to need to do a fair bit of that to get these nodes connected up to the mains power.

Mr Morrow: No. Remember there are 150 homes to a node. We are only putting in a very short trench to be able to get from the node to the pillar and we do not touch anything else. That is a one-time element for 150 homes where, if we were doing fibre to the prem, we would be digging up 150 driveways to get there, let alone to be able to get out to make sure the fibre can make it to the footpath that is in front.

Senator LUDLAM: Are you stating that, for every premise that you are hooking up to an end-to-end fibre connection, you need to dig up the driveway?

Mr Morrow: For fibre to the premise, yes. That was the plan.

Senator LUDLAM: To dig up?

Mr Morrow: It would almost inevitably be a dig-up of some sort, augering through, trying to pull the cable across—there was a lot of construction for the majority of those homes.

Senator LUDLAM: All right. How many complaints have you had, and is part of the survey work people who are unhappy with people trenching to connect the network to their premise?

Mr Morrow: I would have to take that on notice. In the readouts of the management team to me and the executive committee, that never came up as a major issue.

Senator LUDLAM: It never came up as a major issue.

Mr Morrow: Correct.

Senator LUDLAM: That is interesting. Anything you can provide, whether it is a part of the survey, your regular complaints process or whether that sort of thing gets directed to the RSP.

I have a bit of good news for you. I know good news is in very short supply in late-night estimates committees. Last time, I raised with you a constituent in Kensington in Melbourne. This was a very specific case of somebody who was stuck on a pair gain and told he would not be delivered broadband for the next 500 years. You have gone out, fixed it and got him off that system, and he is actually a very satisfied constituent. I just wanted to pass that back because I know you hear a lot of complaints. There is one satisfied customer out there.

Senator BACK: It certainly wasn't Fifield!

Senator LUDLAM: No, it wasn't Fifield; I am not here to advocate on behalf of people who can look after their own interests! But anyway, between nbn co and Telstra, you fixed this guy's house, and I appreciate it.

Now I am going to try it on again and see if we can score two for two. Probably not by coincidence, again it is somebody in the Kensington exchange. This is three kilometres from Melbourne's CBD. We are just wondering if it is a great time to be alive if you are in the Kensington exchange. This is two for two. He has been trying for more than a year with multiple service providers to get ADSL because the exchange is full and Telstra are basically saying they are not going to put any more ports on the subexchange because they are waiting for you guys to roll past. What do we do with these folks, because they have been told they have to wait till 2018 until they can get broadband?

Mr Morrow: It is a very unfortunate situation. So nbn has nothing to do with Telstra or the other providers of DSL services to get them to invest into more ports until nbn can run by and provide that high-speed service. Unfortunately for us, we try to prioritise against the government direction of the underserved areas—and we are accomplishing that on a proportionate basis—and then it is the speed of the rollout to get to as many people as we can.

Senator LUDLAM: This fellow is now paying 190 bucks a month for his mobile contract. Do we have to go back to him and say that neither Telstra nor nbn co can help him until 2018 and he is stuck on a mobile contract for the next three years?

Mr Morrow: Nbn could answer in terms of the NBN help, and right now there would be nothing that we can do other than what is in the rollout plan.

Senator LUDLAM: I certainly would not ask you to speak for Telstra. Is the Kensington exchange in your rollout plan? Do you have any idea how many people might be stranded under similar circumstances? I am having a strong feeling of déjà vu as I am putting my question to you.

Mr Morrow: I am sure that Kensington exchange is in the program, every area within the country is. I am not aware of how many people are trying to get ports but cannot on the DSL.

Senator LUDLAM: Can you get a read for us as to how far away you think your teams are from that particular exchange? Telstra is telling them 2018, but I would rather hear it directly from you.

Mr Morrow: We will take that on notice and find out.

Senator LUDLAM: If you could. This guy lives three kilometres from the CBD of Australia's second largest city—and it is not that they have a slow collection; they have no connection at all.

Mr Morrow: Right.

Senator LUDLAM: Anything you can do? I can provide you with a little bit more specific information on notice if that would assist.

Mr Morrow: Yes, please.

Senator LUDLAM: And maybe we will have another little celebration in May.

Mr Morrow: Great.

Senator CONROY: I am very concerned for one of the listeners, Mr Mackie. Apparently he has been following your answers and self-water boarding. He is not in a good way.

Mr Morrow: Water is good for you though.

Senator Fifield: There is such a thing as water intoxication.

Senator CONROY: There are two other listeners who are claiming overhydration at the moment. Coming back to the issue around FTTN: how many premises in your FTTN footprint has nbn co provided professional installation for to date? Do you provide it or does the RSP provide it? There might be a breakdown between the two.

Mr Morrow: I suspect it is the RSPs, but we will have to take it on notice to get you the specifics.

Senator CONROY: For those people who elect not to have a central splitter installed, they will have to self-install if they do not get it professionally done?

Mr Morrow: I will take that on notice

Senator CONROY: Could you take me through the self-install process? What does it involve?

Mr Morrow: We will take that on notice.

Senator CONROY: Seriously? You are asking Australians to do it and you cannot explain to the committee what is involved? I have no idea.

Mr Morrow: What we typically do is work with the RSPs to make sure—remember they want to own the relationship—

Senator CONROY: No, this is a self-install.

Mr Morrow: I understand. But again, we want to work with the RSPs; they want to own the relationship. It may be that they want to have a truck dispatch themselves to where they put it in; maybe they send the modem equipment to the customer that the customer wants, and that includes our NTE equivalent device and their gateway device that has splitter capability within. A lot of that is really worked very closely with the service provider behind this, but I will happily take on notice your question to make sure that we give you an accurate answer.

Senator CONROY: And the actual self-install process, you will give us the detailed explanation of it?

Mr Morrow: Yes, we will.

Senator CONROY: Will an existing ADSL splitter work with FTTN?

Mr Morrow: I would suspect not.

Senator CONROY: I am happy for you to take that on notice.

Mr Morrow: I will take that on notice.

Senator CONROY: I suspect you are possibly right, but if you can just get the engineers to—

Mr Morrow: Yes.

Senator CONROY: Thank you. If people do not elect to have a central splitter installed, then nbn co will not guarantee speed and reliability. You will not guarantee the 25/5 to RSPs.

Mr Morrow: We will take that on notice.

Senator CONROY: That is what Mr Adcock said. That was part of the earlier discussion, from a year ago.

Mr Morrow: Again, I think a lot has evolved in our discussions and the technology in the approach. So I think we owe you an update in terms of the explanation as to what is happening.

Senator CONROY: But you have agreed you will only guarantee to the first jack?

Mr Morrow: Our responsibility is up to the first jack.

Senator CONROY: So, if a person has to have a splitter installed after the first jack, you are still only guaranteeing up until that point and, if the splitter is not involved—

Mr Morrow: Again, I am not aware of the exact details on it. We would not leave a customer stranded out there, but let me confirm and come back to the committee with a full explanation of what is happening there.

Senator CONROY: I am referring to nbn co's wholesale price list, version 2.6, effective 1 December 2015. I take it this is the latest NBN price list.

Mr Morrow: I think it would be, yes.

Senator CONROY: Your price list states, on page 12, that the cost of a professional install is the labour rate, minimum two hours, plus materials, minimum \$10. Is that correct?

Mr Morrow: I would have to confirm that.

Senator CONROY: Would you like a copy of your own document to confirm that?

Mr Rue: It sounds correct.

Senator CONROY: Thank you. If the professional installation is done not at a time of a standard installation, then the cost will be the labour rate, minimum three hours, plus materials, minimum \$10. That is correct?

Mr Morrow: If you are asking us to take on notice to confirm a document that you believe is our document that is publicly available—

Senator CONROY: It is a public document that your company has issued.

Mr Morrow: Then why are you asking the question that you want us to confirm it?

Senator CONROY: Because I just want to confirm that these are the costs and that there is no argument about it, because my next questions go from the confirmation that these are the costings that you have provided publicly. I start off by trying to confirm with you that your documents say the following, and then I move on from there. It is a standard procedure.

Mr Morrow: Fair enough.

Senator CONROY: So are we agreeing that I am not misleading you—labour rate, minimum three hours, plus materials, minimum \$10?

Mr Morrow: All I can do is say that, if the document is publicly available and it is the most recent one, then I will trust that you are reading it correctly and interpreting it. I do not have it in front of me and I am not familiar with the specifics of it.

Senator CONROY: I am sure someone can flick a copy of it to your iPad in 30 seconds, but I am also equally happy to show it to.

Mr Morrow: Let us assume it is right.

Senator CONROY: I will assume that you assume I am telling the truth.

Mr Morrow: Thank you.

Senator CONROY: Page 13 of your price list states that the labour rate is \$75 an hour. That is correct? It reads:

3.4 Labour Rate and Materials

In this section 3:

(a) Labour Rate means \$75.00 ... and

(b) Materials means the cost of materials ...

Shall we just assume that I am not misleading you?

Mr Morrow: Yes. Let's keep assuming that.

Senator CONROY: So the minimum professional installation is \$160 wholesale and, if it is done not at the time of a standard installation, then the cost is a minimum \$235, which is the labour rate times the hours plus the minimum material cost. Does that sound fair?

Mr Morrow: That seems logical.

Senator CONROY: Maths, Mr Rue—you are the expert. Did I miss a beat?

Mr Rue: Senator, you're going good.

Senator CONROY: Thank you. So people have to pay an extra \$160 or \$235 if they want to get the quality of the service beyond the first jack.

Mr Morrow: It sounds like that would be the calculation that you have just run.

Mr Rue: That is a charge to the RSP, of course.

Senator CONROY: This is a wholesale price charged to RSPs, who may charge end users even more. That is your wholesale price to an RSP.

Mr Rue: Yes.

Senator CONROY: This is your model that you have devised, Mr Rue, so I am glad you do know it. Under a standard install with FTTP, there is no nbn co charge and no further work required for speed and reliability. But for FTTN, on a standard install, there is no nbn co charge but reduced speed and reliability unless the consumer pays \$160 or \$235. They are the two choices you get. With modem install you get an RSP charge under FTTP. There is an FTTN RSP charge but self-install is harder for many, and you will explain how it is harder when you come back to us later. The key that I am trying to come to an understanding of, Mr Morrow, is that the questions that I am asking you tonight about the FTTN installation process go to the heart of the problems being experienced in the FTTN footprint. It is frustrating that you are unable to answer even simple questions about the FTTN installation process, taking almost everything on notice. I think the chair is going to talk at the end about meeting the officers who can answer the questions to save the committee time. You constantly draw the attention of the committee to how many hours you spend in front of the committee, but each time you take questions on notice we need to get you back to ask the next question. It is very frustrating, and I hope you understand that. I think the chair is going to take that point up with you.

To summarise, people who cannot afford the professional installation just have to make do with the modem posted to them and whatever best efforts at services that nbn co will provide. I have indicated before that a number of people in the first FTTN areas are having trouble with this approach that the company has taken. I am not surprised that, under the new model you have devised for your rollout, you are getting the sort of feedback that I described earlier and that Senator O'Neill described earlier. What is nbn co's current assumption of the number of FTTN premises that will order a professional install by 2020—so out of the 4.5 million premises, how many will have a central splitter installed? What is your calculation?

Mr Rue: We will take that on notice.

Senator CONROY: Could I also get revenue flowing from this—so it is \$160 times the number of premises. That is the minimum. I wanted to talk a little bit about your half-yearly results presentation. Do you have that handy?

Mr Morrow: Yes.

Senator CONROY: On page 10 you have set out the total number of premises that are ready for service. Can you confirm that the total number of homes able to access the NBN as at 31 December 2015 is 1,670,972, which is 14 per cent of the total 11.9 million who ultimately will get the NBN? Mr Rue, does that seem right?

Mr Rue: The 1470 is correct; 11.9 comes from where?

Mr Morrow: That is coming from the documents in the corporate plan. Remember, that is after you have a bunch of new developments that are added. That is not the number of homes that are available to it.

Senator CONROY: I understand that you cannot forecast exactly what home growth is going to be. I do understand that. I am working on the numbers that you are working from, but I accept that that is not an absolutely finite number. Will you meet the Prime Minister's commitment to get the NBN to 100 per cent of Australian homes by the end of 2016?

Mr Morrow: I do not know of any commitment by the year 2016. I came in here in April 2014 and we put together a plan that said 2020. The Minister for Communications then agreed with that, and that is the plan we have been running.

Senator CONROY: I can play the video where he says it, if you like. It was at Foxtel studios; there was a hologram of a football player. I am sure you were not paying any attention at that time, Mr Morrow.

Mr Morrow: I can assure you that he never told me to build it by the year of 2016.

Senator CONROY: He told the Australian people that—that is what my point is. He made a promise to build the NBN to 100 per cent of Australian homes by the end of the year 2016.

CHAIR: Senator Conroy, is this perhaps a question of government policy that would be best addressed to the minister rather than Mr Morrow?

Senator CONROY: No, I am asking whether Mr Morrow can deliver on that promise that was made. Is it possible for you to get the NBN to 100 per cent of Australian homes by the end of this year?

Mr Morrow: No.

Senator CONROY: Just confirming here, too, that you have yet to connect a single home with the HFC?

Mr Morrow: No, that has never been the plan thus far.

Senator CONROY: No, I said at this point today you have not got anyone—

Mr Morrow: Yes, there are some trials.

Senator CONROY: Will you meet the target in your *Strategic Review* to pass 2.61 million homes with HFC by the end of 2016?

Mr Morrow: No, but that was my choice. I was never mandated to do that. That is something that is fungible within the business. I look at the net overall—

Senator CONROY: I am pointing to an nbn co document, the *Strategic Review*—

Mr Morrow: That was never a commandment made by anybody in government.

Senator CONROY: produced by Mr Rousselot, to whom you paid a large bonus for being about 2.61 million homes wrong—maybe 2.6, 2.61, so let's cut him some slack. He missed the target of 2.61 by 2.6 million—

Mr Morrow: I changed the plan; he did not. To be fair I changed the plan within. It is my prerogative to do so to optimise both cost and time, and hence it was done.

Senator CONROY: Is Mr Rousselot on track for another bonus? He only missed last time by 2.6 out of 2.61 million.

Mr Morrow: I hope so. He is certainly working his back end off and, if he keeps that up, he will deserve a bonus—

Senator CONROY: There is a first time for everything. Can I confirm—

Mr Morrow: I know you like him.

Senator CONROY: I do. I wish he would invite me to go yachting with him on Mr Turnbull's boat. I think that would be deliciously fun.

Mr Morrow: I have not heard the boat in a long time—

Senator CONROY: Have you been on the boat yet?

CHAIR: Senator Conroy, you only have 10 minutes left, so I want to focus your questions.

Senator CONROY: Can I confirm that the FTTN footprints that are being rolled out under your trial agreements with Telstra, the JDWC contract—that is Boolaroo, Belmont, Gorokan, Hamilton, Bundaberg; I could read them all—

Mr Morrow: Yes.

Senator CONROY: How many premises? I think it is around 220,000. Is that the last estimate?

Mr Morrow: That was the original JWDC, yes.

Senator CONROY: Is there a new one?

Mr Morrow: No, we added to it and we expanded the FTTN footprint.

Senator CONROY: Are any other areas part of the contract or will the rest be done under the MIMA contracts. What is the breakdown?

Mr Morrow: The MIMA contracts are now in place. With the 10 agreements that I mentioned, that covers the build across the nation for all technologies. We still have the rates to deal with in the HFC, but everything else is pretty well firmed up.

Senator CONROY: So confirming NBN is not switched on any FTTN premises outside the Telstra JDWC contract or trial?

Mr Morrow: That would be correct.

Senator CONROY: You have not switched on a single home that was not built as part of a trial. Everything that is activated today is still a trial area.

Mr Morrow: I do not think that is fair to call that portion of it a trial. The original deployments were to refine the processes to assess the cost element and, naturally, the rest of it fell into a normal construction.

Senator CONROY: It has been called a trial from the day it was announced.

Mr Morrow: Again, you can call it a trial all you want; it is the normal construction process.

Senator CONROY: I am not the one who called it a trial. The Prime Minister did, I think, you did, I think—

Mr Morrow: More than 100,000 customers—

Senator CONROY: your predecessors did.

Mr Morrow: who are able to access fast broadband over FTTN right now came through that JWDC contract. They are not trial types; that is a full-blown commercial service.

Senator CONROY: Let us blame someone—whoever used the word 'trial' should be waterboarded. They can join the drinking game. To be clear, you are not at scale on FTTN yet—that is correct?

Mr Morrow: We are not at scale at any of the technologies. We are building the networks. That is going to get more aggressive on each element—

Senator CONROY: I will get to the others. You have agreed: we are not at FTTN scale yet.

Mr Morrow: That is correct.

Senator CONROY: Are you aware that in August 2013 the Prime Minister said that the FTTN rollout would be at scale by mid-2014? Are you aware of that?

Mr Morrow: No.

Senator CONROY: So you are nearly two years behind what the Prime Minister said you would be.

Senator Fifield: In opposition in 2013, the coalition had an objective, announced some targets but, on coming into government, we discovered—then Minister Turnbull discovered—that the NBN rollout of the former government was in a much worse state than had been anticipated. The incoming government had to deal with the facts on the ground as they were, which is what we have been addressing since we have taken office.

CHAIR: For those of us on the committee who were not there three years ago, can you quickly refresh our memory of what the figures were three years ago.

Senator CONROY: Mr Morrow was not there either, and Mr Rue was not. You are on your own, Mitch. He will take that on notice. And it could be commercial-in-confidence!

Senator Fifield: Let me use a technical phrase: bugger all people were able to access the NBN in Australia.

Senator CONROY: Dear oh dear.

Senator O'NEILL: This is a reconstruction of history.

Senator Fifield: It is not a reconstruction of history.

Senator CONROY: Mitch is drowning; let's just let him quietly do—

CHAIR: Are you referring to the minister there, Senator Conroy?

Senator CONROY: I apologise, the minister is drowning. Can we just let him do it quietly? Can I move on. You only have ten minutes to go before you asked me to finish.

CHAIR: Minister, are you able to answer that quickly?

Senator CONROY: He has; he has given it the absolute technical definition. He has taken it on notice again.

Senator Fifield: No, I am very happy for the officers to my left to talk about the progress that has been made on the NBN since we came into office—and it is dramatic. Mr Morrow?

Senator CONROY: Sorry, can I get on with my questions? Mr Morrow has already had an opening statement. He has explained all of the magnificent performance, so I would just like to go back to my questions. You have ten or fifteen minutes at the start to do the PR; I would just like to get back to my questions.

CHAIR: Senator Conroy, you asked a question of Mr Morrow just a short time ago about the performance of NBN over two years.

Senator CONROY: No I did not.

CHAIR: Yes, you did, and, as Chair, I am just asking for some further clarification on that. Mr Morrow has the answer, and if you had allowed him to answer we would have been back to you already. Mr Morrow, can you provide us that information please.

Mr Morrow: I think the question that was at hand was predominantly about the scaling of the business. At the end of 2013 there were a little over 300,000 premises that were ready for service. That was a point in time where the company was four years old. In the subsequent two years we are now at 1.75 million homes. The number of homes that we are RFSing on a weekly basis are in the tens of thousands. In fact, as I mentioned earlier, they are hitting a higher number even than that as we speak. We should be close to 20,000 a week by the end of this month. For activation rates, two years ago we were lucky to put out in the hundreds per week, and now we are hitting 13,000, as I mentioned, for the last two weeks in a row. So the scaling of the business has been dramatic over the last two years.

Senator CONROY: I am happy for you to take this one on notice. Could you tell us if there have been any FTTP connections through the technology choice fibre on demand? I am happy for you to take that on notice.

Mr Morrow: I'll do that.

Senator CONROY: Mr Rue, what is the electricity cost of running each node? Now you have enough up and running, have you got an indication yet?

Mr Rue: I do not have that with me.

Senator CONROY: Coming back to the Prime Minister stating that the FTTN rollout will be at scale by mid-2014—

Senator LUDLAM: Before you move on, Mr Rue, did you take that one on notice about the power consumption at the nodes? You said you did not have it and hand.

Mr Rue: I will take that on notice, I am sorry.

Senator CONROY: Now when do you expect to switch on your first FTTN services—switch them on—not done under the trial Telstra JDWC contract. I know you have mentioned you have extended it but, in that extension part—without getting into a debate about the word 'trial'—when do you expect those ones to be?

Mr Morrow: May.

Senator CONROY: And when do you—

Senator O'NEILL: Where?

Senator CONROY: Sorry: where was a quick question from the side? I have got their list, if you want to inform us.

Mr Morrow: I do not have it here, but it has been published.

Mr Rue: We will take that on notice.

Senator CONROY: When does the nbn expect the FTTN rollout to reach scale?

Mr Morrow: Scale—remember the idea of building the network out on the aggregate we will see our peak year in FY18. The different technologies will reach their peak of scale at different points of time but, on the aggregate for the company, we have to be back in about—

Senator CONROY: But I asked about FTTN. I am asking you about one technology: when does FTTN hit scale?

Mr Morrow: I will have to get back to you on that; I think it is about 2018 as well, isn't it?

Mr Rue: What is the definition of scale?

Senator CONROY: I do not want to be cute here, but scale is how it is described by your company, Mr Morrow and the Prime Minister. I do not mind what definition you use. I think Mr Morrow roughly knows what I mean and he has just roughly suggested—without holding him to it—2018.

Mr Morrow: Let me make sure it is clear to the committee: we will continue to be doing more and more on a per-week basis for the next couple of years. At that point, we will hit the peak of what is required on FTTN per week and then you will start to see that settle back down until the rollout is complete.

Senator CONROY: Roughly 2018, and I am happy for you to correct that if it is—is 2018 confirmed?

Mr Morrow: Yes.

Senator CONROY: Thank you. Mr Rue, you seemed to discover what scale meant very quickly then.

Mr Rue: It depends on your definition. If your definition is that most premises will be RFS, then it is fiscal 18.

Senator CONROY: In June 2014, when nbn announced this trial, nbn co said:

The aim is to have the nodes commissioned and ready for provision of FTTN-based services once NBN Co has a commercial FTTN-based product available and the arrangements are in place with Telstra under the amended Definitive Agreements to support those services.

The source for that is the nbn Fact Sheet: 1000 Node Construction Trial—again, a public document.

Mr John Simon, when announcing an extension to the FTTN trial on 1 October 14, also said:

... around 250,000 additional homes and businesses should be able to connect to the network within the next 12 months—subject to the necessary agreements being finalised with Telstra.

And that is cited from a news article quoting Mr Simon. nbn is saying that 250,000 homes will be ready for service on FTTN by 1 October 2015 but, as of 1 October 2015, only 29,000 were switched on. So what was the delay?

Mr Morrow: Senator, again, I think there were issues that we had around some of the contracts that changed some of the plans, but the aggregate in terms of the rollout of what we had expected is on track. As we have said, we have then exceeded our expectations with the NBN rollout.

Senator CONROY: You did not meet Mr Simon's proposed start-up. He said on 1 October 2014:

... around 250,000 additional homes and businesses should be able to connect to the [FTTN] within the next 12 months.

That is Mr Simon in a newspaper article, and nbn are saying that the 250,000 homes will be ready for service on FTTN by 1 October 2015. So 1 October 2014 or 1 October 2015—so I am comparing apples with apples. I am comparing one of your senior official's, Mr Simon's, statement in a newspaper and 12 months later on 1 October, despite Mr Simon claiming 250,000 homes will be ready for service, only 29,000 were. That is just a statement of fact, so I do not know what internal targets you have today, but your external announced target, you missed by 220,000.

Mr Morrow: Our targets are against the rollout. Those targets were first set in late 2013 and reinforced by the board on an annual basis. Every one of those targets has been met on the aggregate basis of the rollout which we are measured by and continue to accelerate. If I choose, which is my prerogative, to say I am going to push one more other technology type within rather than another, I use that as discretion to make sure I optimise the rollout. Although it may be the intent that we start with 250,000 of FTTN at this point in time, as we work within the year, if we deem and I approve that it is more optimal to replace that technology with something else, we shall do so. On the aggregate, we are beating every number out there—the scaling up of the business; more people are getting it sooner. Every budget number that has been set has been met or beaten by the company because of the good, hardworking employees that we have, the strong processes, the attention to detail that management has on the company. Again, from a rollout point of view, the committee should feel good about the progress that we are making.

Senator CONROY: If I could just respond—

CHAIR: Last question, Senator Conroy.

Senator CONROY: Mr Rousselot's targets that he set out publicly for the company failed dismally. Mr Simon's targets that he set out publicly have failed dismally. Why should we believe you when you will not put out any of your targets? All these targets you claim to be meeting are secret targets that you have not put out publicly beforehand.

Mr Morrow: Not at all.

Senator CONROY: Do I have to put the blacked-out one up on the video screen again for you, Mr Morrow? But I am digressing, because I did promise I would finish in a minute. I wanted to thank all those people who have committed self-harm waterboarding themselves tonight. There are too many to name. I look forward to their involvement again when, unfortunately, we call nbn officials to a Senate committee hearing. I think there is a date

proposed. I am not sure if you have been advised yet, but there will be a Senate select committee hearing in the next month or two. Hopefully we will find more officers at the table to assist and, therefore, keep the meetings to a minimum. Thank you to all those who have been listening and providing support and committing self-harm.

CHAIR: Thank you very much, Senator Conroy, for that rhetorical flourish at the end. Senator Urquhart, you have a quick question of clarification?

Senator URQUHART: I asked about Devonport and the rollout, and you were going to try and get some information before the end of the day.

Mr Rue: Can you give us two or three minutes.

Senator URQUHART: Yes.

CHAIR: Mr Morrow, while Mr Rue is chasing that point up, there are a couple of matters I would like to address in conclusion. The first is, again, as I said at the beginning, to congratulate you and your organisation. It is very clear from your comprehensive report that the organisation is doing some extraordinary work on one of the most complicated and, I think, technical rollout projects this country has probably ever seen. Clearly there is a lot of good news to share. But, as we can see from the questions, it will never go perfectly. So, in relation to preparedness for these estimates hearings, we—I have only been chair for this one and the last one—have made specific requests for particular officers to appear, and they have not.

As you said, there is a lot of technical information and detail that two people cannot possibly be across. So what I was suggest is that you consider your preparations for the next estimates. As you know, that will be a longer session, no doubt, with nbn. We know it is going to be in the week of 29 May. There are longitudinal themes, so if you and your staff are able to go through and review those themes and make sure that you either have the appropriate officers here, or on hand, so that they can email you some questions and you are able to answer the questions more quickly for the committee members. I think that would also assist you in taking fewer questions on notice, which obviously has a significant workload sitting behind that to get them in on time.

Conversely, I would ask committee members here that if you are going to be quoting from documents on the evening to have copies available, because, no doubt, the nbn co has hundreds, if not thousands, of documents. I think that would assist in a smoother process. Also, rather than necessarily asking for a specific person, if we can get some idea of the area, you can then perhaps better prepare to have the questions on hand for those particular technical areas.

In wrapping that up, I thank you again for appearing. It is an area of great interest to committee members here, so thank you to you and Mr Rue for your appearance. We very much look forward to your appearance at the next estimates hearing in late May.

Mr Morrow: First of all, we do have the utmost respect for the senators, this committee and the Senate select committee. We know everybody is interested in the NBN, and we are proud to be associated with the company. There is nobody that has malintent within the company. We all want to do well. We all want to serve the nation and get broadband to everybody because we think it is a game changer.

I think it is important, in relation to Senator Conroy's question, that I clarify that, from a strategic review of what the rollout is to what the corporate plan is that we issued, on aggregate, we are very much in sync. We are delivering across that. In fact, we are better than planned across the aggregate. I will always move those technologies around. There is never a firm commitment about this number of homes per technology. It is only ever about the aggregate number. That flexibility is needed to be sure that we get broadband as fast as possible to everybody. So, if you see a number of HFC in one plan or one statement or one public announcement that is different to the next, it is because we are internally optimising that. What we want you to measure us against is getting the nation build, and that is the aggregate number. That, again, is the hardworking employees, the delivery partners, the RSPs, the equipment vendors—there are tens of thousands of people that have had something to do with the NBN. It is coming, and it is coming even faster than what was forecast within those plans.

Senator O'NEILL: Mr Morrow, with respect, that was a lovely flourish in the finish there, but the quality of the experience of the people who are getting the FTTN is inadequate.

CHAIR: Senator O'Neill, Mr Morrow—

Senator O'NEILL: Evidence showed that—

CHAIR: Senator O'Neill, you do not have the call. Mr Morrow, I appreciate your comments and I think everybody here knows the challenges that you and the company are facing. I understand that it is probably akin to—and your challenge is—trying to fly the plane while you are still trying to build it. It is a very invidious position to be in. But I know you and your staff have had some impressive results, and you are clearly very

focused on delivering the customer service. At the moment you are focused on the big strategic issues, but what I would say, and I think what Senator O'Neill was trying to say, is that, while we need to talk about the big issues with you, we will also be interested in the smaller issues. So, if you have officials who can answer some more of those longitudinal progress questions and also about the customer experience, I think that would be mutually beneficial.

Mr Morrow: If you give us an indication of the topics, we will have the appropriate people here.

CHAIR: I understand, so thank you very much.

Mr Rue: Chair, can I just hold you up for one minute.

CHAIR: Very quickly, Mr Rue.

Mr Rue: Could I ask you, going to the very start of the hearing, for a date of when you want the answers back?

CHAIR: Yes, we did provide that at the beginning of the day. They are to be returned to the committee by Friday, 8 April.

Mr Rue: And could I answer the question on Devonport?

Senator URQUHART: I am more than happy for you to send it to the secretariat, if that is possible.

Mr Rue: Okay. I will do that.

CHAIR: Send it to the secretariat, and maybe, if you have a quick answer, even now, informally, to Senator Urquhart.

Mr Rue: Basically three of the four areas have commenced. The other area is due to commence—

Senator URQUHART: If you can provide a bit more detail and send that to the secretariat tomorrow, that would be great.

CHAIR: That concludes the committee's examination of the Communications portfolio. Senators are reminded that written questions on notice should be provided to the secretariat by close of business Friday, 19 February. I thank the minister and officers for their attendance today. I also thank secretariat staff, broadcasting and Hansard officers. Thank you very much for a great job. Good night, everybody.

Committee adjourned at 23:04