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SENATE
ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

Tuesday, 22 October 2019

Members in attendance: Senators Abetz, Davey, Fawcett, Green, Hanson, Hanson-Young, Kitching, Lines, McGrath, McMahon, O'Neill, Patrick, Roberts, Marielle Smith, Dean Smith, Urquhart, Van.
COMMUNICATIONS AND THE ARTS PORTFOLIO

In Attendance

Senator Duniam, Assistant Minister for Forestry and Fisheries and Assistant Minister for Regional Tourism
Sensor Reynolds, Minister for Defence

Department of Communications and the Arts

Program 1.1

Mr Mike Mrdak, Secretary
Mr Richard Windeyer, Deputy Secretary
Mr Richard Eccles, Deputy Secretary
Ms Vicki Middleton, First Assistant Secretary, Strategy and Research
Ms Pauline Sullivan, First Assistant Secretary, Market Reforms
Mrs Jennifer McNeill, First Assistant Secretary, Infrastructure and Consumer
Mr Mike Makin, Acting First Assistant Secretary, Content
Ms Sarah Vandenbroek, Acting Chief Operating Officer, Corporate
Ms Leonie Holloway, Chief Economist, Bureau of Communications and Arts Research
Ms Sarah Godden, General Counsel, Office of the General Counsel
Mr Andrew Madsen, Assistant Secretary, Broadband Implementation
Ms Vanessa Goodspeed, Assistant Secretary, Governance
Ms Kathleen Silleri, Assistant Secretary, Consumer Safeguards
Mr Aaron O'Neill, Assistant Secretary, Classification
Mr James Penprase, Assistant Secretary, Digital Platforms and Online Safety
Mr Tristan Kathage, Assistant Secretary, Competition
Mr Philip Mason, Assistant Secretary, Future Connectivity
Mr Lachlann Paterson, Assistant Secretary, Regional Deployment
Dr Jason Ashurst, Assistant Secretary, Consumer Broadband Services
Mr Ben Phelps, Assistant Secretary, Content and Copyright
Ms Rebecca Rush, Assistant Secretary, Post and Australian Communications Media Authority
Mr Matthew Harris, Acting Assistant Secretary, Strategy
Ms Rachel Blackwood, Acting Assistant Secretary, Spectrum
Mr David Jansen, Acting Assistant Secretary, News and Media Industry
Mr Ben Galdys, Assistant Secretary, Communications

Program 2.1

Dr Stephen Arnott, First Assistant Secretary, Arts
Ms Caroline Fulton, Assistant Secretary, Creative Industries
Ms Justine Curnow, Assistant Secretary, Access and Participation
Ms Sylvia Spaseski, Assistant Secretary, Arts Development and Investment
Ms Jacqui Uhlmann, Acting Assistant Secretary, Collections and Cultural Heritage

**Australian Communications and Media Authority**
Ms Nerida O'Loughlin, Chair
Ms Creina Chapman, Deputy Chair/Chief Executive Officer
Ms Helen Owens, General Manager, Corporate and Research
Ms Jonquil Ritter, Acting General Manager, Content, Consumer and Citizen
Ms Linda Caruso, General Manager, Communications Infrastructure
Mr Vince Humphries, Executive Manager, Communications Safeguards and Networks
Mr Jeremy Fenton, Executive Manager, Unsolicited Communications and Numbering
Ms Rochelle Zurnamer, Acting Executive Manager, Content Safeguards
Mr Allan Major, Executive Manager, Licensing and Infrastructure Safeguards
Mr Matthew Geysen, Executive Manager, Finance, Reporting and Operations
Ms Bridie Dawson, Executive Manager, People, Communications and Governance
Mr Mark Arkell, Acting Executive Manager, Spectrum Planning and Engineering
Mr Hugh Clapin, Acting Executive Manager, Spectrum Allocations

**Office of the eSafety Commissioner**
Ms Julie Inman Grant, Commissioner
Ms Maria Vassiliadis, Executive Manager
Ms Tarina Mather, Executive Manager
Mr Stuart Wise, Business Manager

**Australian Broadcasting Corporation**
Mr David Anderson, Managing Director
Mr Craig McMurtrie, Editorial Director
Ms Melanie Kleyn, Chief Financial Officer

**Special Broadcasting Service**
Mr James Taylor, Managing Director
Ms Clare O'Neil, Director, Corporate Affairs
Ms Nitsa Niarchos, Chief Financial Officer

**Australian Postal Corporation**
Ms Christine Holgate, Group Chief Executive Officer and Managing Director
Ms Susan Davies, Executive General Manager, People and Culture
Mr David McNamara, General Manager, Post Office Network
Ms Erin Kelly, Corporate Secretary
Mr Rodney Boys, Group Chief Financial Officer

**NBN Co Limited**
Mr Stephen Rue, Chief Executive Officer
Mr Paul Tyler, Chief Customer Officer – Business
Ms Kathrine Dyer, Chief Network Deployment Officer
Mr Brad Whitcomb, Chief Customer Officer – Residential

Screen Australia
Mr Graeme Mason, Chief Executive Officer
Mr Michael Brealey, Chief Operating Officer

Australia Council
Mr Adrian Collette AM, Chief Executive Officer
Mr Tim Blackwell, Executive Director, Corporate Resources
Dr Wendy Were, Executive Director, Strategic Development and Advocacy

National Library of Australia
Dr Marie-Louise Ayres, Director-General
Ms Maureen Dupree, Chief Operating Officer

Committee met at 09:00

CHAIR (Senator Fawcett): I declare open this meeting of the Senate Environment and Communications Legislation Committee. These are supplementary budget estimates proceedings, and the agencies heard during these estimates are those which have been nominated by various senators. The committee has set Friday, 29 November 2019 as the date by which answers to questions on notice are to be returned. The committee's proceedings today will begin with general questions to the Department of Communications and the Arts, and we 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 these rules. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give an opinion on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers 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 requirements 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 or 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)

**Department of Communications and the Arts**

[9:02]

**CHAIR:** I welcome Senator the Hon. Linda Reynolds, Minister for Defence, representing the Minister for Communications, Cyber Safety and the Arts, and portfolio officers. Minister, would you like to make an opening statement?

**Senator Reynolds:** Good morning, Chair; no.

**CHAIR:** Welcome back to estimates, Mr Mrdak. Would you like to make an opening statement?

**Mr Mrdak:** No, Chair. We'll go straight to questions.

**CHAIR:** In that case, Senator Smith, you have the call.

**Senator MARIELLE SMITH:** I refer to the front page of every major newspaper yesterday, as well as the website of Australia's Right to Know, a coalition of leading Australian media outlets advocating for legislative change to protect media freedom. Minister, do you agree that journalism is not a crime?

**Senator Reynolds:** Senator Smith, thank you very much for that question. I have absolutely nothing to add to what the Attorney-General said very comprehensively yesterday in the media. I think he has dealt with that issue very well.

**Senator MARIELLE SMITH:** Minister, do you concede that there are problems with Australia's laws in that they impinge too heavily on media freedom as currently drafted?

**Senator Reynolds:** As I've said, I fully concur with the Attorney-General.

**Senator MARIELLE SMITH:** Minister, you don't want to comment at all on whether we've got the balance right between media freedom and national security in Australia?

**Senator Reynolds:** I think the Attorney-General has covered it beautifully and I defer to his comments publicly.

**Senator MARIELLE SMITH:** Minister, you're the representative of the minister for communications in the Senate.

**Senator Reynolds:** Yes.

**Senator MARIELLE SMITH:** In the face of an unprecedented campaign on media freedom, do you not concede that there is a problem around media freedom in Australia that needs to be addressed?

**Senator Reynolds:** Having a look at the national publications yesterday, with the front pages, editorials and articles, I see no problem with press freedoms. It was a beautiful display yesterday of press freedom.

**Senator MARIELLE SMITH:** The website of the Right to Know coalition states: Today we're at a tipping point. Australian governments are becoming increasingly secretive about important information that affects peoples' health, wealth and basic rights, from aged care abuse to covering up details of land deals. Do media outlets feel that Australian governments are becoming increasingly secretive and do you think this is a problem?
Senator Reynolds: I've answered that same question four times now. I would note that, like every senator in this place, I believe that freedom of the press is important. However, it is always important to balance it with other considerations, such as national security and defamation. I believe that the government is handling that balance appropriately and very publicly.

Senator MARIELLE SMITH: I again quote from the Right to Know website:

Reporters and whistleblowers live in growing fear of criminal charges, police raids and damaging court battles. As their role comes under fire, your right to know is also being slowly and quietly eroded. Is this of concern to the Australian government?

Senator Reynolds: The fact that all of our media outlets are able to express their opinions so freely on the issue of freedom of speech and freedom of the press speaks volumes.

Senator MARIELLE SMITH: The media in Australia are facing a range of pressures on everything from fragmenting audiences, funding challenges and monetising public interest journalism in the digital environment to the threat of AFP raids. Are the odds stacked too high against public interest journalism in Australia?

Senator Reynolds: Again, I think this issue was canvassed widely yesterday in estimates under the appropriate portfolio, and also by the Attorney-General. Again, I just point to the fact that our journalists are free to express their opinions right across the media, and I think that is a good thing.

Senator MARIELLE SMITH: Apart from being referred to as the world's most secretive democracy by *The New York Times*, Australia also has one of the most concentrated media markets in the world. Australia slipped down two places in the world press freedom index 2019, issued by Reporters Without Borders, which notes:

Australia has good public media, but the concentration of media ownership is one of the highest in the world. It became even more concentrated in July 2018, when Nine Entertainment took over Fairfax Media group.

I quote again:

The space left for demanding investigative journalism has also been reduced by the fact that independent investigative reporters and whistleblowers face draconian legislation. Australia adopted one of the toughest defamation laws in the world's liberal democracies in 2018, while its laws on terrorism and national security make covering these issues almost impossible.

Does Australia's high level of media concentration heighten the need for reform on issues like whistleblowers and FOI to support media freedom?

Senator Reynolds: I would just reaffirm that this government and, as I know, this parliament is committed to freedom of the press and also to keeping Australia safe. I would note that the parliament has two ongoing inquiries, including one by this committee. It is right and proper for this parliament to be extensively inquiring into this most important democratic principle, but the government is committed to freedom of the press, freedom of speech, freedom of expression and to parliamentary inquiries. The front pages of papers yesterday demonstrate that we do have freedom of speech. Again, as I've said, it is the first responsibility of any executive government and also parliaments to ensure that we get the balance right regarding national security as well. The fact that we're able to have this...
discussion here today, yesterday in estimates and across the front pages of all of our national papers demonstrates that there is still freedom of the press here in this country.

Senator MARIELLE SMITH: You say that you see no problem with press freedom in Australia because journalists are able to express concerns about it. Aren't you missing the point here? Isn't the issue that journalists are facing prosecution and possible jail time simply for doing their jobs?

Senator Reynolds: That fundamentally misunderstands the situation, and I hope that it's not mischievously so. The issue in terms of that inquiry, as I understand it, is that it's about the source of the information and not the journalists themselves. As I've said, the government, the Prime Minister, the Attorney-General and the Minister for Home Affairs have spoken extensively about this. We've got two parliamentary inquiries underway, including by this committee. These are right and proper issues to be discussed in the parliament; they're right and proper issues for journalists to discuss, as they are doing quite freely and without impingement, and they're quite proper for the government to look at in balance with our nation's security.

Senator MARIELLE SMITH: You say that this is about the sources and not the journalists, but it's journalists' houses which are being raided, isn't it?

Senator Reynolds: I'm struggling now to understand the relevance of this question to this particular inquiry, given that it was extensively canvassed, I understand, yesterday with the Attorney-General, who is actually responsible for the AFP.

Senator MARIELLE SMITH: You say that there needs to be a balance between national security and media freedom. Do you think the balance is right?

Senator Reynolds: It's not up to me; it's up to the parliament and executive government, which is why the Prime Minister, the Attorney-General and the Minister for Home Affairs have been canvassing this publicly very widely. The parliament is reviewing it. It is a constant balance or a juggle, as you've said, to make sure that we always have the balance right between our nation's security and our democratic freedoms, which all of us hold so dear.

Senator URQUHART: Minister, you are a member of the executive government, aren't you?

Senator Reynolds: I am. I think that statement is self-evident, considering the fact that I am here today.

Senator URQUHART: Exactly. The question was: is the balance right?

Senator Reynolds: Senator Urquhart—

Senator URQUHART: You've said that it was up to the executive government, of which you are a member.

Senator Reynolds: Senator Urquhart, as you well know—as we all well know here—circumstances change over time. Our nation's security circumstances evolve and change over time, and it is right and proper that the government deal with and consider both issues in balance. Over the last several decades—since September 11 and the Bali bombings—the threat of terrorism has increased the requirement for national security considerations, and it is right and proper that the government consider how we protect people while still preserving
our democratic freedoms. The world does not stay still, and this is what this government is doing and I think we're doing it very transparently through a number of inquiries.

Senator MARIELLE SMITH: According to submissions to the Senate inquiry into press freedom, Australia is out of step with other Five Eyes nations in having fewer protections for press freedom than any of the Five Eyes intelligence countries. Should Australia strive to have the same level of media freedom afforded in other Five Eyes nations?

Senator Reynolds: All that this government can do is do what is right and proper for Australia and take our national interests into consideration. Democracy itself relies on two pillars—on prosperity and on peace and security—and that is always a delicate balance. Preserving our democratic freedoms within that framework is always a delicate balance and it requires some tough decisions.

Senator GREEN: Some examples that have been referred to of FOI requests include ones for the staff dining menu here in Parliament House being denied. I know that you are talking about very important issues around national security—

Senator Reynolds: Senator Green, with the greatest respect, I'm here to represent the minister for communications.

Senator GREEN: But I think what you're trying to do—

Senator Reynolds: Chair, the dining room menu appears to be well beyond the communications portfolio. Can I get some clarification, because this is now well outside this portfolio.

Senator GREEN: If you don't want to answer the question, that's fine.

CHAIR: Order! Senator Green, you don't have the call. Minister, please continue.

Senator Reynolds: I've finished.

Senator URQUHART: Perhaps I can make a point. Press is about communication. We are here in the communications portfolio today, and that is why we're asking you questions about communication. It's pretty clear.

CHAIR: Senator Urquhart, I hear that point. Some of the specific questions, though, going to the intersection of national security and press freedom are matters for the Attorney-General, which is why he has been dealing with those. We are here for the examination of the Communications and the Arts portfolio, and I welcome questions to that effect. Senator Smith, you have the call.

Senator Reynolds: Chair, in relation to Senator Urquhart's point, I would say that freedom of the press and freedom of speech have always been a fundamental tenet of our nation. However, no freedom is ever truly free. It is subject to laws of defamation and other considerations, such as the right to a fair trial, as well as our nation's security. So it is a balance and it always has been, and it always will be a balance.

Senator MARIELLE SMITH: Minister, press freedom isn't always about national security matters, though, is it? It's about other matters of public interest.

Senator Reynolds: I've just answered Senator Urquhart on that. Of course, it's subject to other considerations—defamation and the right to a fair trial. That's the thing. Free speech, for any of us in a democracy, is never truly free; it is subject to the limitations that we in the
parliament make at a point in time. Whether those limitations are for defamation or a fair trial, it is never truly free, and it is a delicate balance.

Senator MARIELLE SMITH: And your view and the government's view is that the balance is right at the moment?

Senator Reynolds: As the Prime Minister, the Minister for Home Affairs and the Attorney-General have said, the government is considering this issue, as is the parliament, as is right and proper.

CHAIR: Senator Green, do you have any further questions?

Senator GREEN: On a different topic, if I may: Minister, are you a member of the Institute of Public Affairs?

Senator Reynolds: No.

Senator GREEN: Have you ever been a member of the IPA?

Senator Reynolds: I don't believe so. I'd have to take that on notice and check, but how is this relevant to communications?

CHAIR: Order! Senator Green, how does that relate to this portfolio?

Senator GREEN: I'm happy to ask these questions and I'm sure that it will become apparent.

CHAIR: You will have the call if you're asking questions related to the portfolio. I'm not sure that the minister's private memberships—or, in this case, lack thereof—of external organisations relate to the portfolio. But you have the call.

Senator GREEN: Minister, do you believe that the ABC should be privatised?

Senator Reynolds: I don't believe that asking for the personal opinions of a minister at the table is relevant or within standing orders. I'm here to represent the government and this portfolio.

Senator GREEN: I'm asking about your position as the minister representing the communications portfolio in the Senate.

CHAIR: Senator Green, it's fair to ask: does the government have a policy? It is fair to ask whether the portfolio minister has expressed an opinion, a view or a plan but I don't think that to ask for the personal opinion of a minister representing is in order. You have the call.

Senator GREEN: In June 2018—

Senator Reynolds: I'm sorry, Senator Green, while it's not appropriate to ask for my personal opinion, I can confirm that the government has absolutely no plans to privatise the ABC, if that's what you were attempting to seek an answer on.

Senator GREEN: In June 2018 the Liberal federal council met in Sydney and voted overwhelmingly for full privatisation of the Australian Broadcasting Corporation except for services into regional areas that are not commercially viable. Did you vote for that motion?

Senator Reynolds: I wasn't a delegate but, again, how is that relevant? That is a policy of the Liberal Party of Australia, and I welcome the fact that the Liberal Party of Australia has very robust policy discussions. They're not always policies that the government of the day agrees with but that's a universally good thing. But as I've said, the government has no plans to privatise the ABC.
Senator GREEN: The government has no plans but it is a policy of the Liberal Party?

Senator Reynolds: There are a number of things that the Liberal Party at a national level will have as policy—some the federal government adopts and some it doesn't. But again, that is a really good thing.

CHAIR: This is your last question, Senator Green.

Senator GREEN: I've got quite a series of questions. I'm happy if you want to come back to me.

CHAIR: That's true but I gave the ALP a 15-minute block and you've got one minute to go.

Senator GREEN: That's fine.

CHAIR: I'll come back to you after the Greens.

Senator GREEN: We might leave it there and later come back to this series of questions.

CHAIR: Senator Hanson-Young.

Senator HANSON-YOUNG: Secretary, could you tell me where we're up to with the digital platforms inquiry and the ACCC review? When are we expecting a response? Can you take us through that?

Mr Mrdak: Certainly. The government, on publication of the ACCC report, made clear its intention to consult widely. That process has now been completed and submissions have been received from various parties in relation to the ACCC's report. The government is now considering those submissions and the report. As ministers outlined at the time they released the report, they anticipate providing their views before Christmas.

Senator HANSON-YOUNG: Are you having to prepare legislative changes? Is there anything in that ACCC report that would require legislation? Have you done a bit of a scope of that?

Mr Mrdak: We have. The coordination of the government's consideration is being led by the Treasury, which is the portfolio in which the ACCC sits, given that a lot of the thrust of the report is around competition issues. In looking at the key recommendations which pertain to this portfolio, we have identified, should the government agree or take particular courses of action, some matters will require legislation and we have identified those for government in our advice to them.

Senator HANSON-YOUNG: What about this committee's report into Australian content on broadcast radio and streaming services? You'd remember your department appeared in front of that a couple of times. We handed down our report in March this year. Have you had to prepare a brief or a response yet to that for the minister?

Mr Mrdak: Yes, an advice has been provided by the department to the minister and a draft response for the minister's consideration.

Senator HANSON-YOUNG: Do you have any idea when we should be getting a response for that?

Mr Mrdak: Not that I'm aware at this time. I think the minister is still considering it. Obviously a number of the issues raised in the committee's report were also flagged in the ACCC report. I anticipate that a number of those matters will be brought together in the
government's response to the ACCC; hence I would expect that it would be unlikely that the
government would respond to the committee prior to taking a position on the ACCC report.
But those decisions are yet to be taken.

**Senator HANSON-YOUNG:** Does the same go for the House of Representatives report
from the inquiry into the Australian film and television industry from 2017?

**Mr Mrdak:** Yes, I'd expect so. A number of those matters, particularly in relation to the
provision of Australian content on the new platforms and those issues that were raised in the
ACCC report, I expect, will all factor into the government's response to both of those
inquiries.

**Senator HANSON-YOUNG:** I assume that the answer to this question is going to be the
same but, just to be clear and so that it's on the record, does that include the government's own
commissioned content review?

**Mr Mrdak:** That's feeding into our advice to government, yes.

**Senator HANSON-YOUNG:** We still haven't had that released at all and I think I've
asked several times in this committee if it's ever going to see the light of day. Have you been
given direction not to release it or has there been a decision made that it'll never be seen by
the public?

**Mr Mrdak:** Not to my knowledge. The matter remains under consideration by the
government. It remains a matter for government as to whether they wish to release that report.
It is now somewhat dated and a number of the key areas that are canvassed in that report have
been canvassed, including by this committee, in subsequent reports.

**Senator Reynolds:** Senator Hanson-Young, I'm happy to take specific questions on timing
on notice in order to get you the precise information.

**Senator HANSON-YOUNG:** Perfect. Thank you, Minister Reynolds, that would be very
helpful. One of the themes that run along all of those different inquiries and reports is the
content discussion on how we support Australian content, what we do about making sure
we're injecting enthusiasm into the industry here and creating jobs and all of those things but
also just the pure importance of investing in our cultural identity. Have you been engaging
with the kinds of third parties that would be impacted by this—I'm thinking obviously of the
commercial broadcasters but also Netflix, Amazon, Stan and Disney—and has the
engagement by your department with these new players in particular increased in the last six
months?

**Mr Mrdak:** The first answer is yes, we have engaged across the whole of the broadcasting
sector, both on demand as well as the free-to-airs and the pay-subscription industry, around
these issues. As the ACCC report makes clear, in a digital age there are a variety of platforms
now available and that whole content picture is changing very rapidly. And much of our focus
has been on two things: firstly, how do we support the production of quality Australian
content through a combination of looking at regulatory structures but also, at the same time,
incentives for production? At the same time, what are the settings that should be on the
platforms for requirements for broadcasting material or making material available? On those
matters, we have been in discussion. Clearly, as new players emerge, we will enter into
discussions. Clearly we've got two new, large on-demand platforms looking to enter the
market. One has and one is about to. We will ask for discussions with them, as we have with
Netflix and others over the last couple of years. At the moment a number of those platforms are very extensive purchasers and promoters of Australian content and we'd like to see that continue.

**Senator HANSON-YOUNG:** I'm a little concerned—and I know others are as well—about whether, in the marketplace in Australia, we can sustain all of those. We've got two new players coming into the market. I'm thinking of and talking specifically about subscription streaming services. Has there been any modelling been done or analysis done by your department about how that many players can be sustained in the Australian context?

**Mr Mrdak:** We've certainly done analysis of the market for video on demand. It's very difficult. We don't have the details of the financial position of a number of these players, particularly the larger players which are offshore based. But we have been looking obviously at trends, from the data that is publicly available or is available to us, on subscription rates and take-up rates and the like. So we have been looking at that, but it's very difficult for us to reach a view on what is the commercial viability, given where we sit and the information we have.

**Senator HANSON-YOUNG:** I guess I'm thinking: if we want these players to be engaging with Australian creators, the last thing we'd want is false hope—coming in and then not finishing production and then the work is tied up and you can't actually get it out the door because someone has decided to drop the experiment in Australia and go back home. Are there things that we could be doing—regulation, incentives—that would help to protect Australian creators in particular so that they're not caught in the middle in this period, which is going to be a bit of an experiment?

**Mr Mrdak:** The range of measures currently in place through tax measures and incentives for production are there. I know there is a strong view within the Australian content creation industry that those incentives should be increased. They're matters that the government continues to work through. But certainly I think it is the long-held view of most across the sector that the best way to assist Australian content is to support quality Australian production through a range of production support measures, including regulatory measures. Ultimately, in a digital age the platforms on which that material will appear will remain available through a range of platforms. They're decisions that are reached by content creators. But we certainly have a view within the portfolio that the best mechanism is to support quality production and get the incentives right, and that's something that we're working with government on.

**Senator HANSON-YOUNG:** Do you know whether the government has made a decision yet as to whether they support the regulation of streaming services?

**Mr Mrdak:** That's a matter which is being considered by the government in light of the ACCC report. The minister has publicly made comments around the need for regulatory equivalence, but the details of that are being considered by government.

**Senator HANSON-YOUNG:** 'Levelling the playing field', I think, was the terminology.

**Mr Mrdak:** I think that's right.

**Senator HANSON-YOUNG:** I think it would be important for me to just put this to you at this point. Levelling the playing field can mean one of two things: you could go to the lowest common denominator, which means less regulation, or you could bring everybody up to the same standard. I know that you can't tell me which way the government is going to go.
but I think it would be important, of course, to think about the impact on and what would happen to Australia's creative industries if we went to the lowest common denominator.

Mr Mrdak: The department's research and publications have made very clear just how important Australian content is, both culturally and economically, for the future of the country.

Senator HANSON-YOUNG: I have another section. I'm happy for the opposition to go back to their questions and then you can come back to me.

CHAIR: Yes, we will cease there. Senator Green.

Senator GREEN: I'll just go back to these questions about the ABC and privatisation, if I may, because it is an important issue which we want to get some clarification on. I did ask you if you believed that the ABC should be privatised, Minister, but I won't ask that question again. I just want to refer you to some comments that you did make on the ABC Q&A program on Monday, 18 June. The question was asked whether it was valid to debate the privatisation of the ABC. When you were asked, 'Are you saying it's a legitimate debate within the government whether or not the ABC should be privatised,' you answered, 'Absolutely.' Would you please confirm whether it's still a legitimate debate within the government whether or not the ABC should be privatised?

Senator Reynolds: Senator Green, the fact that you are asking me this question at an estimates hearing of the Senate I think demonstrates that it is a totally valid question for us all to ask in relation to any taxpayer expenditure. The expenditure of any taxpayers' money is always a legitimate subject of debate. So my answer would still be yes—and I hope yours would still be yes—that we should debate. However, I would note that the government has again confirmed this year that there are no plans to privatise the ABC.

Senator GREEN: Is there not a difference in debating privatisation as opposed to the way that taxpayer money is spent? We have services that support—

Senator Reynolds: I understand that there's about $1 billion of taxpayers' money that goes into the ABC; so I think it is an entirely legitimate discussion at any time in terms of how that money is best spent. But as I said, I can confirm that the government has no plans to privatise the ABC.

Senator GREEN: Even though it's Liberal policy?

Senator Reynolds: We've been asked and have answered. Of course it is legitimate for any political party to discuss the expenditure of taxpayers' money—the Labor Party, the Liberal Party—the Senate and all Australians. It's a completely legitimate point. But again I confirm that the government has no plans to privatise the ABC, as I understand the minister has confirmed to the council.

Senator GREEN: No plans at the moment to privatise it?

Senator Reynolds: Senator Green, you might have a crystal ball, but I can tell you that the government has no plans to privatise the ABC. What this government and any future governments may do or consider is entirely hypothetical and speculative.

Senator GREEN: On 24 September 2019, the Minister for Communications, Cyber Safety and the Arts gave a speech to the 2019 INFORM news media summit, where he touched on the topic of ABC funding and SBS funding as well as an important means of
supporting quality journalism, which we've been talking about today. In his speech, the minister stated:

In the most recent budget, the Morrison Government committed an additional $43.7 million over three years to the ABC, bolstering its funding for regional and outer-suburban news gathering, national reporting teams and state-based digital news.

Minister, aside from the fact that the $43.7 million was merely a continuation of pre-existing newsgathering initiatives, the minister didn't mention the fact that the most recent budget also locks in $83.7 million in cuts to the ABC over the next three years. Isn't the minister being loose with the truth about government funding for the ABC?

**Senator Reynolds:** Despite the fact that was an extraordinarily long question, the answer is no. Again, I revert to my previous answers to your questions and say that every year the government considers funding through the budget process. I applaud the government—I was part of the inquiries of this committee at the time—for putting more resources back into the bush. I think that was entirely appropriate and, again, it is part of normal budget discussions. But if you're suggesting that the government is trying to somehow privatise the ABC, I can confirm again that there are no plans to privatise the ABC.

**Senator GREEN:** I'm trying to establish why the government is making out they're committing additional funds to the ABC when they're actually cutting funding to the ABC.

**Senator Reynolds:** As we all know—and you know now, as a senator in this place—it is right and proper to consider budgets every year, as we do. However, as I've said, the government has no plans to privatise, and will not privatise, the ABC. It is a long-standing policy of this government for the ABC to remain the publicly funded and owned broadcaster. I make this point, Senator Green, in response to your questions: the ABC gets over $1 billion of taxpayers' funding per year. It is right and proper for the government and this committee to carefully scrutinise the expenditure of the ABC and for that to change over time.

**Senator GREEN:** That's exactly what I'm trying to do right now. Labor first introduced the Enhanced Newsgathering initiative for regional news in 2013, committing $69.4 million over three years; that's the money that went in in 2003. The Liberal government continued the initiative in 2013 but reduced the figure to $41.4 million over three years. It continued the initiative in 2019, but at a figure of $43.7 million. Are you or the government willing to concede that the amount committed to the ABC for the Enhanced Newsgathering initiative has been reduced?

**Senator Reynolds:** No, I'm not. Chair, perhaps I could suggest that, given that we are now getting into detailed, technical budget questions of the ABC, such questions be postponed until the ABC themselves are here; the ABC will then be able to assist with some of those questions.

**CHAIR:** I'm happy for the questions to be asked of officials who have the information.

**Senator Reynolds:** Senator Green, given the level of detail you are asking for, it might be better to wait until the ABC officials are here at the table so that we can answer those questions to the fidelity that you're looking for.

**Senator GREEN:** We have a number of questions for the ABC and there are a lot of questions that we need to ask in that time. I'm specifically asking about the government
Senator Reynolds: Senator Green, you're asking the same question in different ways, but the answer remains the same. Australian taxpayers pay over $1 billion a year for ABC funding. There is not much more to say. We have no plans to privatise the ABC and it is right and proper for changes to be made to the program over time.

Senator GREEN: You don't want to answer the question about why the government is using the words 'additional funding' when actually they're cutting the funding to the ABC?

Senator Reynolds: I dispute what you're saying. Again, as part of good government, every agency and every government department from time to time has efficiency dividends to produce and the ABC, with its $1 billion budget, is not exempt from that. That is a longstanding government practice by many governments of many different colours. It's good government; it's good management. I don't have the detail of the ABC budget in front of me because it's not in the ABC item. If you want to get into the minutiae of the ABC budget, I would have to take such questions on notice perhaps until the ABC comes.

Senator URQUHART: The government sets the budget for the ABC, not the ABC. These are questions around the setting of the budget, so maybe Mr Mrdak can assist you with the answer.

Mr Mrdak: Senator, I'm not sure what question you're posing to me.

Senator Reynolds: The questions from Senator Green have been a little long and a bit oblique—

Senator GREEN: I don't think that's a necessary characterisation. I can put the question again, if that's helpful.

Senator Reynolds: Just put the question again.

Senator GREEN: The Enhanced Newsgathering initiative was started in 2013, with $69.4 million over three years. The Liberal government continued the initiative but reduced the figure to $41.4 million over three years and again continued the initiative in 2019, but at a figure of $43.7 million over three years.

Senator Reynolds: The information I've now got, Senator Green, is that the Enhanced Newsgathering funding is $43.7 million over three years, confirmed in the April 2019 budget. It is a continuation, as you've said, of longstanding funding for enhanced news for regional services since 2013, which is a good thing for regional Australia.

Senator GREEN: Perhaps I can ask you this question, Mr Mrdak: that is a reduced amount; that is a cut to the ABC.

Mr Mrdak: The ABC's nominal budget is being held steady. The government has decided not to provide indexation funding for the next triennium. That indexation pause doesn't apply to the transmission component of ABC funding but it does apply to their operational funding. So it is a pause on indexation, which means that the ABC budget is held nominally flat over the triennium.

Senator HANSON-YOUNG: Mr Mrdak, could you tell us about the Major Performing Arts Overview and where that's up to?
Mr Mrdak: Certainly. About 10 days ago, the minister who's the chair of the cultural ministers' meeting established a revised major performing arts agreement after considerable work across the jurisdictions led by Dr Arnott. I might ask him to explain to you the changes that have been agreed to and the way that will now proceed going forward, which is a good outcome for new and emerging companies.

Dr Arnott: On 11 October cultural ministers met in Adelaide, as they do every year, and they agreed to replace the 2011 Major Performing Arts Framework with a new framework entitled the National Performing Arts Partnership Framework. A communique was issued from that meeting and the new framework document is now available publicly on the cultural ministers' website. To give you a quick summary, the new framework has been worked on for a couple of years. It was kicked off as a result of ministers agreeing that it was time, after nearly a decade of the current framework, to look at opportunities to strengthen that framework. Some aspects of the new framework you might be particularly interested in. It includes an element where funding for those companies becomes contestable. An assessment process will take place next year in which companies are invited to submit applications for consideration by the Australia Council and relevant state funding bodies to assess their artistic program and the level of funding they require to deliver that. There are also considerably increased transparency and accountability requirements in the new framework, with enhanced reporting of the artistic achievements and financial information of the companies that end up being part of that framework. Also, importantly, there's an element of stability for companies that do get funded under that framework; there will be a four-plus-four years arrangement where their funding contracts will continue over an eight-year period, subject to successful outcomes of their performance requirements after the first four-year period.

Senator HANSON-YOUNG: Can we unpack this contestable funding element? How do you envisage that working? Are we operating within the same budget envelope? Is there extra money coming from somewhere? Let's unpack it.

Dr Arnott: Yes, sure. We are operating within the same budget envelope, but there will be changes to how that funding is administered and accounted for. There'll be an increased level of scrutiny on companies in the new framework, according to their performance requirements, artistic achievements and so on. But the money remains the same.

Senator HANSON-YOUNG: Who decides whether one company is successful over another?

Dr Arnott: The Australia Council, together with the relevant state funding agency, will run an assessment process and will assess the company's application to be part of the framework; and the Australia Council together with the state funding agencies will make decisions around companies funded and the level of funding that they receive.

Senator HANSON-YOUNG: How do we ensure that that doesn't become a long, drawn-out process? If you've got more than one person involved in making the decision—

Dr Arnott: The Australia Council and the state arts funding agencies are designing a process now. Obviously the companies’ contracts need to be renewed by particular points, so there will be a very clear timeframe in which decisions have to be made as to which companies are funded and what their funding levels are.
Senator HANSON-YOUNG: When do we expect those guidelines to be put in place and operational; when will this start?

Dr Arnott: The middle of next year.

Senator HANSON-YOUNG: So for the new financial year budget?

Dr Arnott: Yes. The contracts for the companies that are currently funded under the 2011 framework don't finish until the end of 2021, so there's a period of transition where assessments will happen. Companies will be advised before the end of the calendar year and the new contracts will be negotiated out from the beginning of 2022. They're funded on a calendar-year and not a financial-year basis. So there is a significant timeline and the companies do get plenty of notice in terms of what the new arrangements might be.

Senator HANSON-YOUNG: Throughout this process of updating the old framework to what you've now managed to get the cultural ministers to agree to, was there a discussion about more funding being needed for the sector?

Dr Arnott: Yes; in the arts sector there's always a discussion about more funding.

Senator HANSON-YOUNG: Were any commitments made by state and territory governments or the federal government to find more funding?

Dr Arnott: No commitments at this time.

Senator HANSON-YOUNG: Would this type of framework be able to be scaled up if more funding was found?

Dr Arnott: Yes.

Senator HANSON-YOUNG: In terms of the companies themselves—the performing arts organisations that will fit under this new framework—can you give me a sense of size and scale? I am little worried that sometimes those in the middle fall through the cracks.

Dr Arnott: That's another positive change of the new framework agreed to by ministers this month. Under the previous framework, together with a number of other requirements, a company would have to have non-government revenue of $1.8 million or more to be eligible to be considered for funding. That requirement has now been removed. There's not a level of non-government funding required; there's a more general set of principles and requirements that are there. So it is adaptable to companies of differing sizes, unlike the previous framework.

Senator HANSON-YOUNG: Is there going to be a review of this framework? You say that you've put in place this contestable funding, you've gotten rid of the restrictions over the income stream size, there is more transparency and there is the four-plus-four. Is there a built-in review for how it's going and whether it's working?

Dr Arnott: Yes. It has to be reviewed within eight years.

Senator HANSON-YOUNG: So we get through this first eight years and then—

Dr Arnott: Yes.

Senator HANSON-YOUNG: Right. I guess that we'll just have to suck it and see, then.

Dr Arnott: Yes.

Senator HANSON-YOUNG: Thank you, Dr Arnott; I appreciate all that. Mr Mrdak, I just want to ask some questions in relation to the 2017 agreement that was struck between the
government and the Nick Xenophon Team at the time of the media ownership changes, the media reform package. I don't know if you need to bring anyone else up for that. Under that agreement, 30 scholarships worth up to $40,000 would provide a year for two years to students to study journalism at universities or journalism colleges. You would remember that was the scholarship—

Mr Mrdak: Yes.


Mr Mrdak: Certainly. I will ask Mr Makin, Acting First Assistant Secretary, Content Division, who has responsibility for these programs.

Mr Makin: I'm happy to answer questions, but I have to say that I don't have a lot of the details in front of me on who was awarded those scholarships.

Senator HANSON-YOUNG: We are here pretty much all day, so perhaps I can give you the questions I've got. If you can get the answers and feed them back at some point, it would be great. I want to know how many scholarships have been awarded.

Mr Eccles: Ninety-eight.

Senator HANSON-YOUNG: Ninety-eight?

Mr Eccles: That's right.

Senator HANSON-YOUNG: I'd like to know the value of each of them and how much money under this program has been spent in total.

Mr Eccles: We'll come back to you on that. So that is the total funding under the scholarships program?

Senator HANSON-YOUNG: Yes. Obviously these have to go away and be brought back. Also, I'd like to know where these students were based, so where these scholarships actually occurred. I then also have questions in relation to the cadet program, which was a separate element. I want to know how many cadetships were awarded, how much has been spent and where those cadetships are based.

Mr Eccles: Seventy cadetships have been approved, totalling $1.8 million, and we will come back to you with the location.

CHAIR: Senator Hanson-Young, I can come back to you.

Senator HANSON-YOUNG: Thank you.

CHAIR: We'll go to the opposition. In accordance with the resolution of the committee, by 10 o'clock we're going to break and go to Screen Australia because officers have a plane to catch for an overseas trade delegation. We will go to Senator Smith, but I will interrupt at 10 o'clock for Screen Australia.

Senator MARIELLE SMITH: So it's going to go to me and then to Senator Green.

CHAIR: You have the call.

Senator MARIELLE SMITH: In September 2019, the Attorney-General issued a direction to the Commonwealth Director of Public Prosecutions that prevents the DPP from prosecuting a journalist under certain legislation without the approval of the Attorney-General; this means that the prosecutor will need his approval before charging journalists like
Dan Oakes, Annika Smethurst or Sam Clark. Then in question time on Monday, 21 October, the Prime Minister contradicted the Attorney-General's direction, telling parliament, 'I do not believe that those decisions about who should be prosecuted at the end of the day should be made on the whim of politicians.' Minister, can you reconcile these two statements, because it seems to me that the government doesn't know where it stands on press freedom?

CHAIR: Senator Smith, this is the communications portfolio and both of those questions relate to the Attorney-General.

Senator MARIELLE SMITH: I think it's a question of policy which relates to communications, which I think the minister can answer.

CHAIR: Are you happy to take the question, Minister?

Senator Reynolds: I am. I do note that it is straying a bit, but I'm very happy to answer that question. Senator Smith, as I've already said this morning and as the Prime Minister has said, this government is listening very closely on this issue; and, if there is any suggestion, evidence or analysis that reveals there is a need for further improvement to these laws, the government is open to considering that. But it's important that we honour those principles—as we intend to do—calmly, soberly and also very consultatively, which the Australian people would expect of us in this place. That's why the government did refer the issue to the Parliamentary Joint Committee on Intelligence and Security which, as you're aware, is currently considering these issues as, I note, is this committee. The PJCIS will hand down its report on 28 November and I understand that it has already received 61 submissions and held four public hearings. But, while that's going on, the government has already put in place processes to show that we take the freedom of the press very seriously. The Attorney-General—as he has said very publicly—has already issued a direction to the Commonwealth Director of Public Prosecutions that requires his consent to be sought before a journalist can be prosecuted for a range of offences. Also, the Minister for Home Affairs—as he has also said publicly—has issued a direction regarding the AFP in relation to investigative actions involving journalists and unauthorised disclosure of Commonwealth material. That direction makes it clear that the AFP should consider the importance of a free press in its decision-making. It's also important to note, I think, that the government has recognised the freedom of the press in legislation that it has passed in previous years.

So the government is taking these issues very seriously, as I've already said. There is a lot of consultation underway in the parliament and in the community, as is right. When these reports—particularly the PJCIS report—come down, we will carefully consider the recommendations and take whatever action we think is required after extensive public consultation and discussion on an issue of significant national importance.

Senator MARIELLE SMITH: Minister, you referenced the Attorney-General's direction, but you didn't come to the question about what the Prime Minister said on these matters. He said, 'I do not believe that those decisions about who should be prosecuted at the end of the day should be made on the whim of politicians.' I've asked you to reconcile those two differences because there seems to be a policy difference.

Senator Reynolds: I just gave you a very comprehensive and very considered answer to that, on behalf of the government. The Prime Minister has consistently said that the government is listening and continues to listen very carefully on this issue. We will have the
results of both parliamentary committees—as I've said, particularly the PJCIS—and no door is closed yet, as the people of Australia would expect on this challenging issue. They would expect it to be dealt with calmly, soberly and also with great consideration, which I believe both the Prime Minister and our very, very fine Attorney-General are doing—very calmly and very considerately.

Senator MARIELLE SMITH: You're still not answering my question. I asked you about reconciling two statements. I will quote it again. The Prime Minister said, 'I do not believe that those decisions about who should be prosecuted at the end of the day should be made on the whim of politicians.'

Senator Reynolds: But I've also given you two examples of where the parliament is considering these issues and the key point is that the Prime Minister has left open consideration after these reports are tabled.

Senator MARIELLE SMITH: I didn't ask you for two examples; I asked you to answer that question and you're not answering the question.

Senator Reynolds: I've answered the question more than once from both you and similar questions from Senator Green. All I can say is that we are looking at this very transparently, very openly and very consultatively. The Prime Minister, the Attorney-General and the Minister for Home Affairs have all taken some initial action but, again, are waiting for these further reports and will make a decision in our nation's interest. As we've said this morning, that balance is not an easy one for any government to get right, but the parliament is considering the issue. We'll be providing advice to government and the Prime Minister could not have been any clearer that we will take that into consideration.

Senator MARIELLE SMITH: It just baffles me that you're refusing to answer the question again. I don't understand why you can't answer the question about this fundamental issue of importance to our democracy. The media is united on this. There's evidence that this is an issue. It's just beyond me that you're not answering the question.

Senator Reynolds: Just let me address that. I think it was more of a statement than a question. I have answered it very comprehensively and very clearly, and I think the government is taking the exact right position on this. You might not like my answer, but I directly answered your question. This government is doing the right thing publicly—

Senator MARIELLE SMITH: I asked, 'Does the Prime Minister support the approach taken by the Attorney-General?' I'm trying to reconcile two statements which seem to signal different policy positions and that's the question you're not answering.

Senator Reynolds: But I answered that. I said that the Prime Minister, the Minister for Home Affairs and the Attorney-General are all speaking as one. We are all consulting widely. The parliament is reviewing these issues and the government will consider the result of the public consultations and the public debate but particularly the parliamentary consideration on this. So no door is closed. I cannot be any clearer on this point.

CHAIR: This may be a good point at which to break. We might go to Screen Australia and then we can come back to opposition senators—unless you have three minutes' worth of questions, Senator Green, that you wish to pursue.

Senator GREEN: Yes.
CHAIR: Senator Green, you have the call.

Senator GREEN: Minister, I just want to ask you about the Australian Broadcasting Corporation Amendment (Rural and Regional Measures) Bill 2019. In reference to this bill, does the government want the ABC to do more in rural and regional Australia or more for rural and regional Australia?

Senator Reynolds: Can you just ask that question again, Senator Green?

Senator GREEN: Does the government want the ABC to do more in rural and regional Australia or more for rural and regional Australians?

Senator Reynolds: I don't think it's a binary question. I think this government is very proudly supportive of the requirement for those who live in rural and regional Australia to have more content and more service from the ABC and we've taken measures on both. I think this government would welcome both.

Senator GREEN: What will be the practical effects of the bill?

Senator Reynolds: I'll just take some advice. The detail of the bill might be for the secretary.

Senator GREEN: I'm happy for the secretary to answer that question, if he actually can answer it.

Mr Mrdak: Certainly. The intent of the bill is twofold. Firstly, it is to set out, in the objectives of the ABC, the coverage of rural and regional issues as a core part of the ABC's charter. Secondly, it is to provide for a dedicated board representation for regional and rural Australia, again, to reinforce the importance of the ABC as a national institution, which ensures that it is covering the stories and issues right across the country.

Senator GREEN: Will the bill increase funding to the ABC?

Mr Mrdak: Funding matters aren't dealt with through a bill such as that; they're dealt with through the appropriation process.

Senator GREEN: Minister, would you like to answer that question?

Senator Reynolds: I would very much like to address the issues that you've raised. I just want to remind all senators—and Senator Green—that, over this triennium, the ABC will receive $3.2 billion in funding and a further $43.7 million, as we've discussed, to continue the enhanced newsgathering measure.

Senator GREEN: I'm sorry, but that's not—

Senator Reynolds: Senator Green, you've asked a question about ABC funding and—

Senator GREEN: And I'm getting the redacted version of an answer.

CHAIR: Senator Green, let the minister complete her answer.

Senator Reynolds: Senator Green, you asked about ABC funding and I'm providing you with details of ABC funding, but I'll make a couple of points. Under this arrangement, the expenditure of government funding to ABC and SBS is a matter for their boards and their executives; how they expend that $3.2 billion is a matter for the boards and the ABC. This investment by government gives both organisations more funding certainty—which is an issue that you raised earlier, Senator Green—than any other news outlet in this country. Those decisions are decisions for the board. In addition to this legislation, we welcome the board's
focus towards regional and rural Australia. As the secretary has said, they have every right to have news and services that represent their interests and their needs.

CHAIR: Order! We will break there. I ask Screen Australia to come to the table.

**Screen Australia**

[10:00]

CHAIR: Mr Graeme Mason, welcome. I can't believe that you'd rather be in Los Angeles than extending your time here in Senate estimates, but be that as it may. Would you like to make an opening statement?

**Mr G Mason:** I wouldn't, Chair, except to say thank you very much; I really appreciate you and the committee moving things around for us in order to make sure that we could do this as well as fulfil our obligation with the trade delegation. Thank you very much.

Senator URQUHART: I have some questions about the discussion paper that Screen Australia recently released concerning the documentary program. What are the reasons for this review of existing funding structures?

**Mr G Mason:** We try to look at all of our funding mechanisms and keep them refreshed. I know the committee was talking earlier today about changes to the landscape of how content is made and seen. On that basis, our sector is changing so rapidly that we thought it was best to look again at whether current things were fit for purpose.

Senator URQUHART: Is it driven at all by the need to find efficiencies because of the small funding envelope Screen Australia has been delivered by the government?

**Mr G Mason:** I think there is an enormous demand on our funding. The number of people trying to make content grows year on year, which is a wonderful thing. Obviously, we have to make do with the resources we have. This review has much more to do with whether we are making content in the right ways for the audiences to consume in the way they want to consume it.

Senator URQUHART: I note in a statement on the Screen Australia website that overall annual funding for the documentary department is expected to remain in the $14 million to $16 million range. I notice you have given yourself a bit of a margin there of a couple of million. Are you forecasting that the overall funding will fall below $16 million as an outcome of this review? What's the reason for that window?

**Mr G Mason:** All of our funding basically is contestable. We try to ensure that, with the various segments we look after, whether it be kids, TV drama, film, documentary or digital, we have some notion of what we think we will spend in that year. Obviously, we react to what comes to us, so the issue would be, if there were more brilliant documentaries in that year, you might choose to take it from another pot. That is why we give ourselves a little bit of a range. Just for clarity, Senator, documentaries also access funding in other ways. Our Indigenous unit also does documentaries, and our online unit also does factual programming.

Senator URQUHART: And they all come out of that package?

**Mr G Mason:** No, that is separate.

Senator URQUHART: The discussion paper forecasts the end to the PEP for documentary producers and that it will be shifted into a creatively assessed completion fund instead. Can you tell me what the difference is between those two programs?
Mr G Mason: One of the reasons that the sector liked the PEP a lot was that it had absolutely no qualitative controls around it. Basically, you got a percentage. As I am sure you are aware, Senator, we run the offset programs as well, and it ran like the offset. If you fulfilled the requirements, you got the money. Of course, it came directly out of our own discretionary funding as opposed to the offset, which comes out of tax finance. That was becoming unsustainable because of the sheer volume of people who were trying to access that scheme. Separately, one of the things we had noticed was that it was one of the very few areas where we didn't have oversight, where potentially you would not want things to be done. An example that we have given publicly is this: in that scheme you might have made an Indigenous program, but with no consultation with Indigenous people. We would never allow that anywhere else, but in that scheme you could. So there was an economic reason, but there was also a reason to bring it into line with how we run other things.

What we are proposing—because, as you know, it is a discussion paper—is completion money. We are trying to aid people in development at the top of the project or completion at the end of the cycle. From memory, 80 per cent of the PEP applications were actually for money towards completion. We are still trying to leave that facility open to people while recognising that we simply can't fund everything that comes our way.

Senator URQUHART: Will there be fewer projects eligible for assistance under the creatively assessed completion fund?

Mr G Mason: It would be fair to say that some would not be eligible or would not be successful that could have been in the past. Again, to put that into perspective, in the last two years the scheme was going so far over its budget allocation that we were having to take money out of other programs, anyway. The documentary envelope, or our envelope as a whole, was under pressure. People were getting turned down regardless, somewhere, so we are thinking this is probably the fairest way for the industry as a whole.

Senator URQUHART: But that may result in fewer projects getting assistance?

Mr G Mason: It is possible that some would be turned down. We will probably have the same number coming through, because we will have that allocation, but some specific projects will get turned down.

Senator URQUHART: What do you expect will be the impact of introducing a cap on the completion fund, whereas PEP was uncapped?

Mr G Mason: PEP was also capped, because for projects under $500,000 it was 20 per cent. There was a maximum of $100,000, anyway, that they could access.

Senator URQUHART: Do you think there will be an impact by introducing a completion fund with that cap?

Mr G Mason: Fiscally, I don't think there will be. As I say, I don't think it will make specific changes. What is possible, of course, is that some projects that would have been funded under the old scheme will not be funded now, because they won't hit the minimal creative criteria that we are asking for. We are also introducing here that there has to be a route to audience. There has to be a way that their project will be screened to Australians here; whereas previously that didn't have to be the case.
Senator HANSON-YOUNG: I want to go to some of the consequences of the location incentive program. With $140 million over four years from 2019 to 2020, how much is left in that budget at the moment?

Mr G Mason: The department looks after that on behalf of the minister.

Mr Mrdak: I will ask Dr Arnott to give you that detail, Senator.

Dr Arnott: I'll find it for you. As of now, $122 million has been committed, so that leaves $18 million uncommitted.

Senator HANSON-YOUNG: That effectively finishes on 30 June next year?

Dr Arnott: No, there is funding out until, I believe, the end of 2022-23. Let me check that. Yes, there is funding out to 2022-23.

Senator HANSON-YOUNG: There is not much left in there.

Dr Arnott: There is just under $18 million.

Senator HANSON-YOUNG: Just to be clear, unless we put some more money in, we've got $18 million to spend until 2022-23?

Dr Arnott: Yes.

Senator HANSON-YOUNG: I would be interested in knowing what Screen Australia's experience with this has been. With the extension of the eligibility for the location and PDV offsets to streaming services such as Apple, Amazon and Netflix, are we now seeing overseas productions qualifying for a 30 per cent offset from Australian taxpayers, whereas an Australian television production would only qualify for the 20 per cent offset?

Mr G Mason: There are two parts there. We are very pleased to see, for example, that Justin Kurzel is about to start shooting Shantaram, so you have an Australian director making, obviously, a very classic Australian book into a project which starts in Melbourne, imminently, for Apple. Similarly, Tony Ayres, one of our great writers and producers, who was formerly at Matchbox, is about to do a show, Clickbait, for Netflix—again, shooting in Victoria. One of the exciting things—and our minister, with the Victorian government, has made those announcements—is to see Australian talent working on those big shows back here at home. I think that is a fantastic thing. There are great things happening, which we see, as people who look over the whole sector. I think what you are referring to, Senator, is that potentially a local company would get 20 per cent and a foreign company could get 30 per cent.

Senator HANSON-YOUNG: Let's take Shantaram as an example. With it being done by Apple, it is being given a 30 per cent offset, effectively, but, with both of them being made here—don't get me wrong—if it was being made by an Australian company, they would only qualify for 20 per cent.

Mr G Mason: That is correct.

Senator HANSON-YOUNG: In terms of funding equivalence, that represents a difference of millions of dollars—the difference between 20 per cent and 30 per cent, on a big production like that. Is this imbalance being raised with you?

Mr G Mason: Again, it is an interesting one, because, as I discussed, the department looks after the administration of that offset, whereas we look after the two producer offsets.
Obviously, we deal with the sector a lot, so there has been some communication to us of that imbalance.

**Senator HANSON-YOUNG:** Do you run official consulting roundtables with the sector? I know that you are a busy little agency, and you will be talking to people all the time. Is there a formalised mechanism for receiving feedback from the sector and the industry?

**Mr G Mason:** Michael, the COO, has a regular meeting with SPA, for example, the screen producers association. We both meet separately with SPA. We were at the SPA council. We were all at the made in Australia event with the various guilds. We also meet with the directors guild and the writers guild on a formal basis. They also come in at least once a year to meet with the Screen Australia board. We have a lot of set consultation, but we also, as I am doing today, go to Los Angeles to meet with a whole lot of people at MIPCOM. We run the stands at all of the trade shows and film festivals, so we have an enormous interaction with the sector.

**Senator HANSON-YOUNG:** You would be well aware that there is concern about the differentiation—if you are an Australian company, you only get 20 per cent, but if you are international, a big company like Apple, you get a 30 per cent discount from the Australian taxpayer.

**Mr G Mason:** It is one of the things that have managed to unify the sector, which is unusual, even though I think you have agreement from the networks, because obviously the content that they are backing is at a lower rate.

**Senator HANSON-YOUNG:** Mr Mrdak, is there any thought going into this from government about whether it is fair?

**Mr Mrdak:** The government is certainly aware of the concerns that you have identified. I can only say that that is one of the areas that is being looked at as part of the future consideration of content policy. I can't give you a definitive answer on whether that particular aspect of the rate of the PDV will be changed.

**Senator HANSON-YOUNG:** When you give a tax offset like 30 per cent to a big international corporation like Apple, are you considering how much they are paying in taxes back to Australia?

**Mr Mrdak:** The issue of digital platform taxation matters is being addressed by the Treasury and the Treasurer.

**Senator HANSON-YOUNG:** So there is some consideration about that—about whether we are giving an offset on one hand and they are not paying their fair share of tax on the other? Maybe it's the taxpayer that's being ripped off.

**Mr Mrdak:** I think the Prime Minister, when he was Treasurer, was very clear on his views around international taxation arrangement plans for the digital platforms.

**Senator HANSON-YOUNG:** Are there any other big productions that are using the 30 per cent offset at the moment? You said $122 million is committed. Could you run through who some of the major production houses are?

**Dr Arnott:** Yes, certainly. Can I correct one thing? The location incentive is not set at 30 per cent; it is set at 16½ per cent, and the $140 million location incentive program is a grant to effectively top up—just to be factually correct about how it is working. The location offset is
lower than the producer offset for television. I can run through the ones that have been announced. There is Legendary entertainment's feature film *Godzilla vs. Kong*, shot at Village Roadshow Studios on the Gold Coast. The Disney-ABC International Television series *Reef Break* is also being shot on the Gold Coast. The Paramount Pictures film *Monster Problems* is being shot at Screen Queensland studios in Brisbane. The Sony Pictures television series *Preacher* season 4 is being shot at Docklands studio in Melbourne. Marvel Studios has announced two feature films to be shot in Sydney—*Shang-Chi and the Legend of the Ten Rings*, and *Thor: Love and Thunder*. As Mr Mason mentioned, Paramount's *Shantaram* is to be filmed in Melbourne. We also have the Netflix and NBCUniversal series *Clickbait* to be filmed in Melbourne. On the weekend the minister announced funding for two feature films to be shot in Melbourne produced by Dick Cook Studios—*Ranger's Apprentice* and *The Alchemyst*.

**Senator HANSON-YOUNG:** I might have some more questions on notice that I will put into follow-up on some of those.

**CHAIR:** Are there any further questions for Screen Australia? In that case, Mr Mason, safe travels.

**Mr G Mason:** Thank you very much.

**Department of Communications and the Arts**

[10:16]

**CHAIR:** We will return to examination of the department. Who wishes the call? Senator Green.

**Senator GREEN:** Minister, before the break and before we spoke to Screen Australia I was asking you questions about the Australian Broadcasting Corporation Amendment (Rural and Regional Measures) Bill. I'll just take you back to those questions. I'll go back to this question: does that bill increase funding to the ABC?

**Mr Mrdak:** No. As I mentioned, funding arrangements for the national broadcaster are done through budget appropriation bills.

**Senator GREEN:** Why is the government cutting ABC funding if it wants the ABC to do more in rural and regional Australia?

**Senator Reynolds:** That's not what the government is doing and, in relation to the bill, you asked, before we moved to Screen Australia, about the detail of the bill and what it did. And I can tell you a few things. The ABC charter will be amended to include regional and geographic diversity, which I think all regional and rural Australians would think is a great thing. A regional advisory council will be established but, before making a decision that will change broadcasting decisions in a regional area and is likely to have a significant impact on that regional area, the board must consult with the regional advisory council. The bill will make changes to ensure a minimum level of representation by individuals with an understanding of rural and regional communities to the ABC board—again, a universally wonderful thing, I think, for regional and rural Australia—and the bill will also introduce additional annual reporting obligations for the ABC which will require the ABC to provide statistics on the number of individuals employed in regional and metropolitan areas. This is important because the ABC occupies an important place in the lives of rural and regional
communities and over many decades its services have informed and entertained communities in areas where other media options are limited.

That is the intent of the bill and we’ve already had significant discussion about how the money is allocated through government—a billion dollars per year—and the discretion of the board in terms of how its funding is utilised and where it's prioritised.

**Senator GREEN:** If the ABC, as you say, is so important for rural and regional Australia, why is the government cutting funding to the ABC?

**Senator Reynolds:** That has been asked and answered several times in relation to the context of the quantum of its triennial funding, and it's ultimately how the board, like any other board that receives Commonwealth funding or any other government department, has to make internal decisions about priorities and staffing and allocations. I don't really think I've got anything more to add than the several times we have canvassed this question.

**Senator GREEN:** How many new ABC jobs, services or programs will the bill create and support in rural and regional Australia?

**Senator Reynolds:** I might hand over that technical detail to the secretary.

**Mr Mrdak:** As the minister has outlined at length, the bill deals with governance issues around ensuring rural and regional representation, and issues are covered. It doesn't deal with matters of resourcing. They are matters for the management and board of the broadcasters. The bill sets up the government's base changes to the governance and the charter of the ABC. Those matters of allocation of resources are separately handled.

**Senator GREEN:** So no new jobs, no new funding under this bill?

**Mr Mrdak:** I think the importance, as the minister has outlined, in this year's budget has been the stability of the nominal funding going forward over the triennium. That's stability which is available to few other media organisations, as the minister outlined. That provides a funding base which does provide certainty, and I think, when you talk to the ABC managing director later in these hearings, one of the things he is very clear on and he now has a clear understanding of is a stable funding base. It may not be a funding base which everyone would like but it is a stable funding base which is quite different to what most other organisations are facing at the moment.

**Senator Reynolds:** I would just add that, before your time on this committee, this committee did review this bill and was strongly in support of these changes for rural and regional Australia, as the secretary has said, in relation to governance and all the areas that I've already gone through with you. So it's an unequivocally good thing for rural and regional Australia and this committee itself embraced this report and the intent of this legislation.

**Senator GREEN:** How many ABC jobs, services or programs will the latest Liberal budget cuts of $83.7 million undermine?

**Mr Mrdak:** I think that's a question for the ABC managing director. I think he's been publicly very clear around the need to find efficiencies in the organisation. He's been working through a recent efficiency review that's been undertaken of the national broadcasters and I think the board—the chair and the board—and the senior management structure of the ABC are working through this. We can't give you that level of detail. I think the managing director
has publicly outlined that he'll be making announcements leading into March next year when he sets out a future operating strategy for the organisation.

**Senator Reynolds:** Just in relation to that, as I did point out at the beginning of this line of questioning, it was probably more efficient and effective to do it when the ABC and the managing director were here because they are responsible for dealing with the questions that you are asking. They will be here later today and will be able to go into some of the minutiae of the decisions that rest with them.

**Senator GREEN:** I can appreciate you trying to assist me in answering my questions but what would actually assist is if you just gave me a straight answer to the questions I'm asking.

**Senator Reynolds:** With the greatest respect, I can answer questions, as I have very comprehensively, in relation to this area in relation to government policy and government actions, and the secretary has been clear about what is in his area of responsibility. But as I have outlined two if not three times, a number of those decisions are decisions for the board, and the chief executive officer will be here later today and he can answer questions that relate to decisions that are relevant to him.

**Senator GREEN:** And I'm asking a question of you as the minister here today: why is the government cutting funding to the ABC?

**Senator Reynolds:** This is almost becoming tedious repetition, with the same question—

**Senator GREEN:** It wouldn't be tedious if you would just answer the question.

**CHAIR:** Order, Senator Green!

**Senator Reynolds:** I've answered very comprehensively in relation to all of the questions you've had on ABC funding, to the ability I can as the minister representing the minister here, as has the secretary. But anything that relates to internal decisions for the ABC board and management, they will be here later today and I will still be at the desk here today. So I can only answer as I have several times until we've got the right officials at the desk here.

**Senator GREEN:** Why is the government cutting funding to the ABC and yet pushing forward a bill that asks the ABC to do more for rural and regional Australians?

**Senator Reynolds:** You've asked and we've answered. We've talked about the funding. We've talked about the benefits and the government benefits of that bill—asked and answered several times now.

**Senator GREEN:** But you haven't answered why you would cut funding but then also ask the ABC to do more in rural and regional areas.

**Senator Reynolds:** You might not like my repeated answers on the same issue but, again, all I can say is: you've asked and I've answered several times. Chair, can I ask, is this now becoming repetitive, asking the same question over again?

**CHAIR:** Minister, it is tedious and repetitive but, if Senator Green wishes to be tedious and repetitive, she has the call.

**Senator GREEN:** I'm just trying to get the answers to my questions. I want to go back to regional Queensland and explain to people why the government is cutting funding to the ABC.
Senator Reynolds: Senator Green, a little tip here for estimates: you might not like the answer I give and you might have a political response to that for your constituency, but I have absolutely answered your question with great detail several times. As the chair said, you can keep asking the same questions over and over again and you'll keep on getting the same responses. You might not like how ministers answer the question politically, but what I gave you is factually correct and it was comprehensive.

Senator GREEN: Thanks. I'm not going to get any answers. That's fine.

CHAIR: In that case, we will break now, and the committee will suspend and return with Australia Post.

Proceedings suspended from 10:25 to 10:42

Australian Postal Corporation

CHAIR: We will resume examination of the Communications and the Arts portfolio with the Australian Postal Corporation. Ms Holgate, welcome. Would you like to make an opening statement?

Ms Holgate: Yes. Since we last saw you we tabled our annual report in parliament, last week, which reported that we delivered a full-year record revenue at just under $7 billion and a profit of $41 million. Some key highlights are as follow. Domestic parcels, now over half of our revenue, grew by over nine per cent—the highest growth rate in parcels for over 10 years. Our international parcel business grew by 15.7 per cent, following the successful consolidation of our international commercial arm. Our services business and financial and identity services contributed $500 million, and the business was boosted by the major support of Bank@Post partners.

However, our letters revenue fell by nine per cent, to $2.2 billion. Increased delivery addresses and costs of serving our community service obligations meant the letters business lost $191 million in the year. We delivered significant efficiency benefits which, combined with other growth in parcels, et cetera, enabled us to mitigate those losses and still make a profit of $41 million. We are pleased with that profit, because that is the same profit we delivered three years earlier, but with 820 million more letters. That is a good sign of the underlying health in the business.

We are aware of the importance Australians place on our role in the community, both delivering post to them every day and our community post offices. It is for that reason we recently lodged a price notification with the ACCC indicating our intent to increase the basic postage rate by 10c from January 2020. It is critical if we are going to protect the services that we are able to contribute towards those losses. We will be freezing the price of concession stamps at 60c, and seasons greetings stamps at 65c.

I am pleased to also share that we met all of our community service obligations on standards last year. Last year was a significant year for us, and one of much change. The year ahead will be one of even more change and lots of opportunity, but significant challenges. Safety continues to be our biggest priority. We are rolling out 500 new electric vehicles for our posties, which will make them safer, but perhaps more importantly allow them to carry five times as much mail and parcels, which protects their jobs and keeps this community service.
We've had an encouraging start to the year. Group revenues are up 7.6 per cent for the quarter, at $1.8 billion. This is our highest quarter on record, only surpassed by previous quarters where we have had peak. If we excluded letters, it would be in line with the peak of Christmas last year.

Behind the headline revenues there are some pleasing segment and channel growth numbers. Our letter business remains down 6.5 per cent, but our decline rates are improving. Domestic parcels are up 14 per cent. Our international revenues are up 34 per cent. Our services portfolio, including finance and identity services, is up approximately 21 per cent. If we exclude letters from our business in this first quarter, our underlying revenues are up 14 per cent. That would give us an annualised business of over $5 billion. That is a marketplace where we have no protection. We work in a highly competitive market and yet to find another business in Australia of more than $5 billion, we looked at the ASX listed companies, and there were five growing at a higher rate.

We know we still have more to do and we will continue to strive to make more efficiencies, but we are encouraged that our Post Office network is for the first time in many years starting to grow again. In the first quarter, our Post Office revenue is up five per cent and over seven per cent for our licensed Post Office partners. We've launched several new initiatives. We had the Great Aussie Coin Hunt. We've simplified sending a parcel and we now have 74 different partners supporting Bank@Post.

We recently returned from Geneva. I notice two of my colleagues behind me were with me there. I am pleased to say we secured a very strong agreement, which is improving the rate of what we call UPU terminal dues. You may have noted in the annual report that this cost us $48 million in losses last year. We believe that this will be mitigated within three years.

We're not without our challenges. The losses of our letters business and costs to provide our community service obligations continue to grow. But we will keep focus on growing our business and driving further efficiencies and improving our customer service.

I'm very pleased to share with you finally that we have yesterday opened a major facility in Redbank in Queensland. This is the largest parcel sorting facility in the whole of the Southern Hemisphere. It will enable us to process 700,000 parcels every day. It is critical for the future of ecommerce and for our business. We are very pleased with this and we just recently announced that we're taking on 3,700 additional workers for Christmas. That will enable us to support the Australian communities with delivering on time. Just to give you a small insight into what that means, we estimate this year on 16 December we will process 40 parcels every second of every minute of every hour throughout the day. That is a phenomenal achievement in our growth story.

In summary: a good start to the year. We've got a lot more work to do. We remain cautiously optimistic on the year ahead. And if we are able to secure the modest increase in the BPR, we believe that we can create a sustainable future for Australia Post.

I'd like to thank the incredible workforce, our licensed post office partners, our contractors and our support from all the departments and people in government. Thank you.

CHAIR: Thank you, Ms Holgate. Before I go to Senator Urquhart, do you wish to take photographs? Is there any objection to media taking photographs? It is so authorised. Senator Urquhart, you have the call.
Senator URQUHART: Thanks very much, Ms Holgate. I have some questions around the special meeting of the Universal Postal Union, which led to the renegotiation of international rates for parcel and shipping. Can you provide a high-level description of what the Universal Postal Union is and what role does it play in setting those international delivery prices?

Ms Holgate: Certainly. A very simple explanation—I'm hoping it's simple because it's actually a complex matter—is that they set the rates that international postal organisations receive and pay for the delivery and the sending of small packets and letters around the world. So, for example, if you are in China and you send me a parcel, China Post pays me an amount of money to deliver that parcel. If I send one back to you, I pay China Post an amount of money for delivering it. However, the UPU agreements historically have been based on a couple of things. One is what your BPR is—that is, the price of a stamp. That is another reason why it needed to be addressed. But, secondly, there is a whole set of criteria about developing nations. One of the objections that Mr Trump had was that he sees China very much as a developed nation and didn't accept the argument that countries like Australia, the USA and Canada should be subsidising their costs. For example, if China paid me $1 to deliver here, I would have to pay them about $1.75 to deliver there. That imbalance is the reason we were all coming together.

Senator URQUHART: How often would the UPU usually meet?

Ms Holgate: The UPU meet very regularly. In fact, they are meeting in a few weeks time, and a member of our team. But this was a very unusual special congress to address because the United States said they were going to withdraw from the whole UPU system.

Senator URQUHART: But how often? You said regularly. Is that monthly?

Ms Holgate: Three or four times a year they would meet, but on certain subject matters.

Senator URQUHART: Sort of quarterly?

Ms Holgate: Yes, but not on this issue.

Senator URQUHART: No, this was a special meeting. The recent meeting that was held—can you provide an overview of how Australia was represented at that meeting?

Ms Holgate: Yes. There was a delegation from the government through the department and there were also members of my team at that delegation, and a local high commissioner.

Senator Reynolds: I think the secretary has got some more to add.

Mr Mrdak: The representation at UPU is coordinated and led by the department on behalf of the Australian government. The delegation was led by an officer of my department supported by the Australia Post team.

Senator URQUHART: Okay. Thank you. Ms Holgate, you said the US threatened to pull out of the agreement and that was on the basis of the cost.

Ms Holgate: It was on the basis that the United States, like Australia, Canada and a few other countries effectively receive so much less than we have to pay out and effectively have been subsidising those delivery costs.

Senator URQUHART: Under the existing arrangements, can you tell me how the prices are set and what the implications were for importing nations?
Ms Holgate: Effectively, the prices were set very similar to what I just said a moment ago. They take a look at what your BPR is and they then take a look—

Senator URQUHART: When you say 'they', you're talking about the UPU?

Ms Holgate: The UPU historically, yes; the UPU did. They used to cap the prices depending on where your BPR was. The most fantastic thing about this agreement is that that cap over the next three years will be taken away and we can move much closer to having a system which reflects more fairly our costs.

Senator URQUHART: Under the current arrangements, how much does Australia Post lose annually from importing and distributing international parcels?

Ms Holgate: Parcels and small packets and letters are quite different. Parcels are actually sent and received on commercial contracts, so we don't lose money on that. That's where two countries negotiate bilaterally. It's these small packets and letters and they cost us last year I think $48.5 million. It's in the annual report.

Senator URQUHART: Have Australian consumers been benefiting from lower prices as a result of what's happening?

Ms Holgate: Most definitely not. The lower prices are for people in China, not for people in Australia. We pay higher prices here as we deliver into those countries.

Senator URQUHART: I understand that the UPU reached an agreement where high-volume importers of mail and packages would be allowed to begin introducing self-declared rates. Can you tell me what a self-declared rate is and what constraints exist on the prices that are set?

Ms Holgate: I'm going to let Erin give you the exact definition of self-declared rates so I don't mislead you in anyway. But effectively what it means is that we are unable to be transparent about the rates and negotiate bilaterally, very similar to what we do on our commercial contracts.

Ms Kelly: Senator, we might take that on notice.

Ms Holgate: But that's what it means.

Senator URQUHART: Over what time period will those rates be phased in?

Ms Holgate: Over a three- to four-year period.

Senator URQUHART: Can you provide an example of how much the rates are expected to change?

Ms Holgate: Yes. Really, if we looked today at our losses, that $48.5 million, if I recall correctly—we might have to take this on notice and I'll get Erin to confirm this—something like 70 per cent of our losses are actually on the China leg. Hong Kong I think contributes another 15 per cent. So the vast majority is on China and Hong Kong. This will enable us to move to more equitable pricing over a three- to four-year period. We estimate that around that three-year period we will have mitigated those losses we are making. But it all depends on your profile of what you receive. If that changes, it might be slightly longer or it could be sooner.

Senator URQUHART: What residual role does the UPU actually have in setting the international rate to receive an imported shipment?
Ms Holgate: That's the process I spoke about earlier. It plays a role in working out what each of those operators should be paying and receiving around the world.

Senator URQUHART: Will those rates, for example, be uniform across countries or will it vary?
Ms Holgate: No, they're not uniform across countries; they all depend on each individual country.

Senator URQUHART: Is it fair to say the developments are likely to improve the bottom line of Australia Post? However, Australian consumers who are using ecommerce to buy goods from Australia will end up paying more?
Ms Holgate: I don't think that's a fair assessment. My assessment of the situation is yes, it will be advantageous to Australia Post over a period of time, but we lost $48 million and had to cover last year $190 million providing CSO. What this enables us to do is to make sure we remain viable and sustainable without having to cut important services. We are not putting up the prices of parcels. In fact, we've tried to simplify the parcels for the Australian consumer. I think we've taken 256 pricing points down to just five. Australia Post works very closely with our largest ecommerce customers and, as I said earlier, is investing significantly with initiatives like Redbank to improve the service, speed things up and get better tracking.

Senator URQUHART: Is there a particular weight category that would be most impacted?
Ms Holgate: Yes. The UPU sets the rates for small packets and letters. It's not parcels; it's small packets and letters.

Senator URQUHART: What is that weight?
Ms Holgate: Less than 500 grams; 500 kilograms would probably be all of us in the room!

Senator URQUHART: That would be a very large parcel. That would be like a fridge or something. Do those arrangements impact logistics and postal companies who ship into Australia, such as DHL, for example?
Ms Holgate: DHL is an unusual organisation because it's also a post office. It uses its postal part of its business to ship into Australia, but it doesn't really impact Germany and Australia's relationship because that's not a country—we don't get significant volumes from the postal part. The other part of DHL is a commercial organisation. It doesn't impact that at all, no more than it impacts our commercial arm.

CHAIR: Senator Urquhart, how much longer do you need?
Senator URQUHART: I have one more question on this and then I have some questions on another issue.

CHAIR: Perhaps do that one. I will go to the other two and then come back to you.

Senator URQUHART: Do you expect these companies to pick up more businesses, in terms of importing goods to Australia, as Australia Post moves towards a more commercial pricing approach for postage imports?

Ms Holgate: I am very pleased to share with you, Senator, that actually we have been growing both our outbound and inbound revenues. I think the focus that we have had on our international business, and the support we have had from the department in addressing things
like this, is actually already paying off. We have a lot of work to do, but I am confident that actually Australia Post can grow its market share. Historically, it has not been a focus area and those international operators have taken an important part of the business off us.

**Senator DEAN SMITH:** My questions, in the brief time available to me, go to mail delivery services across the Kimberley in the far north of Western Australia. In particular, recently I happened to be travelling across the Kimberley and concerns were raised with me about the increasing frequency of the offloading of mail across the Kimberley. Can someone give me a response to what might be happening there? Are you aware of the issue? Has anyone raised it with you thus far?

**Ms Holgate:** I must apologise; I am not aware of the issue. Rod, who is normally with me, our head of deliveries, is at Redbank today, as we are opening up this major facility and moving 500 employees there. We are actually on the cusp of announcing the speeding up of letters and parcels out to rural and regional Australia. It has been an element that many community organisations have shared back with me. New automation, like the automation in Redbank, will enable us to do so. I don't have the detail on your specific question. I don't know if my colleague David, who runs our post offices, does.

**Mr McNamara:** We are not aware of anything that's major. We do know that occasionally we have some issues where a contractor may not be able to deliver all of their mail. We have recently had an example of a new contractor, but that was for a few days. We're very happy to take that on notice.

**Senator DEAN SMITH:** Just explain to me how that works. Australia Post mail travels from Perth to Broome, Derby, Kununurra, Wyndham et cetera; how does the contracting relationship work? It would go up there predominantly on a Qantas flight?

**Mr McNamara:** I don't have the specifics. We would have to take that on notice.

**Senator DEAN SMITH:** In summary, this is the issue on which you might have to come back to me with a response on notice. What we are witnessing, or what people are experiencing, is increasing frequency of mail being offloaded from Qantas flights. That matter is happening during the dry season, predominantly. It has been put to me that mail is being displaced in preference for other Qantas cargo. In particular, I am interested in how Australia maintains its express mail guarantee when, in actual fact, the delivery service from Perth to the Kimberley in some cases might be taking up to a week. That is the thrust of my question.

**Ms Holgate:** I would like to take that on notice. My commitment to you is that we will get back to you within 48 hours at a maximum, and get you a response. We take our obligation to serve the community very strongly. I know you know that. I am not aware of that particular complaint, but I will absolutely come back to you.

**Senator DEAN SMITH:** Thanks for your professionalism, Ms Holgate. Thank you, Mr McNamara.

**Senator ROBERTS:** Thank you all for attending today. My questions are to do with licensees. I understand they have had really severe problems. They have been really suppressed and have not been able to make a good income. I also understand they have had some discussions in recent times, with there being some light at the end of the tunnel. That is the background. You know about the licensees. The government has announced Services Australia. Alarmingly, this sounds like yet another network which may be competing with or
replicating the provision of services that our Australia Post office network does or is able to provide from an Australia Post perspective. Will it make the established government network of post offices, the 2,850 of them which are privately owned, redundant or unprofitable, and when will these licensees and employees be told what is happening?

Ms Holgate: I will pass over to my colleague in a moment to talk about Services Australia. May I first of all address your opening comment? In my two years of being here in this role, the senator has always held me to the role of the licensed post offices in communities. I am very pleased to tell you that the revenues of the licensed post offices in the first quarter of this year were up seven per cent. When I look back at our payments we made to post offices over the whole of last year, those costs increased by, I think, 7½ per cent. I will double-check that number and we will come back to you if it is different. I am pretty sure it is 7½ per cent. We put in place last year a number of initiatives to support the licensed post offices. They are our brand in the community. When we signed the historic Bank@Post agreement, we increased the minimum payments by 25 per cent. We upped minimum payments on transaction fees by 50 per cent. We have had the Great Aussie Coin Hunt, which has been an incredibly successful initiative to bring people through the door. The post offices are profitable, the post offices are growing, and I am very pleased to report that our licensed post offices are growing even faster than our corporate stores. I will now ask Mike to address the issue of Services Australia.

Senator ROBERTS: If I could intervene, I acknowledge that some progress has been made, but some of them are still feeling neglected, so perhaps—

Ms Holgate: Senator, if there are any licensed post offices that you are in communication with that you feel are being neglected, please let me know. We hold a community stakeholder board for post offices. My colleague who is sitting behind us, Nicole Shepherd, who runs the community and consumer business, attends every one of those meetings, as does David McNamara, and I think I have attended every one of them. We regularly meet, and I spoke just last week with the head of POAAL, and we regularly meet with the head of LPOG.

Senator ROBERTS: Perhaps 'neglected' was the wrong word; perhaps they still have issues to address. I will pass on your invitation to them.

Ms Holgate: I would very much welcome the opportunity.

Mr Mrdak: In relation to the Services Australia issue, the government is working through future directions for Services Australia, but there is certainly no suggestion that it in any way would cut across or interfere with what has been set out around Australia Post's network. The government has recently reaffirmed, through its regulatory structure, the maintenance of the current post office structure, and the work that Ms Holgate and her team are doing to improve services through the licensed post office network.

Senator ROBERTS: You can assure the licensed post offices that they will not be disadvantaged with the introduction of Services Australia?

Mr Mrdak: I am not aware of any suggestion that the licensed post offices network will be affected by the planning for Services Australia.

Senator ROBERTS: You can assure that; that's good. Will the licensed post offices be part of the Services Australia network? How, for example, will Services Australia address the
needs of people in rural and regional areas, and especially the aged or disabled, who may not be able to use a computer?

**Mr Mrdak:** There is plenty of work going on in relation to Services Australia. We are certainly talking with the Human Services portfolio to ensure that every opportunity is provided for the participation of the post office and the network of the post office in the future provision of services. It is still too early to indicate what the future shape of Services Australia is, but certainly the work is going on within government as to how we maximise the role of Australia Post as a service delivery entity for that network.

**Senator ROBERTS:** As I said earlier, Australia Post is working to improve the transactional model for the licensees. The current rate paid to licensees per transaction, though, seems to be based on how long it takes to service the needs of a tech-savvy hipster, when the reality is that many of these hard-working Australians are also servicing the needs of the aged and the disadvantaged, where more time per transaction is required. As a result, many licensees are earning less than award rates. What can Australia Post do to provide additional support for licensed post offices now, particularly those who have a small customer base or who have a larger number of clients who are aged or disadvantaged?

**Ms Holgate:** I would like to share with you a few small facts, and then give David the opportunity to share with you some details of our new agreement with the licensed post office partners. It is our first agreement in 26 years, so it is pretty landmark for us. One of the things that we are doing is that we are rolling out new technology. This is the first time we have had a major technology investment in the post offices for over 30 years. This is going into our licensed post offices. Historically, they used to have to pay Australia Post for this. We are providing it for them. I would like to acknowledge the support of CBA, Westpac and NAB, who have underwritten that investment for us. I will pass to Dave, because I know he is bursting to share with you the good news that we have on the agreement.

**Senator ROBERTS:** He is smiling, at least!

**Mr McNamara:** In regard to your question around what we do with those transactions, they are based upon mode apps. We look at the time it takes for a transaction to occur. It actually looks from the time the customer is in the queue to the whole service being done. We do that not on the fastest person but on what happens when the average person goes through those transactions.

**Senator ROBERTS:** Averages can be misleading at times.

**Mr McNamara:** Both ways, yes.

**Senator ROBERTS:** If we are dealing with rural communities, especially ones with a high proportion of aged or people without computers and who are not tech-savvy, it is going to take longer.

**Mr McNamara:** They can in some cases, but we do look at that overall, around both the swings and the roundabouts that happen with that. From what we have recently done with the changes to payments, we have based everything upon work. We moved from where it was just a standard fee to paying for scanning. Part of what we're doing, as part of the first stage, was to really evaluate what was the work effort and how licensees are being compensated for that. We are always ongoing with that, around looking at when transactions change, and at
how they look from a time basis. We know some transactions get longer and some get shorter due to the efficiency of the changes.

Senator URQUHART: I have a few questions around databases for delivery points. Can you tell me what databases Australia Post relies on to keep an accurate record of delivery points and households?

Ms Kelly: Australia Post maintains a database of postal delivery addresses, and that is by our address post team. On a regular basis that database is updated from information from local councils, state land authorities and in fact our own people.

Senator URQUHART: Does Australia Post buy them or do you develop them yourself?

Ms Kelly: That database is Australia Post's.

Senator URQUHART: So you have developed that. Does Australia Post make use of the geocoded national address file?

Ms Kelly: Australia Post actually contributes to the GNAF.

Senator URQUHART: How accurate is that?

Ms Kelly: Is that the GNAF or the Australia Post contribution?

Senator URQUHART: Both, maybe.

Ms Kelly: I can't comment on the—

Senator URQUHART: Particularly the geocoded.

Ms Kelly: I can't comment on the GNAF, as Australia Post are only a contributor to that, but with the postal address file, which forms a basis of the GNAF, Australia Post are confident it is accurate.

Senator URQUHART: Does it tend to overestimate or underestimate the number of premises and delivery points?

Ms Kelly: Not that I am aware of.

Senator URQUHART: Do you find that the databases you rely on are any less accurate in regional areas as opposed to metropolitan areas?

Ms Kelly: No.

Senator URQUHART: What process do you go through to refine the accuracy of that database? Do you have a process?

Ms Kelly: Yes. As I mentioned, on a regular basis, we get updates from local councils, state land authorities and our own people. When I say our own people, it is when they go on their delivery rounds, and they can see when new addresses or delivery points have been added.

Senator ROBERTS: My question is for Mr McNamara. I am told that in Australia Post's February 2018 response to the expose by A Current Affair of the appalling treatment of postal franchisees, you claimed you were undertaking a comprehensive review of current licensees' payments. That was almost two years ago. 2,900 postal franchisees found out earlier this year that promised payment reform is to be in stages. Nothing was ever mentioned about this at the time. Stage 1 has taken over a year, with the majority of offices seeing no change in their income, and some are even worse off. It is now 20 months, and licensees have heard nothing
with regard to stage 2. What can you do to fast track this review to ensure that franchisees are paid at least a basic wage? I know you have said there are improvements, but this is saying that stage 2 is not there.

Ms Holgate: I will let Mr McNamara answer that question in more detail. I would like to acknowledge, though, that when that took place—those comments took place in February 2018—I gave a commitment that if we were able to secure the Bank@Post agreement, not in this room by the way but I gave a commitment to the LPOs, I would ensure that their minimum rates of pay were reviewed significantly. We gave them a 25 per cent increase in their minimum rate of pay and we gave it to them effective from, I think it was, 1 January this year. That has taken place. We gave them a 50 per cent increase in the transaction costs. I don't know anybody who has had a 50 per cent pay rise other than that—and I am not saying they don't deserve it; I absolutely believe they do—and I really want my licensed post office partners—

Senator ROBERTS: Of course that 50 per cent can be also looked upon as generous or it can be looked upon as saying that the original mark was really low. I am not here for an argument on that but—

Ms Holgate: No. Absolutely. People are of course entitled to their opinions—and I have deep respect for my licensed post office partners—but I don't see it as generous or really low. I see it as fair. And I made that commitment to the licensed post offices. We've paid them, we put it into place effective as soon as the new agreement was signed, which was 1 January. There wasn't any hesitation. They actually got the benefits of that agreement before Australia Post did. But David, do you want to add?

Mr McNamara: Senator, just going on from that and answering your question, we regularly do look at all of the different payments associated with identity, which is what you're talking about here. So we look at that on an annual basis and we have reviewed them over the years. They are an ongoing review that we took in that space. Part of the review that we looked at in what we did last year for the implementation on 1 January was: we had a look at the changes between letters and parcels to ensure, that where the growth of Australia Post was, licensees' payments were—

Senator ROBERTS: That was a significant—

Mr McNamara: Yes. It was a change out. And as Ms Holgate said previously, we've seen an increase in the amount of remuneration licensees are receiving and that's been part of the fact that now, if they are doing bulk mail or parcels, they are getting remunerated the right amount of money; so rather than it being where it was on letters previously, now they are actually getting a scanning fee and actually getting remunerated exactly the same amount as they should have been previously.

Senator ROBERTS: I appreciate your response and I especially appreciate your commitment that you have made publicly today. That will be something people can hold you to. That's great.

Ms Holgate: I'm very happy to be held accountable for supporting the licensed post offices. Thank you.

CHAIR: Fantastic. Ms Holgate, thank you very much. Senator Abetz, do you have questions for Australia Post?
Senator ABETZ: No.

CHAIR: Ms Holgate, thank you very much to you and your team.

Office of the eSafety Commissioner

[11:19]

CHAIR: Welcome to you and your team, Commissioner. Thank you for being here today.

Ms Grant: Thank you.

CHAIR: I understand you're off to Sydney tonight for an awards ceremony. I trust all goes well there.

Ms Grant: Thank you. We will try and represent the government as best we can.

CHAIR: Do you have an opening statement for us?

Ms Grant: I do.

CHAIR: Please proceed.

Ms Grant: Thank you, chair, and thank you, committee members, for the opportunity to engage with you today. I know that there are some new members on the committee; so I will just go over some of our recent activities over the past six months. As you may know, we were established four years ago to serve as the educator, coordinator and national regulator for online safety, the only such office that exists in the world. We are trying to lead by example. It's been a very eventful six months. We've bedded down two pioneering regulatory schemes. We've dealt with a growing volume of pernicious online child sexual abuse, cyber bullying and image-based abuse. We have released a path-breaking framework on how online platforms can be designed for safety rather than solely for speed. We have launched an innovative four-year strategic plan and we've upped the ante in our international engagement and collaboration.

At the time of the last estimates hearing the world was still reeling from the events of Christchurch. As we know, the alleged perpetrator sought to exploit the Internet to glorify his deeds and spread his vile creed. Soon after the attack, eSafety was delegated to keep Australians protected from similar abhorrent violent material that is often referred to as AVM online and we've been given the power to issue notices to websites for hosting content that includes violent terrorist acts, torture, murder, rape or kidnapping—hard to disagree with any of that kind of content. Our cyber core investigative unit has received more than 500 reports about AVM since the legislation commenced in April. While the vast majority of it, in fact 93 per cent, represents child penetrative rape or child sexual abuse where we use our online content scheme to address, another seven per cent has dealt with violent extremism.

We have now issued 16 notices to the worst of the worst underground sites, all hosted overseas—sites that revel in gore and violence—many of which we have been following for a long time that host child sexual abuse material. So we've issued 16 notices against eight pieces of content. We are not only going to the content provider themselves, we are going upstream to the hosting provider, using a tested disruption strategy and thus far we've had a 75 per cent success rate, a good strike rate, with six of these abhorrent sites taking down the content.

Last month, as widely reported, we issued a further tranche of new regulatory powers to acquire six Australian ISPs who had voluntarily blocked more than 43 sites in the wake of the
Christchurch event to prevent the virility of the content. We engaged in a discussion around protocols with six of the Australian ISPs that did this voluntarily and then we also had an extended consultation with the websites themselves. We let them know that if they removed the manifesto, the video, or both in some cases, we would remove the block. Some of them did remove as a result of this consultation but eight sites chose to keep the manifesto or the video up. So we did issue the direction to continue blocking and we've also let those sites know that the moment they take that down we will release the block. They know exactly what they were up for.

Chair and senators, as you know, it's obviously very important to be able to react quickly in response to events like these but it's really also important to take a proactive look at the threat landscape and try and minimise the threat surface, if you will, going forward. As the only online safety regulator in the world, we are leading an initiative called Safety by Design, which seeks to shift responsibility from online safety back onto the platforms and the technology companies themselves. If they're building the online roads they need to ensure that these are safer pathways for their billions of users. So we're calling on these companies to assess risk at the front end and to bake in safety at the get-go rather than retroactively bolting on safety protections after the damage has been done.

We consulted for over a year with more than 60 organisations, including the platforms themselves. I wanted to do this with them rather than to them to make sure that any of these principles or actions are effective, meaningful and actionable. I've been really impressed with the uptake of this. Google, Facebook, Snap, Road Blocks and a number of other companies have said that they will take this on and they will start developing, designing and deploying technology with these principles in mind. And this is really expanding globally to a number of global organisations like the UN, the ITU, the WePROTECT Global Alliance, the Child Dignity Alliance and the OECD as well as the university and venture capital communities, which was not something we expected. But if you think about it, often when a technologist or a founder has a great idea they will go to a VC for funding and often the VC is the adult in the room. They want to be able to minimise their risk and know that, to be able to ethically invest and know that they are managing the risk and that the founders are thinking about potential misuse and engineering that out.

I will wrap up shortly—and I will submit this for the record—but I did want to note that as part of our strategy we are looking at a number of different future-looking strategies. We've conducted an extensive report on vulnerability and online harms, looking at the factors of vulnerability like age, race, gender, religion, cultural background, that will make people particularly susceptible to online harms so that we can develop tailored interventions but also make sure that we are honing our vulnerability lens and helping those most at risk.

We will be intensifying our efforts to disrupt child sexual abuse. We've just implemented a new technology platform and we've done 16,000 investigations into child sexual abuse and illegal content this year and we're looking at a 50 per cent increase from last year to this year in terms of the number of investigations we are able to complete. We are also using this new image-masking technology to be able to ensure the wellbeing of our investigators who are looking at this content. We'll be looking to take Safety by Design further by developing the implementation guidance so that companies, whether they are start-ups in the garage or mature companies, will have the tools that they need to be able to implement Safety by

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ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE
Design into their technology development processes. And we've also done a global scan on what we call best practice in online safety education. We are looking at pedagogy, content and improving curricula and also teacher training at the preservice level as well as professional development training so that we can ensure that our children are getting the best possible education that leads to behavioural change in the schools.

I will stop there and open it up to questions that you might have.

CHAIR: Thank you very much. Senator Smith, you have the call.

Senator MARIELLE SMITH: In December 2018 the government announced a $17 million keeping our children safe online package which committed additional resources to support parents, teachers and carers of children under five as well as funding a new online safety research program, a new safety survey and a new national awareness campaign and the development of an online safety charter. I am just interested: how much of the $17 million was spent on the new national awareness campaign and how much on the other measures?

Ms Grant: That was undertaken by the department; so I will defer to them.

Mr Mrdak: I will get that detail for you.

Mr Eccles: $9.37 million was allocated to the online safety awareness campaign.

Senator MARIELLE SMITH: So it was about a bit over half of that?

Mr Eccles: What was the total, sorry?

Senator MARIELLE SMITH: $17 million.

Mr Eccles: Yes, just under that.

Senator MARIELLE SMITH: According to the ANAO's report audited across entities titled *Government advertising: June 2015 to April 2019*, the Department of Communications and the Arts administered a $9.4 million campaign for national online safety in the first half of 2019. That is correct?

Mr Eccles: That's right.

Senator MARIELLE SMITH: That's what we're agreed on?

Mr Eccles: That's correct.

Senator MARIELLE SMITH: Why did the department administer that campaign and not the office of eSafety Commissioner?

Mr Mrdak: It reflects the coordinated way communications campaigns are done within government. They're generally done by departments rather than agencies in this manner. It contained a range of information which went beyond just the eSafety Commissioner's remit; so it was handled by the department.

Senator MARIELLE SMITH: In that coordination did the minister or the minister's office have any role in developing or overseeing the campaign?

Mr Mrdak: As with all government campaigns, the minister approved various stages of the campaign, as did the ministerial committee that oversees government communications.

Senator MARIELLE SMITH: And were there any ministers or ministers' offices who had input to the campaign other than the communications minister?

Mr Mrdak: It went through the ministerial committee—
Senator MARIELLE SMITH: Sorry, who is on that?

Mr Mrdak: I will get that detail for you. I don't think I have got the full list with us but I will get that for you through the course of today.

Senator MARIELLE SMITH: That would be great.

Mr Mrdak: And that coordinates communications across government. That is a senior ministerial committee.

Senator MARIELLE SMITH: Sure. Did the department put the campaign brief out to tender or involve any external parties in the execution of the campaign; for example, a creative agency or a media buyer?

Mr Mrdak: Yes, both the research and the creative elements of the campaign were done by contracted parties, experts in the field.

Senator MARIELLE SMITH: After a tender process?

Mr Mrdak: After the process, yes. After a procurement process for both the research and the content creation. The media placement was done through the normal commercial channels that the Commonwealth utilises.

Mr Penprase: All of those procurements are available on AusTender and have been listed publicly for the advertising, research and related components of the campaign.

Senator MARIELLE SMITH: What was the purpose of the campaign?

Mr Eccles: Research shows that there are very high levels of community concern around issues associated with online safety, keeping kids safe online. The research also shows—Ms Grant might be able to support this—relatively low levels of awareness of the appropriate roles for parents and what tools might be available to have those discussions with their children. The key focus of the campaign was to encourage families, teachers and people with influence over kids to start having that discussion about keeping people safe online and referring them to the terrific resources the Office of the eSafety Commissioner has to help teachers and parents, in particular.

Mr Penprase: The research conducted prior to the running of the campaign to evaluate where those things were at found that 79 per cent of parents and carers and 68 per cent of educators considered online safety to be a key priority for them. Only 19 per cent of parents and carers had an awareness of the eSafety Commissioner, and only 38 per cent of educators. On top of that, 62 per cent of parents and carers felt their children were probably more comfortable than them using the technology. There was a level of apprehension from parents and carers about how to approach these conversations with children. So, this campaign was oriented around enabling parents and carers and teachers by providing them with the information and tools available to be able to start that conversation.

Senator MARIELLE SMITH: So it was targeted at parents, carers and teachers, and not at children themselves. That is the core group? It wasn't targeted at anyone else?

Mr Penprase: Those with influence over the way children interact with technology and the online world.

Senator MARIELLE SMITH: What did the $9.4 million buy exactly in terms of campaign awareness: TV spots, billboards, that sort of thing? Can provide me with a breakdown of that?
Mr Penprase: The campaign was run across multiple outlets: television, broadcast, online social media. The main components of the campaign related to the campaign design, so the development of the actual materials. The research I referred to earlier set the baseline for where it was at, and subsequent research was required for post-evaluation. There were some small components for public relations and some components for materials to deal with those from non-English speaking backgrounds and Indigenous backgrounds to ensure that the messages were appropriately targeted to those groups. The media by itself was the most substantial component, so that is getting the content out on those mediums.

Senator MARIELLE SMITH: To clarify, no aspect of the campaign was targeted at children at all?

Mr Penprase: No, not directly at children. It is about those who have influence over how children interact in an online world and enabling them to be more confident in engaging in conversations with children about online safety.

Senator MARIELLE SMITH: What was the duration and timeframe of the campaign?

Mr Penprase: It commenced on 15 March, to coincide with the National Day of Awareness around cyberbullying, and concluded on 30 June.

Mr Mrdak: It was agreed during the caretaker period by both major parties that the campaign should continue as a public interest campaign and it was not halted along with other government campaigns when the caretaker started. It continued through to completion on 30 June.

Senator MARIELLE SMITH: So bipartisan agreement was explicitly sought?

Mr Mrdak: And received, that this campaign would continue during the caretaker period.

Senator MARIELLE SMITH: What governed the decision behind the timeframe chosen? You mentioned it was to do with a particular awareness day, which I missed; that's when it started. What was the rationale behind the duration of that campaign?

Mr Penprase: The decision was made by government. A process is put in place to develop campaigns, and that takes a period of time. So it gets you from MYEFO, when the decision was announced, through to when the campaign was able to start. Timing it with that national day of awareness around cyberbullying was to try to give it an appropriate start point.

Senator MARIELLE SMITH: Do you have any indicators or measures of success you can point to on the online safety campaign?

Mr Penprase: Yes.

Mr Mrdak: We do. In accordance with normal government process, we have completed a post-evaluation review. I'll get Mr Penprase to give you the highlights. But it is fair to say this has been one of the most extraordinarily well-received campaigns we have seen in terms of response from the community. It has very strong support.

Mr Penprase: After the execution of the advertising campaign, another survey was done to see how the campaign was tracking, and what impacts it had. The figures are interesting. The highlights are that 83 per cent of parents and carers who saw the campaign took some form of positive, direct action as a result of the campaign; 37 per cent of parents and carers talked to friends and family about the ads; 36 per cent of that group talked about how to help their children and young people remain safe online; 44 per cent directly spoke to a child in
response to seeing the campaign; 28 per cent visited the eSafety website, and 21 per cent searched for more information about how to help children and young people remain safe online. There were other categories as well, but they're probably the main ones.

**Senator MARIELLE SMITH:** When you talk about 21 per cent visiting the website, did that show up in your website visits?

**Mr Eccles:** In the eSafety Commissioner's website assessment, yes it did.

**Mr Penprase:** I will let the eSafety Commissioner talk to this, but the eSafety Commissioner saw an 85 per cent increase in the traffic to their website during the campaign compared to a similar period last year.

**Senator MARIELLE SMITH:** Was there any increase in complaints to the eSafety Commissioner as a result?

**Ms Grant:** We saw four distinct spikes in overall traffic. One of those was around the launch on the National Day of Action against Bullying and Violence, because we are essentially bringing parts of the community together to amplify that message. The second was around 27 May, when we were able to issue our own parenting research as part of that overall campaign. Overall awareness is what we were seeking. We would love to be able to have sustained awareness campaigns. We are a small office: 49 ASL at the moment. We are relatively new. We believe we punch above our weight. When people go to our resources and look at our research and the evidence base we are developing, they continue to come back. Driving them there in the first place and letting them know about our resources was a key goal, and that was achieved. We would like to see that awareness sustained over time.

**Senator MARIELLE SMITH:** So you believe that the spikes you saw were a result of the public safety campaign, rather than your activities as an office?

**Ms Grant:** We calibrated a number of our activities during the period between April and June to start the campaign with advertising that was out in the market to amplify those messages. Before this campaign even started, our primary message to parents—given that we know that 81 per cent of Australian parents are handing over digitally enabled devices to their children by the age of four—is that, the moment they hand over that device, they have conversations with their children and engage with their online lives about what their rights and responsibilities are. That is the most critical intervention a parent can make. We also know that 42 per cent of children have access to an enabled device by the time they are two. So, all of this needs to happen before they go to school. That's one of the other reasons the election promise provided funding and resources for us to engage in an early education program. Tarina can brief you further on that if you are interested.

**Senator MARIELLE SMITH:** Mr Penprase, are you able to table those details or is the report available publicly, for us to access?

**Mr Penprase:** It is not available publicly. We can certainly provide some details about that evaluation campaign.

**Senator MARIELLE SMITH:** If you could provide that to the committee, that would be helpful. I have some more questions on a different topic.

**CHAIR:** I will pull you up in ten minutes.
Senator MARIELLE SMITH: I would like the department to provide an update on the government's response to the Briggs Review, specifically what the status of work is on the online safety charter and what the status of work is on a single consolidated online safety act.

Mr Penprase: Both of those work items are being progressed. The government has committed in the election context to develop a new online safety act to provide a more streamlined and a modernised framework for dealing with online safety. The online safety charter was released as a draft in February this year and a consultation process was run where stakeholders and those interested were able to provide views. These are priorities for the government, and both a reformed act, which shouldn't be underestimated in the scale of the exercise, and the charter will need to be brought together as one. There is not much point issuing a statement of expectations, which is what the charter is, without having a commensurate and suitable legislative framework taken forward. The government is still considering the direction for both those pieces of work, but we understand and expect those to be a priority over the coming months.

Mr Eccles: The recommendations of the Briggs Review will be considered in the context of developing this new approach.

Senator MARIELLE SMITH: Can we come back to the online safety charter? Who is running the charter development process? Is it the department or the eSafety Commissioner?

Mr Penprase: The department.

Senator MARIELLE SMITH: What agencies have had input into that charter development?

Mr Penprase: In terms of the charter, across the Commonwealth, a large number of agencies in the Commonwealth space have a role in terms of online safety or harms protection. We're talking about education and social services. The eSafety Commissioner and a range of other agencies have been involved. There was a public-facing consultation component in which submissions were provided on the draft charter as it was released.

Senator MARIELLE SMITH: How many different agencies had input into that process?

Mr Penprase: I would have to check the details, but certainly the key ones would be education, social services, and Home Affairs—they have a role in some harms space—and the Australian Federal Police, as a minimum.

Senator MARIELLE SMITH: If you could get the full list for us I would appreciate that. The public consultation you referenced began in February. How long did that period run and what activities were undertaken as part of that?

Mr Penprase: A discussion paper was released, which included a version of the charter underneath it and which was put out for eight weeks' consultation. I can take the details and get those back to you.

Senator MARIELLE SMITH: Yes.

Mr Penprase: Submissions were received from a number of parties and those submissions were analysed and assessed and have been considered by government as part of its finalisation of the charter.

Senator MARIELLE SMITH: How many submissions were received?

Mr Penprase: Twenty-one.
Senator MARIELLE SMITH: Is that what you would have expected at the beginning of the consultation period?

Mr Penprase: Yes. The submissions that were received were from those with a specific interest in online safety and those with views about how that program would work.

Senator MARIELLE SMITH: So you weren't expecting more than 21?

Mr Penprase: It is hard to gauge at the start of the process the level of engagement, but that is the number of submissions we got.

Senator MARIELLE SMITH: Was the consultation adequate?

Mr Penprase: Yes, I certainly believe so. It gave those with a view the opportunity to express those views and to inform the process.

Senator MARIELLE SMITH: Can you take me through your activities on the charter since the consultation closed?

Mr Penprase: It's a matter for government. The government is considering how it will take forward a finalised charter, but those submissions were invaluable in the way the government has been considering the proposed charter. It's a matter for government as to when they are taking it forward, but it will be a priority over the coming months.

Senator MARIELLE SMITH: But you are not aware of any work items which have taken place since the close of consultations?

Mr Eccles: The nature of the consultations we had are influencing the work being done on developing the new online safety act that Mr Penprase referred to. So there's a confluence of matters all coming together at about the same time.

Senator MARIELLE SMITH: What is the current status of the charter?

Mr Eccles: It's under consideration.

Senator MARIELLE SMITH: Do you have an expectation of when it will be finalised and available publicly?

Mr Eccles: As I mentioned, it is part of the broader commitment to introduce a new online safety act and government will make the decision around the timing of the charter and the act.

Senator MARIELLE SMITH: You don't yet have any information that you can share?

Mr Eccles: Not at this stage.

Senator MARIELLE SMITH: Just coming back to the charter, can you just step me through its purpose? Who does it apply to?

Mr Penprase: The intent is that it applies to large technology firms and digital platforms. In the discussion paper that was released in February, it made the point that there is always going to be a level of needing to be careful about applying single standards to an industry that is so diverse. There is no one online safety industry or digital industry. The players that are operating in this space are very distinct. But the intent would be to ensure that this charter sets out the government's and the community's expectations for how safety outcomes are taken forward by the larger technology firms. It essentially aligns and dovetails with the Safety by Design work that the eSafety Commissioner mentioned before. That's a program of work that was started before the charter process and has certainly been integral to this concept of ensuring that large digital platforms and large technology firms do more to ensure that their
services are safe from the outset rather than trying to retrofit safety protections after events have occurred.

**Senator MARIELLE SMITH:** In terms of the online safety act—and then I'll come to the Safety by Design work—who is running the reform process?

**Mr Eccles:** The department.

**Senator MARIELLE SMITH:** The department is.

**Mr Mrdak:** We're developing the draft legislation.

**Senator MARIELLE SMITH:** What's the process? Will there be a consultation period on that?

**Mr Mrdak:** We anticipate so. The government intends to issue details of the proposed legislation and then the course of normal process is we will circulate draft bills.

**Senator MARIELLE SMITH:** What are the transitional arrangements?

**Mr Mrdak:** They are being worked through in the design of the legislation. We're not sufficiently advanced yet to give you much detail on that at this stage.

**Senator MARIELLE SMITH:** When do you expect you might have more?

**Mr Mrdak:** Probably over the next month or so we anticipate getting some more finality to some of that drafting.

**Senator MARIELLE SMITH:** And the institutional arrangements?

**Mr Mrdak:** That's also being worked through.

**Senator MARIELLE SMITH:** Ms Grant, can you please provide an update on your Safety by Design initiative?

**Ms Grant:** Sure. As I mentioned, our initial consultation was with about 60 organisations. We used a forum called the Online Safety Consultative Working Group which has been a cross-sectoral forum that was established by the government more than 10 years ago as the sort of primary body to make sure that we had cross-sectoral representation. I recently went to the US to start phase 2 of the Safety by Design process. We had started with a framework and four sets of principles and through the consultation process we whittled that down to three that all parties could agree to. Those were around service provider responsibility—the onus for safety should never fall on the user themselves—and what steps service providers needed to take to ensure that they were looking after the safety of their users. The second major principle—again, there are specific calls to action under each—was around user empowerment and autonomy. The third was around transparency and accountability.

It's also worth noting that we did a five-day forum with young people themselves. They delivered to us a stunning online safety vision statement in terms of what young people expect from the service providers themselves. I do believe that involving youth and children in co-design of all of our programs is critical. If we don't understand their experiences and the risks they're facing, we can't really help shape the right interventions.

We met with a bunch of companies ranging from Snap to Facebook to Google to Microsoft to understand how they were approaching Safety by Design. Were they using safety impact assessments? Were they extending their security by design or privacy by design and have
processes to include safety. We spent a half day at Stanford working with Alex Stamos and the Internet Observatory.

We believe that if we're going to get the next pipeline, the next generation of engineers and computer scientists to be designing with human rights with ethics and safety in mind, we need to be teaching them at the university level. A trust and safety component has been integrated into some of the engineering courses at Stanford and we'd like to see some of the same innovation with universities here.

As I said, we worked with investors and venture capitalists as well to try and figure out what are the right kinds of information or tools that we could build for start-ups that are thinking about a great idea and a great technology but may not be thinking about how their technology might be misused. What are the types of tools we can provide them so that they are developing technology in an ethical way?

Senator Reynolds: Can I also say that following this extensive consultation, the charter and also the act are currently under cabinet and government consideration. Given the depth and breadth of the consultations, we are looking at it very closely.

Senator MARIELLE SMITH: Ms Grant, the Safety by Design and the Online Safety Charter—how do these two initiatives interact?

Ms Grant: The department was involved as part of the process. We have a four-pronged strategy around Safety by Design so they were closely integrated into that. When the government indicated that they were interested in issuing an online safety charter we made sure they had a set of our principles. They really have used Safety by Design as one of the kernels or one of the platforms as part of the broader online safety charter. So I would say that integration has been excellent.

Senator MARIELLE SMITH: Mr Eccles, do you have a perspective on that?

Mr Eccles: I agree. We work very closely and enjoy a very close working relationship with the Office of the eSafety Commissioner on all these matters.

Senator MARIELLE SMITH: Just coming back to the online safety act, can you step me through how that will address online racism and hate speech and, if so, how?

Mr Eccles: It might be too early to talk about that. We are in the developmental phase. The government's intention to develop a new online safety act was announced only a couple of months ago—I think three months or so ago. So it is probably too early to go into too much detail about the design and the key elements of it. But there will be scope for those discussions in the near future.

Senator MARIELLE SMITH: On 12 September 2019, during consideration in detail in the Federation Chamber, the shadow minister for communications asked the minister for communications:

Will the government be taking steps to ensure all Australians are kept safe online, by measures such as driving the adoption of an EU style code of conduct for countering illegal hate speech, such as has been done in Europe, or amending the Enhancing Online Safety Act to extend the options for those harassed and intimidated to include provisions similar to those found currently in New Zealand legislation?

In response the minister stated:

In relation to the matter that the member raises, I make the point that we are committed to introducing a new online safety act, which will take the existing legislation, make necessary changes, update some
provisions that are outdated and seek to further underpin the work and the powers of the eSafety Commissioner. So I certainly look forward to any input that the shadow minister may have in relation to matters to be addressed through that process.

When will there be an opportunity for members of civil society to provide input on the online safety bill?

Mr Mrdak: I think, as the minister has just outlined, once the government has completed senior ministerial consideration of the bill, we anticipate there will be a process whereby the charter and the structure of the legislation will be available for comment. Obviously one of the areas the charter does cover is some of the things you've indicated. The role of the charter is to set expectations of government in the way in which the platforms really do address some of these safety design issues, as the commissioner has indicated, but also expectations around how they will handle matters which are the subject of those types of issues around hate and other issues that have been the focus of so much community concern.

Senator MARIELLE SMITH: Just to confirm, so we are very clear: members of civil society will get an opportunity to participate in that consultation process?

Mr Mrdak: There will be consultation once the government has completed its consideration of these matters.

Senator Reynolds: But, just to be clear, there already has been consultation on the charter and there will now be consultation on the act.

Mr Mrdak: That's right.

Ms Grant: Senator, will it help for you to understand how we deal with adult cyber abuse cases that come into our office because it does go directly to online hate? In fact, we'll be issuing some research we have just conducted on online hate in Australia as early as next month, but preliminarily we found that one in seven Australians experiences online hate. As I mentioned in my opening statement, we know that online abuse tends to be targeted and more violent given different intersectional factors. If you're a woman, if you come from an Indigenous or Aboriginal and Torres Strait Islander background, if you identify as LGBTI or if you have a disability, you have a much higher incidence of experiencing online hate. While we don't have a legislative scheme, we've taken 1,600 official reports of adult cyber abuse and have worked to help Australian adults resolve these issues through advice and support sometimes, when it warrants it, through a hand-off to law enforcement, or through informal relations that we already have with the social media providers when we believe it is a very high risk case.

Senator MARIELLE SMITH: Just coming back to the bill, will the online safety bill extend the options for those harassed and intimidated online by including provisions similar to those currently found in New Zealand legislation? Is that something you can provide a comment on?

Mr Eccles: It's too early to say.

Senator MARIELLE SMITH: It is too early.

CHAIR: Senator Smith, one more and then I'm going to go to a couple of other question, and then can we wind this up for SBS?

Senator MARIELLE SMITH: I have a lot more.
CHAIR: We had made an agreement for me to bring SBS forward though because they are also departing this afternoon.

Senator MARIELLE SMITH: Does the government have any plans to adopt an EU-style code of conduct for countering illegal hate speech?

Mr Penprase: It's too early to say.

Senator MARIELLE SMITH: It looks like a no.

Mr Penprase: It is certainly a matter that we considered in the context of the development of any new legislation, but it's too early to say and make any comments on that.

Senator MARIELLE SMITH: But there has been no decision taken to not do so or to do so at this point in time?

Mr Mrdak: No decision has been taken.

Senator MARIELLE SMITH: No decision has been taken.

CHAIR: Okay. We might pull it up there. Senator Van?

Senator VAN: Two minutes. Thank you, Chair. Thank you, Commissioner, for the important work you're doing. It is vital for our community. Obviously with this sort of work, it's incredibly important to work with industry. Can you talk about your relationship with industry and the sort of work you have been doing with industry?

Ms Grant: I am sorry to evoke Roosevelt, but I think he said walk softly and carry a big stick.

Senator VAN: I like it!

Ms Grant: Our primary aim is to get harmful content, whether it's image-based abuse, cyber bullying, adult cyber abuse, violent material or child sexual abuse material—these are images of children being tortured, abused or raped—which follows victims and causes lifelong trauma, taken down; that we can help relieve it by getting these images taken down. That is our primary goal. By working collaboratively with the social media sites we've been able to remove this very expeditiously. With youth-based cyber bullying, for instance, it almost always happens within a day, but sometimes as quickly as within 30 minutes. We have a 100 per cent compliance rate, so we haven't had to use our formal powers. With image-based abuse we have a 90 per cent success rate in terms of taking down intimate images and videos from more than 150 different overseas platforms. That's providing relief to victims in real time. We are making progress. We are one small agency in one country. These are global issues that require global solutions and partnerships. That's why we are indeed trying to build partnerships with other organisations and like-minded countries.

Senator VAN: Thank you very much.

CHAIR: Thank you. I'm going to go back to Senator Smith for five minutes. She has got four questions. We need to get onto SBS so can I ask you to keep your responses as succinct as possible. Senator Smith.
**Senator MARIELLE SMITH:** Thank you, Chair. I will speed through them. I just refer you to the inquiry into age verification for online wagering and online pornography. What will this inquiry achieve?

**Ms Grant:** Age verification has been a technology protection that's been discussed widely for about 12 years. When I was with Microsoft, we tried to run an age verification pilot in Australia. It's not a silver bullet technology solution. It requires a complex set of processes and it's an ecosystem question. You may have seen that the UK had planned to implement an age verification scheme in the UK and recently put that on hold temporarily. We've been keeping a watching brief and having close communication with the age verification regulator in the UK, the BBFC, to follow what they're doing. Our intention—we're working on a submission now—is to look at what we can learn from that process and what can be done here, but to be realistic about the need to balance a range of factors and make sure that the right ecosystem is in place, if that is something the government decides to pursue to move this forward and protect children from exposure to harmful content online, specifically graphic pornography.

**Senator MARIELLE SMITH:** I appreciate that you're keeping a watching brief on what's happening in the UK, but with respect to them abandoning their age verification project, how does that bode for age verification in Australia? What are the impacts on what we're doing?

**Ms Grant:** Again, I think we look at the journey they went on. We can learn quite a bit from the things they did well. We can also learn from their mistakes. I think we need to be realistic up front about what an age verification system or scheme could achieve and what could be the potential drawbacks. One of the criticisms in the UK, for instance, is that they were planning on negotiating with the largest porn conglomerate in the world around their age verification technologies and use a credit card as the token. Credit cards weren't really developed for that purpose, and there was a concern that there would be a honeypot of personal information which could create a different set of risks for children. We would need to look at the technical aspects and the environmental aspects, and make sure that the policies are right. There is a broad spectrum of issues. I think we learn when we look at what's in the realm of the possible, and we provide to the inquiry our best assessment of what can and can't be done.

**Senator Reynolds:** Senator Smith, I can confirm that Minister Fletcher and Minister Ruston have both referred the issue to the committee. The inquiry will provide information about what is technically possible and the learnings from overseas that the commissioner has just gone through.

**Senator MARIELLE SMITH:** Taking into account the UK's decision to abandon it?

**Senator Reynolds:** Yes; the UK and other nations, as the commissioner has gone through in some detail.

**Senator MARIELLE SMITH:** I want to understand who was behind this inquiry. Was it something that came from the Prime Minister's office? Was it a recommendation from the eSafety Commissioner, or did it come from the department?

**Mr Mrdak:** The ministers have done this on the basis of advice that has been provided by the department and other agencies.
Senator MARIELLE SMITH: Which ministers?

Mr Mrdak: Ministers Fletcher and Ruston.

Senator MARIELLE SMITH: So it originated from both Minister Fletcher and Minister Ruston.

Mr Mrdak: Initiated by the ministers, based on advice that has been looking at these issues for some time.

Senator Reynolds: While I said it was both ministers, it was actually referred by a joint letter from both ministers.

Senator MARIELLE SMITH: Just to clarify, when you say advice from the department, that is advice from your department, Mr Mrdak, not the eSafety Commissioner?

Mr Mrdak: It is from across the portfolio agencies. It is advice from the department.

Senator URQUHART: But not the eSafety Commissioner?

Mr Mrdak: No, it is advice from the department.

Ms Grant: We didn't have anything to do with the initiation, but we will actively be engaged, to the extent that we can.

CHAIR: Ms Grant, thank you for being here today, and all the best for this evening in Sydney.

Special Broadcasting Service Corporation

[12:05]

CHAIR: Mr Taylor, welcome. Do you have an opening statement?

Mr Taylor: I do.

CHAIR: Are you able to table it, or do you particularly want to read it out?

Mr Taylor: I serve at your pleasure, Chair. I am very happy to table it, if time is pressing.

CHAIR: Tabling it would be fantastic. Senator Abetz, you have the call.

Senator ABETZ: Could I refer to my question on notice No. 707 which was lodged on 16 September 2019, where I asked whether SBS engages a lobbyist. I got the very unhelpful answer, 'SBS does not engage an external lobbyist.' I did not ask about an external lobbyist; I asked about a lobbyist, which I understand means 'interest representation'. Does SBS have somebody on staff or contracted out that seeks to represent SBS's interests?

Ms O'Neil: As part of our corporate affairs team, we have a number of staff who engage with politicians in the interests of SBS. We did take your question as meaning a third-party client lobbyist, as defined by the lobbyist register, which we do not do.

Senator ABETZ: Thank you for that. Do you have somebody who is actually in charge of that area for SBS?

Ms O'Neil: That area is run out of my team, corporate affairs.

Senator ABETZ: Who is in charge?

Ms O'Neil: I head up that function.

Senator ABETZ: Of the lobbying, or the interest representation?

Ms O'Neil: I am, Senator.
Senator ABETZ: You don't have a specific person who is responsible for going around parliamentary offices? You do that, do you?

Ms O'Neil: I do, on occasion. We have a number of members of my team, as does Mr Taylor. There are a number of members of my team who do that. I am in charge of them. They all report through to me. But there are a number of members of the team who make representations to members of parliament.

Senator ABETZ: If I received a visit some time ago telling me that that was this particular person's role, they would have been mistaken?

Ms O'Neil: No, there is a role of government relations manager.

Senator ABETZ: Who is it?

Ms O'Neil: An employee called Cath McGrath.

Senator ABETZ: Thank you. It's taken a long time for that to emerge. Can I ask—chances are that it will be taken on notice, because you wouldn't necessarily know this—what are the terms of the remuneration, and is the arrangement disclosed in SBS's reports? Of course, if they are internally employed, they wouldn't be on the lobbyist register, I assume, but that is another matter. If you could answer that question in light of that, thank you very much, including remuneration et cetera. To finish off, can I offer SBS a bouquet and thank you very much for the way you handled the erroneous story on 10 July and how you reacted to it. I wish another government-owned media organisation would be as responsive to matters such as that as you have been on that 10 July story. I have been highly critical of SBS and ABC on their reporting of Middle East matters, but when you acknowledge it and then fix it, that needs to be acknowledged on the public record, and I do so today.

Senator URQUHART: Mr Taylor, SBS commissioned Deloitte Access Economics to examine the economic benefits of improving social inclusion. That report was released on 28 August. Can you very quickly take the committee through the key findings of that report?

Mr Taylor: Yes, absolutely. We commissioned this report to demonstrate the economic benefits of social inclusion. Much has been said about social inclusion being good for the country because it creates a good place to live; it feels good. We wanted to generate a report which tested the extent to which it is also good for Australia. The report that we commissioned through Deloitte Access Economics demonstrated there was a $12.7 billion economic dividend available to Australia each and every year if it is able to model itself on some of the best practices occurring across the world, which allow all members of society to participate fully, to engage and to contribute.

Senator URQUHART: What are the key findings?

Mr Taylor: There are a number of key findings. The report found that the sources of economic benefit are derived from a few key sources—improved employment and health outcomes, increased workplace productivity and reduced costs of social services. Five billion dollars of this higher productivity, of the $12.7 billion, is generated from more creative and innovative workspaces, which accrue from having better inclusion of people, for example, from migrant backgrounds and better inclusion of women in the workplace. Health outcomes for migrants are enhanced as a result of greater economic inclusion and participation.
Senator URQUHART: Obviously, everything that SBS does is directed at promoting social inclusion in Australia, but it is not just TV and radio programs that SBS produces to this end. Can you outline what SBS's cultural competence program is actually designed to achieve?

Mr Taylor: Yes. In a piece of work that is entirely consistent with our charter and which draws on a lot of our expertise in the organisation, we have, in partnership with some external organisations, created a training capacity which is targeted at organisations to help them to create more inclusive workplaces against a number of cohorts—better inclusion and understanding of the particular issues in relation to working with people from different migrant backgrounds and understanding different cultural mores, for example. There is a module around gender inclusion. There is a module around LGBTQI+ inclusion, and a module around Aboriginal and Torres Strait Islander inclusion. We offer the Australian module to other agencies, government departments and commercial enterprises. It is proving to be quite a successful offering, as many organisations are trying to improve inclusion in the workplace, create a more diverse workplace, a more inclusive workplace, and therefore increase workplace productivity and participation.

Senator URQUHART: What is the level of uptake of that program? Would you like to see a higher uptake of the cultural competence program by the Australian government and business, and how do you think that could be achieved?

Mr Taylor: I would love any and all enterprises that are seeking to create a more inclusive workplace to avail themselves of this excellent training resource. We have had some really good success in other government agencies. I am happy to take on notice some specifics around that. I think we are working hard to raise awareness of the capability and making it available to any and all who are interested in it, at a very attractive price point.

Senator URQUHART: And the level of uptake?

Mr Taylor: It has been high, with tens of thousands of seats being issued. One government agency took 60,000 seats, which is 60,000 individual units of training for individual employees. We are enjoying growing success.

Senator URQUHART: Fantastic. I want to turn to the recent FECCA 2019 conference in Hobart where it was announced that SBS On Demand would soon feature in-language login and navigation. Can you talk about what that new feature is, why SBS has invested in it and what you expect to achieve out of it?

Mr Taylor: Absolutely. I will provide you with as fulsome a response as possible, because it is part of a broader strategy at SBS. We are constantly seeking ways to better serve our diverse communities and to embrace opportunities to engage them more in our very valuable services. We have a long history of doing that through our many language services. You will be aware we broadcast in 68 languages. The recent journey to further enhance the value of that offer started about a year ago, when we announced that we would be providing more subtitling, initially in simplified Chinese and in Arabic, of our existing video content, the content we make at SBS—the great programs like Insight and Dateline, and our terrific commissioned content like The Hunting, the most successful drama we ever produced, and which was broadcast earlier this year. We have been undertaking an exercise to provide more subtitled content in language, and we will remain committed to that.
We, of course, observe that it is great to have subtitled content, but it is even better if people can access content in their language of choice through an access mechanism which allows them to do so in their language of choice. We announced at the FECCA conference that we would be the first broadcaster in the country to create an in-language login capability on SBS On Demand. SBS On Demand has seven million registered users. It has been met with incredible support from the Australian public. We would like to extend the utility of that service, the investment we have already made in that service, such that, if I speak Arabic, I can go to the service, I can create a login and user profile in my language, and then be presented with all of the Arabic content, all of the Arabic video content, that SBS has available within its archives.

That is a tremendous measure not only to increase inclusion of people that have arrived recently in Australia but we understand that, as people age, they tend to revert to their first language. So we think this is a wonderful way not only to utilise the government's investment in the NBN as bandwidth grows across the country but to create social inclusion for people as they revert to their first language and in the latter years of their life.

Senator URQUHART: I'm jumping around a bit now but I'm going to ask you some questions around sport. We know that SBS has brought Australia the World Cup but now there appears to be a focus on basketball. Can you take me through the recent announcement about NBA games? Are there any particular demographics and groups in Australia who are actually interested in NBA basketball?

Mr Taylor: Absolutely. Thank you for asking about basketball. We are very excited about being the free-to-air home of basketball in Australia now. The anchor tenant, if you will, is our relationship with the Australian competition, the NBL, and we are proudly the free-to-air home of every NBL game now. The season started recently, to much fanfare. I commend it to you. It is available on SBS Viceland and SBS On Demand, every game live. We bolstered the offer to Australian audiences through securing the free-to-air rights to two NBA games a week and two WNBA games a week as well, the women's competition. We think that this provides a very rounded offer to Australian audiences. I think it is fair to say that this allows us to provide services to a young and multicultural Australia that might not otherwise be enjoying SBS services as much as we would like, and we are pleased to report that it's already being met with a great response from audiences.

Senator URQUHART: That young and multicultural Australia, are they the particular demographics in Australia that are interested in NBA?

Mr Taylor: I think NBA and NBL have broad support. I think that support is particularly pronounced in younger demographics, and younger multicultural Australians in particular.

Senator URQUHART: I just want to talk about some of the key ACCC issues. In the final report of the digital platforms inquiry the ACCC finds that ABC and SBS are the predominant means by which the government has addressed the potential underprovision of public interest journalism and that the public broadcasters are not currently resourced to fully compensate for the decline in local reporting previously produced by traditional commercial publishers. Has SBS done any work to inform how, with appropriate resources, there could be leverage to address the underprovision of public interest journalism?
Mr Taylor: We will always make the case for more funding for public broadcasting, in particular for SBS. We welcomed the budget outcome announced this year that maintained our existing levels of funding but we will always work with government to identify new ways. We believe the capacity we have—particularly you asked about journalism—to tell stories of communities otherwise unheard is unique in this market. We are particularly focused on telling the stories of multicultural Australians and, in particular, of giving voice to their issues. We are particularly focused on making sure that new arrivals to Australia understand the way our incredible democracy works and have information about how they can participate in Australian civil society. So we would absolutely invest further resources in that. We are particularly motivated to make our journalistic endeavours available through digital platforms, and therefore we are very motivated to ensure that, particularly, social media sites provide an environment where trusted news and current affairs, such as that produced by SBS, are available to audiences.

Senator URQUHART: Is SBS aware of any particular gaps in public interest journalism in Australia that it seeks to address? For example, reporting on issues of importance to multicultural communities in regional Australia, are there any particular gaps in that?

Mr Taylor: Gaps in our offering or do you mean generally?

Senator URQUHART: Just generally in public interest journalism.

Mr Taylor: Absolutely. The thing that is most pressing in our mind is our desire to have more SBS journalists in more regional locations in Australia. We were fortunate to be able to find some internal resources through savings to place a journalist in Darwin in the Northern Territory, and that appointment was announced a couple of weeks ago. It is the first time SBS has had a correspondent in the Northern Territory and we're pleased to more actively seek stories from that territory. As Australia's multiculturalism grows and as our diversity as a community grows and as multicultural Australians move out from large metro areas into regional centres, so do their stories and so does the need grow for an organisation to help them interpret and understand the world in which they live. We think that's probably the most pressing requirement.

Senator URQUHART: Is Darwin a regional area?

Mr Taylor: It is the only one we have announced recently. Obviously we call it regional but we have correspondents in the major capital cities. We have correspondents in this fine place. We would like to go out to places like Adelaide, for example.

CHAIR: Senator Urquhart, have you got many more questions?

Senator URQUHART: I have three more questions that I will go through as quickly as I can. In its report the ACCC also recommends improving digital media literacy in the community and also in schools. What work does SBS do to support digital media literacy and how could SBS be utilised to deliver on those recommendations by the ACCC?

Mr Taylor: I think SBS is uniquely placed to assist with this. I will give you but one example of an initiative recently. I mentioned earlier that we recently broadcast a program, The Hunting, which was a program which explored cyber safety and the interaction between cyber safety and younger Australians. It was, as I said, the most successful drama that SBS has ever produced. What you may not be aware of is that it was accompanied by an educational resource that we developed in partnership with the eSafety Commissioner which
helped parents and teachers navigate what can be difficult conversations with students and their children around eSafety and cyber safety and how to create and maintain a safe presence in those environments. We think that's a fantastic example of us utilising our unique video capacity in partnership with another government agency to have an authentic conversation with parents, students and children around the criticality of eSafety.

Senator URQUHART: Just in terms of the program The Hunting, you have told us what it is about. How has that been received?

Mr Taylor: Universally well. We've had incredible feedback from parents, from teachers and from students themselves. I think in some households the children decided not to watch it with their parents. That was okay. We got double the consumption in those households! But I think it certainly created an opportunity for conversation and did so in a very authentic, natural way. The nature of telling the story allowed people to engage with the issues without it being force-fed to them.

Senator URQUHART: Fantastic. Finally, Mr Taylor, is there anything SBS would like to put on the record about Australia's Your Right to Know campaign in support of media freedom?

Mr Taylor: We are a member of Australia's Right to Know Coalition, and proudly so. We value press freedom in Australia and we support the concerns that have been raised through the coalition. We believe this is an important issue and as a public broadcaster we play a critical role in ensuring Australians have access to reporting which holds individuals and organisations to account and which scrutinises and brings to light matters in the public interest. We think it is critical to any democracy and it underpins the trust Australians have in us and in public institutions more generally.

Senator HANSON-YOUNG: I have a couple of questions, some you'll need to take on notice, but following on from the Right to Know campaign—and I know SBS have presented to the stand-alone committee or inquiry this committee is running into the issue. I just wanted to know: do you have the statistics of how many FOIs your journalists currently have on the books that are being delayed or rejected?

Mr Taylor: No, but I'm happy to take that on notice.

Senator HANSON-YOUNG: Thank you, if you could. Of course it was an SBS journalist that revealed the exorbitant amount of time responding to an FOI had taken one government department. This was released some weeks ago—hours and hours at the cost of thousands of dollars to the taxpayers just to make a decision. Mr Taylor, are you familiar with that particular example?

Senator Reynolds: I can perhaps short circuit this and just confirm it must have been another department because this department has no outstanding FOIs, I'm reliably informed.

Senator HANSON-YOUNG: No, it was an FOI that a journalist from SBS had asked another department. I'm asking SBS.

Senator Reynolds: Just to clarify because it was a bit oblique and just for anybody listening, it is not this department that has any outstanding FOIs, or questions on notice either.

Senator HANSON-YOUNG: It's as if you're committed to transparency and open government. It is fantastic!
Senator Reynolds: No outstanding questions and no outstanding FOIs. I think that is a pretty good record.

Senator HANSON-YOUNG: Yes. Wouldn't it be wonderful if every department acted like this! Anyway, the question was to SBS actually.

Mr Taylor: Would you mind repeating the question?

Senator HANSON-YOUNG: It was used as an example in the hearing on Friday that an SBS journalist had an FOI and how long an FOI had taken to be responded to by the government.

Mr Taylor: Yes. I'm sorry, I'm just trying to recall the specific details of the issue. Was it in relation to a request made about some travel expenses?

Senator HANSON-YOUNG: Exactly. Travel expenditure.

Mr Taylor: And I understand that it took 142 hours to process this massive cost of processing the request.

Senator HANSON-YOUNG: Have you had a conversation with your journalists about the frustration that there must be in order to put in an FOI to find out what's going on with getting some basic information out of government? Is this constant delay being discussed in your newsrooms amongst your journalists?

Mr Taylor: I wouldn't perhaps categorise it in that way but I would say it's one of the issues a properly functioning FOI regime, which SBS alongside the coalition for the Right to Know have listed as an issue that we would seek to have addressed.

Senator HANSON-YOUNG: Since the Your Right to Know campaign has been officially launched over the last 24 hours, has there been any communication with you or any of your staff from the government in relation to this campaign and the issues that you are raising alongside your journalism and broadcasting colleagues?

Mr Taylor: No, I've not received any communication.

Senator HANSON-YOUNG: Is there any expectation that you will have a meeting with the government soon to discuss these frustrations?

Mr Taylor: I think a process has been put in place by the government where the Parliamentary Joint Committee on Intelligence and Security will inquire into the issue. We're going to participate through that process. There have been some other discussions that occurred in this place last week. We will work through the official mechanisms and take any and all opportunities to state our case around the importance of press freedom in this country.

Senator HANSON-YOUNG: One of the special things that SBS provides is news stories that perhaps others won't touch or others perhaps in a more commercial sphere would not think are as newsworthy. That's a special role I think we can both agree SBS plays from an investigative journalist perspective?

Mr Taylor: Yes, I would agree.

Senator HANSON-YOUNG: So being able to have access to transparency and information from the government in a timely manner, whether that's through FOIs or indeed just making sure your journalists are protected under law, would be pretty important to making sure you can continue to fulfil that role, wouldn't it?
Mr Taylor: Yes. I think that this is not at its core an issue about journalists or journalism actually. I think it's about the capacity of all Australians to have a right to know about decisions being made in their name. It's about ensuring those who wish to report matters of wrongdoing are able to do so in a manner where they feel protected and able to do so safely.

Senator HANSON-YOUNG: In terms of those whistleblowers particularly in the public service?

Mr Taylor: Exactly, and journalists are a conduit for that sharing. But this is actually about the interests of all Australians to ensure they live in a transparent and vibrant democracy, which I am sure we all value.

Senator HANSON-YOUNG: Has it been raised with you or perhaps anybody else at the table there by your journalists or your staff that the raids on the ABC have created nervousness, either amongst journalists, yourself, or indeed whistleblowers coming forward and being able to feel confident that they will be okay if they do speak truth to power?

Mr Taylor: I think that, as the submission that we are a party to makes clear, there are some mechanisms that we believe—particularly as a result of the most recent raids, to be frank—are matters that we have been raising through the coalition for the last 10 or so years. We believe there are certain elements of the interplay and the accumulated effect of a series of legislation which have had the intended or unintended consequence of making it more difficult for journalists to go about their job, and perhaps less likely that whistleblowers will come forward.

Senator Reynolds: Can I also clarify, as Mr Mason's FOI request does stray into my portfolio, that the advice from Defence in relation to Mr Mason's request is that the initial search pulled up thousands of documents, a very large number. Defence have been discussing with Mr Mason and have reduced that number to a more manageable quality that covers, in my understanding, what Mr Mason is seeking.

CHAIR: Senator Hanson-Young, how much longer do you need?

Senator HANSON-YOUNG: I have more questions, and a number of them will have to be taken on notice. I want to go to the efficiency review the government was running into both the ABC and SBS. Mr Taylor, where do you understand that is up to?

Mr Taylor: I think my response will be consistent with that provided at the last estimates hearing. The review was provided confidentially by the government to the SBS board and, I understand, to the ABC board. The SBS board has considered that review and has used it as an input into our ongoing and well-known efficiency program.

Senator HANSON-YOUNG: Have you requested for that efficiency review to be kept confidential?

Mr Taylor: All these reviews contain a lot of detailed operational and commercial information. We would be very concerned about an unfettered release of that report, which would expose us to the risk of competitors seeing the way we go about work, what we spend money on, what we don't spend money on, and the cost of our content, for example. There is a whole raft of bits of information there which we would regard as commercial in confidence that would place us at a significant disadvantage if released.
Senator HANSON-YOUNG: The public and the taxpayer have not been able to get any sense of it because no version has been released. Is that good enough?

Mr Taylor: That is a question best presented to government.

Senator HANSON-YOUNG: Mr Mrdak, have you a response to that?

Senator Reynolds: Senator Hanson-Young, I can confirm that the minister is working with both the ABC and the SBS on the issues raised in the efficiency review.

Senator HANSON-YOUNG: Yes, but the review and the reports were written a long time ago. They have been kept secret. I am trying to ascertain when the public will have the right to know.

Senator Reynolds: Given this is not my portfolio, I don't have that information on hand, so I will take that on notice.

Senator HANSON-YOUNG: Mr Mrdak, have you ever had a sense that that would be released, or was a decision made long ago that it would be kept secret?

Senator Reynolds: Senator Hanson-Young, I have taken that on notice—it is an important question.

Senator HANSON-YOUNG: But you are not the actual minister. The secretary is right here. I am sure he will be able to give me an answer.

Senator Reynolds: The question you asked was one of government, as I understood, and government policy, so I have taken it on notice. I will seek information from the minister and get back to you.

Senator HANSON-YOUNG: Let me ask a question of the secretary in a way that he might be able to give an indication. Mr Mrdak, are you of the understanding that this report into the efficiency of both the ABC and the SBS would remain confidential?

Mr Mrdak: Consideration has been given to releasing a public version of that report, which would deal with some of the sensitivities Mr Taylor has mentioned. That is a matter still before government.

Senator HANSON-YOUNG: Thank you. The questions I have for you on notice are these. For each of the financial years 2012-13 to 2018-19 I would like to know what the total content budget for SBS television is. What was the budget for, in fiction—drama and narrative comedy—children's programs, factual and documentaries? Also, what was the acquisition budget for fiction—both drama and narrative comedy—children's programs, factual and documentaries? What was the commissioning budget for fiction—drama and narrative comedy—children's programs, factual and documentaries? For each of the financial years 2012-13 through to 2018-19 I would like a breakdown to be provided of expenditure incurred and hours produced for each of the following categories: fiction—both drama and narrative comedy—children's programs, factual and documentaries. Lastly, can a breakdown be provided for expenditure incurred and hours produced for Australian programs in each of the following categories: fiction—both drama and narrative comedy—children's programs, factual and documentaries?

Mr Taylor: I am happy to take that on notice.

Senator HANSON-YOUNG: Thank you.
CHAIR: Thank you. All the best for your trip to Adelaide.

**Proceedings suspended from 12:36 to 13:31**

**Australian Communications and Media Authority**

CHAIR: The committee will resume with the examination of the Australian Communications and Media Authority. Ms O'Loughlin, welcome back. Do you have an opening statement?

Ms O'Loughlin: No. We are happy to take questions from the committee.

Senator URQUHART: Can you provide an update on the Scam Technology Project?

Ms O'Loughlin: We have been concerned about scams for a long period. They are increasingly one of the most difficult and challenging things for consumers to deal with, and also have the most impact on consumers. Recent research by our colleagues at the Australian Competition and Consumer Commission shows that the Australian public is losing about half a billion dollars per year in scams. So, with the ACCC and the Australian Cyber Security Centre, we have established a Scam Technology Project. As the chair of that project and the drivers of it, we wanted to look at what technologies are available that telecommunications companies might be able to introduce into their networks to minimise the number of scams going across these networks. We have engaged well with Comms Alliance, the industry association, and with individual carriers and carriage service providers to find out what they are looking at which might help minimise scams in networks and what more can be done right across the industry. Our project has been coming along well. The next stage for us will be finalising a report coming out of that project, which will be provided to government and which will highlight the key things we think networks themselves can do, but also any other additional actions by the regulator or by government. I might ask Mr Fenton to fill in some colour on that.

Senator URQUHART: Thank you for that. I am aware of the project. I am aware of the details. What I asked for was an update. I know that the project is expected to publish a report in December 2019.

Ms O'Loughlin: That's correct—it's on track, Senator.

Senator URQUHART: Is that report still expected, and exactly where are we at with the project at the moment?

Ms O'Loughlin: It is absolutely on track to deliver in the next month or two. At this stage draft findings and recommendations are being considered by us and by our partners in the project. We can finalise that in the next couple of months to go to government.

Senator URQUHART: So the expectation is that the report will be in December?

Ms O'Loughlin: That's correct; we will be reporting in December.

Senator URQUHART: I might let Mr Fenton have a rest for a moment because you have answered that part of my question, and I have quite a few. Is the project examining SMS and social media scams in addition to telephone scams?

Ms O'Loughlin: The first focus of this project is telephone scams. We thought we would bite that off first. But there is capacity for us to look at other scams once we have done this initial piece of work.
Senator URQUHART: The report won't include SMS and social media, or will it?

Mr Fenton: The report has engaged with a number of international initiatives that have potential application in Australia, particularly around SMS—preventing scams using SMS over telecommunications networks. We anticipate that there will be some initial outcomes in relation to SMS.

Senator URQUHART: But not social media at this stage?

Mr Fenton: That is accurate.

Senator URQUHART: What preliminary views have been formed about network authentication standards, which make it more difficult for scammers to masquerade under spoofed numbers?

Mr Fenton: We have looked at a range of authentication protocols that are being considered or are emerging in the international context, particularly the United States of America. In particular, there is one called 'SHAKEN/STIR', which is publicly known about. A lot of telcos in the United States have committed to this protocol. At this point, with the Australian networks still having considerable legacy networks—that is, copper based networks—that technology is not directly applicable to our networks. However, we have come up with some other suggestions around authentication techniques that are probably applicable in the Australian context. But as the chair said, we are still finalising some consultations, so we need to be careful about what we say at this point.

Senator URQUHART: How are scammers able to send text messages purporting to come from Australia Post and appearing in the same text message string as existing text messages from Australia Post which were legitimate? How does that happen?

Mr Fenton: We are aware of those particular scam techniques. It involves a sophisticated set of applications. So it's a technologically based or facilitated scam activity. We are looking at what we can do to disrupt in that space.

Senator URQUHART: You mentioned international bodies. What work is ACMA doing with those international standards bodies to see what can be done?

Mr Fenton: I wouldn't class them as standards bodies. We are a member of the Unsolicited Communications Enforcement Network, which is an international body of communications regulators dealing with predominantly malicious communications over telecommunications networks. That includes regulatory partners in the UK and the United States. Scam activity over telecommunications networks is an international problem. Many jurisdictions, including those that are equitable with Australia, are struggling with this issue. There is no silver bullet out there. The solutions are going to be a range of technological disruption measures, if you like, and a framework to support those measures.

Senator URQUHART: Is ACMA doing any work with the international standards bodies?

Ms O'Loughlin: There is not really a standards body in this area, but, as Mr Fenton said, we are very closely engaged with a group of those regulators—not just through that grouping but bilaterally as well. I have had conversations with our colleagues in the US, the UK and Canada over the last couple of weeks about what more we can do. A lot of the work we have been doing on this project has built on looking at those international examples and activities,
including things like a do-not-originate list, which means that say for somebody like the ATO, where their numbers can be spoofed, putting in place processes where that cannot happen. They are the types of things we want to explore and pilot coming out of this project over the next couple of months.

**Senator URQUHART:** Once the report is handed down in December, what happens to it from there?

**Ms O'Loughlin:** We will be providing that report to government, and that also includes some ideas around activities and pilot projects we can undertake. I see this as a rolling project for us, the ACCC, the Cyber Security Centre, the industry and, increasingly, other Commonwealth government departments which are subject to those scams, such as the ATO.

**Senator URQUHART:** Did the ACMA modem study look at combined modem routers, or did it just look at standalone wireless routers?

**Ms O'Loughlin:** I might ask Mr Humphries to answer that question.

**Mr Humphries:** The modem study did look at modem routers—that is, equipment that has modems capability and a wi-fi router capability.

**Senator URQUHART:** Can you confirm that it only focused on FTTN or basement routers?

**Mr Humphries:** It was looking at VDSL2 modems. VDSL2 modems are predominantly used in Australia on FTTN and FTTC networks.

**Senator URQUHART:** Has the ACMA subsequently tested wireless routers that connect into FTTP, HFC or FTTC modems?

**Mr Humphries:** No, we have not.

**Senator URQUHART:** Why haven't you looked at those?

**Mr Humphries:** We took the approach that some concerns were being expressed I think by NBN Co and by other organisations about the effectiveness or the performance of modems on FTTN networks in particular, and that was where the greatest capability was to see whether there were some issues that needed to be examined. So our study looked at issues to do with performance in connecting to the NBN network and the wi-fi side of things as well.

**Senator URQUHART:** Finding 3 of the modem study report said some of the devices tested were barely able to support the lower data rates offered by certain FTTN/FTTB NBN services. Given that FTTN delivers the slowest speeds of all the NBN fixed-line technologies, wouldn't this suggest that the wireless issues would have a greater impact on FTTP, FTTC and HFC services?

**Ms O'Loughlin:** As Mr Humphries said, the modem study came out at a point in time where NBN Co had raised significant issues with us about the potential for modems to interfere with the speed of delivery of the service. That is why we focused on what had come to us as a major problem, and that was the focus of the study.

**Senator URQUHART:** Is the ACMA going to release the names of the modems that are significantly underperforming in terms of wi-fi speed?

**Mr Humphries:** We listed the names of all the modems against each of the tests and performance criteria we conducted as part of that study.
Senator URQUHART: In terms of wi-fi speed?

Mr Humphries: Wi-fi speed and others, yes.

Ms O'Loughlin: We also provided some additional consumer information to inform people, when they are being asked to make a decision about a modem, about what they should look for.

Senator URQUHART: Can I go back to the previous question? I know you have said that it focused on other areas, but, given that FTTN delivers the slowest speeds of all NBN fixed-line technologies, isn't it fair to suggest that the wireless issues would have a greater impact on FTTP, FTTC and HFC services?

Ms O'Loughlin: I couldn't make a call on that.

Senator URQUHART: Why couldn't you make a call, Ms O'Loughlin?

Ms O'Loughlin: I don't have the information before me. I am happy to take it on notice, but that is not something we looked into. Our modem study focused just on the issues that were at hand when those concerns came to us from NBN Co.

Senator URQUHART: So because you weren't looking at it, you didn't take that into account?

Ms O'Loughlin: I can't speculate on it.

Senator URQUHART: Can the issues be addressed with a firmware update to the modem, or is it a hardware limitation?

Ms O'Loughlin: In some respects there were various modems where we found that firmware updates were possible, even during the study process.

Mr Humphries: That's correct. We updated the firmware on several modems when it became available during the testing, and in some cases it appeared to make some difference. But I don't think it is possible for us to generalise across all the modems on the market.

Senator URQUHART: How are consumers going to be made aware of the issues?

Mr Humphries: I think I'll refer to what Ms O'Loughlin said about the consumer advice that we issued at the same time as we issued our report. I think it provided some very good guidance on the things to look for when you're either choosing a modem yourself—if that's the pathway you're taking—or you are supplied a modem by your telco: what are the considerations you might consider when deciding whether it is suitable for your needs?

Senator URQUHART: Did you list the faulty modems?

Mr Humphries: Perhaps I will step back from describing modems as 'faulty', but we indicated that there was some variance in performance across various criteria. We didn't actually name the modems that performed good or less good against each of those criteria.

Senator URQUHART: What discussions has the ACMA had with retail providers about the problematic modems?

Mr Humphries: We've had discussions with a number of the providers around the performance of their modems. We certainly have drawn it to the attention of the major telcos where there were some characteristics of performance that were perhaps less than ideal. As I said, we have drawn that to their attention and urged them to consider what can be done.
Senator URQUHART: But it's not necessarily the telcos that sell the modems; it's the retail providers. What discussions—

Ms O'Loughlin: In most cases it is the retail service provider who provides the modem; that is the majority of modems. Yes, some people do buy modems off the shelf, but most of the retail service providers we were talking to were also providing modems. Our report both informed those retail service providers of the efficiency and effectiveness of the modems they were supplying and gave them a bit of a call-out for improving those modems. That information was also available to consumers if they chose to buy modems from a retailer.

Senator URQUHART: Thank you. Chair, I've finished.

CHAIR: I will go to Senator Van for 10 minutes and come back. Senator Van, you have the call.

Senator VAN: Thank you, Chair. I would like to discuss the allocation of community broadcasting radio licences, if I may. What types of licences are allocated to community broadcasters?

Ms O'Loughlin: I'll start off, but I'll pass to my colleagues. There are a range of different types of broadcasting licences available through the ACMA. Of course there are commercial broadcasting licences and there are a range of community broadcasting licences, which may be targeted towards a specific geographic area or a specific audience—and there are a couple of types there. There are permanent community broadcasting licences, which are long-term licences provided to community groups, and there are also temporary community broadcasting licences which, as you can imagine, are intended to be not long-term licences. They are normally given out in licence areas where we haven't finished our overarching planning around how many licences, what spectrum they will be using et cetera. There are also a couple of others around access to spectrum provided through what we call a low power open narrowcasting service and a high power open narrowcasting service. So there's quite a different patchwork of licensed and non-licensed spectrum available for people to access to both provide commercial broadcasting services and also community based services.

Senator VAN: Before you move on to the next bit—how often does that planning process take place and how long does it take?

Ms O'Loughlin: In terms of a long-term community broadcasting licence, the process is that we plan the spectrum in that area, which will include looking at commercial broadcasting as well as the ability for spectrum to be made available for community broadcasting. Once we have finished that planning process then we will open up an application process for potential community broadcasters. That is for those longer term licences.

Senator VAN: When you say it is crowded, what is the limitation there?
Ms O'Loughlin: I will pass over to my colleague Ms Caruso, but pretty much in most capital cities, probably apart from Perth, there's almost no spectrum easily available for any new broadcasting services. Ms Caruso, you might want to add to that?

Ms Caruso: It's true that in most of the major capital cities they are very spectrum congested. As Ms O'Loughlin said, the planning for those areas was done quite a number of years ago and there's not a lot of room for new broadcast or community broadcasters in those areas. I will mention, though, that there are some other forms of spectrum access that are available. As mentioned, there are some low power open narrowcasting licences and high power open narrowcasting licences. They are another form of spectrum access. You don't need to be a community broadcaster to access those type of licences. The high power open narrowcasting services are planned as part of our longer term licence area planning. The low power services operate on a very limited geographic basis. We look, in a sense, to see if there are any particular frequencies available that fit our planning criteria. That is another way that people can get access to spectrum. The form of licensing there is called 'narrowcasting'. That's generally for operating in a particular area or offering a service to a particular group, essentially of limited appeal or for limited time—say a sporting event or a local carnival or a community event in a location. They are the sorts of activities that are supported by those low power open narrowcasting licences. As I said, that's not within this longer term planning envelope, but it does have to fit with all the other spectrum for commercial long-term community licensing.

Senator VAN: Thank you. Help me understand all those parts of it. You will forgive me, being a senator from Victoria, for saying that I am probably going to focus in on Victoria spectrum, so fair warning. Once you have done your planning, how do you decide who gets allocated that and on what criteria?

Ms Caruso: For both high power and low power services, we have offered, essentially, application rounds. There haven't been any high power narrowcasting licences offered. I will focus on Victoria or Melbourne, if that's of interest.

Senator VAN: Thank you.

Ms Caruso: There haven't been any high power licences allocated for quite a number of years. We've got two licences there and that's largely it for Melbourne. For the low power narrowcasting, in the past we've had application rounds. Essentially, it is like an auction system, but we found that the demand has largely been filled and the licences have gone for, if you like, the nominated reserve price. Those licences are fully tradable once they've been allocated. Say I am a new radio aspirant. I can negotiate with another party to take over their licence and pay whatever is the negotiated price for that licence. That is a way that the licences, if you like, change hands and new people can come in and use a low power open narrowcasting licence.

Senator VAN: If we are talking about community broadcasters and there is an auction, they are more likely to go to a commercial broadcaster who has greater financial capacity?

Ms Caruso: No, these are quite separate processes. I want to make a distinction between the community licensing process that Ms O'Loughlin outlined; that's quite separate from what I'm talking about here. These low power narrowcasting licences, as I said, are generally for operating, if you like—I will pick Melbourne as an example—within a particular part of
Melbourne. You've got some restrictions in terms of power. How much signal can you put out in terms of that licence? In the past our process has been that we call for an application round; people apply for those licences. At the moment across Melbourne there are over 100 low power narrowcasting licences that are in use. Again, it is a fairly full, I guess, environment that we're looking at in terms of Melbourne, and some of the other capital cities as well.

Ms O'Loughlin: If I might just add to that—my colleague has just provided me with the information—in Melbourne we've got seven national broadcasters, 11 commercial broadcasters, two high power open narrowcasting services and 26 long-term community broadcasting licences. It is a really crowded market and it's quite challenging, as Ms Caruso said, to find spectrum available for not only aspirant community broadcasters but also, for example, commercial broadcasters who are currently operating on AM and want to convert to FM to provide better services for their audiences. We're finding in these capital cities it's really quite a constrained spectrum, but we do try to work with community aspirant broadcasters to see if we can find another way for them to get into the market, as Ms Caruso said, either through low power open narrowcasting or sharing with other services. We are constantly looking at ways that we can accommodate people where we can.

Senator VAN: You mentioned two for high power open narrowcasting. It doesn't seem very crowded to me.

Ms O'Loughlin: That is along with all the other broadcasters that are in that market as well.

Senator VAN: I will park that one. Going to the LPONs, it seems to me that a number of different groups seem to have been capturing a number of those and not leaving a lot of opportunity. A lot of those are commercial operators, not community ones.

Ms Caruso: That is true. Those licences are captured in our register of radio communications licences. There's a mix of individuals—representative community groups—but also some companies who lease capacity and allow others to provide radio services.

Senator VAN: I've been asked by the chair to keep this tight, so I will take it to the issue that I've been asked to talk about by my constituents. The broadcaster J-AIR has been seeking to get access to spectrum and currently has some sort of rental arrangement, which is probably coming to an end. Ms O'Loughlin, you mentioned that you work with potential broadcasters to get them access. They have led me to believe that that's not happening at all.

Ms O'Loughlin: We're very aware of J-AIR's concerns and we're very willing to work with them. I know they've also recently had discussions with our department. It's difficult sometimes with aspirants; what we can provide may not be what they want. Low power open narrowcasting services are quite constrained in terms of their coverage. There is no available wide-area community broadcasting licence available in Melbourne at the moment, but we are more than happy to continue our discussions with J-AIR to facilitate—

Senator VAN: When will there be more capacity available?

Ms O'Loughlin: There won't be more capacity available, unless a community broadcasting licence is given back. We are seeing real constraints in Melbourne. Earlier this year we put out a paper on the future of radio delivery for this very reason, because we've got really constrained spectrum in metropolitan areas. We have pressures on us from the commercials and the nationals to be able to convert their AM services to FM. There's quite a
lot of pressure on AM services. Rising noise floor and technology mean that AM isn't as effective as it used to be, so we're looking at that. We're trying to engage in a discussion with the industry about what their long-term plans are, as well as trying, where we can, to accommodate aspirant community broadcasters. As I said, we have been dealing with J-AIR for a very long period of time and we are happy to continue to see what we can do to fill their ambitions.

Senator VAN: After nearly 10 years there doesn't seem to be a lot happening, so I ask you to continue that.

Ms O'Loughlin: Certainly, Senator. We are happy to keep your office informed.

Senator KITCHING: This is a very dangerously bipartisan Victorian effort here! If J-AIR were to undertake to eliminate or minimise interference to 3SCB, would that help regarding having a licence?

Ms O'Loughlin: I would like to take that on notice. It is really an engineering question, and I am not the engineer in the group.

Senator KITCHING: My understanding, from speaking with them, is that they are very happy to give that undertaking. That might allow the successful co-existence, perhaps. I understand that it is a technical question, and I don't really want to take up the committee's time at this point. I will be writing a letter to you as well. I think that, with the service they perform, in terms of ensuring there is a lack of anti-Semitism in our communities, they perform a community security function as well, in their broadcasting. Obviously, the Jewish community in that area has to take quite active measures.

Ms O'Loughlin: Senator, we are quite happy to take it on notice, and we are quite happy to respond to your correspondence, once it is received. We do, of course, have a range of aspirant broadcasters, and that is always a balance.

Senator KITCHING: I understand.

Ms O'Loughlin: But we understand the strong support that J-AIR has in its community.

Senator KITCHING: I have various megahertz—I won't go into that now. I will put that in the letter to you. I might try and get some more of our Victorian colleagues to—

Ms O'Loughlin: We would be happy to provide a briefing to senators, if that would be useful.

Senator KITCHING: That would be very useful; thank you.

Senator GREEN: I've got some questions about local content requirements for regional television. Ms O'Loughlin, the government uses a points system to ensure larger regional communities have access to local content such as news broadcasts; is that correct? Can you explain the system to me?

Ms O'Loughlin: That's correct, but I might ask Ms Ritter or Ms Zurnamer to explain the system to you.

Ms Ritter: There are regional television local content requirements that cover regional TV. We will go into the detail in a minute. The basic rules are that they require the licensees to nominate the number of local areas and to acquit obligations for local content in those areas. Generally, it is material of local significance, and there are a number of points—a minimum of 720 points in a six-week period or 90 points per week.
The way the points system works is that two points are accumulated for each minute of news that directly relates to the local area and one point is accumulated for each minute of other material that directly relates to the local area or the licence area, and news that directly relates to the licence area. That provides incentives to the licensees to broadcast the local news, while also recognising other types of material of local significance that may be of interest to local audiences.

Senator GREEN: Thank you; that is very helpful.

Ms Ritter: We can add to that with more detail, if you like.

Senator GREEN: Thank you. I appreciate that it is very expensive to make news these days. In June we found out that WIN announced the closure of five regional newsrooms—Orange, Dubbo, Albury, Wagga Wagga, and Wide Bay in Queensland. Does the closure of these newsrooms affect the local content requirements applying to regional broadcasters?

Ms Ritter: The closure of newsrooms does not affect the obligations.

Ms O'Loughlin: The obligations are about the content; they are not about the presence of where those newsrooms are located.

Senator GREEN: But it might affect the way that they meet those obligations.

Ms O'Loughlin: It may do. They might put in place different processes. They might have a different mixture of points. I couldn't speculate on that, but it is possible.

Ms Ritter: That's a matter for them to decide.

Senator GREEN: That goes to my next question. Regional TV stations can close without falling foul of local content requirements, as you have said, and that is because the obligations are around this points system rather than actually having journos on the ground.

Ms O'Loughlin: They are about the local content of significance rather than where that newsroom is based.

Senator GREEN: Can you explain to me how areas like Orange and Dubbo, and Wide Bay in Queensland, will get their local news content, now that the local newsrooms are closed? How do they make that happen?

Ms O'Loughlin: That is probably a matter for the broadcaster. I am not quite sure that we are aware of how they are delivering it. But those obligations on them remain, so they must comply with them.

Senator GREEN: You don't do any consultation with the news organisations to find out how they are going to meet those obligations after there is such a big closure?

Ms O'Loughlin: We would always remind them, when those closures or the changes in their business operations occur, of their continuing obligations to deliver that local content into those communities.

Senator GREEN: Have there been instances before when newsrooms have closed in local areas, meaning there is less material of local significance gathered, as opposed to being broadcast? That might be one of the differences that I am failing to explain here. It is about the people on the ground gathering the information and then broadcasting it, as opposed to local content being created by other people and then put into the town.
Ms Ritter: We don't regulate the newsgathering process; we only regulate the licensees and the points system in delivering localism in what is broadcast.

Senator GREEN: Do you keep data about regional TV broadcasters meeting obligations for local content? What are the latest compliance results? When are the next compliance results available?

Ms Zurnamer: Regional commercial television broadcasting licensees are required to keep records of programs that are used to meet their local content obligations. We can ask for those records, but we don't routinely publish those in the same way as we do with other compliance records.

Senator GREEN: I missed the last bit.

Ms Zurnamer: We don't publish those in the same way as we might publish other records. We can ask them for those records—and we have asked them for those records in certain cases—to make sure that they are compliant.

Senator GREEN: How does the public make a judgement about whether news organisations are maintaining their obligations to gather and broadcast local content?

Ms O'Loughlin: I think that goes beyond the rules that we have. I would say that it is very well-known that regional news organisations are under significant pressure.

Senator GREEN: I acknowledge that.

Ms O'Loughlin: The challenges, particularly in broadcast news, are very great. With the obligations that we are charged with overseeing, as Rochelle said, we do from time to time ask those broadcasters to provide us with their compliance figures, so that we're satisfying ourselves; particularly when there are changes in the market, we're satisfying ourselves that things are continuing onwards in line with the rules that those broadcasters need to comply with. Recently, as you will be aware, the government provided additional funding, not so much in television—a little bit—but in those regional and small publishers to try and sustain news and public interest journalism, particularly in small regional areas, as a way of trying to continue the availability of local news, not just on television but beyond that, through other publishers.

Senator GREEN: What funding are you referring to?

Ms O'Loughlin: The innovation fund—the Regional and Small Publishers Innovation Fund. We have recently announced the outcome of our funding round, which will be providing around $9 million to 62 applicants in this funding round, to help support public interest journalism in regional areas of Australia.

Senator GREEN: Can you table that information?

Ms O'Loughlin: Certainly; it is publicly available. The minister announced this just this week. All of the grants that we are providing to applicants are available on our website. We are happy to provide that information to the committee for you.

Senator GREEN: I have one other question but it relates to Western Australia, so I might hand over to the good senator.

Senator LINES: Thank you, Senator Green. Ms O'Loughlin, is the ACMA examining the merger between Seven West and Prime?
Ms O’Loughlin: Yes, we are.

Senator LINES: Can you detail the process and consideration in relation to this merger?

Ms O’Loughlin: Certainly. The two considerations for the ACMA relate to the media diversity rules. The two main ones are what we call prior approvals. The announcement to the stock exchange by the companies indicated that they are subject to approvals by their relevant regulators—the ACCC and the ACMA. Our role is to look at two main issues. The first is around transactions that result in what is called an unacceptable media diversity situation, which is usually called the ‘voices test’. A person involved with the transaction which would cause a UMDS may apply for prior approval. This is where there is a reduction in what is called the ‘voices in the market’ test. That is the first test that we—

Senator LINES: I would have thought there is already a reduction in the market in Western Australia.

Ms O’Loughlin: We will look at what would happen if the transaction goes ahead, what the impact of that is and what our view on that impact would be.

Senator LINES: What is that test when you look at the voices? Are there a number of voices? Is there a spread?

Ms O’Loughlin: In different areas there are different numbers of voices, so we will be looking at that. The second one that we will be looking at is the temporary breach of a control rule, and that is what is colloquially called the ‘two to a market rule’—not being able to have two licensees in a particular market. They are the two tests that we will be examining the proposed transaction against. I will pause there and ask if my colleagues want to add anything to that.

Ms Ritter: In terms of the media diversity—‘the voices’—it is considered that an unacceptable media diversity situation will exist in a metropolitan area if the points are less than five, and for regional if it is less than four.

Senator LINES: They are the points you were explaining to Senator Green?

Ms Ritter: No, these are actually about voices—the number of voices in the area—as opposed to the points I was talking about before.

Senator LINES: Does that mean there need to be four voices in a metro area? How does that work?

Ms Ritter: Five in the metro area and four in the regional area.

Senator LINES: How does WA stack up against that rule right now?

Ms O’Loughlin: It depends on which licence area we’re looking at, Senator. We can take that on notice for you. These are all done by radio licence areas; it is not by state. We could give you that information on notice. That is certainly what we will be looking at, in where that transaction hits, what the number of voices are and what the impact is.

Senator GREEN: I’ve got some more questions about the ACCC’s digital platforms inquiry and how it relates to local news. The ACCC’s final report contains evidence about the decline in local news across Australia, which we’ve just been talking about. WIN, who closed some newsrooms earlier, cited the uneven playing field and competition with digital platforms as one of the reasons for closures of its newsrooms. Would you be able to inform the
committee on options for a new, harmonised media regulatory framework to support the delivery of local news and local content?

Ms O’Loughlin: I think that probably comes to policy rather than my role but I think in general terms the ACCC has really highlighted the challenges that the media faces in a very comprehensive manner, both through its report and the research that sits behind that report. But I might defer to my departmental colleagues.

Mr Mrdak: As we discussed this morning, this is part of the government's preparation of the response that we are looking at on these issues of sustainability of local news. It's obviously quite a critical area for consideration. We anticipate the government will, as I indicated this morning, look to provide some initial views back on its position on the ACCC report before the end of the year.

Senator GREEN: Before the end of the year?

Mr Mrdak: Yes.

Senator GREEN: Sorry, I'm just skipping a bit forward because there are a few other people that want to ask some questions. Is Treasury leading the analysis of the public consultation process as well as the government's overall response? This is in relation to the response to the ACCC report.

Mr Mrdak: Yes, they are. Treasury is coordinating a response, as they are the portfolio in which the ACCC sits, but we are effectively the lead on a number of the recommendations and areas covering media and communications.

Senator GREEN: So your department is involved. Are there a number of other departments involved as well?

Mr Mrdak: It is principally ourselves and Treasury but there are other departments involved. And we are working with other departments.

Senator GREEN: Is PM&C involved?

Mr Mrdak: PM&C certainly engage with us. They have been involved in the conversations. Of the two principal organisations, Treasury is coordinating and our department is dealing with some of the recommendations, particularly those dealing with media, broadcast and communications issues and digital platform regulation issues.

Senator GREEN: Why is PM&C involved now?

Mr Mrdak: Just simply in their role as the central coordinating department. They maintain a watching involvement in this, and there is also some work happening at PM&C which is looking at digital policy across the Commonwealth.

Senator GREEN: I am happy to come back to my questions if there is time.

CHAIR: Senator Patrick, you have the call.

Senator PATRICK: I want to refer to some robocalls that took place during the election. You issued a warning recently to the South Australian division of the Liberal Party of Australia and you were quoted in the paper; so I presume you know a little about the issue.

Ms O’Loughlin: Yes.

Senator PATRICK: I just wonder: how many complaints were received by ACMA in relation to the robocalls?
Ms O’Loughlin: My briefing tells me ACMA received 10 complaints about the robocalls from consumers and we commenced our investigation on 30 July 2019. We found there were an initial 36,700 calls, around about, made on 24 July that were a result of a person erroneously entering calling times into an automated calling system as AM rather than PM.

Senator PATRICK: And how did you establish that?
Ms O’Loughlin: That was through our investigations with the people involved.
Senator PATRICK: So someone went out and talked to them and asked them some questions?
Ms O’Loughlin: I expect Mr Fenton can give you the detail.
Mr Fenton: We have a standard process we would undertake. It would generally involve an exchange of paperwork but there would have been some discussions around this with the entities as well.

Senator PATRICK: A warning was issued. Where does that sit in the range of sanctions that you have?
Ms O’Loughlin: We have a range of sanctions available to us. We found that, having talked to the parties involved, there were steps made very quickly to address the issue. Also they undertook to make sure that their automated systems didn’t end up in errors again; so we thought a formal warning was proportionate to the breach before us.

Senator PATRICK: Sorry, what is the range and where does that sit within the range?
Mr Fenton: The ACMA can take no action—so essentially regulatory forbearance or give a formal warning. We can accept an enforceable undertaking from an entity if offered that’s enforceable in the Federal Court. There are circumstances where we can issue an infringement notice by the ACMA or we can commence proceedings in the Federal Court. There may be circumstances where we can undertake two of those enforcement actions concurrently as well.

Ms O’Loughlin: I think, in looking at the action to be taken, we noted that the entity had actually apologised to consumers and had remediated in full prior to even our investigation starting.

Senator PATRICK: Just in respect of any potential future breach, if a breach occurs do you have the ability to go back and consider previous breaches in the context of any sanction you would desire to make?
Ms O’Loughlin: We would.

Senator PATRICK: I don’t want the Liberal Party to treat this as a cost of doing business. See the way I found some common ground with the CFMMEU there! Anyway, have there been any further breaches or any complaints of further breaches in respect of polling or research calls from the South Australian division of the Liberal Party since that time?
Mr Fenton: Not to the best of our knowledge. We will come back to you if there have been.

Senator PATRICK: Thank you very much. More broadly across the election campaign, was that the only incident where this sort of event took place and sanction was applied?
Mr Fenton: I assume you mean in relation to the election campaign?
Senator PATRICK: Yes, the election campaign.
Mr Fenton: Yes. To the best of our knowledge, yes.

Senator GREEN: Going back to the Regional and Small Publishers Innovation Fund—have I the wording of that one right? Yes. How much has ACMA allocated out of the fund and how much is remaining?

Ms O'Loughlin: This is the second round that we've done with the fund. In the first round it had a tighter criteria and so we allocated $3.45 million in round one. The total funding provided by the government is $50 million over three years from 2018-19. So in round one we allocated $3.45 million. In round two we have allocated $9.1 million. So that means that there is still some additional funding of about $35.5 million that can be allocated in future rounds.

Senator GREEN: This fund was referred to in the ACCC's report that I mentioned before, and that report, in talking about the regional and small publishers innovation package, made reference to the fund and said the government should review the program after three years of operation to assess its effectiveness and determine whether it should be expanded to other areas of public interest journalism at risk of under-provision by the Australian commercial media market. Do you agree with that finding, and what are the reasons the ACCC gave for saying that the package should be replaced with the targeted grants program?

Ms O'Loughlin: That's probably a matter for the ACCC but it is something that I expect is being considered in the government response to the ACCC digital platforms inquiry.

Senator GREEN: You are nodding?

Mr Mrdak: That's correct.

Senator GREEN: Let's get that nod in Hansard, shall we?

Mr Mrdak: That's correct. The program is being considered in light of our earlier discussion around supporting local media.

Senator GREEN: And considered by way of expanding it?

Mr Mrdak: They are matters which government will look at in terms of the future shape of the program. But coming to the issues of why, I think the ACCC drew attention to the fact that perhaps a better targeting of that program may better assist. As we've seen with round two, we've been looking more at overall viability of small and regional publishers, not just innovation, as the criteria for the program. The program is effectively evolving to better meet needs as we get better experience of the needs of regional media. And all of those factors will be taken into account in the government's consideration of the ACCC report.

Senator GREEN: When you say 'publishers', we're not talking about TV or commercial broadcasting but smaller publishers?

Mr Mrdak: That's right. Essentially we're talking about more traditional publishing in terms of local newspapers and the like, supporting that form of media.

Senator MARIELLE SMITH: I referred to the ACMA's investigation into coverage by the Australian commercial national and subscription television broadcasters of the Christchurch terrorist attack. Why did the ACMA decline to make a breach finding despite considering there was some material that raised questions about whether there was compliance with the broadcasting codes of practice?
Ms O'Loughlin: We decided to investigate the coverage of the Christchurch terrorist attack to test whether or not the current broadcasting industry codes of practice stood up in that environment, an environment where obviously, as you well know, the material appeared online. What we wanted to look at was: what were the choices broadcasters made in Australia in putting that footage to air against the broadcasting codes of practice for both commercial free-to-air broadcasting, subscription broadcasting and the national broadcasters? We reviewed over 200 hours of footage which was put to air predominantly from the Friday through to the Monday to see how that stacked up. It was an enormous amount of work for our teams, and the authority came to a decision that the most benefit out of our work would be an engagement with the industry about where we thought its codes were strong in relation to what was a very unique and terrible event and where we thought that they could be improved. So we felt that that was the most beneficial outcome of our investigative work. We have engaged with the broadcasters following that around where we thought things might be improved.

Fundamentally we found that the broadcasters had acted incredibly responsibly in dealing with the footage from the Christchurch attack and that their codes of practice stood up pretty well considering that, in some circumstances—say, for example, on pay TV—they were live to air for hours and hours. We found that broadcasters made different decisions. The ABC chose very much not to provide any footage. We found other broadcasters took different decisions. But overall we thought that they had behaved incredibly responsibly and that where we thought there were some things broadcasters could improve their codes of practice on, that was the conversation we should have with them.

Senator MARIELLE SMITH: I appreciate that, Ms O'Loughlin, but isn't it the role of the regulator to make a finding when it comes to upholding community standards in the broadcasting industry?

Ms O'Loughlin: I think we have discretion in our rules to make findings or not make findings, and in this circumstance we felt that the most benefit, when you're looking at a whole-of-industry issue, was to engage with the broadcasters, to talk to them about where we thought there might be issues that might need improving, rather than focusing on what might be actually quite very small breaches of codes of practice.

Senator MARIELLE SMITH: But some material did give rise to compliance issues, didn't it?

Ms O'Loughlin: Some of it did but I would have to say that a lot of it was probably at the margin. I might ask my colleague Creina to talk about this but one of the things that we saw was the quite different ways people had of dealing with the footage—warnings, particularly top-of-the-hour news where they might have shown footage straight up with no warning behind it. Those were the things we engaged on. But I might ask Creina, who has been more closely involved with the broadcasters, to address that.

Ms Chapman: It is correct that each broadcaster treated it extremely differently. The ABC didn't show any footage from the perpetrator right through to a higher level. It is safe to say that I think there were three issues that we saw that were at the upper end of concern but again were very carefully and editorially chosen at the time. It's important to note that no broadcaster at any point in time actually showed a person being shot. There were visions of
the gun and there were some blurred visions of people but there was no-one actually being shot.

There were three areas we did look at quite carefully. One was repetition of material. One issue we would like them to look at is the new trend of 24-hour news and rolling coverage, which means people can be exposed to the same footage over and over again, and whether that is correct. Secondly, we looked at the issue of warnings. Are they giving adequate warnings, particularly in a rolling coverage type scenario? Thirdly, we looked at whether broadcasters should consider the motive of the person who created the footage. This was relevant in two aspects. Firstly, the terrorist's motive in providing the footage has a different perspective. Secondly, some broadcast of material, which was filmed by victims inside the second mosque, was heavily redacted and blurred by the broadcasters. It was confronting, but it was provided by those victims because they saw it as an issue they wanted publicised. So we're encouraging the broadcasters—we've had meetings with them all; we've had conversations—to look at their codes and guidances and to come back to us with any changes they feel they should make.

Ms O'Loughlin: The fact that we didn't choose to make breaches does not mean that we didn't take this footage incredibly seriously—we did, both through the investment of doing the investigation and the work the broadcasters did in providing enormous amounts of footage and explanation about their editorial decisions to us. So we feel we have fully investigated the matters that, as the broadcasting regulator, we should. We also wanted to test the industry voluntary codes of practice dealing with this footage, which as you well know contrasts significantly with the footage that was carried online.

Senator MARIELLE SMITH: You said earlier that many of the compliance issues were at the margins. So there was nothing which would have constituted a breach?

Ms Chapman: The authority's decision in the end was that in the overall coverage by each of the broadcasters we did not see a breach of the code as such and that their coverage was responsible and in regard to their editorial consideration of the day, in the circumstances, we didn't make that finding.

Senator MARIELLE SMITH: Okay. But when, Ms O'Loughlin, you referenced it was at the margins, there were clearly some compliance issues that didn't constitute a breach and some broadcasters didn't go anywhere near that.

Ms O'Loughlin: There were issues that we turned our mind to as being of concern. As Ms Chapman indicated, they were mainly around: were the warnings sufficient, was the repetition such that it would push the content into something which was seriously distressing for audiences—which was the test we were looking at. We chose instead to provide a more comprehensive report about the industry's approach to the footage. We thought they had very much been responsible to their audiences—that was our main finding—and that we would engage on where we thought things were problematic.

Ms Chapman: There are always areas of grey to breaching the line; the conclusion at the end of the day was that the broadcasters did not cross the line.

Senator MARIELLE SMITH: You mentioned working with industry around the code. What are you doing to revise industry codes of practice to embed the important lessons learned from the coverage?
Ms Chapman: We have held meetings with each of the broadcasters, including Astra and free-to-air TV, to discuss our concerns and issues and their editorial processes. We raised with them the issues we saw in the investigation, and they have undertaken to consider them; they will be returning to us in the coming weeks.

Senator MARIELLE SMITH: From your perspective, Ms O'Loughlin, what are the most important lessons learned from this experience?

Ms O'Loughlin: Broadcasters have been editing material to go to air for their entire existence. They have editorial processes in place, they have professional editors on staff, they have to make difficult judgements in short periods when something like this is breaking. Television is a visual medium, so those decisions are even more difficult when the only footage available to the broadcaster for some period was that filmed by the perpetrator. Our conclusion was that in that unique circumstance, in a visual medium when things were happening so quickly and things were uncertain coming out of New Zealand, the broadcasters behaved incredibly responsibly and made editorial decisions which were very much in line with their agreed industry codes of practice.

CHAIR: Thank you, Ms O'Loughlin, for appearing.

Australia Council

CHAIR: I turn to the Australia Council. Mr Collette, welcome to you and your team. Do you wish to make an opening statement?

Mr Collette: I will make a brief statement to update the committee on a couple of important developments over the past few months, not the least of which was the launch of our new five-year strategy, Creativity Connects Us. Our new strategy puts a clear focus on the creation of public, economic, cultural and social value at the centre of the council's purpose through investment in arts and creativity. We will focus our advocacy not only on what excellent art is, but on what excellent art does as a public good. We have also just tabled our latest annual report, which registers encouraging signs about the public value of the arts. In the past financial year, we invested in Australian arts that attracted 22.6 million attendances and participants both here and across the globe. We supported the creation of more than 9,500 new Australian works. We strengthened Australia's soft power through our support for more than 3,300 arts activities and presentations in 55 countries. These are significant achievements that highlight the role that arts and creativity play in the lives of all Australians.

On 11 October in Adelaide the federal and state ministers announced the most significant change to the national framework of government support for the Major Performing Arts sector in 20 years with the replacement of the old Major Performing Arts framework with the new National Performing Arts Partnership Framework. The new framework will greatly improve the flexibility, transparency and accountability of multi-year funding for performing arts organisations. It introduces new levels of contestability and transparency for funding, offers longer term funding for companies that require it, and sets out clear pathways for more organisations to apply for sustained funding.

In August we delivered difficult to news to some 250 cultural organisations that did not progress to the second stage of our highly competitive four-year funding program. The Australia Council has been working closely with many of these organisations to explore
alternative funding sources to try and ensure that we capture the potential value that could be generated by so many of them. We will continue to strongly advocate for the important role that creativity will play for a brighter future for all Australians, whether in the social returns of community cohesion and well-being, the returns of a strong, competent and diverse Australian culture or the economic returns of increased investment for cultural tourism, export, trade and jobs.

Senator URQUHART: Thank you. The 2019-20 budget included a $2 million allocation to extend the Australia Council’s Contemporary Music Touring Program. Has that money been received?

Mr Blackwell: Yes. It is part of our annual appropriation.

Senator URQUHART: Has it been allocated?

Mr Blackwell: It will be allocated in two funding rounds during this year, 2019-20. I think the first will be in October and the second one in the first half of 2020 calendar year.

Senator URQUHART: So it hasn’t yet been allocated?

Mr Blackwell: Not yet.

Senator URQUHART: Why has it not been allocated yet?

Mr Blackwell: Because we run rounds. We have an application process and it is just the timing in terms of when those rounds are run.

Senator URQUHART: Okay. I want to go to the four-year funding round that is currently under way for small and medium arts organisations. Mr Collette, you talked about 250 organisations that have missed out. I note there has been no real increase in the quantum of funding that is available since the last funding round, which began in 2017. That is nearly two-thirds of the 412 organisations. You said 250 cultural organisations applied at the expression of interest stage but did not make it through. So that is the 250 you are talking about?

Mr Collette: Yes.

Senator URQUHART: Are you able to provide a list of those organisations which did and those which did not make it through to that round?

Mr Collette: We don't at this stage, because this was an expression of interest round. Respecting the privacy of these organisations, some of whom made it through that round and some of whom didn't, we deemed it wise not to do it, and we haven't got that understanding with the companies themselves.

Senator URQUHART: Are you able to provide that to this committee?

Mr Collette: I would have to take that on notice. It depends on our understanding with the organisations themselves. But certainly if we think we can, we will.

Senator URQUHART: Are you able to project, based on available funding, how many organisations are likely to be funded once the final stage of that funding round is completed?

Mr Collette: That depends on a number of things. I certainly wouldn't predict an actual number: 162 organisations that have been admitted. They have all got a very high chance of success, now that they have been through the expression of interest stage gate, but there is also the ability of the council itself, advised by expert peers, to dial funding up and down.
depending on the ambition of the project, which could materially affect how many companies we are able to fund.

Senator URQUHART: Okay. There were 124 in the previous round in 2017, I understand.

Mr Collette: Yes.

Senator URQUHART: Is that a likely sort of number?

Mr Collette: I can't say at this point.

Senator URQUHART: What is the Australia Council's total budget appropriation for the current financial year?

Mr Collette: It is $212.1 million.

Senator URQUHART: How does that compare to five years and 10 years ago? Do you want to take that on notice?

Mr Blackwell: I think I should, to give you an accurate figure.

Senator URQUHART: If you could take that on notice, that would be appreciated. You clearly operate in a very tight funding situation and need to have the flexibility to respond to emerging art forms.

Senator Reynolds: Senator Urquhart, did you say 'tight funding' of $212 million? That's an interesting definition of $212 million out of $850 million this government is spending on the arts in total, which is a record amount of funding. Sorry, Chair; I just couldn't help myself when I heard that 'tight' word.

Senator URQUHART: Also noting the recently announced National Performing Arts Partnership Framework as well as the changes to the funding process, which appear to remove the concept of key organisations which could reasonably expect ongoing four-year funding, given that that funding for the majors is indexed without an overall funding increase for your programs, what in the view of the Australia Council is the likely impact of the ever-diminishing pool of funding on the sustainability of the small to medium organisations in the sector?

Mr Collette: I think the virtue of this new framework is that it allows, let's say, smaller organisations that are achieving very high degrees of excellence in their work—or indeed have great impact in our national interests around the things I signalled in my introduction—the prospect of getting more sustainable funding when federal and the relevant state jurisdictional governments agree that they would like to offer more investment. That in itself shouldn't impact the overall funding package. Of course, we wish we could fund more four-year funded organisations and it's the value of what they achieve in the ways I've described that they would always generate. But the new framework itself I think offers very, very good incentives to a number of the four-year organisations and for the first time really in practice will allow governments, both state and federal, to have rigorous evaluation of what our companies, whether they are big or small, that are being funded through the Australia Council are achieving and to discuss their future intentions.

Senator URQUHART: Okay. Looking to the forward estimates, there is no significant increase in funding for your organisation that I can see. Given that funding for the majors is
largely cordoned off, what strategies do you have in place to mitigate the impact of this on the small to medium sector?

Mr Collette: I will try to make that point again. I think what this new framework does is actually un-cordon off the major performing arts companies, which will no longer be called major performing arts companies after 2020. You're right that funding through the Australia Council is incredibly competitive. We work as intelligently and productively as we can with what we've got, but the promise of this framework is that we will see companies over the course—this is definitely evolution, not revolution—of this framework come into the partnership framework, and some may well leave the partnership framework for some time. But the way these companies are evaluated will be far more transparent. While we don't anticipate additional money at this point, we think there is now a much more logical and vibrant connection between the eight-year funded companies potentially and the four-year funded companies and the pathway to move in between those two things. So, as ever, we try to use the funding we have as efficiently as we can.

Senator URQUHART: I guess I'm interested particularly in terms of small to medium organisations. Are you saying some of those small to medium organisations that have missed out now may end up getting funding under the new framework? Is that how I understand what you're saying?

Mr Collette: Funding is always contestable.

Senator URQUHART: I understand that. Are there opportunities under the new framework for those small to medium organisations to receive funding?

Mr Collette: Yes.

Senator URQUHART: Dr Were is nodding her head. I'm not sure if she wants to add something.

Dr Were: That is correct. Small to medium companies will have the opportunity to enter that partnership framework.

Senator URQUHART: Right. So they will have the opportunity to enter directly or through a large organisation. How does that work?

Mr Collette: They can enter directly. It will depend on discussions and agreement between the relevant state institution and the federal government.

Senator URQUHART: There is a significant shift away from the commitment to ongoing funding for small organisations such as AustralianPlays, Overland magazine and Theatre Works, all of whom have lost their funding in the last several months, I understand. The particular situation facing the nation's playwrights with the apparent loss of key infrastructure organisations such as AustralianPlays and Playwriting Australia is concerning. Are you satisfied that this new model adequately recognises the long-term infrastructure needs of that small to medium sector?

Mr Collette: If I may say first, there is no shift away from those organisations. Those organisations were not successful in getting through the first stage gateway of four-year funding, assessed by industry peers. It doesn't signal in any shape or form that the Australia Council or, indeed, the government is shifting away from those organisations. They weren't successful in a highly contested first round for four-year funding. I can't talk about the
specific cases as I sit here. We don't talk about the virtues or other of any particular funding application, but I can say that we are critically aware of particularly some of the issues that playwrights and drama will face and we are awaiting the review which Playwrighting Australia actually imposed on itself. It decided to have its operations reviewed by a third party and we are waiting to see the recommendations of that review, knowing that support for playwrights is very important.

Senator URQUHART: When is that review due, Mr Collette?

Mr Collette: I don't know that exactly, I'm sorry. I think it's a matter of two to three months, but we can get that answer for you, if we can take it on notice.

Senator URQUHART: Could you take it on notice. I just want to clarify: do these changes mean that the Australia Council is intending to reinforce the project model and fully abandon the concept of key organisations that provide infrastructure support in the small to medium sector, or have I—

Mr Collette: No, it doesn't; absolutely not.

Senator URQUHART: Thank you very much. Thanks, Chair.

CHAIR: Senator Hanson-Young.

Senator HANSON-YOUNG: Senator Urquhart has asked all of my questions.

CHAIR: Very good.

Senator URQUHART: That was very efficient of me.

CHAIR: That was good coordination across the committee.

Senator URQUHART: And we didn't even have to talk about it, Senator.

Senator HANSON-YOUNG: No.

CHAIR: In that case, Mr Collette, thank you. You have given the committee a five-minute early afternoon tea break.

Proceedings suspended from 14:53 to 15:10

CHAIR: The committee will resume with the examination of the Department of Communications and the Arts.

Mr Mrdak: We have some answers to questions that we took on notice earlier today.

CHAIR: Answers are always good in estimates, Mr Mrdak. You have the call.

Mr Mrdak: Senators asked this morning a series of questions on e-safety, and I will ask Mr Eccles to give you those answers. We also had some questions in relation to the journalism program, to which Mr Jansen will provide answers, which will save the effort of putting them in writing later.

Mr Eccles: Senators asked about the departments that were involved in the consultation around the charter. I can advise that the agencies involved in the development of the charter—this is the online safety charter—are the Office of the eSafety Commissioner, the Department of Education, the Department of the Prime Minister and Cabinet, the Department of Home Affairs, the Department of Social Services, the Australian Federal Police, the Attorney-General's Department and the Department of Industry, Innovation and Science.

Mr Mrdak: Mr Jansen will talk about the journalism package.
Mr Jansen: Senators asked about funding outcomes for the regional journalism scholarships program and the regional and small publishers cadetship program. In relation to the regional journalism scholarships program, 66 scholarships were awarded to 16 universities for a total of $2.3 million. Senators also asked about the state-by-state breakdown of that funding. The ACT was awarded $80,000, New South Wales $496,000, Queensland $609,000, South Australia $200,000, Victoria $794,024, and Western Australia $112,000. In relation to the cadetship program, funding was approved for 70 cadets to 40 separate publishing organisations, totalling $1.8 million. The state-by-state breakdown for the program is $289,067 for New South Wales, $117,119 for Queensland, $54,000 for South Australia, and $667,605 for Victoria. All of those figures are GST exclusive.

CHAIR: Thank you. Senator Kitching has the call.

Senator KITCHING: Could you advise the committee how much money you will be spending on government advertising this week?

Mr Mrdak: None, Senator. We don't have any government communications campaigns in the portfolio. The only campaign we've run in the last few years is the one we discussed this morning in relation to e-safety and child safety. That ended on 30 June.

Senator KITCHING: You don't have an advertising budget at all?

Mr Mrdak: No, we don't.

Senator KITCHING: How do you do digital communications, social media?

Mr Mrdak: They are funded through the department's budget, where we do those. I thought you were asking about communications campaigns per se.

Senator KITCHING: 'Advertising' is the word I used.

Mr Mrdak: Apart from advertising jobs as they fall due, we don't do advertising per se.

Senator KITCHING: What about your digital comms? I presume you have a team?

Mr Mrdak: We have a communications team.

Senator KITCHING: Mr Eccles is nodding, so that's always a good sign!

Mr Eccles: We do have a communications team.

Senator KITCHING: How many FTEs do you have in that?

Mr Mrdak: It is about seven, and that is all of our internal as well as our external communications. I will confirm that for you, Senator.

Senator KITCHING: While we're waiting for confirmation of that, what are you communicating internally?

Mr Mrdak: Essentially, it is just the business of the organisation. For instance, I publish a blog each Friday which has events in the department for the week that has past, major announcements by the government, those types of things, which we communicate to staff. With any staff matters, learning and development activities, we communicate all of that internally.

Senator KITCHING: Your average bit of communications device for departmental staff?

Mr Mrdak: We have digital displays around the department and we also have material on our intranet which is constantly updated, to provide advice to staff about all learning and
development, all of our operational matters that are happening across the department, as well as major government initiatives that we are working on.

Senator KITCHING: Just give me an example of the last major government initiative.

Mr Mrdak: For instance, the one we've been discussing today—the Major Performing Arts Framework, which was a significant amount of work over several years by our team. So our intranet site contains this week a major article explaining what that was about, who worked on it and what were the issues involved so that we can keep staff informed.

Senator KITCHING: I think Ms Vandenbroek may have an answer on the FTEs.

Ms Vandenbroek: There are 20.8 FTEs in the communications branch.

Senator KITCHING: I hate referring to people as FTEs, but it's just a term that everyone understands. Are there any other FTEs in strategic comms, media management, ministerial speeches, internal comms, social media strategies and content as opposed to digital comms?

Ms Vandenbroek: It's all included.

Senator KITCHING: That's all one area. How many people have you got in that team who would do, for example—is everyone doing everything? Is that across the board or are there specialised skill sets?

Ms Vandenbroek: They're divided into two streams. One stream primarily does the internet and intranet content and the other side does the media and the speeches for the minister's office and those sorts of things.

Senator KITCHING: Is the breakdown pretty much half-half?

Mr Galdys: Of the 20.8 staff there is, as Sarah indicated, effectively two sub-teams within that—one that is focused on creative, so that'd be things like internal communications, graphic design, video production, animation and that would be the extent of it. The other side is very much more media focused—things such as media releases, speeches, op-eds and the like.

Senator KITCHING: When you say op-eds, are they op-eds for, for example, the secretary's blog or are they op-eds for the minister?

Mr Galdys: A combination of both.

Senator KITCHING: So the op-eds are being—are you giving the source material? Let's say the minister wants to do an op-ed. I still want to say 'Fairfax', but Nine newspapers. Are you providing the source material or are you actually doing the writing?

Mr Galdys: Again, it's a combination of both. It would take the same format as how we approach a media release or a speech. It would depend on the request from the minister's office. Sometimes it is probably more of a fulsome draft—otherwise it is just, I guess, factual information to go into something that they would draft up in the office.

Senator KITCHING: Let's just take the last financial year—or the last calendar year. Has every op-ed that the minister written been produced by the department?

Mr Galdys: No.

Senator KITCHING: What percentage have you done?

Mr Galdys: I would say it's a small percentage.
Senator KITCHING: Do you ever use anything like external advertisers—not advertising but for campaigns, mobile billboards or anything like that?

Mr Galdys: The only advertising campaign that we've done is the one we discussed earlier today, which was the online safety one. There was a large media buy associated with that, and that included a number of different facets of advertising.

Senator KITCHING: And you gave the figure this morning—the media buy. Sorry, that was the campaign cost. Was the media buy a sub-figure of that and what was that?

Mr Mrdak: The media buy was within those numbers we gave you.

Mr Eccles: I think it's on the record, but we'll check.

Mr Galdys: The media buy was in the vicinity of $6 million.

Mr Eccles: That's right.

Senator KITCHING: Do you use media monitoring?

Mr Galdys: We do.

Senator KITCHING: Can you give me the department's expenditure commencing—for the last financial year, 1 July 2018 to 30 June 2019?

Mr Galdys: I can give you an approximate. If you would like a more definitive figure I would have to take that on notice.

Senator KITCHING: Just the approximate and then if you could on notice give me the exact figure.

Mr Galdys: That is paid on a monthly basis with a provider and it's about $30,000 per month.

Senator KITCHING: And is the provider—which one do you use?

Mr Galdys: It is Accenture.

Senator KITCHING: If you're going to take the exact figure on notice, could you also take on notice and give me an itemised list of all AusTender contract notice numbers for all media monitoring contracts? Is that possible?

Mr Galdys: Yes.

Senator KITCHING: When you run information campaigns—can you give me a total expenditure figure on the information campaigns?

Mr Galdys: The online safety campaign?

Senator KITCHING: Yes, I will take that.

Mr Galdys: That is the only campaign that we've run, so—

Senator KITCHING: Yes, that'll be the one. Can you also give me the AusTender contract notice numbers for that as well?

Mr Galdys: Yes.

Senator KITCHING: Was there any promotional—did you do any promotional merchandise or anything?

Mr Galdys: As part of that campaign?

Senator KITCHING: Just generally firstly. Do you do any—
Mr Galdys: It's not something that we commonly do. There was a small element as part of the online safety campaign as part of the PR activity.

Senator KITCHING: Just on the e-safety campaign, who won that? Who was awarded that tender?

Mr Galdys: There were a number of vendors associated with that. Is there any specific aspect that you're looking at?

Senator KITCHING: I'd like all of them, but I'm happy for you to take it on notice and then come back to me.

Mr Galdys: Because there is obviously a creative agency, a PR agency and a non-English-speaking background vendor.

Senator KITCHING: Just going back to the merchandise, you don't really do merchandise?

Mr Galdys: No.

Senator KITCHING: Thank you.

Senator McMAHON: My questions relate to the National Relay Service procurement outcome. Across 2015-16 to 2018-19, what was the actual cost of the National Relay Service?

Mrs McNeill: For 2015-16 the total cost of the Relay Service, including outreach, was $26.3 million. The following year, 2016-17, it was $32.2 million. For the following year it was $31.2 million. I might say that even in 2015-16 that had been a big step-up from preceding periods. For example, in 2013-14 the total cost of the service was $18.8 million.

Senator McMAHON: And that was significantly higher than the budgeted amount—is that correct?

Mrs McNeill: It was. There was a period of time in 2013-14 where some new Relay Service options began to be offered. They were SMS relay, video relay and captioned relay using the CapTel handset. A lot of that uptick over that period was associated with a big increase or a big take-up and increase in the use of captioned telephony using the CapTel handset. So it was a very big increase. Just to give you a sense of it, in terms of the minutes of Relay Service being delivered associated with captioned telephony, in 2013-14 it was only 100,000 minutes, but by the time we got 2017-18 it was 3.5 million minutes. So it's a very popular service.

Senator McMAHON: So it wasn't a fixed price tender?

Mrs McNeill: No, the tender supplier charged on a per-minute basis for the Relay Service offering.

Senator McMAHON: And that was essentially the reason for the big cost blowout?

Mrs McNeill: It was. It was predominantly associated with captioned relay.

Senator McMAHON: Did the department rule out the use of CapTel in the NRS tender?

Mrs McNeill: I assume that you're talking about the tender process which has been conducted over the last year or so.

Senator McMAHON: Correct.
Mrs McNeill: Just taking a step back, there were two stages to that process as events turned out. We went to the market with an open tender in about April 2018. That process was brought to an end with no conclusion—there was no bid presented that offered value for money to the Commonwealth. We went ahead earlier this year with another competitive tender process, but it was not an open market approach. We went back to the participants in the earlier round. When we went to the market in that second stage of the tender that I've described, we didn't rule technologies in or out. Our focus was on ensuring that there were Relay Service offerings that met the needs of all of the Relay Service users. For senators who aren't aware, the Relay Service is a service that in effect allows Australians who are deaf or have a hearing impairment or speech impairment to be able to access telephone services. They do that really through the interposition of a Relay Service operator who might be re-speaking, so the person can see text, or typing. There are quite a few different options—in fact, I think there are 19 or 20 different sorts of service offerings.

Senator McMAHON: So nothing was ruled—

Mrs McNeill: No, nothing was ruled in or out. Our focus was on ensuring that there were options that would meet the needs of all of those people, so we didn't rule any particular technologies or platforms in or out.

Senator McMAHON: What assistance has ACE or Accesscomm provided in transitioning affected users off CapTel service?

Mrs McNeill: ACE is the current provider of the Relay Service. As a result of that tender process that I have described, there will be a new provider of relay services. We are looking to begin the transition of services to the new provider in November. We have sought assistance both from Australian Communication Exchange—that's ACE, the current provider—in identifying CapTel users. That's because, of all the Relay Service offerings that Australian Communication Exchange had available, all are being continued with the exception of the CapTel handset. So it's a caption telephony option. There will be captioned telephony options available through the new provider, Concentrix, but they won't be CapTel handset options. So it's quite important for us to be able to make contact with the CapTel handset users so that we can explain to them what their alternatives might be. We contacted both Australian Communication Exchange and the Australian distributor of CapTel handsets—and that's Accesscomm—and we requested their assistance. It was not forthcoming, so the minister did make a determination under the Telecommunications (Consumer Protection and Service Standards) Act requiring the contractor—Australian Communication Exchange—to assist the department. Since then the department has requested assistance from Australian Communication Exchange. We are still in discussions, can I say, pursuant to one of those requests about the list of CapTel users, but I'm pleased to report that Australian Communication Exchange has agreed pursuant to a request made in reliance on the determination to put a message on CapTel handsets so that, when users go to use those handsets, from November they will get a prompt indicating that they should call the help desk so that the options can be explained to them in anticipation of the CapTel handsets not being supported through the National Relay Service from February of next year.

Senator McMAHON: Okay, so they've agreed to provide that assistance?

Ms McNeill: Some of the assistance, yes. Some of the assistance is a work in progress.
Senator McMAHON: They haven't yet actually provided it?

Ms McNeill: No.

Senator McMAHON: Do ACE and Accesscomm share senior management?

Ms McNeill: They do share senior management. Mr Sandy Gilliland, the chief executive officer of ACE, is a director of two companies that hold equity interests in Accesscomm. The director of Accesscomm is the chief information officer at ACE. So there are connections between the companies, although it's not what I will call a vanilla ownership or shareholding arrangement.

Senator McMAHON: Thank you.

Senator GREEN: Can I just come back to some questions I was asking a little bit earlier about the ACCC's Digital Platforms Inquiry and the government's response to that inquiry. I understand that the minister's media release on 26 July—it was a joint media release with the Treasurer—stated that the government accepts there is a need to develop a harmonised media regulatory framework. I know we're still waiting for the government to formulate its response, but in regard to a harmonised media regulatory framework, what can we expect to see about this in the government's response?

Mr Mrdak: As I said, it is currently under consideration and the matter will be going to the cabinet, so I think I'm very limited in what I can give you an indication of at this stage, as the matter is still being developed within government. I think that, as the Treasurer's and the minister's media statement of 26 July indicates, there is a strong degree of support for the findings of the ACCC that effectively we have a legacy regulatory environment around media and broadcasting which no longer reflects the nature of particularly news and that the regulatory structures which are effectively regulating television, radio and more traditional what some would call legacy media are no longer fit for purpose given the way in which Australians' viewing habits have now shifted to a much broader range of platforms. The question really is what is the regulatory structure necessary to make sure there is an equivalence across the platform.

Senator GREEN: That is my question.

Mr Mrdak: I'm going to sorely disappoint you at this stage, I'm sorry, Senator, by saying that's still a matter being developed within government.

Senator GREEN: Will the department recommend that a harmonised media framework be implemented as one of the major reform processes or will you recommend that it happens in stages?

Mr Mrdak: The way in which this will play out is yet to be determined. That will be a matter for government. But I think the statement by ministers that you have referred to is a very strong indication of an acceptance of the need. The question really will be then to define what aspects of the regulatory regime are removed from the current broadcasting legislation, what are replicated in any new regulations that are required and to which platforms they would apply. Clearly, as with any—if there were to be a significant shift, there would be legislation required. That, obviously, is a process that will take time. Government will have to reach some decisions about which elements of that might go ahead of some others to get a sequential flow that can be legislated and made workable.
**Senator GREEN:** Are there any reform priority areas within the harmonised media regulatory framework? Is there a priority of those issues that you have raised?

**Mr Mrdak:** We are working on that, but I think it would be pre-emptive of me to discuss that today. That's still being contemplated within government.

**Senator GREEN:** Has the department estimated what the resource implications will be for the department in implementing the government's response to the Digital Platforms Inquiry?

**Mr Mrdak:** Not at this stage.

**Senator GREEN:** Just in regard to issues around public interest journalism, I'm just wondering if the government has put any thought into whether there are areas of Australia that are under-served when it comes to local public interest journalism. That was one of the issues that was raised in the report.

**Mr Mrdak:** Certainly I will ask my colleagues to comment. We are very concerned about the future of local and regional media. Quite clearly, we have seen the closure of some regional newspapers. We know that some aspects of regional television and radio are also under pressure through a range of demographic changes as well as commercial pressures. We are very focused on those areas where we believe there are gaps in what we would regard, and I think the ACCC captures, as actually capturing the record of events—the local news, the sport and the following of the various public policy issues in a community. We are worried that, in the absence of local provision of those services, there are significant gaps in the services being provided to many Australian communities.

**Senator GREEN:** I share your concerns. I'm very worried about that as well. Just in terms of those areas of concern, or the areas that might be underserved, has the department done any work to identify which areas are in the highest need?

**Mr Mrdak:** We've certainly been looking at issues over the last couple of years. We've been looking very closely at the issues of regional newspapers and the way in which—that's not just an issue for Australia; it's an issue right across the world in terms of such an important news source and community asset as local newspapers. We've been looking at that issue quite heavily and we've also increasingly been looking at the issue of the free-to-air television market in regional Australia. They are industries which—it's no secret; they've been very public in raising their concerns about their ongoing viability and the services they can provide.

**Senator GREEN:** Has the department done any work to estimate what it could cost to address the under-provision of public interest journalism in Australia?

**Mr Mrdak:** I don't believe we've got to the stage of costing in that sense.

**Mr Eccles:** No, but it was against the backdrop of the pressures being faced in regional Australia that the government announced $60.4 million to support the Regional and Small Publishers Jobs and Innovation Package which was announced in 2018.

**Senator GREEN:** On the AusTender website I note the department has asked Megan Brownlow, I think her name is, to report on Australia's regional television broadcasting industry. Will that report be made available and has it been finished yet?
Mr Mrdak: It's been completed and it's currently being considered within government as part of the government's consideration of regional media issues.

Senator Reynolds: Perhaps I might provide some information that could help to clarify the process and where it's up to. As the secretary has said, it is now with government for consideration, but I think the context of this is really important to frame your questions and some of the answers to the questions. As I said a bit earlier, the government publicly released the report on 26 July this year and clearly the report showed that, while digital media has provided great benefits, how it is now delivered has completely outstripped the legislative framework under which it's governed. It hasn't really kept pace with the change in digital platforms. So the report had 23 recommendations which were very complex and went to consumer protection, regulatory reform and a whole range of other areas. On 1 August the Treasurer and the minister for communications announced a 12-week consultation process on that report. There were over 100 written submissions and also many other submissions. That submissions process closes this Friday. The government has indicated that those findings will certainly be incorporated into the final government deliberations in response to the report, which will be delivered by the end of this year.

Senator GREEN: The response to the report will be delivered by the end of this year?

Senator Reynolds: Yes.

Senator GREEN: But, in terms of implementing, that's something we'll deal with next year?

Senator Reynolds: Yes, it would be probably inadvisable and inappropriate to respond before you fully consider the issues in the public consultation. But I would note that, with those 23 recommendations, they are wide-ranging and complex, so once the government response has been made public it will then go through the normal process of consideration of how those are implemented and when they're implemented.

Senator GREEN: Will that report be made available—the report on Australia's regional television broadcasting—after it's been considered?

Mr Mrdak: I'd have to take that on notice, Senator. As I said, at the moment it's forming part of the consideration by government. I will take on notice whether that report will be made publicly available.

Senator GREEN: I assume that also means that you'll be putting on notice what the key findings of that report are?

Mr Mrdak: Yes, I will.

Senator GREEN: Thank you.

Senator URQUHART: I've got a number of questions around the Mobile Black Spot Program. Can you tell me how many square kilometres of coverage have been delivered by the black spot program to date? I note that the ANAO indicated the first 500 base stations delivered 162,000 square kilometres of expanded coverage.

Mr Paterson: When we talk about 'to date', I need to link it to the asset completion reports we get per base station. It's a number of 712. So, even though the actual number of base stations operational is higher, I don't have the final coverage figures until we go through the final asset completion and assessment process. So I would just clarify that. I've got it by a
number of parameters. Out of 712 base stations, the premises that have been covered is 91,568. The transport routes, mainly trains and major roads, that have been covered is 7,696 kilometres. Handheld coverage to date is 147,465 square kilometres. External antenna coverage—so those ones you need a bit of assistance to get—is 224,459 square kilometres. To put it in context, if you like, the contracted coverage metrics for the first four rounds of the program, for coverage only—so handheld external-antenna type things—is 460,000 kilometres within the contracts for the first four rounds. At this point in time, on the metrics we have to date, we're running about 15 to 20 per cent over the contracted values, but I won't know the final values until we finalise the rounds of the program.

Senator URQUHART: When will that be?

Mr Paterson: The first four rounds of the program are currently scheduled to be completed by 30 June 2020. But for the first three rounds it's a progression in that there are a number of base stations that Minister Coulton, the minister for regional services, gave an extension to. But the extensions were granted on a base station by base station basis. So the final base stations under those rounds are due on 30 June next year. Not all base stations got another 12 months. It was considered on a base station by base station basis. So some of them got six weeks, three months, four months and so forth.

Senator URQUHART: Okay. How many towers have been deployed to date? Is that the 712?

Mr Paterson: It is 752 base stations deployed to date.

Senator URQUHART: On 7 May this year, during the election campaign, the Prime Minister said: 'We are committed to eliminating mobile blackspots across one million square kilometres of regional Australia by 2025.' Was this announcement based on advice or modelling undertaken by the department before the election?

Mr Paterson: That announcement would have been based on the lessons learned and the experience we've had through the mobile coverage and other programs that have improved mobile coverage. That would have informed the government's commitment in that regard.

Senator URQUHART: Was that advice from the department, modelling from the department, or just lessons learnt?

Mr Paterson: Lessons—I did not directly advise on the million square kilometres announcement.

Senator URQUHART: Okay. So the department didn't model that specific figure of one million square kilometres? That hasn't been modelled by the department?

Mr Paterson: Obviously, we model outcomes per round of the program. Obviously, we have looked at that million square kilometres commitment in regard to the existing programs and the future programs.

Senator URQUHART: But that hasn't been modelled?

Mr Paterson: So, for example, we know we have 460,000 kilometres under the first four rounds of the program. We know that we're currently tracking around 20 per cent over on that. We know we've got another two rounds of the program itself—rounds 5 and 6. Round 5 we are assessing at the moment, but I don't have any outcomes on that. We are doing a bit of work around other government commitments in this space. There are base stations that
sometimes get funded under the Building Better Regions Fund out of the infrastructure department. We're working with the New South Wales government on a commitment with the train line between Wyong and Hornsby, so we're doing some work around that, for example. There are a few other bits and pieces around the place. I know, for example, that, again, the Building Better Regions Fund out of the infrastructure department is funding mobile networks on both Norfolk Island and Cocos Island. I suppose another aspect of it, which is a little bit hard to gauge at the moment, is that we have those new technologies which I've spoken to you about in estimates before—the new lower-earth orbit and medium-earth orbit satellites. They could make some pretty fundamental changes. So we're keeping a close eye on that. But that's not something we can model at the moment.

Senator URQUHART: Did the department look at the one million square kilometres before the election?

Mr Windeyer: We didn't do any modelling of the million square kilometres prior to an election. As Mr Paterson says, we've obviously looked at a number of aspects of existing programs, but we didn't look at that in a modelling sense prior to the election.

Senator URQUHART: Thank you. Prior to the announcement, had the department costed what would be required to deliver one million square kilometres of regional coverage?

Mr Paterson: No, Senator.

Senator URQUHART: I take it that would be no, because you've done no modelling. Did the department consult with industry on this proposal?

Mr Paterson: No, Senator.

Senator URQUHART: Has the funding for this commitment been reflected in the budget?

Mr Paterson: Reflected to the extent that we have another two rounds of the Mobile Black Spot Program, which I mentioned just a few minutes ago. Also, as part of the government's response to the Regional Telecommunications Independent Review Committee, we have a new grant program called the Regional Connectivity Program, which we also expect would fund some mobile solutions as part of the solutions that they ultimately enable. So there are commitments in the budget right now. In regard to—you can't really gauge how much more is needed until you can evaluate the outcomes of what's active at the moment.

Senator URQUHART: Mr Mrdak, were you aware that the government was going to make that announcement about the one million square kilometres?

Mr Mrdak: Yes, Senator, I was advised, from recollection, I think on the day of the announcement.

Senator URQUHART: So that was 7 May?

Mr Mrdak: That's correct.

Senator URQUHART: Was that policy development in Minister McKenzie's office? Or where did that come from?

Mr Mrdak: I believe the policy commitment was developed by the former minister, Minister McKenzie, and her office and obviously through the government's policy development process in the lead-up to the election.
Senator URQUHART: I'm sorry?

Mr Mrdak: The government's development of policy which it took to the election.

Senator URQUHART: There was a pretty distressing crash between a school bus and a tractor on the Sunraysia Highway last Friday in the town of Lexton in western Victoria. Thirteen people were taken to hospital, including one who was airlifted to the Royal Melbourne Hospital in a serious condition. A report in *The Courier* indicates those with Telstra mobile phones had no coverage whatsoever, while Optus customers had one bar of intermittent coverage throughout the unfolding drama. Numerous emergency services took to calling for assistance from the general store landline. There were children on the bus trying to call their parents. This is not the first time that a lack of mobile coverage has compounded the distress of accidents in this town. A mobile black spot tower had been promised to Lexton as part of the round 2 program. Round 2 outcomes were announced in December 2016. Can you tell me why this tower hasn't been delivered and when it is expected to be operational?

Mr Paterson: Firstly, my sympathies for what happened in that community. That particular location is one where Optus is still looking for a suitable location for them to construct a base station on. I believe—my latest advice from this morning is that the council believes there is a suitable site, but Optus is currently negotiating with council around that.

Senator URQUHART: So is that why it hasn't been delivered?

Mr Paterson: Correct—issues in finding a suitable location.

Senator URQUHART: Do you know when it's expected to be operational?

Mr Paterson: It depends on the conclusion of the negotiations and then the time it would take to build it. We haven't given an extension beyond 30 June next year.

Senator URQUHART: You haven't? Did you say you haven't or you have?

Mr Paterson: No, it won't be built beyond 30 June next year, because we haven't given an extension for that. I can see if I have an updated rollout—

Senator URQUHART: So the reasons for the delay are effectively a suitable location for Optus and the negotiations with the council?

Mr Paterson: Yes, and there are a number of aspects to that. I can't really go into much more detail without getting further advice from Optus. It could be that the location—I understand that it's probably not particular planning issues there. It may more relate to whether it's in a suitable location from Optus's point of view, is there power, is there—

Senator URQUHART: What does that mean, Mr Paterson, from Optus's point of view?

Mr Paterson: Well, does it meet the coverage metrics that we're requiring them to meet under the contract.

Senator URQUHART: In April we established that 167 mobile base stations promised by the Mobile Black Spot program had yet to be switched on. Can you tell me how many towers from round 1 are still not operational?

Mr Paterson: Yes, Senator. These numbers are from a couple of weeks ago. Based on the numbers I have at the moment, out of the 499 round 1 base stations, there are 28 that are still to be constructed.
Senator URQUHART: Still to be constructed. So how many from round 2 are still not operational?

Mr Paterson: We funded 266 under round 2. There are 232 that have been constructed, which means we have 34 base stations still to be constructed under round 2.

Senator URQUHART: And how many from round 3?

Mr Paterson: You are testing my maths, Senator, but okay. For round 3 there are 102 base stations and 43 are on air, which means we've got 59 still to be constructed.

Senator URQUHART: Okay. And do you have time frames for the 28, 34 and 59—when they will be operational?

Mr Paterson: I would prefer to take that on notice because, as I said, it's on a base station by base station basis.

Senator URQUHART: That's fine—if you could take that on notice. Just finally on the black spots—and you're testing my maths, Senator, but okay. For round 3 there are 102 base stations and 43 are on air, which means we've got 59 still to be constructed.

Senator URQUHART: Okay. And do you have time frames for the 28, 34 and 59—when they will be operational?

Mr Paterson: I would prefer to take that on notice because, as I said, it's on a base station by base station basis.

Senator URQUHART: That is exactly perfect.

Mr Paterson: Thank you. So obviously you need to do the backhaul component first. I am checking my timing. I've got 12 months from now—that is the time frame I've been given for all of that. I do know we're in discussions with Telstra at the moment about whether the Tullah base station can be done earlier than that, but I don't have a conclusion on that.

Senator URQUHART: Can you take that on notice and provide a bit more detail?

Mr Paterson: I'm happy to, Senator.

Senator URQUHART: So, just with rounds 5 and 6 of the black spot program, will they deliver the extra 550,000 square kilometres that will meet that $1 million target?

Mr Paterson: It's hard to know the extent of the coverage outcomes from those rounds until we've completed the rounds. My expectation is those rounds by themselves will not deliver that 540,000 square kilometres, but how close we go I really can't judge.

Senator URQUHART: So, if they won't meet that target, why wasn't that commitment reflected in the medium-term estimates for budget?

Mr Paterson: Firstly, that's a decision for government. We've got two programs live there and we also have the Regional Connectivity Program and a number of other initiatives. As I mentioned earlier, there are other things such as new technologies and so forth within a six-year time frame. At this point in time it's about delivering the programs that are within the budget and then seeing where we're placed.

Senator URQUHART: Can governments make on-the-run commitments without the costs actually being reflected in their budget position?
Mr Paterson: That's not a question I can answer, Senator.

Senator URQUHART: Regarding the 450,000 square kilometres of coverage which has been contracted, is that referring to completely new coverage?

Mr Paterson: It's all new coverage. New coverage has a number of aspects to it. It's brand-new handheld coverage. It's handheld coverage that was previously external antenna and has been upgraded. It's brand-new external antenna coverage and it's also coverage for a particular carrier—the carrier's customers themselves. So there might be an overlap with another carrier, but there is a benefit to, say, Optus's customers. It includes that. So it's what we've contracted for.

Senator URQUHART: So that may include coverage which overlaps an existing coverage area?

Mr Paterson: From another carrier.

Senator URQUHART: Alright. That's all I have on black spots. I've got some on the National Relay Service. Can you tell me where the National Relay Service help desk is operated and who it is staffed by?

Ms Silleri: The National Relay Service help desk is staffed by—it's run under contract by WestWood Spice and they subcontract to Concentrix. It's currently run out of Ballarat.

Senator URQUHART: Okay, so it's not departmental staff?

Ms Silleri: No, it's not.

Senator URQUHART: How many staff does the help desk have?

Ms Silleri: I'd have to take that on notice, Senator.

Senator URQUHART: Any idea?

Ms Silleri: Half a dozen.

Senator URQUHART: If you can clarify that on notice.

Ms Silleri: I'll confirm that.

Senator URQUHART: What type of support is provided for National Relay Service users who want hands-on training? And who provides that on the ground?

Ms Silleri: The process that I understand you may be talking about is the process we'll go through once we've transitioned from current Relay Service provider to the new Relay Service provider—when people who have a CapTel handset will no longer be able to use the CapTel handset as part of the Relay Service. What will be occurring, and I think as Mrs McNeill mentioned earlier, is that we are firstly establishing contact with those people who we haven't already contacted to establish exactly what their communication needs and preferences are. Once we're aware of that, we'll then be reaching out to them individually. The department will be managing this process in conjunction with a variety of providers, such as the Be Connected program, which is run through the eSafety Commissioner's office. They work with a program called Good Things Foundation, which has networks across Australia which primarily help to run programs for predominantly older Australians on how to make the most of technology and communication. So what we'll be doing is assessing people, because it's a very—no one size fits all for people. We want to assess what communication equipment people have in their...
home now, what they're comfortable using and what they currently use their CapTel handset for.

Senator URQUHART: I understand the department released an NRS consultation paper on 24 March 2016 titled 'Communications accessibility: 2016 and beyond'. That's correct, isn't it?

Ms Silleri: Yes.

Senator URQUHART: The department's website indicates the NRS consultation outcomes or an update to them was published on 5 September 2018. Is that correct?

Ms Silleri: I'd have to check those dates, but that sounds about right.

Senator URQUHART: So the 25-page consultation paper released in 2016 seeks no feedback on the potential removal of CapTel as a delivery option. Why is that?

Ms Silleri: It's related to what Mrs McNeill mentioned earlier. We've at no stage had any preference for any particular type of technology. Our interest has been in a service that meets the needs primarily of people who prefer to speak their side of the conversation, those who would prefer to text or type their side of the conversation and those whose language is Auslan. There are a variety of ways of doing that. The CapTel handset is one for people who prefer to speak their side of the conversation, but there are other mechanisms, so we had no preference for the type of technology to be used.

Senator URQUHART: So there are various different types of technology?

Ms Silleri: Yes.

Senator URQUHART: Does the department of communications consider TTYs to be outdated and proprietary technology?

Ms Silleri: They're not proprietary technology. They are an older piece of technology, but they are not proprietary. There are ways they can, for example, be improved in the delivery of services to people who prefer to speak their side of the conversation and who perhaps may have some hearing but also like to receive text.

Senator URQUHART: I refer to the consultation paper. It says, 'What sort of transition process would be appropriate in phasing out legacy proprietary technology such as the TTY access to the NRS?'. Given the department explicitly referred to TTY as legacy and proprietary technology and even went so far as to seek feedback on phasing it out, why is the government forcing CapTel users onto TTY devices?

Ms Silleri: In the first instance we're not forcing people to use the TTY. It's one option that people can use. In 2016 the communications landscape was significantly different to what it is now. There are many other ways people can get captions on a screen at the same time as using a communications device, such as with smartphones, iPads and combinations of those with landline phones. So it is a significantly different landscape from what it was in 2016.

Senator URQUHART: How many different types of technology are you actually offering people?

Ms Silleri: Under the new service arrangements there are a number of different channels through which you can use the National Relay Service. We prefer to look at it in terms of the device, because that's what people are most familiar with. So, with a mobile phone, people can—I have an infographic—
Senator URQUHART: Do you want to table that if it's easier?

Ms Silleri: I'd be happy to table it. Basically it shows what people can do with a mobile phone, what people can do with a computer or tablet, what people can do with a TTY and what people can do with a landline phone. In all, the number of combinations is 20.

Senator URQUHART: Thank you. The 25-page NRS consultation outcomes paper—the one that I referred to from September 2018—does not appear to make any mention of removing access to CapTel. Why is that?

Ms Silleri: I'd have to revisit that document, but primarily it would be around the fact that we weren't focused on any particular technology at that time. But I'm happy to take that more detailed response on notice.

Senator URQUHART: Prior to the tender outcome, did the department engage directly with users of CapTel services or their families for their feedback on actually removing the service?

Ms Silleri: No, we did not. One of the reasons was that we were in a procurement exercise. It's not appropriate to, I guess, speak about the outcomes or potential outcomes of procurement exercises until they are known.

Senator URQUHART: Did the department undertake any direct consultation with users of CapTel and their families over the course of the tender process?

Ms Silleri: No, we did not.

Senator URQUHART: Mr Mrdak, as secretary of the department, what are your expectations in relation to how elderly deaf Australians and their family members should be consulted on changes that will impact them?

Mr Mrdak: As I think you have gathered from my officers, we are trying to provide the best possible technology choices for all Australians who require this service, including—

Senator URQUHART: But without consultation?

Mr Mrdak: I am coming to that, Senator, if I may. The difficulty has been, as Ms McNeill has indicated, that we've not had access to the client list of the CapTel handset. We are seeking that from the current provider. We hope that provider will make that list available as per the direction from the minister. Should that be the case then our intention is to contact each and every one of those parties to explain to them the menu of choices and to find the service offering that best suits their needs. We've already started that through the work that my team has been doing. We've been maintaining a register of people who've contacted us and we've been doing that with those individuals. Our intention is to provide them with a suite of technology. As we've indicated, we've always been technology agnostic to some degree. We are looking for the best possible option that meets people's needs. We've never ruled out CapTel. It's just that, unfortunately, it's been the case that throughout the tender process CapTel has had a proprietary relationship with a certain provider and it's not been possible to make that technology available to an alternative provider. We've been testing that. We remain in discussions with the providers of CapTel—I'll ask Mrs McNeill to give you an update on that—seeking their ability to continue to provide the CapTel handset beyond the current contract. To date that's not been possible for proprietary exclusive reasons that they have. But we are hoping to break through that. I'll ask Mrs McNeill to give you an update on it.
Mrs McNeill: As Mr Mrdak said, the CapTel technology is proprietary technology. The current provider, Australian Communication Exchange, has an exclusive licence to use that technology. If we had gone to the market in our tender process requiring the provision of CapTel services, that really would have meant that only one entity in Australia could have submitted a compliant tender. We weren't wedded to that technology. We didn't exclude it. We welcomed the prospect of a bid from the current provider that included CapTel, but we also welcomed the submission of bids from others. Then we made an assessment based on the criteria and we made a selection of the successful tenderer. We are concerned to ensure that users of the CapTel service have as easy a transition path as possible. So we have reached out to the American owners of the CapTel technology in the past few months to see whether it might be possible to come to some arrangement which would see CapTel users grandfathered—to have an extended transition period—so that they would have a longer opportunity to familiarise themselves with the alternatives. Those discussions are ongoing. I think I'd better leave it at that.

Senator URQUHART: Where are they at? What is the likely time frame for that finalisation?

Mrs McNeill: If it was to come to fruition, it would need to happen quite swiftly. Those discussions—the detail of them is confidential, but—

Senator URQUHART: I didn't ask you about the detail—

Mrs McNeill: No.

Senator URQUHART: I asked you about the time frame.

Mrs McNeill: Given that we are looking at transitioning in the new provider starting in November and at the moment concluding the CapTel service at the end of January, we would obviously need to reach an agreement in the very near future.

Senator URQUHART: If those negotiations are not successful in terms of grandfathering or extending, what happens to those people who are using CapTel now?

Mrs McNeill: The people who are using CapTel will have other communication and Relay Service options. Ms Silleri has tabled the infographic that has the options on it. If I can direct your attention really to any of the options, where you'll see the description of voice and captions, they're the sorts of options that people who are currently using CapTel are likely to find most convenient—either by mobile phone or tablet or computer or computer in conjunction with a landline. People will be able to make a voice call and, provided they have a screen, they will be able to get the captioned or what we call the B party side of the conversation—the other party's side of the conversation. The Relay Service officer who is providing that captioning is providing a re-speaking voice recognition technology that's very similar or the same thing, really, as what happens with CapTel—there's a relay officer involved in re-speaking the B party's side of the conversation. The speed at which the captions are presented is similar, so the user experience will be similar to that extent. You'll get virtually simultaneous captioning. That's a little bit different from the TTY units, which don't rely on re-speaking technology. They rely on a Relay Service officer actually typing to transcribe the B party's side of the conversation. For that reason the TTY units tend to give users a slower experience than those other captioned Relay Service options.
Senator URQUHART: Except we are talking about a number of elderly deaf Australians who struggle—will struggle, I assume—with new technology and may be forced onto a new technology because their current one is not available.

Mrs McNeill: They may, and I don't discount the challenges that some of those users will face. On the other hand, many elderly Australians are comfortable using mobile telephones and tablets. It's not a perfect sample set, of course, but my own mother spends an inordinate amount of time Skyping my brother in London. Elderly people can be taught technologies with which they are less familiar. As Ms Silleri has outlined, our intention is to go to the CapTel users to test the equipment that they currently have and the equipment that they are comfortable with and to provide tailored assistance. It may well be that some of them don't want to move to some of the other Relay Service options. We've had the interesting experience of some of the CapTel users who we've reached out to being quite surprised that there was even a Relay Service operator involved. They hadn't appreciated that. So some of the users may choose to go with mainstream technology that doesn't involve a Relay Service operator. We see, for example, the advent of captioned Skype or the use of text to mobile phones. There are a lot of different options available these days.

Mr Mrdak: Senator, just going back to the earlier point that you made, I can assure you that our officers are making every effort and if we are able to contact each of those CapTel users we will make every effort, as you've seen from our officers, to contact them and find the best solution for them. In many cases I think the menu of options will be better than what they have had with the CapTel for some of them. That's certainly our intention. We certainly—and were we able to reach an agreement with the proprietary holders of the rights to CapTel then we would like to have a continuation of that. That's not been possible for a variety of commercial exclusivity reasons which we haven't been able to overcome.

Senator URQUHART: So can you describe the decision-making process in relation to the tender outcome? Who makes the recommendation, who is the final decision-maker and what's the role of the minister in this process?

Mr Mrdak: Senator, I'm the decision-maker. It's a contract administered by the department. There's been an evaluation of the tender process—and Ms Silleri can give you the details of that—but, ultimately, it's advice provided to me. I authorised and signed the contracts on behalf of the Commonwealth. It's not a contract involving the minister.

Senator URQUHART: Was the tender evaluation process completed before the caretaker period, during the caretaker period or after the election?

Mrs McNeill: It was completed during the caretaker period from memory. The limited tender process that I described this year commenced on 23 March—or that's when the request for tenders was distributed. Tenders were due in April, and the new tenderer was announced in June. So the assessment process would've gone on largely during the caretaker period.

Senator URQUHART: Was a recommendation to the government on the tender outcome made before the commencement of the caretaker period or after the election?

Mr Mrdak: No, we provided advice to the incoming government when the incoming government was formed on the results of the tender process and the contract that we entered into.
Senator URQUHART: So after the election. When was the decision on the tender outcome made?

Mrs McNeill: It was publicly communicated on 12 June and it was made shortly preceding that.

Mr Mrdak: We can take that on notice.

Senator URQUHART: After the decision was made, did the department facilitate any opportunities for the minister to use either a CapTel or a TTY device?

Mr Mrdak: At the minister's request, we provided through the new contract provider an opportunity for him to sample the CapTel and other technologies to get an appreciation of the issues involved.

Senator URQUHART: So, prior to finalising the tender outcome, did the department undertake any user-base testing with elderly CapTel users to understand what benefits they associated with CapTel and how these benefits compared to a TTY?

Mrs McNeill: We didn't undertake specific user testing, but we were conscious of the different characteristics that the different service options and offerings had.

Senator URQUHART: In terms of the minister taking the opportunity to use CapTel, was that testing facilitated before or after the announcement?

Mr Mrdak: It was post the announcement. We advised the incoming minister on his appointment of the fact that we had contracted to provide an alternative provider.

Senator URQUHART: Okay, and then he had a test of it?

Mr Mrdak: Yes.

Senator URQUHART: On 16 April 2018, the minister pledged on national TV that no NRS user would be worse off as a result of the tender. Is it the view of the government that no NRS user will be worse off as a result of switching from CapTel to an alternative service?

Mr Mrdak: We are working hard to make sure that the transition means that everyone, we would hope, is using better technology that meets their needs. Some of that is dependent on us being able to contact the CapTel users, which we are endeavouring to do. That remains our objective.

Senator URQUHART: How many CapTel users are there, do you know?

Mrs McNeill: As of May this year, there were around 2,000 active CapTel handsets and, by that, we mean they are used for longer—

Ms Silleri: In May of this year, 2,016 handsets were used; 1,500 were inactive.

Senator URQUHART: Inactive?

Ms Silleri: No calls were made.

Senator URQUHART: Is the new NRS contract with Concentrix based on a call minute rate or is it a flat fee irrespective of the demand for the service?

Ms Silleri: The contract is for $66 million over three years but, within that, there are call minute rates and fixed and variable amounts. The call minute rates make up part of the variable elements of the contract—there are fixed elements of the contract—but it will not exceed $66 million over three years.
Senator URQUHART: The words 'captioning rate' reflect the pace at which spoken communication is captioned over a text relay service. A faster rate provides for a better experience and more natural conversation. Can you tell me what the typical word-per-minute captioning rate is on a CapTel device; and then what is it on a TTY?

Ms Silleri: I'll check whether I have that information with me—I do have it, and I can get it to you on notice. I'm not sure if I have it with me.

Mrs McNeill: From memory, the CapTel caption speed is up to around 130 words a minute; and the word speed on a TTY unit is around half that. That reflects, as I indicated earlier, the use of the respeaking technology as opposed to the typing that is involved when the Relay Service operator is affording a service through the TTY unit.

Ms Silleri: And the caption relay that is provided over a computer, a smartphone or a tablet is equal to that of a CapTel handset.

Senator URQUHART: So the CapTel device is almost twice as fast as TTY?

Ms Silleri: Yes.

Senator URQUHART: What's the average length of a CapTel call versus a TTY call?

Ms Silleri: I'd have to take that on notice—I may not be able to get that information, but I will endeavour to get that for you.

Senator URQUHART: If CapTel reduces call duration because the technology's more efficient, wouldn't that, in theory, reduce the number of call minutes being carried by the National Relay Service and potentially the cost?

Mrs McNeill: That rather depends if the CapTel users migrate to TTY units or migrate to the other service offerings that Ms Silleri has referred to—smart phones, tablets, computers, computers in conjunction with landlines, and so forth. So there is no reason to expect that CapTel users will all migrate to TTY units.

Senator URQUHART: If every current CapTel user switched to TTY and used the phone the same, that would have the effect of increasing the number of total call minutes? That's correct, isn't it?

Mrs McNeill: It would, but under the arrangements with the new provider, there is a cap to the fees that will be charged.

Senator URQUHART: Data from the National Health Survey shows the number of Australians over the age of 65 with deafness or hearing impairment has increased by 200,000 since 2012. So that's a 20 per cent increase. Why is the NRS operational funding decreasing by 20 per cent when the population that would potentially need to rely on the NRS has increased by 20 per cent?

Ms Silleri: It's important to just perhaps take a step back in terms of the CapTel handset. The majority of the National Relay Service is used by people who are deaf. They are all deaf, hearing-impaired or speech impaired. The CapTel handset was distributed without any form of needs based testing. Anybody could have a CapTel handset. It's important to understand that there may be people using the CapTel handset because they like it but they may not need it. I think it's very important that we make sure that the National Relay Service is available for those who need it, who may not have other options. We are cognisant of the ageing population and the incidence of hearing impairment in the ageing population, but we're also
very well aware that as people are ageing now, me included, we are very familiar with modern technology and everyday more and more apps are appearing which caption your phone calls. You can look at somebody and have the captions appear as you're talking to them—FaceTime, et cetera. While we're not ignorant to the facts of the ageing population, we are also very concerned that the National Relay Service is available for those who need it.

Senator URQUHART: Do you consider it reasonable for CapTel users with, say, an average age of 80 to rely on iPads and tablets which they might not have comfort or familiarity with—I take Mrs McNeill's point earlier that some do, but there's quite a lot that don't—to make emergency calls?

Ms Silleri: That's exactly why we want to reach out to those people and understand their needs and their communication preferences. It's also worth noting, if they did have a TTY, that the TTY has a dedicated emergency call number, 106, where the National Relay Service operates in exactly the same way that the emergency call person operates. So a call to 106 is like a call to 000 and any call to 000 through the National Relay Service is prioritised and over the last year there have been over 1,500 calls to 000 through the National Relay Service, and they have all been dealt with successfully.

Senator URQUHART: Wouldn't you want to understand what the needs of those people are before the tender?

Ms Silleri: We conducted that consultation process that you mentioned in 2016.

Senator URQUHART: But not with the people, though? Not with the people that use the service?

Ms Silleri: Yes, that was an open consultation process.

Senator URQUHART: In 2016? What steps is the department taking to ensure audiologists are recommending the NRS to elderly Australians with acquired hearing loss? Have you had conversations with audiologists in the past 12 months?

Ms Silleri: Not in the past 12 months. That was previously an outreach program. As soon as we have completed our transition process, the department—I think I have mentioned this to you at a previous estimates hearing—has taken responsibility for outreach for the National Relay Service within the department. The program with audiologists, health professionals, other government departments and financial institutions, making all of those organisations aware of the National Relay Service, will be a key part of our outreach services.

Senator URQUHART: CapTel currently makes up one in two call minutes over the NRS while the TTY only makes up one in 10. Why is that the case?

Ms Silleri: That was a figure of some months ago and that ratio has actually changed in the last three months.

Senator URQUHART: What is the ratio now?

Ms Silleri: The CapTel calls are about 40 per cent now. As Mrs McNeill said, it has been popular and the handsets were distributed without any—they were freely distributed handsets.

Senator URQUHART: On the NRS website, it says:

Unlike the CapTel phone, where the other person's words appear in blocks of text, with a TTY, the captions will appear letter by letter shortly after the other person speaks. This can make it easier for you to quickly recognise words spoken by the other person.
What evidence did the department rely on to assert a TTY makes it easier to read text than a CapTel device?

**Ms Silleri:** Some advice from people who had been working in the field for some time about that cognitive process you go through—you see three letters and you understand what the word is going to be. It's important at this point to point out as well that there will be a change to TTY under the new arrangements, where unlike now, if you have some hearing, which we understand many CapTel users do have, you will be able to hear the other side of the conversation. Currently you can't; you're totally reliant on the text. But under the new arrangements you will be able to hear that other side of the conversation as well as being prompted by the text.

**Senator URQUHART:** Can the department explain how a single line of scrolling text on a six-millimetre high LCD banner provides a better reading experience than the large CapTel display with multi-line 10 millimetre text? How is that going to work? You've got smaller text and a smaller banner as opposed to a large one with larger text. How is that going to be easier?

**Ms Silleri:** It's a very comparable experience.

**Senator URQUHART:** Comparable?

**Mrs McNeill:** I would like to state that TTY is not the only alternative or even the best alternative for many CapTel users. The captioning experience using the internet relay options will be very comparable to the CapTel captioning experience. So if, as you say, there is a cohort of users who would prefer that different, larger text experience, that will be available.

**Senator URQUHART:** You said it was a comparable experience. Based on whose feedback is that?

**Ms Silleri:** That is from our own experience.

**Senator URQUHART:** Your own, not the CapTel users?

**Ms Silleri:** No. What options are available for elderly Australians who have trouble reading the text on the Uniphone TTY?

**Ms Silleri:** As Mrs McNeill just suggested, there is the option for using computers, smartphones, iPads, any other type of tablet.

**Senator URQUHART:** Does the department expect the total number of call minutes to reduce under the new NRS contract?

**Ms Silleri:** We haven't forecast that, but it's a possibility.

**Senator URQUHART:** The 2016 consultation paper states, 'The previous government agreed with eligible carriers in 2012 to an annual funding allocation of $20 million excluding GST for the NRS to be drawn from the Telecommunications Industry Levy.' If the then Labor government agreed to a funding cap of $22 million per annum GST inclusive, why did the Department of Communications enter into a demand driven delivery contract?

**Ms Silleri:** As to the contract at the time—my understanding was that bids were sought from companies that proposed that they would deliver the service for that amount of money.

**Senator URQUHART:** On how many occasions has the government extended the contract?
Ms Silleri: I think three, but I will take that on notice for you.

Senator URQUHART: So, three, but you will correct that if that is not right?

Ms Silleri: Yes.

Senator URQUHART: Given that a demand driven funding contract was in place, how was it envisaged funding requirements beyond $22 million that were a result of increased demand for NRS services would be funded?

Ms Silleri: Technically speaking—and I will take that on notice as well—it wasn't classified as a demand driven contract. It was a funding allocation of $22 million for the delivery of the National Relay Service. The provider was expected to remain within those costs. However, when they exceeded them, the shortfall was met through the levy.

Senator URQUHART: In the years where NRS delivery costs exceeded $22 million, who bore the additional costs? Was it the taxpayer or industry via the telecommunications levy?

Ms Silleri: The Telecommunications Industry Levy is made up of an appropriation from government and contributions from telecommunications industry participants.

Senator URQUHART: So, that's where the shortfall came from? Why do calls using a TTY take longer to set up through the NRS than CapTel, and can you explain the difference between the call setup process?

Ms Silleri: As to your first point about the costs, the new contract for the relay service is capped at $66 million for the three years. The setup arrangement is that the user contacts the National Relay Service and advises where they want to call. The relay service officer connects that call and performs whatever role is required, whether it is to speak or to type, on behalf of the relay service user. The CapTel user dials directly, and the relay officer is in the background.

Senator URQUHART: I understand the CapTel handset allows older deaf Australians to have voicemail messages captioned through the press of a button. That's correct, isn't it?

Ms Silleri: That's my understanding.

Senator URQUHART: Can you confirm it is not possible to have voicemail messages captioned with the Uniphone TTY?

Ms Silleri: I will take that on notice for you.

Senator URQUHART: So you don't know that?

Ms Silleri: I don't know that off the top of my head?

Senator URQUHART: What is the cost of a Uniphone TTY if you are not a customer of either Telstra or Optus and you can't access the disability equipment program?

Ms Silleri: Just for background, the TTY was the replacement for the standard telephone, if you have a disability. It was available via Telstra's or Optus's disability program for the same price as a standard telephone—so a couple of dollars a month. I understand the purchase of a new Uniphone is about $800.

Senator URQUHART: So, if you are not a customer of Telstra or Optus and you have to buy a Uniphone TTY, it is going to cost around $800?

Ms Silleri: They cost around $800.
Senator URQUHART: There was up to about 4,000 Australians using a CapTel handset. How many TTY handsets are there in the country at the moment?

Ms Silleri: I am not sure how many are in the country at the moment, but we are actually discussing that with Telstra and Optus currently.

Senator URQUHART: So you have no idea?

Ms Silleri: I wouldn't like to hazard a guess or put my assessment there, but we are in discussions about the access of TTYs at the moment.

Senator URQUHART: Is it a few hundred?

Ms Silleri: Yes.

Senator URQUHART: What supply assurances has the department received about the ability to procure several thousand TTY handsets before February 2020?

Ms Silleri: As I just mentioned, we are in discussions about that at the moment.

Senator URQUHART: Who is responsible for managing that risk, and can you tell me how the department is monitoring it?

Ms Silleri: That will be departmental responsibility in the first instance.

Mr Mrdak: Sorry? I didn't catch the last part of that sentence?

Senator URQUHART: I just asked about what supply assurances has the department received about the ability to procure several thousand TTY handsets. Ms Silleri said there were discussions happening around that. Who is responsible for managing that risk, and how is the department monitoring that risk?

Mr Mrdak: It again will come down to working with the recipients of the service to make sure. We shouldn't assume the TTY will be the replacement technology. In many ways, TTY is adequate for some, but I think as Ms Silleri and Mrs McNeill have indicated, we think there is technology that better suits people's needs. I don't think the availability risk is as you set out, because we don't see TTY being the answer for everyone who is coming off the CapTel system. There is no shortage of mechanisms available through mobile phones and other things which will actually be the right answer for a lot of people. While we have been working through those issues, we don't believe that is a risk.

Senator URQUHART: Do these TTY handsets have to be manufactured or are they reconditioned units being imported from overseas?

Ms Silleri: I don't think they are being manufactured, and I am not sure they are reconditioned. I understand they are new units, but I will take that on notice for you.

Senator URQUHART: I refer to an article in the Australian Financial Review which revealed the CEO of the current NRS provider is also a director of CapTel, which distributes the CapTel handsets. According to ASIC registries, the CEO became a director of AccessComm on 11 April 2018. Does that accord with the department's understanding?

Ms Silleri: I think that the CEO of ACE is actually a director of another company, DFL, which has ownership/oversight of AccessComm, which is the distributor of the handset.

Senator URQUHART: I talked about 11 April 2018. Is that when the director appointment occurred or was it earlier than that?

Mrs McNeill: Is this the directorship of AccessComm that you are after?
Senator URQUHART: Yes.

Mrs NeNeill: I will find the information for you.

Senator URQUHART: Can you tell me, when did the department first become aware of this conflict of interest? How did it become aware, and what actions did the department take?

Mrs NeNeill: I will pause my search for the date verification. The conflict of interest involved in the CEO of the incumbent being a director in a holding company of the handset distributor? I wouldn't know when. The department has been aware of that for some time.

Senator URQUHART: Do you know when the department became aware?

Mrs NeNeill: I couldn't tell you a date. I could probably look into that for you.

Senator URQUHART: If you could take that on notice. Do you know how you became aware and what actions did the department take, if any?

Mr Mrdak: We will check those details, but I think it is important to recognise that the issues—perhaps 'conflict of interest' may not be the right way to describe it. But certainly the issue for us revolves around the exclusivity and the nature of the relationship between ACE, the contract provider, and the availability of the handset. We have been trying to work through that for some time. We have been trying, as the officers have indicated, to find a way to enable that technology to continue. Unfortunately, because of the exclusivity of the relationship, we haven't been able to achieve that. That's been one of the fundamental problems we've faced.

Senator URQUHART: I understand ClearSound is the distributor of the Uniphone 1150 TTY in Australia. Is that correct?

Ms Silleri: That is my understanding.

Senator URQUHART: Who owns the proprietary licence to the technology that underpins the Uniphone 1150? Is it UltraTech?

Ms Silleri: Yes.

Senator URQUHART: Who owns the licence for the CapTel technology?

Ms Silleri: UltraTech.

Senator URQUHART: Does the current NRS contract make it possible for the Commonwealth to acquire that CapTel licence or have it transferred to them? Is there a mechanism that exists in current contracts?

Mrs NeNeill: There is a mechanism which can be activated at the end of the exclusivity arrangement.

Senator URQUHART: Which is in?

Mrs NeNeill: At the end of January.

Senator URQUHART: Has the department made any attempt to speak with UltraTech about the CapTel licence?

Mrs NeNeill: Yes, I indicated earlier that we had had some engagement about the prospects of a grandfathering arrangement.

Senator URQUHART: That's the grandfathering. The government tender sought delivery of the NRS for $22 million per year, a reduction on the $27.7 million of operational funding
in 2018-19. Did the department receive any bid for up to or less than $22 million which included retaining access to CapTel?

Ms Silleri: We are not able to discuss the content of bids made in a procurement process.

Senator URQUHART: When did the department first convey concerns to ACE or AccessComm about their unwillingness to share information about existing NRS users to assist with the migration?

Mrs NcNeill: It was shortly after a request was made. We advised the incumbent provider that a new provider of relay services had been selected, and we requested information to assist us with the transition.

Senator URQUHART: It is indefensible that that information has not been shared, given the importance of the migration, isn't it?

Mrs NcNeill: It is disappointing.

Senator URQUHART: Was the information sharing issue discussed during the tender process or prior to?

Mrs NcNeill: It was not, I don't think.

Ms Silleri: Referring back to our 2016 consultation process, one of the issues that has always been of concern to the department and the providers of services to this sector generally has been that we haven't had a good sense of the number of users, not just of the CapTel handset but of all aspects of the National Relay Service. One of the elements that was proposed and agreed/recommended coming out of that consultation process was a registration process to be associated with the National Relay Service that enabled the service provider and the department to have an understanding of the demographics that were being served by the relay service—their needs, their preferences, and how we could best communicate with them. That was always going to be something that was explored. I guess if that had been able to have been brought forward more quickly, we would have that information more readily. We went into this procurement exercise with the requirement that a registration process be implemented as part of the new National Relay Service, and once this transition has been completed a registration process will be commenced.

Senator URQUHART: In terms of that information sharing process, did the department make any attempt to obtain that information in the past two years? Or did you wait until you got to the tender process?

Ms Silleri: I'll have to check for you and I'll take that on notice. We've always been interested to understand the characteristics of the cohorts using various access options of the relay service. Whether that meant giving us the names and addresses so that we can communicate directly, I would have to take that on notice for you.

Senator URQUHART: On how many occasions has the NRS contract been extended by this government?

Ms Silleri: I think I referenced it earlier. I think with this current contract it has been three, but I will take that on notice.

Senator URQUHART: Can you tell me on what dates that was extended?

Ms Silleri: I will get that for you.
Senator URQUHART: Was the concern about lack of information sharing ever raised in the context of contract extensions?

Mrs NcNeill: As far as I'm aware, it was not in the context of contract extensions.

Senator URQUHART: Why was it necessary to wait until 1 October 2019 to issue such a determination? Was there any legal constraint which prevented this from being issued at an earlier time?

Mrs NcNeill: We were hopeful that we would be able to gain access to the information with the cooperation of the providers, and there are some general mechanisms in the contract, but we—

Senator URQUHART: So, you were hopeful?

Mrs NcNeill: We were hopeful, but the making of the determination and the effect of the determination is to really create a particular contract term. It's like introducing a new term in the contract. It gave us the mechanism of having a very specific cooperation obligation, one of which was around the provision of user details, and the other one of which is around the potential to have a message displayed on CapTel units or something of that kind. We think that's a very useful mechanism, because people who are engaging with their handsets will see it.

Senator URQUHART: But you were hopeful that you would get a determination?

Mrs NcNeill: We were hopeful, but the making of the determination and the effect of the determination is to really create a particular contract term. It's like introducing a new term in the contract. It gave us the mechanism of having a very specific cooperation obligation, one of which was around the provision of user details, and the other one of which is around the potential to have a message displayed on CapTel units or something of that kind. We think that's a very useful mechanism, because people who are engaging with their handsets will see it.

Senator URQUHART: You just hoped that you would get it, but there wasn't a legal constraint?

Mrs NcNeill: No, it was a question of the right time.

Senator URQUHART: My final question on this section—was there any link between telecommunications levy funding for the ACCC speed monitoring program and a reduction in the NRS delivery costs?

Ms Silleri: No, the levy is not used for the ACCC speed project.

Senator URQUHART: That is a 'no'?

Ms Silleri: That is a 'no'.

Senator MARIELLE SMITH: My questions are relating to audio description. My question is: when will blind and low vision Australians have quality of access to free-to-air television with audio description?

Mr Windeyer: I can't give you a date. I know the media industry or the broadcasting industry has convened a working group amongst itself to work through a range of technical issues associated with delivery of audio description. I'm aware that those considerations are ongoing within the industry, but I can't give you a date at which the introduction of audio description might occur.
Senator MARIELLE SMITH: Minister, I appreciate this is an area that you're engaged in as well, being a member of the Parliamentary Friends of Disability in the last parliament. Is it your expectation that audio description of free-to-air television in Australia is going to become a reality in this parliament?

Senator Reynolds: Given I've just come back to the table, can I take that on notice for five minutes and come back to you?

Senator MARIELLE SMITH: No problem. Labor senators asked for an update on audio description at Senate Estimates on 4 April 2019. Can I get some advice on what the government has done since then to progress the implementation of audio description in Australia both during caretaker mode and since the election?

Mrs NeNeill: There's little specific to report. I think at that point the previous minister, Minister Fifield, had written to the broadcasters. They have responded and indicated that they had some particular concerns. Since then, I understand the broadcasters have themselves established a working group. It remains a matter which is under consideration both by the government and by the free-to-air broadcasters.

Senator MARIELLE SMITH: So one letter has been sent? One letter has been sent; is that the summary? Or has it been an exchange of correspondence? You said the minister has written?

Mr Windeyer: The previous minister wrote to the broadcasters. I would have to check whether they have all responded, but there has certainly been communication back from the broadcasters to the government in response to that letter. As I said, there is work being done amongst the broadcasters themselves.

Senator MARIELLE SMITH: But from the government's perspective, nothing during caretaker mode or since the election under the new minister?

Senator Reynolds: I've had a quick consultation and I can confirm to you that the government is, and remains, committed to the timely and efficient introduction of audio description on Australian TV and is currently considering advice from industry, as mentioned by Mr Windeyer. We're taking advice from the blind and vision impaired community.

Senator MARIELLE SMITH: Didn't the government's own audio description working group, which reported about two years ago, work out the cost, timeframe, coverage and technology type for the implementation of audio description? Is that correct?

Ms Silleri: The audio description working group, which reported in 2018 I think, identified three mechanisms by which audio description could be delivered. Each of those had different costs associated with it. None of them was specified as part of the report from the working group. They offered a variety of options to broadcasters to pursue.

Senator MARIELLE SMITH: What was the point of that working group?

Ms Silleri: The point of the working group was to establish what were the various mechanisms by which audio description could be delivered, whether through terrestrial television, through catch-up services or via other elements, such as by apps.

Senator MARIELLE SMITH: Has the government been in contact with blindness and disability advocates to discuss the implementation of audio description since April 2019?
Ms Silleri: The department meets with people concerned about audio description on a reasonably regular basis. It's a topic of interest and it's a matter that is discussed.

Senator MARIELLE SMITH: Could you detail the nature of those meetings and discussions?

Ms Silleri: General discussions about a variety of issues, not just about audio description but about other issues related to communication services for people with disability.

Senator MARIELLE SMITH: Are you able to provide more detail to me on notice?

Ms Silleri: It won't be a lot of detail, but I can provide it.

Senator MARIELLE SMITH: That's okay; anything you have. As you mentioned, the report of the working group outlined three main approaches for implementing audio description. One was broadcast television, online platforms and a separate AD service. Why haven't any of these options been implemented yet?

Ms Silleri: That would be a matter for the broadcasters.

Senator MARIELLE SMITH: A matter for broadcasters?

Senator Reynolds: Can I perhaps provide information? On the outcomes of the working group—the report discussed in detail a number of options to increase the availability of audio description in Australia in accordance with their terms of reference. As has been said, the industry is currently working on identifying the most efficient way of delivering audio description, taking into account the current business models and existing technology. The report itself identified three main options for the delivery of audio description: firstly, via broadcast TV; secondly, via online platforms such as catch-up TV services; and, thirdly, via a separate service such as an app, with the audio description delivered separately but synchronised with the broadcast. My understanding is that we are expecting industry to report back on how they're going to implement that given all of those considerations by the end of this year.

Senator MARIELLE SMITH: What research evidence does the department have about the number of Australians with disability and their level of access to various communications technologies, including broadcast services and online platforms?

Mrs NeNeill: Was the question, what information do we have? I'm sorry?

Senator MARIELLE SMITH: I can ask the question again. What research evidence does the department have about the number of Australians with disability and their level of access to various communication technologies, including broadcast services and online platforms?

Mr Windeyer: Unless an officer at the table has something to add, I suspect that is probably one we can take on notice and come back to you with what we know.

Senator MARIELLE SMITH: That is fine. How will the government resolve issues relating to the digital divide in deciding what option or options to adopt?

Mr Windeyer: That is a question where we would be interested in understanding how the industry thinks is best to approach it, given they will be the ones that have to implement the provision of audio description and are best placed to work out what would work with their provision of services across Australia.

Senator MARIELLE SMITH: The government doesn't have a view on that.
Mr Windeyer: On what the best solution is? That is something the industry that has to run the broadcasting services and run the networks is best placed to give some advice on in terms of what the right option might be to deliver an audio description service across Australia.

Senator MARIELLE SMITH: But it's ultimately a decision for government policy, isn't it? It's not a decision for industry to make?

Mr Windeyer: As you pointed out, there are a number of ways in which an audio description service could be provided. It's not necessarily a question for government to determine the technological solution that will be used to deliver audio description. As we have said, as the minister pointed out, there's an expectation that the minister will provide some information to government by the end of the year. The previous minister has written, as we said, to the broadcasters about the introduction of audio description, but we are very interested in the broadcasting industry's own views about how best to give effect to the outcome.

Senator MARIELLE SMITH: But the industry would be advising on this; government is making the decision?

Mr Windeyer: Not necessarily making the decision on the technology.

Senator MARIELLE SMITH: What will the government do next to facilitate the implementation of audio description?

Mr Windeyer: I don't think I can speculate or give a view on what the government might decide to do until we've seen the next lot of information coming back from the industry.

Senator MARIELLE SMITH: Minister, did you have a comment on that?

Senator Reynolds: Nothing further to add.

Senator MARIELLE SMITH: How much longer is the government going to give the free-to-air broadcast sector to work out how to implement audio description and how to deliver audio description?

Mr Windeyer: Again, I can't speak for the government, but I think in a sense the question of timing is one that again will be informed by what the industry can let us know, which will be affected by a range of things, including the type of technological choices they make and how long the implementation timetable is for the particular approach they decide is most sensible from their perspective.

Senator Reynolds: Just on that, as I've said, the government really wants to make sure that it is as timely and efficient as possible. It depends on, as the Deputy Secretary said, what comes back from industry and how best to implement that in the new year.

Senator MARIELLE SMITH: I appreciate that, but is the government going to set a deadline? How long would that process be allowed to go for? If you're waiting on industry surely there is a point where we say that this is when it needs to be done by?

Senator Reynolds: I have said already that we are expecting it to come back by the end of this year.

Senator MARIELLE SMITH: Is that a deadline or an expectation?

Senator Reynolds: I will check, but we are expecting it back then.
Senator MARIELLE SMITH: If you could check and get back to me, that would be good.

Senator Reynolds: I will take the detail of that on notice.

Senator MARIELLE SMITH: Back to my question from before—the report of the government's working group outlines different technology options and has pros and cons with each. You say this is a matter for industry to consider, but won't industry act in the interests of the industry rather than the public on this? I'm not criticising industry here, I'm just trying to acknowledge that industry answers to mainly shareholders, and we're talking about a public interest test and for the government a test of policy.

Mr Windeyer: I can't obviously speak for the way industry is thinking about this, but from my perspective it makes sense to get industry to think about what is the most efficient way of introducing and delivering an outcome for the particular community. Different choices will have different costs for industry. They will also have possibly different implementation timetables. There's a balance here that we would be keen for industry to strike such that they can make the necessary investments to deliver the outcome in as timely a way as possible.

Senator URQUHART: From the standpoint of classical economic theory, would a tax on investment be more likely to increase investment or decrease it?

Senator Reynolds: Chair, I am not quite sure how this question is actually relevant to the official at the table? It seems somewhat esoteric and not relevant to this committee.

Senator URQUHART: Well, it is. Ms Holloway is the Chief Economist, I understand, and my question is: from the standpoint of classical economic theory, would attacks on investment be more likely to increase investment or decrease it? It's a pretty straightforward—

CHAIR: It is a straightforward question, but outside of the context of the portfolio. If you apply it to a portfolio policy—

Senator URQUHART: I am talking about the regional broadband levy. I made that very clear.

CHAIR: Apply it to a portfolio related question and it is very much in order. But as a standalone—

Senator URQUHART: I clearly said that I had some questions around the regional broadband levy.

Senator Reynolds: It is very hypothetical, at best.

Senator URQUHART: It is not hypothetical.

CHAIR: If you can be a little more specific in your question I am very happy to let that go through to the official.

Ms Holloway: With the regional broadband scheme, the branch that I look after, the Bureau of Communications and Arts Research, did the initial paper and examination into making the analysis that underpinned the options that went to government in relation to that scheme. I have a copy of the final report here. The process for doing that was that there was a discussion paper put out. This is going back some years now. And then a significant degree of consultation in relation to that. Then a final paper was released towards the end of 2016. I am very happy to go through the high-level findings of that paper. Would that be of assistance?
Senator URQUHART: If you could very quickly. Basically, what I am getting to is there is a regional broadband levy that is, I understand, being introduced. It is a tax on an investment. Therefore, the question is very simple. Under classic economic theory, is it more likely to increase investment or decrease it?

Ms Holloway: It's not a simple and straightforward question to answer in the sense that there would be a number of variables that could affect the tax. From a very straightforward economic perspective, a lot of it goes to whether there are the existence of externalities. A lot of it goes to the particular elasticities that relate to the circumstances of the market that that is relevant to. I am not seeking to evade the question. It is just that it is not a very straightforward question to give an answer to without giving due consideration to all of the circumstances around that.

Senator URQUHART: Thank you. I will leave it there. Can I now ask: has the department undertaken any modelling into whether placing a levy on non-NBN networks is likely to increase investment in those non-NBN networks?

Mr Windeyer: I think the answer is no. The focus around designing this particular levy has been to establish a scheme to ensure that there is a mechanism to cross-subsidise the investment that NBN was required to make in the non-commercial areas.

Senator Reynolds: I think there are two parts to answering that question, further to what Mr Windeyer has said.

Senator URQUHART: I think he has actually answered that question.

Senator Reynolds: I will come back to that in a minute.

Senator URQUHART: So, 10 days after the September 2013 election TPG announced they planned to deploy a fibre to the base network to half a million premises. Did TPG FTTB network up reaching half a million premises?

Mr Windeyer: I would have to take that on notice. I am not sure how extensive the TPG network is.

Senator URQUHART: Mr Madsen, do you have any insight into that?

Mr Madsen: I agree with Mr Windeyer. I think we would have to take that on notice.

Senator URQUHART: So you have no other insight into that?

Mr Madsen: No.

Senator URQUHART: Is it fair to say TPG scaled its rollout plan back after the Vertigan review and government first floated a levy on non-NBN networks?

Mr Windeyer: Again, I couldn't tell you the nature of the scaling of TPG's rollout off the top my head. I am very happy to take that on notice and see how we can answer it.

Senator Reynolds: I would have thought that is a commercial question for TPG, and not one for the officials at the table.

Senator URQUHART: Thanks, Minister. Has the department updated its original broadband levy modelling to estimate the levy charge, given the fixed wireless network is expected to cost at least half a billion more than what was assumed at the time of the original model development?
Mr Madsen: The department continues to believe the original modelling provides a sound basis for the calculation of the charge. That goes back to the extensive analysis the Bureau of Communications undertook at the time, where they were able to collect commercial information from industry participants and look at a range of those economic factors that enabled them to arrive at a cost estimate. While some elements of that may have changed over time, we believe that the estimates still represent a reasonable basis for the charge and the current estimated amount of the charge.

Senator URQUHART: How could it be sound when NBN has revised upwards its fixed wireless cost base by half a billion dollars? How can that be sound?

Mr Madsen: The factors that influence the calculation of the charge vary. Some of the key factors relate to the estimates of the number of premises that will be contributing to the charge. The costs were calculated over a very extensive period of time. The calculation that the bureau undertook looked at the potential costs that NBN might incur over a 30-year period, and within that gave some reasonable degree of freedom for those costs to vary. So, even though we are now aware that some of NBN's current costs have increased, we believe that over that 30-year period of the delivery of those services that doesn't represent a material change.

Senator URQUHART: That doesn't sound right. It was a half a billion revision and only over four years. It doesn't even reflect the increased cost over the 17 years between 2023 and 2040, does it?

Mr Madsen: As I have mentioned, we believe that over that extensive period of time, that—

Senator URQUHART: The period between 2023 to 2040; that is what you are referring to as the extensive period of time?

Mr Madsen: That's correct, yes. Because the modelling had anticipated cost variations over that time, it still represents a robust estimate of costs, even though there have been some changes in the costs NBN have incurred.

Senator URQUHART: What is the point of having a model and then not updating it when the data becomes available?

Mr Madsen: You may be familiar with the bills that were introduced into the previous parliament for the operation of the regional broadband scheme. In those bills, the scheme provided for the cost estimates to be updated every five years, and a revised costing to be undertaken by the Australian Competition and Consumer Commission. Through the mechanisms in the bill, it would enable the ACCC to collect more up-to-date data on the number of premises that would be contributing towards the charge, and the latest information from NBN on its costs of supplying those services. Our judgement is that there is a mechanism in the bill for those costs to be re-estimated if the bills are reintroduced into the parliament and if they are passed by the parliament.

Senator URQUHART: Given the levy has not been updated to reflect those increased fixed wireless costs, is it fair to say that the levy does not, strictly speaking, cost recover all the forecast losses associated with the satellite and fixed wireless networks? Or are we waiting for those bills to be introduced?
Mr Madsen: As I have mentioned, we believe that the most effective way of determining that is for the levy to be introduced and for the ACCC to undertake that process of re-estimating the costs, and that will determine the recovery and how those costs will be recovered.

Senator URQUHART: Given that the levy is not cost recovering on previous and future forecast losses, what is the purpose of the levy?

Mr Windeyer: I don't think we're saying it is not cost recovery. I think what we're saying is, in the interests in part of giving some certainty to industry, we've got a mechanism whereby the assessment of what needs to be recovered can be revisited over a five-year cycle. Having made an initial assessment, we are now in the position that we think the next best step is to get the levy introduced so there is a mechanism which allows for a contribution to be transparently calculated towards the fixed wireless and satellite costs. And then at least as the bills as they existed prior to the election provided for, there will be the ability to update that over time as required. That will mean an update of both the total costs from NBN's perspective as well as the question of how that breaks down as a levy per service in operation.

Senator URQUHART: You have the data. It was published in the NBN corporate plan and provided to the Senate last week on notice. Why is the department so afraid to update the model?

Mr Windeyer: It goes to the point Mr Madsen made that the calculation involved is a complex one which goes to considerably more than just the latest number or the sort of movement in numbers in the NBN corporate plan. It is a calculation considered over a considerable period of time, with a number of possible elements that can move around. Whoever is undertaking an update of the costing process will need to take into account a whole lot of factors, which will include needing to have the ability to gather information from the industry. The bill provides for those contingencies.

Senator URQUHART: Isn't it a row in a spreadsheet that you already have the data for? What is so complex about it?

Mr Windeyer: I can't speak specifically to the details of the model. I guess the point I'm making is there are a number of other things that may well have moved around that would need to be taken into account.

Senator URQUHART: What are those things?

Mr Windeyer: I don't have in front of me all of the elements that were considered in the context of the model.

Senator URQUHART: How many elements are there?

Mr Windeyer: I'm not sure. I can take that on notice for you. I don't have a copy of the model in front of me and I don't have a list of the elements that taken into consideration in front of me.

Senator URQUHART: If an NBN customer migrates to 5G, how would that impact the levy?

Mr Windeyer: If an NBN customer migrates to 5G, it doesn't change the amount of funding or the cost that needs to be recovered overall. The next time the levy per service is
calculated it may change the amount which is recovered from individual services. But it doesn't affect the overall amount of cost being recovered.

Senator URQUHART: Under the original proposal, the levy on fixed line providers would increase in order to offset the revenue foregone from the 5G substitution. That's correct, is it not?

Mr Madsen: The purpose of the levy is to provide a transparent and equitable funding base for NBN's loss-making services. The levy is designed to calculate the cost of delivering those services and calculate a charge. That charge is then imposed upon all providers of high-speed fixed line services, whether it be NBN or another telecommunications carrier. So, irrespective of who is delivering that service, they would all pay the same levy for the delivery of each fixed line service. So, if a customer went from using fixed line broadband to a mobile broadband service, that particular service would no longer contribute to the levy. But the cost of delivering those services would be apportioned across all of the remaining fixed line premises.

Senator URQUHART: If the levy is intended to provide a transparent charge, why can't you provide a transparent and updated model?

Mr Madsen: The charge was transparent in the previous bills.

Senator URQUHART: But the model is not?

Mr Madsen: The modelling process, as Ms Holloway has explained, was extensively consulted on over a number of years, both in terms of the methodology and the calculation, which has led to the estimate of the amount of the charge in the bills in the previous parliament, with the charge set at $7.10. That provides that transparency, both with the calculation methodology and the charge that industry will potentially face if the bills are reintroduced and they were to be passed by this parliament.

Senator URQUHART: Can I go back to my previous question, because I'm not sure you answered it. I asked how an NBN customer, if they migrate to 5G, would impact on the levy. Under the original proposal, the levy on fixed line providers would increase in order to offset the revenue foregone from the 5G substitution. Is that correct?

Mr Windeyer: I think the answer is, yes. That was what Mr Madsen was saying previously. The amount to be recovered won't change. The services that will contribute to recovering that will be apportioned across the remaining services that are contributing.

Senator URQUHART: Did the minister request any advice on an option that involved public subsidies instead of using the RBS?

Mr Windeyer: To be honest, this has been longstanding government policy to approach this issue in this particular manner. I would have to take on notice whether there's anything I can say about consideration of a public subsidies back when this was first being considered.

Senator URQUHART: You don't know if the minister asked for advice? Did the current minister request it?

Mr Windeyer: The current minister has not requested any advice around that. The current minister is on the record as talking about his intentions to revisit the bills as they existed in the previous parliament.

CHAIR: We are due to go to outcome 2? How much longer—
Senator URQUHART: I've got a few questions on the statement of expectations. I've got about 10 questions, so it would be better to keep rolling through.

CHAIR: Roll on.

Senator URQUHART: So, I've got the right people for the statement of expectations?

Mr Windeyer: The NBN statement of expectations?

Senator URQUHART: Are there other statements of expectations?

Mr Mrdak: Yes.

Senator URQUHART: Of course there are.

Mr Mrdak: We have one for every entity in the portfolio.

Senator URQUHART: I've got the right officers. Between October 2013 and April 2019, was there any written correspondence between the department and the NBN Co explicitly conveying the expectation of government that serving the enterprise market was a core mission of NBN Co?

Mr Madsen: Can you provide us with those dates again?

Senator URQUHART: October 2013 and April 2019. Who is going to have a stab at that?

Mr Windeyer: I'm not aware of anything off the top of my head, but very happy to take that on notice to confirm or check.

Senator URQUHART: You're not aware of any written correspondence?

Mr Windeyer: Nothing springs to mind, but we will take that on notice and check.

Senator URQUHART: Over that same period, October 2013 to April 2019, was there any correspondence between the government and NBN Co explicitly conveying the expectation of government that serving the enterprise market was a core mission?

Mr Windeyer: Again, I'm sorry. I will repeat my previous answer. Nothing springs to mind, but we will happily take that on notice.

Senator URQUHART: Has there been any correspondence to this effect since the last election?

Mr Windeyer: I'm not aware of any correspondence specifically relating to enterprise services.

Senator URQUHART: Just moving to the NBN statement of expectations, can you point me to the passage in the current statement of expectations which conveys the expectation that a core mission of NBN Co is to serve the enterprise market? Could you specifically point me to where that is?

Mr Windeyer: I'm happy to take that on notice and come back to you when I have digested the Statement of Expectations, but otherwise I need to sit and read it and see what it says.

Senator URQUHART: So, you don't know what the current statement of expectations says?

Mr Windeyer: You have asked me to point to a specific section that goes to the question of enterprise services. I just don't have the whole document memorised in front of me. I'm
very happy to have a look at it and see what answer I can provide, but I would need to sit and reacquaint myself with the statement of expectations.

**Senator URQUHART:** Under the current statement of expectations, is NBN Co required to deploy broadband to residential households?

**Mr Madsen:** The current statement of expectations requires NBN to provide minimum broadband speeds to all households.

**Senator URQUHART:** Thank you, Mr Madsen. Under the statement of expectations, is NBN required to deploy the network to existing enterprises or is that a discretionary commercial judgement for the company to make?

**Mr Windeyer:** If you have other questions that go directly to the statement of expectations and can give us a sense of them, I am happy to go away and—

**Senator URQUHART:** I think this is a pretty easy one for you to answer.

**Mr Windeyer:** Can you repeat that last question?

**Senator URQUHART:** Under the Statement of Expectations, is NBN required to deploy the network to existing enterprises or is that a discretionary commercial judgement for the company to make?

**Mr Windeyer:** I just don't want to make any comments around the way we've expressed the obligations to NBN in the statement of expectations without having the chance to sit down and read it and reacquaint myself with the detail. I'm very happy then to respond to the question. I just haven't read it in recent days. I would need to read it so I am in a position to be able to answer your question.

**Senator URQUHART:** It's pretty simple. My understanding of the statement of expectations—

**Senator Reynolds:** Senator Urquhart, the deputy secretary said twice now he needs to reacquaint himself with the document. He is willing to do that over the tea break. We've got NBN coming up. I think that's not an unreasonable—

**Senator URQUHART:** This is a question for the department, not NBN. That is why I am asking it here.

**Senator Reynolds:** What I'm saying is the deputy secretary said he wants to have that time. He'll come back this evening—

**Senator URQUHART:** Mr Madsen, do you have an answer? You answered the previous one. Can you tell me whether, under the statement of expectations, NBN is required to deploy the network to existing enterprises or is that a discretionary commercial judgement for the company?

**Mr Madsen:** I think Mr Windeyer has responded to that question.

**Senator URQUHART:** He actually hasn't. He said he'll take it on notice. On how many occasions in the previous term of parliament did the department raise concerns with NBN Co about the company using a lower cost of capital to overbuild areas which were considered adequately served?

**Mr Mrdak:** When you say how many times did we raise it—
Senator URQUHART: On how many occasions in the previous term of parliament did the department raise concerns with NBN Co about the company using a lower cost of capital to overbuild areas which were considered adequately served?

Mr Mrdak: I would have to take that on notice. We have ongoing discussions with NBN, including the corporate plan review. I'm not aware of any specific issue in the terms you have expressed it, but I will take it on notice.

Senator URQUHART: A fortnight ago the Vocus CEO called for a rewrite of the NBN statement of expectations. Has the minister asked the department to undertake any preliminary work on this or is the department doing any work of its own volition?

Mr Mrdak: I met with the CEO of Vocus last week following his public speech to the CommsDay conference. That's given me a very good understanding of his concerns. I'm having a look at those issues along with the NBN.

Senator URQUHART: Has the minister asked the department to undertake any preliminary work?

Mr Mrdak: We have certainly discussed the issue with the minister. We are having a look at the issues raised by Vocus.

Senator URQUHART: Over the past two years, has NBN Co made any request to the department or put forward any proposals seeking changes to legislation that would provide the company with greater flexibility in the enterprise market?

Mr Mrdak: Not that I'm aware of, but I'll take that on notice.

Senator URQUHART: Are you aware that NBN Co has shifted $200 million of previously planned capital expenditure away from its fixed wireless footprint?

Mr Madsen: I think you are referring to media reports today that relate to information regarding NBN's corporate plan. My understanding is that NBN has determined that there are likely to be fewer premises in the fixed wireless and satellite footprint and as a result in its corporate plan it had adjusted and indeed revised down the amount of capital it would need to spend activating premises in those areas.

Senator URQUHART: I'm not referring to media reports. I'm referring to facts contained in a question on notice. So, Mr Mrdak, can I go back to you? Are you aware NBN Co has shifted $200 million of previously planned capital expenditure away from its fixed wireless footprint?

CHAIR: Can you identify the question on notice for the officials?

Senator URQUHART: I will get that for you. At this stage, you're not aware, Mr Mrdak?

Mr Mrdak: I need to understand the context of the question. In the absence of understanding the question on notice that is involved, I think Mr Madsen was partway through explaining the issue to you in terms of the numbers within the fixed wireless footprint, which may underpin that advice you have. But I will look at that in the context of the tea break.

Senator Reynolds: If you can provide the number of the question on notice, we'll chase that up.
Senator URQUHART: I will do that. Mr Madsen was referring to media reports. I clearly said that was not.

Mr Mrdak: No, I think Mr Madsen was just reflecting the fact that there is some media today. The underlying issue of the numbers of potential customers within the fixed wireless footprint has been an issue that has been worked through the corporate planning process with NBN and is on the public record.

Senator URQUHART: I have a few questions around that area, so I am going to have to get you the question of notice number and then—

Mr Mrdak: We can deal with that this evening with NBN.

Senator URQUHART: I will come back.

CHAIR: Mr Eccles?

Mr Eccles: I might just clarify some questions that Senator Kitching asked of us earlier. In terms of the department’s expenditure on media monitoring through Isentia, in the previous financial year it was $33,948 per month, and in the current financial year it is $30,553.20 per month.

Senator URQUHART: So, that is the 2018-19—

Mr Eccles: So, 2018-19 was $33,948 per month for a total of $407,376.

CHAIR: Mr Mrdak, we thank the team for outcome 1.

[17:31]

CHAIR: Can we have officials for outcome 2?

Mr Mrdak: We will bring them to the table as issues arise.

Senator URQUHART: Can you outline for me the major differences between the new framework and the old?

Mr Eccles: This is the major performing arts—

Senator URQUHART: Yes, sorry. Apologies. It has been a long day.

Mr Eccles: That was canvassed earlier with Senator Hanson-Young. A lot of it will be on the record, but Dr Arnott might be able to summarise.

Mr Mrdak: In the interests of time, is it best that we take on notice—

Senator URQUHART: Is it correct that there is no new Commonwealth funding attached to that framework?

Mr Mrdak: Yes, that has been confirmed this morning.

Senator URQUHART: Given you have increased the number of companies in the framework from 29 to 30, does that mean that each individual company will get less?

Dr Arnott: No.

Senator URQUHART: Why not?

Dr Arnott: The company the minister agreed to admit to the framework on 11 October is a company called circa in Brisbane. They currently get funding from both the Australia Council and Arts Queensland. That funding plus any other funding that might be available to them will get rolled up to constitute their grant under the new framework.
**Senator URQUHART:** Can you tell me what the rationale for the new framework is, and will it be subject to review?

**Dr Arnott:** Yes, again, the rationale, as I mentioned—

**CHAIR:** Can I suggest, if there is anything different in the questions, then please expand. If it is contained in what you said to Senator Hanson-Young, perhaps just identify that.

**Senator URQUHART:** Let's move on. Sorry. My apologies. I probably was having a little brain nap or something. I have some questions around the Insight report. There was an arts policy think-tank, A New Approach, that published an Insight report on public expenditure on the arts in Australia.

**Dr Arnott:** Yes, I am aware of that report.

**Senator URQUHART:** Did I call it the wrong thing?

**Dr Arnott:** No, I think that is its name, Insight Report One.

**Senator URQUHART:** The New Approach report found that cultural expenditure is not matching population growth, and that per capita public expenditure on cultural has dropped by 4.9 per cent between 2007-08 and 2017-18. Can you confirm that this matches the department's figures?

**Dr Arnott:** The figures for that report were done independent of the department, as you said, by A New Approach, a privately funded organisation. They used numbers that are prepared under the auspices of cultural ministers by the statistics working group called Cultural Funding by Government. I can confirm that they use numbers that we in the department with the Australian Bureau of Statistics prepare. We do not do a per capita analysis of that and I can't verify the methodology they used in terms of how they calculated the per capita numbers. We don't independently a per capita analysis.

**Senator URQUHART:** So, you don't do that? Those figures are completely different to what your figures would be, because of the different methodology?

**Dr Arnott:** They are based on the cultural funding but we do not analyse it on a per capita basis. I would have to trust that they have some good people who analyse that number correctly.

**Senator URQUHART:** The report also found that over the same decade local and state government expenditure on the arts has increased while federal government expenditure has decreased. Is it a policy of the government to shift costs of arts investment from the federal level to state and local levels? Why is it occurring?

**Dr Arnott:** I would be able to comment on that.

**Senator Reynolds:** That might be a question for government. The Australian government is investing $749 million this financial year to the arts and creative sectors through the arts portfolio, and it is the largest ever investment in the portfolio. I wouldn't say it is correct to characterise it as spending less.

**Senator MARIELLE SMITH:** I want to take you to some questions on the Live Music Grant Program. Do we have the right officials? The Live Music Grant Program is not due to begin until the 2021 calendar year; is that correct?

**Dr Arnott:** Yes, 2020-21. It will commence in the 2020-21 financial year.
Senator MARIELLE SMITH: So, the 2020-21 financial year?

Dr Arnott: Yes.

Senator MARIELLE SMITH: At the last estimates session, I understand my colleague Senator Bilyk had asked a number of questions about how the grants process would be ministered. Because it was a shortened session, you were not able to get her any in information. Can you give me an update on that now?

Dr Arnott: Yes, I can.

Senator MARIELLE SMITH: Please do.

Dr Arnott: I did provide a fair bit of information last time. I seem to recall that the senator was asking me how many people would be supported under the various elements of the program. I was asked whether, for example, I could identify how many women under the Women in Music Mentor Program were going to be supported, and I couldn't answer then. I can answer that now.

Senator MARIELLE SMITH: We might get to that one next. If you could just tell me how the grants process will be administered and we will go from there.

Dr Arnott: There are several elements of the music package. Do you want me to run through the different elements?

Senator MARIELLE SMITH: Yes, please.

Dr Arnott: The major element is the $20 million Live Music Australia Initiative. That is $5 million per annum for four years commencing, as I said, in 2020-21. That program will be an open and competitive program. We expect it will be open for applications in the first to second quarter of 2020. We are currently working with the music sector to design the guidelines for that program, which we hope would be available early in the 2020 calendar year. The purpose of that program is to support live music venues to put on Australian live music acts. So, that is the first element. The second element I mentioned briefly is the Women in Music Mentor Program. That is $2 million over four years commencing this financial year. It is intended to assist women working in the music industry in terms of professional training and contract negotiation, marketing, finance and other music management matters.

Senator MARIELLE SMITH: Despite what I asked, we might leave it there because it was the first element that I was interested in and we will come back to those other elements later for other questions just in the interests of time. Just on the Live Music Grant Program, there doesn't appear to be any publicly information available about this program. Has it been opened and has there been any outrage or consultation with the music sector? I know you mentioned briefly before, but could you just expand on that for me please.

Dr Arnott: As I said, we intend to release the guidelines for that program next calendar year, as the funding doesn't commence until 2020-21. We are in the consultation phase at the moment and we are consulting extensively with the music sector about rolling out that program. The public information is available in the budget papers and in the former minister's media release describing the objectives of the program.

Senator MARIELLE SMITH: Can you just go into the consultation with the music sector for me? What does that involves specifically?
Dr Arnott: It involves working with the kind of major industry bodies in the music sector—APRA, AMCOSS, ARIA and the Australian Independent Record Labels Association. I attended with my team the BIGSOUND conference in Brisbane last month.

Senator MARIELLE SMITH: Did you enjoy it?

Dr Arnott: Yes, I did. Very much so. It was very impressive indeed. It was also a great opportunity, because it has a larger number of representatives from the music sector. We ran some roundtables while we were there to hear from voices, interested people in the music industry who were keen to give us their views about the importance of the program and how it should be delivered.

Senator MARIELLE SMITH: Can you tell me who will be eligible to apply under this program?

Dr Arnott: We expect live music venues and venues that would like to put on live music but currently cannot for whatever reason would be eligible to apply.

Senator MARIELLE SMITH: But it is venues only?

Dr Arnott: Venues only.

Senator MARIELLE SMITH: What will the eligibility criteria look like? Do you have a sense of that?

Dr Arnott: We are still working on that.

Senator MARIELLE SMITH: Can you just confirm for me the date again when applications will open? Do you have a specific date?

Dr Arnott: We would hope for them to be open before the end of this financial year, perhaps April or May 2020.

Senator MARIELLE SMITH: Has the minister approved everything necessary for the grants process to begin on time and as per your existing schedule?

Dr Arnott: He hasn't needed to approve anything specific yet. The first formal thing that will need to be approved will be the guidelines for the program.

Senator MARIELLE SMITH: When will that be expected to take place?

Dr Arnott: I would hope towards the end of the first quarter in 2020.

Senator GREEN: On the Women in Music Mentor program that you have spoken about already, has a contract been negotiated and is the mentor program currently under way?

Dr Arnott: I believe we are in the midst of negotiating the contract. We would expect to finalise that soon, certainly before the end of this calendar year.

Senator GREEN: How long has it been going on for?

Dr Arnott: We probably started talking to the organisation that will be receiving the funding two months ago.

Senator GREEN: After those negotiations are finalised, are you able to make known the name of that organisation or will it be after negotiations are finalised?

Dr Arnott: I think it will need to be announced once the contract is completed.
Senator GREEN: I think you are about to answer this question earlier. You are going to give us some information about how many women you expected the program to cover. Can you tell us that now?

Dr Arnott: The current estimates are that we expect overall more than 100 women will benefit from the program over the period. So, that is 25 per annum and, if you calculate that, that is about 20,000 per recipient.

Senator GREEN: So, those are the contract expectations?

Dr Arnott: Those are the expectations, yes.

Senator GREEN: I don't know if I get these acronyms right. APRA AMCOSS launched its own Women in Music program in March 2018. Can you tell me why the decision was made to duplicate an already existing program rather than provide a funding boost to that program that was already existing, and looks like it is working well?

Dr Arnott: I am not aware of that program. I don't believe there would have been a decision to duplicate work. APRA was consulted in the development of this program.

Senator GREEN: So, you are working on this Women in Music Mentor Program, but you are not aware that APRA had their own Women in Music program?

Dr Arnott: Not that would have the same objectives as the program that we are currently developing, no.

Senator GREEN: Is there someone who does know the answer to that question? No?

Dr Arnott: We can look into it, but I'm fairly sure we wouldn't be duplicating work of APRA. We work very closely with APRA on all matters related to the music industry. I am in regular conversations with them and they would have pointed it out if that was the case, I would think. But I can follow that up and get back.

Senator GREEN: Maybe they didn't. Indigenous Community Music Program—can I talk to you about that one as well? Has that program commenced?

Dr Arnott: No, it hasn't commenced. We don't actually have a funding contract or agreement yet. At BIGSOUND I took the opportunity to consult with Indigenous musicians present at BIGSOUND. We've been working with a group of senior musicians to design the best way to deliver this program. It's important that this is Indigenous-led and it's doing the right thing for Indigenous musicians.

Senator Reynolds: Senator Green, on your previous question I have sought some advice. I have been advised the APRA mentorship is only for APRA members, and this one is for everyone.

Senator GREEN: The program that we've been discussing will be for women and they don't necessarily have to be a member of APRA?

Dr Arnott: That's right.

Senator GREEN: The Indigenous program will be administered by the Australian Music Industry Network; is that right?

Dr Arnott: That was what was announced. We are working closely with the Australian Music Industry Network on the delivery of the program. It's very important that Indigenous
artists and organisations are also involved. We're just working with them and other Indigenous artists about how best to deliver the program.

**Senator GREEN:** Has that decision been changed since the announcement?

**Dr Arnott:** AMIN will be involved, but they will not necessarily deliver the whole program.

**Senator GREEN:** They will be involved?

**Dr Arnott:** Yes, they are being closely consulted and they will work with us on how it is delivered. Everyone wants the best for the sector and these important programs.

**Senator GREEN:** So, you're still working out the finer details of how it will be delivered. Have you figured out whether there will be an upper limit as to how much financial support can be given to a single band or individual performer?

**Dr Arnott:** Not at this stage, no.

**Senator GREEN:** Have you put any thought into the sort of evaluation criteria that will apply to the program?

**Dr Arnott:** We are certainly thinking about it and certainly consulting. But we're not in a position at the moment to let you know about any final decisions at this stage.

**Senator GREEN:** Hopefully we'll get some answers soon and hopefully before the next BIGSOUND.

**Dr Arnott:** Absolutely.

**Senator URQUHART:** I know that you are probably aware of the National Film and Sound Archives fundraising effort labelled Deadline 2025. Is it the department's policy to encourage national institutions to fundraise to attract additional money for their operations?

**Mr Eccles:** All of our institutions have a pretty good track record of philanthropy. It is not something that we would stand in the way of.

**Senator URQUHART:** How do you respond to requests from national institutions for unanticipated or urgent funding? What is the process of the department?

**Mr Eccles:** We meet with them on a very regular basis and funding issues are discussed from time to time as they arise.

**Senator URQUHART:** Can you tell me how the department assesses something as urgent? What would be the criteria for that?

**Mr Eccles:** It's difficult unless you have specific examples.

**Senator URQUHART:** No, I don't.

**Mr Eccles:** We will use the standard definition of 'urgent'. We listen to the case—

**Senator URQUHART:** Does the government take into account cultural value when assessing urgency? Is that one of the criteria?

**Mr Mrdak:** Yes. The institutions have a very important role in protecting Australia's heritage and culture. That's an obvious area we would look at. If there was any threat to the preservation of the collection, that's a critical matter for us to consider.

**Senator URQUHART:** Are you aware of the National Film and Sound Archive Deadline 2025 campaign?
Mr Mrdak: Yes.

Senator URQUHART: Are you aware that cultural content recorded on magnetic tapes such as cassettes and videos will be lost if not digitised by 2025?

Mr Mrdak: Yes.

Senator URQUHART: Are you aware that the NFSA requires a further $10 million to ensure that the collection can be digitised?

Mr Mrdak: Yes.

Senator URQUHART: Are you aware that the NFSA is fundraising this $10 million from the public because the government has not provided the funding to preserve this video and audio heritage?

Mr Mrdak: We are aware of their efforts to fundraise, as Mr Eccles has said. The institutions do try to encourage people to make contributions to add to their budget, yes.

Senator URQUHART: Given that they are fundraising, can you tell me why the department has decided that the NFSA's collection is not important enough to preserve, in terms of allowing government money?

Mr Mrdak: I wouldn't characterise it that way at all. The government has provided additional funding to meet urgent safety works and other critical areas for the NFSA. Like all things, we prioritise. If there is a critical need to invest in the NFSA, we would put the case to government. I think the additional fundraising is to accelerate a program. We support that. Certainly I wouldn't characterise it as we have ignored it. The government has made a recent decision in this year's budget to put some additional money/capital into the NFSA.

Senator URQUHART: I want to talk about the small to medium arts sector. If we look to the forward estimates, there doesn't appear to be a significant increase in funding for the Australia Council in the wind. In four years time, the Australia Council's budget will be just $2 million more than it was when the Abbott government took power in 2013. In real terms, given the lack of indexation, this represents a cut. Given the funding constraints on the Australia Council impact disproportionately on organisations that are operating in the small to medium sector, and given that these organisations are often recognised as the powerhouse of innovation, can you tell me what are the government's plans to support such companies?

Senator Reynolds: Given you asked what the government's plans are, it might be an opportune one for me to respond to. As I said previously, the government has this year alone invested $749 million in the arts sector in total. That is the highest ever on record. You mentioned the Australia Council. It has had $212 million this financial year, but it's important also to put the total expenditure of $749 million in the context of the many other programs, and many of which we have discussed here today. There's more money going into the sector in total.

Senator URQUHART: Sorry. I don't want to cut you off, but I was referring specifically to the small to medium sector, not the Australia Council. If we look at the fact that there's not a lot more money, and that the majors are indexed, there's actually going to be a reduction in funding to these small companies, which are quite often the powerhouse of innovation.

Senator Reynolds: As I said, there's more money going into the sector—

Senator URQUHART: Into the small to medium?
Senator Reynolds:—in total. There are many other programs, again which we have discussed, which the small to medium arts sector has access to. I wouldn't agree with your characterisation that there's less. The Australia Council itself gets $212 million. We've been through many other programs that small to medium have access to.

Senator URQUHART: Can you provide me with, on notice, where the money is going to small and medium sector?

Senator Reynolds: Certainly.

Senator URQUHART: My final question in this section for this department is in relation to the Australia Council. We know in 2015 the then Minister for the Arts, Senator Brandis, took a considerable amount of money from the Australia Council and redirected it to the NPEA. Then a subsequent Senate inquiry attracted a record number of submissions from every sector of the Australian arts industry. Then under the next minister, Minister Fifield, the NPA was transformed into a funding program called Catalyst. Some of that money was then returned to the Australia Council. But Catalyst was then abandoned altogether. However, $25 million from the initial money taken from the Australia Council still remains unaccounted for. Can you provide me with detailed accounting on what that $25 million was spent on and why it wasn't returned to the Australia Council?

Mr Mrdak: I think we best take that on notice and give you a detailed explanation.

Senator URQUHART: Yes, sure.

Mr Mrdak: The numbers don't resonate with me, but I can take it on notice.

Senator URQUHART: If you could take that on notice and give me a fulsome response, that would be great.

CHAIR: I understand Senator Davey has a couple of quick questions.

Senator DAVEY: I appreciate you might need to take some on notice. That is fine with me. I apologise. I didn't get here earlier for the Australia Council. Some of these may be better directed to them. But my interest is specifically regional and youth arts. Out of all the major performing arts organisations that get automatic funding without having to apply for grants, how many are regionally based? When I say 'regionally', I'm not talking about Adelaide or Hobart, I'm talking about outside capital cities. Of the 30 companies that currently are characterised as major performing arts, all are based in capital cities.

Dr Arnott: Of the 30 companies that currently are categorised as major performing arts all are based in capital cities.

Senator DAVEY: How many are youth organisations?

Dr Arnott: Most of them would have youth programs and run education programs. But because they're leading companies, they will have activities across all parts of the arts, including many of them touring to regional and remote Australia.

Senator DAVEY: I think Australian Theatre for Young People is one of them?

Dr Arnott: They're a four-year funded organisation. They are not one of the major companies.

Senator DAVEY: For the four-year funded organisations, have you got a breakdown of how many of those may be regionally based?
Dr Arnott: I don't have that available. The Australia Council would need to provide that.

Senator DAVEY: I appreciate that. And again the same with youth, and the Australian Theatre for Young People.

Dr Arnott: Yes, we can certainly do that.

Senator DAVEY: I appreciate that in some of your funding streams you have a regional arts fund, which goes through state organisations, and so it's not a direct federal grant. You've got to apply through state organisations. I appreciate you've got some touring programs such as national regional programs that enable people to tour. One of the frustrations from people in regional areas is we've got a lot of great stories to tell and there are a lot of good arts organisations out there that are vying for a very small bucket, particularly the small to medium organisations that Senator Urquhart was talking about. Of the $749 million that we fund through the Arts Portfolio, which as the minister says, is record funding in the arts, which is really positive to see, how much is actually spent in regional Australia and also in the youth arts programs? I'm happy for you to take it on notice.

Mr Mrdak: We'll take that on notice and come back to you.

CHAIR: I now call the National Library of Australia.

Mr Mrdak: While we are changing over, Mr Eccles just might provide some information further to a question.

Mr Eccles: I will just read it for the sake of Hansard. It was a question asked earlier about the component parts of the online safety awareness campaign. Advertising was $1.15 million and it went to a company called the Monkeys.

Senator GREEN: What was the name of the company?

Mr Eccles: Monkeys, as in the band.

Mr Mrdak: For those of us who can remember.

Mr Eccles: Campaign research, $500,000, went to ORIMA; evaluation, $150,000, went to Hall & Partners; public relations, $500,000, went to two companies, Cox Inall and Sennett; funding for multicultural communications, $300,000, went to Embrace Society; funding for Indigenous specialised communications, $360,000, went to 33 Creative; the media buy is approximately $6 million, but invoices haven't been settled— that went to Universal McCann; and there was $410,000 for travel and sundry costs.

CHAIR: Thank you. With that, Secretary, people from outcomes 1 and 2 who are not involved with the Library, ABC or NBN Co can depart.

Mr Mrdak: Some of us will sit through the whole thing.

CHAIR: You have no sympathy from us!

Mr Mrdak: You get the pleasure of my company and some others through the evening as well.

CHAIR: Indeed.

National Library of Australia

[18:00]

CHAIR: Dr Ayres, welcome again. Would you like to make an opening statement?
Dr Ayres: No, I have nothing to say at this stage.

Chair: Senator Smith.

Senator Marielle Smith: I'd like to discuss the $10 million for the National Library's Digitisation Fund contained in the 2019–20 budget. Will all this additional funding be directed to the Trove service?

Dr Ayres: Trove is the service through which we deliver digitised content, so, yes, all material that is digitised using the $10 million that the government has given us will be delivered directly via Trove.

Senator Marielle Smith: In early 2016, the National Library announced it could no longer afford to add new content to Trove. My understanding is this was because of the efficiency dividend. Have you subsequently been able to resume adding new content with the small amount of budget allocation you have been given since then?

Dr Ayres: We've had significant modernisation funding. We have had $16.42 million over four years under the modernisation fund, and the vast majority of that has been spent in the Trove space. So, in terms of new content being added to Trove since that funding came through, there are two streams. One is digitised content, and there are millions of pages of new digitised content flowing into Trove as a result of that funding. The other is that we were able to restart working with other organisations to make their collections discoverable through Trove. That's where we collect their data and then push people from Trove back to their websites. Since 2016, since we got the new funding, there has been really a very big increase in Trove content.

Senator Marielle Smith: Before July 2016, according to an article in The Canberra Times from 9 December that year, the National Library funded more than 60 per cent of Trove's content, and after that date the Library was forced to ask institutions like museums and universities to pay for their content to be uploaded. Is that still the case?

Dr Ayres: The figures have changed a little bit. Prior to the MYEFO 2015, about 80 per cent of the content had been funded from the Library's base appropriation. It is now down to 10 per cent of content being funded from our base appropriation. In terms of the total content base, about two-thirds has been funded from the National Library, all sources, and one-third from other sources. So, when I mention base appropriation, I would exclude from that the modernisation funding and the new Digitisation Fund, which is short-term funding that is producing more content.

Senator Marielle Smith: Can I just confirm what you said there. Are you saying two-thirds of Trove's content is funded by the National Library?

Dr Ayres: Correct, to date, yes, and about one-third by others. Over time, now that we're funding less from our ongoing appropriation, we would expect that to balance out more.

Senator Marielle Smith: Sorry, did you say two-thirds to date, or two-thirds now?

Dr Ayres: Two-thirds now. Two-thirds of all the digitised content in Trove now has been funded by the National Library.

Senator Marielle Smith: So, for instance, over the past year, what would that—

Dr Ayres: Over the past year, about 10 per cent from our ongoing appropriation—that's a very small program which is to digitise vulnerable sources, so to digitise things like nitrate.
The remaining digitisation has been funded from modernisation, more recently from Cook and from our partner program.

**Senator MARIELLE SMITH:** How many users does Trove currently have?

**Dr Ayres:** About 70,000 every day. And, in the last year alone, use of the digital content in Trove has grown 15 per cent. The content base has really grown, and what that says to me is that the Australian public is very, very hungry for their heritage in digital form.

**Senator MARIELLE SMITH:** So you would say its popularity is continuing to increase?

**Dr Ayres:** Absolutely, and it's going to be even more popular when we release the brand-new refreshed Trove, which is in a Beta test at the moment and will come out in the first quarter of next year.

**Senator MARIELLE SMITH:** What was the rate at which new material was being digitised prior to the May 2016 budget cuts?

**Dr Ayres:** The change occurred at the MYEFO 2015. I would need to take on notice the rate question. It might be simpler to say that we've been digitising for about 20 years, and over that time it has varied from year to year. We've digitised about five per cent of our total collection now, after 20 years of effort. If you wanted to know how much we've digitised in each year to 2015, we can provide that on notice.

**Senator MARIELLE SMITH:** I would. Do you know what the rate is now?

**Dr Ayres:** I'm going to talk in millions. We're delivering millions of pages under the modernisation fund and the Digitisation Fund. For example, the Australian Joint Copying Project—which was a very long-running microfilm project that identified materials relating to Australia in UK archives—ran for 50 years, but nobody wants to use microfilm now. By the end of June close to 9½ million images from that collection will be digitised and available via Trove. This year alone we'd be talking many millions. Since the modernisation fund started, we've delivered 3½ million, and there will be many, many more coming on before the end of June.

**Senator MARIELLE SMITH:** I appreciate you don't have the earlier numbers for the rate of digitisation, and you're saying these advances make it quick. Can you give me a rough estimate? Would the rate around MYEFO in 2015 be less or more than it is?

**Dr Ayres:** Do you mean, prior to 2015, were we digitising less or more than we're digitising now?

**Senator MARIELLE SMITH:** I'd need to take that on notice. And, when you talk about rate, there are so many different kinds of material. For example, with the Digitisation Fund at the moment from government, we're digitising the papers of Sir John Monash—highly significant. It's not the sort of material you would put through an automated scanner. I'd probably want to give you some information on the types of material, because just to talk about X number of images per year doesn't really give a good sense of the relative scale and importance of what we're digitising.

**Senator MARIELLE SMITH:** I might spell out a couple of question I have for you to take on notice. As we discussed, I was interested in the rate at which new material was being digitised prior to May 2016, but I'm happy for it to be MYEFO 2015, and then what that rate
is now. If you would like to provide some breakdowns—as you said, the more information, the better.

Dr Ayres: Sure.

Senator MARIELLE SMITH: Also, if that is very different—for instance, if the rate was higher at MYEFO—I’d be interested in what factors would be required to align those two. But, without knowing what the difference is, it’s hard to ask that. So, if you could take that on notice, that would be great.

Dr Ayres: Sure.

Senator MARIELLE SMITH: That’s all from me, Dr Ayres, thank you.

CHAIR: Thank you, Dr Ayres. You have brought us into the dinner break five minutes early—that is a trove in itself! The committee will now suspend.

Proceedings suspended from 18:08 to 19:15

Australian Broadcasting Corporation

CHAIR: The committee will resume with its examination of the Australian Broadcasting Corporation. Mr Anderson, welcome. Would you like to make an opening statement?

Mr Anderson: Yes please. Thank you, Chair, and thank you, senators. I’d like to begin by stating there’s never been a more important time to have a strong and independent public broadcaster. Across our platforms, the ABC tells Australian stories, hosts conversations important to the public, entertains and educates people of all ages, and provides high-quality public interest journalism right across the country on behalf of all Australians.

We're committed to connecting Australians, no matter where they live. More than three million listeners tune in every week to our 56 radio stations that are live and local each day across rural and regional communities and capital cities. We reach two-thirds of all Australians every week and three-quarters of all Australians every month.

Over the last 12 months, the ABC has covered 370 natural and other emergency events, including the Townsville floods, the bushfires in Tasmania and the cyclone in Western Australia. The ABC is Australia's most trusted news service. For the big moments, Australians turn to ABC News. In the week of this year's federal election, more than 10 million Australians came to the ABC as the campaign reached its conclusion. The quality of ABC news was again demonstrated last week when the Walkley awards finalists were announced, with 25 finalists across 16 categories, including all of the finalists in the categories for public service journalism.

Defending our ability to do public service journalism is one of the key reasons the ABC joined Australia's Right To Know coalition campaign for law reform. As you may have seen on Sunday night, we started running announcements on ABC TV to promote the importance of the public's right to information and to emphasise that this right is safeguarded by a free and independent media.

As I said at the National Press Club in June, if a free media is the foundation stone of democracy, then protection of whistleblowers is the mortar that binds it in place. Many investigations would not have happened without the courage of whistleblowers risking their reputations and sometimes their lives for the greater good. It is impossible to overstate the importance of the right to know. Access to information underpins other human rights.
Knowledge truly is power. An informed electorate is one of the key ingredients to a healthy democracy. The media must be free to hold the powerful to account and to shine a light into dark corners. No-one is above the law; however, no-one should be above scrutiny that is clearly in the public interest.

Since I was formally appointed as MD, my main focus has been to build a sustainable ABC of the future. The ABC faces a challenging operating environment. We're dealing with an indexation pause, which means we need to find around $40 million in ongoing savings by the financial year 2021-22. At the same time, production costs of making quality Australian content are rising rapidly. The competition for audience attention is intense, and global media giants, like Netflix, Amazon, Disney and Apple threaten to drown out Australian voices and stories. We also need to invest in new technology to meet audience expectations of digital services and also deliver efficiencies across our business. Navigating these challenges will require tough choices in the years ahead.

The ABC is a great national asset that Australians have built over 87 years. It connects Australians everywhere. It celebrates our culture and our identity, enhances our democracy and promotes Australian values abroad. My unrelenting focus over the five years of my term will be to ensure that we make the decisions now that ensure the ABC we hand to the next generation of Australians will be stronger and more relevant than ever. Thank you and I look forward to your questions.

Senator McGrath: Welcome. I hear with interest you joined the Right To Know campaign and you're supporting it. How does the ABC handle FOI matters? In particular, the IPA have put a number of FOI applications in to you, and certainly the information that's been released by the ABC is redacted. I've seen some. Indeed, I put it on my own Facebook feed where it's just swathes of black. Isn't that hypocritical of the ABC?

Mr Anderson: We operate within the FOI Act and certainly the Privacy Act. What the ABC is calling for, when it comes to law reform, is to clean up the FOI Act. We understand that was a provision that was put forward some time ago. I don't think we're hypocritical in the way that we're abiding by it. We're abiding with the act that exists and the laws we are required to adhere to.

Senator McGrath: But you can release the information, can't you? You're an independent body. If another private concern, such as the IPA or myself as a senator, put an FOI in to you, surely—considering your rhetoric—you'd be able to release that information? What is so secret about the information that the IPA have put an FOI in on?

Mr Anderson: Simply by suggesting that freedom of information needs to be reviewed doesn't mean that we release all information. Obviously, we assess FOI requests on a case-by-case basis. There are sometimes confidential matters or bits of information that sit within the information that's been requested which we'll deny, again, working within those FOI provisions.

Senator McGrath: I might put some questions on notice in relation to that. On 9 October, Jennifer Duke of The Sydney Morning Herald reported that the ABC was reviewing its property portfolio. Is that correct?

Mr Anderson: That is correct.
Senator McGrath: The source of the story was an email you sent to ABC staff. Are you able to provide to the committee a copy of that email?

Mr Anderson: Yes, I am, Senator.

Senator McGrath: Can you do that now, or—

Mr Anderson: I don't have the email on me right now. It went to more than 4½ thousand people. I'm happy to provide it to you. I don't have it sitting in front of me. I can speak to that email, if you wish.

Senator McGrath: Hopefully, one of the 4½ thousand people might like to tweet it, or something like that—or email it to you or email it to the secretariat. You wrote that the ABC would be reviewing its property portfolio to achieve further savings. Who's going to be undertaking this review and are they independent of the ABC?

Mr Anderson: We're doing a couple of things. We are reviewing our own property portfolio. We are in 46 locations across regional and rural Australia, and every state and territory capital. We do have quite a large property portfolio. We've undertaken a feasibility study, which looks at some of the immediate options that might be available to us with regard to the properties we hold—specifically with regard to what opportunities might exist when it comes to our Ultimo building.

Senator McGrath: Questions on notice that I put in last year, I think, revealed that you think the Ultimo building is worth $218 million. Is that something that you'd be looking to sell?

Mr Anderson: We're looking at that property portfolio, which does include Ultimo. The land that Ultimo sits on was recently revalued. This is something that we would do as part of the process when it comes to reporting on our fin stats. The property portfolio looks at what the options are to us. You can look at the options to relocate, but we think that's quite expensive. We want to see what the commercial value might be, for instance, of floors within Ultimo that, if we were to reorganise ourselves, we might be able to rent out.

I will say that as part of finding efficiencies over the years, we have centralised quite a few operations to Ultimo for efficiency purposes. To totally decentralise Ultimo would come at a cost, at a time when we need to find savings. The purpose of the feasibility study is really to look to see if there is something that we can do within our property portfolio that helps us meet the saving challenge.

Chair: Senator McGrath, can I ask a follow-up question on that? Do you report the value of your real estate in your annual reports?

Mr Anderson: I believe we do. Ms Kleyn, would you like to elaborate?

Ms Kleyn: We don't report the individual values of each property, but we report in aggregate.

Chair: Why don't you report the individual values?

Ms Kleyn: We report in line with our requirements under the PGPA. Our balance sheet just sets out our assets by category.

Chair: You gave an indication of the value probably 12 to 18 months ago. Have you got an updated value for your Ultimo property?
Ms Kleyn: We indeed do have an updated value, yes. As Mr Anderson just said, as part of our financial statements every year, we undertake a desktop valuation or, every three years, a full valuation. We did a desktop valuation of Ultimo this year and have an updated value of $330 million.

Senator McGrath: I think there's a difference between decentralisation in terms of breaking up the ABC and shifting different divisions to different towns or centres. Has the ABC given consideration to, say, selling the inner city headquarters, especially in Sydney, Melbourne and Brisbane, and moving to places like Caboolture or Toowoomba in Queensland? I'm being very parochial here. I don't really understand Victoria, but what about Ballarat? I'm being quite serious in terms of how technology has moved in and how other media players operate. Let's take the Sky News model. They will have a small inner-city studio where people can go and do media, but you can be based elsewhere. Is that something the ABC would look into?

Mr Anderson: Certainly it's something that we look into. I will acknowledge that a lot of organisations have headquarters. We have a headquarters that is in Ultimo. It does concern me that we have over 4½ thousand employees and that 2,000 of them are located in Ultimo. What we have looked at, initially, is our presence, particularly in Sydney, between Ultimo and what the options are for outer metropolitan suburbs. We are already in Toowoomba and we're already in Ballarat and Bendigo.

Senator McGrath: So you've got a footprint there already.

Mr Anderson: We do, but these are very small properties. I've been to visit both Bendigo and Toowoomba. Those buildings are full. But any sort of large-scale decentralisation does come at a cost, as I've said. The feasibility study that we're looking at is based in reality and not large-scale relocation, but we will seek to use space we have in other properties whenever we can. I will talk to my leadership team about this; when we're replacing positions or looking at our functions, are there any that could be relocated to places like ABC in Adelaide, Melbourne, Perth or Brisbane rather than keeping going with the status quo of what we have in Ultimo. I see this as not being a quick solution to it but certainly a direction and something that we can question and certainly look at. And the feasibility study would suggest, if you do do that, you may be able to rent out some floors in Ultimo that may be of commercial value. That's what we're ascertaining at the moment.

Senator McGrath: The efficiency study from a few years ago mentioned that there was underutilisation of some of the other headquarters in Brisbane and Melbourne. Was that recommendation taken into account in terms of using that underutilised space?

Mr Anderson: Yes. One of the things you do in a study is look at the utilisation of the space that you have and whether you can commercialise anything that sits outside of it. I know that, in Adelaide, we undertook an accommodation project that took people from across multiple floors in Adelaide. From memory, it's got eight floors, and we were using six of them. We put everyone into either ground, first or second and looked to commercialise the other floors. Commercialising those other floors has been met with only limited success. But that is something we do seek to do. When it comes to Melbourne, I have to say that production in Melbourne has grown over time. Some of our larger, say, television programs are coming out of Melbourne rather than coming out of Sydney. I can rattle them off for you, but Melbourne is becoming very busy and is becoming quite full. There is less space in
Melbourne. But that is certainly one of the things we look at. What is the vacant space that we have and what can we commercialise? I was in Hobart in Friday and I was presented with a proposal that looked at what might be an accommodation refurb which would free up some space that might be available for someone to rent. We already have tenants like WIN in our ABC Hobart building, so this is something we have done before, and part of that study and what I'm signalling through the email is that we certainly will be looking at that into the future.

Senator McGrath: Can you give an assurance or an undertaking in relation to the ABC properties in rural and regional Australia and particularly in Queensland that they won't be impacted by this review of the property portfolio?

Mr Anderson: I have absolutely no intention of withdrawing from regional and rural Australia. That is absolutely the last thing that we would want to do. Our commitment to regional and rural Australia is enduring. It has been over many years, particularly with the withdrawal of commercial media from regional and rural Australia. We see our presence there as paramount for locals as well as interpreting what is happening for the local community and taking those local stories out to a national audience. Recently we invested an additional $15 million a year in regional and rural Australia to enable that to happen, and we're seeing the fruits of that investment come through.

Senator McGrath: Thank you.

Chair: Senator Green.

Senator Green: I want to know about ABC public plan to meet budget cuts. This morning I asked the minister some questions about whether there were actually cuts going on, and I didn't quite get a straight answer. Mr Anderson, before the election is that, if the coalition is returned, we have an $84 million budget reduction over the next three years. Reduction, cut—we will call them the same thing. I want to talk about that reduction and what that's going to mean for the ABC going forward. Do you have an update for us on how you will meet the Liberal government budget cuts while also meeting your charter obligations under the ABC Act?

Mr Anderson: Certainly. What Senator McGrath mentioned earlier was an email I had put out to staff which was an update on how we are progressing on that. The 84 million is certainly across the triennium. The indexation pause is a decline in real funding over time, so the effect of that is effectively a $15 million gap in year 1, a $28 million gap in year 2 and a $41 million gap in three. Assuming that this is a pause and therefore indexation is restored by Year 4, that $41-million-a-year gap remains as a result of the indexation pause. That's why I talk in terms of having to find ongoing savings as a result of what this means rather than saying that there is one-off sale of land or a building that could otherwise acquit the $84 million.

The email referenced earlier that I put out the staff suggests that hitting a target of $41 million by year 3—always looking at that third year horizon. We believe that, by year 3, savings that we've found to date total about $17 million. We found that $17 million worth of savings through a number of things: renegotiating third-party partnerships and deals, whether that be retransmission costs or distribution costs across our digital network; reduction in management travel that is not related to content; and a number of initiatives that are either
already implemented or that we know we are in control of that we can implement by way of efficiency through to year 3. The task at hand now is to do a sweep of efficiency, which we're doing at the moment. That looks at what the efficiency of being in the ABC is and the cost of producing our current output. We've done this many times before. We're obligated to do it. We do have a statutory obligation to be as efficient as possible, so we will be doing that.

Then we are left with prioritisation of what our services are. I also signal in that email that we're in the process of developing a five-year plan. We're doing that between the leadership team and the board. There are inputs coming from across the ABC. The board and management meet. We have a board meeting next week in Townsville and then we have another board meeting in December, and we hope to have finalised that five-year plan by March of next year. That will set out prioritisation by which we are continuing to meet our charter obligations and doing it in a sustainable way from that third year. I do expect that that will mean that there will be some effect on our content and our output.

**Senator GREEN:** Let me go to that. You've mentioned that five-year plan. Are you able to tell us the cuts will affect the ABC next year? You're talking about this three-year term. Have you put some thought into how the cuts will affect the ABC next year and the year after that, and then again in 2021-22?

**Mr Anderson:** Having found what we believe to be ongoing savings of $17 million per annum, and the profile of this indexation pause, it does buy us some time to make strategic decisions rather than knee-jerk decisions. This does buy us time to actually prioritise what we are doing and the initiatives that we might have. So I can't answer your question now about what effect that might have on our output, other than to say that one of the things that I've been quite open about is that, when you are faced with funding constraints in an environment where the cost of production is going up, where competition is high and you still need to abide by what is the principle of the ABC and have high-quality content—whether that be in public interest journalism, in creative content or on radio or online—and develop your digital services, in the end you have to, we think, prioritise quality over quantity. I've been quite upfront in saying that I believe the quantum of what the ABC puts out will have to reduce if we're going to maintain the quality of what we do for the Australian public.

**Senator GREEN:** So we'll get less ABC, but it will stay the same quality?

**Mr Anderson:** Yes.

**Senator GREEN:** At what point do you anticipate that there will be service, program or job cuts as a result of these cuts?

**Mr Anderson:** Is your question about what time we think we'll be announcing what the job losses will be as a result of this?

**Senator GREEN:** Will there be job losses?

**Mr Anderson:** There will be job losses. To pre-empt your next question, it's not something that I can quantify at this point in time, because I think that there's still more work to be done. As we look at the efficiency of what we're doing, some of it relates to people's employment; some of it does not. Efficiency comes in many forms. So I'm reluctant to put a number on that at the moment. What I am doing is giving an update on how we're closing the gap on that $41 million, and there's still more work to be done to close it. But I don't think we're going to close that gap without losing staff.
Senator GREEN: Okay. Have the cuts pushed the ABC to seek ways to increase its commercial returns? And, if so, please elaborate.

Mr Anderson: Yes, it has. That is one of the ways that we think that we'll get to the savings of $17 million. There are other commercial opportunities that exist that that present themselves over time. One of the ways is to reduce the costs of your commercial activity in combination with new commercial ventures. I'm reluctant to say what they are because they're in train at the moment and I don't want to blow them up by talking about them at Senate estimates.

Senator GREEN: No-one's watching!

Senator Duniam: How do you know!

Senator GREEN: I'm just kidding. Everyone's watching.

Senator Duniam: Yes, everyone's tuned in.

Mr Anderson: Some of them will align with what's been in recent efficiency review recommendations. So we could exploit content that we own, certainly off our platform, as long as it's free to all Australians on our platform.

Senator GREEN: Going back to the predicted job losses, it's a difficult time for any organisation, knowing that they're on the horizon, and it would be an incredibly difficult time for the staff working at the ABC to not know what their future holds, particularly for next year. Are the cuts affecting your current staff bargaining process, which is happening at the moment?

Mr Anderson: It's certainly something that we're conscious of. When we offered a 1.7 per cent rise—that was an extension of the current agreement—of course that was on our minds. We thought that was the most that we could afford, given that there were no offsets that came out of that agreement. It's certainly on our minds, yes.

Senator GREEN: And that offer was rejected by staff?

Mr Anderson: It was. It was voted down.

Senator GREEN: In terms of meeting these budget cuts, what are you and your management team doing to manage staff morale over this period of uncertainty?

Mr Anderson: Certainly doing our best, Senator. I do appreciate that it is an uncertain time for people at the ABC. Of course, it is not unreasonable for any of the hardworking, dedicated staff at the ABC, who are doing a great job serving Australians, to feel uncertainty. For me to be able to say that I believe there will be staff losses—and not to say how many and not to say where from—I certainly appreciate is quite uncertain. What I am doing is trying to be open and give them an update as to where we are off to, what we're working on and when I'll come back to them.

Senator GREEN: I appreciate you're not going to be able to give us too much clarification, but are you taking into consideration the break-up of staff between metro, rural and remote regional areas? You said before that the ABC has a very strong commitment to regional and remote areas. I live in regional Queensland, and the ABC is incredibly important. It's sometimes the only form of communication or news that people do get. Will there be some considerations around keeping staff employed in regional areas?
Mr Anderson: Honestly, yes. One of our priorities for the future is certainly to remain as local as possible. I think there is a great strength in the ABC being local wherever that may be, whether that be regional rural Australia or whether that be in metropolitan Australia. Wherever we are, our role is to reflect the culture and community of the country back to itself. I think you struggle to do that unless you are local.

Senator GREEN: These questions relate to the ABCs participation in regional areas—

CHAIR: Senator Green, you have about five minutes left in the time I've given to you. Can you wrap up those in five?

Senator GREEN: We'll see how we go.

CHAIR: If not, I'll go to Senator Roberts and let him have his batch.

Senator GREEN: We'll get through as many as we can; how about that? At a doorstop interview in Jakarta on Sunday of this week, the Prime Minister said that the government has given the ABC additional support to support rural and regional communities. He also said:

What I have funded the ABC to do more of, is greater participation in broadcasting in regional areas.

Mr Anderson, the Prime Minister said that he has given the ABC additional support for rural and regional communities. What the government has actually done is continue the Enhanced Newsgathering initiative. In fact, the government is actually cutting the ABC, in terms of that program, by $83.7 million over three years. Is that correct?

Mr Anderson: Rather than answer whether it's correct, I'll give you my assessment of that, if that's okay?

Senator GREEN: Sure.

Mr Anderson: In April of this year we received confirmation of our budget for the triennium. As part of that confirmation, the ABC welcomed the extension of the enhanced news funding program. That program had run for the six years prior. It was due to expire. We had some uncertainty over that. To be honest, it was unsure if it was just the indexation pause we were dealing with or, in addition to the $84 million, whether we'd have the enhanced news funding reduction. We welcomed the extension of that program. That funding employs over 100 people, whether they be journalists or camera operators. They are spread throughout the country. They do important work. Had we not had the extension of that funding, we would have had to pull back from where that investment goes.

Senator GREEN: I don't mean to put you in a situation where you're commenting on a comment that has been made by the Prime Minister, but this reference to additional funding has also been made by the minister. How could it be that ongoing funding that you were actually concerned was going to be cut could be considered to be additional support or additional funding?

Mr Anderson: The only explanation I could possibly offer is that in May 2018 the ABC's budget for the triennium—it was almost given as an announcement a year in advance—was announced and it didn't have indexation, but it also did not have enhanced news funding. At that time there was no enhanced news funding.

Senator GREEN: So they took it away and then gave it back to you, and now they're calling it additional support?

Mr Anderson: Senator, that's your supposition. That's not mine.
Senator GREEN: I think we've gotten to the bottom of it. It has taken all day but we've finally figured out what that term relates to. I asked these questions earlier today as well: the funding in relation to the Enhanced Newsgathering initiative in 2013 was $69.4 million. It has gone down to $40 million over the last three years. That equates to about $25 million, the difference between where it started out and where it now is. I'm wondering if you could comment on the difference that $25 million makes for the ABC in terms of Enhanced Newsgathering for rural and regional communities?

Mr Anderson: I wasn't managing director at the time, of course, when that funding dropped. Obviously $25 million over three years is a significant amount of money that would go to good use if the funding were to be increased. It would certainly make a difference. The additional $15 million a year that the ABC has put into regional and rural Australia has seen a real difference. For us, that created over 80 jobs. We put technology in the hands of our people on the ground who are able to break stories out of regional and rural Australia and bring them to the national attention pretty quickly. The Menindee Lakes fish kills comes to mind, which is a story that came out of the Broken Hill team. That got to the national attention pretty quickly. That wouldn't have happened unless additional funding was there on top of what was the enhanced news funding that had already been put in. I also add that we see an increase of stories of a regional nature in the 7 pm news bulletins around the country by 150 per cent as a result of what has been increased funding in regional and rural Australia for the ABC.

Senator GREEN: When you say increased funding, though, you've allocated that from your budget?

Mr Anderson: Yes.

Senator GREEN: You have increased your funding and the way that you've allocated. I am very happy that the $15 million has gone to regional Australia, but it did have to come from somewhere else; it wasn't additional funding that you got for the purposes of rural and regional Australia?

Mr Anderson: No, we funded that additional $15 million through savings that we have found through efficiencies.

Senator ROBERTS: Thank you all for attending today. I'd like to set the context: Al Jazeera is a Qatari state owned and funded global news outlet. Al Jazeera is linked with terrorist organisations, including the Muslim Brotherhood, and provides coverage biased in favour of the Muslim Brotherhood. The ABC has had a deal to broadcast unedited material provided by Al Jazeera on the ABC and through SBS. Could you please tell me, Mr Anderson, what is the nature of the deal that the ABC has with Al Jazeera to broadcast material provided by Al Jazeera?

Mr Anderson: I'm going to have to take that on notice. I can't give you the nature of the deal other than that we do broadcast material that comes from other news providers from time to time.

Senator ROBERTS: You can't describe the partnership?

Mr Anderson: No, Senator, I can't.
Senator ROBERTS: Are the arrangements, including content sourcing and rebroadcasting of Al Jazeera material, being scrutinised by an appropriately senior ABC person designated for this purpose?

Mr Anderson: I'd say they'd need to comply with editorial policies, but I will refer to Mr McMurtrie, who is the editorial director.

Mr McMurtrie: Yes, we would apply the same scrutiny that we do to any other arrangement we might have with a third party. I don't believe there is very much Al Jazeera content playing on ABC platforms at all.

Senator ROBERTS: So you would comply with section 13, external funding and relationships, and section 1 on standards of ABC editorial policies with regard to the use of Al Jazeera material?

Mr McMurtrie: We would certainly comply with ABC editorial policies, yes.

Senator ROBERTS: Do you have any idea of who the people would be who would ensure that compliance?

Mr McMurtrie: It would be me and people who report to me.

Senator ROBERTS: Have these standards been breached on a regular basis given that the ABC has aired unedited programs of Al Jazeera, biased material for the programs NewsHour and NewsGrid, and been provided material for ABC NewsRadio?

Mr McMurtrie: I would need to take that on notice to go through it.

Senator ROBERTS: Please. Will you take that, then?

Mr McMurtrie: Yes.

Senator ROBERTS: What Al Jazeera material is still being broadcast by the ABC and how often?

Mr McMurtrie: Again, I would need to provide you with a detailed response on that. But I don't believe that there is very much Al Jazeera content playing on ABC platforms at all.

Senator ROBERTS: Could you reply with that material?

Mr McMurtrie: Certainly.

CHAIR: Senator Roberts, can I ask a follow-up? Mr McMurtrie, you said you and the people who report to you are responsible for scrutinising the information, which means, to my mind, that you should have a good awareness of how much comes through, because you scrutinise it.

Mr McMurtrie: I lead the editorial policies part of the ABC. We need to ensure that what we broadcast on all our platforms and publish online is consistent with our editorial policies. We have very large content divisions. They publish content and they commission content. There's a very strong upward referral protocol within the ABC. There are editorial policy advisers who work with each of those content divisions. But we would deal on a case by case basis with issues that are put forward to us. My area would not engage directly with Al Jazeera around any content arrangements, just as we wouldn't engage directly with any third party around content that is rebroadcast or played on ABC platforms. We are at compliance and ensuring that there is consistency with our editorial policies.
Senator ROBERTS: What verification, due diligence, did you do to make sure the reporting by the ABC of the Al Jazeera hit piece on One Nation was fair, balanced and accurate?

Mr McMurtrie: That piece, as I understand it, was brought to us. We often enter into arrangements with third parties when we're acquiring a documentary, and then we assess whether or not we believe that documentary is consistent with our editorial policies. There would've been an editorial adviser working with the E&S team on that piece. I'm happy to provide you with more information about the scrutiny and the process that we went through with that.

Senator ROBERTS: Yes please, because we may have further questions on that in the future.

Senator HANSON: I just want to know did you actually pay for any content?

Mr Anderson: You mean with regard to the program, *How to sell a massacre*?

Senator HANSON: That's right.

Mr Anderson: We acquired that. We didn't acquire that through news. We acquired through, as Mr McMurtrie said, Entertainment and Specialist, where we do a lot of our acquisitions that sit on our platforms. Sometimes those deals—

Senator HANSON: Not a deal. I have asked a question: did you pay any sum of money for that program?

Mr Anderson: I will again take that on notice. I have the right amount at $5,000, but I believe it might have been in-kind for access to the ABC archive for archive footage. I think that's the answer. I will confirm that on notice for you. In which case, it would have been a value rather than an actual payment.

Senator HANSON: Did you reach out to One Nation or the president of the party to actually confirm that what was being put out to the public was true and correct?

Mr Anderson: I don't know that detail. What I do know is that before it aired it went through our legal department for prepublication. I know it went through our—

Senator HANSON: That's not the question I've asked. Did you reach out to One Nation for verification of truth in what was put out?

Mr Anderson: I don't know if any member of the ABC reached out to One Nation or not. I would have to take that on notice.

Senator HANSON: Do you realise the political implications of running that program prior to a federal election? Was that taken into consideration?

Mr Anderson: Quite often we will put programs to air as they come to us, as they are ready. And they're often inconvenient. I'm sure that we put that to air because we thought it was in the public interest.

Senator ROBERTS: Could you provide us with the date on which negotiations on putting that to air first came to the ABC please?

Mr Anderson: Yes, I can.

Senator ROBERTS: I would like to know when Al Jazeera first approached you or when your staff first approached Al Jazeera.
Mr Anderson: Yes.

Senator HANSON: Would you say that the whole program was then fair and balanced?

Mr Anderson: We assess that against our editorial policies, and we believe that yes, that program complied with our editorial policies to be able to be put to air.

Senator HANSON: It was one sided but you still regard it as—does it meet your charter?

Mr Anderson: It was an acquisition. We were not involved in producing that program.

Senator ROBERTS: Would you be willing to release the full footage so that everyone could assess whether or not it was fair and balanced?

Mr Anderson: We don't have the full footage, because we didn't produce it. Al Jazeera produced it.

Senator ROBERTS: It had a significant impact in this country. Surely that's your responsibility to make sure it was fair and balanced. We'd like to see the full footage from Al Jazeera, and you could hold them accountable.

Mr Anderson: When acquisitions come to us—and there are many that come to us that make up our schedule—they are not delivered with the full footage that was drawn from in order to produce the program. That is not how that would normally work, and we don't have the full footage. You would need to contact Al Jazeera for that.

CHAIR: Mr Anderson, I'm not defending another political party here, but on a matter of principle, you said before that any material that you acquire has to meet your editorial standards. You have just brushed aside Senator Roberts's question about whether or not you fact-checked or verified with the subject of a very critical piece of footage or a program by saying it was acquired. There's a contradiction there in what you've just said. Either it meets your editorial standards, which means you scrutinised it, or it doesn't. To say to the committee that because you bought it you don't have to scrutinise it doesn't match with what you told us 15 minutes ago. Could you clarify exactly how you work with acquired material?

Mr Anderson: It does need to meet our editorial policies when we acquire material as well as when we produce material. I didn't see that documentary before it went to air, but it certainly went through the process that it would normally go through, with an editorial manager that would have reviewed it prior to it going to air. I specifically asked, at the time, whether it did or it didn't and got the response that it did. If you want more information on the process, I can defer to Mr McMurtrie, whose editorial managers actually reported to him.

CHAIR: As a matter of principle: does your editorial policy require that an ABC journalist making your own material would seek to verify or at least give the right of reply to a subject who is criticised or negatively portrayed in a piece the ABC is putting together?

Mr Anderson: Yes, we would.

Senator ROBERTS: But you can't tell us the name of the people involved. Sorry, the editorial director can't tell us?

Mr Anderson: The name of the people involved?

Senator ROBERTS: In scrutinising that and making sure it was fair and balanced and that it complied with editorial standards.

Mr Anderson: No, but—
CHAIR: Can we just come back to this point: you're saying your editorial policy requires that one of your journalists would have to have consulted or at least given the right of reply to someone, but from what One Nation are saying they didn't have any approach from the ABC to verify their position on what was put to air. That would appear, prima facie, to be a breach of your editorial policies.

Mr McMurtrie: If I can be of help, I have got a bit more information now. The ABC became aware of the documentary in the week of 28 January. Al Jazeera made an approach to the ABC. Because the questions have been put before: the ABC's acquisition of the documentary was confirmed in the week prior to broadcast, on 26 March. Mr Anderson is quite right—the ABC greed to a licence fee of $5,000 for the rights. But it was provided to Al Jazeera in the in-kind use of ABC archival footage. On the precise details of the scrutiny that was applied before the program went to air, I would need to come back to the committee with details.

CHAIR: If you could. Again, I'm not defending One Nation here. I'm just looking at the principle that you said you scrutinise according to your own standards what you acquire, but it appears here as though there is a lack of applying the same standards in terms of giving a right of reply to somebody who's adversely reflected on in an article.

Mr McMurtrie: Certainly. I don't want to assume that anything did or didn't happen until I can come back to you with more information. Certainly, in the aftermath, there would've been many requests and a central tenet of our policies is that we make sure that we present relevant perspectives over time. It isn't always possible to cover every facet of every story in the initial broadcast. I accept that this was a piece that was brought into the ABC and I want to be able to answer your question. I just need to get the details for you.

CHAIR: Sure.

Senator ROBERTS: Just to clarify my understanding: Al Jazeera and ABC first started discussing this in early January of that year, and five months later put it to air, just before an election.

Mr McMurtrie: The election timing wouldn't have been—from our perspective—

Senator ROBERTS: It that correct?

Mr McMurtrie: It is. But the election timing from our perspective would not have been a key factor.

Senator ROBERTS: Over the last five years, how much per year has been paid to Al Jazeera?

Mr Anderson: We'll have to take that on notice.

Senator ROBERTS: Yes please. Can you get back to us?

Mr Anderson: We will.

Senator ROBERTS: Is the ABC aware that the owners of Al Jazeera support Hamas, a recognised terrorist group bent on the destruction of Israel and aimed at murdering people around the world?

Senator HANSON-YOUNG: Are you denying you didn't want to weaken the gun laws?

CHAIR: Order!
Mr Anderson: Senator—

Senator ROBERTS: You're paying an organisation that funds terrorism and has caused terrorism.

CHAIR: Senator Roberts, let Mr Anderson answer the question.

Mr Anderson: There is certainly conjecture around Al Jazeera and other organisations that exist throughout the world. Yes, I am aware of that.

Senator ROBERTS: So the ABC is supporting terrorism with taxpayers' money?

Mr Anderson: No.

Senator ROBERTS: You're paying them money and they're—

Mr Anderson: In the example I just gave to you, it was $5,000 in kind with regard to access to archival material. I think that—well, I'll leave it at that.

Senator ROBERTS: I have one final comment. I'm very pleased to hear your pledge, in response to Senator McGrath's question, that the ABC regional areas will remain intact. It is a pleasure dealing with them; they are open and unbiased—possibly because they live in the local community. So, along with Senator Green, we would encourage more of the regional focus.

CHAIR: I have one final question on Al Jazeera. My understanding, from evidence that was provided to another committee here, was that Channel Nine was asked to consider their obligations under the Foreign Influence Transparency Scheme about the use of Al Jazeera footage. Mr Anderson, have you ever had a formal request to consider your position—or have you considered your position—under the FITS about using their footage given that they are a government owned entity?

Mr Anderson: I know of no requests for that consideration. I am aware of the requests presented to Channel Nine but it hasn't been presented to the ABC to my knowledge.

Senator HANSON-YOUNG: I guess they'd have to do the same thing for the BBC!

CHAIR: Order! Senator Hanson-Young, you now have the call.

Senator HANSON-YOUNG: Thank you, Chair. Maybe I will put that officially on the record. Mr Anderson, if there is a request similar to Channel Nine's in relation to Al Jazeera—and we heard that in this committee on Friday as part of our inquiry into press freedom—it would be unusual to take issue with Al Jazeera but not other state owned and run media agencies like the BBC, don't you think?

Mr Anderson: Sure.

Senator HANSON-YOUNG: Okay. Let's—

Senator ROBERTS: Do you fund terrorism?

CHAIR: Order!

Senator HANSON-YOUNG: That wasn't the question, Senator Roberts.

Senator ROBERTS: I know it wasn't.

CHAIR: Order! Senator Hanson-Young, ignore the interjections.

Senator HANSON-YOUNG: We can get into your love of guns if you like, Senator Roberts, but we're not going to—
CHAIR: Senator Hanson Young, ignore the interjections.

Senator HANSON-YOUNG: Mr Anderson, we've had a little bit of questioning from Senator Green in relation to funding and funding cuts, and the efficiency cuts that have come down the line. And we've got some savings found by you. Have you had an official response from either the ABC board or your management committee to the recommendations in the ACCC report, which talked about needing more longer term and stable funding for the broadcaster?

Mr Anderson: The ACCC report has, I believe, been provided to the board. We have certainly looked at it, and we note the recommendations for the stability of funding for the ABC and its importance in rural and regional Australia. There are a number of recommendations in there—in particular, stability of funding over a longer period.

Senator HANSON-YOUNG: Ahead of the budget, you wrote to the minister asking for a longer period of time to make sure there was certainty with the broadcaster—I think it was five years.

Mr Anderson: Yes.

Senator HANSON-YOUNG: Did you ever get an official response from the minister to that letter?

Mr Anderson: I don't recall. I believe I did—noting my request. I have certainly met with the minister a number of times since; it has come up on occasion. I certainly get the impression that that is open for consideration.

Senator HANSON-YOUNG: In terms of all the reviews and things that you are currently undertaking, would it be helpful to have an understanding of what your budget is going to be in the longer term? Would that help you make decisions about content, the shows you would be investing in, the talent you would be bringing on board and where you would house people—going to Senator McGrath's question. If you are going to be asked to make some significant changes, wouldn't knowing what that will be in the longer term make that more doable?

Mr Anderson: Yes. Obviously, the further ahead you can plan, the more strategic you can be in those decisions—in particular, those decisions and outcomes you want to put in place that take some time to transition. Some of it might be investment in capital, some of it might be investment in workflow and, going to that point, it is certainly an investment in where your people are and how you can go about serving the Australian people into the future.

Senator HANSON-YOUNG: Do you hear from ABC staff that they are worried about the impact of the ABC cuts on their jobs?

Mr Anderson: Yes, all the time. I regularly go out to staff. I try to be as accessible as possible. I was in Hobart last Friday meeting with staff. I made myself available. I talked through the recent updates I have sent out. I took any questions they had. I did the same in Melbourne and in Sydney. I travel to Adelaide tomorrow and I am meeting with the people in Canberra tomorrow. It is a common theme—staff are concerned about the future. Despite the uncertainty that exists, I think we can still be positive about the future, what the ABC provides and how well we provide it to the majority of Australians. As I said earlier, we reach more than three-quarters of the country every month and two-thirds of the country every week. Trust in the ABC is still high, at 81 per cent, while trust in the media is falling. While
we maintain our high quality and the distinctiveness of what we do, and remain as local as we are, there is confidence to be had. That said, we do have challenges in the future, which does create uncertainty for staff. The best I can do at the moment is methodically work through that with the board and keep staff updated. I have indicated that I will be back to them in March with another update.

**Senator HANSON-YOUNG:** Does the ABC regularly receive complaints from members of parliament about the coverage your organisation gives them?

**Mr Anderson:** In my time as managing director, I haven't had many written complaints from members of parliament with regard to ABC coverage. I can't say that there are many. Mr McMurtrie, you wouldn't have any statistics on it but what are your thoughts?

**Senator HANSON-YOUNG:** You can tell me which names appear the most if you like!

**Mr McMurtrie:** As you well know, in political life there's a steady drumbeat between media organisations and politicians on a range of things. But there is nothing that I would describe as untoward or unusual.

**Senator HANSON-YOUNG:** That's good. And what about engagement with members of the government or ministers when your journalists are being stonewalled on getting stories? At what point, Mr Anderson, are you brought into the conversation? Or does it not occur? I guess I'm reflecting on the campaign at the moment and the huge concern in relation to the clog of FOI requests, the raids on your offices and the intimidation of journalists. When journalists are doing their job investigating the work of government and they are being stonewalled, does it get put up the line, do you hear about that?

**Mr Anderson:** From time to time we do hear about that. The AFP raid on the ABC brought that into sharp focus—the execution of the warrant, which is currently being contested. We watched proceedings in the Federal Court and that is due to be heard on 28 October. I can't say much about that, but what I will talk to is our submissions to the inquiry by the Joint Parliamentary Committee on Intelligence AND Security as well as the other inquiry being led by you. We have outlined what those concerns are. There are four planks to our concerns. One is in regard to FOI. Another is decriminalising journalism by putting a reverse onus in the public interest test when it comes to investigations. And the others are protections for whistleblowers and raising the bar for the execution of search warrants to a judicial level.

**Senator HANSON-YOUNG:** Where is the current case with your staff up to? We heard on Friday that the application for leave had been rejected—from memory—or that the appeal had been rejected.

**Mr Anderson:** Yes.

**Senator HANSON-YOUNG:** Could you give us a quick update as to where the legal case is up to.

**Mr Anderson:** As far as I know, the matter is due to be heard on 28 October.

**Senator HANSON-YOUNG:** And that's it?

**Mr Anderson:** That's it.
Senator HANSON-YOUNG: And you haven't heard from the minister in the last week or couple of days in relation to your staff, whether it be the Attorney-General or the communications minister?

Mr Anderson: I haven't heard directly from the minister's office in regard to that. We would certainly welcome the offer to meet. I do understand that a member of the minister's office has started to make inquiries today around availability to meet with both the minister and the Attorney-General, but I haven't officially received that yet.

Senator HANSON-YOUNG: The two journalists involved must be desperate to hear whether they are going to be charged or not.

Mr Anderson: Yes. At the end of all of this for us at the moment—as well as a News Corp journalist—we have uncertainty hanging over two of our journalists, both named in the warrant. No charges have been laid. In the case of Dan Oakes, where reference has been made to the Criminal Code, in which there is no public interest test, as well as to possessing information in regard to Defence, if prosecuted, he faces the possibility of a jail term of about 10 years just for doing his job. That was in regard to the Afghan files that were covered in 2017. It was about incidents that happened earlier. It was two years between the publication of those files and the raid. It does take a toll on these individuals and we do have concern for them. We have expressed that concern to the government as well.

Senator HANSON-YOUNG: It is obviously a unique situation for you to be in—to be here in front of estimates having to answer questions. There is an expectation that you are required to be transparent and open. You have a statutory obligation to front this committee and answer our questions. Yet you're in a situation where your staff don't feel like they can get on and do their job, because other elements of government are not being as up-front, don't want the facts out there, are hiding things from the public. It must be a bizarre position to be in.

Mr Anderson: Yes. We have talented, incredible journalists who are quite concerned about the consequences of doing their job. As I said earlier, no-one is above the law, but no-one is above scrutiny that is in the public interest either.

Senator HANSON-YOUNG: Are there other stories that the ABC has on your books that you can't move ahead with now—that you can't put in the public domain—because whistleblowers have been too afraid after the raids on the ABC?

Mr Anderson: It's difficult for me to answer, but what I will say is that when we were at the Joint Parliamentary Committee on Intelligence and Security, the director of news, Gaven Morris, did put forward that we have had whistleblowers who had come forward. We were working on a story but had decided not to go ahead with the story they had come forward with. Therefore, we were unable to proceed with that story. They were concerned that we were unable to protect their identities.

Senator HANSON-YOUNG: But that's your job. That's what the public funds you to do.

Mr Anderson: Certainly, there is journalistic privilege, where you have a privilege with your sources, you protect your sources and you protect their identity. Subsequent to the raids, there have been some occasions—certainly they have been reported as presented by Mr Morris at that committee meeting—when they've retreated from pursuing and blowing the whistle on what they believed to be wrongdoing. They were doing that after exhausting other...
avenues to be able to put that forward as a public good and in the public interest. That certainly was a result.

**Senator HANSON-YOUNG:** So there is information out there that's in the public interest and that your organisation has possession of, and you're not able to get on with your job of reporting it, effectively because of what has happened?

**Mr Anderson:** There are stories that we have been unable to pursue as a result of a source not wanting to continue with the story.

**Senator HANSON-YOUNG:** And understandably, because of what's happened. It's hard to think how the ABC would manage to get all the wonderful stories that you do, whether stories into the corruption in the Murray-Darling Basin or aged-care facilities, or indeed the horseracing industry from last week, if you didn't have whistleblowers who were willing to come forward. Isn't that correct?

**Mr Anderson:** Yes, it's an important part of what we do, public interest journalism. It's a close relationship that we have between whistleblowers and journalists.

I will add, though, that our journalists, despite that uncertainty, are certainly getting on with the job and doing what they do best. But this needs to be resolved, and we have put forward what we believe to be the most immediate changes that could be made: amendments to legislation that provide those things I outlined earlier. I won't repeat them. That's what we've put forward, and it's consistent between both submissions that that is what we see as the most immediate change that could be done that will resolve the situation immediately.

**Senator HANSON-YOUNG:** But in the meantime, having at least some assurance that your two journalists won't be charged for doing their job would be of some comfort?

**Mr Anderson:** Yes, but I have been advised that it's not coming.

**Senator GREEN:** I have a couple of questions following up on a line of questioning from the last estimates, in relation to the consumer affairs program, *The Checkout*. I want to double-check: I think it was at the last Senate estimates that you said by the time we came to the next estimates we should have a new consumer program—in the second half of 2019. Is that the case?

**Mr Anderson:** I don't think I would have been that definitive. I don't use Senate estimates to subvert what other editorial decision-making we would make with regard to commissioning. But, certainly, *The Checkout* has come up quite a bit in parliamentary hearings. Yes, it's certainly something that we have been in discussions with the producers about—either that program or something similar to it.

**Senator GREEN:** And where are we up to now? Are we going to have a consumer affairs program on the ABC?

**Mr Anderson:** I don't have anything to advise you at this point, other than we've been in discussions with the producer in question. For business reasons, I don't think that the discussions we're having with external independent producers are to be ventilated at estimates. I think they're confidential. Otherwise, those discussions are ongoing at present.

**Senator GREEN:** Okay. I'm not asking about that particular show, or those particular producers, but rather if a show of that type is planned for the ABC going forward.
Mr Anderson: We've got a commissioning process in place, which is a governance process for shows that would cost multiple millions of dollars of taxpayers' funds. We don't have a show at the moment that's completed through the process that I can speak to, other than—we certainly have an aspiration that we'd still like to do a consumer affairs program.

Senator GREEN: Great. Senator Duniam, the ABC Act sets out international broadcasting as a function of the ABC, yet in January this year the government announced $17 million for 1,000 hours of commercial television content in the Pacific. Is it now the government's policy to support commercial media over the national broadcaster when it comes to Australia's soft power?

Senator Duniam: It might surprise you to learn that I would have to take that question on notice.

Senator GREEN: Okay; you might have to take a few on notice then.

Senator Duniam: Yes.

Senator GREEN: That's been a bit of a theme for today.

Senator Duniam: I will just remind you I'm not the minister for communications. While I have been a member of this committee, if you want a proper answer to some of those detailed questions I will have to take them on notice.

Senator GREEN: This is a government announcement of $17 million made in January this year.

Senator Duniam: So in the last parliament, before I was a minister.

Senator GREEN: Did you not get a briefing before you came to appear today?

Senator Duniam: There are many, many briefings—

Senator GREEN: And that wasn't part of it.

Senator Duniam: but as I said, if you would like a proper answer, I think we'd best to take these on notice.

Senator GREEN: Okay. The ABC chair addressed the Lowy Institute. She gave a long speech, and in part of that speech she said:

The importance of journalism to our country's Asia-Pacific interests cannot be underestimated and I believe a renewed ABC focus on international broadcasting would greatly benefit Australia.

Mr Anderson, do you have anything to add to those comments? Would you care to elaborate on the focus of the ABC on international broadcasting going forward?

Mr Anderson: This year we're celebrating the 80th year of international broadcasting for the ABC. We have had a long history of providing services overseas. It's in our charter to do so; it's mentioned specifically. And we've also had a close relationship with the Pacific. The sentiment behind the chair's speech last Saturday night was that there are generations of people in the Pacific that trust Australia, like there are generations in the Pacific that trust the ABC, and that if there was an extension of broadcasting into the Pacific required, we think we're a natural partner for that.

Senator GREEN: The ABC has a role in international programming, and we've also got this announcement that you're either not aware of or don't know the details of—is that right?
Senator Duniam: I said I'd take on notice the details of your question so you'll get a proper answer.

Senator GREEN: Can you answer this question—you might have to take it on notice—does the $17 million of commercial television include journalism programs on commercial TV, or is it more for sport, drama or lifestyle programs?

Senator Duniam: I think we'll have to take that one on notice as well.

Senator GREEN: Are you confident that $17 million of commercial television content is the most efficient use of taxpayer funds when it comes to Australia's soft power diplomacy?

Senator Duniam: In the vein of taking all the questions in this area on notice, I will do the same with that.

Senator GREEN: That's not a question about the program itself.

Senator Duniam: So you want me to offer an opinion on something that I'd like to make sure you get a proper answer to. Is that what you're asking?

Senator GREEN: I'd actually prefer it if you'd come to the committee tonight knowing a little bit more about this commitment.

Senator Duniam: Knowing every element of every facet of everything about the ABC? That's a bit of a big ask for someone whose portfolio is fish, forests and regional tourism. The best thing I can do is take that on notice for you.

Senator GREEN: What is the status of the two reviews into soft power, namely the department's review of the Australian broadcasting services—this might be a question for Mr Mrdak—and DFAT's soft power review? I'm assuming you won't be able to make a comment on that one, so just the department's review of Australian broadcasting services in the Asia-Pacific.

Mr Mrdak: That review is currently with the government. The work has been completed by the agencies. The government is yet to finalise its consideration of that review.

Senator GREEN: Mr Mrdak, would you provide an update on the contract with Free TV to administer the $17 million for content in the Pacific.

Mr Mrdak: Yes, I'm very happy to do that, and Mr Eccles will give you a little bit of the detail. The contract is nearing finalisation. In fact, discussions were held again yesterday with Free TV. We're in the final stages of completing the negotiations on that contract—the next stages. Free TV has already started the process of identifying the broadcast content needs of the countries in the South Pacific and is, firstly, working with key organisations there to establish what their need is and, secondly, working with Australian content rights holders to make that content available to them. I think the contract negotiations are at the last stage.

Mr Eccles: At the very last stage. We expect it to be finalised in the coming days.

Senator GREEN: Can you provide us with any details about the contract?

Mr Eccles: It's to give effect to the government commitment to enable Australian television content to Pacific broadcasters. The focus will be initially a bit of a discovery phase. I've taken this committee through it in previous hearings. The first phase is a bit of a discovery phase to understand what sort of Australian programming the South Pacific broadcasters believe would be valuable to their viewers. The next is working with Australian
rights holders to find out what content might be available. There's a technical job about how to provide that content, with a view to programming starting in 2020.

**Senator HANSON-YOUNG:** Is that about which season of *The Bachelor* to start with? Do we go right back to the beginning, or do we start in 2019?

**CHAIR:** Senator Hanson-Young, you don't have the call.

**Senator HANSON-YOUNG:** Sorry.

**Senator GREEN:** I prefer *Love Island* myself. We'll talk about content later. I've got some questions about some good content coming from the ABC. You seem to understand a little bit more about this commitment, the $17 million. Have the government given you a reason why they have decided to give that $17 million to Free TV instead of giving it to the ABC?

**Mr Eccles:** I think it's very important to recognise that this is not a broadcast proposal. This is not about providing a broadcasting service. Everyone respects the role that the ABC has as Australia's national broadcaster and the role it plays in international broadcasting, which is very important in the region. This is about providing Australian content—a range of content across the whole spectrum of the content that is available on Australian television—to the Pacific Island nations, to enable them to broadcast, at no cost, Australian content on their systems. It's a very different question to the ABC's role as an international broadcaster. This is about purchasing content rights and making that content available to Pacific broadcasters at no cost as part of our commitment in the region and also building Australia's presence in the region and understanding of Australian culture and the like in the region.

**Senator GREEN:** Okay. I've got some questions about content now, Mr Anderson. Would you please update the committee on the success of the children's show *Bluey* and the ABC's successes at the Walkley nominations—which I know you did in the opening statement. Could you talk particularly about *Bluey*, which is produced in Queensland, if I'm correct.

**Mr Anderson:** It is. It's produced by Ludo, an independent producer. It's done incredibly well. When we commissioned *Bluey*, we were hopeful that, as opposed to *Peppa Pig*, we would have Australian voices and an Australian landscape depicted and animated for preschool. It's done incredibly well. I haven't seen the latest numbers. We've certainly passed 100 million plays, and last week it was nominated for an International Emmy, the only Australian program to be nominated. So it's incredibly successful, and we're very proud to have been part of commissioning *Bluey*.

**Senator GREEN:** This is another one of personal interest to me. I'm a big fan of women's football—and by 'football' I mean 'soccer'—and I was devastated when cuts to SBS meant that we were no longer going to see women's football on free-to-air TV. But we have found out recently that the ABC has secured the rights to broadcast A-League, W-League, Socceroos and Matildas matches across the next two years. Can you please outline how these sports fit into the ABC Charter and Content Strategy, and what that agreement will mean for fans of soccer like me.

**Mr Anderson:** It's a two-year deal. There'll be one game of W-League on a Sunday during W-League season and one game of A-League on a Saturday. International matches, as you mentioned, of Socceroos and Matildas during the week—

**Senator GREEN:** Every single Matildas match?
Mr Anderson: I'm not sure that we've got every single Matildas match, to be honest.

Senator GREEN: That's what your ad said.

Mr Anderson: It's a complicated deal between us, Foxtel and the FFA. We're very pleased to have it back. We did have W-League some years ago. We did try to get it back, but we had a scheduling issue and we couldn't get it. We believe that the ABC has always done sport, certainly when we can afford to do it. We think sport is one way to reflect the culture and community of the country. We think that that sport on the ABC will do this well. We'll take it to other places—we'll tell the stories behind the players—and hopefully inspire young Australians to get out and about and play football.

Senator GREEN: The next generation of Sam Kerrs, inspired by the ABC.

CHAIR: I'll go to Senator Van for 10 minutes.

Senator VAN: Senator Green stole part of my question. I was going to congratulate you on Bluey: congratulations for commissioning that. I have some further questions around children's content. Obviously, there's a lot of children's content on various parts of various platforms of the ABC. Can you update us on what the first-run children's content currently being aired on the ABC is?

Mr Anderson: I'm quite happy to provide that on notice. I could do my best to rattle off a few titles. I'm a bit far away from it at the moment, but I'll give it to you on notice.

Senator VAN: I don't get to watch too much of it now these days either, so on notice would be fine. What share—and you might want to take this on notice as well—of the ABC's content is Australian children's content; and can that be broken down by both hours and dollars?

Mr Anderson: Yes, and, again, I'll take that on notice. We do track that for what is on ABC Kids as well as ABC Me. You're looking for Australian produced content?

Senator VAN: Yes.

Mr Anderson: Rather than acquired?

Senator VAN: Could you also specify what ABC generated content is?

Mr Anderson: Yes.

Senator VAN: Since the 2013-14 budget the ABC has received additional funding from the federal government for enhanced news-gathering services, including the $43.7 million announced in the 2019–20 budget. Can you tell us the total amount that the ABC has received under this program?

Mr Anderson: I can't offhand—

Senator VAN: Again, on notice is perfectly fine.

Mr Anderson: but this is the third by three-year tranche of that. I said earlier that we welcome the extension of that funding, as it employs over 100 people that do very important jobs.

Senator VAN: Great, and almost unanimous support for our regional areas has been shown tonight. A program first introduced in 2013 was designed to enable the ABC to place more journalists outside of metropolitan cities and expand the regional participation in its programming. How many additional journalists have been employed outside metropolitan
cities using this funding; and how many are expected to be employed with the additional funding from the 2019–20 budget?

Mr Anderson: As I mentioned earlier, it's an extension of funding that already exists. But I can certainly give you on notice where it employs people across the country. I can rattle off places like Broome, Alice Springs, the Hunter, Bunbury, Newcastle, Parramatta, Ipswich, et cetera, but we'll give that to you on notice. Because it's an extension of funding, it hasn't employed new people but it's kept the funding going for where we have a presence.

Senator VAN: Over that six years it hasn't employed any additional journalists?

Mr Anderson: People will have come and gone, but we'll give you an update on that, and if I have any detail over time I will let you know.

Senator VAN: If you could you set out how it compares to the ABC's overall number of journalists, that would also be helpful.

Mr Anderson: Certainly.

Senator VAN: Thank you. You were talking about the continuation of this funding in the 2016-17 budget. After that, the ABC published a media release, on 3 May 2016, highlighting that this funding would go to the 'establishment of outer suburban bureaux'. Can you tell us where they are located?

Mr Anderson: I'm going to have to give you that on notice, I'm afraid.

Senator VAN: Again, we've made it perfectly clear that—

Mr Anderson: Otherwise, I think I'd be guessing. Again, I can rattle off where I know that we have a presence, but, specifically relating to that outcome, I will provide that to you on notice.

Senator VAN: Terrific. I'm going to guess that this one will probably go on notice as well.

What additional regional services does this funding measure directly support?

Mr Anderson: I will give that to you on notice.

Senator VAN: Terrific. As you know, the Attorney-General issued a direction that the CDPP requires his consent to prosecute a journalist for certain offences. Can you confirm that the ABC requested this in its submission to the current PJCIS inquiry?

Mr Anderson: I believe that we did mention something to that effect in our submission, but we believe that that, in itself, is certainly not enough. As I said earlier, we're seeking reform to legislation that goes beyond that. It's a positive step, but it really can't be one person that deals with this. We need to deal with this with regard to—we believe, anyway—legislative reform.

Senator VAN: I will just read a quote to you from your submission. Can you confirm whether it's correct or not, just for the record: 'The requirement for the Attorney-General consent should apply in respect of all offences that may be used to prosecute journalists, including the Defence Act and the Criminal Code offences identified above.'

Senator URQUHART: Sorry, is that the entire section, or are you just reading an excerpt?

Senator VAN: I'm reading a sentence out of it.

Senator URQUHART: So it's just part of it.
Senator VAN: Yes. I'm asking if that sentence can be confirmed.

Senator URQUHART: To be fair, I think the whole lot should be read.

Senator VAN: I have the call, thank you, Senator. Mr Anderson, can you confirm whether that's—

Mr Anderson: It's a fairly long submission and I don't have in front of me, but, certainly, I do recall that we asked for that as part of our submission.

Senator VAN: Great. So that's confirmed, or do you need to do that on notice?

Mr Anderson: I prefer to take it on notice—we can do word for word. But I know that was certainly in there as part of what was quite a lengthy submission with regard to legislative change.

Senator VAN: That's much appreciated.

Senator URQUHART: I have a package of questions in relation to the underpayment of casual staff. I understand that the underpayment error is estimated to have cost the ABC around $22 million. Is that correct?

Mr Anderson: We have raised the provision that is set out in our financial statements to that effect, yes.

Senator URQUHART: Has this been accommodated in the ABC's budget? Where is it coming from?

Mr Anderson: It's a one-off payment, and, yes, we've raised a provision for it. If you want more budget information, I can refer to Ms Klein?

Senator URQUHART: That would be great.

Ms Kleyn: Our plan is for that to be paid out of cash reserves.

Senator URQUHART: Thank you. Can you tell me how many casuals have been affected?

Mr Anderson: I'll start by saying that this is certainly a regrettable situation that we find ourselves in. We're very apologetic and very sorry for anyone that is affected by this underpayment. It certainly shouldn't have happened, and we're taking steps to make sure it doesn't happen again. We identified that, potentially, 2½ thousand people had been employed on a flat-rate basis—2,500 people were identified as a flat-rate casual who had been employed in the last six years. That's the full exposure that we identified early. There is a smaller amount that we've identified that would require rectification—that is, a payment to fix the underpayment.

Senator URQUHART: Can you tell me how many casuals in question have been paid?

Mr Anderson: No. It's a fairly lengthy process. The time line is that, in November, an individual presented to us believing that they were underpaid. In December we started to work through it. We self-disclosed to the Fair Work Ombudsman. Certainly by February we had arrested the problem by moving all of our flat-rate casuals over to being award based casuals and issued an edict that no other person should be employed on a flat-rate basis. We then went about the process of evaluating the situation. It was quite a lot of people over many years. It's taken some time. We have been working with the Fair Work Ombudsman on this. Those negotiations have been happening. We have had an auditor look at it, and last week we
advised and wrote to the people who are potentially affected that we believe we've got to a stage in the process where we can start payments. They will commence soon.

Senator URQUHART: So that's soon.

Mr Anderson: There are none at present. We've contacted somebody in the last seven days. We've started to contact people. We're starting to contact people who are still in the employ of the ABC who might be receiving an underpayment.

Senator URQUHART: When you say soon, is that within a month or a few weeks?

Mr Anderson: It's within a few weeks that we will start. Part of the process here is we need to consult with each individual before the payment is made. That will take some time. While we will start the payments, it will take some time to pay everyone who we believe is due payments.

Senator URQUHART: Do you have any idea about how long that process will take when you're talking about 2,500 people?

Mr Anderson: No, I don't. There are a lot of people who are affected by this, and we still have not concluded our discussions with the Fair Work Ombudsman either. While they still haven't concluded, we would like to pay people as soon as we can. The conclusion of our discussions with the Fair Work Ombudsman might affect the time line of when people will be paid.

Senator URQUHART: Can you tell me how the underpayment happened? What was the issue? How did it occur?

Mr Anderson: There is an industry practice that has existed, certainly within the media industry, where we've employed people on an hourly basis. Either they've presented themselves or we've offered it. It has been industry practice for some time. What has happened is we have not done an effective assessment of that flat hourly rate against what would otherwise be an award entitlement had they been on a band and a point that sits within our pay scale. Within the last few years, there has been a gap between what they otherwise would have received had they been an award based casual as opposed to a flat-rate casual.

Senator URQUHART: I'm sure you're aware that the CPSU has produced a report into the casual underpayment issue, Anything but casual, which finds that, rather than an honest mistake, the underpayment of casual employees is far more serious. Indeed, the CPSU assert that there were numerous opportunities when this issue was brought to the attention of management. Do you want to respond to that comment within that report?

Mr Anderson: I received that report on Friday. I read through that report and had initial discussions with the team. There are some things that are put forward in that report that will be refuted. There are some recommendations that are put in the report that we've already done, and there are some other recommendations that we won't do. I can't speak to some of the claims made in that report. I simply don't know. What I do know is that, again, we are and I am very sorry that there is an underpayment that has happened. We are already working hard to put measures in place to make sure that doesn't happen again and that we rectify this as quickly as possible for those people who are affected by it.
Senator URQUHART: There are 12 findings in that report. You've just said that you don't necessarily agree with all of them, but what will ABC management do to review the findings within that report?

Mr Anderson: We'll certainly review that report in detail. We will respond to the CPSU, who provided us that report. As I said, we've put a number of things in place. One of the things we've done throughout the year is we've provided training for hiring managers. We've looked to standardise when it comes to how we hire casuals, to ensure that this mistake doesn't happen again. That's one of the recommendations in the report. It recommends manager training. We've been doing that over a period of months, to ensure that this situation doesn't repeat itself.

Senator URQUHART: Will you be formally responding to the CPSU on those findings in the report?

Mr Anderson: Yes, we'll provide a response to the CPSU and consider those findings.

Senator URQUHART: You've talked about a couple of things. What I'm interested in is: what has the ABC done to address the governance and other issues to make sure that this doesn't happen again?

Mr Anderson: We've put an edict out that no-one will be employed on a flat rate basis in the way that this has come about, No. 1; again, training for hiring managers; and we are looking at, or trying to, at the moment, centralise what is our view of the recruitment of people on a casual basis, to have, again, a standardised way of having a viewpoint on this that is central right across the ABC. They're some of the things that we have in place at the moment.

CHAIR: We are now over time to move to NBN Co, but, Senator Abetz, you have the call. Could everybody please keep answers brief and questions equally brief.

Senator ABETZ: Thank you, Chair. Welcome to the ABC. Where are we at with the Jon Stephens case and our dealings with the victim? Have we reached out to the victim now? Are there any discussions taking place?

Mr Anderson: I am unaware of whether we have or we haven't, or, for that matter, if we have, whether I can talk about it. I'm aware of the Jon Stephens case by having seen previous Senate estimates. I'm afraid I have not been briefed on that, so I can't—

Senator ABETZ: You didn't think I might raise it again—this issue where one of your employees dealt inappropriately with a young person? I've been pursuing this now for a number of years, to ascertain how much you spent on lawyers before you reached out to the victim. So you can't give me any briefing on this? This tells me, with respect, that the ABC is not taking this matter as seriously as it ought to be, because it's been my concern throughout.

Mr Anderson: I don't have a brief in front of me around Jon Stephens. I do think it's a very serious matter. My understanding of the matter is high level with regard to the fact that the individual in question pleaded guilty to the charges that were put before him and, I believe, has served a sentence. When it comes to the victim in question, no, Senator, I'm afraid I do not know whether or not we've reached out to them; nor do I have a number in front of me with regard to legal costs expended with regard to—
Senator ABETZ: In that case, I'll put a whole lot of questions on notice in relation to that and I'll move on—in a similar vein, in a way. There has been correspondence between the head of the Sydney Institute, Gerard Henderson, and the chairman of the ABC suggesting that the ABC should be apologising for and repudiating the statements of a former ABC chairman, Professor Richard Downing, who said, under the title of ABC chairman, in The Sydney Morning Herald on 19 July 1975, 'In general, men will sleep with young boys.' Of course, evidence provided to the royal commission indicates that the crime of paedophilia was at its height in Australia in the late sixties, the seventies and the early eighties. That statement, under the name of the Chairman of the ABC, I would have thought, was worthy of repudiation. Successors in title have so far refused to do so. Ms Buttrose has come as close to it as one might have thought. What is the problem with the ABC saying that that is an abhorrent statement, does not at all align with the values of the ABC and is repudiated? One would have thought that, if any other publicly funded institution had a chair that made such a comment and allowed for the broadcast of the program—which is the subject of the correspondence between Mr Henderson and Ms Buttrose—that organisation would have been doubling over itself to provide a public apology and a very important repudiation.

Mr Anderson: I'm just having a look at the letter from Ita. My understanding is that what we have found is a letter from the former chair that was provided to the press. I haven't found those statements made, and I think that's what Ita's letter refers to in that. What we can find is a response to it.

Senator ABETZ: It was a letter to the editor published in The Sydney Morning Herald, wasn't it, on 19 July 1975. The ABC, with all its investigative journalists, is unable to find that.

Mr Anderson: I can see the quote that was published in The Sydney Morning Herald. That says, 'The ABC does not seek to offend, only to enlighten'—a quote from the report, et cetera—'society may remain civilised only if the individual learns about the result of uncivilised behaviour even though the learning process can be upsetting to him.' That letter we've certainly found. The ABC certainly does not support paedophilia. But I believe that Ms Buttrose, in her correspondence back to Gerard Henderson, suggested that she can't find a statement from the chair that says specifically that that chair supported paedophilia.

Senator ABETZ: But he said, 'In general, men will sleep with young boys.' Is that denied?

Mr Anderson: I don't know that it's denied—

Senator ABETZ: You could play the word game in saying that that doesn't mean he's supportive of it. But I would have thought we would find such a statement to be not in line with actual real-world experience or research and more a desire to try to cover up or excuse certain behaviours which were illegal then and, thank goodness, remain illegal today: an activity which destroys young people's lives.

Mr Anderson: I don't disagree with you with regard to how horrible the notion of paedophilia is.

Senator ABETZ: Well, why can't we condemn it? Your ABC journalists would be all over any other public organisation—or private for that matter—if there was a chairman or person in charge making statements of that nature. What's so difficult for the ABC to say that
it does not align with its values in any way, shape or form, and those comments are condemned? If you can't, that is fine. The public will judge the ABC for it. But I would have thought it would be a pretty easy no-brainer to say: 'This is ugly stuff—don't know why it was said in 1975, but in 2019, we completely and utterly repudiate the comments of our former chairman.' I'll leave it, if you can't bring yourselves to apologise or at least to repudiate that.

Can I turn to the issue of executive pays, which has been given some airing in the media. That's all affordable within the budget—the increased pays for the executives?

Mr Anderson: Senator, when you say increased pays to the executives, are you speaking of the key management personnel that are—

Senator ABETZ: ABC's board and executives were paid almost 70 per cent more over the past year, according to a report by Lilly Vitorovic. Are aware of that story?

Mr Anderson: Yes, I'm aware of that story.

Senator ABETZ: That's what I'm referring to.

Mr Anderson: I believe the journalist in question is referring to the table that is contained, from memory, in 193 of—

Senator ABETZ: We know where the figures have come from. I've asked: has the ABC found it quite easy within its budget to find these extra, literally, millions of dollars.

Mr Anderson: I would contest that there are pay rises of 70 per cent that have gone to those executives. What that 70 per cent relates to is a cost, which is an increase from one year to the next of $2½ million. Two million dollars can be explained by one-off termination payments to Ms Guthrie and Mr Mason. There's revaluation or acquisition of long service leave that amounts to $300,000. Then we look at overlaps of roles. I'm not splitting hairs here, but the actual rise in salary, when you remove those issues, is $20,000 from one year to the next. But under that there is an increase in costs, I do accept, that is from one year to the next. It may be born particularly out of those termination payments.

Senator ABETZ: And do you want to confirm that there are now 17 people in the management and board band compared to 15 in the previous year? Has that slipped your mind as well?

Mr Anderson: Has it slipped my mind?

Senator ABETZ: Yes.

Mr Anderson: No.

Senator ABETZ: Can you tell us about that, because you didn't tell us about that as one of the reasons for the increased costs. I would have thought having two extra people in that management and board band might also explain the increasing costs.

Mr Anderson: Well, some of these people aren't here any more. Michelle Guthrie is not here, and she's one of the 17 that you're referring to.

Senator ABETZ: Wait a minute: I'm talking numbers—from 15 to 17. The people might have changed. But we have now got two extra positions which, I assume, are remunerated. Does that add to this increase of about $2.5 million to which you referred?

Mr Anderson: I believe you're referring to the table on page 193 of the report. And, when you say two extra positions, I would suggest that there is overlap here. We have, for instance,
Louise Higgins and Melanie Kleyn who have both occupied the position of CFO during the period of which one is no longer here. There was overlap when Ms Kleyn came into the CFO role and Ms Higgins left.

Senator ABETZ: How many people are in the management and board band in 2018-19? And then how many were in that management and board band in the previous financial year? That will tell us the difference. Now this journalist is asserting that the difference is two people. One assumes that they would command a salary or remuneration which would add into the $2.5 million.

Mr Anderson: How about I confirm that on notice for you?

Senator ABETZ: Yes. If you could, that would be helpful. On 30 July, The Drum host, Julia Baird, tweeted to The Drum audience on Twitter:

I've been listening. I plan to review the effectiveness of our requirements for disclosure of conflicts of interest for our panelists, think tanks and lobby groups and will report back.

Has a review been undertaken? Is there a copy of the review? Has Julia Baird reported back? And, more importantly, what's our excuse for not having had anybody from the Institute of Public Affairs for over 540 days?

Mr Anderson: There are a few questions that you just asked there. How often we've invited someone from the IPA, I am unaware of.

Senator ABETZ: Can you take all that on notice?

Mr Anderson: We can take it on notice and respond.

Senator ABETZ: And those other questions I asked as well. Interestingly enough, Ms Baird then deleted the tweet, which is also of interest. I'll put more questions on notice. Finally, if I can finish on this one: why is it so difficult for Mr Jones to apologise, or acknowledge that he got it wrong, when he talked about the Sky News After Dark audience and tried to belittle a competitor by saying they only had about 5,000 people watching at that time?

He was called out by the ABC's Paul Barry. He asked on his show, 'So did Jones correct the record on Monday's show?' In fact it was 65,000 that watched Sky after dark, so he was out by a factor of 13. Tony Jones said, 'They claim more than 60,000 tune in at night. So I hereby turn over the issue to any other interested fact-checker.' Why does it have to be referred to any other interested fact-checker? Whether he was either accidentally or deliberately seeking to belittle, we don't know, but I think we can agree it was wrong, according to ABC's own fact-checking. Why is it so difficult to say, 'I got it wrong. Sorry, they get 65,000. I was only out by a factor of 13. But you can always believe the ABC for getting it right'?

Mr Anderson: I agree with you that it was incorrect.

Senator ABETZ: Are people then counselled? We all make mistakes—I accept that—but why couldn't he have just said, 'I got it wrong. Apologies, it should have been 65,000 and not 5,000,' instead of saying, 'This is what they're saying, so let some other fact-checker try and check it out?' The ABC never seems to be able to accept that they get it wrong in these areas, and I just wonder why. What's the matter with the culture?

Mr McMurtrie: I think it was always a light-hearted exchange. I think Mr Jones invited himself to be fact-checked when he first said it. I think the most important thing is that
nobody in the ABC audience could have misunderstood that the number he offered was the wrong number. I think it was a light-hearted exchange.

**Senator ABETZ:** Well, Paul Barry called him out on it: 'So did Jones correct the record? Not exactly.' Even Mr Barry called him out. So wouldn't the ABC management or wouldn't somebody who's in charge of Tony Jones have said: 'If even Paul Barry says it ain't good enough, this ain't a good look for the public broadcaster to be behaving in this manner?'

**Mr McMurtrie:** On the culture of the ABC, I think the fact that Paul Barry called him out speaks positively about the culture at the ABC.

**Senator ABETZ:** About one person in the ABC on this particular issue.

**CHAIR:** Senator Abetz, please wait for Mr McMurtrie to finish.

**Mr McMurtrie:** I think that Mr Jones, on prime-time television in the evening, values his reputation very highly. He's a very seasoned, very experienced journalist, and, if he felt that the error was very egregious, he would certainly be very serious and very formal about it. But there's no mistaking that the team knew what had happened, and they dealt with in kind—and it was always intended to be a light-hearted exchange.

**Senator ABETZ:** Well, that's what the ABC says. It will be on the public record. It's not to your credit, but thanks for the time, Chair.

**Senator HANSON:** Do you actually stand by the Media, Entertainment and Arts Alliance journalist code of ethics? The MEAA is a member of the Australian Press Council. It advocates for all media and is a self-regulatory body.

**Mr Anderson:** Yes.

**Senator HANSON:** It says:

… Report and interpret honestly, striving for accuracy, fairness and disclosure of all essential facts. Do not suppress relevant available facts, or give distorting emphasis. Do your utmost to give a fair opportunity for reply.

So you stand by that?

**Mr Anderson:** Yes. When we're performing public-interest journalism, yes, our reporters will stand by that.

**Senator HANSON:** But you never did in the Al Jazeera documentary.

**Mr Anderson:** We didn't make the Al Jazeera documentary.

**Senator HANSON:** You did not 'do your utmost to give a fair opportunity for reply'.

**Mr Anderson:** Again, it was not the output of our news and current affairs division or our pool of journalists; it was an acquired documentary.

**Senator HANSON:** Then No. 3 is:

Aim to attribute information to its source. Where a source seeks anonymity, do not agree without first considering the source's motives and any alternative attributable source. Where confidences are accepted, respect them in all circumstances.

You didn't do that.

**Mr Anderson:** I am going to state what I said before and that is that we did not produce that from our news and current affairs area with our journalists. We acquired that as a documentary.
Senator HANSON: You acquired it. You have a responsibility to the people that what you put across, that program, is fair and balanced. You did not source where that information came from—why it was put across. You didn't do that. That is what I am saying.

I will move on. The ABC charter, outlined in the Australian Broadcasting Corporation Act 1983, section 6(1)(a)(i), notes that all its functions include:

broadcasting programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community …

And that the ABC shall take account of 2(a)(iv):

the multicultural character of the Australian community …

The SBS charter, included in section 6(1) of the Special Broadcasting Service Act 1991, states this:

The principal function of the SBS is to provide multilingual and multicultural radio, television and digital media services that inform, educate and entertain all Australians, and, in doing so, reflect Australia's multicultural society.

With the way the world is today with the world of the web you can click a few keys on your smartphone or computer keyboard and you have the multicultural services provided by the SBS. The ABC are no longer unique and actually duplicate services that are readily available online. Considering all this, the ABC employs 4,649 people. The SBS employs 1,512 people. You have a budget here. The ABC is $162,264,000. The SBS is $290,000. Can you tell me why there is no reason why the ABC and the SBS, on similar publishing platforms, should remain separate identities and why they should not be merged?

Mr Anderson: First I'll start by saying that the SBS budget is supplemented by over $100 million worth of advertising revenue that supports all of their activities, for which the ABC will not do. I think we are quite different organisations. The SBS are in two locations. We are 54 locations. Our output is far greater than SBS and I think the content that we produce is quite different. You might argue that some of the acquisitions are of a similar nature. What I am on the record for saying is that I do not see a benefit in the merger of the two organisations considering I do see a point of difference between us both, both in our activity as well as in our content.

Senator HANSON: The newly appointed ABC Chair, Ita Buttrose, has called for more diversity in the ABC and an end of political correctness. The ABC is regarded by many as one of Australia's leading opponents of diversity in terms of politics and is also a leading haven of political correctness. What is your view of Ita Buttrose's call? Do you support them and when will initiatives to address these issues be introduced?

Mr Anderson: The chair and I are aligned, certainly, in our ambition for the ABC to reflect contemporary Australia, which means diversity in all forms. We've already started on that. There are already things that we undertake that look to reflect the diversity of the country and diversity does not mean just cultural background. It means diversity in different forms: socio-economic, geographical—

Senator HANSON: And politics. And diversity in politics and also political correctness—

Mr Anderson: Yes, that's right. We do believe that we should reflect the views that are held by the Australian people.

CHAIR: Thank you, Mr Anderson and the staff from the ABC.
Mr Mrdak: Chair, I just want to correct the record on a response to a question from Senator Green. I've been advised that the review of Australian broadcasting services in the Asia-Pacific was publicly made available last Friday. It is available on our website.

Proceedings suspended from 21:10 to 21:20

NBN Co Limited

CHAIR: The committee will resume its examination of the Department of Communications and the Arts. I call NBN Co. Mr Rue, welcome. I understand you would like to make a brief opening statement.

Mr Rue: I have a statement, and I will read very quickly, if that's all right.

CHAIR: I'll cut you off at five minutes. Off you go.

Mr Rue: Okay. I'm joined tonight by Kathrine Dyer, our chief network deployment officer, who's on her way; Brad Whitcomb, who's also on his way; and Paul Tyler, our chief customer officer, business. We're now at the point in the rollout where we can count down to completion in months, not years. In 2010, all the work was ahead of us. The average broadband speed was only eight megabits per second, hundreds of thousands of homes had nothing at all, and prices were higher. Today, the average broadband speed approaches 40 megabits per second, and we're close to achieving ubiquitous broadband for all. This is an extraordinary achievement when you factor in the land mass of Australia and the geographic size of our cities. Our geography and demographics are often forgotten when Australia is compared to others. I've just returned from overseas, where I met some operators from many other countries, and when I tell the story of NBN they're astonished by what we're trying to achieve and how far we've come. What surprises them most is our ubiquity of service. It strikes me that we should do more to promote what Australia is doing on the world stage and be proud of the network being built in a country our size so that access is for all.

I think of the NBN journey in three parts: the foundation stage, the construction stage and the operation stage. In the foundation stage, there was the implementation study, hiring people, and setting strategic direction and regulatory environment. The company started developing systems and tools. Next came the construction phase, where the volume rollout was the primary motivator and we focused on hitting rollout targets. Few companies have moved so quickly from start-up to adding a thousand new customers every hour.

That brings us to the third phase, operations, where we operate, maintain and continue to expand the network and where we become cashflow positive, requiring a different kind of company. I recently announced a new purpose for the company that reflects this change of focus from construction to working out how best to utilise this asset for all Australians. As we approach rollout completion, we're focused on becoming a full-scale service delivery organisation centred on customer experience. I see us working closely with states and local governments to prepare all regions of Australia for the future. We will look at where demand is emerging across the country and ensure we're well positioned for that demand. We also need to ensure our network is anticipating and meeting the needs of our customers, be they economic or social needs. In this regard, we're devoting resources to working with all levels of government and with industry groups, particularly in regional and rural Australia, in small business and with the health and education sectors.
We've recently hit two significant targets: 10 million premises ready to connect and six million active services. Back in 2014, NBN completed a comprehensive analysis of NBN's finances and progress. We forecast the rollout could be completed in 2020 for between $46 billion and $56 billion, and this has proven to be an accurate forecast. We said we would complete the build by 30 June 2020. We have also been clear that when the volume rollout finishes there will be premises where further construction will be needed. There are a range of factors here, including delays in receiving approvals to access culturally significant areas, heritage sites and difficult-to-access areas, and various issues outside of our control. We said in our corporate plan that this would be around 100,000 premises, or less than one per cent, but we're doing everything we can to keep this to a minimum. Of course, there'll be ongoing augmentation and build of new developments in the foreseeable future. However, the rollout completing more than 99 per cent of premises is still very much on track. Kathrine Dyer, who's now arrived, can talk about this later.

I'd also like to say something important about our involvement in the business market, as it's been topical of late. From the original implementation study, and in early corporate plans and statements of expectations, it was very clear that NBN would be offering services that retailers could provide to small, medium, and large businesses. We've never hidden this, and indeed we announced last year our intent to generate $1 billion in revenue from business. Yet it seems to have been a surprise to some, and arguments have been made as to why we should limit our entry in the enterprise space. The three central arguments are that we have access to cheap government funding, that as a wholesaler we should not talk to customers and that we are diverting resources from the build. Let me say very clearly: the internal rate of return of 3.2 per cent is not the criterion we use for business deals. We ensure that all deals are entirely commercial, and we actually require a return within the first five years before a deal can go ahead.

On the second point, it's always been common practice for wholesalers to talk to customers. Surely no-one thinks a business model based on customers not knowing their choices is healthy. Instead, restricting market information will do no more than limit choice and limit competition. NBN gives the power of choice back to businesses. At the end of a contract a business can shop around and see who has the best retail offering. Whoever they choose, they do not need to go through the disruption of changing cable connection, because it's a wholesale-only, open-access connection. As an example, when NBN connects post offices all over the country to fibre, that fibre can also be used to connect other premises over time. This drives savings and cost reductions over many years. The other important point is that building fibre to enterprise customers provides revenue to NBN, allowing us to reinvest in the network, and it reduces the costs of future households because fibre is pulled deeper.

On the last point, it's simply not true that by connecting businesses we're diverting resources from residential build. We have separate teams working in these areas, and connecting business has no impact on the pace at which we connect residential households. Indeed, we've always focused on residential, and it is only now, closer to the end of the build, that we're turning greater attention to business. Again, we have Paul Tyler here to talk about that tonight.

There has also been commentary about our retail wholesale prices. NBN and retailers are working closely together to deliver good products. Our proposed pricing bundles are the
subject of industry consultation, and we believe we've got the mix of sustainability and affordability right. We also announced recently a modified entry-level bundle that is designed to allow retailers to maintain a $60 retail offering in the market. It's early days, but we are already seeing retailers responding well to this product. We'll continue to work closely with retailers and the ACCC, who understand that we have an interest in the entry-level market to ensure that we're meeting the needs of our customers and standards rightly expected of us. Brad Whitcomb here can talk about that, too. He will also talk about our wholesale broadband agreement, if and when that arises during the conversation.

In summary, our focus is currently on four areas: completing the volume rollout, which we are on track to do by 30 June next year; working closely with our retail partners and our equipment and software suppliers to improve customer experience; working on all levels of government and multiple stakeholder groups on lifting digital literacy, especially in small business, health, tourism and agriculture; and ensuring that NBN becomes cashflow-positive in 2023, once annual revenue reaches almost $6 billion and legacy subscriber payments fall away—and this is essential to enable ongoing investment in the network. Chair, thank you for letting me put these on the record tonight very quickly. My colleagues and I are very happy to answer your questions.

Senator URQUHART: Perhaps I could just clarify something in your statement. You talked about volume rollout and about completing the build. Are you saying that the rollout won't be wholly complete by June 2020?

Mr Rue: We've had a program whereby we're rolling out through the whole country on an area-by-area basis, and that rollout will be completed. What I'm saying is that there's always going to be ongoing work—for example, new developments or augmentation. Similarly, as we laid out in the corporate plan, there are about 100,000 premises that are difficult to access for reasons outside our control, such as culturally significant and heritage sites. Again, Kathrine can get into the detail if you want to get into the detail.

Senator URQUHART: Will every premises have access by the end of 2020?

Mr Rue: The corporate plan lays out that we'll have I think 11.5 million premises ready to connect. There will be around 100,000 premises which Kathrine will continue to work on in the following year, and there will obviously be new developments and augmentations. But what I'm calling the volume rollout—the teams we've had working through the country, area by area—will be complete.

Senator URQUHART: No, I understand. I just wanted to get that clarification around what you meant by volume versus—

Mr Rue: That's what I mean by volume rollout. That's what we mean when we say the build will be complete: the volume rollout is complete.

Senator URQUHART: I want to go through a customer complaint. I normally wouldn't raise customer complaints, but this has been an ongoing issue for some time. It relates to an NBN installation where the company attended a customer's premises and damaged an underground powerline. NBN Co initially tried to deny that it was responsible. Then, at their own cost, the occupants got electricians out who determined that the problem was as a result of damage to the underground power cable by NBN Co contractors. NBN Co still did not accept responsibility, so the home owner engaged another tradesman to show NBN Co where
the problem was. This left the home owner without power for almost 6 days. Understandably, they were quite upset. At the time, his wife was heavily pregnant.

NBN Co eventually arranged for contractors to come out and repair the damage, but despite repeated requests NBN Co have not provided a written report to the home owner about the repairs undertaken. Further, I understand that NBN Co has not paid the home owner for all the costs of getting tradesmen out. Around $300 remains disputed. The lingering concern is whether shortcuts were taken during the repair that expose the home owner down the track if a problem re-emerges. For example, it was suggested that a junction box installed under the driveway was used to repair the damaged cable. The concrete that NBN Co laid on the driveway has also begun to crack, and the damaged cables are located underneath that. I want to make it very clear: this committee cannot be the arbiter on the substance of the concerns. However, we will pass on the details of the case, as, based on the information available, it appears that some of these issues remain outstanding. I understand that NBN Co has likely received over about 15 pieces of separate correspondence relating to this matter.

I want to make a general point and ask a question. If NBN Co had inadvertently caused property damage, and the home owner has had to pay for tradesmen to demonstrate that the damage was caused by the NBN installation, would NBN Co normally reimburse costs associated with the home owner having to get the initial tradesman out to investigate the problem, particularly and especially if NBN has falsely or incorrectly denied causing the problem to begin with?

Mr Rue: Senator, thank you for bringing that to our attention. I genuinely mean that. You don't need to wait until Senate estimates to pass things on. If things hit your office, please send them to us, because we would like to deal with any issues the public ever may have. As you point out, there are often very many different circumstances. Sometimes events are actually different from what they seem and sometimes they're exactly as they seem. It doesn't matter, though. I and my team, and I know Kathrine's team, too, would like to deal with matters appropriately. I hate to give you a general answer to a general question, but what I can say is that we do try to deal with members of the public—we call them our customers—appropriately. I would ask that you send on all the details to us. We will immediately look into that.

Senator URQUHART: We will do that, but I make the point—

Mr Rue: Can I ask Kathrine to—

Senator URQUHART: Can I just make the point first that NBN Co, as I understand it, has received around 15 pieces of separate correspondence in relation to this particular matter. I don't want to debate the matter here—

Mr Rue: Nor do I, Senator.

Senator URQUHART: I think the merits of that need to be done elsewhere.

Mr Rue: Actually, what I'd like to do, to be honest with you, is get the information from you. If you could send it—

Senator URQUHART: What I want to know as a general answer is whether NBN Co would normally reimburse the costs associated in instances such as this?
Ms Dyer: We take damage to property very seriously. What you've described is damage to an underground asset. We have what we call a make safe program. A call in to NBN with that type of asset strike—we have an immediate response program to that. Again, without knowing the full details of what has actually occurred, we would investigate money that has been spent by the home owner to make safe their property. We would consider that in the rectification of the property.

CHAIR: Can I follow up on that. As a matter of principle we talk about 'NBN Co would do that' and 'we would do that'. I've seen out on the streets that there are many subcontractors who are actually physically doing work. What requirements do you place upon the contracts that you let for accurate and timely reporting of complaints by consumers who find a problem with a subcontractor?

Ms Dyer: We have a really robust customer relationship management system that interfaces with our construction partners. We both operate off the same systems. A complaint can come from an end customer. They can call in—in this instance, they could call in to NBN Co. The actual delivery partner could log the problem themselves into NBN's systems. Again, we're dealing on a common platform. In response to the first part of your question relating to subcontractors responding to these types of events, we do have subcontractors that do respond but we also have NBN full-time field technicians that may, depending on the nature of the problem, be deployed to fix the problem in a timely manner.

CHAIR: My point though is that Senator Urquhart has highlighted one case—and if there is one there are probably more—where the customer experience has been shaped by both the customer-facing subcontractor and what they would perceive as a bureaucracy, of NBN. It doesn't come across as that robust model you are talking about. I'm interested to understand what checks and balances you have to audit or require your subcontractors to report in a timely manner so that the customer experience is what you describe.

Ms Dyer: Commercially and contractually with our delivery partners we do have an obligation on them in relation to the recording and the rectification of complaints. We do have that obligation. Like I said before, we do have a system that we all comply with. We do have SLAs depending on the nature of the complaint. For example, that type of underground asset strike, where there is a health and safety consideration, would be taken very seriously and would have a certain SLA that we respond to. We measure those SLAs and how efficient we are at responding to those from a volume perspective—we look at the volume of complaints that come in. We look at them by subcontractor, by state, by program and by area. We look for all of those variables and we do manage how fast we are closing out those complaints.

CHAIR: Sure. I will go back to Senator Urquhart after one last question. Is six days acceptable under your SLAs?

Ms Dyer: Under that circumstance—because I would consider that, at face value, to be a health and safety concern—I wouldn't believe that that would be acceptable.

CHAIR: Thanks.

Senator URQUHART: I want to run through this, and then I will get to some substantive questions. I want to run through some concerns about HFC rollout delays and how that has been communicated to the public. I will offer one example, but it's far more common than it should be. A resident in South Australia was supposed to have their HFC service first
connected in February 2017. That connection got delayed. Then in November 2017 there was a national pause in the NBN HFC rollout due to reliability and dropout issues. As a result, the connection date was delayed to June 2019 despite NBN Co saying at the time that the delay would be an average of six to nine months. After having placed an order with an ISP well in advance, one week prior to June 2019 the resident was advised their NBN connection would be delayed further. This occurred despite their neighbour's home being connected to the NBN on time. They were then told they could connect to the NBN in January 2020. Then, only a few months later, they got delayed until June 2020. Then, after several follow-ups, NBN Co advised that the website was incorrect and it was actually revised to March 2020.

This individual chased up NBN Co and their local member countless times. Not once have the responses provided any useful information about why there has been delay upon delay. Not once has there been an adequate explanation of why their neighbours can connect while this individual has to wait an extra nine months for, apparently, minor pit works. This is not an uncommon grievance. I want to ask a very simple question: why are some HFC households suffering repeated delays when the lead-in cable has already been installed?

What's the engineering or operational cause for connection delays when their neighbour can connect and they can't? Moreover, why can't NBN provide members of the public with clear and candid explanations of what the problem is?

**Mr Rue:** There are a couple of things. Firstly, the pause on HFC was, on average, six to nine months. It was an average across all the households, and all those areas that we had paused have well and truly gone back into construction. The other thing is that our commitment to the public is to complete by June 2020. Again, this person will have their premises connected before June 2020.

**Senator URQUHART:** They were told it was going to be March.

**Mr Rue:** In terms of the technical reasons why this can occur, there can be a multitude of reasons. That is the challenge in the final year of build, whereby premises that had been difficult to connect are now being filled in, if you will. But, Kathrine, there could be a series of reasons.

**Ms Dyer:** There could be multiple reasons. But the issue, as you've described it, clearly sounds unacceptable, so I would really like to investigate the details behind it. What can happen—and I'm not suggesting that this is acceptable—is that, when a field technician goes out to connect a premises, they can see the lead-in is there, but, when they look in the pit, all the spare ports on the taps in the pit may be full. What is then required to upgrade that part of the network, if you like, out in the public area, is essentially a network outage, so a number of customers have to be taken offline in order to be able to augment the network.

We have very strict rules about when we have outages across the network. We typically do them overnight, between midnight and 6 am. We have to schedule those outages with our retail service providers and so on. I'm not suggesting that that's an acceptable customer experience; however, you may look at a customer and say, 'They should be able to connect quite easily,' but there could be something that is being considered in the whole network.

**Senator URQUHART:** Ms Dyer, that seems like a pretty clear explanation as to some rational reason. Why can't that individual just be told that? Why do they have to go through this process? Where is the breakdown between NBN and the customer or the individual in
getting that information? Why does it take me putting it forward at Senate estimates and you
giving me what I would say is a perfectly rational, easy-to-understand explanation? It may not
be the correct one, but there are some reasons why. Why can't that be given to the individual?
Where's the breakdown?

Ms Dyer: Again, without investigating that particular issue, I can't answer your question.
In making premises serviceable and with construction issues, we do communicate that back
through the retail service provider sales teams in NBN. Typically, my team doesn't usually
directly deal with customers. But, again, I would really appreciate it if I could investigate that
issue.

Senator URQUHART: What I would ask you to do is to investigate this yourself and find
out why you can come here and give me some rational explanations but you can't give them to
the customers, when they've asked on a number of occasions. That would be helpful. Mr Rue,
can you tell me how it is that a company, which has been around for 10 years, suddenly
discovers that 90,000 premises in the fixed wireless footprint don't exist?

Mr Rue: There a couple of answers to that—and there were 40,000 for satellite, as well, to
be clear. There is no actual list of addresses in Australia, believe it or not. When we complete
it on 30 June, we will be at a stage of being able to know the number of premises in Australia.
We've never fully known. If you track our corporate plans over several years, you'll see that
there have been ups and downs in terms of the number of premises that we reported, and that's
simply because, until we not just design an area but actually go out into the street, we often
don't know the number of premises.

Senator URQUHART: Ninety thousand is a lot—

Mr Rue: In terms of fixed wireless, if you have a look at our corporate plans over several
years, we've always suspected that the number of premises in fixed wireless and satellite is
slightly lower—particularly in fixed wireless—than the numbers that we've been reporting in
the actuals in our weekly reports. For example, if you look at our existing run rate of cost per
premises, you'll see that the cost per premises in the corporate plans have always shown a
significantly higher number, because we suspected that there were fewer premises. We have
done an exercise over the last four or five months, now that we've done all the towers, to go
premises by premises on a geographical map topology basis, and identify which are actually a
house and which are just a shed, for example, which seriously has been the case. It was only
when we had done enough work that we were satisfied that we had the right premises that we
could take off our list of premises that we were happy to put that through the actual weekly
rollout schedule. We did that, I think, a couple of weeks ago. So the answer to your question
is, when you see our corporate plan this year, it rounds up to 600,000 premises in fixed
wireless and it rounds up to 400,000 premises in satellite. That's what we've ended up with
after we've done this dilution of 130,000 premises.

Senator URQUHART: Was it a coincidence that NBN Co updated the weekly report to
reflect this discovery on the same day that a question on notice was due that ensured NBN Co
would have to reveal that $200 million had been directed away from that fixed wireless
network?

Mr Rue: There are two questions there. There was no $200 million directed away, but
Kathrine has been working on getting this into the actual data, if you will, for the last few
months. The fact that it occurred on the date a question may have been asked about something else is a total and utter coincidence. In terms of the fixed wireless, what you're seeing there is, yes, during the build, dilution doesn't impact too much the actual cost of building a tower. There are some reductions of cost, but the main reasons are, in terms of timing of building of towers, in terms of timing of connections, and in terms of timing of upgrade spend, you will know that we have been working on augmenting both the cells and the transmission links in the fixed wireless network over the last year. We've been slightly behind in that program. So there's been a timing of spend between the 2019-20 year, that you're also seeing in that $200 million. So, in terms of it having anything to do with a question being asked, no; it's a total and utter coincidence.

**Senator URQUHART:** Two years ago, NBN reduced its RFS footprint by 300,000 premises, on the basis that those premises didn't exist in the real world. That was an adjustment of 2.5 per cent. This latest reduction of 90,000 households in the fixed wireless footprint is an adjustment of over 13 per cent. How do you explain that significant discrepancy? Are you saying that the mapping data in the fixed wireless footprint is six times less reliable than non-regional mapping data and that it's taken NBN 10 years to realise this?

**Mr Rue:** You're quite right. I do remember the 300,000 that we reduced, I think, from memory, two years ago. We were able to do that because you can actually do walk-outs on streets. In terms of fixed wireless, as I said earlier, the information is not accurate that we actually have.

**Senator URQUHART:** So it's just the mapping data that's not accurate?

**Ms Dyer:** If it's okay, I may just add something. What typically happens in the fixed line footprint—

**Senator URQUHART:** So the non-regional mapping data, you're saying, is not accurate? Is that as I understand?

**Ms Dyer:** At a high level, what happens in the fixed line footprint is that we start off with a design. We then do what we call a construction walkout, so we then prove the design in the field. We then construct, and then we load information about how we've actually built the network, which then updates our data and our information about our systems. What happens
with the fixed wireless network is that we broadly know at the desktop level how many premises we think are in the area. We then dimension that tower, but we don't go out and individually count the premises, because it's not required. What has happened over the last five or six months is that we've gone and used multiple data sources, utilising a big data methodology, to make our fixed wireless footprint more accurate and truly reflect the premises that are out there. It's taken us some months to do that, because internally we had to manage our stakeholders to make sure that we didn't inadvertently or accidentally delete correct premises. So we've taken a lot of care and time to make sure that we've got that right.

**Senator URQUHART:** Are you aware that Australia Post stated earlier today on the record that their regional maps for premises and delivery points are highly accurate?

**Mr Rue:** I wasn't aware of that, but I know that we use something called G-NAF data. We've been improving that data as we've worked through the program. I'd have to talk to Australia Post to understand that.

**Senator URQUHART:** Mr Rue, a moment ago I asked you about the $200 million that had been directed away. I understood you to say that that had not reduced by $200 million.

**Mr Rue:** No, I didn't say that. Sorry if you thought I said that. What I was saying was what the $200 million was. It was a combination of timing of build, timing of activations and timing of our capacity.

**Senator URQUHART:** Just so that we're very clear, when I put that question to you, I said that you wouldn't have to reveal that $200 million had been redirected away from the fixed wireless network. I thought you said that it hadn't been.

**Mr Rue:** I said it hadn't been redirected away. We didn't take $200 million out of fixed wireless and decide to spend it somewhere else. I think, from memory, we had slightly more spend in HFC, and that's because Kathrine has been building out HFC really quickly. In terms of fixed wireless, as I said, it's a combination of the timing of spend on activations, on build and on capacity management.

**Senator URQUHART:** That's fine. I misunderstood.

**Mr Rue:** So both of them are largely timing issues.

**Senator URQUHART:** Can I go back to these missing homes. Why are these missing homes confined to the fixed wireless and satellite footprint? If you're claiming that the regional mapping data is unreliable, wouldn't we see a similar issue in the regional fixed line footprint? That comprises over two million premises.

**Mr Rue:** I'll let Kathrine explain that.

**Ms Dyer:** What happens with the fixed line footprint, as we've progressively been building the network and we upload the improved data, is that you start off with high-level data, you then walk the area out and you then complete the build. So you have essentially a map of everything you've built. We upload that into our spatial systems. If we think back to where we started and where we completed, we know what's going on with the network. That information is updated progressively as we've been building the network.

**Senator URQUHART:** So why wasn't the cost per premises for fixed wireless updated in the 2020 corporate plan to reflect that development?
Mr Rue: Again, Senator, I think you'll see it is. Let me try to help you. If you turn to page 52 of the corporate plan, there's a diagram at the bottom that basically outlines the cost per premise. You'll see that the cost per premise is $3,838, as we were reporting it at the end of June 2019. That was based on undiluted data, because we hadn't done that exercise yet in the actuals. However, when we looked at the corporate plan, as I've said to you a few times, we always knew there were fewer premises; we just didn't know the exact number or which ones they were. As Ms Dyer said, we didn't want to inadvertently delete a premise that was a premise. So we were reporting actual $3,838. The corporate plan said the number would end up at about $4,370 and, from memory, without looking at previous corporate plans, that $4,370 is not materially different than what we have said in previous years. Why has it grown from $3,838 to $4,370? There are two reasons. The towers we're building at the end have fewer premises attached to them and therefore have a higher cost per premise. But the main reason is that we applied the dilution in the corporate plan—not the exact number, just what our guess of it was—and when you've got the same cost divided by fewer premises you end up with a higher cost per premise. So it was reflected in the cost per premise.

Senator URQUHART: Why did you choose to omit the capital expenditure table from the 2020 corporate plan, despite it being included in previous plans?

Mr Rue: As our company evolves—as I was saying in my opening statement, we've been a company of three parts. We had the foundation stage: when the team did a fantastic job to set the company up to design satellites to build a transit network. That was the foundation. Then we entered into a very fast construction phase. During that time of the construction phase we were incurring very significant amounts of capital expenditure for the build and as part of the cost per premise to complete the network. As you know, I had a different role back in those days. I felt it was appropriate myself to lay out the capital expenditure by technology on an annual basis, which we've done for each corporate plan. However, when we get to the stage of a company that's what I call a mature service delivery company, whereby we are doing many things—we're trying to provide customer experience and we're also trying to compete in the business market; we are spending more maintenance capital, if you like, or capacity management capital—it seemed to me that the purpose of analysing it by technology no longer made sense, and it was better just to have a total capital expenditure. Clearly, when we were asked to provide the break-up we were happy to do so. In corporate plans going forward, I don't think that having a break-up of capital expenditure by technology is a particularly helpful way to do it.

Senator URQUHART: If you applied this expected dilution to cost per premises, why didn't you apply it to your forecast capital expenditure? It doesn't make any sense that you wouldn't do that.

Mr Rue: We did. What I'm saying is, the reason—and remember it's a rounded number—the corporate plan had $200 million more expected to be spent than was actually spent is a function of timing of the build program, timing of the connections and timing of the capacity upgrade program that we're going through. If you recall, we allocated an additional $800 million to operate the network, and some of it is the timing of the spend of that $800 million. It's not related to the dilution piece or not materially related to the dilution piece.

Senator URQUHART: Can you tell me how NBN Co explained the omission of the table to the department—the fact that it wasn't in your corporate plan?
Mr Rue: As you can imagine, we put together corporate plans and we have a very consultative, cooperative working arrangement with both departments and many of their senior executives, and then at the end Mr Mrdak and I would talk about the corporate plan. As I said, I think as our company matures the level of detail around capital expenditure by technology becomes less relevant. What we're trying to provide in the corporate plan is relevant information. I would say to you that our corporate plan provides a lot more detail and information than the vast majority of other corporate plans I've seen.

Senator URQUHART: It didn't answer my question, Mr Rue. How do you explain the omission of the table?

Mr Rue: It's exactly what I said. We both knew that the company was maturing in the stage of moving towards a service delivery company. We both, as a company and as a department, feel that the way we present information in the corporate plan is not only first class but also providing significant information to the public.

Senator URQUHART: The size of the fixed wireless network is being reduced to 600,000 premises. That's the same figure forecast in the 2019 corporate plan—

Mr Rue: I believe so.

Senator URQUHART: when the fixed wireless funding was $200 million higher than in the 2020 plan. How is that reducing it to a size it was already forecast to be previously reduces your funding requirements by $200 million?

Mr Rue: Again, it doesn't. The reason why we've spent less money than we forecast is a timing issue. It's a timing issue around the build. That will be spent this year. It's a timing issue around the number of connections we have. That's a function of how successful our retail partners are in receiving orders. When they receive orders, we will spend capital expenditure to connect people. And it is a function of the timing at which we're spending that $800 million upgrade in putting in additional capacity to ensure that we have a level of capacity in the network so that people get the speeds that we have promised them.

Senator URQUHART: Did you actually need the full $800 million for regional fixed wireless upgrades?

Mr Rue: Yes, we will. It's just a timing issue. That's all. All we are talking about is, instead of spending money in 2019, it may be spent in 2020 or 2021.

Senator URQUHART: Mr Mrdak, what's your understanding of how large the NBN ethernet footprint is going to be?

Mr Mrdak: I think it will be as outlined in the corporate plan and the advice that Mr Rue has given you.

Senator URQUHART: Has Mr Rue told the department the proper figure?

Mr Mrdak: I think he has provided the figures as he's outlined tonight. I don't think there are any other figures—

Senator URQUHART: Where is it outlined in the corporate plan? Can you tell me where it is?

Mr Rue: Yes, I can. As I said earlier, firstly, these are random and, secondly, we had an estimate for the actual what the dilution would be. It was a very lengthy exercise of using multiple data sources—G-NAF, tactical address management, Telstra conduit data, satellite
imagery, building outlying data, land titles and postal, electoral and our own activations data. That was the big data that Ms Dyer was talking about. To do that and then make sure we didn't make a mistake, for example, deleting your home—which would not be good; we don't want anyone deleted—was a long exercise and gave us the exact number. We got close in this corporate plan, though.

Senator URQUHART: Just to be clear, I asked about the ethernet footprint. I asked Mr Mrdak about the ethernet footprint, not the fixed wireless footprint. Let's just be realistic.

Mr Rue: Sorry, but what did you mean by 'ethernet'?

Senator URQUHART: I asked how large the NBN ethernet footprint would be.

Mr Rue: The what footprint, sorry?

Senator URQUHART: E-T-H-E-R-N-E-T.

Mr Rue: I see. I think what you mean is the number of premises.

Senator URQUHART: The business fibre.

Mr Rue: Sorry?

Senator URQUHART: The business fibre.

Mr Rue: Business fibre?

Senator URQUHART: Have you not heard of an ethernet cable? I have.

Mr Rue: What's your question? I'm lost.

Mr Mrdak: We switched from fixed wireless to—

Senator URQUHART: No, I asked you a question, Mr Mrdak, about your understanding of how large the NBN ethernet footprint was going to be.

Mr Mrdak: I'm sorry. I thought you asked about the fixed wireless footprint.

Senator URQUHART: No.

Mr Mrdak: I'm sorry. I misheard you.

Mr Rue: I'm not sure. Paul, could you help out on this, please?

CHAIR: I do have other senators wanting to ask questions. Senator Urquhart, do you want to run through to the end of yours or take a break?

Senator URQUHART: Maybe they could look that up in the dictionary while I'm taking a break.

Mr Rue: We do know what 'ethernet' means, but it depends on the product. Mr Tyler, can you try to help with this.

Mr Tyler: No problem. I assume you're referring to the enterprise ethernet product which we market.

Senator URQUHART: Yes.

Mr Tyler: That is a fibre product that we deployed for businesses.

Senator URQUHART: Yes, that's right.

Mr Tyler: It's probably our most capable product, and it's a product that we build on demand. We wouldn't actually predeploy masses of enterprise ethernet across the country. We
build it as the demand is there and as businesses grow in their level of sophistication and
demand so as to need the use of it.

Senator URQUHART: Can I just go back now to Mr Mrdak: what is your understanding
of how large that footprint is going to be?

Mr Mrdak: I don't—

Senator URQUHART: You don't know?

Mr Mrdak: I don't have that level of detail, because I haven't looked at that. Sorry, I
misheared you. I thought you were asking about the fixed wireless footprint.

Senator URQUHART: No.

Mr Mrdak: That is in the corporate plan. But I don't have any advice over and above what
the NBN has in relation to ethernet.

Mr Rue: The answer to that question is that it depends how successful we are in
competition. If you're talking specifically about the enterprise ethernet, the number of
premises connected to that will depend upon how successful we are.

Senator ROBERTS: Thank you all for coming today. My questions need a bit of an
introduction to give context, but they'll be very quick. Rural communities are suffering with
slow NBN rollout. Farmers cannot access modern online tools for watering control, for
instance. They can use the internet to buy monitoring products, and they need that data
connection. Sometimes they're paying $300 a month in internet access. Businesses and towns
are being hampered in growth. This is question 1: recently I was in Dirranbandi, where I was
told they are being held back by a lack of affordable Internet access. Current internet
connections in rural Australia can be so slow that secure sockets layer connections cannot be
maintained. This penalises farms that cannot use modern scientific farm management systems
because that software is online and requires a secure connection. Can you tell me the
timetable for the delivery of NBN services by cable or Sky Muster to rural Queensland,
please.

Mr Rue: The Sky Muster service is already available to rural Queensland. The service has
been available for several years now. We launched two satellites, one in 2015 and the other in
2016—would that be right, Brad? It's around that date. So the services are already available
on satellite.

Senator ROBERTS: What are the costs of those?

Mr Rue: The cost of that will depend upon the retailer. Do you have the retail data there,
Brad?

Mr Whitcomb: Not off the top of my head, no. I can take that on notice.

Senator ROBERTS: Thank you.

Mr Rue: But that's already available. In terms of the fixed wireless network, we are
almost at the completion of it. But I would also say that 75 per cent of regional and rural
Australia is covered by the fixed line network, so it's covered with a range of fibre based
products. It could be fibre to the node. It could be fibre to the premises in many cases. In
some cases it's fibre to the curb. There is clearly a challenge in regional and rural Australia
with multiple things—mobile access, for example, which is outside my remit, but I do know
about it. When I speak to people in regional and rural Australia, mobile access is also an
issue, including when they are driving or outside the farmland. What I will say to you is that we have put in place technology that is vastly superior to what people in regional and rural Australia had; however, it's very much at the heart of our company to continue to work with people in regional and rural Australia to see how we assist them in their needs.

Senator ROBERTS: It's only a couple of weeks ago that I was in Dirranbandi again, and they said it's very slow at times and also very expensive. It stops them competing with others around the country and overseas.

Mr Rue: Again, the great thing about the NBN is that we've provided high-speed internet access to people in regional and rural Australia. We were talking earlier about fixed wireless capacity. I don't know which technology you're talking about, Senator, but, if it's fixed wireless, we decided a couple of years ago to invest another $800 million in fixed wireless to provide more capacity to give people a better internet service at a busy hour, which is a time when a lot of people use it at the same time. Equally, there is something we have just released, of which Paul was very much an instigator. We've just launched a business satellite for business-grade services. They are not necessarily for farmers. They would be for mining companies, for example, in regional and rural Australia. I can tell you that it is very much at our core, very much at our heart, and we will continue to work with the community. At the end of the day, vast amounts of capital will be needed over time to continue to provide internet services to regional and rural Australia.

Senator ROBERTS: Could you please provide a detailed list of each township in Queensland, with dates for their connection if they are not already connected.

Ms Dyer: There are approximately 230,000 premises in Queensland that are to be connected before June next year. In terms of the amount of premises in Queensland, we are 90 per cent built. All of those 230,000 premises are in the program now, and all of them are in either design or construction. So we do have a clear line of sight to completing all those premises.

Senator ROBERTS: Do you know a rough date?

Mr Rue: Senator, if you go onto the website and type in an address, it will tell you when the premise will be ready. The information is there.

Senator ROBERTS: So anybody, anywhere in Queensland, can type in their address and it will tell them when the plan is scheduled?

Ms Dyer: That's correct.

Mr Rue: That's correct, yes. If you like, Senator, when we're finished, one of us would be happy to show you how to do that.

Senator ROBERTS: Thank you.

Senator PATRICK: Mr Rue, I asked a question in April, question No. 44, relating to services at Wudinna in South Australia. I have been to Wudinna and I could share a story in common with Senator Roberts in that the community there have only got satellite services. And your answer to my question on notice said that is all they are going to get. So I don't doubt that they have satellite services, but they have described to me situations where those satellite services are just not up to what is required—doctors having conference calls, schools using the internet, and even things like access to government services. You might be aware
that, in many regional communities, there have been cutbacks on the basis that a lot of
government services have switched to online. Clearly there are some policy decisions being
made. You say that these decisions are based on factors such as population density,
ing工程 considerations, location of existing and leased infrastructure, and cost per
premises to serve an area. That means nothing to the farmers I talked to in Wudinna, nothing
at all. They simply are not getting services. I am of the understanding that there is an NBN
cable running past the council building, and I'm wondering what it's going to take to get these
people the service they deserve.

Mr Rue: Obviously I don't know whether there is a cable running past or not—

Senator PATRICK: Can you take that on notice to confirm whether that is the case.

Mr Rue: I am happy to do that.

Senator PATRICK: Thank you.

Mr Rue: We are working on a statement of expectations, which is our role, which is to
build high-speed broadband across the nation. And satellite is actually a significant step-up
from services that people used to have, there's no doubt. As I said in my answer to Senator
Roberts, we want to work with communities, within the funding that we have, to see how we
can assist regional and rural Australia. For example, in education, we're looking at ways that
we can provide another port—essentially, additional capacity—into schools in remote areas
so that some of the capacity the satellite provides can actually be provided to education. I
have visited distance education and I know how important it is for people who live a long way
away. The enterprise satellite I talked about is another way of using capacity from the
satellite. We will continue to work within the bounds of the technology and within the bounds
of our funding. I understand the issues you are talking about, but I'm also working to a
statement of expectati—

Senator PATRICK: In some sense the situation here is a lot of bureaucratic-speak for
someone who might be listening to what has just been said. These are people who want
services and they deserve just the same sorts of services as people in the cities; in fact,
because of their remoteness, in my view they deserve priority.

Mr Rue: We actually do give people priority by going first to places where they had no
internet access, rather than a commercial organisation, which would have gone to where you
make money first, if you will. But let me take your question on notice regarding the cable and
how close it is.

Senator PATRICK: You said you'd like to work with these communities. I'd personally
like to invite you to come to Wudinna, and I'll come with you, and we'll sit down and talk
with some of the people in Wudinna and see whether or not you can convince them. I'm
looking for solutions. Indeed, if there is a cable running past, Senator Fawcett and I might
work together to put pressure on government to find some funding. Perhaps we'd need to talk
through how that might be done and what's possible. Would you accept that invitation?

Mr Rue: I or one of my colleagues would be very happy to do that, I'm sure. But what I
would say to you is that I too speak with state governments—which I said in my opening
statement—with regional councils and with things like education bodies and health
departments to see how we can provide solutions or how we can come up with funding for the
issues you talk about. I don't actually speak bureaucratic-speak; anyone who knows me does

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know that I talk about people and I do care for people where they are. I'm also operating under certain parameters, because, at times, we're talking about vast amounts of money.

**Senator ROBERTS:** Just following up on your response to Senator Patrick and your earlier response to me, we did find someone in Queensland who can operate the internet, and he has checked your site and he said that it shows whether or not they can get internet through NBN, not when they will get it.

**Ms Dyer:** I think, if I've understood that statement correctly, that it will tell you if you are ready to connect and, if you are ready to connect, the services available. The customer needs to call a retail service provider to connect. You'll either be in that category or be the other category, which is that the network is not yet available, and it will give you a window of when we expect to have the network complete.

**Senator ROBERTS:** The point is: you advised me a minute ago that if I knew how to use the internet I'd be able to find out, and that's not the case. I do know how to use the internet, but one of my staff has already checked and it does not say when a person will be able to access the NBN.

**Ms Dyer:** I would be happy to look at that.

**Senator ROBERTS:** Thank you. Just send it to my email.

**Senator PATRICK:** Just going back to my question, Mr Rue, I'm inviting you on a road trip. You can come with me on whatever date suits, provided I don't have parliamentary commitments. I'm up for it; are you?

**Mr Rue:** I go into regional Australia a lot and I also have colleagues who do that. Thank you for your kind invite. I'll certainly look at it.

**Senator PATRICK:** Thank you. I'm sure the people of Wudinna will look after you when you turn up.

**Mr Rue:** Country people always look after me; I know that.

**Senator URQUHART:** I've got a series of questions around the business financials, but before I go into those I want to make an important point. Labor considers it important for NBN Co to do well in serving businesses. This was reflected in the original statement of expectations that was issued under Labor, and our position, unlike that of those opposite, has been consistent over time. We've always been consistent. There's been some heated debate recently about the conduct of NBN in the enterprise market. It is appropriate for this committee and the Joint Standing Committee on the National Broadband Network to bring robust scrutiny to bear on these legitimate concerns. I hope this scrutiny encourages better conduct by NBN in these markets, consistent with its founding principles of being wholesale only, with non-discrimination between retail providers, and consistent with the high standard of conduct expected in a public entity. Those are the principles that Labor put in place and they're as relevant today as they were in 2011. I wanted to say that before I went into these questions so you know very clearly where our position sits.

**Mr Rue:** Thank you.

**Senator URQUHART:** Maybe I could give Mr Tyler a go and give you a rest, Mr Rue.

**Mr Rue:** That's a good idea, Senator. I encourage that.
Senator URQUHART: Mr Tyler, what prompted NBN Co to report disaggregated business revenue forecasts for the first time in the August 2020 corporate plan?

Mr Tyler: I think it's primarily an aspiration to give more transparency on our business and how we're developing the business over time. Yes, simply that.

Senator URQUHART: What businesses are included in these revenue forecasts? Is it every type of business, including small, medium and enterprise businesses?

Mr Tyler: It is.

Senator URQUHART: Do the business review forecasts include businesses who are on residential products, or is it only businesses who taking business products?

Mr Tyler: It's all types of businesses, regardless of which NBN product they're taking.

Senator URQUHART: What is the blended RPU average for the business segment?

Mr Tyler: We haven't actually broken that out. It's not to be in any way hiding it; it's because the RPU for a business is a little less obvious to understand than for a residence. That's primarily because many businesses have multiple sites. So when we talk about a business spread over three or four sites, is it one business that we average out? It becomes a little bit hard to correlate that with the residential RPUs. What we have done instead is talked about the total revenue we're making out of the business market. We have also talked about our aspiration of how much revenue we would like to build out of that market over time.

Senator URQUHART: Would releasing the business RPU prejudice the NBN's commercial business?

Mr Tyler: No, I don't think so. It's just that it's very challenging to give you a comparable number for that RPU. Do we calculate just on the single business? Would Australia Post be a single business across all their sites, or an RPU per one of their sites? There are many different ways of thinking about business RPU. Which is why when we have broken it out from the residential revenue, we have said this is now a portion of revenue that we currently make out of the business market, regardless of which segment it is in the business market, and then this is the aspiration that we have for this segment.

Senator URQUHART: You indicated at the first question that I asked that it was about transparency—that's why you have reported it in the corporate plan. Shouldn't retail providers be receiving a transparent and non-discriminatory view of your wholesale charges by you releasing or putting out that RPU?

Mr Tyler: Absolutely. To the principles that you laid out in your opening commentary there, we absolutely agree with all of those principles out. We do give full transparency on every one of the business products to our retailers. NBN is a wholesale only provider. We will only sell carriage services through a retail provider. We have a list price, where we provide the price of each one of our offerings to retailers and then they in turn sell those offerings into the retail market. We don't set the retail price; we only set the wholesale price for those carriage services.

Senator URQUHART: I'm happy for you to take it on notice, can you provide the business reviews from financial year 2017 onwards?
Mr Tyler: Financial year 2017, I don't think we actually did break out the business revenue. We did break it out in the last annual report, which you will have seen, and we intend to do so on an ongoing basis.

Senator URQUHART: Why didn't you do it in 2017?

Mr Tyler: It predates my time at NBN, but I would imagine the reason is it was a small revenue; it was just really not so relevant to the overall number.

Senator URQUHART: Do you know what were the business segment review forecasts before you arrived at NBN Co? Were they less than the $1.1 billion now forecast for the financial year 2022? I recall the NBN Co chairman previously quoting a figure of $1 billion. Has this been revised upwards?

Mr Tyler: I think it's more a timing of when you're talking about that billion dollars. We've had an aspiration to generate a billion dollars out of the business segment for some time. Whether it's 2022 or 2023, I think, is where you get the 1.0, 1.1, 1.2. We have not materially increased the aspiration of the forecast, to my knowledge. But actually, Mr Rue, maybe you have a better memory for that.

Mr Rue: Our chairman may have also mentioned it, but it certainly was me who talked about it being a billion-dollar business. I don't think we've upgraded our forecasts. We would have amended them, as you do, year on year. I don't think there's a significant upgrade. I think all you're seeing is just an extra year, and maybe me just saying that we want it to be a billion-dollar business. I am looking for the 2018 business number for you, though. We don't have 2017, but I'll see whether we can find 2018 for you, if you bear with me.

Senator URQUHART: Between financial year 2021 and 2023, the enterprise revenue is forecast to grow by $300 million a year to $1.2 billion a year. That's an increase of 33 per cent over two years. Has there been any corresponding reduction in the residential wholesale pricing?

Mr Tyler: The numbers we've spoken about there are the aggregate revenue from the whole business market. That includes everything from a sole trader, a small business, all the way through the mid-market and up into the upper end of enterprise and government. So, that $1.1 billion that we're referring to here is the aggregate revenue from the whole segment.

Senator URQUHART: Mr Tyler, in a recent blog you said:

When we invest in the enterprise market, we do so on a strict commercial basis that requires a high internal rate of return. In fact, our business plans call for these returns to be higher than other segments so we can use the revenue from this market to reinvest in upgrading the residential network.

Can you tell me what the rate of return on the business plans is, and what formal decision criteria are used?

Mr Tyler: I think it's worth taking note of why we are in the enterprise market, which is a segment of the overall business market. There are lots of reasons for that, in addition to the economic one that you've talked about now. Firstly, it generates great outcomes. It's generating great competitive outcomes, great economic outcomes for those businesses. That's one point. The other point is that when we deploy fibre—primarily it's a fibre discussion—to these large branch networks that are spread across the country, on the back of a commercially attractive proposition for us, we're pulling fibre deeper and deeper into towns, regional areas, all across the nation. On the back of that fibre that we pull deeper and deeper into the
network, that unlocks the opportunity for other businesses—small businesses and all the businesses that are all along the path—to take advantage of that fibre, the anchor tenancies that these large enterprises have afforded us. As I said, it's generating great competitive outcomes, great economic outcomes and great social outcomes in terms of the ability for other businesses to get access to it. To your actual question, which was the threshold at which we'll decide whether to agree with an enterprise to deploy fibre to all their branches, we require—and we've made this quite public, and it's part of our published business rules—a payback of any investment within the first five years of its operation.

Senator URQUHART: Over what period? Is that the five years that you measure that return?

Mr Tyler: It is, yes.

Senator URQUHART: The blog post made specific reference to the fact that the business revenue will be used to reinvest in the residential network. Can you tell me which parts of the residential network you were referring to?

Mr Tyler: We have an overall business plan for NBN set out in the corporate plan, and we do make more revenue on a per-site basis out of the more complex, more sophisticated broadband offerings that businesses require. And, unashamedly, they have a higher price attached to them. They're a more capable service. You would expect that. With those higher revenues, that goes back into the consolidated cash flow of the company overall, which is then employed for all the investments that we need to make across the business. So, there is an inherent cross-subsidy of revenue that we are making out of the business market, which we re-employ in meeting the broader social obligations of the company overall.

Senator URQUHART: Do you have any specific residential networks that you're actually referring to, though?

Mr Tyler: My colleagues may want to correct me, but no, we wouldn't think of it like that. We're not saying that this dollar made over here is re-employed over there. It's part of the overall cash flow of the company, and we have lots of different calls on that cash flow, as you can imagine.

Mr Rue: And Senator, a few things: it's very important that we generate positive cash flows in the future so that we can continue to invest in the network, and I think that's what Mr Tyler was referring to in his blog. Equally, as I said in my opening statement, when you pull fibre deeper—because you're providing services to an enterprise customer for example—it then brings down the cost going forward of upgrading homes that are close to that business. It's two things. First, the investment in fibre enables you to have a cheaper cost going forward, if ever you choose to upgrade that area, and, second, it's part of the reason to provide us with profitability or cash flows in the future, so we can continue to invest in the network. I've been very strong and very public that it's very, very important for NBN to get to a cashflow positive position, so it can continue to invest in our business. Because we know that consumer needs will change and technologies will change.

Senator URQUHART: Mr Tyler, NBN has been criticised by some retailers for deploying its own industry engagement consultants, which some have compared to a direct sales team. Is NBN working within the wholesale-only obligations when it has a team dedicated to working directly with end users?
Mr Tyler: I think it's important to understand there's two types of services that are relevant here. One is the broadband service you purchase from a retailer to actually use the ethernet or the bitstream service—the carriage service. That's one type of service, and that will always be purchased through a retailer; we will never sell that kind of service directly to end users.

There is another activity, which is upgrading the network itself. End users have been able to engage with us, ever since the very early days of NBN, to come to a commercial arrangement to upgrade their technology—the underlying access technology—typically that would be from copper technology or an HFC technology towards fibre. They've been able to engage with us to do that. These industry engagement consultants that you refer to, their role is to do two things. One is to be out there in the marketplace, educating the marketplace and educating end users about the range of offerings that are available from NBN—those lots of different types of business propositions that are available—and where they're available. One role is an education role. The second role is to work with end users should they ask NBN to upgrade their network. End users can upgrade their network in one of two ways. They can do it through a retailer, through an RSP, or they can upgrade it directly with NBN.

Senator URQUHART: How many end users have NBN's industry engagement consultants made direct contact with? For example, have you written to particular target customers on, say, the ASX 200?

Mr Tyler: I wouldn't have an exact number, but I would say it would be in the hundreds of businesses and government organisations that we've had engagements with.

Mr Rue: What we're doing here is consistent with the principles that you laid out upfront in terms of wholesale only and non-discriminatory. What we're doing is totally consistent with that. I don't have the exact number for business in 2018, but it was around 250 million, approximately. I don't have a number for 2017, but hopefully that helps you.

Senator URQUHART: How many people are employed as industry engagement consultants?

Mr Tyler: It's actually a very small team. It's in the order of 20 people—something like that.

Senator URQUHART: Do these consultants receive any incentive payments like bonuses for signing up end users to contracts which utilise NBN fibre?

Mr Tyler: No, they do not.

Senator URQUHART: Do the industry engagement consultants receive higher incentive payments or bonuses for signing up users to a 100 per cent NBN fibre solution as distinct from a solution that only partly uses fibre?

Mr Tyler: No, they do not.

Senator URQUHART: Do the consultants work directly with end users to help them design tenders?

Mr Tyler: No, they do not. I assume, through the question, you're talking about the end user retail tender that they put out to their retailers. No, we do not design those tenders.

Senator URQUHART: When NBN works with an end user to design a network solution, does it inform the end user of which RSPs are capable of delivering that solution?
Mr Tyler: We do. Not all retailers are what we call on-boarded to sell all of our different types of technology. All retailers are able to— all retailers have equal access to resell any of the NBN access technology—but they don’t all choose to. Some retailers don't participate in that part of the market. Some retailers don't want to productise some of our offerings. We list on our website which retailers are able to sell which of the NBN access technologies, whether it be a residential technology or a business technology. That list is available on our website, and we will make it available to end users on request.

Senator URQUHART: Is NBN subject to any operational separation requirements for its industry engagement consultants and its wholesale team?

Mr Tyler: We are a wholesale-only business. We don't have a retail arm.

Senator URQUHART: What about the industry engagement consultants?

Mr Tyler: The industry engagement consultants do not sell the ongoing retail services—that's always done through a retailer—but we do have a separate team. The industry engagement consultants are a separate team to the team that manages the relationships with our retailers, if that gives you any comfort.

Senator URQUHART: So there is an operational separation that happens?

Mr Tyler: Sure.

Senator URQUHART: If NBN is wholesale only, how do you respond to criticisms about entering into direct contracts with end users? Isn't that the retail providers’ role?

Mr Tyler: The direct contracts we enter into with an end user are about the upgrade of the physical infrastructure only. It will only be about building fibre into the various sites that those end users desire. Sometimes it's part of the network; sometimes it might be all of the network. They will come to us with a list of sites, and we will talk to them about the terms under which we would be willing to build fibre to those sites. We sometimes enter into a direct contract with them, and at other times we enter into a contract with them through a retailer. That is a different transaction to purchasing the carriage services—those broadband services—and they are something that we will never enter into a direct contract with an end user on.

Senator URQUHART: For my understanding, what's the legal basis for NBN operating as a wholesale-only entity?

Mr Tyler: We are a wholesale-only entity by definition. That is the nature of the company. I think you are asking: what is the basis under which we—

Mr Rue: I think it's the NBN act.

Senator URQUHART: You think it's the act?

Mr Rue: I think it's the NBN act.

Senator URQUHART: One of the officers from the department is nodding their head behind you.

Mr Rue: The NBN Companies Act.

Senator URQUHART: It's just so we have a clear view. Are you aware of any circumstances where one of the NBN's retail service provider partners has requested a quote
Mr Tyler: Not specifically, but I can imagine a number of scenarios in which that might happen. End users will quite often ask for a quote directly from NBN and simultaneously ask for a quote from a number of different retailers. I can't control which one of those quotes they will choose to take up. When a retailer asks us for a quote for a particular end user, we will provide that. We will provide that on equal terms to all retailers. If an end user asks us for that same quote then we will make that quote directly as well. I can't speak as to whether the end user will offer NBN 100 per cent of their sites or a proportion of their sites. That is a decision for the end user. But, in terms of the commitment that we will seek from an end user, it will only be on the basis of the actual sites that we will invest in.

Senator URQUHART: Would that be consistent with a wholesale-only mandate?

Mr Tyler: Absolutely—in the context of 'wholesale-only' being where we sell our broadband services into the marketplace. But the network upgrade would be a preparatory arrangement. It would not be around the selling of broadband services, which are only available on a wholesale basis from the NBN.

Senator URQUHART: Does NBN offer construction services at the same pricing and terms of service to all retail providers?

Mr Tyler: It does, yes.

Senator URQUHART: If NBN came across a sales lead, such as an end user who wants to switch to NBN, what are the obligations of NBN Co to share that information with retailers equally?

Mr Tyler: We've gone to great pains, particularly in conjunction with the ACCC, in working through and building our policies, procedures, practices and rights of audit, to ensure that we are strictly complying with our non-discrimination obligations. We do not provide sales leads to retailers at all. That is certainly the policy. I have heard about examples where that has not been the case, but I have not found an example. We certainly do not condone it, and we have policies and procedures in place to prevent it.

Senator URQUHART: What about under the ICT Channel Program? Have NBN account managers been sending sale leads to specific retail providers?

Mr Tyler: The ICT businesses in general exist to help end customers with their business needs. We engage with those same ICT businesses to help them understand about getting on board with the NBN. Quite often businesses, in particular small businesses or medium sized businesses, won't have large IT departments, as you could imagine, so they engage with ICT-type companies to assist them in getting access to the NBN. That channel doesn't sell the retail services again; those retail services always come through a retailer.

Mr Rue: Senator, can I just answer to be clear to your answer earlier: the wholesale-only obligation is contained in section 9 of the NBN Companies Act. It provides that:

An NBN corporation must not supply an eligible service to another person unless the other person is:

(a) a carrier; or
(b) a service provider.
Senator URQUHART: Thanks, Mr Rue. Can you explain why NBN Co requires confidential agreements with end-user contractors that retail providers can't access? Why is there a need for secrecy?

Mr Tyler: There's not really a great need for secrecy, to be honest. The confidentiality agreements that have appeared in the press in the last couple of weeks have a very standard mutual confidentiality clause. It's actually mainly to protect the end users because they typically don't want their site lists made available, generally, in the marketplace. We do make it clear that, if the end users want to release their information to RSPs, they should engage with us and there would be no reason why we wouldn't agree to that.

Senator URQUHART: NBN has announced thousands of orders for its Enterprise Ethernet product. Can you confirm how many have been activated?

Mr Tyler: I don't think we have announced thousands of orders— I'd be quite happy if we had announced that. Enterprise Ethernet is a new product.

Senator URQUHART: How many have you announced, Mr Tyler?

Mr Tyler: We don't announce orders at all actually with Enterprise Ethernet. But, to give you a more fulsome answer to your question, we've taken orders in the hundreds. It's a new product we've only released quite recently. We have other business products and we have obviously sold a lot more of some of our other business products, including fibre based products. But Enterprise Ethernet is our most capable offering up to a gigabit symmetrical services, fibre based services, all over the country. That is a very new offering. Our retail partners are only just starting to make that a mainstream offering of their own, so we're just on the start of the curve of seeing the success of Enterprise Ethernet. I am very pleased to see the way the market is expressing interest in the product. It's a product that will generate great outcomes, I think, for end users and for the nation in general.

Senator URQUHART: I was under the impression that you had announced thousands of orders, or thousands of sites, but you're saying—

Mr Tyler: I think that's probably more related to some of our other business products, including our fibre based products. We have other products— such as Traffic Class 2, which is another symmetrical fibre based business product that we have quite some orders on.

Senator URQUHART: Telstra, Optus, Aussie Broadband, Exetel and Focus, which are five of the top eight retailers, have now all made public criticisms of the way the NBN business unit conducts itself either in relation to the Macquarie Telecom deal or other matters. But NBN's dismissed them as either ancient history or mischievous claims. What do you consider to be mischievous about these claims? Can that many retailers actually be incorrect?

Mr Tyler: That list of retailers relates to a whole lot of different issues. The claim that NBN is using a low cost of capital to participate in this market is incorrect, as Mr Rue pointed out earlier. NBN is providing retail services directly to customers— there are a number of claims like that which were simply incorrect. I'll touch on the broader question you're asking, which is our conduct. As you know, and as has been very public, we've worked with the ACCC over the last 12 months. The purpose of that was twofold— to look at our historical conduct and to look at our conduct going forward. There is no question that the ACCC came to the view that, in the early days of NBN's participation in the business market, some releases of information to different retailers happened at different times. We have an obligation to
release information at the same time or as close as practically possible. There was information
released to one party sooner than to other parties. The ACCC did find that there was no
commercial harm as a result of that because there was pricing information released to the
whole market well in advance of that product actually being available to be purchased.

Notwithstanding that, I'm not suggesting that we don't take our obligations very seriously;
we absolutely do take our non-discrimination obligations very seriously. That's why we've
worked with the ACCC to put in place a rigorous process. Despite the fact that no commercial
harm came from that range of incidents, we don't condone it. We want to ensure, on an
ongoing basis, that we are fully compliant with our non-discrimination obligations and very
transparent in doing that.

We welcomed the activity and engagement with the ACCC. It helped us formalise some of
our processes. The ACCC investigated our practices to ensure that what we were doing was
consistent with the intention of NBN's participation in this market. The ACCC even came out
with a statement that they recognised that our participation in this market was generating
fantastic, and they're my words not theirs, but great competitive outcomes, great economic
outcomes, for all businesses across the nation.

Senator URQUHART: Why did NBN give Macquarie Telecom five months exclusive
advance notice of its Enterprise Ethernet offer as well as providing other rights not available
to other retailers?

Mr Tyler: We didn't. Well—

Senator URQUHART: Sorry, you didn't?

Mr Tyler: we did and we didn't.

Senator URQUHART: Would you like to clarify that.

Mr Tyler: If I could—it's getting late! What happened was that we put together a whole-
of-business deal that we made available to the market. We tried to get a number of different
retailers interested in that deal, and we had limited success with that. Macquarie Telecom
were interested in that deal. Through the process of agreeing that deal, information was
sought on a product that we were going to launch some eight or nine months later. Before
committing to an arrangement with us, they wanted to have an insight as to what that pricing
would be. We weren't in that kind of discussion with any other retailer at the time. We did
offer it to them, and we have now published the details of that deal across the industry. But
before that pricing information was commercially useful—well before the product that it
related to it was actually available for sale—we made sure that information was published to
all retailers who wanted to sell the product.

Senator GREEN: I have some questions relating to the NBN rollout in Samford in
Queensland. It might be something that has been drawn to your attention before because of
the community reaction to what has been going on. I understand that there are greenfield
estates where pit and pipe has been deployed, such as Samford Skies in Highvale. However,
feedback from the community indicates that the NBN is not deploying fixed line technologies
in this area. Given the government's new developments policy and the fact that these new
development lots are pit and pipe ready, why isn't the NBN deploying fixed line technology in
these areas?
Ms Dyer: I will start at the high level. In the non-fixed line footprint, NBN doesn't reticulate a fixed line network in those instances; we use the native technology that has been set over all. For example, if some new homes were built in a fixed wireless area, our native technology that we would connect those new homes to would be fixed wireless.

We are very aware of the Samford area, and again we've been looking at many of the construction challenges that face us in that area. We are currently reviewing how we're looking to deploy the network in that area. It has a lot of geographic challenges. There are very large homes with very long driveways, so you have to take that into consideration as to the types of networks that could be deployed. My understanding of the area—I haven't been there myself—is that it's quite hilly and dense in terms of being able to deploy even fixed wireless or a fixed line solution. So we are looking at that from an engineering perspective to work out what the best deployment for the network would be.

Senator GREEN: But Samford's only 20 to 25 kilometres out of the capital city, Brisbane. Isn't the Sky Muster satellite option for households in more regional and remote areas?

Ms Dyer: I'm well aware of that area from a network planning perspective. My planning team have told me, I think, that it's about 17 kays as the crow flies. So we are looking at that area. We are currently considering the best deployment method to that area.

Senator GREEN: There are people who are concerned about this. About 2,000 people have signed a petition at the moment, and it is a smaller town, so that's quite a big number. But it's not as geographically isolated as other places in the country. It's pretty close to Brisbane, really. I just want to give them a little bit of certainty about this before we go tonight. There are people who have been moved between fixed line and wireless technology. Can you let me know, since 1 January, how many subscribers were moved from a previously allocated fixed line technology to a fixed wireless or satellite technology, and what's the reason for this change?

Ms Dyer: I will definitely have to take that question on notice and come back to you. Again, what happens in the construction program, as we get on the ground and start construction work, is that we do see some changes in the network boundary. Sometimes we extend the network boundary—the fixed line boundary. We've got examples of that, in fact, in Canberra and New South Wales, where recently, when we've been deploying, we've deployed an alternative solution because it made more sense. So we are reviewing that area at the moment. Again, it is quite a challenging area to deploy to. As I said, there are very large street frontages. My understanding is that there's a lot of aerial network there. So, depending on how we finally deploy to that area—and it is under consideration—we will need to take all of that into consideration to be able to construct in that area.

Can I make a suggestion, Senator. I can come back to you more fully, I think, on this area. Even with my planning team, it's a very hot topic for NBN, because we understand the customers' frustration. I have certainly reviewed it myself. So, if we could take that on notice, I think we could come back to you more fully.

Senator GREEN: Can you just explain, though, what the commercial rationale is—and I think you're trying to address this—for placing premises previously judged to be economical
on a fixed line onto fixed wireless. Is it actually about reducing the cost of the rollout, or is it primarily to meet the 2020 deployment time frame?

Ms Dyer: There are many considerations. Sometimes it's not possible to deploy a fixed line network. Again, when we get into the field, we may find, for example, that there's no passive infrastructure such as pit and pipe. There could be direct buried cables et cetera. Therefore—and I'm not suggesting that's the case in this area—we could be doing quite invasive construction work. So we look at everything: the geographic area, the technology, assets in the area and the way that we connect into the network. So it's not about the June 2020 time frame. We do put a cost lens on it, because obviously we need to make sure that we're investing our capital wisely. Again, broadly, our technology for areas is set, and then, as we take that into detailed design and construction, we do see some boundary changes that occur.

Senator GREEN: I think the issues that have been raised have led people in the Samford area to indicate that they're prepared to halt the proposed NBN Co deployment in order to receive the right long-term, sustainable, fixed-line broadband technology for the community irrespective of NBN Co's target completion date. I know you've said tonight that you're planning on reviewing this issue and you are aware there's a petition with around 2,000 signatures. Will you go beyond a review and actually have a conversation with the community to find out what their needs are and what they want out of this situation?

Ms Dyer: It's the role of the NBN local team to engage with the community, take that feedback on board and input it into the overall network plan and construction team. I have a construction team based in Queensland. They're quite local in their knowledge. We would take that into consideration and we would be prepared to engage with that group, as I think we have been doing.

Senator GREEN: When are you planning on finalising your review?

Ms Dyer: I can't give you a time frame, unfortunately, but I have a ticking clock to complete the network by June 2020, so any outstanding reviews of any edge case decisions we are making quite rapidly.

Senator GREEN: With respect, I think the people who are concerned about this don't want an answer in June 2020. They need an answer now so they know what's going to happen before June 2020. So it would be really helpful if you could conduct that review and get back to them. I'm happy for you to take that on notice—

Ms Dyer: Yes, absolutely.

Senator GREEN: and let them know not necessarily what the decision is but what the plan around consultation is. Essentially they're feeling not only that they're not happy with the service they're being offered but that they're not being listened to.

Mr Rue: I don't think Kathrine was saying she's going to wait till 30 June to do the review. She was saying she wants to do the review quickly so that she can complete it by 30 June—

Ms Dyer: Complete the build, not the review.

Mr Rue: which is different, I think, from what you heard, sorry.

Senator GREEN: Ms Dyer, could I ask you what you were saying.
Ms Dyer: What I was saying was that the review is underway now. I want to finalise that review quickly. Ideally, I want to finalise not the review—although obviously I want to finalise that—but the build, and for me to be able to do that I need to finalise the review.

Senator GREEN: Thanks.

Senator URQUHART: Mr Rue, I briefly want to come back to a point. Earlier this evening you said there was no change in the overall fixed wireless funding; rather, a change in the timing of the funding. This doesn't appear to be consistent with the corporate plan. In the 2019 corporate plan, cumulative capital expenditure to financial year 2022 was around $3.4 billion for fixed wireless. In the 2020 corporate plan, cumulative capital expenditure to financial year 2022 was around $3.2 billion. If it were just a timing issue, wouldn't we expect those two issues to match up?

Mr Rue: Then it would just be a shift into 2023. The $800 million that we talked about spending on fixed wireless has not changed. It will just be a timing outside of the 2022 year that fits in 2023. There's often rounding in these numbers as well.

Senator URQUHART: Can you tell me why an NBN Co spokesperson today claimed to iTnews that the $200 million reduction was a direct result of the reduction in premises?

Mr Rue: I can't comment on that. What I can say—is sorry; I'm just repeating what I said earlier—is that there is some difference in build timing and some difference in connection timing, but the biggest piece is timing in terms of the capacity program and when that money will be spent over several years. I'm just telling you what it is.

CHAIR: The time being eleven o'clock, that concludes the committee's examination of the Communications and the Arts portfolio. To NBN Co and, in particular, Mr Rue: thank you very much. Senators are reminded that written questions on notice should be provided to the secretariat by close of business on Friday 1 November 2019. I thank the minister and officers for their attendance. I also thank the secretariat staff, and Broadcasting and Hansard officers.

Committee adjourned at 10:59